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Ratings: Moody's: Aaa
S&P: AAA
Fitch: AAA
(See "RATINGS" herein)

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 13, 2024

NEW ISSUE—Book-Entry Only

This Official Statement has been prepared by the Local Government Commission of North Carolina and the Town of Morrisville, North Carolina (the "Town") to provide information in connection with the sale and issuance of the Bonds described herein. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Capitalized terms used on this cover page have the meanings given in this Official Statement.

Town of Morrisville, North Carolina

\$1,710,000
General Obligation
Streets, Sidewalk and Connectivity
Improvement Bonds
Series 2024A

\$20,500,000
General Obligation
Public Improvement Bonds
Series 2024B

Dated: Date of Delivery

Due: As shown on inside cover page

Tax Treatment

In the opinion of Bond Counsel, which is based on existing law and assumes continuing compliance by the Town with certain covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation and will not be a specific preference item for purposes of the alternative minimum tax imposed by the Code; however, interest on the Bonds held by certain corporations will be included in the computation of "adjusted financial statement income" for purposes of the federal alternative minimum tax imposed on such corporations. Furthermore, in the opinion of Bond Counsel, based on existing law, interest on the Bonds will be exempt from all State of North Carolina income taxes. See "TAX TREATMENT" herein.

Redemption

Series 2024A Bonds are not subject to redemption prior to maturity. Series 2024B Bonds are subject to optional redemption at the times and prices as set forth herein.

Security

The Bonds constitute general obligations of the Town, secured by a pledge of the faith and credit and taxing power of the Town.

Interest Payment Dates

February 1 and August 1, commencing February 1, 2025.

Denominations

\$5,000 or any integral multiple thereof.

Expected Closing/Settlement

Series 2024A: October 16, 2024
Series 2024B: October 17, 2024

Bond Counsel

Womble Bond Dickinson (US) LLP, Raleigh, North Carolina

Financial Advisor

Davenport & Company LLC, Charlotte, North Carolina

Sale Date

September 24, 2024

Sale of Bonds

Pursuant to sealed and electronic bids in accordance with the Notice of Sale

The date of this Official Statement is September __, 2024

MATURITY SCHEDULES

Town of Morrisville, North Carolina

\$1,710,000 General Obligation Streets, Sidewalk and Connectivity Improvement Bonds, Series 2024A

<u>Due</u> <u>August 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial Public</u> <u>Offering Yields¹</u>	<u>CUSIP⁺</u>
2025	\$855,000			
2026	855,000			

\$20,500,000 General Obligation Public Improvement Bonds, Series 2024B

<u>Due</u> <u>August 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial Public</u> <u>Offering Yields¹</u>	<u>CUSIP⁺</u>
2025	\$ 260,000			
2026	260,000			
2027	1,110,000			
2028	1,110,000			
2029	1,110,000			
2030	1,110,000			
2031	1,110,000			
2032	1,110,000			
2033	1,110,000			
2034	1,110,000			
2035	1,110,000			
2036	1,110,000			
2037	1,110,000			
2038	1,110,000			
2039	1,110,000			
2040	1,110,000			
2041	1,110,000			
2042	1,110,000			
2043	1,110,000			
2044	1,110,000			

¹Information obtained from underwriters of the Bonds.

⁺CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright ©2024 CUSIP Global Services. All rights reserved. CUSIP data herein is provided for convenience of reference only. The Local Government Commission, the Town and their respective agents do not take responsibility for the accuracy of such data. Also, investors should be aware that under certain circumstances the CUSIP identification number assigned to a maturity of the Bonds may be changed to a new replacement number.

TOWN OF MORRISVILLE, NORTH CAROLINA

TOWN COUNCIL

TJ Cawley..... Mayor

Satish Garimella.....Mayor Pro-Tempore

Donna Fender
Liz Johnson
Steve Rao
Anne Robotti
Vicki Scroggins-Johnson

TOWN STAFF

Brandon Zuidema Town Manager

Giselle RodriguezDeputy Town Manager

Byron Hayes Interim Finance Director

R. Frank Gray Town Attorney

FINANCIAL ADVISOR

Davenport & Company LLC
Charlotte, North Carolina

BOND COUNSEL

Womble Bond Dickinson (US), LLP
Raleigh, North Carolina

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LOCAL GOVERNMENT COMMISSION
STATE AND LOCAL GOVERNMENT FINANCE DIVISION

INTRODUCTION

This Official Statement, including the cover page and the appendices, is intended to furnish information in connection with \$22,210,000 General Obligation Bonds (the “Bonds”) of the Town of Morrisville, North Carolina (the “Town”), consisting of \$1,710,000 General Obligation Streets, Sidewalk and Connectivity Improvement Bonds, Series 2024A (the “Series 2024A Bonds”) and \$20,500,000 General Obligation Public Improvement Bonds, Series 2024B (the “Series 2024B Bonds” and together with the “Series 2024A Bonds”, the “Bonds”).

The information furnished herein includes a brief description of the Town and its economic condition, government, debt management, tax structure, financial operations, budget, pension plans and contingent liabilities. The Town has assisted the Local Government Commission of North Carolina (the “Commission”) in gathering and assembling the information contained herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date thereof. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”) except, when it is in preliminary form for the omission of certain pricing and other information to be made available by the successful bidders for the Bonds to the Commission. In accordance with the requirements of the Rule, the Town has agreed in resolutions adopted by the Town Council of the Town to certain continuing disclosure obligations. See the caption “CONTINUING DISCLOSURE” herein.

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

The Commission, a division of the Department of State Treasurer, State of North Carolina (the “State”), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. Appendix A to this Official Statement contains additional information concerning the Commission and its functions.

THE BONDS

Description

The Bonds will be dated their date of delivery and will bear interest from their date. Interest on the Bonds is payable on February 1, 2025 and semiannually thereafter on each August 1 and February 1, at the interest rates set forth on the inside cover page of this Official Statement. The interest so payable on any such interest payment date will be paid to the persons in whose name the Bonds are registered at the close of business on the record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date. The Bonds will mature, subject to the redemption provisions, in the years and principal amounts set forth on the inside cover page of this Official Statement.

The Bonds will be issuable as fully registered bonds in a book-entry only system under which The Depository Trust Company, a New York Corporation (the “DTC”) will act as securities depository nominee for the Bonds. Purchases and transfers of the Bonds may be made only in authorized denominations of \$5,000 and in accordance with the practices and procedures of DTC. See Appendix F hereto for a description of the book-entry only system and DTC.

Redemption Provisions

The Series 2024A Bonds will not be subject to redemption prior to maturity.

The Series 2024B Bonds maturing on or prior to August 1, 2034, will not be subject to redemption prior to maturity. The Series 2024B Bonds maturing on August 1, 2035 and thereafter will be subject to redemption, at the option of the Town, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than August 1, 2034, at a redemption price equal to 100% of the principal amount of the Series 2024B Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

If less than all of the Series 2024B Bonds of any one maturity shall be called for redemption, the particular Series 2024B Bonds or portions of the Series 2024B Bonds to be redeemed shall be selected by lot in such manner as the Town may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Series 2024B Bonds for redemption, each Series 2024B Bond shall be considered as representing that number of the Series 2024B Bonds which is obtained by dividing the principal amount of such Series 2024B Bond by \$5,000. So long as a book-entry system with DTC is used for determining beneficial ownership of Series 2024B Bonds, if less than all of the Series 2024B Bonds within a maturity are to be redeemed, DTC and its participants shall determine by lot which of the Series 2024B Bonds within such maturity are to be redeemed. If less than all of the Series 2024B Bonds stated to mature on different dates shall be called for redemption, the particular Series 2024B Bonds or portions of the Series 2024B Bonds to be redeemed shall be called in such manner as the Town may determine.

Notice of redemption shall be given by certified or registered mail to DTC or its nominee, as the registered owner of the Series 2024B Bonds. Such notice shall be mailed not more than 60 days nor less than 30 days prior to the date fixed for redemption. The Town will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee for so long as DTC or its nominee is the sole registered owner of the Series 2024B Bonds.

On the date fixed for redemption, notice having been given as hereinabove described the Series 2024B Bonds or portions therefore called for redemption shall be due and payable at the redemption price provided therefore, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Series 2024B Bonds or portions thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption have been deposited by the Town to be held in trust for the registered owners of the Series 2024B Bonds or portions thereof to be redeemed, interest on the Series 2024B Bonds or portions thereof called for redemption shall cease to accrue, such Series 2024B Bonds or portions thereof shall cease to be entitled to any benefits or security under the resolution providing for

their issuance or to be deemed outstanding, and the registered owners of such Series 2024B Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date of redemption, and, if a portion of the Series 2024B Bond shall have been selected for redemption, a new bond or bonds of the same maturity and issue, of any authorized denomination or denominations and bearing interest at the same rate for the unredeemed portion of the principal amount of such Series 2024B Bond.

Any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Town on or prior to the redemption date of monies sufficient to pay the principal of and premium, if any, and interest on the Series 2024B Bonds to be redeemed, and that if such moneys are not so received, such notice shall be of no force or effect and such the Series 2024B Bond shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the redemption price and interest on such the Series 2024B Bonds are not received by the Town on or prior to the redemption date, the redemption shall not be made and the Town shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Authorizations and Purposes

The Series 2024A Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina. The Series 2024A Bonds are being issued pursuant to a bond order duly adopted by the Town Council on July 23, 2024, which order has taken effect, and a resolution duly adopted by said Town Council on August 13, 2024. The Series 2024A Bonds are being issued for the purpose of providing funds for streets, sidewalk and connectivity improvements within the Town.

The Series 2024B Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, and two bond orders duly adopted by the Town Council of the Town on August 10, 2021, which bond orders were approved by the voters of the Town at referenda held on November 2, 2021, and a resolution adopted by said Town Council on August 13, 2024. The Series 2024B Bonds are being issued for the purpose of providing funds for parks and recreation improvements and streets, sidewalk and connectivity improvements within the Town.

Security

The Bonds are general obligations of the Town. The Town is authorized and required by law to levy on all real and tangible personal property taxable by the Town such ad valorem taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon.

(Remainder of page left blank intentionally)

THE TOWN

General Description

Morrisville is a community of approximately 10 square miles. Since 2000, Morrisville's population has grown from 5,000 to over an estimated 32,000 residents as of July 2022 (Data Source: NC Office of State Budget and Management (OSBM) State Demographer). Morrisville has been one of the fastest growing and most diverse towns in North Carolina. The Town's demographics include approximately 46% Asian, 35% White, 10% African American, and 9% other and two or more races. Asian Indian is the Town's largest group in the Asian category representing approximately 36% of the Town's total population in 2020, a considerable increase from 20% in 2010 (Data Source: U.S. Census Bureau 2020 Decennial Census). Seventy-seven percent of the population is over age 18 (Data Source: 2022 American Community Survey 5-Year Estimates)). The Town and the community are committed to diversity and inclusion for all residents, businesses, and visitors. The Town maintains a focus on cultural awareness and celebrating the cultural diversity of the community.

"Live Connected. Live Well." is the Town's ideology and philosophy. A 2022 Community Survey indicates that 94% of residents think Morrisville is a good or excellent place to live. When surveyed, residents communicated they value the connection they feel when in the Town - the connection they have to global businesses, opportunities, parks, and open space, and most importantly, to each other. The community embraces small-town ideals with the conveniences and amenities of a metropolitan city available in the Town or within easy access nearby.

The idea of living connected and living well guides the Town's decision-making processes in all areas and has been the catalyst for infrastructure improvements to roadways, greenways, and recreational facilities. In November 2021, Town residents approved the issuance of \$37,000,000 general obligation bonds (\$8,000,000 for Public Safety, \$17,300,000 for Parks and Open Space, and \$11,700,000 for Transportation and Related Infrastructure). The Series 2024B Bonds represent the second issuance from such authorization.

Morrisville is located adjacent to North Carolina's Research Triangle Park – a national hotbed of technological development, hosting almost 400 companies and 60,000 workers. The Town's economy is based on highly skilled professional and technology industries, and a population that is diverse, affluent, and highly educated. As a result, 74% of the Town's population has earned an education with Bachelor's degree or higher and the local median household income is now \$114,075, nearly twice the State average of \$66,186 (Data Source: 2022 American Community Survey 5-Year Estimates). The Town is close to both Raleigh and Durham for access to amenities found in larger cities. The Town is conveniently located within ten minutes of the Raleigh- Durham International Airport, has immediate access to Interstates 40, 85 and 540, and is expected to be home to a transit station for a regional light rail system.

Morrisville was recognized as an All-America City by the National Civic League in June 2021, Morrisville was one of only 10 communities nationwide to earn this recognition. Morrisville's many accolades include the following:

- 2024 CIO 100 Award Winner by Foundry's CIO
- No. 7 Best Small City in the U.S. to Start a Business by WalletHub.com (2024)
- No. 1 Best Suburb for Young Professionals in NC by Niche (2024)
- 2023 Cleantech Innovation Award Winner
- No. 2 Best Performing Large City by Milken Institute (February 2024)
- No. 2 Hottest Housing Market by US News & World Report (February 2024)
- No. 10 Best Small City in the U.S. to Start a Business by WalletHub.com (2023)
- Rated by Niche.com as the No. 1 Best Place to Raise a Family in the Raleigh Area (2023)
- No. 5 Best Place to Live for Families by Fortune Well, a living and wellness subsidiary of Fortune.com (2022)
- Rated by Niche.com as the No. 1 Best Place to Live in North Carolina in 2022 and 2021

Demographic Characteristics

The United States Department of Commerce, Bureau of the Census, has recorded the population of the Town to be as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
1,489	5,208	18,576	29,630

The North Carolina Office of State Budget and Management estimated the Town's population as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
28,037	28,837	30,022	31,636	32,224

Per capita income data for the County, State and the U.S. are presented in the following table:

<u>Year</u>	<u>County¹</u>	<u>State</u>	<u>U.S.</u>
2018	\$ 59,788	\$46,040	\$53,309
2019	61,941	48,366	55,547
2020	65,717	51,781	59,153
2021	73,800	56,705	64,430
2022	76,357	58,109	65,470

¹Separate data for the Town is not available.

Source: United States Department of Commerce, Bureau of Economic Analysis.

Commercial and Industrial Profile

Over the past 30 years, the Town has grown from a small crossroads community to a rapidly expanding town. The Town, which is approximately ten square miles, is strategically located in the center of the Triangle region of central North Carolina. The Town is adjacent to Research Triangle Park ("RTP"), which was established in 1959 and is one of the largest research parks in the United States (7,000 acres). There are currently 375 global research and development-related companies in RTP employing approximately 60,000 workers with 42% Minority & Women-Owned businesses of RTF (Research Triangle Foundation) vendor contracts. Firms doing business in RTP include biotech, electronic/nanotechnology, financial services, environmental science, pharmaceuticals, and communications. RTP tenants include Biogen, Cisco, Fidelity, IBM, Lenovo, NetApp and RTI International. Construction of Hub RTP is underway and planned to include a 250-room hotel, 1,200 apartment units, one million square feet of office and lab space, 50,000 square feet of retail space and 16 acres of parks and green space. In October 2022, RTP broke ground on the first component of Hub RTP called "the Horseshoe" which will be the center of the park's future downtown district. In December 2023, RTP received a \$1.09 billion discretionary federal grant to design and build the first segment of the high-performance S-Line passenger rail to better connect North Carolina and Virginia.

The Town's location relative to regional transportation facilities contributes to its economic health. The Town owes its founding and early life to the railroad, and a major east-west set of tracks that continue to carry freight and passengers through the Town. These tracks are expected to be expanded in the future to include additional passenger rail lines. The Town also has direct access to major roadways, including Interstates 40, 540 and the Triangle Expressway (NC-885/NC-540). The North Carolina Department of Transportation (NCDOT) has several major road projects planned in Morrisville as part of its State Transportation Improvement Program including widening plans for portions of NC54 and McCrimmon Parkway. The Town has also partnered with NCDOT to extend Airport Boulevard with construction scheduled to begin by the end of 2024. The Town is also adjacent to Raleigh-Durham International Airport, offering convenient access for passenger and cargo air services. The Town launched an on-demand app-based free shuttle service in 2021 with 15 stops in

Town and an additional stop at the regional transit center. The service is provided through a partnership with GoTriangle (formerly Triangle Transit Authority).

The Town's tax base has experienced continuous growth over the past two decades with more strides in recent years. The Town has over 1,500 businesses within its corporate limits and is home to several industry-leading companies.

Perimeter Park Business Park, a three million square foot Class A office development, has a robust business climate and is located in the Town. Major companies such as Northrop Grumman, IXL Learning, Syneos, Jaggaer, Teleflex, TrialCard, UNC-Healthcare, and Microsoft are located in Perimeter Park. The Perimeter Park campus contributes approximately \$117 million to the Town's tax base and is located in an area designated for commercial development near other existing and planned commercial development.

With the completion of the McCrimmon Parkway extension, approximately 350-acres of vacant land opened up for development. Following adoption of an updated Land Use Plan in February 2021 and zoning changes implemented quickly thereafter, a large majority of this corridor is committed. Among the developments underway in the area are the \$1 billion Spark life science campus on 109 acres. The development is planned to include 12-15 buildings with lab and bio-manufacturing space, green spaces, restaurants, and retail. Construction of Pathway Triangle, another life science development on the corridor is underway with Phase I including a 126,000 square foot three-story research lab and two biomanufacturing buildings totaling more than 280,00 square feet. A 340-unit multifamily development is also nearing completion and new 332-unit and 302-unit multifamily developments are underway each including associated retail and restaurant space. New indoor go-cart and sky diving facilities have also recently been completed. These developments complement the Wake Competition Center already located on the corridor. The Wake Competition Center is a multi-sport facility housing a twin ice rink, championship volleyball facility, multi-field soccer fields, a professional gymnastics venue and is the practice facility for the Carolina Hurricanes professional hockey team. The Wake Competition Center brings visitors to the area, and there are plans to expand the facility to include other sports.

The Town's retail community currently includes several outdoor shopping centers (Park West Village, Shiloh Crossing including Walmart, Bethany Village, Grace Park, Greenwood Village, McCrimmon Corners, Morrisville Market, Morrisville Square, Morrisville Station, and Park Place).

Park West Village constitutes the largest mixed-use development in the Town. Anchored by Target, and including stores like HomeGoods, Trader Joe's and TJ Maxx, the development features several popular restaurants and a growing number of commercial tenants. The residential component includes two free-standing apartment complexes and units vertically integrated within commercial buildings. The development of Park West Village has spurred several other smaller, retail, office and multifamily developments, and has brought additional re-development interest to other parcels proximate to the site.

The Shiloh Crossing Shopping Center is located at one of the interchanges of I-540 and is one of the community's the largest commercial shopping center facilities which is anchored by Walmart. Other developments in the area include WaterWalk Hotel Apartments, Home2Suites, and a multi-family residential development component.

In addition to the shopping centers noted above, scattered site commercial development is also found throughout the Town. Demand for hotel sites is strong due to the Town's strategic location to business centers and transportation facilities. A number of restaurants have been developed over the past several years, many of which have located in such shopping centers. The Town has also recently seen the redevelopment of its former outlet mall and a former Sam's Club has also been renovated for office and life science use.

The Town's leadership, recognizing the desire and need to establish a central town core adopted a Town Center subarea plan as part of the 2021 Land Use Plan Update. This plan provides

for the development of a pedestrian oriented mixed-use walkable district with public spaces and the creation of a live-work-play destination on land centrally located adjacent to the Town's existing municipal campus. This includes a network of open spaces and pedestrian accessible paths that culminates in a Town Green, a farmers' market, and a Wake County Library.

The Town has moved forward with several priority infrastructure components of the Town Center Plan. The Carolina Street Extension project was completed in Fall 2019 and connects Carolina Street to Town Hall Drive through a grand roundabout, which serves as the key gateway entrance into the site and is anchored by the Wake County Library that was constructed and opened to the public in November 2020. Also in November 2020, the Town completed a regional stormwater management control system which is a key piece of supporting infrastructure that serves a 34-acre watershed with specialized wetland landscaping, sanitary sewer main relocation and a reconstructed greenway section. Since the inception of the Town Center project, the Town has collaborated with the Development Finance Initiative (the "DFI") at the UNC School of Government. DFI has been assisting the Town in developing the Town Center project including financial models that leverage the planned public investment to attract private investment in the project. In addition, the Town owns a number of parcels that will be part of the Town Center development and the Town continues to acquire additional parcels to complete the land development portfolio. The Town has selected a preferred developer and has entered into a pre-development agreement and approved a Planned Development rezoning for the first phase of the development. When completed, the project is anticipated to establish the Town Center as a center of economic and residential opportunities in the region, strengthen the local tax base and serve as a model for urban development. The primary goal of the Town Center Development project is the creation of a "destination" – a pedestrian friendly, walkable development that will complement the Town's existing neighborhood in the Town Center corridor and bring residents and visitors together to eat, shop, and enjoy time together. A key component of this project is the inclusion of a Town Green and amphitheater as a place to gather. The project will tie in various area amenities including a children's playground, greenway trail network, new dog park, a future veterans memorial, and planned greenways that will create better pedestrian and bicycle facilities networks to help draw visitors to Town Center.

(Remainder of page left blank intentionally)

Construction activity in the Town as represented by the number and value of building permits is indicated in the following table:

<u>Fiscal Year</u>	<u>COMMERCIAL</u>		<u>RESIDENTIAL</u>		<u>Total Value</u>
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
2020	37	\$125,974,413 ¹	59	\$ 8,951,175	\$134,925,588
2021	10	30,997,561	169	29,784,554	60,782,115
2022	13	21,336,197	90	18,734,890	40,071,087
2023	36	327,754,802 ¹	13	7,706,667	335,461,469
2024	5	24,916,413	38	12,071,214	36,987,627

¹In fiscal year 2020 there were four significant projects for commercial development, three multi-family development projects and a hotel. In fiscal year 2023 there were two significant projects for commercial development and three significant apartment building projects.

Source: Morrisville Inspections Department.

The following table lists the major employers in the Town as of June 30, 2024:

<u>Employer</u>	<u>Business Type</u>	<u>Approximate Number of Employees</u>
Syneos Health Inc.	Pharmaceutica/Biotechnology	6,800
Lenovo	Computer Manufacturing	5,100
Conduent Business Systems	Global Business Technology	3,700
Credit Suisse	Financial Services	2,400
Mercalis	Life Science Technology	1,650
Luihn Food Systems	Restaurant Management	1,290
FujiFilm Diosynth	Biotechnology	1,250
Eaton	Power Management	1,100
PPD	Pharmaceutical/Biotechnology	1,000
Spectrum (Channel Advisor)	Info. Technology/E-Commerce	930

Note: Approximate numbers are rounded for illustration.

Source: Town of Morrisville Chamber of Commerce

Total taxable sales for the County for the five fiscal years ended June 30, 2019 through 2024 are shown in the following table:

<u>Fiscal Year</u>	<u>Total Taxable Sales</u>	<u>Increase Over Previous Year</u>
2019	\$19,711,357,427	7.87%
2020	20,128,769,992	2.12
2021	22,643,614,457	12.49
2022	26,567,203,523	17.33
2023	29,468,896,469	10.92
2024	30,502,926,367 ¹	3.51

¹Preliminary, subject to rounding.

Source: North Carolina Department of Revenue, Sales and Use Tax Division. Information for the Town is not separately available.

Employment

The North Carolina Department of Commerce, Division of Labor and Economic Analysis has estimated the percentage of unemployment in the County¹ to be as follows:

<u>Year</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2019	3.1%	2.8%	2.7%	2.5%	2.9%	3.0%	3.1%	3.1%	2.7%	2.6%	2.7%	2.2%
2020	2.5	2.3	2.7*	7.9*	8.8*	5.9	5.8	4.0	4.4	4.2	4.1	3.9
2021	3.7	3.4	2.9	2.7	2.8	3.2	2.9	2.8	2.5	2.1	1.8	1.8
2022	2.6	2.8	2.4	2.1	2.4	2.9	2.6	2.8	2.4	2.7	2.5	2.1
2023	2.7	2.6	2.5	2.3	2.6	2.8	2.6	3.0	2.6	2.8	2.7	2.4
2024	2.6	2.8	2.6	2.4	2.7	4.1	3.0	N/A	N/A			

*Beginning in March through May 2020, the unemployment rate reflects layoffs due to the COVID-19 pandemic.

¹The Town's unemployment rate averaged 2.6% for calendar year 2023, as compared to 3.0% for Wake County, 3.5% for the State and 3.6% for the U.S.

Government and Major Services

GOVERNMENT STRUCTURE

The Town operates under the Council-Manager form of government in which the residents elect a Mayor and a Town Council as the Town's governing body. The Town Council appoints the Town Manager, who serves as the Town's chief administrative officer.

As the principal elected official of the Town, the Mayor provides leadership to the governing body and community and presides at all Town Council meetings. The Mayor is elected for a four-year term.

As the legislative body of the Town, the Town Council is charged with governing the Town and establishing Town policies. The Town Council is comprised of Town Council Members who are directly elected by the entire voting population. Four of the Town Council Members are required to reside within the district which they represent and two Council Members are elected to "at large" positions and may reside anywhere within the Town limits. The Town Council Members serve overlapping four-year terms.

EDUCATION

The Town is served by the Wake County Public School System (the "WCPSS"), a consolidated school system which is one of the highest rated in the nation as well as the largest in North Carolina. WCPSS has 199 schools serving approximately 160,000 students and employing approximately 20,110 employees. There are two public elementary schools within the Town limits with approximately 1,500 students. The construction of Parkside Elementary School in RTP adjacent to Morrisville was completed in August 2020. Current enrollment is approximately 830 students. The construction for Morrisville High School is now officially underway and is projected to be completed in 2026. The Wake Early College of Information and Biotechnologies located in Morrisville, opened in 2022 on Wake Tech's RTP campus in a partnership between the college and the school system. The specialized high school allows student to graduate with a high school diploma and up to two years of college credit.

The Town has no financial responsibility for any part of the consolidated school system. The school system budget is approved and funded by the Wake County Board of Commissioners with revenues derived from County, State and Federal sources.

The following table shows the number of schools and average daily membership (ADM) for the County’s consolidated public school system:

School Year	No. of Schools	<u>ELEMENTARY</u>	<u>MIDDLE</u>	<u>HIGH</u>	Total ADM
		K-5 ADM	6-8 ADM	9-12 ADM	
2019-20	191	72,965	38,290	50,652	161,907
2020-21	193	69,022	37,772	50,879	157,673
2021-22	194	68,967	37,248	55,545	158,760
2022-23	197	68,635	36,853	52,924	158,412
2023-24	198	69,591	36,579	53,825	159,995

Note: ADM — Average Daily Membership (determined by the actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all public schools in the State. The ADM computation is used as a basis for teacher allotments and for distribution of local funds.

Source – Wake County Public School System.

There are presently five colleges and universities and one community college located in the County. WTCC is North Carolina’s largest community college serving more than 64,000 adults annually, with seven campuses, two training centers, multiple community sites, and a comprehensive array of online learning options. North Carolina State University, located within fifteen miles of the Town, is the largest higher education institution in the County and is a part of the University of North Carolina system. North Carolina State University has approximately 37,800 students, a faculty of 2,400+ and 7,100 additional employees. Three universities (Saint Augustine’s University, Shaw University and William Peace University) and one college (Meredith College) are private institutions of higher education located in the County. Undergraduate and graduate programs in high demand fields such as accounting, business, criminal justice, education, health services administration, information systems, and public administration are available. Campbell Law School is also located in the County in downtown Raleigh. The University of North Carolina at Chapel Hill, Duke University, and North Carolina Central University are located within about fifteen miles of the Town.

TRANSPORTATION

The State and the Town have continued to add and improve transportation facilities in, around and through the Town to manage traffic growth and enhance the quality of life through mobility and connectivity. The Town is centrally located between Raleigh and Durham and offers easy access to I-40, I-540 and the Triangle Expressway (NC-885/NC-540). In 2012, the 12.6-mile extension of NC Highway 540, known as the Triangle Expressway, opened. The Triangle Expressway is an all-electronic toll road that improved commuter mobility and accessibility to western Wake County and Research Triangle Park, while reducing congestion on the existing state routes that serve the Triangle Region, primarily NC 55 and NC 54. Other important state roads in the Town include Davis Drive, which connects the Town to the Research Triangle Park, and Aviation Parkway, which connects the Town to the Raleigh-Durham International Airport. The Town also currently maintains over 57 linear miles of municipal streets. In 2020, the Department of Transportation began construction of the remaining segments of I-540/NC-540 that will ultimately provide a complete outer loop or beltway surrounding the outer section of Wake County and some adjacent counties. A portion of the loop from Holly Springs to south Wake County opened in 2024. The final section is expected to be completed in 2028 and will provide additional regional connectivity.

The Town is located adjacent to Raleigh-Durham International Airport (“RDU”), a major international airport served by 18 airlines. RDU is an economic driver for the Research Triangle region, providing an annual economic impact of \$17 billion and supporting more than 85,000 local and regional jobs. RDU served approximately 14.2 million passengers in 2019, before COVID. The Airport served 4.88 million in 2020, 8.795 million passengers in 2021 and in 2023 set a new record of 14.5 million travelers. RDU is governed by the eight-member Raleigh-Durham Airport Authority (the “Authority”) with two members each appointed by the City of Raleigh, the County, the City of Durham and Durham County. The airport covers 5,000 acres and operates three runways. RDU continues to

expand its facilities and services with 4 new airlines, 49 new routes and 25 new destinations recently added. The airport currently provides direct service to over 58 domestic and 8 international destinations. RDU is in the process of implementing its Vision 2040 Master Plan with \$3 billion in infrastructure investment plans over the next 10 years including replacement of primary runway 5L/23R and terminal expansions. The Town has no financial responsibility for RDU.

Local Facilities and Efforts

The fast pace of regional economic growth has spurred an increase in traffic and congestion on roads located within Town limits. While the major transportation corridors within the Town experiencing the greatest increase in volumes are State maintained roads (e.g., NC 54, McCrimmon Parkway, Morrisville-Carpenter Road), the North Carolina Department of Transportation's (the "NCDOT") ability to adequately maintain the roads is constrained by limited funds. There is strong regional and statewide competition for state and federal monies supporting maintenance and major expansion of these highways. To enhance the Town's competitive position, the Town has taken a number of steps in recent years.

The Town has played a much more aggressive role in local transportation planning. Bond referenda for transportation improvements (roads) were placed on the ballot in 2004 and 2012 and approved by voters. The Town adopted an update to its Land Use and Transportation Plans in 2009, identifying funding priorities. A comprehensive update of the Transportation Plan was then adopted in 2019 and a comprehensive update of the Land Use Plan was adopted in February of 2021. Both Plans include a list of recommended implementation items which guide project prioritization and funding priorities. In 2019 the Town also adopted a Public Transportation Study. A new public transit system, the Morrisville Smart Shuttle launched in 2021, as recommended by this study. The Morrisville Smart Shuttle serves 16 nodes (or stops) in Town and one just outside of the Town at the regional transit center. The service is being provided in cooperation with GoCary and Wake Transit. Since 2006, the Town has funded a position focused on creating a higher profile for the Town in regional transportation planning and in competing for scarce State and federal transportation dollars and added an additional staff member in fiscal year 2017 to support transportation initiatives. A number of transportation improvement projects (roads, pedestrian and bicycle, and enhancement projects) within the Town are listed in the most recent NCDOT State Transportation Improvement Program ("STIP") and the Capital Area Metropolitan Planning Organization ("CAMPO") Metropolitan Transportation Improvement Program (TIP) including:

- Extension of Airport Boulevard from Garden Square Lane to Church Street (Phase 1)
- Improving the I-40 interchanges at Aviation Parkway and Airport Boulevard
- Widening NC 54 between Perimeter Park Drive and the NC 540 interchange
- Widening Aviation Parkway between NC 54 and I-40
- Constructing a grade separation of McCrimmon Parkway over the railroad and NC 54
- Widening McCrimmon Parkway between the NC 54/Railroad grade separation and Davis Drive
- Construction of a sidewalk on Louis Stephens Drive from McCrimmon Parkway to Parkside Valley Drive
- Constructing a sidewalk on Church Street between Morrisville-Carpenter Road and the Durham County line
- Extension of Louis Stephens Drive from Parkside Valley Drive to Little Drive in the Research Triangle Park completed in 2021
- Expansion and reconstruction Morrisville-Carpenter Road from NC 54 to Davis Drive completed in 2023
- Construction of a sidewalk on Airport Boulevard between Perimeter Park Drive and I-40 completed in 2023

Some specific Town projects and efforts include:

- In 2023, the Town completed the construction of Fire Station No. 3 located off Harris Mill Road. The facility is approximately 15,700 square feet, with double bays improving the

- distribution and level of service for the areas north and east of Town. The expansion allows for the overall enhancement of incident outcomes, increase capacity, improve reliability in fire protection, and reduce response times.
- A 2012 referendum for general obligation bonds to fund construction of the McCrimmon Parkway Extension to provide congestion relief to heavily congested NC 54 was passed by voters. As a two-phase project, the Town partnered with NCDOT on Phase II, with NCDOT providing approximately 63% of the project cost. The McCrimmon Parkway Extension was completed in 2020.
 - Funding the engineering, design, permitting and right-of-way acquisition for widening Morrisville-Carpenter Road between Davis Drive and NC 54 was completed. The project was completed in early 2023, 70% of which is funded with federal funds received through the CAMPO Locally Administered Projects Program (LAPP).
 - Funding the engineering and design of the Airport Boulevard Extension (Phase 1) from Garden Square Lane to Church Street and awarded right-of-way acquisition and construction funding through the CAMPO LAPP at a 60/40 match, composed of 60% federal funds and 40% Town funds. The project is expected to begin construction by the end of 2024.
 - Construction of a new roundabout on Town Hall Drive and extensions of Carolina Street and Foxglove Drive was completed in June 2019.
 - In February of 2021 the Town adopted a new Land Use Plan. The Plan establishes a policy to *"Establish mixed use, walkable, transit-supportive development within the strategic locations of the Transit Oriented Development (the "TOD"), McCrimmon Extension and Town Center areas."* The Plan includes a subarea plan for "TOD East", a TOD district intended to support a commuter rail and bus rapid transit station for a regional system currently in the planning stage. Unified Development Ordinance text amendments and rezonings were then adopted in July of 2021 for the McCrimmon Extension and TOD areas to support the development of land uses compatible with planned bus rapid transit and a future passenger rail stop and support the vision in the 2021 Land Use Plan. The Town is also currently in the process of preparing small area plans for TOD West and TOD South. Combined all three TOD areas comprise 180-acres at the northeast, northwest and southwest corners of the McCrimmon Parkway and NC 54 intersection.

The Town works closely with the neighboring Town of Cary through 1) joint Transportation Improvement Plan projects submitted to CAMPO and 2) review of private development proposals which impact both jurisdictions. The Morrisville and Cary Town Councils meet periodically to discuss items of mutual interest, including transportation issues affecting both Towns. Staff also meet on a regular basis.

The Town is also evaluating certain policies in light of transportation concerns. Budgeting for improved maintenance of Town roads has been given emphasis, and the Town established a Roadway and Transportation Capital Reserve Fund in the fiscal year 2017 budget, funded annually in an amount comparable to approximately one cent on the tax rate. The Town has also evaluated streets within the Town to determine if maintenance responsibility with the State should be switched. For instance, State-maintained roads are to serve regional economic development purposes, while Town roads are more oriented to access Town properties. Staff has discussed with State personnel the list of roads for which maintenance might be switched, based upon those criteria.

The Town continues to work with private developers as projects are submitted to the Town for review. Conditions of development regularly require developer contribution of right-of-way and construction of improvements or payment in lieu of construction in accordance with the Comprehensive Transportation Plan. Traffic signals and intersection improvements (or monetary contribution for them) have also been obtained on a number of projects in accordance with associated Traffic Impact Analysis.

The Town has also increased efforts to expand facilities for pedestrians and bicyclists. The Town has been effective in garnering significant grant monies and overseeing the construction of a number of greenway and sidewalk projects. The Town has received NCDOT funds to pay for the

installation of sidewalks along Airport Boulevard and Church Street, and CAMPO LAPP funds to complete a sidewalk gap project on Louis Stephens Drive. Other greenway projects are underway as Town-initiated projects and as a result of conditions of private development.

The Town actively participates in regional transportation planning efforts with CAMPO, GoTriangle, and NCDOT to improve transportation options within the Town. The Town is actively engaged in the following:

- Wake Transit planning processes
- Destination 2055 Metropolitan Transportation Plan (MTP), the next MTP for the Triangle Region
- On-going passenger rail discussions and planning efforts
- Western rapid bus extension operational analysis, the next step in advancing the extension of rapid bus from the Town of Cary through the Town of Morrisville into the Research Triangle Park (RTP)
- Triangle Bikeway, a transportation facility which traverses the northern portion of the Town connecting Raleigh to Chapel Hill along the I-40 corridor, moving from feasibility study into design phase

In November of 2021, Town residents passed a voter referendum that included \$11.7 million in funding for streets, sidewalks and connectivity, which included previously identified sidewalk gap projects and intersection improvement projects and a designated roadway project.

PUBLIC UTILITY ENTERPRISES

Water and Sewer System

The water and sewer services for the Town are provided by the Town of Cary. Under a merger agreement adopted by the councils of both towns, the Town's physical assets associated with the water and sewer utility service were transferred to the Town of Cary, with the Town of Cary assuming total responsibility for providing water and sewer utility service to property located within the Town of Morrisville. In that capacity, the Town of Cary is responsible for operation, maintenance, and expansion of the utility system, as well as long-term capital planning for water supply and sewer treatment capacity.

The Town is also a partner in a regional effort (with the Town of Cary and Town of Apex) which planned and constructed and now operates the Western Wake Regional Wastewater Management Facility. This regional facility provides expanded sewage treatment capacity for the Town and other communities in western Wake County, while consolidating operations to minimize capital and administrative costs.

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Stormwater

The Town currently operates a stormwater utility via a public enterprise fund, supported by an annual stormwater fee. The additional fee was levied beginning in 2013 and is collected by Wake County as an additional fee on property owner's real estate tax bills. The purpose of the funding is to support a federally mandated stormwater management program, which includes implementation of the Town's National Pollutant Discharge Elimination System (NPDES) Phase II Stormwater Permit. The enterprise system is administered by the Engineering Department Stormwater Division, with additional support provided by the Public Works Department.

The Town recently completed a Stormwater Master Plan and Program Evaluation report that provided guidance for on-going operations and long-term capital improvements. The studies provided a review of current/future revenues, department operational needs, and updated the capital project program in accordance with the state stormwater system permit requirement. As a result, in 2022-2023 the Town increased the utility fee from \$25 to \$50 per Equivalent Residential Unit over a two-year period.

In 2023 the Town completed the Wolfsnare Stormwater project that included upsizing a culvert and swale work to reduce flooding affecting the street and adjacent apartment complex.

PARKS, RECREATION AND CULTURAL RESOURCES

In 1990, the Town established its Parks and Recreation Department when its population was only 1,489. The Town now has an estimated population of approximately 32,000 in 2024 placing more demand on the Town government for local recreation opportunities. The rapid growth has required a more aggressive approach in planning and developing new parks, programs, and greenways. This approach has included the pursuit of bond funding, outside grants and partnerships that have been vital to meeting the increasing demands.

Listed below are major park developments/infrastructure and improvements that have been completed:

- Morrisville Community Park – First public park developed in 1992 which included a playground, picnic shelter, restrooms, and a soccer field. In 2004 the park was expanded to include two baseball fields with restrooms, parking lots, a maintenance building, a larger renovated playground, and Hatcher Creek Greenway, the Town's first greenway development. In 2020, the Town added outdoor fitness station equipment and pervious sidewalks. In 2023 lighted tennis courts, pickleball courts, a new restroom facility, and paved walking trails connecting to adjacent neighborhoods were added.
- Shiloh Park – This park was developed in 1994 and included a picnic shelter, playground, an outdoor basketball court, and multi-purpose field which was subsequently converted in 1999 to the first cricket field in Morrisville. This site also includes a lighted baseball field and a community meeting space that is on land leased from the Shiloh Baptist Church. In 2003, the playground was renovated, a restroom building was added, and the gravel parking lot was paved. Interpretive signage was added later that highlights the history of the Shiloh Community and in 2024, the basketball courts and playground were renovated and replaced with lights added to the basketball court.
- Morrisville Aquatics and Fitness Center (the "MAFC") – The Town purchased a local fitness center and pool in 1993 which was converted into the first community center for the Town's recreation programs. In 2012, the Town received voter approval for \$5.7 million in Parks & Recreation Improvement Bonds. The primary project for these bond funds was the further renovation of the MAFC building to provide an improved facility for the growing community. The Town invested a total of approximately \$8.4 million which included the 2012 bond proceeds including premium on the bonds issued, installment financing, Parkland Payment in Lieu funds and a transfer from the General Fund. The

renovated facility features a new swimming pool with a separate play area for children, two tennis courts, new locker rooms, expanded space for exercise classes, and a larger weight training area. The renovation project was completed in Fall 2020. Additional funds were added to the project.

- Community Center at Cedar Fork Elementary School – In cooperation with the Wake County Public School System, the Town built an 18,000 square foot Community Center at the school that opened in 2003. The center includes a gymnasium, classrooms, meeting rooms and outdoor field spaces. The site hosts a variety of classes and activities for Morrisville residents of all ages, including English as a Second Language (ESL), after-school care, and summer camp. This site also hosts indoor and outdoor athletic leagues, special events, and cultural events.
- Church Street Park – Along with funding assistance from federal, state, and local government grants, the Town used bond proceeds to purchase and develop 25 acres of land in 2007 with construction starting in 2013. The Town opened this park in 2015 and it is a very popular park with picnic shelters, tennis courts, a playground, and the first publicly owned regulation-size cricket field in the region with a competition-level LED lighting system. This field was specifically designed to host tournaments with teams from across the United States and international exhibition matches. Enhancements in 2018 included the field lighting and upgrades to the pitch area to tournament-level standards that allowed the Town to host its first international tournament in September 2018. The Town also installed new bleacher pads, fitness stations, safety fencing, and a cricket scoreboard between 2019 and 2021. In 2023 new grandstand bleachers were added around the field to accommodate larger crowds, and in 2024 the park expanded into adjacent land acquired in 2018. This expansion area includes two lighted outdoor basketball courts, two lighted sand volleyball courts, cricket practice pitches with lights, a multi-purpose play area, and a larger picnic shelter with restrooms.
- Northwest Park – In 2016, the Town opened Northwest Park, a five-acre neighborhood park that includes a playground, walking track, open playfield, picnic shelter, and a parking lot. The park design includes several environmentally friendly components, such as a permeable parking lot and playground to manage stormwater run-off and a large cistern to catch the rain used to irrigate plant beds around the site. The park was awarded an EPA Region 4 Green Infrastructure Project Excellence Award in 2017. Fitness stations were constructed at Northwest Park in 2019.
- Cedar Fork District Park – In 2007 the Town added 35.1 acres of outdoor recreation space through a partnership with Wake County. This site, the Cedar Fork District Park, includes eight open space fields, parking areas and a restroom building that the Town manages through an interlocal agreement with Wake County. This site is used by the Town for special events and community rental space.
- Greenway System – Over the years, greenway development has also become a priority for the Town to provide transportation, recreation and promote a healthy lifestyle. In 2009, the Town opened 1.5 miles of greenway with a trailhead park called the Indian Creek Greenway. From 2012 to 2015, the Town built another 1.5 miles of greenway called the Shiloh Greenway that connects Church Street Park to several residential subdivisions in the northern part of Town. In 2020, the Town completed construction on the most significant single greenway corridor in the greenway system. This 2.5-mile-long greenway includes the extension of the original Hatcher Creek Greenway and the construction of the new Crabtree Creek Greenway. This project connects several neighborhoods to parks, shopping centers, and other Town greenways. In addition, it connects to greenway networks in other jurisdictions and greatly expands people’s access to trail networks in the region. These greenways were made possible by significant federal, state, and local grant funding, combined with Town funds. With the recent greenway additions, the Town’s network of greenways and multi-use paths includes 7.80 miles of multi-use sidewalks and

9.95 miles of asphalt greenway trail for bike and pedestrian use in addition to the local sidewalks.

Listed below are current initiatives working towards future investments in park development:

- Morrisville Community Park Phase III - This project includes the development of new recreational amenities in Morrisville Community Park, to connect adjacent communities to the park and the greenway system with hard surface walking trails. The current conceptual plan for the park includes construction of tennis courts near the Kudrow Lane parking lot, walking trails from adjacent communities through the wooded areas, and miscellaneous site amenities such as a restroom building and picnic shelter.
- Shiloh Park Renovations - This project consists of an upgrade to the existing recreational facilities at Shiloh Park, focusing on renovating the basketball court and playground, adding new sidewalks and bleacher pads, and reworking parking spaces to improve ADA accessibility.
- Greenway System – The Town continues to work with developers to implement greenway easements and construct greenway segments related to the Sawmill Creek Greenway and Stirrup Iron Creek Greenway.
- Dog Park at Franklin Upchurch Senior Street – Morrisville is constructing its first dog park. The park will have direct connection to Morrisville Carpenter Road, Town Hall Drive, and the Hatcher Creek and Crabtree Creek Greenways. The park will include separate play areas for smaller and larger dogs, lightening for evening use, an entry promenade with shade structures, benches, perimeter fencing and a parking lot. The project is in the design stage and is anticipated to be opened to the public in 2025. The \$1 million project is being funded with ARPA monies.

Another health-focused project started in 2014 when the Town received a grant from the John Rex Endowment to help create a farmer's market in Town to improve access to locally grown food. This project expansion included an education garden demonstration area to teach people how to grow fresh fruits and vegetables. This site, now called the Healthy Food Hub, opened in July of 2018 at a location that is easily accessible from the growing pedestrian network to promote better food choices and exercise as part of a healthier lifestyle. Additional improvements to the site were installed over 2019 and 2020, which included additional paving for vendors to set up their tents, expanded parking and electrical outlets for added convenience for both vendors and visitors.

The Town has also worked to meet the recreation needs of its senior residents. Starting in 2020 the Town leased and renovated space in a local shopping center to create a dedicated Senior Center. The site opened in 2021 and provides senior residents (55+) with opportunities to socialize, exercise, play games, attend educational seminars, take day trips, and enjoy other activities.

With such rapid growth, preserving land for parks and open space has been challenging due to residential and commercial development competition. The Town currently has a total of 205.8 acres with 104 acres of managed parks and recreation sites, plus another 101.869.4 acres of land for preserved open space or future park development. Town Council adopted a Land Acquisition Policy in 2020 outlining goals and direction to guide the Town's efforts.

In addition to the need for additional land and facilities to meet growing demands, the Town has also worked to ensure staffing levels, programs and operational needs were recognized. The Parks and Recreation Department currently has 24 full-time positions and dozens of part-time staff who are committed to managing facilities and providing programs for the community. These staff are committed to a process of continuous improvement and are encouraged to pursue training and certification opportunities to enhance their skills. Currently there are six full-time staff who are recognized as Certified Parks and Recreation Professionals through the National Recreation and Parks

Association. This certification is based on a combination of education and professional experience along with demonstrating skills proficiency by passing a certification exam.

STRATEGIC EFFORTS

The Connect Morrisville Strategic Plan was originally adopted in April 2018. The “Connect Morrisville” theme focuses on connecting the Town’s plan with the community, connecting Town resources to Town priorities, connecting staff members’ work through the accomplishments of the plan, and aligning with the Town’s brand of “Live Connected, Live Well.” In early 2020, the Town began identifying plan areas that could be further enhanced, needed revision or refinement. Through collaborative efforts of staff, elected officials, residents, business owners, and community youth, the Town Council approved the refined plan in July 2021. The current Connect Morrisville Strategic Plan reflects both current needs and desires for Morrisville’s future.

With the support of Town Council and Administration, the Town’s Smart City Program was officially endorsed in 2020 with the mission of using technology and data to positively impact resident quality of life, while aligning with the Town’s strategic goals. Working collaboratively with Town Council, residents and the International Data Corporation, the Town developed a plan that identified goals, key strategies, and initiatives known as “Smart Morrisville.” Some of the initiatives include intelligent transportation, connected parks, open data portal, and deployment of a Morrisville App. To ensure the program’s success, Town Council established a Smart City Steering Committee and authorized funding for a Smart City Manager in the fiscal year 2022 budget further demonstrating its commitment. The Town’s connected parks initiative was recognized by the Research Triangle CleanTech Cluster with the 2021 CleanTech Innovation Award, the 2022 IDC Smart Cities North America Award, and the 2023 Smart 50 Award.

In September 2022 the Town received a \$300,000 grant from the Small Business Administration to develop a small business program called “Morrisville Means Business”. The grant was written to develop a direct outreach and support program for small businesses in Town. The goal of the program is to provide financial support and assistance through COVID-19 relief micro-grants and professional support services as well as Town sponsored programming such as education and training events, networking activities and marketing support. The initial funds will provide start-up resources for what is envisioned to be an ongoing Town budget-supported efforts.

As part of the fiscal year 2021 budget, Town Council demonstrated a commitment to sustainability and the environment by formalizing a Sustainability Program that engaged stakeholders across the town to help promote participation and collaboration in support of sustainable practices. A Sustainability Coordinator was hired to spearhead this initiative which included focuses areas in energy and water, waste and recycling, transportation, built environment, natural environment, and greenhouse gas emissions reductions. The Town received a GOLD designation from SolSmart through the U.S. Department of Energy Solar Energy Technologies Office. In June 2021, the Town installed a solar photovoltaic array on Fire Station No. 1 which generates renewable energy from solar panels and helps offset approximately 35% of the electricity consumed by the fire station. The Town has constructed an additional 150kW of rooftop solar arrays on two buildings. A Master Sustainability Plan that aligns with the Town’s strategic plan goals was adopted in June 2022. As part of the electricity reduction goals, the Town has also installed building automation systems (BAS) at four of the Town’s most heavily utilized buildings, which is intended to create savings and enhance occupancy control and comfort. Morrisville has expanded electric vehicle supply equipment (EVSE) infrastructure by increasing the number of town-owned publicly assessable EV charging ports from 4 to 16 since 2020. The Town received grant funding through the NC Department of Environmental Quality’s Volkswagen Mitigation program to support these efforts.

Construction was officially completed on the Harris Mill Fire Station in September 2023. The building was a collaborative effort between the Town, Wake County EMS, and the design-build team of Edifice and ADW Architects. The building was designed with EV charging stations, roof mounted solar array, double deep bays, administration and personnel quarters for staff, and a focus on personnel health and wellness. The project also provided an opportunity to relocate fire resources that previously co-existed on a shared site with the Town of Cary.

The Town has partnered with Wake County to design a new Public Works facility and a Solid Waste Convenience Center on the same land owned by the Town. This joint venture will provide expanded programs to serve the growing community needs.

ACCREDITATION EFFORTS

Several of the Town's departments received their initial national accreditation and continue to participate in accreditation programs. The Morrisville Police Department was first accredited in 2009 by CALEA (Commission of Accreditation for Law Enforcement Agencies) and has been reaccredited every four years. In 2023, the Morrisville Police Department received an Advanced Accreditation with the adoption of an additional 165 rigorous standards.

The Morrisville Fire/Rescue Department (MFRD) was first accredited in 2011 through the Commission on Fire Accreditation International (CFAI) and each accreditation model lasts five years, each as robust as the previous cycle. There are currently only 313 accredited fire departments nationally. Combining MFRD's accredited status with the best possible ISO/Public Protection Classification of Class 1 makes the Town of Morrisville's Fire/Rescue Department one of only 114 fire departments in the United States with those two accolades.

In 2014, the Parks and Recreation department achieved national accreditation through the Commission for Accreditation of Parks and Recreation Agencies (CAPRA) and is currently working towards reaccreditation. The accreditation lasts for five years. Morrisville is one of only 206 agencies nationwide to achieve accreditation with only 14 of those in North Carolina.

Since 2015 Morrisville has received North Carolina Labor's Public Sector SHARP (Safety and Health Achievement Recognition Program) for its Fire/Rescue, Parks/Recreation and Cultural Resources, Police and Public Works departments. The Town is one of 11 public sector programs to hold this Safety and Health Achievement Recognition designation.

In 2017, the Public Works Department received agency accreditation from the American Public Works Association (APWA). An accredited agency goes through a reaccreditation process every four years. The Town of Morrisville is still only one of three communities in North Carolina that have received accreditation.

Accreditation recognizes the Town's departments policies, procedures, and practices which have been evaluated against nationally recognized management practices. Accreditation is important to the Town departments to demonstrate that they are well managed, able to demonstrate compliance with recommended practices, and dedicated to continuous improvement.

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Debt Information

LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, allowing for issuance of all presently authorized bonds, including those being offered by this Official Statement, the Town has the statutory capacity to incur additional net general obligation debt in the approximate amount of \$515,806,552 as of June 30, 2024. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix B.

OUTSTANDING GENERAL OBLIGATION DEBT

General Obligation Bonds	Principal Outstanding as of			
	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
Refunding	\$ 2,610,000	\$ 2,180,000	\$ 1,745,000	\$ 1,305,000
Parks & Recreational Facilities	2,600,000	2,400,000	2,200,000	2,000,000
Street Improvement	8,245,000	7,500,000 ¹	7,000,000	6,500,000
Public Improvement	9,420,000	25,625,000 ¹	24,570,000	23,515,000
Public Safety Improvement	--	1,110,000 ¹	740,000	370,000
Total G.O. Debt Outstanding	<u>\$22,875,000</u>	<u>\$38,815,000</u>	<u>\$36,255,000</u>	<u>\$33,690,000</u>

¹Bonds Issued:

2021-22 \$1,110,000 General Obligation Public Safety Improvement Bonds, Series 2022A, 1.71 years average maturity, 3.1551% true interest cost.
 \$16,500,000 General Obligation Public Improvement Bonds, Series 2022B, 10.77 years average maturity and 3.1551% true interest cost

GENERAL OBLIGATION DEBT RATIOS

<u>At June 30</u>	<u>Total GO Debt</u>	<u>Assessed Valuation</u>	<u>Total GO Debt to Assessed Valuation</u>	<u>Population¹</u>	<u>Total GO Debt Per Capita</u>
2019	\$26,210,000	\$4,844,680,828	.54%	26,041	\$1,006.49
2020	24,545,000	5,034,608,676	.39	30,022	817.57
2021	22,875,000	6,230,321,032	.36	31,636	723.07
2022	38,815,000	6,391,142,827	.36	32,224	1,204.54
2023	36,255,000	6,713,735,702	.39	32,224 ²	1,000.96
2024	33,690,000	6,896,211,713 ³	.49	32,224 ²	1,045.49
After Bonds now offered are issued	\$55,900,000	\$9,421,457,143 ⁴	.59%	32,224 ²	\$1,734.73

¹Estimate of the North Carolina Office of State Budget and Management.

²For purposes of this schedule, the July 1, 2022 population estimate is being used.

³Unaudited

⁴Based on 2024-2025 budget.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2024 AND MATURITY SCHEDULES

Fiscal Year Ending June 30th	Existing Debt		Bonds Now Offered ¹	
	Principal	Principal & Interest	G.O. Street Improvement, 2024A	G.O. Public Improvement, 2024B
2024	\$ 2,565,000.00	\$ 3,975,625.00		
2025	2,555,000.00	3,849,775.00	\$ 855,000.00	\$ 260,000.00
2026	2,555,000.00	3,736,375.00	855,000.00	260,000.00
2027	2,555,000.00	3,622,875.00		1,110,000.00
2028	2,120,000.00	3,074,275.00		1,110,000.00
2029	2,115,000.00	2,978,200.00		1,110,000.00
2030	2,115,000.00	2,891,850.00		1,110,000.00
2031	2,115,000.00	2,805,100.00		1,110,000.00
2032	2,115,000.00	2,718,037.50		1,110,000.00
2033	2,115,000.00	2,633,337.50		1,110,000.00
2034	2,115,000.00	2,551,000.00		1,110,000.00
2035	1,915,000.00	2,279,837.50		1,110,000.00
2036	1,915,000.00	2,218,090.00		1,110,000.00
2037	1,915,000.00	2,155,590.00		1,110,000.00
2038	1,415,000.00	1,598,900.00		1,110,000.00
2039	1,415,000.00	1,547,800.00		1,110,000.00
2040	880,000.00	972,400.00		1,110,000.00
2041	880,000.00	941,600.00		1,110,000.00
2042	880,000.00	910,800.00		1,110,000.00
2043				1,110,000.00
2044				1,110,000.00
Totals	\$ 36,255,000.00	\$ 47,461,467.50	\$ 1,710,000.00	\$ 20,500,000.00

¹Principal only.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

<u>Purpose</u>	<u>Date Approved</u>	<u>Authorized and Unissued</u>	<u>Bonds Now Offered</u>	<u>Balance</u>
Parks and Recreation	11/2/2021	\$13,000,000	\$13,000,000	\$ --
Streets and Sidewalks	11/2/2021	7,500,000	7,500,000	--
Streets, Sidewalk & Connectivity	8/6/2024	<u>1,710,000</u>	<u>1,710,000</u>	--
Totals		\$22,210,000	\$22,210,000	\$ --

GENERAL OBLIGATION DEBT INFORMATION FOR OVERLAPPING UNIT AS OF JUNE 30, 2024

<u>Unit</u>	<u>2022 Population¹</u>	<u>2023-24 Assessed Valuation</u>	<u>Tax Rate per \$100</u>	<u>Debt Authorized and Unissued</u>		<u>Total GO Debt</u>		<u>Total GO Debt per Capita</u>
				<u>Utility</u>	<u>Other</u>	<u>Utility</u>	<u>Other</u>	
Wake County	1,150,204	\$207,592,791,790	\$0.62	\$ --	\$1,136,940,000	\$ --	\$1,972,577,734	\$1,715

¹Census count – U.S. Census Bureau.

OTHER LONG-TERM COMMITMENTS

The Town also has various installment financing notes for land, buildings and equipment. Installment notes payable at June 30, 2023 were outstanding in the aggregate principal amount of \$2,480,000.

DEBT OUTLOOK

The Town plans to incur installment financing debt in fiscal year 2026 for a new Public Works facility.

Tax Information

GENERAL INFORMATION

Assessed Valuation:	<u>2022</u>	<u>2023</u>	<u>2024⁴</u>	<u>2025⁵</u>
Assessment Ratio ¹	100%	100%	100%	100%
Real Property	\$6,014,261,369	\$6,302,384,428	\$6,456,724,415	\$8,737,965,708
Personal Property	348,062,022	382,177,733	398,000,000	636,438,173
Public Service Companies ²	<u>28,819,436</u>	<u>29,173,541</u>	<u>41,487,298</u>	<u>47,053,262</u>
Total Assessed Valuation	\$6,391,142,827	\$6,713,735,702	\$6,896,211,713	\$9,421,457,143
Rate per \$100	0.36	0.39	0.39	0.35
Net Levy ³	\$22,950,673	\$25,989,240	\$26,865,226	\$32,975,100

¹Percentage of appraised value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Section of the Department of Revenue.

³Levy includes General Fund ad valorem tax levy and the latest property revaluation was conducted in 2020.

⁴Unaudited.

⁵Based on 2024-2025 budget.

Note: The next revaluation is scheduled to become effective with 2024-25 tax levy.

TAX COLLECTIONS

<u>Fiscal Year Ended June 30</u>	<u>Prior Years' Levies Collected</u>	<u>Current Year's Levy Collected</u>	<u>Percentage of Current Year's Levy Collected</u>
2019	\$ 5,247	\$18,801,705	99.9%
2020	10,176	19,552,315	99.6
2021	41,360	22,176,381	99.8
2022	53,548	22,892,107	99.8
2023	(32,357)	25,961,476	99.8

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TEN LARGEST TAXPAYERS FOR FISCAL YEAR 2023-24

<u>Name</u>	<u>Type of Business</u>	<u>Real Estate Assessed Valuation</u>	<u>Tax Levy</u>	<u>Percentage of Total Valuation</u>
Raleigh 1 LP	Commercial Property Rental	\$268,294,537	\$1,046,349	4.0%
WCMI Raleigh LLC	Residential Apartments	143,736,470	560,572	2.1
Park West Village LLC	Retail Sales	124,034,280	483,734	1.8
Perimeter Center 7 Pack LLC	Commercial Property Rental	117,180,588	456,992	1.7
SBP Office Owner LP	Commercial Property Rental	96,346,631	375,752	1.4
Paramount Office LP	Commercial Property Rental	74,854,833	291,934	1.1
Syneous Health NC LLC	BioPharmaceutical	73,743,114	287,598	1.1
CEGM Morrisville LLC	Commercial Property	70,776,272	276,027	1.0
CPUS Shiloh LP	Residential Apartments	68,492,394	267,120	1.0
Align Technology Inc	Global Medical Device Company	<u>65,454,235</u>	<u>255,171</u>	<u>1.0</u>
Totals		\$1,102,913,354	\$4,301,249	16.4%

2023-24 Budget Commentary

General Fund – As of January 31, 2024, the Town’s property tax revenues are estimating at 100% of the amount budgeted by fiscal year end. Sales tax revenue collections are averaging 2% above prior year receipts at the same time last year, demonstrating that consumer spending has reached a level of consistency since the impacts of COVID-19. Development user fees are trending as expected, slightly lower than the previous fiscal year, due to a very strong real estate market and continued commercial developer interest in FY 2023. Additionally, the Town continues to see a rise in recreation participation, despite some lingering effects of the pandemic on parks programming. Conservative revenue strategies and sound reserve positions serve to counteract any possible impacts to all revenue sources. Early indications anticipate that General Fund budget by fiscal year end should be in line with original projections. The debt service ratio is projected at approximately 10%, below the Town’s policy of 15% and as of June 30, 2023, the Town’s unassigned fund balance was at 41.3% of reported expenditures. The Town does expect to leverage some fund balance in conjunction with advancing planned capital projects.

2024-25 Adopted Budget

General Fund - The Town budget for the fiscal year ending June 30, 2025 was adopted by the Town Council on June 11, 2024 at \$58,190,000. The fiscal year 2025 General Fund operating budget increased 20.7% over the prior year original budget, including transfers. The recommended tax rate for FY 2025 is reduced from \$0.39 per \$100 of property valuation to \$0.35 per \$100 of property valuation. Of this amount, the equivalent value of the three cents originally dedicated remains intact for the bond projects approved by voters in November 2021 for public safety, parks and recreation, streets, and sidewalks and connectivity projects. FY 2025 sees the implementation of the 2024 revaluation by Wake County; although the County has shortened the revaluation from eight to four years, this revaluation resulted in increases of approximately 45% in values, adjusting property values to current market conditions across the County, including in Morrisville. The Town’s tax base growth has sustained an average growth of approximately 4% over the last 4-year period prior to reappraisal. The General Fund Ad Valorem revenue for fiscal year 2025 is estimated at \$32,975,100 and represents 57% of the total budget. This estimate is based on a 99.9 % collection rate as reported in the FY 2023 Annual Comprehensive Financial Report. The estimated revenue neutral tax rate (RNTR) is \$0.30 based on an average 4% growth rate. Sales tax distributions represent the second largest revenue source at 19%. Expenditures reflect a progressive expansion of basic operational needs from annual growth, along with the alignment of strategic goals to meet emerging new interests. The key primary new initiatives funded in fiscal year 2025 include investments in capital projects and building capital reserves for future projects, human capital including 11 new positions: an Economic Development Director, Small Business Specialist, Management and Budget Analyst, a planning-focused Battalion Chief, three additional Fire Fighters, two additional Grounds Maintenance Technicians, a Quartermaster, and an additional Police Detective. Other initiatives include new Smart Shuttle

service, sustainability, smart city solutions, Morrisville Community Park playground replacement, proactive road and facility maintenance, planned replacement of equipment, and community and small business engagement programs. The General Fund appropriated \$1,571,000 in unassigned fund balance for one-time capital projects.

Capital Planning – The fiscal year 2024 budget commits approximately \$7,920,600 toward current and future capital needs. Four million seven hundred sixty thousand dollars (\$4,760,000) of that amount is for the purpose of investing in capital reserve funds, building debt reserves, as well as planning for future fire apparatus replacements and for future parks and roadway capital projects. Four million eighty-two thousand, seven hundred dollars (\$4,082,700) is obligated to current debt service payments. The Town passed a \$37,000,000 bond referendum in FY 2022. \$16.5 million was issued in that fiscal year, leaving approximately \$20.5 million remaining to be issued for Public Safety, Parks & Open Space, and Streets & Sidewalk Connectivity improvement projects supported by a tax increase of 3 cents. In addition to anticipated tax supported debt, the Town is prepared to prudently leverage unassigned fund balance and other capital reserves to meet strategic community investments.

Long-Term Outlook

Thoughtful long-range forecasting strategies are used to reasonably manage growth in base operating budgets annually and to effectively evaluate capacity and opportunities to plan for and execute capital investments or other long-term initiatives for the greater good of the community. Large equipment replacement planning practices allow for pay-as-go options, alleviating debt obligations for short life-cycled items such as vehicles, fire apparatus, and other large equipment. The Town has adopted a formal Capital Investment Program (CIP) and prioritized future projects to address major capital needs over a multi-year planning period that maintains and improves public assets. This long-range planning approach effectively allows the Town to reasonably align resources understanding both capacity and affordability factors that support to sustain existing assets while meeting emerging needs that enhance the Town’s economy and quality of life while safeguarding the Town’s strong financial position.

Cybersecurity

The Town has implemented numerous initiatives related to cybersecurity. Morrisville has created cybersecurity departmental policies, standards, and processes that include a vulnerability plan, change management plan, release plan, backup plan, account management plan, and an incident response plan. Following National Institute of Standards and Technology (NIST) Cybersecurity Framework, Morrisville has strengthened its core systems and continually improves the posture of the ever-changing landscape of technologies that are used daily. The Town has also implemented the Defense in Depth Strategy with cybersecurity. This is a series of security mechanisms and controls that are layered throughout the Town’s infrastructure to protect the confidentiality, integrity, and accessibility of the network and its users.

Pension Plans

The Town participates in the North Carolina Local Governmental Employees’ Retirement System.

North Carolina Local Governmental Employees’ Retirement System — The North Carolina Local Governmental Employees’ Retirement System (the “System”) is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of System funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the System.

The System provides, on a uniform System-wide basis, retirement and, at each employer’s option, death benefits from contributions made by employers and employees. Employee members

contribute six percent of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate, uniform for all employers, was 12.85% of eligible payroll for general employees and 14.10% of eligible payroll for law enforcement officers for fiscal year 2023-24. The normal contribution rate, uniform for all employers, is 13.60% of eligible payroll for general employees and 15.10% of eligible payroll for law enforcement officers for fiscal year 2024-25. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the system.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of service or at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits are available at age 65, with at least five years of creditable service; at age 60, with at least 25 years of creditable service; or after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to the system are determined on an actuarial basis.

For information concerning the Town's participation in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina see the Notes to the Town's Basic Financial Statements in Note 6 of the Town of Morrisville Annual Comprehensive Financial Report for fiscal year ending June 30, 2023.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Annual Comprehensive Financial Report for the State. Please refer to the State's ACFR for additional information.

Law Enforcement Officers Separation Allowance - The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. 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.

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 and refunds are recognized when due and payable in accordance with the terms of the plan. For fiscal year 2023, the Town contributed \$81,615. The Separation Allowance has no assets in a trust that meets the criteria outlined by GASB Statement 73.

Supplemental Retirement Income Plan for Law Enforcement Officers - The Town contributes to the Supplemental Retirement Income Plan (the "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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers.

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. Also the law enforcement officers may make voluntary contributions to the plan.

Supplemental Retirement Income Plan for Employees Other Than Law Enforcement Officers – The Town contributes to a 401(k) defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to all permanent full-time employees.

The Town contributes 5% of the monthly salary and employees also make voluntary contributions to the plan.

Other Post-Employment Benefits

The Town provides post-employment health care as part of the total compensation package offered to attract and retain the services of qualified employees. These benefits are available to retirees who participate in the System and who, at the time of their retirement, meet certain service requirements. Employees with 15 years of consecutive service with the Town would be eligible to remain on the Town's group health plan where the Town would subsidize the monthly premium at 50%, with an additional 2.5% added for every subsequent consecutive service year up to 35 years of consecutive Town service.

As of June 30, 2022, the most recent actuarial valuation date, the plan was not funded. The Town's total OPEB liability of \$5,408,573 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date in accordance with the parameters of GASB Statement 75. For the year ended June 30, 2023, the Town recognized OPEB expense of \$(47,616). At June 30, 2023 the Town reported \$1,016,130 as Deferred Outflows of Resources and \$1,485,724 as Deferred Inflows of Resources.

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 trend. 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.

Litigation

No litigation is now pending or, to the best of the Town's knowledge, threatened, against or affecting the Town which seeks to restrain or enjoin the issuance and delivery of the Bonds or the levy or collection of taxes to pay the principal of or the interest on the Bonds, or which contests the validity or the authority or proceedings for the adoption, authorization, execution or delivery of the Bonds, or the Town's creation, organization or existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the Town's authorization, execution and delivery of the Bonds, or the Town's authority to carry out its obligations thereunder, or which would have a material adverse impact on the Town's financial condition.

CONTINUING DISCLOSURE

In the resolutions adopted by the Town authorizing the issuance of the Bonds, the Town has undertaken, for the benefit of the beneficial owners of the Bonds, to provide to the Municipal Securities Rulemaking Board (the "MSRB"):

- (a) by not later than seven months from the end of each fiscal year of the Town, beginning with the fiscal year ended June 30, 2024, audited financial statements of the Town for such fiscal

- year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements are not available by seven months from the end of such fiscal year, unaudited financial statements of the Town for such fiscal year to be replaced subsequently by audited financial statements of the Town to be delivered within 15 days after such audited financial statements become available for distribution;
- (b) by not later than seven months from the end of each fiscal year of the Town, beginning with the fiscal year ended June 30, 2024, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under heading "THE TOWN - Debt Information and - Tax Information" in this Official Statement (excluding any information on overlapping units) and (ii) the combined budget of the Town for the current fiscal year, to the extent such items are not included in the audited financial statements referred to in (a) above;
- (c) in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:
- (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - (7) modification to the rights of the beneficial owners of the Bonds if material;
 - (8) bond calls, if material, and tender offers;
 - (9) defeasances;
 - (10) release, substitution or sale of any property securing repayment of the Bonds, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the Town;
 - (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) appointment of a trustee or a successor or additional trustee or the change of name of a trustee, if material;
 - (15) incurrence of a financial obligation (as defined below) of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect beneficial owners of the Bonds, if material, and
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Town, any of which reflect financial difficulties, and

- (d) in a timely manner, to the MSRB, notice of a failure of the Town to provide required annual financial information described in (a) or (b) above on or before the date specified.

The Town shall provide the documents referred to above to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

“Financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

All information provided to the MSRB as described above shall be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

The Town may meet the continuing disclosure filing requirements described above by complying with any other procedure that may be authorized or required by the United States Securities and Exchange Commission.

At present, Section 159-34 of the General Statutes of North Carolina requires the Town’s financial statements to be prepared in accordance with generally accepted accounting principles and to be audited in accordance with generally accepted auditing standards.

The resolutions adopted by the Town authorizing the issuance of the Bonds provide that if the Town fails to comply with the undertaking described above, any beneficial owner of the Bonds may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Bonds.

Pursuant to such resolutions, the Town reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Town, provided that:

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Town;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c 2-12 issued under the Securities Exchange Act of 1934 (the "Rule 15c 2-12") as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c 2-12, as well as any changes in circumstances, and
- (c) any such modification does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the Town (such as bond counsel), or by the approving vote of the registered owners of a majority in principal amount of the Bonds pursuant to the terms of such resolutions, as they may be amended from time to time, at the time of such amendment.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Bonds.

The Town is not aware of any material failure, over the last five years, to comply with the terms of its continuing disclosure undertakings under Rule 15c2-12.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, Bond Counsel, whose approving legal opinion will be available at the time of the delivery of the Bonds. The proposed form of such opinion is attached hereto as Appendix E.

TAX TREATMENT

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing law and assuming continuing compliance by the Town with certain covenants to comply with the requirements of the Code, regarding, among other matters, the use, expenditure and investment of Bond proceeds, and the timely payment of certain investment earnings to the United States Treasury, interest on the Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation. Bond Counsel is also of the opinion that interest on the Bonds will not be a specific preference item for purposes of the alternative minimum tax imposed by the Code; however, interest on the Bonds held by certain corporations will be included in the computation of “adjusted financial statement income” for purposes of the federal alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel, under existing law, interest on the Bonds will be exempt from all State of North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which Bond Counsel expresses no opinion, as a result of ownership or transfer of the Bonds.

Original Issue Discount

_____, as lead underwriter of the Series 2024A Bonds and has advised the Commission that the initial public offering prices of the Series 2024A Bonds maturing on August 1, _____, (the “Discount Bonds”) are less than the amounts payable at maturity.¹ An amount not less than the difference between the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) of the Discount Bonds and the amounts payable at maturity constitutes original issue discount. Under existing federal income tax law and regulations, the original issue discount on a Discount Bond is interest not includable in the gross income of an owner who purchases such Discount Bond in the original offering at the initial public offering price thereof and holds it to maturity, and such owner will not realize taxable gain upon payment of such Discount Bond at maturity.

_____, as lead underwriter of the Series 2024B Bonds and has advised the Commission that the initial public offering prices of the Series 2024B Bonds maturing on August 1, _____, (the “Discount Bonds”) are less than the amounts payable at maturity.² An amount not less than the difference between the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) of the Discount Bonds and the amounts payable at maturity constitutes original issue discount. Under existing federal income tax law and regulations, the original issue discount on a Discount Bond is interest not includable in the gross income of an owner who purchases such Discount Bond in the original offering at the initial public offering price thereof and holds it to maturity, and such owner will not realize taxable gain upon payment of such Discount Bond at maturity.

Owners who purchase Discount Bonds at a price other than the initial offering price or who do not purchase Discount Bonds in the initial public offering should consult their tax advisors with respect to the consequences of the ownership of such Discount Bonds. An owner who purchases a Discount Bond in the initial offering at the initial offering price and holds such Discount Bond to maturity is deemed under existing federal tax laws and regulations to accrue original issue discount on a constant yield basis under Section 1288 of the Code from the date of original issue. An owner's adjusted basis in a Discount Bond is increased by accrued original issue discount for purposes of determining gain or loss on sale, exchange or other disposition of such Discount Bond.

Accrued original issue discount may be taken into account as an increase in the amount of tax-exempt interest received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond, including in the calculation of the alternative minimum tax imposed by the Code, even though there will not be a corresponding cash payment.

Owners and prospective purchasers of Discount Bonds should consult their own tax advisors regarding the calculation of accrued original issue discount for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the ownership or disposition of Discount Bonds.

¹Information provided by the underwriters of the Series 2024A Bonds.

²Information provided by the underwriters of the Series 2024B Bonds.

Original Issue Premium

_____, as lead underwriter of the Series 2024A Bonds has advised the Commission that the initial public offering prices of the Series 2024A Bonds maturing on August 1, _____, (collectively the "Premium Bonds"), are greater than the amounts payable at maturity.¹ The difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) at which a substantial amount of each maturity of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium. In general, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium bond based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost.

Owners and prospective purchasers of Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences in connection with the ownership and disposition of Premium Bonds.

_____, as lead underwriter of the Series 2024B Bonds has advised the Commission that the initial public offering prices of the Series 2024B Bonds maturing on August 1, _____, (collectively the "Premium Bonds"), are greater than the amounts payable at maturity.² The difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) at which a substantial amount of each maturity of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium. In general, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium bond based on the owner's yield over the remaining term of the Premium Bond,

determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost.

Owners and prospective purchasers of Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences in connection with the ownership and disposition of Premium Bonds.

¹Information provided by the underwriters of the Series 2024A Bonds.

²Information provided by the underwriters of the Series 2024B Bonds.

Other Tax Consequences

Ownership or transfer of, or the accrual or receipt of interest on, the Bonds may result in collateral federal, State of North Carolina, other state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers who may be eligible for the federal earned income tax credit, and taxpayers subject to franchise, estate, inheritance, gift or capital gains taxes. Owners and prospective purchasers of the Bonds should consult their tax advisors as to any such possible tax consequences. Except to the extent covered in its legal opinion, Bond Counsel expresses no opinion regarding any such collateral tax consequences.

No assurance can be given that future legislation, including amendments to the Code or interpretations thereof, if enacted into law, or certain litigation or judicial decisions, if upheld, will not contain provisions or produce results which could, directly or indirectly, reduce the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Bonds.

Interest paid on tax-exempt obligations, such as the Bonds, will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest with respect to the Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest with respect to the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

RATINGS

Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings have given the Bonds ratings of Aaa, AAA, and AAA, respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective organization providing such rating. Certain information and materials not included in the Official Statement were furnished to such organizations. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

FINANCIAL ADVISOR

Davenport & Company LLC has acted as financial advisor to the Town in connection with the sale and issuance of the Bonds.

UNDERWRITING

The underwriters for the Series 2024A Bonds are _____.¹

The underwriters for the Series 2024A Bonds have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Series 2024A Bonds. If all of the Series 2024A Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, such underwriters would anticipate total underwriters' discount of \$_____.¹ The public offering prices or yields of the Series 2024A Bonds may be changed from time to time by such underwriters.

The underwriters for the Series 2024B Bonds are _____.²

The underwriters for the Series 2024B Bonds have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Series 2024B Bonds. If all of the Series 2024B Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, such underwriters would anticipate total underwriters' discount of \$_____.² The public offering prices or yields of the Series 2024B Bonds may be changed from time to time by such underwriters.

¹Information provided by the underwriters of the Series 2024A Bonds.

²Information provided by the underwriters of the Series 2024B Bonds.

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MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

The execution of this Official Statement has been duly authorized by the Local Government Commission of North Carolina and the Board of Commissioners for the Town.

**LOCAL GOVERNMENT COMMISSION
OF NORTH CAROLINA**

By

Jennifer Wimmer
Deputy Secretary of the Commission

TOWN OF MORRISVILLE, NORTH CAROLINA

By

TJ Cawley
Mayor

By

Brandon Zuidema
Town Manager

By

Byron Hayes
Interim Finance Director

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

The Local Government Commission (the “Commission”) is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale, and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on-site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit’s debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act, and its ability to service the proposed debt. All general obligation issues are customarily sold based on formal sealed bids submitted at the Commission’s offices in Raleigh and are subsequently delivered to the successful bidder by the Commission. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems, and practices. The Commission’s staff also counsels the units of local government in treasury and cash management, budget preparation, and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his or her approval before the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets, and all other financial powers conferred upon such governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors to assist the unit in working out a refinancing plan, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission will enter an order finding that the plan is fair, equitable, and within the ability of the unit to meet and will advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such a plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary of the Commission deems necessary and (b) to approve or reject the unit's annual budget ordinance. The governing board of the unit of local government must also obtain the approval of the Secretary of the Commission before adopting any annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue regarding a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed with following such plan.

**CERTAIN CONSTITUTIONAL, STATUTORY AND ADMINISTRATIVE
PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF
GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL
GOVERNMENT OF THE STATE OF NORTH CAROLINA**

Constitutional Provisions

The North Carolina Constitution (the “Constitution”) requires the General Assembly to enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts and other units, authorities and agencies of local government and prohibits enactment of special or local acts on this subject. These general laws may be enacted for classes defined by population or other criteria.

The General Assembly has no power under the Constitution to authorize any unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50% of such taxes;
- (d) to suppress riots or insurrections;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and
- (f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the issuing unit’s outstanding indebtedness was reduced during the next preceding fiscal year.

The Constitution requires that the power of taxation be exercised in a just and equitable manner, for public purposes only, and never be surrendered, suspended or contracted away. Since general obligation bonded indebtedness pledges the taxing power, it may therefore be incurred only for “public purposes.” The North Carolina Supreme Court determines what is and is not a public purpose within the meaning of the Constitution.

The Constitution requires voter approval for any unit of local government to give or lend its credit in aid of any person, association or corporation, and such lending of credit must be for public purposes as authorized by general law. A loan of credit is defined by the Constitution as occurring when a unit of local government exchanges its obligations with or in any way guarantees the debts of an individual, association or private corporation.

The Constitution does not impose a limit on the total indebtedness of a unit of local government.

Of the sources of revenue available to units of local government, only the property tax is subject to special Constitutional regulation. The Constitution does not mandate a general property tax; rather,

it authorizes the General Assembly to classify property for taxation under two conditions: (1) each class of property selected for taxation must be taxed by uniform rule and (2) every classification must be made by general law uniformly applicable to every unit of local government. No class of property is accorded exemption from ad valorem taxation by the Constitution except property belonging to the State, counties and municipal corporations. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and, to a value not exceeding \$300, any personal property. The General Assembly may also exempt from taxation not exceeding \$1,000 in value of property used as the place of residence of the owner. Property of the United States is exempt by virtue of the supremacy clause of the United States Constitution.

The Constitution requires that any property tax must be levied for purposes authorized by general law uniformly applicable throughout the State, unless approved by a majority of the qualified voters of the unit of local government who vote thereon.

Under the Constitution, property taxes levied for unit-wide purposes must be levied uniformly throughout the territorial jurisdiction of the taxing unit, but the General Assembly may enact general laws authorizing the governing body of any county, city or town to define territorial areas and to levy taxes within those areas in order to finance, provide or maintain services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county, city or town.

The Local Government Bond Act

No unit of local government has authority to incur general obligation bonded indebtedness otherwise than in accordance with the limitations and procedures prescribed in The Local Government Bond Act, G.S. Ch. 159, Art. 4 (the "Act") and G.S. Ch. 159, Art. 7 or to issue short-term general obligation notes otherwise than in accordance with G.S. Ch. 159, Art. 9.

By statute, the faith and credit of the issuing unit are pledged for the payment of the principal of and interest on all bonds issued under the Act according to their terms, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of installments of principal and interest or for the maintenance of sinking funds is unrestricted as to rate or amount.

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

Bonds may be issued only for purposes specifically authorized by the Act.

No bonds may be issued under the Act without the approval of the Local Government Commission. The criteria for approval have been summarized in the description of the powers of the Commission in Appendix B to this Official Statement.

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of

appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

“Net debt” is defined as gross debt less certain statutory exclusions and deductions. Gross debt, excluding therefrom debt incurred or to be incurred in anticipation of tax or other revenue collections or in anticipation of the sale of bonds other than funding or refunding bonds, is the sum of (i) outstanding debt evidenced by bonds, (ii) bonds authorized by orders introduced but not yet adopted, (iii) unissued bonds authorized by adopted orders and (iv) outstanding debt not evidenced by bonds. From gross debt are deducted (a) funding and refunding bonds (both those authorized by orders introduced but not yet adopted and those authorized but not yet issued), (b) the amount of money held in sinking funds or otherwise for the payment of any part of the principal of gross debt other than debt incurred for the purposes set forth in clause (e) below, (e) the amount of bonded debt included in gross debt and incurred, or to be incurred, for water, gas or electric light or power purposes, or two or more of such purposes, and certain bonded debt for sanitary sewer purposes, and (d) the amount of uncollected special assessments theretofore levied or estimated to be levied for local improvements for which any part of the gross debt (that is not otherwise deducted) was or is to be incurred, to the extent that the special assessments, when collected, will be applied to the payment of any part of the gross debt. Revenue bond indebtedness is not included in, nor deducted from, gross debt.

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

The Commission has by regulation established the maximum useful lives of capital projects that may be financed by bonds. The maturity dates of any bonds issued for any project may not exceed the maximum useful life of the project, measured from the date of the bonds.

All bonds must mature in annual installments, the first of which must be payable not more than three years after the date of the bonds and the last of which must be payable within the maximum useful life of the project. Payment of an installment of principal may be provided for by the maturity of a bond, mandatory redemption of principal prior to maturity, a sinking fund, a credit facility or any other means satisfactory to the Commission. In addition, the Act prohibits “balloon installments” in that it requires that no installment of any issue may be greater than four times as large in amount as the smallest prior installment of the same issue. Bonds authorized by two or more bond orders may be consolidated into a single issue, and bonds of each issue may be issued from time to time in series with different provisions for each series. Each series is deemed a separate issue for the purposes of the limitations discussed in this paragraph. Bonds may be made payable from time to time on demand or tender for purchase as provided in the Act, and bonds may be made subject to redemption prior to maturity, with or without premium. The requirement that the bonds must mature in annual installments and the prohibition against balloon installments as described above does not apply to (a) refunding bonds, (b) bonds purchased by a State or federal agency or (c) bonds the interest on which is or may be includable in gross income for purposes of federal income tax, provided that the dates on which such bonds are stated to mature are approved by the Commission and the Commission may

require that payment of all or any part of the principal of and interest and any premium on such bond be provided for by mandatory sinking fund redemption.

Short-Term Obligations

Bond Anticipation Notes - Units of local government are authorized to issue short term notes in anticipation of the sale of bonds validly authorized for issuance within the maximum authorized amount of the bonds. General obligation bond anticipation notes must be payable not later than seven years after the effective date of the bond order and shall not be renewed or extended beyond that time unless the period of time within which the bonds may be issued has been extended as mentioned above. The faith and credit of the issuing unit are pledged for the payment of general obligation bond anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount. The proceeds of each general obligation bond issue are also pledged for the payment of any notes issued in anticipation of the sale thereof, and any such notes shall be retired from the proceeds of the bonds as a first priority.

Tax Anticipation Notes - Units of local government having the power to levy taxes are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the collection of taxes due and payable within the current fiscal year, and to issue negotiable notes in evidence thereof. Any tax anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No tax anticipation note shall be issued by the unit of local government if the amount thereof, together with the amount of all authorized or outstanding tax anticipation notes on the date the note is authorized, would exceed 50% of the amount of taxes uncollected as of the date of the proposed note authorization. The faith and credit of the issuing unit are pledged for the payment of tax anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount.

Revenue Anticipation Notes - Units of local government are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the receipt of the revenues, other than taxes, estimated in their budgets to be realized in cash during such fiscal year, and to issue negotiable notes in evidence thereof. Any revenue anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No revenue anticipation note shall be issued if the amount thereof, together with the amount of all revenue anticipation notes authorized or outstanding on the date the note is authorized, would exceed 80% of the revenues of the issuing unit, other than taxes, estimated in its budget to be realized in cash during such fiscal year. Revenue anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of revenue anticipation notes.

Grant Anticipation Notes - Units of local government are authorized to borrow money for the purpose of paying appropriations made for capital projects in anticipation of the receipt of moneys from grant commitments for such capital projects from the State or the United States or any agencies of either, and to issue negotiable notes in evidence thereof. Grant anticipation notes must mature not later than 12 months after the estimated completion date of such capital project and may be renewed from time to time, but no such renewal shall mature later than 12 months after the estimated completion date of such capital project. No grant anticipation note may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, exceeds 90% of the unpaid amount of said grant commitment. Grant anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes.

The Local Government Budget and Fiscal Control Act

The Local Government Budget and Fiscal Control Act, G.S. Ch. 159, Art. 3 (the “Fiscal Control Act”), sets forth procedures for the adoption and administration of budgets of units of local government. The Fiscal Control Act also prescribes certain accounting and auditing requirements. The Fiscal Control Act attempts to achieve close conformity with the accounting principles contained in the American Institute of Certified Public Accountants’ Industry Audit Guide, Audits of State and Local Government Units.

Budget - The Fiscal Control Act requires the adoption of an annual balanced budget, which includes all appropriations required for debt service and for eliminating any deficit. Any deficit is required to be eliminated by the imposition of a property tax at a rate which will produce the revenue necessary to balance revenues and appropriations in the budget. The Secretary of the Commission is required to notify each local government unit by May 1 of each year of its debt service obligations for the coming fiscal year, including sums to be paid into sinking funds. At least 30 days prior to the due date of each installment of principal or interest on outstanding debt, the Secretary must notify each unit of the payment due, the due date, the place which the payments should be sent, and a summary of the legal penalties for failing to meet debt service obligations.

The Fiscal Control Act directs that the budget ordinance be adopted by the governing board of the unit of local government by July 1 of the fiscal year to which it applies. There is no penalty for failure to meet this deadline. The fiscal year begins July 1 and ends the following June 30. The governing board is required to hold a public hearing concerning the budget prior to its adoption. A project ordinance authorizing all appropriations necessary for the completion of a capital project or a grant project may be adopted in lieu of annual appropriations for each project and need not be readopted in any subsequent fiscal year.

Fiscal Control – The Fiscal Control Act sets forth certain fiscal control requirements concerning the duties of the finance officer; the system of accounting; budgetary accounting for appropriations; investment of idle funds; semiannual reports of financial information to the Commission; and an annual independent audit.

Except as otherwise provided by regulation of the Commission, the Fiscal Control Act requires a unit of local government to use the modified accrual basis of accounting in recording transactions. The Commission is empowered to prescribe regulations as to (a) features of accounting systems; (b) bases of accounting, including identifying in detail the characteristics of a modified accrual basis, identifying what revenues are susceptible to accrual, and permitting or requiring the use of a basis other than modified accrual in a fund that does not account for the receipt of a tax; and (c) definitions of terms not clearly defined in the Fiscal Control Act.

The Fiscal Control Act requires each unit of local government to have its accounts audited annually by an independent certified public accountant or by an independent accountant certified by the Commission as qualified to audit local government accounts. The audit must be conducted pursuant to a written contract containing the form, terms and fees for the audit. The Secretary of the Commission must approve this contract before the audit may begin and must approve invoices for the audit fee. Approval of final payment is not given until the audit report is rendered in accordance with the requirements of the contract. All audits are to be performed in conformity with generally accepted auditing standards.

Major General Fund Revenue Sources

Ad Valorem Tax - Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the

unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

Tax Base - The basic class of property selected for taxation comprises all real and tangible personal property. Thus, unless a class of property is specifically excluded from the property tax base, exempted from taxation or specifically accorded some kind of preferential tax treatment, it must be taxed by each unit of local government exercising its authority to levy property taxes. Several classes of property have been selected for exclusion from the property tax base, exemption from taxation or taxation at reduced valuation or for special appraisal standards. The most significant of these classes are:

- (1) Tangible household personal property is excluded from the property tax base.
- (2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.
- (3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.
- (4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.
- (5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:
 - (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).
 - (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.
 - (c) Certain pollution abatement and resource recovery equipment.
 - (d) "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.
 - (e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.
 - (f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.
- (6) A homestead exemption of the greater of \$25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the

preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.

- (7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use

Appraisal Standard - All property must be appraised at its true value in money, except agricultural, horticultural and forest land eligible for appraisal at its present-use value. Property must be assessed for taxation at 100% of its appraised value.

Frequency of Appraisal - Real property must be appraised at least once in every eight years. The requirement of octennial real property revaluations has been enforced since 1965, and no taxing unit has been permitted to postpone a scheduled revaluation since that time. Many units revalue real property more frequently than every eight years. Personal property is appraised annually.

Tax Day - All real and tangible personal property (other than most motor vehicles) subject to ad valorem taxation must be listed for taxation as of January 1 each year. Motor vehicles, with certain exceptions, must be listed annually in the name of the record owner on the day on which the current vehicle registration is renewed or the day on which the application is submitted for a new vehicle registration.

Tax Levy - Property taxes are levied in conjunction with the adoption of a budget which covers a July 1 to June 30 fiscal year. The property tax levy must be sufficient to raise during the fiscal year a sum of money equal to the difference between total appropriations and the total estimated receipts of all other revenues. In estimating the percentage of the levy that will be collected during the fiscal year, the taxing unit is prohibited from estimating a greater collection percentage than that of the prior fiscal year.

The tax rate may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate. Tax levies by counties for the following purposes are not counted against the rate limit: courts, debt service, deficits, elections, jails, schools, mandated social services programs and joint undertakings with any other taxing unit with respect to any of these. Tax levies by cities for the following purposes are not counted against the rate limit: debt service, deficits and civil disorders.

Tax Collection - The taxing unit has a lien by operation of law on all real property within its jurisdiction that attaches as of January 1 for all taxes levied for the fiscal year beginning on the following July 1. Taxes levied on a parcel of real property are a lien on that parcel but not on other real property owned by the taxpayer. Taxes levied on personal property are a lien on all real property owned by the taxpayer within the taxing unit. The tax lien enjoys absolute priority against all other liens and claims whatsoever except, in limited circumstances, federal tax liens and certain other prior liens and perfected security interests.

Except for motor vehicles, taxes fall due on September 1 following the date of levy and are payable at par until January 6. For the period January 6 to February 1, interest accrues at the rate of 2%, and for the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of 3/4% per month or fraction thereof. Each taxing unit may enforce collection of its tax levy by (a) foreclosure of the lien on real property, (b) levy and sale of tangible personal property and (c) garnishment and attachment of intangible personal property. There is no right of redemption of real property sold in a tax foreclosure action.

Discounts for early payment of property taxes are allowed by some taxing units. To allow such discounts, the unit must adopt a discount schedule which must then be approved by the Ad Valorem Tax Division of the Department of Revenue.

No taxing unit has authority to release or refund any valid tax claim. The members of any governing board voting to make an unlawful release or refund of property taxes are personally liable for the amount unlawfully released or refunded.

The Commission periodically publishes statistics on the percentage of property tax levies collected before the close of the fiscal year for which levied. These statistics are available upon request.

Although the State has not levied a general property tax in more than forty years, it does continue general oversight of property tax administration by units of local government through the Ad Valorem Tax Division of the Department of Revenue. The Division has three main functions: (1) it appraises the property of electric power, gas, telephone and telegraph companies, the rolling stock of bus companies and motor freight carriers and the flight equipment of airlines; (2) it oversees local property tax administration; and (3) it provides staff assistance to the Property Tax Commission, an administrative appellate agency hearing listing and valuation appeals from local taxing units.

Local Government Sales and Use Taxes

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

Counties are also authorized under the Supplemental Local Government Sales and Use Tax Act to levy a one-half percent sales tax. This sales tax is collected by the State, allocated to counties on a per capita basis and divided among each county and the municipalities located therein in accordance with the method by which the one percent sales and use taxes are distributed. An adjustment factor is applied to the per capita allocation for each county. All 100 counties levy this one-half percent supplemental sales tax.

Counties are also authorized under the Additional Supplemental Local Government Sales and Use Tax Act to levy an additional one-half percent sales tax. This additional supplemental sales tax is collected and distributed based on a point-of-origin allocation. During the first 16 fiscal years in which this tax is in effect, 60% of the revenue derived by counties from this tax is required to be used for public school capital outlay purposes or to retire any indebtedness incurred by the county for these purposes during the period beginning five years prior to the date the taxes took effect. Counties may be relieved of the percentage restriction if it can demonstrate to the satisfaction of the Local Government Commission that it is able to meet the aforementioned capital outlay needs without resorting to proceeds of such tax. All 100 counties levy this additional supplemental one-half percent sales tax.

Alcoholic Beverage Control Store Profits

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly

has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of \$20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and \$10 of the \$20 is paid to the State's General Fund.

Intragovernmental Shared Revenues

The net amount of excise taxes collected by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and municipalities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 20.47 percent of malt beverage tax revenue, 49.44 percent of unfortified wine tax revenue and 18 percent of fortified wine tax revenue. A municipality or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold at retail in a municipality located in a county in which the sale of such beverage is otherwise prohibited, only the municipality receives a portion of the amount distributed.

The State levies a tax on the gross receipts derived from the sale of electricity at the combined general rate prescribed by statute. The State distributes 44 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute.

The State levies a sales tax on the gross receipts derived from providing telecommunications and ancillary services at the statutorily prescribed combined general rate. Each quarter, the State distributes to municipalities 18.7 percent of the net proceeds from that quarter, minus \$2,620,948.

The State levies a tax on the gross receipts derived from the sale of piped natural gas at the combined general rate. The State distributes quarterly 20 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute, with certain "gas cities" eligible for an increase to their shares provided that certain requirements are met.

All cities and counties receive shares of three State sales taxes on video programming service and telecommunications service revenues pursuant to a formula provided by statute. The revenue to be distributed includes 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. Before the distribution of such net proceeds is made, certain cities or counties may receive supplemental public, educational or governmental access channel ("PEG Channel") support funds from such net proceeds, provided that certain requirements are met.

State and Local Fiscal Relations

The State finances from State revenues (primarily individual income taxes, corporate income taxes and sales taxes) several governmental programs that are largely financed from local revenues in other states, thus decreasing reliance on local property taxes for these purposes. The major programs of this nature are as follows:

Public Schools and Community Colleges - The State provides approximately 70% of the funds required for current operating costs of the public school and community college systems, while county government finances the greater portion of the capital costs of these systems. North Carolina school administrative units do not have independent tax-levying authority. The local share of the costs of the

public school and community college systems are raised primarily by county government from its general revenues including the local sales tax revenue.

Court System - The State finances virtually all of the current operating costs of the General Court of Justice. County government is required to provide courthouses, certain jails and related judicial facilities.

Correctional System - The State finances all of the cost of correctional facilities used for confinement of convicted felons and long-term (more than 30 days) misdemeanants. Counties and some municipalities furnish jails for short-term misdemeanants and prisoners awaiting trial.

Highway System - The State finances the entire cost of public roads and highways outside the corporate limits of cities and towns. Counties may voluntarily participate in improvements to public roads and highways. Within cities and towns, the State finances the cost of major thoroughfares and streets connecting elements of the State highway system. Cities share responsibility with the State for State-maintained roads inside city limits and take full responsibility for the remaining public streets within city limits.

Management Discussion and Analysis

The following is Management's Discussion and Analysis of the financial activities of the Town, lifted from the Annual Comprehensive Financial Report for the Town of Morrisville for the fiscal year ended June 30, 2023. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the Town's financial activities based on currently known facts, decisions, or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the Town have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

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, 2023. We encourage readers to read the information presented here in conjunction with the transmittal letter in the front of this report, 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 \$209,686,293 (*net position*). Of this amount, \$23,664,960 (*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 \$24,140,933 in fiscal year 2023 which is primarily due to the purchase of land for capital projects, capital projects that were completed, and capital projects that are currently under construction.
- Increase in net position for Stormwater Business-type activities is \$723,278 in fiscal year 2023.
- As of the close of fiscal year 2023 the Town of Morrisville's governmental funds reported a combined ending fund balance of \$54,897,394, a decrease of \$6,123,535 over the prior year. Approximately 30.18% of total governmental funds fund balance, or \$16,566,581 is available for spending at the Town's discretion (*Unassigned fund balance*).
- The total fund balance in the General Fund increased by \$7,271,377. At the end of fiscal year 2023, the unassigned fund balance for the General Fund was \$16,566,070 or 41.31% of total general fund expenditures. The Town's policy is to maintain a minimum of 25% of expenditures in unassigned fund balance with a fund balance maximum range target of 45%.
- The Town's total outstanding debt decreased by \$2,970,679 in fiscal year 2023 due to debt payments on outstanding debt. The Town issued no new debt in fiscal year 2023.
- The Town received the second tranche of \$4,596,573 from the Coronavirus State and Local Recovery Fund as a result of the American Rescue Plan Act (ARPA) and allocated \$3,559,500 that replaced lost revenue and helped offset some capital project expenditures.
- 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 are 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 using 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 8) 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 showing 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 culture and recreation. Property taxes and unrestricted state funds finance most of these activities. The business-type activities of the Town consist of Stormwater 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.

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 two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the 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 June 30, 2023, the Town of Morrisville utilized 16 individual governmental funds: the General Fund [which includes the Fire Apparatus Capital Reserve Fund, Roadway and Transportation Capital Reserve Fund, Capital Investment Plan Capital Reserve Fund, Parks and Recreation Capital Reserve Fund, Municipal Service District Fund, and Debt Service Fund, which are consolidated in the General Fund in accordance with GASB 54] and 14 Capital Project Funds (to account for construction projects spanning more than one annual budget year). The General Fund, American Rescue Plan Act Special Revenue Fund, and Public Safety Improvements 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 residents 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 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 one proprietary fund that is 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 an enterprise fund to account for its stormwater activities. This enterprise fund is 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.

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 28-80 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 81 of this report.

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 resources for the Town of Morrisville exceeded liabilities and deferred inflows of resources by \$209,686,293 as of June 30, 2023. The Town's net position increased by \$24,140,933 for the fiscal year ended June 30, 2023. The largest portion, \$170,769,760 (81.4%), of net position reflects the Town's net investment in capital assets (e.g. land, buildings, infrastructure, machinery, equipment, right to use lease and subscription assets). The Town of Morrisville uses these capital assets to provide services to the community; 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, \$15,251,843 (7.3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$23,664,690 (11.3%) 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		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 5,031,718	\$ 2,341,431	\$ 1,226,749	\$ 1,171,039	\$ 6,258,467	\$ 3,512,470
Operating grants and contributions	1,882,056	2,141,609	-	-	1,882,056	2,141,609
Capital grants and contributions	12,772,879	9,235,319	-	-	12,772,879	9,235,319
General revenues:						
Property taxes	26,079,036	23,118,819	-	-	26,079,036	23,118,819
Local option sales taxes	9,967,798	8,824,518	-	-	4,245,150	8,824,518
Other taxes and licenses	4,245,150	4,121,466	-	-	9,967,798	4,121,466
Unrestricted investment earnings	2,335,432	99,877	53,223	2,573	2,388,655	102,450
Miscellaneous	445,856	755,999	-	24,130	445,856	780,129
Parkland payment in lieu	1,262,033	508,204	-	-	1,262,033	508,204
Total revenues	<u>64,021,958</u>	<u>51,147,242</u>	<u>1,279,972</u>	<u>1,197,742</u>	<u>65,301,930</u>	<u>52,344,984</u>
Expenses:						
General government	8,796,877	9,792,132	-	-	8,796,877	9,792,132
Development services	4,494,764	3,641,353	-	-	4,494,764	3,641,353
Public safety	15,289,590	13,662,345	-	-	15,289,590	13,662,345
Public works - Streets and sanitation	7,471,162	8,929,163	-	-	7,471,162	8,929,163
Cultural and recreation	3,173,918	3,130,020	-	-	3,173,918	3,130,020
Interest on long-term debt	1,377,992	988,971	-	-	1,377,992	988,971
Stormwater	-	-	556,694	488,990	556,694	488,990
Total expenses	<u>40,604,303</u>	<u>40,143,984</u>	<u>556,694</u>	<u>488,990</u>	<u>41,160,997</u>	<u>40,632,974</u>
Changes in net position						
transfers	<u>23,417,655</u>	<u>11,003,258</u>	<u>723,278</u>	<u>708,752</u>	<u>24,140,933</u>	<u>11,712,010</u>
Net position, July 1	182,539,120	171,535,862	3,006,240	2,297,488	185,545,360	173,833,380
Net position, June 30	<u>\$ 205,956,775</u>	<u>\$ 182,539,120</u>	<u>\$ 3,729,518</u>	<u>\$ 3,006,240</u>	<u>\$ 209,686,293</u>	<u>\$ 185,545,360</u>

GOVERNMENTAL ACTIVITIES: Governmental activities increased the Town’s net position by \$23,417,655. Overall, revenues related to governmental activities increased this fiscal year compared to fiscal year 2022 by \$12,874,716 or 25.17%, along with an increase in expenses of \$460,311 or .01% more compared to fiscal year 2022. Key elements of this change in net position are as follows:

- Local option sales taxes increased 12.9% in fiscal year 2023 or \$1,143,280 over fiscal year 2022 compared to a 3.42% increase in fiscal year 2022 which has been impacted by the 2020 census results.
- Ad valorem taxes increased 12.94% or \$2,988,130 over fiscal year 2022 which is primarily due to the increase in the tax base from new residential and commercial activity. For FY2023 the tax rate increased 3 cents from \$.36 to \$.39 and the three-cent increase is dedicated to bond projects approved by voters in November 2021.
- Permits and fees increased by \$374,211 from \$1,948,883 in fiscal year 2022 to \$2,323,094 in fiscal year 2023 due to an increase in new commercial permit activity.
- The Town recognized \$1,262,033 in the current year for Parkland Payment-in-Lieu revenues which will be used for recreational improvements.
- In fiscal year 2023, the Town added two new full-time new staff positions – an additional Assistant Town Manager position authorized in FY 2022 and a Stormwater Engineer needed to manage increased workload demands due to new state mandated stormwater program requirements.

BUSINESS-TYPE ACTIVITIES: Stormwater business-type activities increased the Town of Morrisville’s net position by \$723,278. This increase is primarily due to a decrease in expenditures.

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.

On June 30, 2023, the governmental funds of the Town of Morrisville reported a combined fund balance of \$54,897,394, a decrease of \$6,122,585 compared to the prior year. This change in fund balance is primarily due to the completion of capital projects.

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 \$16,566,070 while total fund balance for the General Fund was \$38,390,970. 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 41.31% of total General Fund expenditures, while total fund balance represents 95.73% of that same amount (compared to 82.48% in 2022).

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 exceeds 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 2023, the Town originally appropriated \$1,841,000 of fund balance to balance the budget.

The total fund balance of the Town's general fund increased by \$7,271,377 during fiscal year 2023. Key components of this change are as follows:

Ad valorem taxes received increased by \$2,988,130 which is primarily due to increase in the tax base from new residential and commercial activity and prior year discoveries and adjustments.

- Sales tax revenues increased by \$1,143,280 due to an increase in consumer spending (\$9,967,798 compared to \$8,824,518 in fiscal year 2022).
- General fund expenditures were 90.86% of budgeted amounts representing a variance of \$4,034,798. Some of these variances were related to the following:
 - 1) Several in progress projects/items which resulted in outstanding purchase orders in the amount of \$883,402 were rolled over to fiscal year 2024 which mainly consisted of MAFC elevator modernization (\$235,300), land use plan update (\$178,954), equipment repairs and maintenance (\$45,910), Harris Mill pavement repair (\$47,950), building repairs and maintenance (\$47,576), fleet purchases (\$53,455), affordable housing initiatives (\$39,752), smart shuttle (\$28,863), equipment software (\$41,145), miscellaneous operating costs (\$17,366) and miscellaneous consulting/professional services for departments (\$147,131).
 - 2) Personnel cost savings of \$297,671 (as compared to budget) is mainly due to lapse salaries.
 - 3) Several departments spent less than budgeted for their operating expenditures. Examples include repairs, maintenance, professional services, and overall general operation expenditures which totaled approximately \$1,897,000.

The Capital Project Funds reported at the end of fiscal year 2023 had a total fund balance of \$16,203,692, a decrease of \$13,697,644 from the prior year. The decrease is due to the substantial completion of several capital projects and closeout of Church Street Park Capital Project Fund.

General Fund Budgetary Highlights - Fiscal Year 2023: 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 FY 2023, there was a total increase in the original budget of \$1,800,115 (\$574,922 from recognized revenues and \$1,225,193 appropriation of fund balance) to the final amended budget at year-end. The additional appropriations from budget amendments during the year included: 1) \$70,754 recognized for insurance claims 2) \$24,622 Department of Justice proceeds 3) \$11,046 for additional Powell Bill funds received 4) \$300,000 for Small Business Association grant 5) \$60,000 for Duke Energy solar rebate and 6) \$108,500 for a transfer from a closed capital project (Church Street

Park). The fund balance appropriations included: 1) \$22,315 for re-appropriation of drug proceeds and Police Department grant funding 2) \$1,008,878 PO Rollover 3) \$158,700 Streets Payment in Lieu for intersection improvements and 4) \$35,300 for the J-Morris Commons Lane Extension construction project. 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 exceeds 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, 2023, the Town's unassigned fund balance was 33.81% of total general fund expenditures or \$16,567,115 in unassigned fund balance for the General Fund.

Proprietary Funds: The Town of Morrisville's Proprietary Fund provides the same type of information found in the government-wide statements but in more detail. The Enterprise Fund, at the end of the fiscal year, reported a total ending net position of \$3,729,518. The change in net position for the enterprise funds was an increase of \$723,278. The Stormwater Fund, previously reported in the General Fund, was established in FY 2016 as an enterprise fund and is used to account for the activities related to the Town's Stormwater Management Program.

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, 2023, totaled \$207,904,358 (net of accumulated depreciation and amortization). These assets include land, streets and sidewalks, buildings, machinery and equipment, vehicles, park facilities, construction in progress, intangible right to use lease assets and SBITAs.

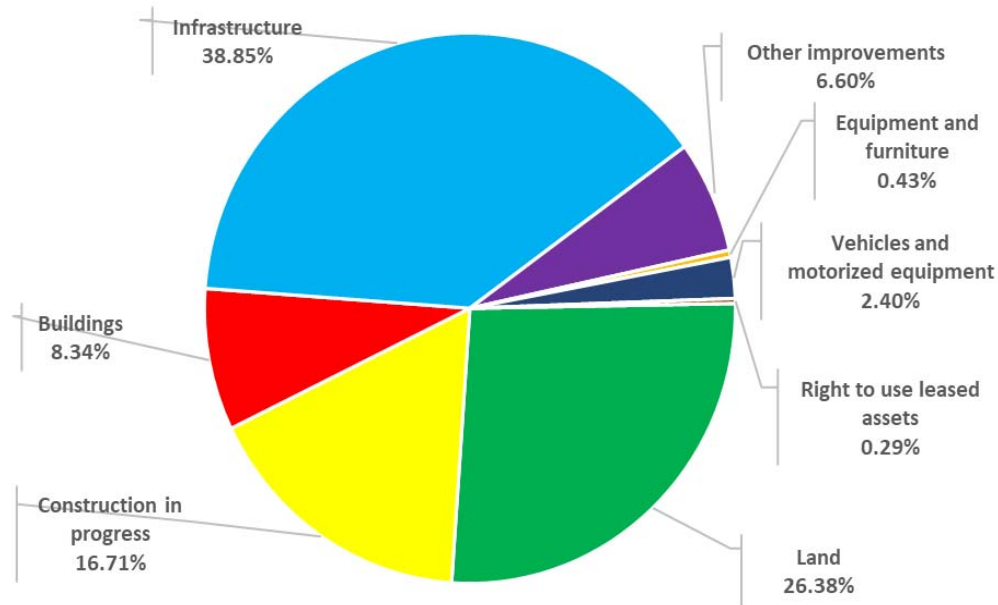
Major capital asset transactions during the year included the following:

- Building assets used in governmental activities increased by \$178,666 primarily due to the completion of the solar panel installation on the PSMS building.
- Land assets used in governmental activities increased by \$4,182,540 due to land purchases for future parks, the Town Center project, and donated land for streets and sidewalks.
- Infrastructure assets used in governmental activities increased by \$5,266,573 due to donated streets and sidewalks.
- The Town placed new equipment into service with \$109,122 in governmental activities.
- Other improvements increases in governmental activities by \$12,399 due to the fencing at North West Park.
- The Town placed new vehicles into service, totaling \$393,439 in the governmental activities including a donated tanker truck for the Fire Department, and four (4) new vehicles for the Police Department.
- Construction in progress additions in the governmental activities totaled \$21,359,824 and included ongoing projects for street improvements, sidewalks, parks and greenways, building improvements, and vehicles and equipment.

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 54,670,426	\$ 50,487,886	\$ 200,410	\$ 200,410	\$ 54,870,836	\$ 50,688,296
Construction in progress	34,054,113	14,592,584	686,210	644,099	34,740,323	15,236,683
Buildings	17,340,099	17,338,569	-	-	17,340,099	17,338,569
Infrastructure	80,631,243	75,643,763	142,892	143,457	80,774,135	75,787,220
Other improvements	13,642,301	13,695,834	146,939	130,004	13,789,240	13,825,838
Equipment and furniture	873,643	1,363,217	15,070	16,590	888,713	1,379,807
Vehicles and motorized equipment	4,925,793	4,494,987	963	963	4,926,756	4,495,950
Right to use leases assets	574,255	818,690	-	-	574,255	818,690
Total assets	\$ 206,711,874	\$ 178,435,530	\$ 1,192,484	\$ 1,135,524	\$ 207,904,358	\$ 179,571,053

Government-Wide Capital Assets



Long-term Debt: As of June 30, 2023, the Town of Morrisville had total general obligation bonded debt (including premiums) outstanding of \$39,019,728, and installment purchase related debt of \$2,480,000. The Town’s total outstanding debt decreased by \$2,970,679 in the current fiscal year due to the paydown of debt and amortization of the premium.

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 April 2022, the Town was awarded AAA ratings from all three major bond rating agencies following meetings with *Standards and Poor’s*, *Moody’s* and *Fitch*. The ratings are associated with the issuance of \$17,610,000 in general obligation bonds that were sold on April 26, 2022.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
General Obligation Bonds	\$ 36,255,000	\$ 38,815,000	\$ -	\$ -	\$ 36,255,000	\$ 38,815,000
Installment Purchases	2,480,000	2,635,000	-	-	2,480,000	2,635,000
Premiums	2,764,728	3,020,407	-	-	2,764,728	3,020,407
Total	<u>\$ 41,499,728</u>	<u>\$ 44,470,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,499,728</u>	<u>\$ 44,470,407</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 \$498,363,856 or .074% of the assessed value of taxable property.

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 2024:

- Fiscal Year 2023 property tax remains at \$0.39 per \$100 of property valuation and is estimated at \$25,290,000.
- The remaining ARPA proceeds have been incorporated into the FY 2024 budget for revenue replacement and completion of one-time projects and purchases.
- The property tax collection rate is trending at over 99% and overall revenues are approximately 13% over fiscal year 2022 actuals.
- The unemployment rate for the Raleigh-Cary Metropolitan area as of June 2023 was 3.2% which is 0.2% less than a year ago at 3.4%. The unemployment rate compares favorably to the state's average unemployment rate in June 2023 of 3.3%.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2024

- Conservative revenue projections with adjustments/decreases in revenue streams that recognize the need to supplant revenue lost from programs with ARPA funds.
- Moderate user fee adjustments were made where market comparisons supported changes.
- Maintain the stability of existing core programs and services, including operational cost increases.
- New debt service payments from the second issuance in Spring 2024 of \$13,900,000 of the \$37 million in voter approved bonds in FY2022.
- The fiscal year 2024 General Fund budget reflects a fund balance appropriation of \$1,238,800 (approximately 3% of expenditures) to support operational non-recurring or one-time expenses.
- Approved appropriation to the Roadway & Transportation Reserve Fund (\$685,000), approved appropriation to the Fire Apparatus Reserve Fund (\$850,000), approved appropriation for Parks and Recreation Reserve Fund (\$685,000), approved appropriation for CIP Capital CIP Reserve Fund (\$200,000), as well as an approved transfer to Municipal Service District Fund (\$110,000).
- Addition of two new full-time positions- one Athletics Maintenance Technician III and one Senior Capital Projects Manager, and conversion of two existing part-time positions to provide for program capacity needs for Parks & Receptions operations, an estimated 4.5% merit increase for eligible employees, and a 2% market conditions pay adjustment.

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.

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Financial Information

Financial Statements

The financial statements of the Town have been audited by certified public accountants for the fiscal years ended June 30, 2023, 2022 and 2021. Copies of these financial statements containing the reports of the independent certified public accountants are available by contacting the office of Nancy Emslie, Finance Director, Town of Morrisville, 100 Town Hall Drive, Morrisville, North Carolina, 27560 or on the Town's website at: <https://www.townofmorrisville.org/government/departments-services/finance>.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This marks the 29th consecutive year the Town has received this award. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements. The Town believes that the annual financial report for the year ended June 30, 2023, will continue to meet the requirements under the Certificate of Achievement Program.

The Town financial statements present the government-wide financial statements, which are shown on pages D-2 through D-3 of this official statement and include fund and budgetary reporting. The government-wide financial statements are prepared on the full accrual basis of accounting. The government-wide statements report capital assets and all long-term obligations, for both governmental-type and business-type activities. As a result, government officials can demonstrate operational accountability in their stewardship of public funds in the long-term, in addition to demonstrating fiscal accountability in the short-term through the budgetary statements.

Fund reporting is presented to report on the government's most important funds individually as *major* funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other governmental or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board as well. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the Town's ability to manage and estimate its resources. See page D-8 for the presentation of the Town's budgetary statements.

The following financial statements are the basic financial statements of the Town and the notes thereto, lifted from the Annual Comprehensive Financial Report of the Town for the fiscal year ended June 30, 2023.

TOWN OF MORRISVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2023

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 45,028,017	\$ 2,753,063	\$ 47,781,080
Receivables:			
Taxes	26,423	-	26,423
Accounts	106,573	4,802	111,375
Lease - current portion	95,982	-	95,982
Interest	161	-	161
Due from other governments	4,028,632	1,720	4,030,352
Prepaid expenses	22,607	-	22,607
Restricted cash and cash equivalents	15,734,757	-	15,734,757
Non-current assets:			
Lease receivable	2,174,362	-	2,174,362
Capital assets:			
Land, improvements and construction in progress	88,724,539	886,620	89,611,159
Other capital assets, net of depreciation	117,413,080	305,865	117,718,945
Intangible right to use assets, net of amortization	574,255	-	574,255
Total assets	<u>273,929,388</u>	<u>3,952,070</u>	<u>277,881,458</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	8,319,212	135,142	8,454,354
OPEB deferrals	998,856	17,274	1,016,130
Deferred charge on refunding	54,178	-	54,178
Total deferred outflows of resources	<u>9,372,246</u>	<u>152,416</u>	<u>9,524,662</u>
LIABILITIES			
Accounts payable and accrued expenses	4,265,325	24,926	4,290,251
Accrued interest	605,459	-	605,459
Unearned revenue	5,816,427	-	5,816,427
Due within one year:			
Compensated absences	1,451,345	30,570	1,481,915
Bonds and notes payable	2,975,679	-	2,975,679
Leases and IT subscriptions	295,450	-	295,450
Due in more than one year:			
Total OPEB liability	5,316,645	91,928	5,408,573
Total LEOSSA pension liability	2,069,993	-	2,069,993
Compensated absences	161,260	3,397	164,657
Net LGERS pension liability	11,426,551	197,611	11,624,162
Bonds and notes payable	38,524,049	-	38,524,049
Leases and IT subscriptions	280,627	-	280,627
Total liabilities	<u>73,188,810</u>	<u>348,432</u>	<u>73,537,242</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes and fees	11,305	-	11,305
Leases	2,200,478	-	2,200,478
OPEB deferrals	1,460,467	25,257	1,485,724
Pension deferrals	483,798	1,279	485,077
Total deferred inflows of resources	<u>4,156,048</u>	<u>26,536</u>	<u>4,182,584</u>
NET POSITION			
Net investment in capital assets	169,577,275	1,192,485	170,769,760
Restricted for:			
Stabilization by State statute	4,651,520	-	4,651,520
Recreation improvements	4,921,066	-	4,921,066
Street improvements	4,338,445	-	4,338,445
Public safety operations and activities	1,340,812	-	1,340,812
Unrestricted	21,127,657	2,537,033	23,664,690
Total net position	<u>\$ 205,956,775</u>	<u>\$ 3,729,518</u>	<u>\$ 209,686,293</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

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	\$ 8,796,877	\$ 429,423	\$ 654,614	\$ 900,000	\$ (6,812,840)	\$ -	\$ (6,812,840)
Development services	4,494,764	3,560,614	375,813	-	(558,337)	-	(558,337)
Public safety	15,289,590	178,919	15,583	64,225	(15,030,863)	-	(15,030,863)
Public works	7,471,162	-	836,046	10,421,600	3,786,484	-	3,786,484
Culture and recreation	3,173,918	862,762	-	1,387,054	(924,102)	-	(924,102)
Interest on long-term debt	1,377,992	-	-	-	(1,377,992)	-	(1,377,992)
Total governmental activities	40,604,303	5,031,718	1,882,056	12,772,879	(20,917,650)	-	(20,917,650)
Business-type activity:							
Stormwater	556,694	1,226,749	-	-	-	670,055	670,055
Total government	\$ 41,160,997	\$ 6,258,467	\$ 1,882,056	\$ 12,772,879	(20,917,650)	670,055	(20,247,595)
General revenues:							
Taxes:							
Property taxes levied for general purposes					26,079,036	-	26,079,036
Local option sales taxes					9,967,798	-	9,967,798
Other taxes and licenses					4,245,150	-	4,245,150
Investment earnings					2,335,432	53,223	2,388,655
Miscellaneous					445,856	-	445,856
Parkland payments in lieu					1,262,033	-	1,262,033
Total general revenues					44,335,305	53,223	44,388,528
Change in net position					23,417,655	723,278	24,140,933
Net position - beginning					182,539,120	3,006,240	185,545,360
Net position - ending					\$ 205,956,775	\$ 3,729,518	\$ 209,686,293

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

TOWN OF MORRISVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2023

Exhibit 3

	Major Funds				Total Governmental Funds
	General	American Rescue Plan Act Special Revenue Fund	Public Safety Improvements Capital Project Fund	Nonmajor Funds	
Assets					
Cash and cash equivalents	\$ 33,864,943	\$ -	\$ -	\$ 11,163,075	\$ 45,028,017
Receivables					
Taxes	26,423	-	-	-	26,423
Accounts receivable	79,722	-	-	26,851	106,573
Lease receivable	2,270,344	-	-	-	2,270,344
Due from other governments	3,690,739	7,945	226,594	103,354	4,028,632
Prepaid expenses	22,607	-	-	-	22,607
Restricted cash and cash equivalents	3,113,673	5,903,029	1,684,789	5,033,266	15,734,757
Total assets	<u>\$ 43,068,450</u>	<u>\$ 5,910,974</u>	<u>\$ 1,911,383</u>	<u>\$ 16,326,546</u>	<u>\$ 67,217,352</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 2,213,088	\$ 18,000	\$ 611,707	\$ 1,422,530	\$ 4,265,325
Unearned revenue	226,186	5,590,241	-	-	5,816,427
Total liabilities	<u>2,439,274</u>	<u>5,608,241</u>	<u>611,707</u>	<u>1,422,530</u>	<u>10,081,752</u>
Deferred inflows of resources					
Taxes receivable	26,423	-	-	-	26,423
Prepaid taxes and fees	11,305	-	-	-	11,305
Lease receivable	2,200,478	-	-	-	2,200,478
Total deferred inflows of resources	<u>2,238,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,238,206</u>
Fund balances					
Nonspendable:					
Prepaid expenses	22,607	-	-	-	22,607
Leases	69,866	-	-	-	69,866
Restricted:					
Stabilization by State statute	4,651,520	-	-	-	4,651,520
Street improvements	3,072,537	-	-	1,265,908	4,338,445
Recreation improvements	-	-	-	4,921,066	4,921,066
Public safety operations and activities	41,136	-	1,299,676	-	1,340,812
Committed:					
General governmental capital	4,953,618	-	-	-	4,953,618
Debt service	2,255,143	-	-	-	2,255,143
LEOSSA pension liability	376,655	-	-	-	376,655
OPEB liability	4,686,953	-	-	-	4,686,953
Healthcare premium	453,578	-	-	-	453,578
American Rescue Plan Act projects	-	302,733	-	900,000	1,202,733
Capital projects	-	-	-	7,816,530	7,816,530
Assigned:					
Fire operations and activities	2,487	-	-	-	2,487
Subsequent year's expenditures	1,238,800	-	-	-	1,238,800
Unassigned	16,566,070	-	-	512	16,566,581
Total fund balances	<u>38,390,970</u>	<u>302,733</u>	<u>1,299,676</u>	<u>14,904,016</u>	<u>54,897,394</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 43,068,450</u>	<u>\$ 5,910,974</u>	<u>\$ 1,911,383</u>	<u>\$ 16,326,546</u>	<u>\$ 67,217,352</u>

The notes to 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, 2023

Total fund balances - governmental funds		54,897,394
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets, exclusive of leased assets, used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Governmental capital assets, exclusive of leased assets	\$ 260,083,845	
Less accumulated depreciation	<u>(53,946,226)</u>	206,137,619
Right to use leased assets used in government activities are not financial resources and, therefore, are not reported in the funds		
Right to use leased assets	1,149,526	
Less accumulated amortization	<u>(575,271)</u>	574,255
Deferred outflows of resources related to pensions are not reported in the funds		
Deferred outflows of resources related to OPEB are not reported in the funds		8,319,212
		998,856
Deferred charge on refunding is not available or due in current period, and, therefore, is not reported in the fund		
		54,178
Long-term liabilities used in governmental activities are not due and payable in the current period and, therefore, are not reported in the funds		
Total other postemployment benefits liability	(5,316,645)	
Total LEOSA pension liability	(2,069,993)	
Government bonds and notes payable	(38,735,000)	
Deferred bond premium	(2,764,728)	
Compensated absences	(1,612,605)	
Net LGERS pension liability	(11,426,551)	
Lease and IT subscriptions	<u>(576,077)</u>	(62,501,599)
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		26,423
Pension related deferrals		
OPEB related deferrals		(483,798)
		(1,460,467)
Other receivables and liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Accrued interest receivable		161
Accrued interest payable		<u>(605,459)</u>
Net position of governmental activities		<u>\$ 205,956,775</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

Exhibit 4

	Major Funds				Total Governmental Funds
	General	American Rescue Plan Act Special Revenue Fund	Public Safety Improvements Capital Project Fund	Nonmajor Funds	
Revenues					
Ad valorem taxes	\$ 26,083,026	\$ -	\$ -	\$ -	\$ 26,083,026
Other taxes and licenses	631,815	-	-	-	631,815
Unrestricted intergovernmental	13,581,133	-	47,439	-	13,628,572
Restricted intergovernmental	1,347,481	2,127,202	-	1,687,879	5,162,562
Permits and fees	3,667,472	-	-	1,262,033	4,929,505
Sales and services	1,292,185	-	-	-	1,292,185
Investment earnings	834,726	297,153	465,412	738,141	2,335,432
Miscellaneous	470,483	-	-	1,387,054	1,857,537
Total revenues	<u>47,908,321</u>	<u>2,424,355</u>	<u>512,851</u>	<u>5,075,107</u>	<u>55,920,634</u>
Expenditures					
Current					
General government	7,936,900	-	-	-	7,936,900
Development services	4,241,293	-	-	-	4,241,293
Public safety	13,341,722	-	-	-	13,341,722
Public works	6,838,132	434,369	-	-	7,272,501
Culture and recreation	2,616,879	-	-	825	2,617,704
Capital outlay	621,340	212,534	8,943,704	12,399,258	22,176,836
Debt service					
Principal	3,095,724	-	-	-	3,095,724
Interest	1,407,260	-	-	-	1,407,260
Total expenditures	<u>40,099,250</u>	<u>646,903</u>	<u>8,943,704</u>	<u>12,400,083</u>	<u>62,089,940</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,809,071</u>	<u>1,777,452</u>	<u>(8,430,853)</u>	<u>(7,324,976)</u>	<u>(6,169,306)</u>
Other Financing sources (uses)					
Transfers in	8,502,736	-	35,300	4,708,800	13,246,836
Transfers out	(9,086,200)	(1,480,300)	-	(2,680,336)	(13,246,836)
Right to use proceeds	45,770	-	-	-	45,770
Total other financing sources (uses)	<u>(537,694)</u>	<u>(1,480,300)</u>	<u>35,300</u>	<u>2,028,464</u>	<u>45,770</u>
Net change in fund balance	<u>7,271,377</u>	<u>297,152</u>	<u>(8,395,553)</u>	<u>(5,296,511)</u>	<u>(6,123,536)</u>
Fund balance, beginning	<u>31,119,593</u>	<u>5,581</u>	<u>9,695,229</u>	<u>20,200,527</u>	<u>61,020,930</u>
Fund balance, ending	<u>\$ 38,390,970</u>	<u>\$ 302,733</u>	<u>\$ 1,299,676</u>	<u>\$ 14,904,016</u>	<u>\$ 54,897,394</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2023

Exhibit 4

Total net change in fund balances - governmental funds \$ (6,123,536)

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 and amortization

Expenditures for capital and right to use assets	21,055,141	
Less current year depreciation and amortization expense	<u>(1,864,805)</u>	20,768,090

The net effects of disposals of capital assets is to decrease the change in net position in the statement of activities

Disposal of capital assets	(29,328)	
Gain on sale of capital assets	<u>20,893</u>	(8,435)

Contributions to the LGERS pension plan in the current fiscal year are not included on the Statement of Activities		2,002,819
Benefit payments made for LEOSSA in the current fiscal year are not included on the Statement of Activities		45,695
OPEB benefit payments made in the current fiscal year are not included in the Statement of Activities		69,032

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.

Principal repayments:

General obligation debt, installment notes and right to use		3,106,000
Issuance of debt		(45,753)

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

Change in accrued interest receivable	5	
Donated capital assets	8,105,318	
Change in reserve for taxes receivable	<u>(3,990)</u>	8,101,333

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	255,679	
Amortization of deferred charge on refunding	(16,670)	
Change in accrued interest payable	(182,754)	
Change in compensated absences	(191,384)	
OPEB plan expense	(45,729)	
Pension expense	<u>(4,316,732)</u>	(4,497,590)

Change in net position of governmental activities \$ 23,417,655

The notes to the financial statements are an intergrial 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
 JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Ad valorem taxes	\$ 25,555,000	\$ 25,555,000	\$ 26,083,026	\$ 528,026
Other taxes and licenses	631,000	631,000	631,815	815
Unrestricted intergovernmental	12,080,300	12,080,300	13,581,133	1,500,833
Restricted intergovernmental	1,143,700	1,570,471	1,347,481	(222,990)
Permits and fees	1,320,750	1,320,750	3,667,472	2,346,722
Sales and services	2,475,600	2,475,600	1,292,185	(1,183,415)
Investment earnings	29,600	29,600	834,726	805,126
Miscellaneous	481,300	576,676	470,483	(106,193)
Total revenues	<u>43,717,250</u>	<u>44,239,397</u>	<u>47,908,321</u>	<u>3,668,924</u>
Expenditures				
Current				
General government	7,796,188	8,863,298	7,936,900	926,398
Development services	4,029,062	4,599,929	4,241,293	358,636
Public safety	12,258,422	13,525,203	13,341,722	183,481
Public works	7,205,669	7,244,413	6,838,132	406,281
Culture and recreation	2,713,919	2,993,979	2,616,879	377,100
Capital Outlay	1,648,000	2,404,242	621,340	1,782,902
Debt Service				
Principal	2,715,000	3,095,724	3,095,724	-
Interest	1,374,000	1,407,260	1,407,260	-
Total expenditures	<u>39,740,260</u>	<u>44,134,048</u>	<u>40,099,250</u>	<u>4,034,798</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,976,990</u>	<u>105,349</u>	<u>7,809,071</u>	<u>7,703,722</u>
Other financing sources (uses)				
Transfers in	580,300	580,300	8,502,736	-
Transfers out	(7,625,000)	(1,575,368)	(9,086,200)	(7,510,832)
Right to use proceeds	-	45,754	45,770	16
Fund balance appropriated	3,067,710	843,965	-	(843,965)
Total other financing sources (uses)	<u>(3,976,990)</u>	<u>(105,349)</u>	<u>(537,694)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>7,271,377</u>	<u>\$ 7,271,377</u>
Fund balance, beginning			<u>31,119,593</u>	
Fund balance, ending			<u>\$ 38,390,970</u>	

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

TOWN OF MORRISVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

Exhibit 6

	Stormwater Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 2,753,063
Receivables- accounts	4,802
Due from other governments	1,720
Total current assets	<u>2,759,585</u>
Noncurrent assets	
Capital assets	
Land, improvements and construction in progress	886,620
Other capital assets, net of depreciation	305,865
Total non-current assets	<u>1,192,485</u>
Total assets	<u>3,952,070</u>
Deferred outflows of resources	
Pension deferrals	135,142
OPEB deferrals	17,274
Total deferred outflows of resources	<u>152,416</u>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	24,926
Compensated absences	30,570
Total current liabilities	<u>55,496</u>
Non-current liabilities	
Total OPEB liability	91,928
Compensated absences	3,397
Net LGERS pension liability	197,611
Total non-current liabilities	<u>292,936</u>
Total liabilities	<u>348,432</u>
Deferred inflows of resources	
Pension deferrals	1,279
OPEB deferrals	25,257
Total deferred inflows of resources	<u>26,536</u>
Net position	
Net investment in capital assets	1,192,485
Unrestricted	2,537,033
Total net position - business-type activities	<u>\$ 3,729,518</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 YEAR END JUNE 30, 2023

Exhibit 7

	<u>Stormwater Fund</u>
Operating revenues	
Permits and fees	\$ 290,468
Stormwater ERU charges	<u>936,281</u>
Total operating revenues	<u>1,226,749</u>
Operating expenses	
Stormwater operations	554,609
Depreciation	<u>2,085</u>
Total operating expenses	<u>556,694</u>
Operating income	670,055
Nonoperating revenues	
Investment earnings	<u>53,223</u>
Total non-operating revenues	<u>53,223</u>
Change in net position	<u>723,278</u>
Net position, beginning of year	<u>\$ 3,006,240</u>
Net position, end of year	<u><u>\$ 3,729,518</u></u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

Exhibit 8

	<u>Stormwater Fund</u>
Cash flows from operating activities	
Cash received from Stormwater charges	\$ 1,226,749
Cash paid to or on behalf of employees for services	(446,683)
Cash paid for good and services	<u>(115,250)</u>
Net cash from operating activities	<u>664,816</u>
Cash flows from investing activities	
Investment earnings	<u>51,289</u>
Net cash from investing activities	<u>51,289</u>
Net increase in cash and cash equivalents	716,105
Cash and cash equivalents, beginning of year	<u>2,036,958</u>
Cash and cash equivalents, end of year	<u>\$ 2,753,063</u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ 670,055
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	2,085
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Decrease in accounts receivable	(2,060)
Increase in due from other governments	3,479
Increase in deferred outflows of resources - pensions	57,281
Decrease in deferred outflow of resources - OPEB	(301)
Decrease in accounts payable and accrued expenses	(6,596)
Increase in OPEB liability	1,859
Increase in compensated absences	(10,681)
Decrease in LGERS pension liability	(103,673)
Decrease in deferred inflows of resources - pensions	65,111
Decrease in deferred inflows of resources - OPEB	<u>(11,743)</u>
Net cash provided by operating activities	<u>\$ 664,816</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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 with the exception of interfund services provided and used, which are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the 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. Separate statements for each fund category – governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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 and proprietary funds.

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 four Capital Reserve Funds, a Debt Service Fund, and a Municipal Service District Fund as consolidated sub-funds of the General Fund.

American Rescue Plan Act Special Revenue Fund - The American Rescue Plan Act (ARPA) Special Revenue Fund is used to account for financial resources to be used for the provision of government services amidst the coronavirus pandemic and to make investments that support long-term growth and opportunity in the community.

Public Safety Improvements Capital Project Fund – Public Safety Improvements Capital Project Fund is used to account for financial resources to be used for construction of a fire station.

The Town reports the following nonmajor governmental funds:

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.

Sewer Capital Project Fund – The 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.

Public Works Renovation Capital Project Fund – The Public Works Renovation Capital Project Fund is used to account for the design and construction of an expanded public works facility.

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.

Sidewalk and Pedestrian Enhancement Capital Project Fund – The Sidewalk & Pedestrian Enhancement Capital Project Fund is used to account for the design and construction of sidewalk and/or other pedestrian connectivity betterments throughout the Town.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 – Summary of significant accounting policies (continued)

B. Basis of presentation (continued)

NC 54 Congestion Mitigation Capital Project Fund – The NC 54 Congestion Mitigation Capital Project Fund is used to account for financial resources to be used for infrastructure improvements along the NC 54 Corridor in Morrisville, which includes the Airport Boulevard Extension project.

International Drive Extension Capital Project Fund – The International Drive Extension Capital Project Fund is used to account for financial resources to be used for enhanced east/west connectivity.

Intersection Improvements Capital Project Fund – The Intersection Improvements Capital Project Fund is used to account for financial resources to be used for intersection improvements.

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.

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

Church Street Park Capital Project Fund - The Church Street Park Capital Project Fund is used to account for financial resources to be used for improvements to Church Street Park. This project was completed in fiscal year 2023.

Parks and Greenway Improvements Capital Project Fund – The Parks and Greenway Improvements Capital Project Fund is used to account for financial resources to be used for improvements to the Town’s Parks and Greenway System.

Land and Parkland Acquisition Capital Project Fund – The Land and Parkland Acquisition Capital Project Fund is used to account for financial resources to be used for land and parkland acquisitions.

Church Street Park Expansion Capital Project Fund – The Church Street Park Expansion Capital Project Fund is used to account for the design and construction of new amenity expansion and upgrades for the Church Street Park facility.

The Town reports the following major proprietary fund:

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 3 sub funds: Stormwater Operations, the Kit Creek Reach 5-1 and the Green Drive/Fairview Avenue Capital Project Funds. The Kit Creek Reach 5-1 fund was completed in fiscal year 2023.

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 and Proprietary Fund Financial Statements - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating 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 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 of right to use assets under leases and IT subscriptions 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 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.

Note 1 – Summary of significant accounting policies (continued)

C. Measurement focus and basis of accounting (continued)

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, bond proceeds, 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 and the Proprietary Fund. All annual appropriations lapse at fiscal year-end. Project ordinances, which may cover more than one year, are adopted for the special revenue fund, the 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 within a capital project of the same fund, 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.

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) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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 cash and cash equivalents

The unexpended bond proceeds for the Morrisville Carpenter Road capital project, streets/sidewalks and connectivity capital projects, public safety improvements capital projects, and parks and recreation acquisitions/amenities capital projects are completely restricted in their respective funds 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 and cash equivalents. Unexpended revenues received for street/transportation improvements that are restricted by revenue source are classified as restricted cash and cash equivalents. Unexpended revenues received for the Coronavirus State and Local Fiscal Recovery Fund under the American Rescue Plan Act that are restricted by revenue source are also classified as restricted cash and cash equivalents. Unexpended cash received from Federal and State seizures are classified as restricted cash and cash equivalents for public safety operations and activities. Powell Bill funds are classified as restricted cash and cash equivalents because they can only be expended for the purposes outlined in the general statutes. Unexpended Federal and State Grant proceeds are also classified as restricted cash and cash equivalents because they can only be expended for the purposes outlined in the grant agreements.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 – Summary of significant accounting policies (continued)

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

3. Restricted cash and cash equivalents (continued)

Governmental activities:

General Fund - Street improvements	\$ 2,721,275
General Fund - Public safety operations and activities	41,136
General Fund - Small Business Administration Program	226,186
Major fund – Morrisville Carpenter Road Capital Project Fund-unspent bond proceeds	125,077
Major fund – Public Safety Improvements Capital Project Fund-unspent bond proceeds	1,684,788
Major fund – American Rescue Plan Act Special Revenue Fund	5,903,029
Nonmajor funds - Recreation Improvements	2,976,663
Nonmajor funds - Recreation Improvements-unspent bond proceeds	1,931,526
Nonmajor funds – Street Improvements-unspent bond proceeds	125,077
Total governmental activities	<u>15,734,757</u>
Total restricted cash and cash equivalents	<u><u>\$ 15,734,757</u></u>

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, 2022.

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. Lease receivable

The Town leases space on its water tower to several communications companies as a lessor. The Town’s lease receivable is measured at the present value of lease payments expected to be received during the lease term. A corresponding deferred inflow of resources is recorded at the initiation of the lease in an amount equal

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 – Summary of significant accounting policies (continued)

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

6. Lease receivable (continued)

to the initial recording of the lease receivable. As payments are received, the principal portion of the lease payment relieves the lease receivable and interest income is recorded as an inflow of resources. The deferred inflow of resources is recognized into revenue on a straight-line basis over the term of the lease. There are no variable components under the lease agreements.

7. Prepaid items

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

8. Capital assets

Capital assets, which include land, buildings, equipment, vehicles, right to use leases and subscriptions based information technology arrangements 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 and 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 are recorded at fair 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.

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

The Town has recorded right to use lease and IT subscriptions asset. These right to use lease assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the

Note 1 – Summary of significant accounting policies (continued)

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

8. Capital assets (continued)

requirements of GASB 87 and GASB 96, respectively. The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use lease assets are amortized on a straight-line basis over the life of the related leases or the useful life of the asset, whichever is shorter.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term or the useful life of the asset, whichever is shorter.

9. Deferred outflows/inflows of resources

In addition to assets, the statements 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 assets that applies to a future period and, therefore, will not be recognized as an expense or expenditure until then. The Town has three items that meet this criterion – pension deferrals, other postemployment benefits (OPEB) deferrals and deferrals related to charges for bond defeasance for general obligation refunding bonds. In addition to liabilities, the statements 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 assets that applies to a future period and, therefore, will not be recognized as revenue until then. The Town has four items that meet the criterion for this category – prepaid taxes and fees, leases, pension deferrals and OPEB deferrals. Additionally, on the governmental funds' balance sheet the Town has deferred the portion of taxes receivable that are not available to be used in the current period in *deferred inflows of resources*.

10. Long-term obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts 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)

10. Long-term obligations

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

11. 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 accumulate compensatory time of 80 hours at the beginning of the calendar year. Exempt employees lose any compensatory time not used by the year of the calendar 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.

Note 1 – Summary of significant accounting policies (continued)

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

12. Reimbursements for pandemic-related expenditures

In Fiscal Year 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Fund to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$9,193,147 of fiscal recovery funds to be paid in two equal installments. The first installment of \$4,596,573 was received in July 2021. The second installment was received in July 2022. Staff and Town Council have elected to use \$2,127,202 of the ARPA funds during the fiscal year ended June 30, 2023, to provide governmental services to support parks and recreation programs and improvements and capital projects for sustainability and smart solution initiatives under the Revenue Replacement component of the Act.

13. Net position/fund balances

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

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

The governmental fund types classify fund balances as follows:

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

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

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

Note 1 – Summary of significant accounting policies (continued)

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

13. Net position/fund balances (continued)

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

Restricted for 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 Public Safety Operations and Activities – portion of fund balance that represents unspent drug forfeiture funds, unspent unauthorized substance tax receipts, and unspent bond proceeds.

Note 1 – Summary of significant accounting policies (continued)

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

13. Net position/fund balances (continued)

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 Debt Service – portion of fund balance in the General Fund committed by Town Council for future debt service.

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

Committed for OPEB Liability – portion of fund balance that will be used for the other postemployment benefit obligations.

Committed for American Rescue Plan projects – portion of fund balance committed for use for the provision of governmental services and for investments in projects aimed at supporting long term growth and opportunity in the community.

Committed for Healthcare Premium- portion of fund balance that will be used for future healthcare premium obligations.

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.

Assigned for Fire Operations and Activities – portion of fund balance that is assigned for specific fire operations and activities.

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.

Note 1 – Summary of significant accounting policies (continued)

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

13. Net position/fund balances (continued)

Unassigned Fund Balance – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that may report an unassigned fund balance amount. In other governmental funds, it is inappropriate to report a positive unassigned fund balance due to the purposes of those funds.

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, 2023

Note 1 – Summary of significant accounting policies (continued)

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

13. 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	\$	38,391,923
Less:		
Nonspendable		92,473
Stabilization		4,651,520
Street improvements		3,072,537
Public safety operations and activities		41,136
General government capital		4,953,618
Debt service		2,255,143
LEOSSA pension liability		376,655
OPEB liability		4,686,953
Healthcare premium		453,486
Fire operations and activities		2,487
Subsequent year's expenditures		1,238,800
Remaining fund balance-General Fund	<u>\$</u>	<u>16,567,115</u>

Note 1 – Summary of significant accounting policies (continued)

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

13. Net position/fund balances (continued)

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, 2023:

Encumbrances:	
General Fund	\$ 883,402
American Rescue Plan Act Special Revenue Fund	855,333
Public Safety Improvements Capital Project Fund	2,415,974
Non-Major Funds	2,614,393
Stormwater Funds	519,009

14. Defined benefit cost-sharing plans

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

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

Note 2 – 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, 2023, the Town's deposits had a carrying amount of \$25,646,924 and a bank balance of \$26,007,507. 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, 2023, the Town's petty cash fund totaled \$2,419.

B. Investments

At June 30, 2023, the Town had \$37,867,540 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's (S&P) and AAA-mf by Moody's Investment Services as of June 30, 2023.

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.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 3 – 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 \$119,402 for ad valorem and motor vehicle decal taxes receivable.

Note 4 – Lease receivable

On February 21, 2014, the Town entered into a 120-month lease as the lessor for space to a communications company. An initial lease receivable was recorded in the amount of \$266,595. As of June 30, 2023, the value of the lease receivable is \$631,897. The value of the deferred inflow of resources as of June 30, 2023, was \$612,204, and the Town recognized lease revenue of \$24,988 during the fiscal year. The lessee has five extension options, each for 60 months.

On September 16, 2016, the Town entered into a 120-month lease as the lessor for space to a communications company. An initial lease receivable was recorded in the amount of \$300,326. The lease term was extended by sixty month's beginning September 1, 2021. As of June 30, 2023, the value of the lease receivable is \$753,307. The value of the deferred inflow of resources as of June 30, 2023, was \$730,527, and the Town recognized lease revenue of \$28,188 during the fiscal year. The lessee has five extension options, each for 60 months.

On September 1, 2018, the Town entered into a 120-month lease as the lessor for space to a communications company. An initial lease receivable was recorded in the amount of \$393,888. As of June 30, 2023, the value of the lease receivable is \$885,141. The value of the deferred inflow of resources as of June 30, 2023, was \$857,748, and the Town recognized lease revenue of \$37,025 during the fiscal year. The lessee has five extension options, each for 60 months.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 5 – Capital assets

A. Governmental capital assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases & Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated and amortized:				
Land	\$ 50,487,886	\$ 4,182,540	\$ -	\$ 54,670,426
Construction in progress	14,592,584	21,359,824	(1,898,295)	34,054,113
Total capital assets not being depreciated and amortized	<u>65,080,470</u>	<u>25,542,364</u>	<u>(1,898,295)</u>	<u>88,724,539</u>
Capital assets being depreciated:				
Buildings	24,704,287	178,666	-	24,882,953
Infrastructure	107,377,469	5,266,573	-	112,644,042
Other improvements	18,528,461	12,399	-	18,540,860
Equipment and furniture	4,607,997	109,122	(631,881)	4,085,238
Vehicles and motorized equipment	10,972,756	393,439	(159,983)	11,206,212
Total capital assets being depreciated	<u>166,190,970</u>	<u>5,960,199</u>	<u>(791,864)</u>	<u>171,359,305</u>
Capital Assets being amortized:				
Intangible right to use assets:				
Buildings	557,605	-	-	557,605
Computers and equipment	501,210	12,603	-	513,813
IT subscriptions	494,562	38,151	(454,605)	78,108
Total intangible right to use assets being amortized	<u>1,553,377</u>	<u>50,754</u>	<u>(454,605)</u>	<u>1,149,526</u>
Less accumulated depreciation for:				
Buildings	7,365,718	177,136	-	7,542,854
Infrastructure	31,733,706	279,093	-	32,012,799
Other improvements	4,832,627	65,932	-	4,898,559
Equipment and furniture	3,244,780	121,869	(155,054)	3,211,595
Vehicles and motorized equipment	6,477,769	431,025	(628,375)	6,280,419
Total accumulated depreciation	<u>53,654,600</u>	<u>1,075,055</u>	<u>(783,429)</u>	<u>53,946,226</u>
Less accumulated amortization for:				
Intangible right to use assets:				
Buildings	164,978	172,273	-	337,251
Computers and equipment	75,147	115,019	-	190,166
IT subscriptions	-	502,458	(454,604)	47,854
Total accumulated amortization	<u>240,125</u>	<u>789,750</u>	<u>(454,604)</u>	<u>575,271</u>
Total capital assets being depreciated and amortized, net	<u>113,849,622</u>			<u>117,987,334</u>
Governmental activities capital assets, net	<u>\$ 178,930,092</u>			<u>\$ 206,711,873</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 5 – Capital assets (continued)

B. Governmental capital assets (continued)

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

General Government	\$	564,301
Development Services		11,942
Public Safety		851,474
Public Works		56,976
Culture and Recreation		380,112
		<u>380,112</u>
	\$	<u>1,864,805</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 5 – Capital assets (continued)

C. Business-type capital assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Stormwater Fund				
Capital assets not being depreciated:				
Land	\$ 200,410	\$ -	\$ -	\$ 200,410
Construction in progress	644,099	59,046	(16,935)	686,210
Total capital assets not being depreciated	<u>844,509</u>	<u>59,046</u>	<u>(16,935)</u>	<u>886,620</u>
Capital assets being depreciated:				
Infrastructure	203,563	-	-	203,563
Other improvements	234,485	16,935	-	251,420
Equipment and furniture	37,254	-	-	37,254
Vehicles and motorized equipment	22,548	-	-	22,548
Total capital assets being depreciated	<u>497,850</u>	<u>16,935</u>	<u>-</u>	<u>514,785</u>
Less accumulated depreciation for:				
Infrastructure	60,106	565	-	60,671
Other improvements	104,481	-	-	104,481
Equipment and furniture	20,664	1,520	-	22,184
Vehicles and motorized equipment	21,585	-	-	21,585
Total accumulated depreciation	<u>206,836</u>	<u>2,085</u>	<u>-</u>	<u>208,921</u>
Total capital assets being depreciated, net	<u>291,014</u>			<u>305,864</u>
Business-type activities capital assets, net	<u>\$ 1,135,523</u>			<u>\$ 1,192,485</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 5 – Capital assets (continued)

D. Construction commitments

The government has active construction projects as of June 30, 2023. At year-end, the government’s commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Town Center	\$ 7,011,577	\$ 767,047
Public Safety Improvements	12,150,360	2,415,974
Public Works Renovation	142,867	183,826
Morrisville Carpenter Road Improvements	11,087,615	294,610
Sidewalk & Pedestrian Enhancements	1,599,956	361,850
Park & Greenway Improvements	3,026,884	359,313
Church Street Park Improvements	2,134,756	647,747
	\$ 37,154,015	\$ 5,030,367

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

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

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, 2023, was 13.00% of compensation for law enforcement officers and 12.10% 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 \$2,037,870 for the year ended June 30, 2023.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 6 – Pension plan and postemployment obligations (continued)

A. Local Governmental Employees’ Retirement System (continued)

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

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

At June 30, 2023, the Town reported a liability of \$11,624,162 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2022 (measurement date), the Town’s proportion was .20605%, which was an increase of 0.00635% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$3,581,421. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 500,875	\$ 49,108
Changes of assumptions	1,159,831	-
Net difference between projected and actual earnings on pension plan investments	3,841,907	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	316,610	25,229
Town contributions subsequent to the measurement date	<u>2,037,870</u>	<u>-</u>
Total	<u>\$ 7,857,093</u>	<u>\$ 74,337</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 6 – Pension plan and postemployment obligations (continued)

A. Local Governmental Employees’ Retirement System (continued)

\$2,037,870 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2024	\$ 1,868,017
2025	1,602,560
2026	443,952
2027	1,830,357
	<u>\$ 5,744,886</u>

Actuarial Assumptions - The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25%, including inflation and productivity factor
Investment rate of return	6.50%, 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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, 2022 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%	1.1%
Global Equity	42%	6.5%
Real Estate	8%	5.9%
Alternatives	8%	7.5%
Opportunistic Fixed Income	7%	5.0%
Inflation Sensitive	6%	2.7%
	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

Sensitivity of the 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 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 20,980,116</u>	<u>\$ 11,624,162</u>	<u>\$ 3,914,313</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 6 – Pension plan and postemployment obligations (continued)

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 June 30, 2022, the valuation date, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>44</u>
Total	<u><u>49</u></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.

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 June 30, 2022, valuation. The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Projected salary increases	3.25%
Discount rate	4.05%

The discount rate is based on the yield of The Fidelity GO AA Bond Index as of December 31, 2022.

Mortality rates are based on the Pub-2010 amount-weighted tables and projected from 2010 using generational improvement with Scale MP-2019.

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 \$69,908 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, 2023, the Town reported a total pension liability of \$2,069,993. The total pension liability was measured as of December 31, 2022 based on a June 30, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$247,770.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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	\$ 360,331	\$ 270,804
Differences between expected and actual experience	191,235	139,936
Benefit payments and administrative expenses subsequent to the measurement date	45,695	-
Total	<u>\$ 597,261</u>	<u>\$ 410,740</u>

\$45,695 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2024	\$ 108,270
2025	87,342
2026	59,495
2027	(95,880)
Thereafter	<u>(18,402)</u>
Total	<u>\$ 140,826</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 6– Pension plan and postemployment obligations (continued)

B. Law enforcement officers’ special separation allowance (continued)

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 4.05%, 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 (3.05%) or one percentage point higher (5.05%) than the current rate:

	1% Decrease (3.05%)	Discount Rate (4.05%)	1% Increase (5.05%)
Total pension liability	<u>\$ 2,220,492</u>	<u>\$ 2,069,993</u>	<u>\$ 1,931,159</u>

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

	<u>2023</u>
Beginning balance	\$ 2,495,620
Changes for the year:	
Service cost	72,054
Interest	50,709
Changes of assumptions and other inputs	(478,482)
Benefit payments	<u>(69,908)</u>
Ending balance	<u>\$ 2,069,993</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.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 6 – Pension plan and postemployment obligations (continued)

B. Law enforcement officers’ special separation allowance (continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 3,581,421	\$ 247,770	\$ 3,829,191
Pension Liability	11,426,551	2,069,993	13,496,544
Proportionate share of the net pension liability	0.20605%		
Deferred Outflows of Resources			
Differences between expected and actual experience	500,875	191,235	692,110
Changes of assumptions	1,159,831	360,331	1,520,162
Net difference between projected and actual earnings on plan investments	3,841,907	-	3,841,907
Changes in proportion and differences between contributions and proportionate share of contributions	316,610	-	316,610
Benefit payments and administrative costs paid subsequent to the measurement date	2,037,870	45,695	2,083,565
			-
Deferred Inflows of Resources			
Differences between expected and actual experience	49,108	139,936	189,044
Changes of assumptions	-	270,804	270,804
Net difference between projected and actual earnings on plan investments	-	51,298	51,298
Change in proportion and differences between Town contributions and proportionate share of contribution	25,229	-	25,229

Note 6 – Pension plan and postemployment obligations (continued)

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the 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 \$179,698 for the reporting year. No amounts were forfeited.

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 \$646,076 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

Note 6 – Pension plan and postemployment obligations (continued)

E. Firefighters’ and rescue squad workers’ pension fund (continued)

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, 2023, the State contributed \$19,352,000 to the plan. The Town’s proportionate share of the State’s contribution is \$27,859.

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.

Pension (Assets) Liabilities, Pension (Revenue) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, 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 asset that was associated with the Town and supported by the State was \$28,304. The net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension (asset) liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net asset 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, 2023 and at June 30, 2022 was 0%.

For the year ended June 30, 2023, the Town recognized pension expense of (\$7,306) and revenue of (\$7,306) for support provided by the State. At June 30, 2023, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Note 6 – Pension plan and postemployment obligations (continued)

E. Firefighters’ and rescue squad workers’ pension fund (continued)

Actuarial Assumptions - The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Not applicable
Investment rate of return	6.5%, 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 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

F. Other postemployment benefits – healthcare benefits

Plan Description - Under the terms of a Town resolution adopted July 24, 2006, the Town administers a single employer defined benefit Healthcare Benefits Plan (“HCB Plan”). The Town Council may amend the benefit provisions. No assets are accumulated in a trust. However, the Town sets aside cash resources, which are not considered contributions to an OPEB trust, to help pay the cost of providing these benefits. During the year ended June 30, 2023, the Town set aside \$486,595. The Town’s General Fund and Stormwater Fund have net position committed for retiree healthcare postemployment benefits at June 30, 2023 of \$4,686,953 and \$82,026 respectively.

Note 6 – Pension plan and postemployment obligations (continued)

F. Other postemployment benefits – healthcare benefits (continued)

Benefits Provided – The HCB Plan covers 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 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 Town obtains healthcare coverage through private insurers. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Employees
Retirees receiving benefits	6	4
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	185	45
Total	191	49

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 6 – Pension plan and postemployment obligations (continued)

F. Other postemployment benefits – healthcare benefits (continued)

Total OPEB Liability

The Town’s total OPEB liability of \$5,408,573 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Salary increases, including inflation	General employees – 3.30% - 8.30%
	Firefighters – 3.30% – 8.00%
	Law enforcement officers – 3.30% - 7.80%
Discount rate	3.69%
Healthcare cost trend rates	7.50% for 2023 decreasing to an ultimate rate of 4.5% by 2030

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

Schedule of Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30,	\$ 6,252,466
Changes for the year	
Service cost	360,484
Interest	135,854
Changes of benefit terms	(490,221)
Differences between expected and actual experience	(88,341)
Changes in assumptions or other inputs	(713,791)
Benefit payments and implicit subsidy credit	(47,608)
Net changes	<u>(844,938)</u>
Balance at June 30, 2023	<u>\$ 5,408,573</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 6 – Pension plan and postemployment obligations (continued)

F. Other postemployment benefits – healthcare benefits (continued)

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.69% resulting in an inflow.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period January 2011 through December 2015, adopted by the LGERS Board

The remaining actuarial assumptions used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current discount rate:

	<u>1% Decrease</u> <u>(2.69%)</u>	<u>Discount Rate</u> <u>(3.69%)</u>	<u>1% Increase</u> <u>(4.69%)</u>
Total OPEB Liability	\$ 5,966,201	\$ 5,408,573	\$ 4,905,951

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 4,770,886	\$ 5,408,573	\$ 6,161,070

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 6 – Pension plan and postemployment obligations (continued)

F. Other postemployment benefits – healthcare benefits (continued)

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$(47,616). At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 261,077	\$ 754,312
Changes of assumptions or other inputs	686,021	731,412
Benefit payments and administrative costs made subsequent to the measurement date	69,032	-
Total	<u>\$ 1,016,130</u>	<u>\$ 1,485,724</u>

\$69,032 reported as deferred outflows of resources related to other postretirement benefits resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to other postretirement benefits will be recognized in OPEB expense as follows:

Year Ended June 30:	
2024	\$ (52,418)
2025	(52,418)
2026	(52,418)
2027	(44,547)
2028	(52,870)
Thereafter	<u>(283,955)</u>
	<u>\$ (538,626)</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, The Town does not determine the number of eligible participants. 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, 2023

Note 8 – Deferred outflows and inflows of resources

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Pension deferrals - LGERS	\$ 7,721,951	\$ 135,142
Pension deferrals - Separation Allowance	597,261	-
OPEB deferrals	998,856	17,274
Deferred charge on refunding	54,178	
	<u> </u>	<u> </u>
Total	<u>\$ 9,372,246</u>	<u>\$ 152,416</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Funds</u>
Taxes receivable, net	\$ -	\$ -	\$ 26,423
Leases receivable	2,200,478	-	2,200,478
Prepaid taxes and fees	11,305	-	11,305
Pension deferrals - LGERS	73,058	1,279	-
Pension deferrals - Separation Allowance	410,740	-	-
OPEB deferrals	1,460,467	25,257	-
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 4,156,048</u>	<u>\$ 26,536</u>	<u>\$ 2,238,206</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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.

Major policies and their limits of coverage include the following:

Building and personal property	\$25,444,368
Comprehensive general liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Business auto	1,000,000
Equipment	748,718
Comprehensive electronic data processing	1,055,000
Cyber Liability	1,000,000
Law enforcement liability	2,000,000
Public officials' liability	2,000,000
Public official bond:	
Finance Director	1,000,000
Wake County Tax Collector	100,000
Durham County Tax Collector	10,000
Umbrella	4,000,000
Public employees' crime/theft coverage	100,000
Earthquake	1,000,000
Flood	5,000,000
Workers compensation	1,000,000
Employment-Related Practices Liability	2,000,000

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 is individually bonded for \$1,000,000. The Wake County Tax Collector is individually bonded for \$100,000 and the Durham County Tax Collector is bonded for \$10,000.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 10 – Long-term obligations

A. Leases

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

On September 1, 2018, the Town entered into a 36-month lease as lessee for the use of office space which was extended by 12 months. An initial lease liability was recorded in the amount of \$168,436. As of June 30, 2023, the value of the lease liability is \$69,471. The Town is required to make monthly fixed payments of \$3,648. The lease has an interest rate of 0.2370%.

On July 12, 2019, the Town entered into a 60-month lease as lessee for the use of copier equipment. An initial lease liability was recorded in the amount of \$96,286. As of June 30, 2023, the value of the lease liability is \$32,293. The Town is required to make monthly fixed payments of \$2,701. The lease has an interest rate of 0.6480%.

On February 1, 2020, the Town entered into a 60-month lease as lessee for the use of computer equipment. An initial lease liability was recorded in the amount of \$25,260. As of June 30, 2023, the value of the lease liability is \$8,460. The Town is required to make annual fixed payments of \$8,529. The lease has an interest rate of 0.8140%. The Town has the option to purchase the computer equipment for \$23,434.

On February 6, 2020, the Town entered into a 60-month lease as lessee for office space and community programming space. An initial lease liability was recorded in the amount of \$340,089. As of June 30, 2023, the value of the lease liability is \$160,931. The Town is required to make monthly fixed payments of \$7,112. The lease has an interest rate of 0.8140%.

On May 26, 2020, the Town entered into a 60-month lease as lessee for the use of computer equipment. An initial lease liability was recorded in the amount of \$13,175. As of June 30, 2023, the value of the lease liability is \$4,425. The Town is required to make annual fixed payments of \$4,460. The lease has an interest rate of 0.8140%. The Town has the option to purchase the computer equipment for \$12,397.

On September 1, 2020, the Town entered into a 60-month lease as lessee for the use of computer equipment. An initial lease liability was recorded in the amount of \$5,801. As of June 30, 2023, the value of the lease liability is \$2,904. The Town is required to make annual fixed payments of \$1,470. The lease has an interest rate of 0.8140%. The Town has the option to purchase the Computer Equipment for \$3,693.

On January 1, 2021, the Town entered into a 60-month lease as lessee for the use of computer equipment. An initial lease liability was recorded in the amount of \$37,236. As of June 30, 2023, the value of the lease liability is \$22,965. The Town is required to make annual fixed payments of \$8,599. The lease has an interest rate of 6.0500%.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 10 – Long-term obligations (continued)

A. Leases (continued)

On June 1, 2021, the Town entered into a 60-month lease as lessee for the use of computer equipment. An initial lease liability was recorded in the amount of \$33,257. As of June 30, 2023, the value of the lease liability is \$17,302. The Town is required to make annual fixed payments of \$9,243. The lease has an interest rate of 4.5300%.

On October 18, 2021, the Town entered into a 12-month lease as lessee for the use of office space. An initial lease liability was recorded in the amount of \$49,080. As of June 30, 2023, the value of the lease liability is \$8,196. The Town is required to make monthly fixed payments of \$2,050. The lease has an interest rate of 0.2450%. The Town has two 12-month extension options which the Town expects to exercise.

On January 1, 2022, the Town entered into a 60-month lease as lessee for the use of computer equipment. An initial lease liability was recorded in the amount of \$67,583. As of June 30, 2023, the value of the lease liability is \$40,505. The Town is required to make annual fixed payments of \$14,627. The lease has an interest rate of 4.1100%.

On February 16, 2022, the Town entered into a 63-month lease as lessee for the use of copier equipment. An initial lease liability was recorded in the amount of \$222,612. As of June 30, 2022, the value of the lease liability is \$176,932. Town is required to make monthly fixed payments of \$3,809. The lease has an interest rate of 1.6200%.

On February 1, 2023, the Town entered into a 60-month lease as lessee for the use of computer equipment. An initial lease liability was recorded in the amount of \$12,603. As of June 30, 2023, the value of the lease liability is \$9,698. Town is required to make monthly fixed payments of \$2,905. The lease has an interest rate of 7.6395%.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 284,569	\$ 8,423	\$ 292,992
2025	152,251	5,117	157,368
2026	69,250	2,592	71,842
2027	48,013	605	48,618
	\$ 554,082	\$ 16,737	\$ 570,820

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 10 – Long-term obligations (continued)

B. Installment note indebtedness

The Town has one direct placement installment note for capital projects and equipment. Installment notes payable at June 30, 2023 are comprised of the following:

Serviced by the General Fund:

\$3,100,000 direct placement installment obligation for road improvements on Morrisville-Carpenter Road and for renovation of the Morrisville Aquatics & Fitness Center issued on October 18, 2018; annual payments of \$155,000 plus interest at 3.349%, secured by the Morrisville Aquatics & Fitness Center building.

\$ 2,480,000

Annual debt service payments of the direct placement installment notes as of June 30, 2023, including \$705,968 of interest, are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2024	\$ 155,000	\$ 83,055
2025	155,000	77,864
2026	155,000	72,673
2027	155,000	67,482
2028	155,000	62,291
2029-2033	775,000	233,593
2034-2038	775,000	103,819
2039-2042	155,000	5,191
Total	<u>\$ 2,480,000</u>	<u>\$ 705,968</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 10 – Long-term obligations (continued)

C. General obligation bond indebtedness

The Town’s general obligation bonds serviced by the governmental funds were issued for the construction of public safety facilities and improvements, street improvements, and for parks and recreation improvement and expansion projects. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. In the event of a default, the Town agrees to pay the purchaser, on demand, interest on any and all amounts due and owing by the Town under the related agreements. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2023 are comprised of the following individual issues:

Serviced by the General Fund:

\$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%	\$ 2,200,000
\$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%	7,000,000
\$4,320,000 October 4, 2016 public improvement (refunding) bonds due in annual installments ranging from \$430,000 to \$440,000 plus interest through June 2027; interest at varying rates from 4.0% to 5.0%	1,745,000
\$10,000,000 October 25, 2018 public improvement bonds due in annual installments ranging from \$290,000 to \$540,000 plus interest through August 2038; interest at varying rates from 4.0% to 5.0%	8,585,000
\$1,110,000 May 17, 2022 public safety Improvements bonds due in annual installments of \$370,000 plus interest through February 2025; interest rate 5.0%	740,000
\$16,500,000 May 18, 2022 public improvement bonds due in annual installments ranging from \$510,000 to \$880,000 plus interest through February 2042; interest at varying rates from 3.2% to 5.0%	<u>15,985,000</u>
Total	<u><u>\$ 36,255,000</u></u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 10 – Long-term obligations (continued)

C. General obligation bond indebtedness (continued)

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

Fiscal Year Ending June 30,	Principal	Interest
2024	\$ 2,565,000	\$1,410,625
2025	2,555,000	1,594,775
2026	2,555,000	1,181,375
2027	2,555,000	1,1067,875
2028	2,120,000	954,275
2029-2033	10,575,000	3,451,525
2034-2038	9,275,000	1,528,418
2039-2042	4,055,000	317,600
Total	<u>\$ 36,255,000</u>	<u>\$11,206,468</u>

At June 30, 2023, the Town had a legal debt margin of \$498,363,856.

Note 10 – Long-term obligations (continued)

D. Subscriptions

For the year ending June 30, 2023, the Town implemented the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. Under this Statement, the Town is required to recognize a subscription liability and an intangible right-to-use subscription asset.

On November 29, 2017, the Town entered into a 5-year subscription for the use of its ERP system. An initial subscription liability was recorded in the amount of \$48,234. The Town was required to make annual fixed payments of \$48,362. The subscription had an interest rate of 1.5800%. As of June 30, 2023, the subscription had concluded.

On July 7, 2020, Town of Morrisville, NC entered into a 3-year subscription for the use of GIS Software. An initial subscription liability was recorded in the amount of \$24,977. The Town was required to make annual fixed payments of \$25,000. The subscription had an interest rate of 1.5800%. As of June 30, 2023, the subscription had concluded.

On July 28, 2020, the Town entered into a 3-year subscription for the use of email software. An initial subscription liability was recorded in the amount of \$14,980. The Town was required to make annual fixed payments of \$15,000. The subscription had an interest rate of 1.5800%. As of June 30, 2023, the subscription had concluded.

On September 14, 2022, the Town entered into a 3-year subscription for the use of utility tracking software. An initial subscription liability was recorded in the amount of \$29,201. The Town is required to make annual fixed payments of \$10,000. The subscription has an interest rate of 2.0380%. As of June 30, 2023, the value of the subscription liability is \$19,405.

On December 1, 2022, the Town entered into a 3-year subscription for the use of performance evaluation software. An initial subscription liability was recorded in the amount of \$3,949. The Town is required to make annual fixed payments of \$1,357. The subscription has an interest rate of 3.1210%. As of 06/30/2023, the value of the subscription liability is \$2,592.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 10 – Long-term obligations (continued)

D. Subscriptions (continued)

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2023, are as follows:

Principal and Interest Requirements to Maturity

Governmental Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 10,881	\$ 476	\$ 11,657
2025	11,116	241	11,357
	<u>\$ 21,997</u>	<u>\$ 717</u>	<u>\$ 23,014</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 10 – Long-term obligations (continued)

E. Changes in long-term liabilities

	Balances at July 1, 2022	Increases	Decreases	Balances at June 30, 2023	Current Portion
<u>Governmental activities</u>					
Bonds payable					
General obligation bonds	\$ 38,815,000	\$ -	\$ 2,560,000	\$ 36,255,000	\$ 2,565,000
Premiums on issuance	3,020,407	-	255,679	2,764,728	255,679
Total bonds payable	<u>41,835,407</u>	<u>-</u>	<u>2,815,679</u>	<u>39,019,728</u>	<u>2,820,679</u>
Subscription based IT	88,192	33,150	99,345	21,997	10,881
Leases	833,595	12,603	292,118	554,080	284,569
Direct placement installment notes	2,635,000	-	155,000	2,480,000	155,000
Compensated absences	1,421,221	2,136,626	1,945,242	1,612,605	1,451,345
Total OPEB liability	6,158,679	-	843,079	5,315,600	-
Net pension liability (LGRS)	3,016,652	8,409,899	-	11,426,551	-
Total pension liability (LEO)	<u>2,495,620</u>	<u>-</u>	<u>425,627</u>	<u>2,069,993</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 58,484,366</u>	<u>\$ 10,592,278</u>	<u>\$ 6,576,090</u>	<u>\$ 62,500,554</u>	<u>\$ 4,722,474</u>
<u>Business-type activities</u>					
Compensated Absences	\$ 23,286	\$ 50,268	\$ 39,587	33,967	\$ 30,570
Total OPEB liability	93,787	-	1,859	91,928	-
Net pension liability (LGRS)	<u>45,939</u>	<u>151,672</u>	<u>-</u>	<u>197,611</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 163,012</u>	<u>\$ 201,940</u>	<u>\$ 41,446</u>	<u>\$ 323,506</u>	<u>\$ 30,570</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 – 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 and amortization	\$ 206,733,869	\$ 1,192,484
Less: Long-term debt and intangible right to use liabilities	39,311,077	-
Unamortized Liabilities related to Capital	2,764,727	-
Add: Unspent debt proceeds	4,865,032	-
Deferred charging on refunding	54,178	-
	<u>\$ 169,577,275</u>	<u>\$ 1,192,484</u>

Note 12 – 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.

Claims, Judgments and Contingent Liabilities - From time to time, the Town is a defendant in assorted lawsuits. At June 30, 2023, in the opinion of the Town's management and the Town's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 13 – Interfund transfer activity

Transfers to and from other funds for the fiscal year ended June 30, 2023, consists of the following:

From the Parkland Payment-in-Lieu Capital Project Fund to the Church Street Park Expansion Capital Project Fund to accumulate resources for the design and construction of amenity expansions and upgrades to the Church Street Park facility.	\$ 2,306,600
From the American Rescue Plan Act Special Revenue Fund to the General Fund as reimbursement for general government expenditures permitted as lost revenue under the provisions of the Act.	580,300
From the American Rescue Plan Act Special Revenue Fund to the Town Center Capital Project Fund to supplement other funding sources for financing the project.	900,000
From Road/Transportation Capital Reserve sub-fund to the NC54 Congestion Mitigation Capital Project Fund to supplement other funding sources for financing the project.	767,200
From Road/Transportation Capital Reserve sub-fund to the International Drive Capital Project Fund to supplement other funding sources for financing the project.	500,000
From the Streets Payment-in-lieu Capital Project Fund to Intersection Improvements Capital Project Fund to supplement other funding sources for financing the project.	158,700
From the Church Street Park Capital Project Fund to the General Fund - CIP Capital Reserve sub-fund for residual project funds at project close out.	188,924
From the Church Street Park Capital Project to the Church Street Park Expansion Capital Project Fund to supplement other funding sources for financing the project.	35,000
From the Church Street Park Capital Project Fund to the General fund for residual project funds at project close out.	108,512
From the General Fund to Public Safety Improvements Capital Project Fund to supplement other funding sources for financing the project.	35,300
From the Sidewalk and Pedestrian Enhancements Capital Project Fund to the Intersection Improvements Capital Project Fund to supplement other funding sources for financing the project.	41,300
From the General Fund to the General Fund Sub-Funds to supplement other funding sources and increase reserve balances.	<u>7,625,000</u>
Total	<u>\$ 13,246,836</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note 14 – Subsequent events

The Town has evaluated subsequent events through November 9, 2023, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

The following financial statements have been compiled from the audited financial statements of the Town for the fiscal years ended June 30, 2023, 2022, and 2021.

Town of Morrisville, North Carolina
General Fund
Balance Sheet
As of June 30, 2023, 2022, and 2021

	2023	2022	2021
Assets			
Current:			
Cash and cash equivalents	\$ 33,864,942	\$ 26,895,751	\$ 27,304,188
Receivables:			
Taxes	26,423	30,413	6,490
Accounts receivable	79,722	105,951	81,297
Lease receivable	2,270,344	873,130	-
Due from other governments	3,690,739	3,514,871	2,891,374
Prepays	22,607	20,485	-
Restricted cash and cash equivalents	3,113,673	3,090,998	4,547,071
Total assets	\$ 43,068,450	\$ 34,531,599	\$ 34,830,420
Liabilities			
Accounts payable and accrued liabilities	\$ 2,213,088	\$ 2,504,089	\$ 2,258,931
Unearned revenue	226,186	-	-
Total liabilities	2,439,274	2,504,089	2,258,931
Deferred Inflows of Resources			
Taxes receivable	26,423	30,413	6,490
Lease receivable	2,200,478	864,727	-
Prepaid taxes and fees	11,305	12,777	10,233
Total deferred inflows of resources	2,238,206	907,917	16,723
Fund Balances			
Non-spendable:			
Prepays	22,607	20,485	-
Lease	69,866	8,403	-
Restricted:			
Stabilization by state statute	4,651,520	4,442,732	5,498,323
Street improvements	3,072,537	3,069,699	4,529,378
Public safety operations and activities	41,136	21,299	17,693
Committed:			
General governmental capital	4,953,618	2,482,960	1,629,315
Debt service	2,255,143	992,760	353,621
LEOSSA pension liability	376,655	345,150	344,924
OPEB liability	4,686,953	4,180,217	3,819,953
Healthcare premium	453,578	-	-
Capital projects	-	12	-
Assigned:			
Fire operations and activities	2,487	2,487	2,487
Subsequent year's expenditures	1,238,800	1,841,400	2,574,550
Unassigned	16,566,070	13,711,989	13,784,522
Total fund balance	38,390,970	31,119,593	32,554,766
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 43,068,450	\$ 34,531,599	\$ 34,830,420

The accompanying notes are an integral part of these financial statements

Town of Morrisville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2023, 2022, and 2021

	2023	2022	2021
Revenues			
Ad valorem taxes	\$ 26,083,026	\$ 23,094,896	\$ 22,372,992
Other taxes and licenses	631,815	613,440	612,630
Unrestricted intergovernmental	13,581,133	12,332,544	10,297,761
Restricted intergovernmental	1,347,481	1,022,309	1,174,575
Permits and fees	3,667,472	1,440,679	2,249,717
Sales and services	1,292,185	897,146	470,957
Investment earnings	834,726	45,696	19,900
Miscellaneous	470,483	546,371	437,130
Total revenues	47,908,321	39,993,081	37,635,662
Expenditures			
Current:			
General government	7,936,900	7,307,058	6,658,639
Development services	4,241,293	3,573,342	2,997,823
Public safety	13,341,722	12,212,734	10,657,922
Public works	6,838,132	8,629,721	5,754,330
Cultural and recreation	2,616,879	2,401,529	2,097,864
Capital outlay	621,340	526,077	1,523,381
Debt service:			
Principal	3,095,724	2,126,241	2,109,798
Interest and fees	1,407,260	953,398	1,034,031
Total expenditures	40,099,250	37,730,100	32,833,788
Revenues over expenditures	7,809,071	2,262,981	4,801,874
Other Financing Sources (Uses)			
Transfers from other funds:			
Capital projects funds	297,436	30,196	36,633
Special revenue funds	580,300	1,119,300	-
Transfers to other funds:			
Capital projects funds	(1,461,200)	(4,847,650)	(3,090,917)
Right to use proceeds	45,770	-	-
Total other financing uses	(537,694)	(3,698,154)	(3,054,284)
Net change in fund balances	7,271,377	(1,435,173)	1,747,590
Fund balances, beginning	31,119,593	32,554,766	30,807,176
Fund balances, ending	\$ 38,390,970	\$ 31,119,593	\$ 32,554,766

The accompanying notes are an integral part of these financial statements

The following budget statements have been compiled from the budget ordinance and related amendments of the Town for the fiscal year ended June 30, 2024 and for the fiscal year ending June 30, 2025.

Town of Morrisville, North Carolina
Compiled Budget - General Fund
For the Fiscal Year Ended June 30, 2024
As of June 30, 2024

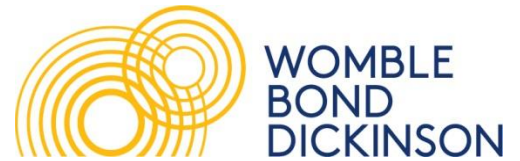
	<u>General Fund</u>
Estimated Revenues	
Ad valorem taxes	\$ 26,941,400
Unrestricted intergovernmental	14,283,160
Restricted intergovernmental	1,388,620
Permits and fees	1,552,000
Sales and services	1,497,900
Investment earnings	297,900
Miscellaneous	605,923
Total estimated revenues	<u>46,566,903</u>
Appropriations	
General government	16,913,956
Development services	5,366,569
Public safety	14,875,739
Public works	10,029,339
Cultural and recreation	3,313,640
Capital outlay	
Debt service:	
Principal	2,720,000
Interest and fees	1,496,300
Total appropriations	<u>54,715,543</u>
Estimated revenues under appropriations	<u>(8,148,640)</u>
Other financing sources (uses)	
Appropriated fund balance	<u>8,148,640</u>
Total other financing sources	<u>8,148,640</u>
Estimated revenues and other financial sources over appropriations and other uses	<u><u>\$ -</u></u>

Compiled by the staff of the Morrisville Finance Department

Town of Morrisville, North Carolina
Compiled Budget - General Fund
For the Fiscal Year Ending June 30, 2025
As of July 1, 2024

	<u>General Fund</u>
Estimated Revenues	
Ad valorem taxes	\$ 32,975,100
Unrestricted intergovernmental	15,270,490
Restricted intergovernmental	1,429,300
Permits and fees	1,611,000
Sales and services	1,726,840
Investment earnings	880,000
Miscellaneous	502,570
Total estimated revenues	<u>54,395,300</u>
Appropriations	
General government	20,285,000
Development services	5,973,400
Public safety	18,077,500
Public works	9,775,500
Cultural and recreation	4,078,600
Capital outlay	
Debt service:	
Principal	2,720,000
Interest and fees	1,938,700
Total appropriations	<u>62,848,700</u>
Estimated revenues under appropriations	<u>(8,453,400)</u>
Other financing sources (uses)	
Appropriated fund balance	<u>8,453,400</u>
Total other financing sources	<u>8,453,400</u>
Estimated revenues and other financial sources over appropriations and other uses	<u><u>\$ -</u></u>

Compiled by the staff of the Morrisville Finance Department



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APPENDIX E

[Proposed Form of Legal Opinion for the Series 2024A Bonds]

October __, 2024

Town Council of the
Town of Morrisville, North Carolina

We have examined, as bond counsel to the Town of Morrisville, North Carolina (the “Town”), existing law, certified copies of such legal proceedings and such other proofs as we have deemed necessary to deliver this opinion, relative to \$_____ General Obligation Streets, Sidewalk and Connectivity Improvement Bonds, Series 2024A, dated their date of delivery (the “Bonds”), of the Town.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on such examination we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to The Local Government Finance Act, Chapter 159, as amended, of the General Statutes of North Carolina.
2. The Bonds constitute valid and binding general obligations of the Town, for the payment of the principal of and interest on which all taxable real and tangible personal property within the Town is subject to the levy of ad valorem taxes, without limitation as to rate or amount.
3. Assuming continuing compliance by the Town with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding, among other matters, use, expenditure and investment of Bond proceeds, and the timely payment of certain investment earnings to the United States Treasury, interest on the Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation. Interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax imposed by the Code; however, interest on the Bonds

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held by certain corporations is included in the computation of “adjusted financial statement income” for purposes of the federal alternative minimum tax imposed on such corporations.

4. Interest on the Bonds is exempt from all State of North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which we render no opinion, as a result of the ownership or transfer of the Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore and hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.



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[Proposed Form of Legal Opinion for the Series 2024B Bonds]

October __, 2024

Town Council of the
Town of Morrisville, North Carolina

We have examined, as bond counsel to the Town of Morrisville, North Carolina (the “Town”), existing law, certified copies of such legal proceedings and such other proofs as we have deemed necessary to deliver this opinion, relative to \$_____ General Obligation Public Improvement Bonds, Series 2024B, dated their date of delivery (the “Bonds”), of the Town.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on such examination we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to The Local Government Finance Act, Chapter 159, as amended, of the General Statutes of North Carolina.
2. The Bonds constitute valid and binding general obligations of the Town, for the payment of the principal of and interest on which all taxable real and tangible personal property within the Town is subject to the levy of ad valorem taxes, without limitation as to rate or amount.
3. Assuming continuing compliance by the Town with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding, among other matters, use, expenditure and investment of Bond proceeds, and the timely payment of certain investment earnings to the United States Treasury, interest on the Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation. Interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax imposed by the Code; however, interest on the Bonds held by certain corporations is included in the computation of “adjusted financial statement income” for purposes of the federal alternative minimum tax imposed on such corporations.

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4. Interest on the Bonds is exempt from all State of North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which we render no opinion, as a result of the ownership or transfer of the Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

BOOK-ENTRY ONLY SYSTEM

Beneficial ownership interests in the Bonds will be available only in a book-entry system. The actual purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in such Bonds purchased. So long as The Depository Trust Company (the “DTC”), a New York Corporation, or its nominee is the registered owner of the Bonds, references in this Official Statement to the registered owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners of the Bonds.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the Bonds, payment of interest and other payments with respect to the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and of other transactions by and between DTC, DTC Participants, and Beneficial Owners are based on information furnished by DTC.

DTC will act as a securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s Participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (the “DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each Beneficial Owner is, in turn, to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual identities of the Beneficial Owners of the Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest and redemption premiums, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Town or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premiums, if any, is the Town's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as a securities depository with respect to the Bonds at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Commission or the Town may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC, and the Town takes no responsibility for the accuracy thereof.

The Town cannot and does not give any assurances that DTC, Direct Participants, or Indirect Participants will distribute to the Beneficial Owners of the Bonds (a) payments of principal of, premium, if any, and interest on the Bonds, (b) confirmations of their ownership interests in the Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

THE TOWN HAS NO RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, PREMIUM, IF ANY OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE BONDS UNDER THE TERMS OF THE RESOLUTIONS AUTHORIZING THE ISSUANCE OF THE BONDS; AND (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.