

City of Marion, North Carolina

Financial Statements

June 30, 2021

**Marion City Council
(As of June 30, 2021)**

Steve Little, Mayor
Woody Ayers, Mayor Pro Tem

Juanita Doggett
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**CITY OF MARION, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2021**

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GOULD KILLIAN
CPA GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Marion, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Marion ABC Board (a component unit) were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Marion, North Carolina, as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-18, the Other Postemployment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios on page 65, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 66 and 67, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Marion. The combining and individual fund statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and state awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the combining and individual fund statements, budgetary schedules, other schedules, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021 on our consideration of the City of Marion's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marion's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 12, 2021

City of Marion, North Carolina

Management's Discussion and Analysis

June 30, 2021

As management of the City of Marion, we offer readers of the City of Marion's financial statements this narrative overview and analysis of the financial activities of the City of Marion for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

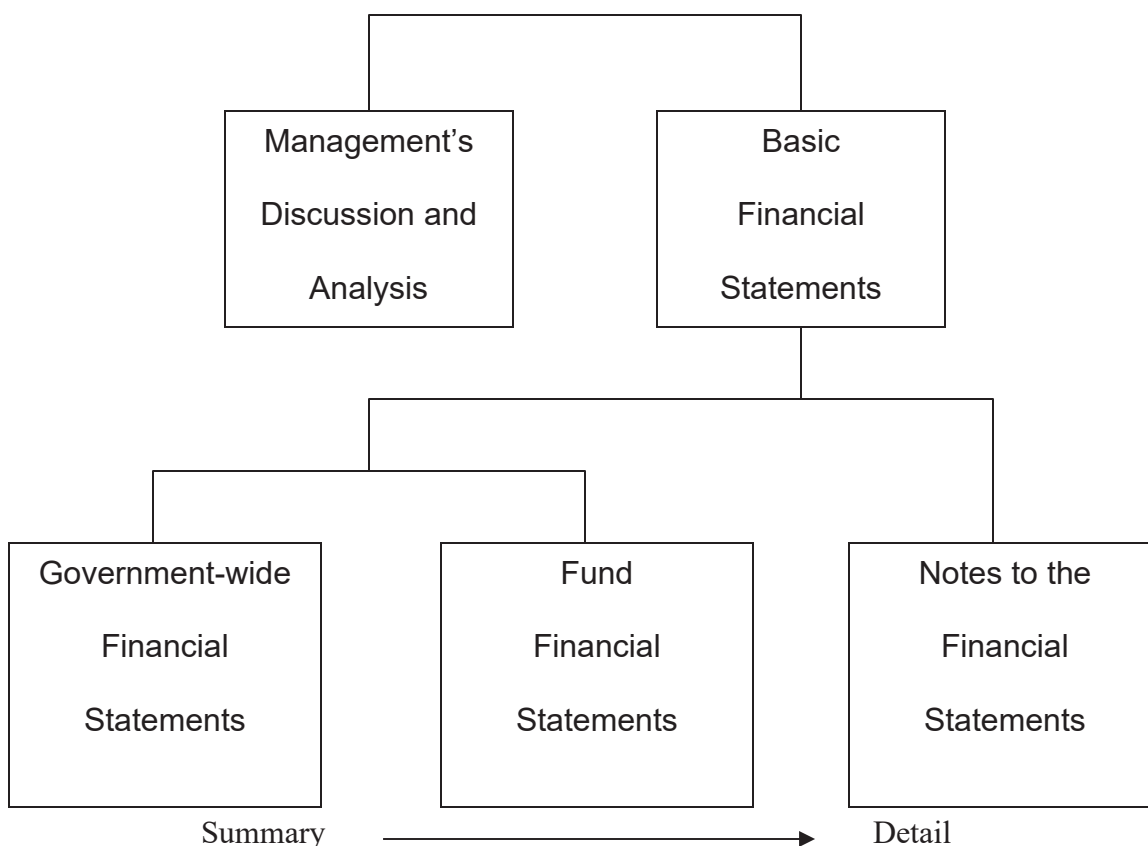
- The assets and deferred outflows of resources of the City of Marion exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$31,698,406 (*net position*).
- The government's total net position increased by \$983,168, consisting of increases in the governmental activities net position of \$1,416,167 and decreases in the business-type activities net position of (\$432,999).
- As of the close of the current fiscal year, the City of Marion's governmental funds reported combined ending fund balances of \$5,940,568 with a net increase of \$1,144,458 in fund balance. Approximately 30% of this total amount, or \$1,782,575, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$3,983,404, or 49.07% of general fund expenditures, as adjusted for the fiscal year. Total fund balance for the General Fund was \$5,090,959 or 65% of the total general fund expenditures, as adjusted.
- The City of Marion's total debt increased by \$96,108 (3%) during the current fiscal year. The key factors in this increase were regularly scheduled principal payments on existing debt of \$539,892, the addition of a supplemental USDA community facilities loan of \$179,000 to fund the community building stormwater project, the addition of a direct borrowing installment purchase of \$345,900 to finance vehicles and equipment serviced by the General Fund, and the addition of a direct borrowing installment purchase of \$111,100 to finance vehicles and equipment serviced by the Water and Sewer Fund.
- The City of Marion maintained a stable property tax rate of \$.51 per \$100 of valuation for the 53rd consecutive year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Marion. The final category is the component unit. Although legally separate from the City, the ABC Board and Municipal Event Center, LLC (MEC) are important to the City. The City exercises control over the ABC Board by appointing its members and the Board is required to distribute its profits to the City. The City exercises control over the MEC by appointing one-half of its voting members, providing capital contributions, and approving capital expenditures of \$5,000 or more.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Marion, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Marion 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 City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Marion adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Marion has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Marion uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Marion. The City uses an internal service fund to account for one activity – its central purchasing and warehouse operations. Because this operation benefits predominantly governmental rather than business-type activities, the Internal Service Fund has been consolidated within the governmental activities in the government-wide financial statements. However, a portion of the profit or loss from this fund is allocated to the Water and Sewer Fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 32 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Marion's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 65 of this report.

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Government-Wide Financial Analysis

City of Marion's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 5,792,388	\$ 4,637,463	\$ 2,648,169	\$ 2,387,883	\$ 8,440,557	\$ 7,025,346
Restricted assets	691,205	597,559	261,968	248,740	953,173	846,299
Capital assets	10,519,570	9,588,398	17,725,589	18,469,419	28,245,159	28,057,817
Deferred outflows of resources	1,196,444	830,363	223,662	187,682	1,420,106	1,018,045
Total assets and deferred outflows of resources	18,199,607	15,653,783	20,859,388	21,293,724	39,058,995	36,947,507
Long-term liabilities outstanding	4,373,947	2,951,220	1,349,851	1,341,576	5,723,798	4,292,796
Current liabilities	932,613	1,230,368	623,228	634,947	1,555,841	1,865,315
Deferred inflows of resources	70,907	66,222	10,043	7,936	80,950	74,158
Total liabilities and deferred inflows of resources	5,377,467	4,247,810	1,983,122	1,984,459	7,360,589	6,232,269
Net position:						
Net investment in capital assets	8,644,149	7,995,695	16,624,686	17,181,905	25,268,835	25,177,600
Restricted	1,780,836	1,529,703	-	-	1,780,836	1,529,703
Unrestricted	2,397,155	1,880,575	2,251,580	2,127,360	4,648,735	4,007,935
Total net position	\$12,822,140	\$11,405,973	\$18,876,266	\$19,309,265	\$31,698,406	\$30,715,238

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Marion exceeded liabilities and deferred inflows by \$30,715,238 as of June 30, 2021, which represents the City's total net position. The largest portion of net position (80%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Marion uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Marion's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Marion's net position, \$1,780,836 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,648,735 is unrestricted.

The City's total net position increased by \$983,168 for the fiscal year ended June 30, 2021. Governmental activities experienced an increase of \$1,416,167 in net position while business activities experienced a decrease of (\$432,999). Increases in current and other assets of \$1,154,925 and \$260,286 in the governmental and business activities, respectively, represented the majority of the overall increase. However, depreciation expense in business activities outweighed the increase in current and other assets.

The overall increase in net position can mainly be attributed to the following:

- Conservative budgeting in Fiscal Year 2020-2021 due to the economic uncertainties surrounding the COVID-19 pandemic.
- Continued diligence in the collection of property taxes as shown by the stability in the tax collection rate in the current fiscal year of 99.4% compared to 98.94% in the prior fiscal year.
- Increased ad valorem tax revenues of approximately \$200,000, or 7.14%, due to the increase in the ad valorem tax base as a result of natural growth and the addition of Mission McDowell Hospital's personal property value to the ad valorem tax base due to the Hospital now being a for profit organization. In Fiscal Year 2019-2020, the Hospital's real property was added to property taxation.
- Increased sales tax revenues of approximately \$178,000, or 11.4%.
- Increased profit distribution from ABC operations of approximately \$83,000, or 31%, as a result of increased ABC sales.
- The receipt of \$408,925 in CARES Act funds which were used for public safety purposes.
- Continued efforts of all departments to minimize costs and efficiently serve our citizens.

City of Marion's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,653,151	\$ 1,544,228	\$ 3,770,498	\$ 3,681,230	\$ 5,423,649	\$ 5,225,458
Operating grants and contributions	1,301,096	985,998	100,333	87,968	1,401,429	1,073,966
Capital grants and contributions	392,587	114,590	-	12,317	392,587	126,907
General revenues:						
Property taxes	2,967,103	2,773,982	-	-	2,967,103	2,773,982
Other taxes	2,314,028	2,128,305	-	-	2,314,028	2,128,305
Investment earnings	1,222	24,127	5,652	5,238	6,874	29,365
Other	187,929	132,122	25,495	635	213,424	132,757
Total revenues	8,817,116	7,703,352	3,901,978	3,787,388	12,719,094	11,490,740
Expenses:						
General government	1,341,971	2,561,870	-	-	1,341,971	2,561,870
Public safety	3,970,686	3,751,999	-	-	3,970,686	3,751,999
Transportation	1,130,080	1,359,103	-	-	1,130,080	1,359,103
Environmental protection	860,651	822,988	-	-	860,651	822,988
Cultural and recreation	232,207	224,596	-	-	232,207	224,596
Interest on long-term debt	38,354	32,521	-	-	38,354	32,521
Water and sewer	-	-	4,161,977	3,978,631	4,161,977	3,978,631
Total expenses	7,573,949	8,753,077	4,161,977	3,978,631	11,735,926	12,731,708
Change in net position before transfers	1,243,167	(1,049,725)	(259,999)	(191,243)	983,168	(1,240,968)
Transfers	173,000	173,000	(173,000)	(173,000)	-	-
Change in net position	1,416,167	(876,725)	(432,999)	(364,243)	983,168	(1,240,968)
Net position, July 1	11,405,973	12,282,698	19,309,265	19,673,508	30,715,238	31,956,206
Net position, June 30	\$ 12,822,140	\$ 11,405,973	\$ 18,876,266	\$ 19,309,265	\$ 31,698,406	\$ 30,715,238

Governmental activities. Governmental activities increased the City's net position by \$1,416,167. Public Safety accounted for 52%, General Government accounted for 18% and Transportation accounted for 15% of governmental activities for fiscal year 2020-2021. The City's governmental activities cover a wide range of services. Several factors affected the governmental activities net position:

- A 7% increase in charges for services mainly due to two items. First, a 25% increase in the residential garbage fee from \$4 to \$5 per month per household resulted in approximately \$39,000 in revenue which helped to better cover sanitation costs with user fees and to bring fees more in line with other municipalities in our region. Second, additional revenues for County fire

protection of approximately \$46,000 were received mainly as a result of increases in the property tax base and sales tax revenues.

- A 23% increase in grants and contributions mainly due to a \$217,048 one-time Assistance to Firefighters Grant for equipment, an increase of \$85,000 in revenues from the Staffing for Adequate Fire and Emergency Response (SAFER) Grant, and \$408,925 in revenues that were received from CARES Act funds.
- A 7% increase in ad valorem tax revenues due to an increase in the ad valorem tax base as a result of natural growth, the addition of the Mission McDowell Hospital's personal property value to the ad valorem tax base, and a steady tax collection rate.
- A 9% increase in other taxes, primarily due to a \$178,000 increase in sales tax revenue.
- An overall decrease in expenses of approximately 13% due mainly to \$1 million of previously capitalized demolition and cleanup costs associated with the former Drexel facility that were written off in Fiscal Year 2019-2020 and \$250,000 in additional expenses associated with this same project in Fiscal Year 2019-2020.

Business-type activities. Business-type activities decreased the City of Marion's net position by (\$432,999). The key element of the decrease related to business-type activities was in Capital Assets where depreciation expense of \$911,871 exceeded newly capitalized assets totaling \$203,751.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Marion. The fund balance of the general fund increased \$612,206 during fiscal year 2020-2021. Overall revenues increased approximately \$1,174,554, or 16%, due mainly to increases in property taxes and grants as discussed above. Ad valorem taxes, which now represent 36% of general fund revenues (they represented 39% in the prior year), increased approximately \$199,185, or 7% as discussed above. Other taxes and licenses increased \$185,723, or 8%, mainly due to a increase in sales tax revenues as discussed above. Unrestricted intergovernmental revenue increased \$80,665, or 22%, due to an increased profit distribution from ABC operations as discussed above. Restricted intergovernmental revenue increased by approximately \$728,346, or 63%, mainly due to 1) a \$217,048 one-time Assistance to Firefighters Grant for equipment, 2) an increase of \$85,000 in revenues from the Staffing for Adequate Fire and Emergency Response (SAFER) Grant, and 3) \$408,925 in revenues that were received from CARES Act funds and used for public safety. Sales and services increased \$27,708, or 6%, due to an increase in the residential garbage fee as discussed earlier. Overall expenditures increased by \$970,248, or approximately 14%.

At the end of the current fiscal year, the City of Marion's available fund balance in the General Fund was \$3,983,404, while total fund balance reached \$5,090,959. The Governing Body of the City of Marion has determined that the City should maintain an available fund balance of 25% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 49% of general fund expenditures, and total fund balance represents 63% of the same amount.

At June 30, 2021, the governmental funds of the City of Marion reported a combined fund balance of \$5,940,568 with a net increase in fund balance of \$1,144,458. This increase is the result of 1) the general fund increase of \$612,206 (discussed earlier) and 2) an increase in the capital project fund of \$532,252 due mainly to transfers of \$682,674 for capital projects from the general fund that either just began or will start in the near future.

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

There were several reasons the City revised its budget throughout the year. Budget ordinance amendments in Fiscal Year 2020-2021 were to increase revenues for grants that were received and to increase revenues such as property tax and sales tax in response to the local economy recovering from the initial shock of the pandemic sooner than expected. The majority of appropriation amendments were for additional capital outlay. Major amendments to revenues were in 1) restricted intergovernmental grants that were awarded during the year such as the FEMA Assistance to Firefighters Grant (\$217,048), an additional allocation of Coronavirus Relief Funds (\$258,125), the Governor Highway Safety Program grant (\$25,000), a North Carolina Environmental Quality Grant (\$20,000), and Federal and State funds received related to storm damages (\$38,000) 2) additional revenues due to a rebounding recovery for categories such as property taxes (\$50,000), sales tax (\$80,000), and ABC revenue (\$100,000), and 3) the receipt of insurance funds for various losses totaling approximately \$169,000. Although expenditures were held in check overall to comply with its budgetary requirements, the City did amend the budget in the General Fund to account for 1) a \$25,000 appropriation related to the Governor's Highway Safety program grant, 2) a \$217,048 appropriation to purchase fire department equipment through a FEMA grant, 3) a \$110,00 appropriation to purchase a recycling truck partially funded through a State grant, 4) approximately \$120,000 for repairs to the Depot and Community Building park area from insurance claims, 5) approximately \$500,000 in capital equipment and improvements that had been delayed at the onset of the budget year due to economic uncertainty due to the pandemic, and other miscellaneous smaller amounts.

Proprietary Funds. The City of Marion's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,320,143 and the total decrease in net position for the Water and Sewer and the Internal Service Funds was (\$426,639) and (\$16,736), respectively.

Capital Asset and Debt Administration

Capital assets. The City of Marion's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$28,245,159 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Purchase of 32 airpicks and accessories for the Fire Department - \$229,170
- Purchase of rescue boat and trailer for the Fire Department - \$24,383
- Remodeling of Fire Department to include 3 additional sleeping quarters - \$29,416
- Installation of new Fire Department flooring - \$26,415
- Installation of new Depot flooring - \$17,441
- Purchase of electronic gate at Public Works campus - \$18,230
- Replacement of greenway bridge - \$42,956
- New Community Building Park picnic shelter and fencing - \$11,496
- Purchase of City Hall phone system - \$30,408
- Installation of new Police Department access control system - \$16,980
- Purchase of Street Department replacement Extreme Vac leaf collection system - \$87,556
- Purchase of Street Department replacement Kubota 4WD tractor - \$26,125
- Purchase of 2 replacement HVAC systems for Depot - \$18,725
- Purchase of replacement HVAC system and ice machine for Community Building - \$10,338
- Completion of the Community Building Park stormwater repair - \$100,684
- Progress on the Lincoln Avenue Bridge project - \$94,262
- Progress on the Blue Ridge Street stormwater project - \$78,583
- Purchase of Sanitation Department recycling truck - \$107,859
- Purchase of Street Department replacement truck - \$50,367
- Purchase of 6 Police Department replacement vehicles - \$240,150
- Purchase of 6 tactical vests and ballistic shield for Police Department - \$22,573
- Community Building Park playground equipment and park improvements - \$264,796
- Purchase of Public Works vehicle - \$29,198
- Purchase of Street Department replacement truck - \$31,936
- Purchase of various general equipment - \$52,544
- Meter Reading System upgrade for Utility Line Maintenance Department - \$20,171
- Purchase of Utility Line Maintenance Department replacement truck - \$39,305
- Purchase of Utility Line Maintenance Department replacement excavator - \$69,903
- Carrie Street Sewer Line Extension improvements - \$40,212
- Purchase of various water & sewer equipment/other improvements - \$30,204

**City of Marion's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,917,827	\$ 1,951,369	\$ 101,245	\$101,245	\$ 2,019,072	\$ 2,052,614
Buildings and system Improvements other than buildings	2,803,037	2,850,978	16,422,319	17,062,023	19,225,356	19,913,001
Equipment and furniture	2,370,656	1,617,029	459,228	485,765	2,829,884	2,102,794
Infrastructure	709,296	342,560	693,840	728,232	1,403,136	1,070,792
Vehicles and motorized equipment	1,613,031	1,677,435	-	-	1,613,031	1,677,435
Construction in progress	583,331	413,508	48,957	56,444	632,288	469,952
Total	522,392	735,519	-	35,710	522,392	771,229
	<u>\$10,519,570</u>	<u>\$ 9,588,398</u>	<u>\$17,725,589</u>	<u>\$18,469,419</u>	<u>\$28,245,159</u>	<u>\$28,057,817</u>

Additional information on the City's capital assets can be found in Note 2A - 5 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the City of Marion had total installment debt, USDA loans, and CWSRF loans outstanding of \$2,976,325. Of this, \$562,028 is debt is backed by the full faith and credit of the City, for a CWSRF Loan. The remainder of the City's debt is secured by the related assets purchased or constructed.

City of Marion's Outstanding Debt

The City of Marion's total direct borrowing installment purchases debt and other loans increased by a net of \$96,108 (3%) during the past fiscal year, due to regularly scheduled principal payments, refinancing an existing \$586,000 interim financing with a USDA loan, the addition of a \$179,000 supplemental USDA loan, and new installment loans of \$111,100 and \$345,900.

City of Marion's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct borrowing						
installment purchases	\$ 656,886	\$ 1,079,804	\$ 538,876	\$ 663,039	\$ 1,195,762	\$ 1,742,843
Direct borrowing USDA loan	1,218,535	512,899	-	-	1,218,535	512,899
Direct borrowing CWSRF loan	-	-	562,028	624,475	562,028	624,475
Net pension liability (LGRS)	1,564,793	1,226,067	415,958	325,917	1,980,751	1,551,984
Total pension liability (LEOSSA)	1,053,809	728,793	-	-	1,053,809	728,793
Total OPEB liability	107,433	104,185	-	-	107,433	104,185
Compensated absences	263,246	232,234	49,572	45,635	312,818	277,869
Total	\$ 4,864,702	\$ 3,883,982	\$ 1,566,434	\$ 1,659,066	\$ 6,431,136	\$ 5,543,048

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Marion is approximately \$44,100,000. The City has \$-0- in bonds authorized but unissued at June 30, 2021.

Additional information regarding the City of Marion's long-term debt can be found in Note 2B - 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City.

Continued Low Unemployment Rates. The McDowell County unemployment rate has been very steady in recent years. Like the nation and state as a whole and virtually all counties in North Carolina, McDowell County's unemployment rate increased temporarily during the early months of the COVID-19 pandemic in 2020, but has decreased since. As of August 2021, the McDowell County unemployment rate was down to 4.1%, a rate below the State average of 4.4% and equal to or below many counties in the region, including Burke (4.1%), Caldwell (4.4%), Catawba (4.1%), Cleveland (4.9%), Gaston (4.7%), Jackson (4.5%), Mitchell (4.8%), Polk (4.3%), Rutherford (6.0%) and Wilkes (4.3%). As of August 2021, McDowell County was tied for the 35th lowest unemployment rate among North Carolina's 100 counties and McDowell County's unemployment rate was only 0.7% higher than the lowest unemployment rates in North Carolina, which were Ashe, Avery, Chatham and Orange Counties at 3.4%. The stable unemployment rate is a very welcome sign. Since 1990, 3,053 manufacturing jobs have been lost in the City of Marion or in the City's utility service area. These industrial losses have cost the City an estimated \$568,000 per year in utility revenues and an estimated \$130,000 per year in property tax revenues.

Continued Manufacturing Stability. From 2008 until the beginning of the COVID-19 pandemic, a period of 12 years, no manufacturing closings took place in the City of Marion or in the City's utility service area, in contrast to prior years in which the City experienced large numbers of manufacturing job losses. In 2020, one small manufacturer in the Universal

Building located in the City closed, resulting in a small loss of property tax base and employment, but there have been no other impacts on manufacturing in and around Marion so far as a result of the COVID-19 pandemic.

In recent years, some new manufacturing companies have opened in the City and some manufacturing plant expansions have taken place in the City. These projects have resulted in increased property tax and water and sewer revenues for the City and increased manufacturing employment. The City and County have worked on industrial projects over the past year that may result in new industry or industry expansions in the City and lead to additional job creation and increased property tax, utility sales tax, and water and sewer revenues for the City in future years. The City and County have also worked on a Master Plan for City and County property located on College Drive that could support the development of numerous large manufacturing sites and yield significant employment and tax base in the future.

Occupancy Rates of Office and Retail Space. The City's occupancy rates have increased to over 95% over the past two years. This rate had remained stable for several years, before increasing in the past few years, and is comparable or above the regional average. Over the past few years prior to the COVID-19 pandemic, commercial building permits in the City had increased significantly and many new commercial projects occurred or were announced. Commercial growth slowed somewhat in 2020, due to the COVID-19 pandemic, but several commercial projects still took place in 2020-21 or are underway and there remains considerable interest in commercial development in the City.

First floor occupancy rates in the downtown area have increased to approximately 95% over the past year, and should increase even more in the next year with planned projects, a rate higher than many surrounding downtown areas. Virtually every first floor space in the downtown area is occupied, under renovation or under contract. Several new businesses, including food and beverage establishments and retail stores, have opened in the past few years or have been announced for the downtown area, a positive indicator for the future. Several businesses, including a second brewery, two restaurants and a skating rink, opened in the downtown area in the past year and at least two businesses that were mostly closed during the COVID-19 pandemic reopened.

The City has also initiated some economic development incentives for downtown development in the past five years, including an enhanced Façade Grant Program, a small business grant program, a revolving loan fund and upper level housing incentives. These programs have led to increased commercial development and business openings in the downtown area in recent years, with additional commercial and residential development anticipated over the next few years.

Retail sales gains/sales tax losses. The fiscal year 2020-21 gross taxable retail sales for McDowell County were 18.14% higher than in 2019-20, with a record total of over \$499 million, despite the COVID-19 pandemic. McDowell County's growth in retail sales in 2020-21 was higher than the increase in North Carolina as a whole of 15.73% over the same time period, with the growth for both the County and State indicating a very quick and significant local and statewide economic recovery.

Since 2005, gross taxable retail sales in McDowell County have increased by 130.60%, compared to growth of 82.05% for the State as a whole. Retail sales in the City of Marion comprise approximately 80% of the total retail sales in McDowell County. These figures show a growing McDowell County retail economy that continues to be primarily driven by commercial growth and development in the City of Marion and also demonstrates that the City and County economy is healthier and more stable, in relative terms, than the overall State economy. The City's share of the County's sales tax revenues for 2021-21 is 8.62%.

Housing. For many years, the City of Marion has struggled to attract housing, which has resulted in recent years in a very tight local housing market and hundreds of manufacturing jobs going unfilled in the City and County, due to housing not being available. Fortunately, collaboration among the City, County, McDowell Chamber of Commerce, McDowell Economic Development Association, Marion Business Association and other local agencies has led to close to 250 or more housing units being under construction or planned for the next two years in Marion. The City has had discussions with developers about additional housing and it is possible that Marion could see a total of 500 or more new housing units constructed in the next several years. This growth in housing will expand the City's property tax base, increase water and sewer revenues and provide opportunities for local businesses, particularly manufacturing companies, to hire additional employees, providing a significant boost to the local economy.

Property Tax Collection. The City of Marion's tax collection percentage for property excluding motor vehicles increased to 99.34% in Fiscal Year 2020-2021 as compared to 98.85% in Fiscal Year 2019-2020. The City began to pursue enforcement of delinquent property taxes during the year as the economy began to recover from the initial shock of the pandemic.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

Growth is expected in overall revenues in the General Fund.

The City property tax rate remains at a rate of \$.51 per \$100 valuation. The City's property tax base is projected to increase modestly due to natural growth in the ad valorem tax base. The tax base for real, personal and utility property is estimated to be \$546,420,809, an increase of \$13,131,116, or 2.5 percent, over the property tax base estimated in the Fiscal Year 2020-2021 original budget. This represents an increase of 1 percent over the property values that were billed in Fiscal Year 2020-2021.

Sales tax revenues were budgeted conservatively in Fiscal Year 2021-2022 due to the ongoing pandemic. While the Fiscal Year 2021-2022 budget includes an increase of \$77,000, or 5.19 percent, over the Fiscal Year 2020-2021 original budget, the Fiscal Year 2021-2022 budget is 10% less than the actual sales tax revenues received in Fiscal Year 2020-2021.

Based on State projections, utility sales tax revenues are projected to decrease by \$31,000, or 5.7 percent, under the budgeted Fiscal Year 2020-2021 amount. Powell Bill revenues are projected to decrease by \$15,000, or 6.67 percent, as compared to the budgeted 2020-2021 original budget based on State projections.

ABC revenues are forecasted to be \$280,000 in Fiscal Year 2021-2022, which represents a \$100,000 increase from the Fiscal Year 2020-2021 budgeted amount, due to increased sales and efficiency improvements at the two ABC stores in Marion.

The City increased its residential garbage fee from \$5 per month to \$6 per month per household and increased commercial garage rates by 10%. Both of these increases are projected to generate approximately \$63,000 to help cover the cost of sanitation services.

County fire protection revenues are budgeted at \$648,000 which is an increase of \$148,000, or 29.6 percent, over the Fiscal Year 2020-2021 original budget. This increase is due to three factors – 1) the sales tax distribution from the County for the Marion Area Fire District has been higher than projected since the pandemic began, 2) the City received an increase in the Marion Area Fire District tax rate, and 3) an increase in the Marion Area Fire District tax base.

Other revenues are expected to remain relatively flat in Fiscal Year 2021-2022. The City will use available revenues to finance programs currently in place and will not seek to add new programs and functions for Fiscal Year 2021-2022.

Budgeted expenditures in the General Fund are expected to increase by 9.69% as compared to the original Fiscal Year 2020-2021 budget to \$8,274,618. This increase over the original Fiscal Year 2020-2021 budget is primarily due to investments in equipment and capital projects, the implementation of a pay and reclassification study, the addition of one employee in the Planning and Development Department and general price increases.

Business-type Activities:

The water and sewer rates for inside the City and outside customers will increase by approximately 6% in order to provide necessary funds for continued maintenance of the system and to cover overall increases in costs. Expenses in the Water and Sewer Fund will increase by 6.25%, mainly due to investments in equipment and capital projects, the implementation of a pay and reclassification study, and general price increases.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, City of Marion, 194 N. Main Street, Marion, NC 28752. One can also call (828) 652-3551, visit our website www.marionnc.org or send an email to jscherer@marionnc.org for more information.

CITY OF MARION, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2021

	Primary Government			Component Units	
	Governmental	Business-type	Total	City of Marion ABC Board	Municipal Event Center
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,451,447	\$ 1,821,389	\$ 6,272,836	\$ 161,612	\$ 61,754
Taxes receivable, net	26,862	-	26,862	-	-
Accrued interest receivable	6,468	-	6,468	-	-
Accounts receivable, net	128,540	581,154	709,694	-	1,200
Internal balances	32,369	(32,369)	-	-	-
Due from other governments	931,358	86,367	1,017,725	-	-
Due from component unit	96,535	-	96,535	-	-
Inventories	117,070	59,032	176,102	434,731	-
Prepaid items	1,739	4,248	5,987	10,154	5,000
Restricted cash	691,205	261,968	953,173	-	-
Total current assets	6,483,593	2,781,789	9,265,382	606,497	67,954
Noncurrent assets:					
Notes receivable	-	128,348	128,348	-	-
Capital assets:					
Land and construction in progress	2,440,219	101,245	2,541,464	59,832	-
Other capital assets, net	8,079,351	17,624,344	25,703,695	484,903	119,032
Total capital assets	10,519,570	17,725,589	28,245,159	544,735	119,032
Total noncurrent assets	10,519,570	17,853,937	28,373,507	544,735	119,032
Total assets	17,003,163	20,635,726	37,638,889	1,151,232	186,986
DEFERRED OUTFLOWS OF RESOURCES	1,196,444	223,662	1,420,106	55,646	-
LIABILITIES					
Current liabilities:					
Accounts payable	414,776	143,877	558,653	242,114	-
Accrued interest payable	13,580	800	14,380	-	-
Other current liabilities	-	-	-	-	8,400
Liabilities payable from restricted assets:					
Customer deposits	13,502	261,968	275,470	-	16,275
Current portion of long-term liabilities	490,755	216,583	707,338	25,250	-
Total current liabilities	932,613	623,228	1,555,841	267,364	24,675

The accompanying notes are an integral part of these financial statements.

CITY OF MARION, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2021

	Primary Government			Component Units	
	Governmental	Business-type	Total	City of Marion ABC Board	Municipal Event Center
Long-term liabilities:					
Net pension liability-LGERS	1,564,793	415,958	1,980,751	78,973	-
Total pension liability-LEOSSA	1,053,809	-	1,053,809	-	-
Total OPEB liability	107,433	-	107,433	-	-
Due in more than one year	1,647,912	933,893	2,581,805	412,405	-
Total long-term liabilities	4,373,947	1,349,851	5,723,798	491,378	-
Total liabilities	5,306,560	1,973,079	7,279,639	758,742	24,675
DEFERRED INFLOWS OF RESOURCES	<u>70,907</u>	<u>10,043</u>	<u>80,950</u>	<u>1,592</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	8,644,149	16,624,686	25,268,835	107,080	119,032
Restricted for:					
Stabilization by State statute	1,105,816	-	1,105,816	-	-
Streets	378,492	-	378,492	-	-
Public safety	132,941	-	132,941	-	-
Community development	162,135	-	162,135	-	-
Capital projects	1,452	-	1,452	-	-
Working capital	-	-	-	122,900	-
Unrestricted	2,397,155	2,251,580	4,648,735	216,564	43,279
Total net position	<u>\$ 12,822,140</u>	<u>\$ 18,876,266</u>	<u>\$ 31,698,406</u>	<u>\$ 446,544</u>	<u>\$ 162,311</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARION, NORTH CAROLINA

Exhibit 2

Statement of Activities
For the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental	Business-type	Total	City of Marion ABC Board	Municipal Event Center
Primary government:									
Governmental Activities:									
General government	\$ 1,341,971	\$ 482,506	\$ 430,730	\$ 35,761	\$ (392,974)	\$ -	\$ (392,974)		
Public safety	3,970,686	705,921	639,860	-	(2,624,905)	-	(2,624,905)		
Transportation	1,130,080	-	213,412	172,204	(744,464)	-	(744,464)		
Environmental protection	860,651	458,074	4,200	25,000	(373,377)	-	(373,377)		
Cultural and recreation	232,207	6,650	12,894	159,622	(53,041)	-	(53,041)		
Interest on long-term debt	38,354	-	-	-	(38,354)	-	(38,354)		
Total governmental activities	7,573,949	1,653,151	1,301,096	392,587	(4,227,115)	-	(4,227,115)		
Business-type activities:									
Water and sewer	4,161,977	3,770,498	100,333	-	-	(291,146)	(291,146)		
Total primary government	\$ 11,735,926	\$ 5,423,649	\$ 1,401,429	\$ 392,587	(4,227,115)	(291,146)	(4,518,261)		
Component units:									
City of Marion ABC Board	\$ 4,114,714	\$ 4,148,405	\$ -	\$ -				\$ 33,691	\$ -
Municipal Events Center	68,785	17,620	65,000	-				-	13,835
Total component units	\$ 4,183,499	\$ 4,166,025	\$ 65,000	\$ -				33,691	13,835
General revenues:									
Taxes:									
Property taxes, levied for general purpose					2,967,103	-	2,967,103	-	-
Other taxes					2,314,028	-	2,314,028	-	-
Unrestricted investment earnings					1,222	5,652	6,874	-	-
Gain/insurance proceeds on disposal of capital assets					131,090	25,495	156,585	-	-
Miscellaneous					56,839	-	56,839	-	-
Total general revenues					5,470,282	31,147	5,501,429	-	-
Changes in net position before transfers					1,243,167	(259,999)	983,168	33,691	13,835
Transfers					173,000	(173,000)	-	-	-
Changes in net position after transfers					1,416,167	(432,999)	983,168	33,691	13,835
Net position, beginning of year					11,405,973	19,309,265	30,715,238	412,853	148,476
Net position, ending					\$ 12,822,140	\$ 18,876,266	\$ 31,698,406	\$ 446,544	\$ 162,311

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2021

	Major Funds		Total
	General Fund	Capital Project Fund	Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,815,813	\$ 635,634	\$ 4,451,447
Restricted cash and cash equivalents	524,935	166,270	691,205
Taxes receivable, net	26,862	-	26,862
Accounts receivable, net	102,779	25,761	128,540
Prepaid items	1,739	-	1,739
Due from other governments	783,244	142,004	925,248
Due from other funds	145,077	-	145,077
Due from component unit	96,535	-	96,535
Total assets	<u>\$ 5,496,984</u>	<u>\$ 969,669</u>	<u>\$ 6,466,653</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 329,898	\$ 83,564	\$ 413,462
Due to other funds	-	36,496	36,496
Liabilities payable from restricted assets:			
Customer deposits	13,502	-	13,502
Total liabilities	<u>343,400</u>	<u>120,060</u>	<u>463,460</u>
DEFERRED INFLOWS OF RESOURCES	<u>62,625</u>	<u>-</u>	<u>62,625</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	1,739	-	1,739
Restricted for:			
Stabilization by State statute	1,105,816	-	1,105,816
Streets	378,492	-	378,492
Public safety	132,941	-	132,941
Community development	-	162,135	162,135
Capital projects	-	1,452	1,452
Committed for:			
Cemetery	155,008	-	155,008
Capital projects	-	686,022	686,022
Assigned - subsequent year's expenditures	592,755	-	592,755
Unassigned	<u>2,724,208</u>	<u>-</u>	<u>2,724,208</u>
Total fund balances	<u>5,090,959</u>	<u>849,609</u>	<u>5,940,568</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,496,984</u>	<u>\$ 969,669</u>	<u>\$ 6,466,653</u>

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2021

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Fund balances of governmental funds	\$	5,940,568
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		10,515,598
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.		1,185,793
Accrued interest receivable is not available to pay for current-period expenditures and, therefore, is not reported in the funds.		6,468
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		38,736
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		48,681
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Notes and loans payable	(1,875,421)	
Accrued interest	(13,579)	
Net pension liability - LGERS	(1,544,985)	
Total pension liability - LEOSA	(1,053,809)	
Total OPEB liability	(107,433)	
Compensated absences	<u>(261,992)</u>	(4,857,219)
Deferred inflows of resources related to pension and OPEB are not reported in the funds.		<u>(56,485)</u>
Net position of governmental activities	\$	<u>12,822,140</u>

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	Major Funds		Total
	General Fund	Capital Project Fund	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,999,457	\$ -	\$ 2,999,457
Other taxes and licenses	2,314,028	-	2,314,028
Unrestricted intergovernmental	440,950	-	440,950
Restricted intergovernmental	1,884,540	207,965	2,092,505
Licenses and permits	99,181	-	99,181
Sales and services	507,476	-	507,476
Investment earnings	1,222	-	1,222
Restricted contributions	18,805	162,622	181,427
Capital grants and contributions	25,000	-	25,000
Miscellaneous	57,134	-	57,134
Total revenues	<u>8,347,793</u>	<u>370,587</u>	<u>8,718,380</u>
EXPENDITURES			
Current:			
General government	1,082,947	91,514	1,174,461
Public safety	4,130,914	-	4,130,914
Transportation	1,232,065	-	1,232,065
Environmental protection	814,933	-	814,933
Cultural and recreation	246,434	987	247,421
Capital outlay	-	567,522	567,522
Debt service:			
Principal	242,182	586,000	828,182
Interest	31,143	-	31,143
Total expenditures	<u>7,780,618</u>	<u>1,246,023</u>	<u>9,026,641</u>
Revenues over (under) expenditures	<u>567,175</u>	<u>(875,436)</u>	<u>(308,261)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from insurance	168,819	-	168,819
Installment obligations issued	345,900	765,000	1,110,900
Transfers from other funds	212,986	682,674	895,660
Transfers to other funds	(682,674)	(39,986)	(722,660)
Total other financing sources (uses)	<u>45,031</u>	<u>1,407,688</u>	<u>1,452,719</u>
Net change in fund balances	612,206	532,252	1,144,458
Fund balances, beginning of year	<u>4,478,753</u>	<u>317,357</u>	<u>4,796,110</u>
Fund balances, end of year	<u>\$ 5,090,959</u>	<u>\$ 849,609</u>	<u>\$ 5,940,568</u>

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds \$ 1,144,458

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was more than depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 1,656,624	
Depreciation expense for governmental assets	<u>(685,958)</u>	970,666

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. (37,729)

Contributions to the LGERS pension plan in the current fiscal year are not included in the statement of activities. 303,249

Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities. 18,322

OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities. 14,760

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In addition, some revenues reported in the fund statements are not reported as revenues in the statement of activities.

Change in accrued interest receivable on taxes	(2,158)	
Change in unavailable tax revenues	<u>(30,196)</u>	(32,354)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(1,110,900)	
Principal payments on long-term debt	828,182	
Accrued interest expense	<u>(7,211)</u>	(289,929)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These include amounts consolidated from the internal service fund.

Compensated absences	(29,758)	
Pension expense (LGERS)	(511,871)	
Pension expense (LEO)	(106,272)	
Other postemployment benefits	<u>(16,999)</u>	(664,900)

The change in net position of the internal service fund reported with governmental activities. (10,376)

Total changes in net position of governmental activities \$ 1,416,167

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
For the year ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,825,986	\$ 2,915,986	\$ 2,999,457	\$ 83,471
Other taxes	2,075,200	2,155,200	2,314,028	158,828
Unrestricted intergovernmental	270,500	370,500	440,950	70,450
Restricted intergovernmental	1,182,959	1,751,586	1,884,540	132,954
Licenses, permits, and fees	72,100	72,100	99,181	27,081
Sales and services	481,930	503,642	507,476	3,834
Investment earnings	2,000	2,000	1,222	(778)
Capital grants and contributions	-	20,000	25,000	5,000
Restricted contributions	-	22,555	18,805	(3,750)
Miscellaneous	50,280	50,330	57,134	6,804
Total revenues	<u>6,960,955</u>	<u>7,863,899</u>	<u>8,347,793</u>	<u>483,894</u>
Expenditures:				
Current:				
General government	1,042,733	1,204,344	1,082,947	121,397
Public safety	3,790,705	4,371,069	4,130,914	240,155
Transportation	1,781,486	1,519,486	1,232,065	287,421
Environmental protection	694,666	881,801	814,933	66,868
Cultural and recreation	96,575	293,323	246,434	46,889
Debt service:				
Principal retirement	228,963	243,078	242,182	896
Interest and other charges	28,567	31,144	31,143	1
Total expenditures	<u>7,663,695</u>	<u>8,544,245</u>	<u>7,780,618</u>	<u>763,627</u>
Revenues over (under) expenditures	<u>(702,740)</u>	<u>(680,346)</u>	<u>567,175</u>	<u>1,247,521</u>
Other financing sources (uses):				
Fund balance appropriated	140,034	626,032	-	(626,032)
Proceeds from insurance	-	188,027	168,819	(19,208)
Installment obligations issued	345,206	345,206	345,900	694
Transfer from water and sewer fund	225,000	173,000	173,000	-
Transfer from capital projects fund	-	39,986	39,986	-
Transfer to capital projects fund	(7,500)	(691,905)	(682,674)	9,231
Total other financing sources (uses)	<u>702,740</u>	<u>680,346</u>	<u>45,031</u>	<u>(635,315)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	612,206	<u>\$ 612,206</u>
Fund balance, beginning of year			<u>4,478,753</u>	
Fund balance, end of year			<u>\$ 5,090,959</u>	

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS
Statement of Fund Net Position
June 30, 2021

	Major Enterprise Fund		Internal Service Fund
	Water and Sewer Fund		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,821,389	\$	-
Accounts receivable, net	581,154		-
Due from other governments	86,367		6,110
Due from internal service fund	36,194		-
Inventories	59,032		117,070
Prepaid items	4,248		-
Restricted cash and cash equivalents	261,968		-
Total current assets	<u>2,850,352</u>		<u>123,180</u>
Noncurrent assets:			
Notes receivable	128,348		-
Capital assets:			
Land and other non-depreciable assets	101,245		-
Other capital assets, net of depreciation	<u>17,624,344</u>		<u>3,972</u>
Capital assets, net	<u>17,725,589</u>		<u>3,972</u>
Noncurrent assets	<u>17,853,937</u>		<u>3,972</u>
Total assets	<u>20,704,289</u>		<u>127,152</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>223,662</u>		<u>10,650</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	143,877	1,314	
Accrued interest payable	800		-
Due to general fund	-		108,581
Due to water and sewer fund	-		36,194
Liabilities payable from restricted assets:			
Customer deposits	261,968		-
Compensated absences, current	33,000		-
Current portion of long-term debt	<u>183,583</u>		<u>-</u>
Total current liabilities	<u>623,228</u>		<u>146,089</u>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS
Statement of Fund Net Position
June 30, 2021

	Major Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
Noncurrent liabilities:		
Compensated absences, net	16,573	1,254
Net pension liability - LGERS	415,958	19,808
Long-term debt, net of current portion	917,320	-
Total noncurrent liabilities	<u>1,349,851</u>	<u>21,062</u>
Total liabilities	<u>1,973,079</u>	<u>167,151</u>
DEFERRED INFLOWS OF RESOURCES	<u>10,043</u>	<u>478</u>
NET POSITION		
Net investment in capital assets	16,624,686	3,972
Unrestricted (deficit)	<u>2,320,143</u>	<u>(33,799)</u>
Total net position (deficit)	<u>\$ 18,944,829</u>	<u>\$ (29,827)</u>
Reconciliation with Statement of Net Position - Business-type Activities:		
Total net position - proprietary fund presentation	\$ 18,944,829	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(68,563)</u>	
Net position of business-type activities	<u>\$ 18,876,266</u>	

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended June 30, 2021

	Major Enterprise Fund	
	Water and Sewer	Internal Service
	Fund	Fund
OPERATING REVENUES		
Charges for services	\$ 3,664,660	\$ 252,354
Water and sewer taps and development fees	57,558	-
Other operating revenue	48,280	-
Total operating revenues	<u>3,770,498</u>	<u>252,354</u>
OPERATING EXPENSES		
Utility line maintenance	1,456,858	-
Water filter plant	628,890	-
Waste treatment plant	1,044,775	-
Operating expenses	-	58,163
Materials	-	209,162
Insurance and bonding	98,810	-
Miscellaneous	757	-
Depreciation	911,871	1,765
Total operating expenses	<u>4,141,961</u>	<u>269,090</u>
Operating loss	<u>(371,463)</u>	<u>(16,736)</u>
NONOPERATING REVENUE (EXPENSE)		
County reimbursements - Sugar Hill	51,968	-
Investment earnings	5,652	-
Gain on sale of capital assets	25,495	-
FEMA grants	48,365	-
Interest on long-term debt	(13,656)	-
Total nonoperating revenue (expense)	<u>117,824</u>	<u>-</u>
Loss before capital contributions and transfers	(253,639)	(16,736)
Transfer to general fund - payment in lieu of taxes	<u>(173,000)</u>	<u>-</u>
Change in net position	(426,639)	(16,736)
Net position (deficit), beginning of year	<u>19,371,468</u>	<u>(13,091)</u>
Net position (deficit), end of year	<u>\$ 18,944,829</u>	<u>\$ (29,827)</u>
Reconciliation with Statement of Activities - Change in Net Position -		
Business-type Activities:		
Change in net position - fund perspective	\$ (426,639)	
Internal service fund loss allocated to business-type activities	<u>(6,360)</u>	
Change in net position - government-wide perspective	<u>\$ (432,999)</u>	

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS
Statement of Cash Flows
For the year ended June 30, 2021

	Major Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
Cash flows from operating activities:		
Cash received from customers and users	\$ 3,727,176	\$ 252,354
Cash paid for goods and services	(1,945,728)	(239,335)
Cash paid to or on behalf of employees for services	(1,171,971)	(52,223)
Net cash provided (used) by operating activities	<u>609,477</u>	<u>(39,204)</u>
Cash flows from noncapital and related financing activities:		
Transfer (to) from the General Fund	(173,000)	3,010
Due (from) to other funds	(36,194)	36,194
Federal, state and local contributions	<u>100,333</u>	<u>-</u>
Net cash provided (used) by noncapital and related financing activities	<u>(108,861)</u>	<u>39,204</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(168,041)	-
Proceeds from the sale of capital assets	25,495	-
Principal payments on long-term debt	(297,710)	-
Proceeds from the issuance of debt	111,100	-
Interest on long-term debt	<u>(13,928)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(343,084)</u>	<u>-</u>
Cash flows from investing activities:		
Interest received	<u>715</u>	<u>-</u>
Net cash provided by investing activities	<u>715</u>	<u>-</u>
Net increase in cash and cash equivalents	158,247	-
Cash and cash equivalents, beginning of year	<u>1,925,110</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,083,357</u></u>	<u><u>\$ -</u></u>
Reconciliation of cash and cash equivalents, end of year:		
Cash and cash equivalents	\$ 1,821,389	\$ -
Restricted cash and cash equivalents	<u>261,968</u>	<u>-</u>
	<u><u>\$ 2,083,357</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS
Statement of Cash Flows
For the year ended June 30, 2021

	Major Enterprise Fund		Water and Sewer Fund	Internal Service Fund
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	\$	(371,463)	\$	(16,736)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation		911,871		1,765
Bad debts written off		15,234		-
Changes in assets deferred outflows of resources and liabilities:				
(Increase) decrease in accounts receivable		(71,784)		-
(Increase) decrease in due from other governments		(29,626)		242
(Increase) decrease in inventories		5,679		(21,762)
(Increase) decrease in deferred outflows of resources - pensions		(35,980)		(1,713)
Increase (decrease) in accounts payable and accrued liabilities		76,232		(6,642)
Increase (decrease) in customer deposits		13,228		-
Increase (decrease) in compensated absences		3,938		1,254
Increase (decrease) in net pension liability		90,041		4,288
Increase (decrease) in deferred inflows of resources - pensions		2,107		100
Total adjustments		980,940		(22,468)
Net cash provided (used) by operating activities	\$	609,477	\$	(39,204)

The accompanying notes are an integral part of these financial statements.

CITY OF MARION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies and Reporting Entity:

The accounting policies of the City of Marion (the “City”) and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Marion is a municipal corporation which is governed by an elected Mayor and a five-member Council. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally-separate entities for which the City is financially accountable. The discretely presented component units presented below are reported in separate columns in the City’s financial statements in order to emphasize that they are legally separate from the City.

City of Marion ABC Board

The members of the ABC Board’s governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at City of Marion ABC Board, 2961 U.S. Highway 221 North, Marion, North Carolina 28752.

Municipal Event Center

The Municipal Event Center, LLC (Center) was formed as a joint venture between the City of Marion and the McDowell Chamber of Commerce as part of an interlocal agreement for the purpose of developing and operating a municipal event center in Marion, NC to promote economic and community development in Marion and McDowell County. The agreement states that the City and Chamber will operate the Center through the oversight of the Municipal Event Center Alliance which will consist of four voting members – two representatives appointed by the City Council and two representatives appointed by the Chamber Board of Directors – with capital expenditures of \$5,000 or more requiring approval by both the City Council and the Chamber Board. The Center is presented as if it were a proprietary fund (discrete presentation.) Separate financial statements for the Center are not prepared.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or

function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

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

Capital Project Fund. This fund is used to account for multi-year governmental fund type construction projects to acquire or construct capital assets, as well as multi-year governmental fund type grant projects that are not capital in nature.

The City reports the following major enterprise funds:

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

Water and Sewer Capital Reserve Fund. This fund is used to account for the receipt of system development fees. Transfers from this fund to the Water and Sewer Fund are for authorized expenditures in accordance with General Statutes. The City employed the buy-in method to establish its system development fees. Transfers in the current year were for debt payments related to prior year capital projects which resulted in capacity to serve the new development from which these fees were collected.

Water and Sewer Capital Project Fund. This fund is used to account for multi-year water and sewer construction projects to acquire or construct capital assets, as well as multi-year water and sewer grant projects that are not capital in nature. The Water and Sewer Capital Project Fund is consolidated with the Water and Sewer Fund for financial reporting purposes.

Additionally, the City reports the following fund type:

Internal Service Fund. The Central Warehouse Fund purchases, stores, and sells supplies to the other funds maintained by the City.

C. Measurement Focus and Basis of Accounting

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

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all 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 generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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 receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the City, are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by McDowell County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues.

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Funds (except for the Capital Reserve Fund which adopts an annual budget), and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. The City's Central Warehouse Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed Federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and The North Carolina Capital Management Trust (NCCMT).

The 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, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

All cash and investments of the City are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The unexpended balances of grants are classified as restricted assets for the Capital Project and Grant Project Funds because their use is completely restricted to the purpose for which the grants were intended. Customer deposits held by the City before any services are supplied are restricted to

the service for which the deposit was collected. Powell Bill funds are also classified restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. The Public Safety funds are reserved for proceeds from a few different sources including federal drug asset seizures and a loan reserve on a USDA grant.

Governmental Activities

General Fund:	
Streets	\$ 378,492
Public Safety	132,941
Customer deposits	13,502
Capital Project Fund:	
Unspent grant proceeds	<u>166,270</u>
Total governmental activities	<u>691,205</u>

Business Type Activities

Water and Sewer Fund:	
Customer deposits	<u>261,968</u>
Total restricted cash	<u>\$ 953,173</u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables written off in prior years.

6. Inventory and Prepaid Items

The inventories of the City and the ABC Board are valued at cost (first-in, first-out), which approximates market. The City does not maintain a General Fund inventory of expendable supplies; instead these supplies are recorded as expenditures when purchased.

The inventories of the City's enterprise fund consists of materials and supplies held for subsequent use. The cost of these inventories is expensed as the inventories are consumed. The inventory of the City of Marion ABC Board consists of items held for resale.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of \$2,500 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported

at cost or estimated historical cost. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Plant assets of the City are depreciated on a composite straight-line basis for the entire plant, regardless of the year of acquisition, at a 2% annual rate. Other capital assets are depreciated on a class life basis at the following rates:

<u>Asset Class</u>	<u>Rate</u>
Infrastructure	3%
Maintenance and construction equipment	12%
Vehicles – medium and heavy duty	16%
Furniture and office equipment	10%
Vehicles – automobile and light duty	30%

Property and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	31 years
Equipment	2-10 years
Land improvements	3-15 years

Property and equipment of the Center are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	39 years
Furniture and fixtures	5 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria, pension and OPEB related deferrals.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criteria for this category - property taxes receivable, other receivables, prepaid taxes, and pension and OPEB related deferrals.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. In the fund financial statements for governmental fund types, the face amount of debt issued is reported in other financing sources.

10. Compensated Absences

The vacation policies of the City and the ABC Board provide for the accumulation of up to twenty and fifteen days, respectively, earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the City and the ABC Board's sick leave policies provide 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 determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. 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 represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statute.

12. 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:

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

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal

year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of restricted net position on the statement of net position and restricted fund balance on the face of the balance sheet.

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain public safety activities.

Restricted for Community Development – portion of fund balance that is restricted by revenue source for certain community development capital projects.

Restricted for Capital Projects – portion of fund balance restricted by revenue source for specific capital activities or projects.

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

Committed for Cemetery – portion of fund balance committed by the Board for future maintenance and operation of the City owned cemetery.

Committed for Future Capital Projects – portion of fund balance committed by the Board for future capital outlay expenditures.

Assigned Fund Balance – portion of fund balance that the City of Marion intends to use for specific purposes.

Subsequent Year’s Expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed.

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

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

The City has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to, or greater than, 25% of budgeted expenditures. Any portion of the General Fund balance in excess of 25% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

The following schedule provides management and citizens with information on the fund balance in the General Fund:

Total Fund Balance - General Fund	\$ 5,090,959
Less:	
Nonspendable - prepaids	1,739
Stabilization by State statute	1,105,816
Streets	378,492
Public safety	132,941
Cemetery	155,008
Appropriated fund balance in next year's budget	592,755
Fund balance policy - 25% of budgeted expenditures	<u>2,136,061</u>
Remaining fund balance	<u><u>\$ 588,147</u></u>

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Statement of Net Position date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

14. Pensions

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 City of Marion's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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

Note 2 – Detail Notes on All Funds**A. Assets****1. Deposits**

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

The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City or the ABC Board under the Pooling Method, the potential exists for undercollateralization, 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 City has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the City's deposits had a carrying amount of \$4,635,228 and a bank balance of \$4,840,985. Of the bank balance, \$251,500 was covered by federal depository insurance and the remaining balance was covered by collateral held under the pooling method. At June 30, 2021, the City's petty cash fund totaled \$1,800.

At June 30, 2021, the carrying amount of deposits for the ABC Board was \$158,387 and the bank balance was \$367,062. The bank balance exceeded the federal depository insurance by \$117,062 and are collateralized as required by G.S. 159-131. All of the bank balance was covered by Federal depository insurance. At June 30, 2021, the Board's petty cash fund totaled \$3,225.

2. Investments

At June 30, 2021 the City's investments consisted of the following:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>
NCCMT - Government Portfolio	Fair Value-Level 1	2,588,981	2,588,981
Total investments		<u>\$ 2,588,981</u>	<u>\$ 2,588,981</u>

*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.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no policy regarding credit risk. The City's investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAm by Standard & Poor's and AAm-mf by Moody's Investors Service as of June 30, 2021. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

<u>Fund</u>	
General Fund: Taxes receivable	<u>\$ 37,000</u>
Enterprise Funds	<u>\$ 132,000</u>

4. Due from Other Governments

Due from other governments consisted of the following:

	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Local option sales tax	\$ 465,857	\$ -	\$ 465,857
Sales tax refund	102,089	23,558	125,647
Vehicle taxes/tag fees	30,816	-	30,816
Fire district tax	1,396	-	1,396
Franchise/video programming tax	131,997	-	131,997
Solid waste tax	1,572	-	1,572
Federal and State grants	186,061	62,809	248,870
McDowell County	3,515	-	3,515
Other	8,055	-	8,055
	<u>\$ 931,358</u>	<u>\$ 86,367</u>	<u>\$ 1,017,725</u>

5. Capital Assets

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

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,951,369	\$ -	\$ 33,542	\$ 1,917,827
Construction in progress	735,519	547,300	760,427	522,392
Total capital assets not being depreciated	<u>2,686,888</u>	<u>547,300</u>	<u>793,969</u>	<u>2,440,219</u>
Capital assets being depreciated:				
Building improvements	3,069,147	73,272	-	3,142,419
Buildings	1,652,498	-	-	1,652,498
Equipment	2,498,905	505,871	59,445	2,945,331
Equipment – ISF	28,085	-	-	28,085
Furniture and fixtures	231,985	-	-	231,985
Land improvements	2,191,223	831,097	9,829	3,012,491
Vehicles	5,038,463	459,512	122,762	5,375,213
Infrastructure	<u>2,239,230</u>	<u>-</u>	<u>-</u>	<u>2,239,230</u>
Total capital assets being depreciated	<u>16,949,536</u>	<u>1,869,752</u>	<u>192,036</u>	<u>18,627,252</u>
Less accumulated depreciation for:				
Building improvements	1,061,473	85,499	-	1,146,972
Buildings	809,194	35,714	-	844,908
Equipment	2,179,954	133,545	59,445	2,254,054
Equipment – ISF	22,348	1,765	-	24,113
Furniture and fixtures	214,113	3,825	-	217,938
Land improvements	574,194	73,282	5,641	641,835
Vehicles	4,624,955	289,689	122,762	4,791,882
Infrastructure	<u>561,795</u>	<u>64,404</u>	<u>-</u>	<u>626,199</u>
Total accumulated depreciation	<u>10,048,026</u>	<u>687,723</u>	<u>187,848</u>	<u>10,547,901</u>
Total capital assets being depreciated, net	<u>6,901,510</u>			<u>8,079,351</u>
Governmental activities capital assets, net	<u>\$ 9,588,398</u>			<u>\$10,519,570</u>

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

General government	\$ 149,863
Public safety	224,375
Transportation	92,937
Environmental protection	134,806
Culture and recreation	<u>85,742</u>
Total depreciation expense	<u>\$ 687,723</u>

Capital asset activity for business-type activities for the year ended June 30, 2021 was as follows:

Business-type Activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 101,245	\$ -	\$ -	\$ 101,245
Construction in progress	35,710	-	35,710	-
Total capital assets not being depreciated	136,955	-	35,710	101,245
Capital assets being depreciated:				
Building improvements	629,641	17,394	-	647,035
Buildings	6,891,369	-	-	6,891,369
Water and sewer mains, fittings, and lines	24,577,966	40,212	-	24,618,178
Equipment	2,093,829	101,125	12,607	2,182,347
Furniture and fixtures	647,437	5,715	-	653,152
Land improvements	1,165,048	-	-	1,165,048
Vehicles	610,504	39,305	32,487	617,322
Total capital assets being depreciated	36,615,794	203,751	45,094	36,774,451
Less accumulated depreciation for:				
Building improvements	543,629	5,183	-	548,812
Buildings	4,690,104	126,538	-	4,816,642
Water and sewer mains, fittings, and lines	9,803,220	565,589	-	10,368,809
Equipment	1,614,394	127,998	12,607	1,729,785
Furniture and fixtures	398,640	13,234	-	411,874
Land improvements	679,283	26,537	-	705,820
Vehicles	554,060	46,792	32,487	568,365
Total accumulated depreciation	18,283,330	911,871	45,094	19,150,107
Total capital assets being depreciated, net	18,332,464			17,624,344
Business-type activities capital assets, net	<u>\$18,469,419</u>			<u>\$17,725,589</u>

Construction Commitments

The City had the following material construction commitment at June 30, 2021:

Blue Ridge Street Stormwater Project:

<u>Spent as of June 30, 2021</u>	<u>Remaining to be spent</u>	<u>Total contract amount</u>
\$ 40,388	\$ 79,612	\$ 120,000

Discretely Presented Component Unit:

Activity for the ABC Board for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 59,832	\$ -	\$ -	\$ 59,832
Capital assets being depreciated:				
Buildings	693,942	37,033	-	730,975
Land improvements	19,493	-	-	19,493
Equipment	239,756	3,287	-	243,043
Total capital assets being depreciated	953,191	40,320	-	993,511
Less accumulated depreciation for:				
Buildings	256,620	28,771	-	285,391
Land improvements	19,493	-	-	19,493
Equipment	188,334	15,390	-	203,724
Total accumulated depreciation	464,447	44,161	-	508,608
Total capital assets being depreciated, net	488,744			484,903
ABC Board capital assets, net	<u>\$ 548,576</u>			<u>\$ 544,735</u>

6. Notes Receivable:

In October 2000, the City entered into an agreement with a partnership to loan \$178,000 of a CDBG Grant to build an apartment facility. The partnership will repay the loan over a ten year period, in annual installments of \$17,800 at zero percent (0%) interest beginning June 28, 2024. At June 30, 2021, the loan has been discounted to the present value of \$128,348.

B. Liabilities

1. Accounts Payable – Disaggregate Information

	Governmental Business-type		
	Activities	Activities	Total
Vendor payables	\$ 305,895	\$ 116,883	\$ 422,778
Accrued salaries and expenses	108,881	26,994	135,875
Total	<u>\$ 414,776</u>	<u>\$ 143,877</u>	<u>\$ 558,653</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Marion and the ABC Board are participating employers in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing 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. City of Marion employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Marion's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.23% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Marion were \$388,781 for the year ended June 30, 2021. Contributions to the pension plan from the ABC Board were \$21,320 for the same period.

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

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

At June 30, 2021, the City reported a liability of \$1,980,751 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the City's proportion was 0.05543%, which was a decrease of 0.00169% from its proportion measured as of June 30, 2020. The ABC Board reported a liability of \$78,793 for its proportionate share of the net pension liability.

For the year ended June 30, 2021, the City recognized pension expense of \$656,245. At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 250,134	\$ -
Changes of assumptions	147,407	-
Net difference between projected and actual earnings on pension plan investments	278,737	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	47,824
City contributions subsequent to the measurement date	<u>388,781</u>	<u>-</u>
Total	<u>\$ 1,065,059</u>	<u>\$ 47,824</u>

\$388,781 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 170,771
2023	236,871
2024	138,321
2025	82,491
2026	-
Thereafter	<u>-</u>
	<u>\$ 628,454</u>

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

Inflation	3.00 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table 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, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 4,018,726	\$ 1,980,750	\$ 287,049

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

The City of Marion administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .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 City are covered by the Separation Allowance. At December 31, 2019 (valuation date), the Separation Allowance's membership consisted of:

Inactive members receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>25</u>
Total	<u><u>28</u></u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

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

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

The discount rate used to measure the total pension liability is S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experienced study completed by the actuary for the Local Government Employees Retirement System for the five year period ending December 31, 2019

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.

4. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The City paid \$17,905 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, 2021, the City reported a total pension liability of \$1,053,809. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$106,272.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,650	\$ -
Changes of assumptions and other inputs	275,315	19,182
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>18,322</u>	<u>-</u>
Total	<u><u>\$ 340,287</u></u>	<u><u>\$ 19,182</u></u>

\$18,322 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 62,998
2023	63,735
2024	52,686
2025	53,368
2026	47,884
Thereafter	<u>22,112</u>
	<u><u>\$ 302,783</u></u>

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

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 1,156,762	\$ 1,053,809	\$ 960,178

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2019	\$ 728,793
Changes for the year:	
Service cost at end of year	37,654
Interest	23,104
Change in benefit terms	-
Difference between expected and actual experience	15,807
Changes of assumptions and other inputs	288,617
Benefit payments	(40,166)
Other	-
Net changes	<u>325,016</u>
Total pension liability as of December 31, 2020	<u>\$ 1,053,809</u>

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 656,245	\$ 106,272	\$ 762,517
Pension liability	1,980,750	1,053,809	3,034,559
Proportionate share of the net pension liability	0.05543%	n/a	n/a
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 250,134	\$ 46,650	\$ 296,784
Changes of assumptions	147,407	275,315	422,722
Net difference between projected and actual earnings on plan investments	278,737	-	278,737
Benefit payments and administrative costs paid subsequent to the measurement date	<u>388,781</u>	<u>18,322</u>	<u>407,103</u>
	<u>\$ 1,065,059</u>	<u>\$ 340,287</u>	<u>\$ 1,405,346</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ -	\$ -	\$ -
Changes of assumptions	-	19,182	19,182
Changes in proportion and differences between contributions and proportionate share of contributions	<u>47,824</u>	<u>-</u>	<u>47,824</u>
	<u>\$ 47,824</u>	<u>\$ 19,182</u>	<u>\$ 67,006</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan is included in the Annual Comprehensive Financial Report for the State

of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699, or by calling (919)981-5454.

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

The City made contributions of \$53,553 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for Non-Law Enforcement Employees

Plan Description. Effective October of 1992, all non-law enforcement employees of the City participate in the 401(k) Supplemental Retirement Income Plan of North Carolina. Participation begins when the employee becomes eligible for participation in the Local Government Employees Retirement System.

Funding Policy. The City contributes five percent of each participant's compensation, while participants may also make voluntary contributions. All amounts are vested immediately.

The City made contributions of \$133,273 for the reporting year. No amounts were forfeited.

e. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Marion, to the Firefighter's Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's the Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2021, the State contributed \$18,652,000 to the plan. The City's proportionate share of the State's contribution is \$6,029.

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

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

At June 30, 2021, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$11,696. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2021 and at June 30, 2020 was 0%.

For the year ended June 30, 2021, the City recognized pension expense of \$4,682 and revenue of \$4,682 for support provided by the State. At June 30, 2021, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

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

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

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

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

3. Other Post-Employment Benefits**Healthcare Benefits**

Plan A Description. Under the terms of a City resolution, the City administers a single-employer defined benefit healthcare plan (the “Retiree Health Plan”). The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Plan A Benefits Provided. The Plan provides post-employment healthcare benefits to retirees of the City up to age 65, provided they participate in the North Carolina Local Governmental Employees’ Retirement System, were hired prior to July 1, 2011, and were covered by the Authority’s group health plan for the three years immediately preceding retirement. The City pays the full cost of coverage for these benefits through private insurers. Also, the City’s retirees can purchase coverage for their dependents at the City’s group rates. Employees hired on or after July 1, 2011, are not eligible for the City’s post-employment healthcare benefits. The Plan is closed to all active employees as of July 1, 2014. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will no longer be eligible for post-employment healthcare benefits by the City. The City Council may amend the benefit provisions. A separate report was not issued for the Plan.

Plan B Description. During the fiscal year ended June 30, 2005, the City introduced a Retirement Medicare Supplement Incentive Plan for a limited period. Any full-time employee eligible to receive an early service or disability retirement benefit from the North Carolina Local Government Employees’ Retirement System was eligible for this benefit. The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Plan B Benefits Provided. This Plan consists of Medicare eligible retirees receiving monthly Medicare Supplement J coverage (or similar coverage that is available upon the retiree reaching Medicare eligible age) through the City’s insurance carrier or a monthly payment of \$375 to purchase a supplement for the remainder of the retiree’s life. The plan was effective from May 1, 2005 to December 31, 2005 and required those accepting the offer to retire on or before December 31, 2005. The City Council may amend the benefit provisions. A separate report was not issued for the Plan.

Membership of the Retiree Health Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	<u>General Employees</u>
Retirees receiving benefits	2
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	-
Total	<u><u>2</u></u>

Total OPEB Liability

The City's total OPEB liability of \$107,433 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

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%
Salary increases	3.50% – 7.75%, including wage inflation
Discount rate	2.21%
Healthcare cost trends	
Medicare	5.00% for 2019 decreasing to an ultimate 4.50% by 2021

The discount rate is based on the June average of the Bond Buyer General Obligation 20 Year Municipal Bond Index published weekly by The Bond Buyer, as of June 30, 2020.

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 June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Schedule of Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2019	\$ 104,185
Changes for the year:	
Service cost	-
Interest	3,442
Changes of benefit terms	-
Differences between expected and actual experience	2,243
Changes in assumptions or other inputs	9,337
Benefit payments	(11,774)
Net changes	3,248
Total OPEB liability as of June 30, 2020	<u>\$ 107,433</u>

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

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 115,745	\$ 107,433	\$ 100,072

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

	1% Decrease (4.00%)	Discount Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 103,281	\$ 107,433	\$ 112,014

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$17,327. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Benefit payments and administrative costs made subsequent to the measurement date	14,760	-
Total	<u>\$ 14,760</u>	<u>\$ -</u>

\$14,760 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2022. The City does not have any amounts reported as deferred inflows of resources as of June 30, 2021.

4. Other Employment Benefit

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the

payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

5. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at the government-wide level at June 30, 2021 were as follows:

Contributions to pension plan in current fiscal year	\$ 388,781
Benefit payments and admin expenses for LEOSSA made subsequent to measurement date	18,322
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	14,760
Other pension deferrals	998,243
	<u>\$ 1,420,106</u>

Deferred inflows of resources at June 30, 2021 were as follows:

	Governmental Funds	Government- Wide
Prepaid taxes (General Fund)	\$ 13,944	\$ 13,944
Taxes receivable, net (General Fund)	26,862	-
Other receivables (General Fund)	21,819	-
Pension deferrals	-	67,006
Total	<u>\$ 62,625</u>	<u>\$ 80,950</u>

6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in one self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the City has workers' compensation coverage up to statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for risks of loss. The City's health insurance plan is administered by United Healthcare through a fully-insured plan. The City's vision, dental, and life insurance plans are administered through the Municipal Insurance Trust. The City maintains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy and all other risks of loss. There have been no significant reductions in insurance coverage in the prior year. Claims have not exceeded coverage in any of the last three fiscal years.

A separate cybersecurity insurance policy for up to \$2,000,000 single and aggregate limit is carried by the City to insure against losses and damages and address major cyber risks such as media liability, security breach liability, replacement or restoration of electronic data, extortion threats, public relations expense, and security breach expense.

The City has elected not to carry flood insurance through the National Flood Insurance Plan. Because the City is located in a mountainous region with a limited number of properties in a designated "A" area by the Federal Emergency Management Agency, management elects to forego this coverage. The City is covered by an exclusion amendment to the general insurance policy to cover flood in all but area "A" up to \$500,000 per occurrence.

In accordance with G.S. 159-29, City employees that have access to \$100 or more at any given time of City funds are performance bonded through a commercial surety bond. The Finance Director, and Tax Collector are each individually bonded for \$100,000 and \$50,000 each, the City Manager is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

The City of Marion ABC Board 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 ABC Board has property, general liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years. The Finance Director is individually bonded for \$100,000.

7. Long-Term Obligations

Serviced by the General Fund:

Direct Borrowing Installment Purchases:

During the year ended June 30, 2021, the City entered into a \$345,900 direct borrowing installment purchase to finance vehicles and equipment. Semiannual payments of \$35,957, including interest at 1.426%, began on January 15, 2021. The loan matures in June 2025. The vehicles and equipment are pledged as collateral while the debt is outstanding. \$ 312,272

During the year ended June 30, 2020, the City was awarded a \$450,120 loan by NCORR to finance the Lincoln Avenue bridge project, of which \$78,000 has been drawn down at June 30, 2020. The remaining proceeds will be received on a reimbursement basis as the project progresses. The repayment terms will be finalized when the project is complete. The property is pledged as collateral for the debt while the debt is outstanding. 78,000

During the year ended June 30, 2018, the City entered into a \$112,768 direct borrowing installment purchase to finance a backhoe. Semiannual payments of \$11,916, including interest at 2.03%, began September 5, 2018. The backhoe is pledged as collateral for the debt while the debt is outstanding. 46,478

During the year ended June 30, 2017, the City entered into a \$171,000 direct borrowing installment purchase to finance a sanitation truck. Semiannual payments of \$18,021, including interest at 1.93%, began July 13, 2017. The truck is pledged as collateral for the debt while the debt is outstanding. 35,526

During the year ended June 30, 2015, the City entered into a \$491,571 direct borrowing installment purchase to finance a fire truck. Semiannual payments of \$27,565, including interest at 2.24%, began March 15, 2015. The fire truck is pledged as collateral for the debt while the debt is outstanding.

184,610

Total direct borrowing installment purchases

\$ 656,886

Direct Borrowing USDA Loan:

During the year ended June 30, 2020, the City entered into a \$586,000 interim financing agreement with a bank in conjunction with a USDA loan to fund the community building stormwater project. The loan was paid in full with proceeds of a USDA loan at the completion of the project, during the year ending June 30, 2021. The USDA loan requires 40 annual payments of \$18,278, including interest at 1.125%, beginning August 2021, and terminating August 2060. The infrastructure is pledged as collateral for the debt while the debt is outstanding.

\$ 586,000

During the year ended June 30, 2021, the City entered into a \$179,000 supplemental USDA community facilities loan to fund the community building stormwater project. The loan requires 40 annual payments of \$5,584, including interest at 1.125%, beginning August 2021 and terminating August 2060. The infrastructure is pledged as collateral for the debt while the debt is outstanding

162,408

During the year ended June 30, 2010, the City entered into a \$860,000 USDA community facilities loan to finance an aerial ladder fire truck. Twenty annual payments of \$63,288, including interest at 4.00%, began April 30, 2011. The aerial ladder truck is pledged as collateral for the debt while the debt is outstanding.

470,127

Total direct borrowing installment purchases

\$ 1,218,535

Serviced by the Water and Sewer Fund:

Direct Borrowing Installment Purchases:

During the year ended June 30, 2021, the City entered into a \$111,100 direct borrowing installment purchase to finance vehicles and equipment. Semiannual payments of \$11,549, including interest at 1.426%, began on January 15, 2021. The loan matures in June 2025. The vehicles and equipment are pledged as collateral while the debt is outstanding.

\$ 100,481

During the year ended June 30, 2016, the City entered into a \$500,000 direct borrowing installment purchase for the construction of a sewer line extension on Airport Road. Semiannual payments of \$27,666, including interest at 1.97%, began December 28, 2016. The system improvements are pledged as collateral for the debt while the debt is outstanding.

262,242

During the year ended June 30, 2015, the City entered into a \$470,000 direct borrowing installment purchase to finance the purchase and installation of water meters. Semiannual payments of \$26,269, including interest at 2.17%, began June 19, 2015. The water meters are pledged as collateral for the debt while the debt is outstanding.

176,153

Total direct borrowing installment purchases

\$ 538,876

Direct Borrowing CWSRF Loan:

During the year ended June 30, 2010, the City entered into a \$2,503,072 CWSRF loan for the construction of a sanitary sewer project, which was immediately reduced by one half as part of the American Recovery and Reinvestment Act of 2009. One annual payment of \$65,034 and nineteen annual payments of \$62,447, at 0% interest, began on May 1, 2011. The note is secured by a pledge of faith and credit of the City while the debt is outstanding.

\$ 562,028

At June 30, 2021, the City of Marion had a legal debt margin of approximately \$44,100,000. Annual debt service requirements to maturity for long-term obligations are as follows:

Governmental Activities				
Year Ending June 30	Direct Borrowing Installment Purchases		Direct Borrowing USDA Loan	
	Principal	Interest	Principal	Interest
2022	\$ 255,517	\$ 9,399	\$ 59,738	\$ 27,412
2023	144,583	6,294	61,689	25,461
2024	123,271	3,773	63,714	23,436
2025	133,515	1,786	65,791	21,359
2026	-	-	67,993	19,157
2027-2030	-	-	899,610	171,423
Total	<u>\$ 656,886</u>	<u>\$ 21,252</u>	<u>\$ 1,218,535</u>	<u>\$ 288,248</u>

Business-Type Activities				
Year Ending June 30	Direct Borrowing Installment Purchases		Direct Borrowing CWSRF Loan	
	Principal	Interest	Principal	Interest
2022	\$ 121,136	\$ 9,831	\$ 62,447	\$ -
2023	123,514	7,453	62,447	-
2024	125,939	5,028	62,447	-
2025	113,764	2,619	62,447	-
2026	54,523	807	62,447	-
2027-2033	-	-	249,793	-
Total	<u>\$ 538,876</u>	<u>\$ 25,738</u>	<u>\$ 562,028</u>	<u>\$ -</u>

A summary of all long-term obligations presented in the government-wide Statement of Net Position is as follows:

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021	Current Portion of Balance
<u>Governmental Activities:</u>					
Direct borrowing installment purchases	\$ 1,079,804	\$ 345,900	\$ 768,818	\$ 656,886	\$ 255,517
Direct borrowing USDA loan	512,899	765,000	59,364	1,218,535	59,738
Total pension liability (LEOSSA)	728,793	325,016	-	1,053,809	-
Total OPEB liability	104,185	3,248	-	107,433	-
Net pension liability (LGERS)	1,226,067	338,726	-	1,564,793	-
Compensated absences	232,234	206,490	175,478	263,246	175,500
Total	<u>\$ 3,883,982</u>	<u>\$ 1,984,380</u>	<u>\$ 1,003,660</u>	<u>\$ 4,864,702</u>	<u>\$ 490,755</u>
<u>Business-type Activities:</u>					
Direct borrowing installment purchases	\$ 663,039	\$ 111,100	\$ 235,263	\$ 538,876	\$ 121,136
Direct borrowing CWSRF loan	624,475	-	62,447	562,028	62,447
Net pension liability (LGERS)	325,917	90,041	-	415,958	-
Compensated absences	45,635	39,859	35,922	49,572	33,000
Total	<u>\$ 1,659,066</u>	<u>\$ 241,000</u>	<u>\$ 333,632</u>	<u>\$ 1,566,434</u>	<u>\$ 216,583</u>
<u>Marion ABC Board:</u>					
Notes payable	<u>\$ 470,333</u>	<u>\$ 465,000</u>	<u>\$ 497,678</u>	<u>\$ 437,655</u>	<u>\$ 25,250</u>

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

8. Interfund Balances and Activity:

Balances due to the General Fund from other funds at June 30, 2021, consist of the following:

Internal Service Fund	\$ 108,581
Capital Project Fund	<u>36,496</u>
Total	<u>\$ 145,077</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds during the year ended June 30, 2021 consist of the following:

From the Water and Sewer Fund to the General Fund for payments in lieu of taxes	<u>\$ 173,000</u>
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From the General Fund to the Capital Projects Fund

for the Catawba River Greenway Stabilization Project	\$ 82,000
for the Baldwin Avenue Sidewalk Improvement Project	87,000
for the Main Street Stormwater Project	46,174
for street improvements	400,000
to fund general capital projects	<u>67,500</u>
	<u>\$ 682,674</u>

From the Capital Projects Fund to the General Fund

to transfer unused funds at project completion	<u>\$ 39,986</u>
--	------------------

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

Note 3 – Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs – The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies 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 monies.

Note 4 – Jointly Governed Organization

The City, in conjunction with four counties and twenty other municipalities, established the Isothermal Planning and Development Commission. Participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The City paid membership fees of \$8,630 to the Commission during the fiscal year ended June 30, 2021. Subsequent to June 30, 2021, the Isothermal Planning and Development Commission change its name to the Foothills Regional Commission.

Note 5 – Joint Ventures

The City and the members of the City's fire department each appoint two members to the five-member local Board of Trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightening insurance premiums which insurers remit to the State. The State passes these monies to the local Board of the Firefighter's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the Board of Trustees. During the fiscal year ended June 30, 2021, the City reported revenue and expenditures for the payments of \$10,500 made through the Firefighter's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2021. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Raleigh, North Carolina 27603.

Note 6 – Uncertainties from COVID-19 Pandemic

At the onset of the COVID-19 pandemic, economic uncertainties led the City to take a much more conservative approach to the Fiscal Year 2020-2021 budget. There were, in particular, two areas of concern that the City focused on – property tax revenues and sales tax revenues. Property tax revenues were budgeted at a 96% collection rate as compared to the average collection rate of 98.69% for the previous 5 years. Sales tax revenues were budgeted 5% lower than Fiscal Year 2019-2020 actual revenues. Property taxes and sales taxes combined represent approximately 60% of general fund revenues. Fortunately, the local economy performed better than expected and the City experienced positive variances in both of these revenue categories. Property tax collections were 99.4% of the total levy and sales tax revenues increased 11.4% over the previous year. The City finished Fiscal Year 2020-2021 with total positive budgetary variances of \$612,206 in the General Fund and \$201,678 in the Water and Sewer Fund.

CITY OF MARION, NORTH CAROLINA
OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS

Schedule of Changes in the Total OPEB Liability and Related Ratios

	2021	2020	2019	2018
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	3,442	4,888	4,743	4,341
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	2,243	(23,088)	473	967
Changes of assumptions	9,337	1,260	(3,743)	(7,152)
Benefit payments	(11,774)	(8,982)	(9,115)	(9,152)
Net change in total OPEB liability	3,248	(25,922)	(7,642)	(10,996)
Total OPEB liability - beginning	104,185	130,107	137,749	148,745
Total OPEB liability - ending	<u>\$ 107,433</u>	<u>\$ 104,185</u>	<u>\$ 130,107</u>	<u>\$ 137,749</u>
Covered payroll*	\$ -	\$ -	\$ -	\$ -
Total OPEB liability a percentage of covered payroll	N/A	N/A	N/A	N/A

Notes to the schedule:

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

Fiscal year	Rate
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%

* The plan is closed to all active employees as of July 1, 2014.

CITY OF MARION, NORTH CAROLINA

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

Local Governmental Employees' Retirement System								
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportionate share of the net pension liability (asset) (%)	0.05543%	0.05683%	0.05576%	0.05745%	0.05698%	0.06210%	0.05892%	0.06020%
City's proportion of the net pension liability (asset) (\$)	\$ 1,980,750	\$ 1,551,984	\$ 1,322,818	\$ 877,677	\$ 1,209,306	\$ 278,701	\$ (347,478)	\$ 725,641
City's covered payroll	3,649,530	3,555,511	3,339,620	3,298,574	3,351,821	3,254,764	3,207,416	3,113,996
City's proportionate share of the net pension liability (asset) as a percentage of covered payroll	54.27%	43.65%	39.61%	26.61%	36.08%	8.56%	(10.83%)	23.30%
Plan fiduciary net position as a percentage of the total pension liability (asset)	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

CITY OF MARION, NORTH CAROLINA

SCHEDULE OF CITY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS

	Local Governmental Employees' Retirement System							
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 388,781	\$ 337,184	\$ 286,026	\$ 260,460	\$ 249,331	\$ 231,085	\$ 235,131	\$ 228,621
Contribution in relation to the contractually required contribution	<u>388,781</u>	<u>337,184</u>	<u>286,026</u>	<u>260,460</u>	<u>249,331</u>	<u>231,085</u>	<u>235,131</u>	<u>228,621</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,736,531	\$ 3,649,530	\$ 3,555,511	\$ 3,339,620	\$ 3,298,574	\$ 3,351,821	\$ 3,254,764	\$ 3,207,416
Contributions as a percentage of covered payroll	10.40%	9.24%	8.04%	7.80%	7.56%	6.89%	7.22%	7.13%

CITY OF MARION, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST FIVE FISCAL YEARS *

Schedule of Changes in Total Pension Liability

	2021	2020	2019	2018	2017
Beginning balance	\$ 728,793	\$ 684,323	\$ 687,673	\$ 590,935	\$ 575,080
Changes for the year:					
Service cost at end of year	37,654	34,538	36,526	28,315	30,667
Interest	23,104	23,940	20,934	22,106	20,189
Change in benefit terms	-	-	-	-	-
Difference between expected and actual experience	15,807	14,386	19,681	40,088	-
Changes of assumptions and other inputs	288,617	24,840	(30,108)	42,723	(15,860)
Benefit payments	(40,166)	(53,234)	(50,383)	(36,494)	(19,141)
Net changes	325,016	44,470	(3,350)	96,738	15,855
Ending balance of the total pension liability	<u>\$ 1,053,809</u>	<u>\$ 728,793</u>	<u>\$ 684,323</u>	<u>\$ 687,673</u>	<u>\$ 590,935</u>

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Total Pension Liability	\$ 1,053,809	\$ 728,793	\$ 684,323	\$ 687,673	\$ 590,935
Covered Payroll	1,219,579	1,158,974	1,110,442	981,280	1,121,051
Total pension liability as a percentage of covered payroll	86.41%	62.88%	61.63%	70.08%	52.71%

Notes to the schedule:

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

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

CITY OF MARION, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the year ended June 30, 2021

	Final Budget	Actual	Variance Positive/ (Negative)
Revenues:			
Ad Valorem Taxes:			
Current year taxes	\$ 2,678,986	\$ 2,724,241	\$ 45,255
Prior year taxes	28,000	30,109	2,109
Motor vehicle taxes, net	191,000	232,857	41,857
Penalties and interest	18,000	12,250	(5,750)
	<u>2,915,986</u>	<u>2,999,457</u>	<u>83,471</u>
Other Taxes and Licenses:			
Local option sales tax	1,563,000	1,738,598	175,598
Utilities sales tax	541,000	523,638	(17,362)
Solid waste disposal tax	6,200	6,342	142
Licenses and permits	8,000	10,062	2,062
Wine and beer tax	37,000	35,388	(1,612)
	<u>2,155,200</u>	<u>2,314,028</u>	<u>158,828</u>
Unrestricted Intergovernmental:			
Court revenue	3,500	4,912	1,412
ABC revenues	280,000	352,583	72,583
Video franchise fees	87,000	83,455	(3,545)
	<u>370,500</u>	<u>440,950</u>	<u>70,450</u>
Restricted Intergovernmental:			
Powell Bill allocation	225,000	210,893	(14,107)
Coronavirus relief funds	408,925	408,925	-
ABC revenue for law enforcement	6,000	15,255	9,255
Parking violations	4,500	5,892	1,392
County fire protection	520,000	593,800	73,800
County recycling	9,200	7,572	(1,628)
NCDOT reimbursements	2,500	2,519	19
Federal drug asset revenue	12,037	36,226	24,189
DARE fund revenue	-	7,000	7,000
State controlled substance revenue	-	10,343	10,343
State of NC fire protection	1,680	2,186	506
McDowell County schools officer	119,979	119,979	-
Public safety grants	399,548	405,026	5,478
FEMA grants	32,217	30,848	(1,369)
Mt. Glory contribution	10,000	10,000	-
NC urban and community forestry grant	-	2,894	2,894
On-behalf payments for fire and rescue	-	15,182	15,182
	<u>1,751,586</u>	<u>1,884,540</u>	<u>132,954</u>

CITY OF MARION, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2021

	Final Budget	Actual	Variance Positive/ (Negative)
License, Permits and Fees:			
City vehicle license	24,000	24,615	615
Building permits (zoning and inspections)	48,100	74,566	26,466
	<u>72,100</u>	<u>99,181</u>	<u>27,081</u>
Sales and Services:			
Rents and concessions	40,500	17,317	(23,183)
Cemetery revenues	6,000	6,355	355
Garbage fees	430,180	454,702	24,522
Copies and fingerprints	250	-	(250)
Sales of real estate	-	4,359	4,359
Sale of surplus equipment	26,712	24,743	(1,969)
	<u>503,642</u>	<u>507,476</u>	<u>3,834</u>
Capital Grants and Contributions:			
Drexel project	-	5,000	5,000
Environmental Quality Grant	20,000	20,000	-
	<u>20,000</u>	<u>25,000</u>	<u>5,000</u>
Miscellaneous	<u>50,330</u>	<u>57,134</u>	<u>6,804</u>
Investment earnings	<u>2,000</u>	<u>1,222</u>	<u>(778)</u>
Restricted contributions	<u>22,555</u>	<u>18,805</u>	<u>(3,750)</u>
Total revenues	<u>7,863,899</u>	<u>8,347,793</u>	<u>483,894</u>
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits		793,832	
Operating expenditures		168,762	
Capital outlay		35,427	
Allocation to Water and Sewer		(378,633)	
	<u>689,564</u>	<u>619,388</u>	<u>70,176</u>
Cemetery:			
Operating expenditures		35,279	
	<u>35,900</u>	<u>35,279</u>	<u>621</u>

CITY OF MARION, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2021

	Final Budget	Actual	Variance Positive/ (Negative)
Non-departmental:			
Operating expenditures		428,280	
	478,880	428,280	50,600
Total general government	1,204,344	1,082,947	121,397
Public safety:			
Police department:			
Salaries and employee benefits		1,729,330	
Operating expenditures		490,131	
Capital outlay		284,222	
	2,703,305	2,503,683	199,622
Fire department:			
Salaries and employee benefits		684,527	
Operating expenditures		285,293	
Capital outlay		314,410	
	1,311,687	1,284,230	27,457
Inspections:			
Salaries and employee benefits		234,446	
Operating expenditures		95,961	
Capital outlay		12,594	
	356,077	343,001	13,076
Total public safety	4,371,069	4,130,914	240,155
Transportation:			
Public works administration:			
Salaries and employee benefits		183,287	
Other operating expenditures		26,417	
Capital outlay		16,218	
Allocation to Water and Sewer		(112,931)	
	118,984	112,991	5,993
Street department:			
Salaries and employee benefits		454,497	
Other operating expenditures		342,254	
Capital outlay		217,416	
	1,235,907	1,014,167	221,740

CITY OF MARION, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Powell Bill:			
Other operating expenditures		51,411	
Fleet maintenance:			
Salaries and employee benefits		75,781	
Other operating expenditures		10,467	
Allocation to Water and Sewer		(32,752)	
	<u>86,265</u>	<u>53,496</u>	<u>32,769</u>
Total transportation	<u>1,519,486</u>	<u>1,232,065</u>	<u>287,421</u>
Environmental protection:			
Salaries and employee benefits		375,544	
Other operating expenditures		331,530	
Capital outlay		107,859	
	<u>881,801</u>	<u>814,933</u>	<u>66,868</u>
Total environmental protection	<u>881,801</u>	<u>814,933</u>	<u>66,868</u>
Cultural and recreation:			
Community building and recreation:			
Other operating expenditures		145,478	
Capital outlay		100,956	
	<u>293,323</u>	<u>246,434</u>	<u>46,889</u>
Total cultural and recreation	<u>293,323</u>	<u>246,434</u>	<u>46,889</u>
Debt service:			
Principal retirement		242,182	
Interest and other charges		31,143	
	<u>274,222</u>	<u>273,325</u>	<u>897</u>
Total debt service	<u>274,222</u>	<u>273,325</u>	<u>897</u>
Total expenditures	<u>8,544,245</u>	<u>7,780,618</u>	<u>763,627</u>
Revenues over (under) expenditures	<u>(680,346)</u>	<u>567,175</u>	<u>1,247,521</u>

CITY OF MARION, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2021

	Final Budget	Actual	Variance Positive/ (Negative)
Other Financing Sources (Uses):			
Fund balance appropriated	626,032	-	(626,032)
Proceeds from insurance	188,027	168,819	(19,208)
Installment obligations issued	345,206	345,900	694
Transfer from water and sewer fund	173,000	173,000	-
Transfer from capital projects funds	39,986	39,986	-
Transfer to capital projects funds	<u>(691,905)</u>	<u>(682,674)</u>	<u>9,231</u>
 Total other financing sources (uses)	 <u>680,346</u>	 <u>45,031</u>	 <u>(635,315)</u>
 Revenues and other sources over expenditures and other uses	 <u>\$ -</u>	 612,206	 <u>\$ 612,206</u>
 Fund balance, beginning of year		<u>4,478,753</u>	
 Fund balance, end of year		<u><u>\$ 5,090,959</u></u>	

CITY OF MARION, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND
Combining Balance Sheet
June 30, 2021

	General Grant Projects	Blue Ridge Carson Street Repairs	Lincoln Avenue Culvert Replacement	Former Drexel Building Demolition Project	Building Park Playground Equipment Capital Project	Community Building Park/ Main St. Stormwater Capital Project	Baldwin Avenue Sidewalk Improvement Project	Joseph McDowell Catawba River Greenway Stabilization Project	Street Improvements Project	Total Capital Project Fund
Assets										
Cash and investments	\$ 40,706	\$ -	\$ -	\$ -	\$ 25,928	\$ -	\$ 87,000	\$ 82,000	\$ 400,000	635,634
Restricted cash	166,270	-	-	-	-	-	-	-	-	166,270
Due from other governments	221	30,088	100,301	-	11,394	-	-	-	-	142,004
Accounts receivable	25,761	-	-	-	-	-	-	-	-	25,761
Total assets	<u>\$ 232,958</u>	<u>\$ 30,088</u>	<u>\$ 100,301</u>	<u>\$ -</u>	<u>\$ 37,322</u>	<u>\$ -</u>	<u>\$ 87,000</u>	<u>\$ 82,000</u>	<u>\$ 400,000</u>	<u>969,669</u>
Liabilities and Fund Balances										
Liabilities:										
Accounts payable and accrued liabilities	\$ 5,021	\$ 21,623	\$ 19,598	\$ -	\$ 37,322	\$ -	\$ -	\$ -	\$ -	83,564
Due to the general fund	-	7,013	29,483	-	-	-	-	-	-	36,496
Total liabilities	<u>5,021</u>	<u>28,636</u>	<u>49,081</u>	<u>-</u>	<u>37,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,060</u>
Fund balances:										
Restricted:										
Future operating expenses	162,135	-	-	-	-	-	-	-	-	162,135
Future capital projects	-	1,452	-	-	-	-	-	-	-	1,452
Committed:										
Future capital projects	<u>65,802</u>	<u>-</u>	<u>51,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,000</u>	<u>82,000</u>	<u>400,000</u>	<u>686,022</u>
Total fund balances	<u>227,937</u>	<u>1,452</u>	<u>51,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,000</u>	<u>82,000</u>	<u>400,000</u>	<u>849,609</u>
Total liabilities and fund balances	<u>\$ 232,958</u>	<u>\$ 30,088</u>	<u>\$ 100,301</u>	<u>\$ -</u>	<u>\$ 37,322</u>	<u>\$ -</u>	<u>\$ 87,000</u>	<u>\$ 82,000</u>	<u>\$ 400,000</u>	<u>969,669</u>

CITY OF MARION, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	General Grant Projects	Blue Ridge Carson Street Repairs	Lincoln Avenue Culvert Replacement	Former Drexel Building Demolition Project	Building Park Playground Equipment Capital Project	Community Building Park/ Main St. Stormwater Capital Project	Baldwin Avenue Sidewalk Improvement Project	Joseph McDowell Catawba River Greenway Stabilization Project	Street Improvements Project	Total Capital Project Fund
Revenues										
Restricted intergovernmental	\$ 35,761	\$ 28,946	\$ 143,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 207,965
Private donations	3,000	-	-	-	-	-	-	-	-	3,000
Other grants and contributions	-	-	-	-	159,622	-	-	-	-	159,622
Total revenues	<u>38,761</u>	<u>28,946</u>	<u>143,258</u>	<u>-</u>	<u>159,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>370,587</u>
Expenditures										
Capital outlay:										
Engineering	-	38,195	87,292	-	-	178	-	-	-	125,665
Planning and administration	-	-	6,969	-	-	1,088	-	-	-	8,057
Capitalized interest	-	-	-	-	-	5,004	-	-	-	5,004
Construction	-	40,388	-	-	264,796	94,414	-	-	-	399,598
General government	29,198	-	-	-	-	-	-	-	-	29,198
Current:										
General government	38,853	-	-	-	-	-	-	-	-	38,853
Community development	52,661	-	-	-	-	-	-	-	-	52,661
Culture and recreation	987	-	-	-	-	-	-	-	-	987
Total expenditures	<u>121,699</u>	<u>78,583</u>	<u>94,261</u>	<u>-</u>	<u>264,796</u>	<u>100,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>660,023</u>
Revenues over (under) expenditures	<u>(82,938)</u>	<u>(49,637)</u>	<u>48,997</u>	<u>-</u>	<u>(105,174)</u>	<u>(100,684)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(289,436)</u>
Other Financing Sources										
Installment obligations issued	-	-	-	-	-	765,000	-	-	-	765,000
Installment obligations repaid	-	-	-	-	-	(586,000)	-	-	-	(586,000)
Transfers out	-	-	-	(22,251)	-	(17,735)	-	-	-	(39,986)
Transfers in	67,500	-	-	-	46,174	-	87,000	82,000	400,000	682,674
Total other financing sources	<u>67,500</u>	<u>-</u>	<u>-</u>	<u>(22,251)</u>	<u>46,174</u>	<u>161,265</u>	<u>87,000</u>	<u>82,000</u>	<u>400,000</u>	<u>821,688</u>
Net change in fund balance	(15,438)	(49,637)	48,997	(22,251)	(59,000)	60,581	87,000	82,000	400,000	532,252
Fund balances (deficit), beginning of year	<u>243,375</u>	<u>51,089</u>	<u>2,223</u>	<u>22,251</u>	<u>59,000</u>	<u>(60,581)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,357</u>
Fund balances, end of year	<u>\$ 227,937</u>	<u>\$ 1,452</u>	<u>\$ 51,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,000</u>	<u>\$ 82,000</u>	<u>\$ 400,000</u>	<u>\$ 849,609</u>

CITY OF MARION, NORTH CAROLINA

GRANT PROJECT - GENERAL PROJECTS

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2021

		Actual through June 30, 2021		
	Project Authorization	Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Recreational Trail Programs Grant	\$ 30,000	26,424	\$ 2,500	\$ 28,924
NC Office of Recovery & Resiliency	245,773	245,773	-	245,773
Appalachian Regional Commission	70,000	5,000	28,261	33,261
Contribution from McDowell County	5,000	-	5,000	5,000
Private donations	20,000	13,000	3,000	16,000
Total	370,773	290,197	38,761	328,958
Expenditures:				
Engineering	60,000	-	-	-
Operating - general government	210,773	11,298	38,853	50,151
Operating - culture & recreation	40,000	36,424	987	37,411
Operating-community development	100,000	6,600	52,661	59,261
Capital outlay - general government	35,000	-	29,198	29,198
Total	445,773	54,322	121,699	176,021
Revenues over (under) expenditures	(75,000)	235,875	(82,938)	152,937
Other Financing Sources:				
Transfers in	75,000	7,500	67,500	75,000
Net change in fund balance	\$ -	\$ 243,375	(15,438)	\$ 227,937
Fund balance, beginning of year			243,375	
Fund balance, end of year			\$ 227,937	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - BLUE RIDGE/CARSON STREET REPAIRS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2021

		<u>Actual through June 30, 2021</u>		
	<u>Project Authorization</u>	<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
NC Dept of Emergency Management	\$ 153,266	\$ -	\$ 28,946	\$ 28,946
Expenditures:				
Engineering	39,900	-	38,195	38,195
Construction	149,455	-	40,388	40,388
Contingency	15,000	-	-	-
Total expenditures	204,355	-	78,583	78,583
Revenues over (under) expenditures	(51,089)	-	(49,637)	(49,637)
Other Financing Sources:				
Transfers in	51,089	51,089	-	51,089
Net change in fund balance	\$ -	\$ 51,089	(49,637)	\$ 1,452
Fund balance, beginning of year			51,089	
Fund balance, end of year			\$ 1,452	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - LINCOLN AVENUE CULVERT REPLACEMENT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2021

		<u>Actual through June 30, 2021</u>		
	<u>Project Authorization</u>	<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Federal emergency management public assistance funding	\$ 699,830	\$ -	\$ 143,258	\$ 143,258
Expenditures:				
Engineering	167,000	75,550	87,292	162,842
Construction	609,830	-	-	-
Administration	<u>1,000</u>	<u>227</u>	<u>6,969</u>	<u>7,196</u>
Total expenditures	<u>777,830</u>	<u>75,777</u>	<u>94,261</u>	<u>170,038</u>
Revenues over (under) expenditures	<u>(78,000)</u>	<u>(75,777)</u>	<u>48,997</u>	<u>(26,780)</u>
Other Financing Sources:				
Installment obligations issued - NCORR	<u>78,000</u>	<u>78,000</u>	<u>-</u>	<u>78,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,223</u>	48,997	<u>\$ 51,220</u>
Fund balance, beginning of year			<u>2,223</u>	
Fund balance, end of year			<u>\$ 51,220</u>	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - FORMER DREXEL BUILDING DEMOLITION PROJECT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2021

		<u>Actual through June 30, 2021</u>		
	<u>Project Authorization</u>	<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
CDBG	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
NC Rural Center grant	150,000	150,000	-	150,000
NC Department of Commerce - State appropriation	300,000	300,000	-	300,000
McDowell County contribution	<u>180,567</u>	<u>158,317</u>	<u>-</u>	<u>158,317</u>
Total revenues	<u>1,130,567</u>	<u>1,108,317</u>	<u>-</u>	<u>1,108,317</u>
Expenditures:				
Planning and administration	64,600	62,886	-	62,886
Clearance activities	<u>1,246,535</u>	<u>1,203,748</u>	<u>-</u>	<u>1,203,748</u>
Total expenditures	<u>1,311,135</u>	<u>1,266,634</u>	<u>-</u>	<u>1,266,634</u>
Revenues over (under) expenditures	<u>(180,568)</u>	<u>(158,317)</u>	<u>-</u>	<u>(158,317)</u>
Other Financing Sources:				
Fund Balance Appropriated	22,251	-	-	-
Transfers out	(22,251)	-	(22,251)	(22,251)
Transfers in	<u>180,568</u>	<u>180,568</u>	<u>-</u>	<u>180,568</u>
Other financing sources	<u>180,568</u>	<u>180,568</u>	<u>(22,251)</u>	<u>158,317</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 22,251</u>	(22,251)	<u>\$ -</u>
Fund balance, beginning of year			<u>22,251</u>	
Fund balance, end of year			<u>\$ -</u>	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - COMMUNITY BUILDING PARK PLAYGROUND EQUIPMENT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2021

	Project Authorization	Actual through June 30, 2021		
		Reported in Prior Years	Current Year	Total to Date
Revenues:				
Kate B Reynolds grant	\$ 59,000	\$ 59,000	\$ -	\$ 59,000
Connect NC bonds	<u>159,622</u>	<u>-</u>	<u>159,622</u>	<u>159,622</u>
	<u>218,622</u>	<u>59,000</u>	<u>159,622</u>	<u>218,622</u>
Expenditures:				
Capital - equipment	<u>274,028</u>	<u>-</u>	<u>264,796</u>	<u>264,796</u>
Revenues over (under) expenditures	<u>(55,406)</u>	<u>59,000</u>	<u>(105,174)</u>	<u>(46,174)</u>
Other financing sources:				
Transfers in	<u>55,406</u>	<u>-</u>	<u>46,174</u>	<u>46,174</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 59,000</u>	<u>(59,000)</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>59,000</u>	
Fund balance, end of year			<u>\$ -</u>	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - COMMUNITY BUILDING PARK/MAIN STREET STORMWATER PROJECT

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

From inception and for the year ended June 30, 2021

	Project Authorization	Actual through June 30, 2021		
		Reported in Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 1,101	\$ -	\$ 1,101
Expenditures:				
Engineering	184,850	184,654	178	184,832
Construction	543,774	444,860	94,414	539,274
Administration	31,401	21,069	1,088	22,157
Capitalized interest	14,500	7,149	5,004	12,153
Total expenditures	774,525	657,732	100,684	758,416
Revenues over (under) expenditures	(774,525)	(656,631)	(100,684)	(757,315)
Other financing sources:				
Transfer from general fund	10,050	10,050	-	10,050
Transfer to general fund	(17,735)	-	(17,735)	(17,735)
Repayment of installment debt	17,735	-	(586,000)	(586,000)
Installment obligations issued	764,475	586,000	765,000	1,351,000
Total other financing sources	774,525	596,050	161,265	757,315
Net change in fund balance	\$ -	\$ (60,581)	60,581	\$ -
Fund balance (deficit), beginning of year			(60,581)	
Fund balance, end of year			\$ -	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT FUND - BALDWIN AVENUE SIDEWALK IMPROVEMENT PROJECT

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

From inception and for the year ended June 30, 2021

		<u>Actual through June 30, 2021</u>		
	<u>Project Authorization</u>	<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
NC Dept of Transportation	\$ 350,000	\$ -	\$ -	\$ -
Total revenues	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Engineering	25,000	-	-	-
Construction	312,000	-	-	-
Right of way acquisition	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>437,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(87,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers in	<u>87,000</u>	<u>-</u>	<u>87,000</u>	<u>87,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	87,000	<u>\$ 87,000</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 87,000</u>	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT FUND - JOSEPH MCDOWELL CATAWBA RIVER GREENWAY STABILIZATION PROJECT

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

From inception and for the year ended June 30, 2021

		<u>Actual through June 30, 2021</u>		
	<u>Project Authorization</u>	<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
NC Dept of Emergency Mgmt	\$ 246,000	\$ -	\$ -	\$ -
Total revenues	<u>246,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Engineering	46,000	-	-	-
Construction	<u>282,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>328,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(82,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers in	<u>82,000</u>	<u>-</u>	<u>82,000</u>	<u>82,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>82,000</u>	<u>\$ 82,000</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u><u>\$ 82,000</u></u>	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT FUND - STREET IMPROVEMENT PROJECTS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2021

		<u>Actual through June 30, 2021</u>		
	<u>Project</u>	<u>Reported in</u>		
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures:				
Construction	\$ 400,000	\$ -	\$ -	\$ -
Total expenditures	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers in	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	400,000	<u>\$ 400,000</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 400,000</u>	

CITY OF MARION, NORTH CAROLINA

WATER AND SEWER FUND

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

For the year ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 1,160,000	\$ 1,114,640	\$ (45,360)
Sewer sales	813,000	801,040	(11,960)
Sewer taps	7,500	11,785	4,285
Water taps	10,000	18,683	8,683
Cut-on fees/penalties	110,500	107,750	(2,750)
Water service charges	1,044,000	1,064,539	20,539
Sewer service charges	560,000	576,691	16,691
Other operating income	27,394	48,280	20,886
Total operating revenues	<u>3,732,394</u>	<u>3,743,408</u>	<u>11,014</u>
Non-operating revenues:			
Interest	150	714	564
County reimbursements - Sugar Hill	51,968	51,968	-
FEMA grants	-	48,365	48,365
Total non-operating income	<u>52,118</u>	<u>101,047</u>	<u>48,929</u>
Total revenues	<u>3,784,512</u>	<u>3,844,455</u>	<u>59,943</u>
Expenditures:			
Utility line maintenance:			
Salaries and employee benefits		468,512	
Operating expenditures		407,932	
Repairs and maintenance		29,685	
Capital outlay		137,838	
Overhead allocation		524,316	
	<u>1,979,477</u>	<u>1,568,283</u>	<u>411,194</u>
Water filter plant:			
Salaries and employee benefits		313,897	
Operating expenditures		274,111	
Repairs and maintenance		27,389	
Capital outlay		27,458	
	<u>745,597</u>	<u>642,855</u>	<u>102,742</u>

CITY OF MARION, NORTH CAROLINA

WATER AND SEWER FUND

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

For the year ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Water treatment plant:			
Salaries and employee benefits		438,136	
Operating expenditures		489,774	
Repairs and maintenance		90,995	
Capital outlay		2,746	
	<u>1,176,556</u>	<u>1,021,651</u>	<u>154,905</u>
 Total operating expenditures	<u>3,901,630</u>	<u>3,232,789</u>	<u>668,841</u>
 Miscellaneous	<u>12,500</u>	<u>757</u>	<u>11,743</u>
 Debt service:			
Principal retirement		297,710	
Interest		13,928	
	<u>312,040</u>	<u>311,638</u>	<u>402</u>
 Insurance, bonding and workers' compensation	<u>115,500</u>	<u>98,810</u>	<u>16,690</u>
 Total expenditures	<u>4,341,670</u>	<u>3,643,994</u>	<u>697,676</u>
 Revenues over (under) expenditures	<u>(557,158)</u>	<u>200,461</u>	<u>757,619</u>
 Other Financing Sources (Uses):			
Transfer to general fund - payment in lieu of taxes	(173,000)	(173,000)	-
Proceeds from the issuance of debt	111,100	111,100	-
Transfer from capital reserve fund	42,533	27,090	(15,443)
Transfer from capital projects		10,532	10,532
Proceeds on sale of capital assets	-	25,495	25,495
Appropriated fund balance	<u>576,525</u>	<u>-</u>	<u>(576,525)</u>
 Total other financing sources (uses)	<u>557,158</u>	<u>1,217</u>	<u>(555,941)</u>
 Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>201,678</u>	<u>\$ 201,678</u>

CITY OF MARION, NORTH CAROLINA

WATER AND SEWER FUND

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

For the year ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Decrease in inventories		(5,669)	
Interest earned on long-term note receivable		4,937	
Capital outlay		168,042	
Depreciation		(911,871)	
Decrease in accrued interest		272	
Increase in accrued compensated absences		(3,938)	
Proceeds from the issuance of debt		(111,100)	
Principal retirement of debt		297,710	
From Water and Sewer Capital Reserve Fund:			
Water and sewer system development fees		27,090	
Intrafund transfer		(27,090)	
From Water and Sewer Capital Projects:			
Non-capital grants		71,660	
Non-capital expenditures		(71,660)	
Intrafund transfer		(10,532)	
Increase in net pension liability		(90,041)	
Increase in deferred outflows of resources - pensions		35,980	
Increase in deferred inflows of resources - pensions		(2,107)	
Total reconciling items		<u>(628,317)</u>	
Change in net position		\$ <u>(426,639)</u>	

CITY OF MARION, NORTH CAROLINA

WATER AND SEWER CAPITAL RESERVE FUND
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Water and sewer system development fees	<u>\$ 32,000</u>	<u>\$ 27,090</u>	<u>\$ (4,910)</u>
Other financing uses:			
Transfer to water and sewer fund for debt service	<u> (32,000)</u>	<u> (27,090)</u>	<u> 4,910</u>
Revenues over other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MARION, NORTH CAROLINA

**WATER AND SEWER CAPITAL PROJECTS FUND
HOLIDAY INN EXPRESS SEWER LINE EXTENSION**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2021

		Actual through June 30, 2021		
	Project Authorization	Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Dept of Commerce-				
Economic infrastructure grant	\$ 60,000	\$ 60,000	\$ -	\$ 60,000
Contribution from				
McDowell County	120,280	103,617	-	103,617
Other revenues:				
Capital Contribution-				
SAHAS Hospitality	5,000	5,000	-	5,000
Total	<u>185,280</u>	<u>168,617</u>	<u>-</u>	<u>168,617</u>
Expenditures:				
Engineering	63,600	52,536	-	52,536
Professional services	3,000	1,808	-	1,808
Construction	227,560	217,411	-	217,411
Contingency	11,400	480	-	480
Total	<u>305,560</u>	<u>272,235</u>	<u>-</u>	<u>272,235</u>
Revenues over (under) expenditures	<u>(120,280)</u>	<u>(103,618)</u>	<u>-</u>	<u>(103,618)</u>
Other Financing Sources:				
Transfer from (to) Water and Sewer	<u>120,280</u>	<u>114,150</u>	<u>(10,532)</u>	<u>103,618</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 10,532</u>	<u>\$ (10,532)</u>	<u>\$ -</u>

CITY OF MARION, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
GRANT PROJECT FUND - WATER/SEWER FUND MISCELLANEOUS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2021

	Project Authorization	Actual through June 30, 2021		
		Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Division of Water				
Infrastructure grant	\$ 150,000	\$ -	\$ 71,660	\$ 71,660
Expenditures (Non-Capital):				
Professional services	150,000	-	71,660	71,660
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -

CITY OF MARION, NORTH CAROLINA

CENTRAL WAREHOUSE INTERNAL SERVICE FUND

Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)

For the year ended June 30, 2021

	Financial Plan	Actual	Variance Positive (Negative)
Revenue:			
Sales to other funds	\$ 303,111	\$ 252,354	\$ (50,757)
Expenditures:			
Salaries and employee benefits		47,797	
Operating expenditures		237,361	
Total expenditures	303,111	285,158	17,953
Revenue under expenditures	\$ -	(32,804)	\$ (32,804)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		-	
Increase in inventories		21,762	
Depreciation		(1,765)	
Increase in accrued compensated absences		(1,254)	
Increase in deferred outflows of resources - pension		1,713	
Increase in net pension liability		(4,288)	
Increase in deferred inflows of resources - pension		(100)	
Total reconciling items		16,068	
Change in net position		\$ (16,736)	

CITY OF MARION, NORTH CAROLINA

GENERAL FUND

Schedule of Ad Valorem Taxes Receivable

For the year ended June 30, 2021

Fiscal Year	Uncollected Balance 6/30/2020	Additions	Collections And Credits	Uncollected Balance 6/30/2021
2020-2021	\$ -	\$ 3,006,230	\$ 2,988,058	\$ 18,172
2019-2020	30,098	-	20,134	9,964
2018-2019	9,148	-	5,525	3,623
2017-2018	6,190	-	3,472	2,718
2016-2017	7,188	-	3,446	3,742
2015-2016	4,271	-	1,903	2,368
2014-2015	5,030	-	1,098	3,932
2013-2014	6,913	-	908	6,005
2012-2013	8,861	-	1,121	7,740
2011-2012	7,241	-	1,643	5,598
2010-2011 and prior	6,473	-	6,473	-
	<u>\$ 91,413</u>	<u>\$ 3,006,230</u>	<u>\$ 3,033,781</u>	<u>63,862</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>37,000</u>
Ad valorem taxes receivable, net				<u>\$ 26,862</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,999,457
Reconciling items:				
Releases				16,473
Discount				13,614
Amounts written off for the 2010 levy				
per the statute of limitations				6,473
Other				<u>10,014</u>
				3,046,031
Less: interest collected				<u>(12,250)</u>
Total collections and credits				<u>\$ 3,033,781</u>

CITY OF MARION, NORTH CAROLINA

GENERAL FUND
Analysis of Current Tax Levy
For the year ended June 30, 2021

				Total Levy	
	City-Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Real	\$ 446,717,451	\$0.51/\$100	\$ 2,278,259	\$ 2,278,259	\$ -
Personal	126,638,824	\$0.51/\$100	645,858	402,243	243,615
Old age exemptions	(8,687,255)	\$0.51/\$100	(44,305)	(44,305)	-
Total	<u>564,669,020</u>		<u>2,879,812</u>	<u>2,636,197</u>	<u>243,615</u>
Penalties			<u>3,458</u>	<u>3,458</u>	<u>-</u>
			<u>2,883,270</u>	<u>2,639,655</u>	<u>243,615</u>
Discoveries:					
Current year taxes:					
Real	20,000	\$0.51/\$100	102	102	-
Personal	24,089,804	\$0.51/\$100	122,858	122,858	-
Old age exceptions	-	\$0.51/\$100	-	-	-
Total	<u>24,109,804</u>		<u>122,960</u>	<u>122,960</u>	<u>-</u>
Total City levy	<u>\$ 588,778,824</u>				
Net levy			3,006,230	2,762,615	243,615
Less: Uncollected taxes at June 30, 2021			<u>18,172</u>	<u>18,172</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,988,058</u>	<u>\$ 2,744,443</u>	<u>\$ 243,615</u>
Current levy collection percentage			99.40%	99.34%	100.00%

COMPLIANCE SECTION

**Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Marion, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the City of Marion's basic financial statements, and have issued our report thereon dated November 12, 2021. The financial statements of the City of Marion ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of the Report

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 12, 2021



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

**Report On Compliance For Each Major Federal Program; Report on Internal
Control Over Compliance; In accordance with OMB Uniform Guidance; and the
State Single Audit Implementation Act**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Marion, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Marion's major state programs for the year ended June 30, 2021. The City of Marion's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

 Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 12, 2021

CITY OF MARION, NORTH CAROLINA

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2021

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Non-compliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

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

- Any findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Assistance to Firefighters Grant Program	97.044
Coronavirus Relief Funds	21.019

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

City of Marion qualified as a low-risk auditee? _____yes X no

CITY OF MARION, NORTH CAROLINA

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2021

1. Findings Related to the Audit of the Basic Financial Statements of the City of Marion

None reported.

2. Federal Award Findings and Questioned Costs

None reported.

3. Summary of Prior Audit Findings

None reported.

CITY OF MARION, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2021

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Federal Awards:				
<u>U.S. Department of Agriculture Rural Utilities Service:</u>				
Water and Waste Loan and Grant Program	10.760		\$ 100,684	\$ -
Total U.S. Department of Housing and Urban Development			<u>100,684</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Passed-Through N.C. Department of Transportation:				
Governor's Highway Safety Program	20.600		12,037	-
Passed-Through N.C. Department of Natural And Cultural Resources:				
Recreational Trails Program	20.219		2,500	-
Total U.S. Department of Transportation			<u>14,537</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Staffing for Adequate Fire and Emergency Response (SAFER) Grant Program	97.083		172,134	-
Assistance to Firefighters Grant Program	97.044		217,048	-
Passed-Through N.C. Department of Public Safety:				
Public Assistance Program	97.036		107,444	89,266
Total U.S. Department of Homeland Security			<u>496,626</u>	<u>89,266</u>
<u>Appalachian Regional Commission</u>				
NC Appalachian Regional Commission Program	23.011		28,261	-
Total Appalachian Regional Commission			<u>28,261</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Equitable Sharing Program	16.922		12,037	-
Total U.S. Department of Justice			<u>12,037</u>	<u>-</u>
<u>U.S. Department of the Treasury</u>				
Coronavirus Relief Funds	21.019		408,925	-
Total U.S. Department of the Treasury			<u>408,925</u>	<u>-</u>
Total Federal Awards			<u>\$ 1,061,070</u>	<u>\$ 89,266</u>

CITY OF MARION, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2021

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
State Awards:				
<u>N.C. Department of Environmental Quality</u>				
Division of Water Infrastructure:				
Asset Inventory and Assessment Grant Program		H-AIA-D-19-0152	-	71,660
<u>N.C. Department of Natural and Cultural Resources</u>				
Division of Parks & Recreation				
Connect NC Bonds		2017-09	-	159,622
<u>N.C. Department of Transportation</u>				
Powell Bill			-	51,411
<u>N.C. Office of Recovery and Resiliency</u>				
State Grant for Financially Distressed Local Government		NCORR-FDLG-020	-	68,051
State Loan for Financially Distressed Local Government		NCORR-TCALG-24	-	2,223
Total N.C. Office of Recovery and Resiliency			-	70,274
<u>N.C. Department of Agriculture and Consumer Services</u>				
N.C. Forest Service		18-119-4028	-	1,317
<u>N.C. Department of Environmental Quality</u>				
Division of Environmental Assistance and Customer Service		CW16934	-	20,000
Total State Awards			\$ -	\$ 374,284
Total Federal and State Expenditures			\$ 1,061,070	\$ 463,550

CITY OF MARION, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards For the year ended June 30, 2021

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Marion under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Marion, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Marion.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Marion has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Subrecipients

No amounts were passed to subrecipients by the City of Marion during the year ended June 30, 2021.

Note 4: Loans

During the year ended June 30, 2021, the City of Marion had the following loan expenditures and outstanding balance:

<u>Program Name</u>	<u>CFDA #</u>	<u>Spent</u>	<u>Loan Balance</u>
Water and Waste Loan and Grant Program	10.760	\$ 100,684	\$ 748,408