

City of Marion, North Carolina

Financial Statements

June 30, 2022

Marion City Council
(As of June 30, 2022)

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CITY OF MARION, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2022

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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
Marion, North Carolina

Opinions

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 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the remaining fund information of the City of Marion as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows 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.

Basis for Opinions

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. The financial statements of City of Marion ABC Board and the Municipal Event Center were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Marion and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a

going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 68, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 69 and 70, 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 71, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the individual fund financial statements, budgetary schedules, and other schedules 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 29, 2022 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, and 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 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 29, 2022

City of Marion, North Carolina

Management's Discussion and Analysis

June 30, 2022

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, 2022. 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

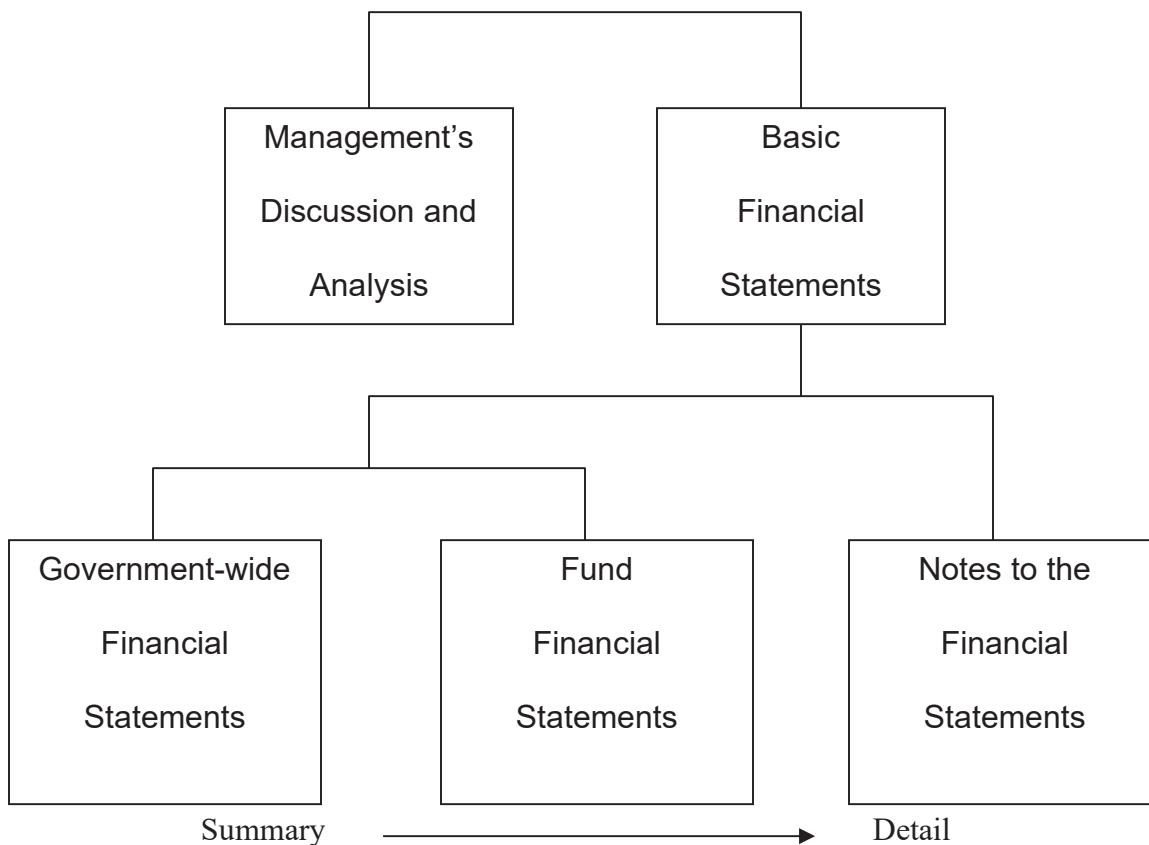
- The assets and deferred outflows of resources of the City of Marion exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,524,103 (*net position*).
- The government's total net position increased by \$1,825,697, consisting of increases in the governmental activities net position of \$1,324,913 and increases in the business-type activities net position of \$500,784.
- As of the close of the current fiscal year, the City of Marion's governmental funds reported combined ending fund balances of \$6,570,071 with a net increase of \$629,503 in fund balance. Approximately 40% of this total amount, or \$2,660,446, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$4,070,872, or 47% of general fund expenditures, as adjusted for the fiscal year. Total fund balance for the General Fund was \$5,845,682 or 65% of the total general fund expenditures, as adjusted.
- The City of Marion's total debt increased by \$193,509 (7%) during the current fiscal year. The key factors in this increase were regularly scheduled principal payments on existing debt of \$489,630, the addition of a supplemental NC ORR loan of \$245,139 to fund the Lincoln Avenue culvert replacement project, the addition of a direct borrowing installment purchase of \$283,000 to finance vehicles and equipment serviced by the General Fund, and the addition of a direct borrowing installment purchase of \$155,000 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 54th 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 68 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 6,244,620	\$ 5,792,388	\$ 3,359,347	\$ 2,648,169	\$ 9,603,967	\$ 8,440,557
Restricted assets	1,033,536	691,205	338,259	261,968	1,371,795	953,173
Capital assets	11,505,448	10,519,570	17,402,183	17,725,589	28,907,631	28,245,159
Deferred outflows of resources	1,270,492	1,196,444	262,624	223,662	1,533,116	1,420,106
Total assets and deferred outflows of resources	20,054,096	18,199,607	21,362,413	20,859,388	41,416,509	39,058,995
Long-term liabilities outstanding	3,503,620	4,373,947	1,034,492	1,349,851	4,538,112	5,723,798
Current liabilities	1,147,176	932,613	694,044	623,228	1,841,220	1,555,841
Deferred inflows of resources	1,256,247	70,907	256,827	10,043	1,513,074	80,950
Total liabilities and deferred inflows of resources	5,907,043	5,377,467	1,985,363	1,983,122	7,892,406	7,360,589
Net position:						
Net investment in capital assets	9,392,760	8,644,149	16,345,037	16,624,686	25,737,797	25,268,835
Restricted	2,657,266	1,780,836	-	-	2,657,266	1,780,836
Unrestricted	2,097,027	2,397,155	3,032,013	2,251,580	5,129,040	4,648,735
Total net position	\$14,147,053	\$12,822,140	\$19,377,050	\$18,876,266	\$33,524,103	\$31,698,406

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 \$33,524,103 as of June 30, 2022, which represents the City's total net position. The largest portion of net position (77%) 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, \$2,657,266 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,129,040 is unrestricted.

The City's total net position increased by \$1,825,697 for the fiscal year ended June 30, 2022. Governmental activities experienced an increase of \$1,324,913 in net position while business activities experienced an increase of \$500,784. Increases in current and other assets of \$526,333 and \$711,178 in the governmental and business activities, respectively, represented the majority of the overall increase. However, depreciation expense of \$900,711 in business activities was \$189,533 more than the increase in its current and other assets.

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

- Conservative budgeting in Fiscal Year 2021-2022 due to the economic uncertainties surrounding the continued 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 99.53% compared to 99.4% in the prior fiscal year.
- Increased ad valorem tax revenues of approximately \$140,000, or 5%, due to the increase in the ad valorem tax base as a result of natural growth.
- Increased local option sales tax revenues of approximately \$180,000 or 10%.
- Increased profit distribution from ABC operations of approximately \$52,000 or 14%, as a result of increased ABC sales.
- Increased garbage revenues of approximately \$85,000 resulting from increased garbage fees.
- The receipt of \$1,257,421 in American Rescue Plan Act (ARPA) grant funds which were used for revenue replacement to offset salaries and wages in order to accomplish other projects.
- 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	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,882,045	\$ 1,653,151	\$ 4,156,867	\$ 3,770,498	\$ 6,038,912	\$ 5,423,649
Operating grants and contributions	1,998,967	1,301,096	-	100,333	1,998,967	1,401,429
Capital grants and contributions	697,700	392,587	-	-	697,700	392,587
General revenues:						
Property taxes	3,108,449	2,967,103	-	-	3,108,449	2,967,103
Other taxes	2,475,178	2,314,028	-	-	2,475,178	2,314,028
Investment earnings	4,715	1,222	6,084	5,652	10,799	6,874
Other	106,375	187,929	78	25,495	106,453	213,424
Total revenues	10,273,429	8,817,116	4,163,029	3,901,978	14,436,458	12,719,094
Expenses:						
General government	1,387,997	1,341,971	-	-	1,387,997	1,341,971
Public safety	4,103,378	3,970,686	-	-	4,103,378	3,970,686
Transportation	1,300,029	1,130,080	-	-	1,300,029	1,130,080
Environmental protection	960,043	860,651	-	-	960,043	860,651
Cultural and recreation	204,043	232,207	-	-	204,043	232,207
Interest on long-term debt	38,722	38,354	-	-	38,722	38,354
Water and sewer	-	-	4,616,549	4,161,977	4,616,549	4,161,977
Total expenses	7,994,212	7,573,949	4,616,549	4,161,977	12,610,761	11,735,926
Change in net position before transfers	2,279,217	1,243,167	(453,520)	(259,999)	1,825,697	983,168
Transfers	(954,304)	173,000	954,304	(173,000)	-	-
Change in net position	1,324,913	1,416,167	500,784	(432,999)	1,825,697	983,168
Net position, July 1	12,822,140	11,405,973	18,876,266	19,309,265	31,698,406	30,715,238
Net position, June 30	\$ 14,147,053	\$ 12,822,140	\$ 19,377,050	\$ 18,876,266	\$ 33,524,103	\$ 31,698,406

Governmental activities. Governmental activities increased the City's net position by \$1,324,913. Public Safety accounted for 51%, General Government accounted for 17% and Transportation accounted for 16% of governmental activities for fiscal year 2021-2022. The City's governmental activities cover a wide range of services. Several factors affected the governmental activities net position:

- A 14% increase in charges for services mainly due to two items. First, a 20% increase in the residential garbage fee from \$5 to \$6 per month per household and a 10% increase in commercial garbage fees resulted in approximately \$85,000 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 \$75,000 were received as a result of increases in the Marion Area Fire District tax rate, property tax base, and sales tax revenues.

- A 59% increase in grants and contributions mainly due to the receipt \$1,257,421 in American Rescue Plan Act (ARPA) grant funds which were used for revenue replacement to offset salaries and wages in order to accomplish other projects offset by a \$217,048 one-time Assistance to Firefighters Grant that was received in the prior year.
- A 5% increase in ad valorem tax revenues due to an increase in the ad valorem tax base as a result of natural growth. There was no change in the ad valorem tax rate.
- A 7% increase in other taxes, primarily due to a \$180,000 increase in local option sales tax revenue.

Business-type activities. Business-type activities increased the City of Marion's net position by \$500,784. The key element of the increase was the transfer from the general fund for \$954,304 offset by a decrease related to business-type activities in Capital Assets where depreciation expense of \$900,711 exceeded newly capitalized assets totaling \$577,305.

The City transferred \$954,304 from the general fund to the water and sewer fund to repay Payments in Lieu of Tax (PILOTs) that were made from the water and sewer fund to the general fund that occurred July 1, 2014 through June 30, 2021. This was done to allow the City to receive loans or grants for water or wastewater purposes from the Clean Water State Revolving Fund (CWSRF), Wastewater Reserve, Drinking Water State Revolving Fund (DWSRF), and/or Drinking Water Reserve. Note 8 page 66 further describes the transfer in more detail.

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 \$754,723 during fiscal year 2021-2022. Overall revenues decreased approximately \$229,000, or 3%, due mainly to increases in local option sales taxes offset by lower levels of grant funding (in particular \$408,925 in prior year Coronavirus relief funds). Ad valorem taxes, which now represent 37% of general fund revenues (they represented 36% in the prior year), increased approximately \$40,000, or 1%, due to moderate growth in the ad valorem tax base. Other taxes and licenses increased \$161,150, or 7%, mainly due to a increase in sales tax revenues as discussed above. Unrestricted intergovernmental revenue increased \$42,358, or 10%, due to an increased profit distribution from ABC operations as discussed above. Restricted intergovernmental revenue decreased by approximately \$561,438, or 30%, mainly due to 1) a \$217,048 one-time Assistance to Firefighters Grant for equipment received in the prior year, and 2) \$408,925 in revenues that were received from CARES Act funds and used for public safety

in the prior year. Sales and services increased \$111,229, or 22%, due to an increase in the residential and commercial garbage fee as discussed earlier. Overall expenditures increased by \$33,612, or approximately .5%. It should be noted that long delays in deliveries of large capital items resulted in approximately \$563,000 in open encumbrances at year end due to items not being received on or before June 30, 2022. Further information on these encumbrances can be found in Note 1E - 15.

At the end of the current fiscal year, the City of Marion's available fund balance in the General Fund was \$4,070,872, while total fund balance reached \$5,845,682. 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 47% of general fund expenditures, and total fund balance represents 67% of the same amount.

At June 30, 2022, the governmental funds of the City of Marion reported a combined fund balance of \$6,570,071 with a net increase in fund balance of \$629,503. This increase is the result of 1) the general fund increase of \$754,723 (discussed earlier) and 2) a decrease in the capital project fund of (\$125,220) due mainly to outstanding grant reimbursements related to the Lincoln Avenue Culvert Replacement and Lady Marian Dam Decommissioning projects.

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 2021-2022 were to increase revenues for grants that were received and to increases revenues such as property tax and sales tax in response to the local economy continuing to recover from the pandemic. The majority of appropriation amendments were related to the receipt of American Rescue Plan funding and 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 (\$30,476), the Governor Highway Safety Program grant (\$25,000), and anticipated funding from McDowell Technical Community College (\$33,950) for a School Resource Officer vehicle (position to be funded July 1, 2022), 2) transfers related to the American Rescue Plan Fund (\$1,257,421) to cover general administrative services, law enforcement services, planning & inspections services, public works administrative services, and fire services in order to free up funding to purchase the First National Bank Building on Main Street (\$302,852) and transfer approximately \$954,000 to the Water and Sewer Fund to repay previous Payments in Lieu of Tax that had been made from the Water and Sewer Fund to the General Fund since July 1, 2014 in order to qualify to apply for grants and low interest loans from the Clean Water State Revolving Fund (CWSRF), Wastewater Reserve, Drinking Water State Revolving Fund (DWSRF), or Drinking Water Reserve, and 3) the receipt of insurance funds for various losses totaling approximately \$67,000. 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 \$30,476 appropriation to purchase fire department equipment through a FEMA grant, 3) a \$46,000 appropriation to increase funding for code enforcement issues, 4) a \$302,852 appropriation to purchase the First

National Bank Building, 5) general increases in operating line items due to inflationary increases such as fuel and supplies, 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 \$3,098,147 and the total increase in the net position for the Water and Sewer and the Internal Service Funds was 498,355 and \$7,590, 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, 2022, totals \$28,869,861 (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 First National Bank Building - \$302,852
- Construction on Public Works Shed Row building - \$43,046
- Fire Department Rescue Equipment - \$61,105
- Four (4) Fire Department Thermal Imaging Cameras - \$25,456
- Joseph McDowell Catawba River Greenway Trail Paving - \$33,587
- Georgia Extension Bridge Improvements - \$28,500
- Progress on the Lincoln Avenue Bridge project - \$656,760
- Progress on and completion of the Blue Ridge Street stormwater project - \$115,314
- Start and completion of the Joseph McDowell Catawba River Greenway Trail Stabilization Project - \$375,424
- Purchase of Police Department replacement vehicle - \$34,995
- Purchase of Utility Line Maintenance Department sewer camera system - \$87,984
- Purchase of Utility Line Maintenance Department skid steer track loader - \$65,099
- Hankins Road Sewer Line Extension improvements - \$55,100
- Buck Creek Raw Water Pump Rebuild - \$22,996
- Wastewater Treatment Plant RAS Pump Replacement - \$97,286
- Wastewater Treatment Plant Drive Assembly - \$41,530
- Pump for Finley Lift Station - \$26,450
- Wastewater Treatment Plant Secondary Clarifier Rebuild - \$63,543
- Three (3) Digestive Blowers for Wastewater Treatment Plant - \$55,327
- Purchase of various water & sewer equipment/other improvements - \$61,990

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,908,801	\$ 1,917,827	\$ 101,245	\$ 101,245	\$ 2,010,046	\$ 2,019,072
Buildings and system	3,021,607	2,803,037	15,778,431	16,422,319	18,800,038	19,225,356
Improvements other than buildings	2,969,303	2,370,656	432,691	459,228	3,401,994	2,829,884
Equipment and furniture	649,275	709,296	1,073,438	693,840	1,722,713	1,403,136
Infrastructure	1,771,430	1,613,031	-	-	1,771,430	1,613,031
Vehicles and motorized equipment	311,490	583,331	16,378	48,957	327,868	632,288
Construction in progress	835,772	522,392	-	-	835,772	522,392
Total	\$ 11,467,678	\$ 10,519,570	\$ 17,402,183	\$ 17,725,589	\$ 28,869,861	\$ 28,245,159

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, 2022, the City of Marion had total installment debt, USDA loans, and CWSRF loans outstanding of \$3,169,834. Of this, \$499,581 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 \$193,509 (7%) during the past fiscal year, due to regularly scheduled principal payments, offset by new installment loans of \$283,000 and \$155,000 for vehicles and heavy equipment and the addition of a supplemental NC ORR loan of \$245,139 to fund the Lincoln Avenue culvert replacement project.

City of Marion's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Direct borrowing						
installment purchases	\$ 953,892	\$ 656,886	\$ 557,565	\$538,876	\$ 1,511,457	\$1,195,762
Direct borrowing USDA loan	1,158,796	1,218,535	-	-	1,158,796	1,218,535
Direct borrowing CWSRF loan	-	-	499,581	562,028	499,581	562,028
Net pension liability (LGERS)	623,338	1,564,793	165,698	415,958	789,036	1,980,751
Total pension liability (LEOSSA)	959,581	1,053,809	-	-	959,581	1,053,809
Total OPEB liability	216,802	107,433	-	-	216,802	107,433
Compensated absences	324,548	263,246	63,982	49,572	388,530	312,818
Total	\$4,236,957	\$4,864,702	\$1,286,826	\$1,566,434	\$5,523,783	\$6,431,136

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 \$42,800,000. The City has \$-0- in bonds authorized but unissued at June 30, 2022.

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 2022, the McDowell County unemployment rate was down to 3.7%, a rate below the State average of 3.9% and equal to or below many counties in the region, including Caldwell (3.7%), Cleveland (4.3%), Gaston (4.0%), Jackson (3.9%), Mitchell (4.2%), Polk (3.8%), Rutherford (5.4%) and Wilkes (4.0%). As of August 2021, McDowell County was tied for the 36th lowest unemployment rate among North Carolina's 100 counties and McDowell County's unemployment rate was only 0.6% higher than the lowest county unemployment rates in North Carolina, which were Buncombe, Chatham and Swain Counties at 3.1%. 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 since 2020.

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 will result in at least two and possibly three or more new industries in the City in upcoming years 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 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 and 2021-22, 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 two years, and should increase to close to 100% in the next two years 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. In particular, several businesses, including a taproom and future brewery, five restaurants, a skating rink, a bar/entertainment facility and two retail shops, opened in the downtown area in the past two years.

The City has also initiated some economic development incentives for downtown development in the past few 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 2021-22 gross taxable retail sales for McDowell County were 8.33% higher than in 2020-21, with a record total of over \$541 million, despite the COVID-19 pandemic. McDowell County's retail sales have grown faster than the State as a whole for 10 of the past 16 years.

Gross taxable retail sales in McDowell County have increased by a total of 149.81% since 2005, compared to growth in Statewide retail sales of 107.94% during that time period. 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 2022-23 is 8.51%.

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 500 or more housing units being under construction or planned for the next two to three years in Marion. 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 99.48% in Fiscal Year 2021-2022 as compared to 99.34% in Fiscal Year 2020-2021.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities:

Growth is expected in overall revenues in the General Fund.

The City property tax rate increased from a rate of \$.51 per \$100 valuation to \$.55 per \$100 valuation. In addition, 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 \$552,580,793, an increase of \$6,160,073, or 1.1 percent, over the property tax base estimated in the 2021-22 original budget. This represents an increase of 1 percent over the property values that were billed in Fiscal Year 2021-2022. Current year real, personal and utility property tax revenues are estimated to be approximately 9%, or \$245,000, higher in Fiscal Year 2022-2023 than were originally budgeted in Fiscal Year 2021-2022. Current motor vehicle taxes are estimated to be approximately \$67,000 higher.

Sales tax revenues were budgeted conservatively in Fiscal Year 2021-2022 due to the ongoing pandemic. The Fiscal Year 2022-2023 budget includes an increase of \$266,000, or 17.05 percent, over the Fiscal Year 2021-2022 original budget due to strong sales tax revenues in FY 2021-2022 which are expected to at least remain stable throughout Fiscal Year 2022-2023.

Based on State projections, utility sales tax revenues are projected to decrease by \$10,000, or approximately 2 percent, under the budgeted Fiscal Year 2021-2022 amount. Powell Bill revenues are projected to increase by \$21,115, or 10.05 percent, as compared to the 2021-2022 original budget, due to Powell Bill revenues being higher than expected in 2021-2022 as a result of a State legislative decision. The State indicated that Powell Bill funding in 2022-2023 will remain at 2021-2022 levels.

ABC revenues are forecasted to be \$350,000 in Fiscal Year 2022-2023, which represents a \$70,000 increase from the Fiscal Year 2021-2022 budgeted amount, due to increased sales and efficiency improvements at the two ABC stores in Marion.

The City increased its residential garbage fee from \$6 per month to \$8 per month per household and increased commercial garage rates by 10%. Both of these increases are projected to generate approximately \$91,000 to help cover the cost of sanitation services.

Other revenues are expected to remain relatively flat in Fiscal Year 2022-2023. 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 2022-2023.

Budgeted expenditures in the General Fund are expected to increase by 14.68% as compared to the original Fiscal Year 2021-2022 budget to \$9,489,027. This increase over the original Fiscal Year 2021-2022 budget is primarily due to investments in equipment and capital projects, the rising costs of fuel, supplies and materials and insurance, increased costs for temporary labor due to the loss of inmate labor and pay adjustments for City employees to allow for recruitment and retention of staff.

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 14.91%, mainly due to investments in equipment and capital projects, a 6.1% cost of living increase for employees, and general inflationary 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 at marionnc.org, or send an email to jscherer@marionnc.org for more information.

BASIC FINANCIAL STATEMENTS

CITY OF MARION, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2022

	Primary Government			Component Units		
	Governmental	Business-type	Total	City of Marion	Municipal	
				ABC Board	Event Center	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 4,744,588	\$ 2,556,527	\$ 7,301,115	\$ 147,006	\$	42,148
Taxes receivable, net	19,741	-	19,741	-	-	-
Accrued interest receivable	6,468	-	6,468	-	-	-
Accounts receivable, net	227,397	578,015	805,412	-	-	-
Internal balances	19,915	(19,915)	-	-	-	-
Due from other governments	804,240	54,086	858,326	-	-	-
Lease receivable	159,767	-	159,767	-	-	-
Due from component unit	113,178	-	113,178	-	-	-
Inventories	147,226	52,902	200,128	482,703	-	-
Prepaid items	2,100	4,250	6,350	11,348	5,000	
Restricted cash	1,033,536	338,259	1,371,795	-	-	
Total current assets	<u>7,278,156</u>	<u>3,564,124</u>	<u>10,842,280</u>	<u>641,057</u>	<u>47,148</u>	
Noncurrent assets:						
Notes receivable	-	133,482	133,482	-	-	-
Capital assets:						
Land and construction						
in progress	2,744,573	101,245	2,845,818	59,832	-	-
Other capital assets, net	8,723,105	17,300,938	26,024,043	481,138	115,454	
Total capital assets	<u>11,467,678</u>	<u>17,402,183</u>	<u>28,869,861</u>	<u>540,970</u>	<u>115,454</u>	
Right to use leased asset, net of amortization	37,770	-	37,770	-	-	-
Total noncurrent assets	<u>11,505,448</u>	<u>17,535,665</u>	<u>29,041,113</u>	<u>540,970</u>	<u>115,454</u>	
Total assets	<u>18,783,604</u>	<u>21,099,789</u>	<u>39,883,393</u>	<u>1,182,027</u>	<u>162,602</u>	
DEFERRED OUTFLOWS OF RESOURCES	<u>1,270,492</u>	<u>262,624</u>	<u>1,533,116</u>	<u>88,948</u>	<u>-</u>	
LIABILITIES						
Current liabilities:						
Accounts payable	343,995	169,183	513,178	272,395	-	-
Accrued interest payable	13,621	1,284	14,905	-	-	-
Other current liabilities	-	-	-	-	-	-
Liabilities payable from restricted assets:						
Customer deposits	18,367	271,243	289,610	-	4,225	
Current portion of long-term liabilities	<u>771,193</u>	<u>252,334</u>	<u>1,023,527</u>	<u>26,000</u>	<u>-</u>	
Total current liabilities	<u>1,147,176</u>	<u>694,044</u>	<u>1,841,220</u>	<u>298,395</u>	<u>4,225</u>	

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

CITY OF MARION, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2022

	Primary Government			Component Units	
	Governmental	Business-type	Total	City of Marion ABC Board	Municipal Event Center
Long-term liabilities:					
Net pension liability-LGERS	623,338	165,698	789,036	47,388	-
Total pension liability-LEOSSA	959,581	-	959,581	-	-
Total OPEB liability	216,802	-	216,802	-	-
Due in more than one year	1,703,899	868,794	2,572,693	374,519	-
Total long-term liabilities	3,503,620	1,034,492	4,538,112	421,907	-
Total liabilities	4,650,796	1,728,536	6,379,332	720,302	4,225
DEFERRED INFLOWS OF RESOURCES					
	1,256,247	256,827	1,513,074	68,498	-
NET POSITION					
Net investment in capital assets	9,392,760	16,345,037	25,737,797	140,451	115,454
Restricted for:					
Stabilization by State statute	1,772,699	-	1,772,699	-	-
Streets	546,906	-	546,906	-	-
Public safety	40,632	-	40,632	-	-
Community development	13,948	-	13,948	-	-
Capital projects	283,081	-	283,081	-	-
Working capital	-	-	-	130,300	-
Unrestricted	2,097,027	3,032,013	5,129,040	211,424	42,923
Total net position	<u>\$ 14,147,053</u>	<u>\$ 19,377,050</u>	<u>\$ 33,524,103</u>	<u>\$ 482,175</u>	<u>\$ 158,377</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, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	Total	City of Marion ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 1,387,997	\$ 548,955	\$ 367,303	\$ -	\$ (471,739)	\$ -	\$ (471,739)	
Public safety	4,103,378	777,423	1,332,336	-	(1,993,619)	-	(1,993,619)	
Transportation	1,300,029	-	285,128	361,704	(653,197)	-	(653,197)	
Environmental protection	960,043	546,182	4,200	7,500	(402,161)	-	(402,161)	
Cultural and recreation	204,043	9,485	10,000	328,496	143,938	-	143,938	
Interest on long-term debt	38,722	-	-	-	(38,722)	-	(38,722)	
Total governmental activities	<u>7,994,212</u>	<u>1,882,045</u>	<u>1,998,967</u>	<u>697,700</u>	<u>(3,415,500)</u>	<u>-</u>	<u>(3,415,500)</u>	
Business-type activities:								
Water and sewer	4,616,549	4,156,867	-	-	-	(459,682)	(459,682)	
Total primary government	<u>\$ 12,610,761</u>	<u>\$ 6,038,912</u>	<u>\$ 1,998,967</u>	<u>\$ 697,700</u>	<u>(3,415,500)</u>	<u>(459,682)</u>	<u>(3,875,182)</u>	
Component units:								
City of Marion ABC Board	\$ 4,371,886	\$ 4,407,517	\$ -	\$ -			\$ 35,631	\$ -
Municipal Events Center	75,868	26,934	45,000	-			-	(3,934)
Total component units	<u>\$ 4,447,754</u>	<u>\$ 4,434,451</u>	<u>\$ 45,000</u>	<u>\$ -</u>			<u>35,631</u>	<u>(3,934)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,108,449	-	3,108,449	-
Other taxes					2,475,178	-	2,475,178	-
Unrestricted investment earnings					4,715	6,084	10,799	-
Gain/insurance proceeds on disposal of capital assets					58,343	78	58,421	-
Miscellaneous					48,032	-	48,032	-
Total general revenues					<u>5,694,717</u>	<u>6,162</u>	<u>5,700,879</u>	<u>-</u>
Changes in net position before transfers					2,279,217	(453,520)	1,825,697	35,631
Transfers					(954,304)	954,304	-	-
Changes in net position after transfers					1,324,913	500,784	1,825,697	35,631
Net position, beginning of year					<u>12,822,140</u>	<u>18,876,266</u>	<u>31,698,406</u>	<u>446,544</u>
Net position, ending					<u>\$ 14,147,053</u>	<u>\$ 19,377,050</u>	<u>\$ 33,524,103</u>	<u>\$ 482,175</u>
								<u>\$ 158,377</u>

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

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2022

	Major Funds					Total Governmental Funds	
	American Rescue Plan Act		Capital Project Fund				
	General Fund	Fund					
ASSETS							
Cash and cash equivalents	4,276,370	\$ -	\$ 468,218	\$ 4,744,588			
Restricted cash and cash equivalents	603,435	- -	430,101	1,033,536			
Taxes receivable, net	19,741	- -	- -	19,741			
Accounts receivable, net	209,702	- -	17,695	227,397			
Prepaid items	2,100	- -	- -	2,100			
Due from other governments	792,905	- -	2,675	795,580			
Lease receivable	159,767	- -	- -	159,767			
Due from other funds	191,277	- -	- -	191,277			
Due from component unit	113,178	- -	- -	113,178			
Total assets	<u><u>\$ 6,368,475</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 918,689</u></u>	<u><u>\$ 7,287,164</u></u>			
LIABILITIES							
Accounts payable and accrued liabilities	\$ 215,800	\$ -	\$ 121,872	\$ 337,672			
Due to other funds	- -	- -	72,428	72,428			
Liabilities payable from restricted assets:							
Customer deposits	18,367	- -	- -	18,367			
Total liabilities	<u><u>234,167</u></u>	<u><u>-</u></u>	<u><u>194,300</u></u>	<u><u>428,467</u></u>			
DEFERRED INFLOWS OF RESOURCES	<u><u>288,626</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>288,626</u></u>			
FUND BALANCES							
Nonspendable:							
Prepaid items	2,100	- -	- -	2,100			
Leases	1,080	- -	- -	1,080			
Restricted for:							
Stabilization by State statute	1,771,630	- -	1,069	1,772,699			
Streets	190,906	- -	356,000	546,906			
Public safety	40,632	- -	- -	40,632			
Community development	- -	- -	13,948	13,948			
Capital projects	283,081	- -	- -	283,081			
Committed for:							
Cemetery	164,541	- -	- -	164,541			
Capital projects	- -	- -	353,372	353,372			
Assigned - subsequent year's expenditures	622,397	- -	- -	622,397			
Unassigned	<u><u>2,769,315</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,769,315</u></u>			
Total fund balances	<u><u>5,845,682</u></u>	<u><u>-</u></u>	<u><u>724,389</u></u>	<u><u>6,570,071</u></u>			
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 6,368,475</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 918,689</u></u>	<u><u>\$ 7,287,164</u></u>			

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

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2022

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

Fund balances of governmental funds	\$ 6,570,071
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	11,467,678
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	37,770
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.	1,257,986
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.	41,690
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	117,247
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Notes and loans payable	(2,112,688)
Accrued interest	(13,621)
Net pension liability - LGERS	(615,447)
Total pension liability - LEOSSA	(959,581)
Total OPEB liability	(216,802)
Lease liability	(37,856)
Compensated absences	<u>(323,224)</u>
	<u>(4,279,219)</u>
Deferred inflows of resources related to pension and OPEB are not reported in the funds.	<u>(1,072,638)</u>
Net position of governmental activities	<u>\$ 14,147,053</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, 2022

	Major Funds				Total Governmental Funds	
	American		Capital Project Fund			
	General Fund	Rescue Plan Act Fund				
REVENUES						
Ad valorem taxes	\$ 3,039,883	\$ -	\$ -	\$ 3,039,883		
Other taxes and licenses	2,475,178	- -	- -	2,475,178		
Unrestricted intergovernmental	483,308	- -	- -	483,308		
Restricted intergovernmental	1,323,102	1,257,421	726,901	3,307,424		
Licenses and permits	96,196	- -	- -	96,196		
Sales and services	618,705	- -	- -	618,705		
Lease interest earnings	2,049	- -	- -	2,049		
Investment earnings	4,715	- -	- -	4,715		
Restricted contributions	22,502	- -	43,077	65,579		
Capital grants and contributions	7,500	- -	- -	7,500		
Miscellaneous	45,983	- -	- -	45,983		
Total revenues	<u>8,119,121</u>	<u>1,257,421</u>	<u>769,978</u>	<u>10,146,520</u>		
EXPENDITURES						
Current:						
General government	1,304,313	- -	133,024	1,437,337		
Public safety	3,924,233	- -	- -	3,924,233		
Transportation	1,278,581	- -	- -	1,278,581		
Environmental protection	820,277	- -	- -	820,277		
Cultural and recreation	155,371	- -	- -	155,371		
Capital outlay	- -	- -	1,250,728	1,250,728		
Debt service:						
Principal	292,774	- -	- -	292,774		
Interest	<u>38,681</u>	<u>- -</u>	<u>- -</u>	<u>38,681</u>		
Total expenditures	<u>7,814,230</u>	<u>- -</u>	<u>1,383,752</u>	<u>9,197,982</u>		
Revenues over (under) expenditures	<u>304,891</u>	<u>1,257,421</u>	<u>(613,774)</u>	<u>948,538</u>		
OTHER FINANCING SOURCES (USES)						
Proceeds from insurance	67,372	- -	- -	67,372		
Lease liabilities issued	39,758	- -	- -	39,758		
Installment obligations issued	283,000	- -	245,139	528,139		
Transfers from other funds	1,292,493	- -	278,487	1,570,980		
Transfers to other funds	<u>(1,232,791)</u>	<u>(1,257,421)</u>	<u>(35,072)</u>	<u>(2,525,284)</u>		
Total other financing sources (uses)	<u>449,832</u>	<u>(1,257,421)</u>	<u>488,554</u>	<u>(319,035)</u>		
Net change in fund balances	754,723	- -	(125,220)	629,503		
Fund balances, beginning of year	<u>5,090,959</u>	<u>- -</u>	<u>849,609</u>	<u>5,940,568</u>		
Fund balances, end of year	<u>\$ 5,845,682</u>	<u>\$ - -</u>	<u>\$ 724,389</u>	<u>\$ 6,570,071</u>		

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

CITY OF MARION, NORTH CAROLINA

Exhibit 4

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2022

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

Net changes in fund balances - total governmental funds	\$ 629,503
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 and amortization expense. This is the amount by which capital outlays was more than depreciation and amortization in the current period.	
Capital outlay expenditures which were capitalized	\$ 1,776,358
Depreciation and amortization expense for governmental assets	<u>(779,689)</u> 996,669
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.	(9,026)
Contributions to the LGERS pension plan in the current fiscal year are not included in the statement of activities.	393,006
Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities.	18,307
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.	12,600
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 unavailable tax revenues	68,566
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	(567,897)
Principal payments on long-term debt	292,774
Accrued interest expense	<u>(42)</u> (275,165)
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	(61,232)
Pension expense (LGERS)	(235,380)
Pension expense (LEO)	(93,967)
Other postemployment benefits	<u>(124,129)</u> (514,708)
The change in net position of the internal service fund reported with governmental activities.	<u>5,161</u>
Total changes in net position of governmental activities	<u>\$ 1,324,913</u>

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

CITY OF MARION, NORTH CAROLINA

Exhibit 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND**
For the year ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,920,144	\$ 2,945,144	\$ 3,039,883	\$ 94,739
Other taxes	2,121,200	2,121,200	2,475,178	353,978
Unrestricted intergovernmental	367,500	375,500	483,308	107,808
Restricted intergovernmental	1,128,859	1,245,463	1,323,102	77,639
Licenses, permits, and fees	72,100	80,100	96,196	16,096
Sales and services	563,430	608,323	618,705	10,382
Investment earnings	2,000	2,000	4,715	2,715
Lease interest earnings	-	-	2,049	2,049
Capital grants and contributions	-	-	7,500	7,500
Restricted contributions	-	24,693	22,502	(2,191)
Miscellaneous	<u>50,630</u>	<u>58,578</u>	<u>45,983</u>	<u>(12,595)</u>
Total revenues	<u>7,225,863</u>	<u>7,461,001</u>	<u>8,119,121</u>	<u>658,120</u>
Expenditures:				
Current:				
General government	1,551,761	1,382,193	1,304,313	77,880
Public safety	3,548,144	4,206,740	3,924,233	282,507
Transportation	2,039,646	1,830,746	1,278,581	552,165
Environmental protection	783,426	903,426	820,277	83,149
Cultural and recreation	103,375	267,646	155,371	112,275
Debt service:				
Principal retirement	211,435	294,279	292,774	1,505
Interest and other charges	<u>36,831</u>	<u>39,455</u>	<u>38,681</u>	<u>774</u>
Total expenditures	<u>8,274,618</u>	<u>8,924,485</u>	<u>7,814,230</u>	<u>1,110,255</u>
Revenues over (under) expenditures	<u>(1,048,755)</u>	<u>(1,463,484)</u>	<u>304,891</u>	<u>1,768,375</u>
Other financing sources (uses):				
Fund balance appropriated	592,755	1,032,379	-	(1,032,379)
Lease liabilities issued	-	48,500	39,758	(8,742)
Proceeds from insurance	-	45,253	67,372	22,119
Installment obligations issued	283,000	283,000	283,000	-
Transfer from ARPA fund	-	1,257,156	1,257,421	265
Transfer from capital projects fund	-	35,000	35,072	72
Transfer from (to) water and sewer fund	173,000	<u>(954,304)</u>	<u>(954,304)</u>	-
Transfer to capital projects fund	-	<u>(283,500)</u>	<u>(278,487)</u>	<u>5,013</u>
Total other financing sources (uses)	<u>1,048,755</u>	<u>1,463,484</u>	<u>449,832</u>	<u>(1,013,652)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>754,723</u>	<u>\$ 754,723</u>
Fund balance, beginning of year			<u>5,090,959</u>	
Fund balance, end of year			<u>\$ 5,845,682</u>	

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

PROPRIETARY FUNDS
Statement of Fund Net Position
June 30, 2022

	Major Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	2,556,527	\$ -
Accounts receivable, net	578,015	-
Due from other governments	54,086	8,660
Due from internal service fund	46,219	-
Inventories	52,902	147,226
Prepaid items	4,250	-
Restricted cash and cash equivalents	338,259	-
Total current assets	<u>3,630,258</u>	<u>155,886</u>
Noncurrent assets:		
Notes receivable	133,482	-
Capital assets:		
Land and other non-depreciable assets	101,245	-
Other capital assets, net of depreciation	<u>17,300,938</u>	<u>2,207</u>
Capital assets, net	<u>17,402,183</u>	<u>2,207</u>
Noncurrent assets	<u>17,535,665</u>	<u>2,207</u>
Total assets	<u>21,165,923</u>	<u>158,093</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>262,624</u>	<u>12,505</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	169,183	6,322
Accrued interest payable	1,284	-
Due to general fund	-	118,848
Due to water and sewer fund	-	46,219
Liabilities payable from restricted assets:		
Customer deposits	271,243	-
Compensated absences, current	36,000	-
Current portion of long-term debt	<u>216,334</u>	<u>-</u>
Total current liabilities	<u>694,044</u>	<u>171,389</u>

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

PROPRIETARY FUNDS
 Statement of Fund Net Position
 June 30, 2022

	Major Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
Noncurrent liabilities:		
Compensated absences, net	27,982	1,323
Net pension liability - LGERS	165,698	7,891
Long-term debt, net of current portion	<u>840,812</u>	-
Total noncurrent liabilities	<u>1,034,492</u>	<u>9,214</u>
Total liabilities	<u>1,728,536</u>	<u>180,603</u>
DEFERRED INFLOWS OF RESOURCES	256,827	12,230
NET POSITION		
Net investment in capital assets	16,345,037	2,207
Unrestricted (deficit)	<u>3,098,147</u>	<u>(24,444)</u>
Total net position (deficit)	<u>\$ 19,443,184</u>	<u>\$ (22,237)</u>
Reconciliation with Statement of Net Position - Business-type Activities:		
Total net position - proprietary fund presentation	\$ 19,443,184	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(66,134)</u>	
Net position of business-type activities	<u>\$ 19,377,050</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, 2022

	Major Enterprise Fund	Water and Sewer Fund	Internal Service Fund
OPERATING REVENUES			
Charges for services	\$ 3,950,648	\$ 413,116	
Water and sewer taps and development fees	136,996	-	
Other operating revenue	66,794	-	
Total operating revenues	<u>4,154,438</u>	<u>413,116</u>	
OPERATING EXPENSES			
Utility line maintenance	1,708,101	-	
Water filter plant	650,240	-	
Waste treatment plant	1,251,777	-	
Operating expenses	-	59,416	
Materials	-	344,345	
Insurance and bonding	92,403	-	
Miscellaneous	2,117	-	
Depreciation	900,711	1,765	
Total operating expenses	<u>4,605,349</u>	<u>405,526</u>	
Operating income (loss)	<u>(450,911)</u>	<u>7,590</u>	
NONOPERATING REVENUE (EXPENSE)			
Investment earnings	6,084	-	
Gain on sale of capital assets	78	-	
Interest on long-term debt	(11,200)	-	
Total nonoperating revenue (expense)	<u>(5,038)</u>	<u>-</u>	
Income (loss) before capital contributions and transfers	<u>(455,949)</u>	<u>7,590</u>	
Transfer from general fund	<u>954,304</u>	<u>-</u>	
Change in net position	<u>498,355</u>	<u>7,590</u>	
Net position (deficit), beginning of year	<u>18,944,829</u>	<u>(29,827)</u>	
Net position (deficit), end of year	<u>\$ 19,443,184</u>	<u>\$ (22,237)</u>	
Reconciliation with Statement of Activities - Change in Net Position -			
Business-type Activities:			
Change in net position - fund perspective	\$ 498,355		
Internal service fund income allocated to business-type activities	<u>2,429</u>		
Change in net position - government-wide perspective	<u>\$ 500,784</u>		

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

PROPRIETARY FUNDS
Statement of Cash Flows
For the year ended June 30, 2022

	Major Enterprise Fund	Water and Sewer Fund	Internal Service Fund
Cash flows from operating activities:			
Cash received from customers and users	\$ 4,166,853	\$ 413,116	
Cash paid for goods and services	(2,350,222)	(381,401)	
Cash paid to or on behalf of employees for services	(1,318,730)	(52,009)	
Net cash provided (used) by operating activities	<u>497,901</u>	<u>(20,294)</u>	
Cash flows from noncapital and related financing activities:			
Transfer from the General Fund	954,304	-	
Due (from) to other funds	(10,025)	20,294	
Federal, state and local contributions	-	-	
Net cash provided by noncapital and related financing activities	<u>944,279</u>	<u>20,294</u>	
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(577,305)	-	
Proceeds from the sale of capital assets	78	-	
Principal payments on long-term debt	(198,758)	-	
Proceeds from the issuance of debt	155,000	-	
Interest on long-term debt	(10,716)	-	
Net cash used by capital and related financing activities	<u>(631,701)</u>	<u>-</u>	
Cash flows from investing activities:			
Interest received	<u>950</u>	<u>-</u>	
Net increase in cash and cash equivalents	811,429	-	
Cash and cash equivalents, beginning of year	<u>2,083,357</u>	<u>-</u>	
Cash and cash equivalents, end of year	<u>\$ 2,894,786</u>	<u>\$ -</u>	
Reconciliation of cash and cash equivalents, end of year:			
Cash and cash equivalents	\$ 2,556,527	\$ -	
Restricted cash and cash equivalents	338,259	-	
	<u>\$ 2,894,786</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, 2022

	Major Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
Reconciliation of operating loss to net cash provided by (used by) operating activities:		
Operating income (loss)		
	\$ (450,911)	\$ 7,590
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	900,711	1,765
Bad debts written off	30,493	-
Changes in assets deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	(27,355)	-
(Increase) decrease in due from other governments	32,281	(2,550)
(Increase) decrease in inventories	6,130	(30,156)
(Increase) decrease in deferred outflows of resources - pensions	(38,962)	(1,855)
Increase (decrease) in accounts payable and accrued liabilities	25,306	5,008
Increase (decrease) in customer deposits	9,275	-
Increase (decrease) in compensated absences	14,409	69
Increase (decrease) in net pension liability	(250,260)	(11,917)
Increase (decrease) in deferred inflows of resources - pensions	246,784	11,752
Total adjustments	<u>948,812</u>	<u>(27,884)</u>
Net cash provided (used) by operating activities	<u>\$ 497,901</u>	<u>\$ (20,294)</u>

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, 2022

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 (Chamber) 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.

American Rescue Plan Act Fund (ARPA). This fund accounts for the transactions related to the American Rescue Plan Funds.

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 ARPA Special Revenue Fund, 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	\$ 190,906
Public Safety	111,081
Escrow account	283,081
Customer deposits	18,367
Capital Project Fund:	
Street improvements	356,000
Unspent grant proceeds	74,101
Total governmental activities	<u>1,033,536</u>

Business Type Activities

Water and Sewer Fund:	
Escrow account	67,016
Customer deposits	271,243
Total business-type activities	<u>338,259</u>
Total restricted cash	<u>\$ 1,371,795</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, 2021. 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. Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. There are no variable components under the lease agreement. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. 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.

8. 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:

Asset Class	Rate
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:

Asset Class	Estimated Useful Lives
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:

Asset Class	Estimated Useful Lives
Leasehold improvements	39 years
Furniture and fixtures	5 years

9. Right to Use Assets

The County has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

10. 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, leases, and pension and OPEB related deferrals.

11. 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.

12. 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.

13. Reimbursements for Pandemic-related Expenditures.

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The City was allocated \$2,514,842 of fiscal recovery funds to be paid in two equal installments. The first installment of \$1,257,421 was received in July 2021. The second installment will be received in July 2022. City staff and the City Council have elected to use \$1,257,421 of the ARPA for revenue replacement in Fiscal Year 2022. The \$1,257,421 used for revenue replacement funds were transferred to the General Fund from the ARPA Fund.

14. 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.

15. 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.

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

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

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	\$ 5,845,682
Less:	
Nonspendable - prepaids	2,100
Nonspendable - leases	1,080
Stabilization by State statute	1,771,630
Streets	190,906
Public safety	40,632
Cemetery	164,541
Capital projects	283,081
Appropriated fund balance in next year's budget	622,397
Fund balance policy - 25% of budgeted expenditures	<u>2,231,121</u>
Remaining fund balance	<u>\$ 538,194</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end as follows:

Fire - turnout gear	\$ 15,000
Public Works - shed	39,154
Streets - Davis Civil Solutions Engineering	18,000
Streets - McGill Engineering	39,900
Streets - backhoe	119,872
Streets - dump truck	127,450
Streets - Seagle & Kathy Street repairs	77,130
Sanitation - truck	36,158
Recreation - Baldwin Ave retaining wall	<u>90,000</u>
Total June 30, 2022 outstanding encumbrances over \$10,000	<u>\$ 562,664</u>

16. 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.

17. 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 under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The 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, 2022, the City's deposits had a carrying amount of \$6,470,187 and a bank balance of \$6,696,801. 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, 2022, the City's petty cash fund totaled \$1,800.

At June 30, 2022, the carrying amount of deposits for the ABC Board was \$143,781 and the bank balance was \$350,585. The bank balance exceeded the federal depository insurance by \$100,585 and are collateralized as required by G.S. 159-131. All of the bank balance was covered by Federal depository insurance. At June 30, 2022, the Board's petty cash fund totaled \$3,225.

2. Investments

At June 30, 2022, the City's investments consisted of the following:

Investment Type	Valuation Measurement	Less	
		Fair Value	Than 6 Months
NCCMT - Government Portfolio	Fair Value-Level 1	<u>2,200,923</u>	<u>2,200,923</u>
Total investments		<u><u>\$ 2,200,923</u></u>	<u><u>\$ 2,200,923</u></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 formal policy regarding credit risk. The City's investment in the NC Capital Management Trust Government Portfolio carried a rating of AAA-m by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2022.

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:

Fund	
General Fund: Taxes receivable	<u><u>\$ 25,000</u></u>
Enterprise Funds	<u><u>\$ 157,000</u></u>

4. Due from Other Governments

Due from other governments consisted of the following:

	Governmental		Business-type	Total
	Activities	Activities		
Local option sales tax	\$ 504,326	\$ -		\$ 504,326
Sales tax refund	61,939	54,086		116,025
Vehicle taxes/tag fees	63,486	-		63,486
Fire district tax	2,922	-		2,922
Franchise/video programming tax	132,746	-		132,746
Solid waste tax	1,344	-		1,344
Federal and State grants	27,833	-		27,833
McDowell County	3,275	-		3,275
Other	6,369	-		6,369
	<u>\$ 804,240</u>	<u>\$ 54,086</u>		<u>\$ 858,326</u>

5. Lease Receivable

Lease #1 – ATM

In November of 2019, the City entered into a lease with a local credit union for the right of the credit union to place an ATM on City property. Under the lease, the credit union pays the City \$300 per month through October 1, 2029 in exchange for the right to use land owned by the City. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.4%, which management has determined to be the incremental borrowing rate of the City.

In fiscal year 2022, the City recognized \$3,399 of lease revenue and \$345 of interest revenue under the lease. The lease receivable balance was \$25,067 as of June 30, 2022.

Lease #2 – Use of Tower Space

In January of 2021, the City entered into a lease with a local television station for the right to use land owned by the City for a tower. Under the lease, the television station pays the City \$6,300 annually through January 1, 2030 in exchange for the right to use land for the tower owned by the City. The payment will increase annually based on an inflation factor. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.4%, which management has determined to be the incremental borrowing rate of the City.

In fiscal year 2022, the City recognized \$6,012 of lease revenue and \$703 of interest revenue under the lease. The lease receivable balance was \$47,347 as of June 30, 2022.

Lease #3 – Use of Tower Space

In January of 2021, the City entered into a lease with a local television station for the right to use land owned by the City for a tower. Under the lease, the television station pays the City \$537 per month through December 1, 2030 in exchange for the right to use land for the tower owned by the City. The payment will increase annually based on an inflation factor. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.4%, which management has determined to be the incremental borrowing rate of the City.

In fiscal year 2022, the City recognized \$5,878 of lease revenue and \$746 of interest revenue under the lease. The lease receivable balance was \$51,590 as of June 30, 2022.

Lease #4 – Use of Parking Lot

In January of 2022, the City entered into a lease with a local business for the right to use a portion of a City's parking lot. Under the lease, the local business pays the City \$335 per month through December 1, 2031 in exchange for the right to use the parking lot owned by the City. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.4%, which management has determined to be the incremental borrowing rate of the City.

In fiscal year 2022, the City recognized \$1,876 of lease revenue and \$255 of interest revenue under the lease. The lease receivable balance was \$35,763 as of June 30, 2022.

6. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2022 was as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,917,827	\$ -	\$ 9,026	\$ 1,908,801
Construction in progress	<u>522,392</u>	<u>772,073</u>	<u>458,693</u>	<u>835,772</u>
Total capital assets not being depreciated	<u>2,440,219</u>	<u>772,073</u>	<u>467,719</u>	<u>2,744,573</u>
Capital assets being depreciated:				
Building improvements	3,142,419	-	-	3,142,419
Buildings	1,652,498	345,899	-	1,998,397
Equipment	2,945,331	127,216	77,641	2,994,906
Equipment – ISF	28,085	-	-	28,085
Furniture and fixtures	231,985	-	-	231,985
Land improvements	3,012,491	683,874	-	3,696,365
Vehicles	5,375,213	40,834	96,225	5,319,822
Infrastructure	<u>2,239,230</u>	<u>225,397</u>	<u>-</u>	<u>2,464,627</u>
Total capital assets being depreciated	<u>18,627,252</u>	<u>1,423,220</u>	<u>173,866</u>	<u>19,876,606</u>
Less accumulated depreciation for:				
Building improvements	1,146,972	89,524	-	1,236,496
Buildings	844,908	37,805	-	882,713
Equipment	2,254,054	181,647	77,641	2,358,060
Equipment – ISF	24,113	1,765	-	25,878
Furniture and fixtures	217,938	3,825	-	221,763
Land improvements	641,835	85,227	-	727,062
Vehicles	4,791,882	312,675	96,225	5,008,332
Infrastructure	<u>626,199</u>	<u>66,998</u>	<u>-</u>	<u>693,197</u>
Total accumulated depreciation	<u>10,547,901</u>	<u>779,466</u>	<u>173,866</u>	<u>11,153,501</u>
Total capital assets being depreciated, net	<u>8,079,351</u>			<u>8,723,105</u>
Governmental activities capital assets, net	<u>\$ 10,519,570</u>			<u>\$ 11,467,678</u>

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

General government	\$ 157,075
Public safety	304,963
Transportation	126,763
Environmental protection	91,930
Culture and recreation	98,735
Total depreciation expense	<u>\$ 779,466</u>

Capital asset activity for business-type activities for the year ended June 30, 2022 was as follows:

Business-type Activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 101,245	\$ -	\$ -	\$ 101,245
Capital assets being depreciated:				
Building improvements	647,035	-	-	647,035
Buildings	6,891,369	-	-	6,891,369
Water and sewer mains, fittings, and lines	24,618,178	55,100	-	24,673,278
Equipment	2,182,347	522,205	14,482	2,690,070
Furniture and fixtures	653,152	-	-	653,152
Land improvements	1,165,048	-	-	1,165,048
Vehicles	617,322	-	-	617,322
Total capital assets being depreciated	<u>36,774,451</u>	<u>577,305</u>	<u>14,482</u>	<u>37,337,274</u>
Less accumulated depreciation for:				
Building improvements	548,812	5,763	-	554,575
Buildings	4,816,642	126,538	-	4,943,180
Water and sewer mains, fittings, and lines	10,368,809	566,687	-	10,935,496
Equipment	1,729,785	128,897	14,482	1,844,200
Furniture and fixtures	411,874	13,710	-	425,584
Land improvements	705,820	26,537	-	732,357
Vehicles	568,365	32,579	-	600,944
Total accumulated depreciation	<u>19,150,107</u>	<u>900,711</u>	<u>14,482</u>	<u>20,036,336</u>
Total capital assets being depreciated, net	<u>17,624,344</u>			<u>17,300,938</u>
Business-type activities capital assets, net	<u>\$ 17,725,589</u>			<u>\$17,402,183</u>

Construction Commitments

The City had no major construction commitment at June 30, 2022.

Discretely Presented Component Unit:

Activity for the ABC Board for the year ended June 30, 2022 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 59,832	\$ -	\$ -	\$ 59,832
Capital assets being depreciated:				
Buildings	730,975	21,400	-	752,375
Land improvements	19,493	-	-	19,493
Equipment	243,043	22,086	-	265,129
Total capital assets being depreciated	993,511	43,486	-	1,036,997
Less accumulated depreciation for:				
Buildings	281,685	28,771	-	310,456
Land improvements	19,493	-	-	19,493
Equipment	207,430	18,480	-	225,910
Total accumulated depreciation	508,608	47,251	-	555,859
Total capital assets being depreciated, net	484,903			481,138
ABC Board capital assets, net	\$ 544,735			\$ 540,970

7. Right to Use Leased Asset

The City has recorded one right to use leased asset for a parking lot. The related lease is discussed in the leases subsection of the long term obligations section of this note. The right to use lease asset is amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Right to use assets				
Parking lot	\$ -	\$ 39,758	\$ -	\$ 39,758
Less accumulated amortiation for:				
Parking lot	-	1,988	-	1,988
Right to use assets, net	\$ -	\$ 37,770	\$ -	\$ 37,770

8. 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, 2022, the loan has been discounted to the present value of \$133,482.

B. Liabilities

1. Accounts Payable – Disaggregate Information

	Governmental Business-type		
	Activities	Activities	Total
Vendor payables	\$ 215,325	\$ 133,896	\$ 349,221
Accrued salaries and expenses	128,670	35,287	163,957
Total	<u>\$ 343,995</u>	<u>\$ 169,183</u>	<u>\$ 513,178</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, 2022, was 12.04% of compensation for law enforcement officers and 11.43% 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 \$503,854 for the year ended June 30, 2022. Contributions to the pension plan from the ABC Board were \$25,188 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, 2022, the City reported a liability of \$789,036 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2022, the City's proportion was 0.05145%, which was a decrease of 0.00398% from its proportion measured as of June 30, 2021. The ABC Board reported a liability of \$47,388 for its proportionate share of the net pension liability.

For the year ended June 30, 2022, the City recognized pension expense of \$301,769. At June 30, 2022, 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	\$ 251,020	\$ -
Changes of assumptions	495,716	-
Net difference between projected and actual earnings on pension plan investments	-	1,127,294
Changes in proportion and differences between City contributions and proportionate share of contributions	-	95,691
City contributions subsequent to the measurement date	503,854	-
Total	\$ 1,250,590	\$ 1,222,985

\$503,854 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 33,936
2024	(57,090)
2025	(108,136)
2026	(344,959)
2027	-
Thereafter	<hr/>
	\$ (476,249)

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	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

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

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

	Current		
	1% Decrease	Discount	1% Increase
	(5.5%)	Rate (6.50%)	(7.50%)
City's proportionate share of the net pension liability (asset)	\$ 3,062,969	\$ 789,036	\$ (1,082,280)

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, 2021, 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>21</u>
Total	<u>24</u>

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.

2. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 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	2.25 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, 2020. The actuarial assumptions used in the December 31,

2020 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.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths after retirement (healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths before retirements: Mortality rates are based on the Safety Mortality Table for Employees.

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

Deaths after retirement (disabled): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

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.

3. 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 \$18,307 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, 2022, the City reported a total pension liability of \$959,581. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$93,967.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,003	\$ 84,687
Changes of assumptions and other inputs	219,616	34,022
City benefit payments and plan administrative expense made subsequent to the measurement date	18,307	-
Total	\$ 269,926	\$ 118,709

\$18,307 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, 2023.

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

Year ended June 30:

2023	\$ 42,902
2024	31,853
2025	32,535
2026	27,051
2027	1,279
Thereafter	<u>(2,710)</u>
	<u>\$ 132,910</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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	Current		
	Discount		
	1% Decrease	Rate	1% Increase
	<u>(1.25%)</u>	<u>(2.25%)</u>	<u>(3.25%)</u>
Total pension liability	\$ 1,044,916	\$ 959,581	\$ 881,388

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2020	\$ 1,053,809
Changes for the year:	
Service cost at end of year	49,297
Interest	19,993
Change in benefit terms	-
Difference between expected and actual experience	(101,195)
Changes of assumptions and other inputs	(26,513)
Benefit payments	(35,810)
Other	-
Net changes	<u>(94,228)</u>
Total pension liability as of December 31, 2021	<u>\$ 959,581</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	\$ 301,769	\$ 93,967	\$ 395,736
Pension liability	789,036	959,581	1,748,617
Proportionate share of the net pension liability	0.05145%	n/a	n/a
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 251,020	\$ 32,003	\$ 283,023
Changes of assumptions	495,716	219,616	715,332
Benefit payments and administrative costs paid subsequent to the measurement date	503,854	18,307	522,161
	<u>\$ 1,250,590</u>	<u>\$ 269,926</u>	<u>\$ 1,520,516</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ -	\$ 84,687	\$ 84,687
Changes of assumptions	-	34,022	34,022
Net difference between projected and actual earnings on plan investments	1,127,294	-	1,127,294
Changes in proportion and differences between contributions and proportionate share of contributions	95,691	-	95,691
	<u>\$ 1,222,985</u>	<u>\$ 118,709</u>	<u>\$ 1,341,694</u>

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 \$61,892 for the reporting year. No amounts were forfeited.

c. 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 \$156,537 for the reporting year. No amounts were forfeited.

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, 2021, the date of the latest actuarial valuation:

	<u>General</u> <u>Employees</u>
Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	-
Total	3

Total OPEB Liability

The City's total OPEB liability of \$216,802 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 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	3.25% – 8.41%, including wage inflation
Discount rate	2.16%
Healthcare cost trends	
Medicare	5.125% for 2021 decreasing to an ultimate
	4.50% by 2024

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, 2021.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 - December 31, 2019, 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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Schedule of Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2020	\$ 107,433
Changes for the year:	
Service cost	-
Interest	2,237
Changes of benefit terms	-
Differences between expected and actual experience	116,628
Changes in assumptions or other inputs	2,959
Benefit payments	(12,455)
Net changes	<u>109,369</u>
Total OPEB liability as of June 30, 2021	<u>\$ 216,802</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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 240,062	\$ 216,802	\$ 196,993

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 (4.125%)	Discount Rate (5.125%)	1% Increase (6.125%)
Total OPEB liability	\$ 201,160	\$ 216,802	\$ 234,837

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$136,729. At June 30, 2022, 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	12,600	-
Total	\$ 12,600	\$ -

\$12,600 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, 2023. The City does not have any amounts reported as deferred inflows of resources as of June 30, 2022.

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, 2022 were as follows:

Contributions to pension plan in current fiscal year	\$ 503,854
Benefit payments and admin expenses for LEOSSA made subsequent to measurement date	18,307
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	12,600
Other pension deferrals	<u>998,355</u>
	<u><u>\$ 1,533,116</u></u>

Deferred inflows of resources at June 30, 2022 were as follows:

	Governmental Funds	Government- Wide
Prepaid taxes (General Fund)	\$ 12,693	\$ 12,693
Lease receivable (General Fund)	158,687	158,687
Taxes receivable, net (General Fund)	19,741	-
Other receivables (General Fund)	97,505	-
Pension deferrals	-	1,341,694
Total	<u>\$ 288,626</u>	<u>\$ 1,513,074</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:

Lease

The City has entered into an agreement to lease a portion of a parking lot for the City's use. The lease agreement qualifies as an other than short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception of the lease.

The lease agreement was executed in January 2022 to lease a portion of parking lot and requires 120 monthly payments of \$355. There are no variable components of the lease. The lease liability is measured at a discount rate of 1.41%, which is management's estimate of the incremental borrowing rate of the City. As a result of the lease, the City has recorded a right to use asset with a net book value of \$39,758 as discussed in more detail in the right to use asset section of this note. The future minimum lease obligation and the net present value of these minimum lease payments are as follows:

Year Ending		
June 30	Principal	Interest
2023	\$ 3,750	\$ 510
2024	3,804	456
2025	3,858	402
2026	3,912	348
2027	3,968	292
2028-2030	18,564	606
Total	\$ 37,856	\$ 2,614

Direct Borrowing Installment Purchases:

During the year ended June 30, 2022, the City entered into a \$283,000 direct borrowing installment purchase to finance vehicles and equipment. Semiannual payments of \$29,400, including interest at 1.41%, began on February 2022. The loan matures in August 2026. The vehicles and equipment are pledged as collateral while the debt is outstanding.

\$ 255,531

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.

218,426

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 \$323,139 has been drawn down at June 30, 2022. 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.

323,139

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.

23,474

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.

133,322

Total direct borrowing installment purchases \$ 953,892

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.

\$ 574,314

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. 158,838

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. 425,644

Total direct borrowing installment purchases \$ 1,158,796

Serviced by the Water and Sewer Fund:

Direct Borrowing Installment Purchases:

During the year ended June 30, 2022, the City entered into a \$155,000 direct borrowing installment purchase to finance a track loader and sewer camera system. Semiannual payments of \$16,100, including interest at 1.41%, began on February 2022. The loan matures in August 2026. The track loader and sewer camera system are pledged as collateral while the debt is outstanding. \$ 139,548

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. 79,013

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. 211,830

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. 127,174

Total direct borrowing installment purchases \$ 557,565

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.

\$ 499,581

At June 30, 2022, the City of Marion had a legal debt margin of approximately \$42,800,000. Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Governmental Activities			
	Direct Borrowing Installment Purchases		Direct Borrowing USDA Loan	
	Principal	Interest	Principal	Interest
2023	\$ 515,754	\$ 9,353	\$ 61,689	\$ 25,461
2024	171,982	6,154	63,714	23,436
2025	147,307	3,265	65,791	21,359
2026	89,654	1,249	67,993	19,157
2027	29,195	206	70,254	16,896
2028-2060	-	-	829,355	154,527
Total	<u>\$ 953,892</u>	<u>\$ 20,227</u>	<u>\$ 1,158,796</u>	<u>\$ 260,836</u>

Year Ending June 30	Business-Type Activities			
	Direct Borrowing Installment Purchases		Direct Borrowing CWSRF Loan	
	Principal	Interest	Principal	Interest
2023	\$ 153,887	\$ 9,321	\$ 62,447	\$ -
2024	156,741	6,465	62,447	-
2025	133,382	3,555	62,447	-
2026	97,610	1,449	62,447	-
2027	15,945	112	62,447	-
2028-2033	-	-	187,346	-
Total	<u>\$ 557,565</u>	<u>\$ 20,902</u>	<u>\$ 499,581</u>	<u>\$ -</u>

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

	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022	Current Portion of Balance
<u>Governmental Activities:</u>					
Direct borrowing installment purchases	\$ 656,886	\$ 528,139	\$ 231,133	\$ 953,892	\$ 515,754
Direct borrowing USDA loan	1,218,535	-	59,739	1,158,796	61,689
Total pension liability (LEOSSA)	1,053,809	-	94,228	959,581	-
Total OPEB liability	107,433	121,824	12,455	216,802	-
Net pension liability (LGERS)	1,564,793	-	941,455	623,338	-
Lease	-	37,856	-	37,856	3,750
Compensated absences	263,246	251,302	190,000	324,548	190,000
Total	\$4,864,702	\$ 939,121	\$ 1,529,010	\$4,274,813	\$ 771,193
<u>Business-type Activities:</u>					
Direct borrowing installment purchases	\$ 538,876	\$ 155,000	\$ 136,311	\$ 557,565	\$ 153,887
Direct borrowing CWSRF loan	562,028	-	62,447	499,581	62,447
Net pension liability (LGERS)	415,958	-	250,260	165,698	-
Compensated absences	49,572	50,410	36,000	63,982	36,000
Total	\$1,566,434	\$ 205,410	\$ 485,018	\$1,286,826	\$ 252,334
<u>Marion ABC Board:</u>					
Notes payable	<u>\$ 437,655</u>	<u>\$ 465,000</u>	<u>\$ 497,678</u>	<u>\$ 404,977</u>	<u>\$ 26,000</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, 2022, consist of the following:

Internal Service Fund	\$ 118,848
Capital Project Fund	<u>72,429</u>
Total	\$ 191,277

Balance due to the Water and Sewer Fund from other funds at June 30, 2022, consist of the following:

Internal Service Fund	\$ 46,219
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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, 2022 consist of the following:

From the General Fund to the Water and Sewer Fund

For repayment of previous payments in lieu of tax (PILOT)	\$ <u>954,304</u>
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The City transferred \$954,304 from the general fund to the water and sewer fund to repay Payments in Lieu of Tax (PILOTs) that were made from the water and sewer fund to the general fund that occurred July 1, 2014 through June 30, 2021. The North Carolina General Assembly enacted G.S. 159G-37(b) in 2014, which prohibits a local government from receiving loans or grants for water or wastewater purposes from the Clean Water State Revolving Fund (CWSRF), Wastewater Reserve, Drinking Water State Revolving Fund (DWSRF), or Drinking Water Reserve if the unit has transferred money from its water or sewer enterprise fund to the general fund to supplement the resources of the general fund. PILOTs are legal but are considered a transfer for these purposes. The City sought to have the flexibility to apply for grants and low interest loans from the Clean Water State Revolving Fund (CWSRF), Wastewater Reserve, Drinking Water State Revolving Fund (DWSRF), or Drinking Water Reserve and was notified that the City would be permitted to do so if the City paid back the Water and Sewer Fund for PILOTs that had occurred since July 1, 2014. The City completed the transfer totaling \$954,304, representing \$929,248 in principal and \$25,056 in interest, in Fiscal Year 2021-2022 to meet the requirement.

From the General Fund to the Capital Projects Fund

For the Street Improvements Project (Powell Bill funds)	\$ 150,000
For the Street Improvements Project (general transfer)	126,000
To fund general capital projects	<u>2,487</u>
	<u>\$ 278,487</u>

From the Capital Projects Fund to the General Fund

To transfer unused funds at project completion	\$ <u>35,072</u>
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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.

From the American Rescue Plan Act Fund to the General Fund

To transfer and recognize for revenue replacement in FY2022	<u>\$ 1,257,421</u>
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In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The City was allocated \$2,514,842 of fiscal recovery funds to be paid in two equal installments. The first installment of \$1,257,421 was received in July 2021. The second installment will be received in July 2022. City staff and the City Council have elected to use \$1,257,421 of the ARPA for revenue replacement in Fiscal Year 2022.

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.

Post-closure Care Program and Surface Disposal of Residual Activities – The City operates a Post-closure Care Program, North Carolina Department of Environmental Quality Surface Disposal of Class B Residuals Permit No. WQ0003698, for two properties containing wastewater residuals surface disposal units. The permit was set to expire July 31, 2022. The City submitted a permit renewal request in January 2022. A Notice of Violation (NOV) dated March 3, 2022 was issued to the City outlining reported violations along with required corrective actions that needed to be taken. The permit was renewed from August 1, 2022 through January 31, 2029 subject to certain conditions and limitations. According to the permit, the City must work towards completing a site assessment to determine the extent of the waste boundaries associated with the surface disposal of residual activities covered under this permit. The City shall ultimately submit a final cover plan for the SDUs to the State.

The City has retained a qualified engineer to assist in reviewing existing conditions, to develop a scope of work and a schedule, and to provide an opinion of probable cost. The City intends to comply with the requirements outlined by the State to the best of its ability and to the greatest extent reasonably practicable. The City is unable to estimate the duration or cost of the tasks that need to be performed at the time of this report. Estimated annual operating and maintenance costs are budgeted in the City's Water and Sewer Fund.

Note 4 – Jointly Governed Organization

The City, in conjunction with four counties and twenty other municipalities, established the Foothills Regional 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 \$8,838 to the Commission during the fiscal year ended June 30, 2022.

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 lightning 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, 2022, the City reported revenue and expenditures for the payments of \$11,980 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, 2022. 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.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

Schedule of Changes in the Total OPEB Liability and Related Ratios

	2022	2021	2020	2019	2018
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	2,237	3,442	4,888	4,743	4,341
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	116,628	2,243	(23,088)	473	967
Changes of assumptions	2,959	9,337	1,260	(3,743)	(7,152)
Benefit payments	(12,455)	(11,774)	(8,982)	(9,115)	(9,152)
Net change in total OPEB liability	109,369	3,248	(25,922)	(7,642)	(10,996)
Total OPEB liability - beginning	107,433	104,185	130,107	137,749	148,745
Total OPEB liability - ending	<u>\$ 216,802</u>	<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	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%
2022	2.16%

* 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 NINE FISCAL YEARS *

Local Governmental Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportionate share of the net pension liability (asset) (%)	0.05145%	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) (\$)	\$ 789,036	\$ 1,980,750	\$ 1,551,984	\$ 1,322,818	\$ 877,677	\$ 1,209,306	\$ 278,701	\$ (347,478)	\$ 725,641
City's covered payroll	3,736,531	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	21.12%	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)	95.51%	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 NINE FISCAL YEARS

Local Governmental Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 503,854	\$ 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>503,854</u>	<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>								
City's covered payroll	\$ 4,351,869	\$ 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	11.58%	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 SIX FISCAL YEARS *

Schedule of Changes in Total Pension Liability

	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 1,053,809	\$ 728,793	\$ 684,323	\$ 687,673	\$ 590,935	\$ 575,080
Changes for the year:						
Service cost at end of year	49,297	37,654	34,538	36,526	28,315	30,667
Interest	19,993	23,104	23,940	20,934	22,106	20,189
Change in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(101,195)	15,807	14,386	19,681	40,088	-
Changes of assumptions and other inputs	(26,513)	288,617	24,840	(30,108)	42,723	(15,860)
Benefit payments	(35,810)	(40,166)	(53,234)	(50,383)	(36,494)	(19,141)
Net changes	(94,228)	325,016	44,470	(3,350)	96,738	15,855
Ending balance of the total pension liability	<u>\$ 959,581</u>	<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	\$ 959,581	\$ 1,053,809	\$ 728,793	\$ 684,323	\$ 687,673	\$ 590,935
Covered Payroll	1,025,597	1,219,579	1,158,974	1,110,442	981,280	1,121,051
Total pension liability as a percentage of covered payroll	93.56%	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.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

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, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Current year taxes	\$ 2,714,144	\$ 2,751,537	\$ 37,393
Prior year taxes	28,000	28,192	192
Motor vehicle taxes, net	185,000	246,898	61,898
Penalties and interest	18,000	13,256	(4,744)
	<u>2,945,144</u>	<u>3,039,883</u>	<u>94,739</u>
Other Taxes and Licenses:			
Local option sales tax	1,560,000	1,918,308	358,308
Utilities sales tax	510,000	511,466	1,466
Solid waste disposal tax	6,200	5,811	(389)
Licenses and permits	8,000	9,005	1,005
Wine and beer tax	37,000	30,588	(6,412)
	<u>2,121,200</u>	<u>2,475,178</u>	<u>353,978</u>
Unrestricted Intergovernmental:			
Court revenue	4,500	3,979	(521)
ABC revenues	288,000	402,230	114,230
Video franchise fees	83,000	77,099	(5,901)
	<u>375,500</u>	<u>483,308</u>	<u>107,808</u>
Restricted Intergovernmental:			
Powell Bill allocation	210,000	231,115	21,115
ABC revenue for law enforcement	12,806	17,830	5,024
Parking violations	4,500	6,235	1,735
County fire protection	648,000	669,027	21,027
County recycling	7,200	10,407	3,207
NCDOT reimbursements	2,500	2,519	19
Federal drug asset revenue	3,857	10,949	7,092
DARE fund revenue	8,000	13,000	5,000
State controlled substance revenue	8,033	8,156	123
State of NC fire protection	1,680	2,015	335
McDowell County schools officer	135,979	133,310	(2,669)
Public safety grants	170,976	174,627	3,651
FEMA grants	21,932	21,932	-
Mt. Glory contribution	10,000	10,000	-
On-behalf payments for fire and rescue	-	11,980	11,980
	<u>1,245,463</u>	<u>1,323,102</u>	<u>77,639</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, 2022

	Final Budget	Actual	Variance Positive/ (Negative)
License, Permits and Fees:			
City vehicle license	24,000	27,146	3,146
Building permits (zoning and inspections)	<u>56,100</u>	<u>69,050</u>	<u>12,950</u>
	<u>80,100</u>	<u>96,196</u>	<u>16,096</u>
Sales and Services:			
Rents, concessions and lease revenue	49,000	49,249	249
Cemetery revenues	6,000	9,485	3,485
Garbage fees	533,180	539,975	6,795
Copies and fingerprints	250	-	(250)
Sales of real estate	4,740	4,740	-
Sale of surplus equipment	<u>15,153</u>	<u>15,256</u>	<u>103</u>
	<u>608,323</u>	<u>618,705</u>	<u>10,382</u>
Capital Grants and Contributions:			
Drexel project	<u>-</u>	<u>7,500</u>	<u>7,500</u>
Miscellaneous	<u>58,578</u>	<u>45,983</u>	<u>(12,595)</u>
Lease interest earnings	<u>-</u>	<u>2,049</u>	<u>2,049</u>
Investment earnings	<u>2,000</u>	<u>4,715</u>	<u>2,715</u>
Restricted contributions	<u>24,693</u>	<u>22,502</u>	<u>(2,191)</u>
Total revenues	<u>7,461,001</u>	<u>8,119,121</u>	<u>658,120</u>
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits	842,340		
Operating expenditures	179,199		
Capital outlay	302,852		
Capital outlay-lease	39,758		
Allocation to Water and Sewer	<u>(503,269)</u>		
	<u>910,806</u>	<u>860,880</u>	<u>49,926</u>
Cemetery:			
Operating expenditures	<u>48,145</u>		
	<u>56,900</u>	<u>48,145</u>	<u>8,755</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, 2022

	Final Budget	Actual	Variance Positive/ (Negative)
Non-departmental:			
Operating expenditures	395,288	395,288	19,199
	<u>414,487</u>	<u>395,288</u>	<u>19,199</u>
Total general government	1,382,193	1,304,313	77,880
	<u>1,382,193</u>	<u>1,304,313</u>	<u>77,880</u>
Public safety:			
Police department:			
Salaries and employee benefits	1,942,879		
Operating expenditures	440,305		
Capital outlay	56,133		
	<u>2,565,066</u>	<u>2,439,317</u>	<u>125,749</u>
Fire department:			
Salaries and employee benefits	813,528		
Operating expenditures	227,871		
Capital outlay	90,561		
	<u>1,204,167</u>	<u>1,131,960</u>	<u>72,207</u>
Inspections:			
Salaries and employee benefits	265,528		
Operating expenditures	87,428		
	<u>437,507</u>	<u>352,956</u>	<u>84,551</u>
Total public safety	4,206,740	3,924,233	282,507
	<u>4,206,740</u>	<u>3,924,233</u>	<u>282,507</u>
Transportation:			
Public works administration:			
Salaries and employee benefits	189,293		
Other operating expenditures	35,015		
Capital outlay	43,046		
Allocation to Water and Sewer	(134,003)		
	<u>161,311</u>	<u>133,351</u>	<u>27,960</u>
Street department:			
Salaries and employee benefits	528,097		
Other operating expenditures	457,496		
Capital outlay	45,450		
	<u>1,408,284</u>	<u>1,031,043</u>	<u>377,241</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, 2022

	Final Budget	Actual	Variance Positive/ (Negative)
Powell Bill:			
Other operating expenditures	<u>170,671</u>	<u>62,314</u>	<u>108,357</u>
Fleet maintenance:			
Salaries and employee benefits	<u>71,961</u>		
Other operating expenditures	<u>11,705</u>		
Allocation to Water and Sewer	<u>(31,793)</u>		
	<u>90,480</u>	<u>51,873</u>	<u>38,607</u>
Total transportation	<u>1,830,746</u>	<u>1,278,581</u>	<u>552,165</u>
Environmental protection:			
Salaries and employee benefits	<u>409,458</u>		
Other operating expenditures	<u>410,819</u>		
Total environmental protection	<u>903,426</u>	<u>820,277</u>	<u>83,149</u>
Cultural and recreation:			
Community building and recreation:			
Other operating expenditures	<u>105,308</u>		
Capital outlay	<u>50,063</u>		
	<u>267,646</u>	<u>155,371</u>	<u>112,275</u>
Debt service:			
Principal retirement	<u>292,774</u>		
Interest and other charges	<u>38,681</u>		
Total debt service	<u>333,734</u>	<u>331,455</u>	<u>2,279</u>
Total expenditures	<u>8,924,485</u>	<u>7,814,230</u>	<u>1,110,255</u>
Revenues over (under) expenditures	<u>(1,463,484)</u>	<u>304,891</u>	<u>1,768,375</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, 2022

	Final Budget	Actual	Variance Positive/ (Negative)
Other Financing Sources (Uses):			
Fund balance appropriated	1,032,379	-	(1,032,379)
Lease liabilities issued	48,500	39,758	(8,742)
Proceeds from insurance	45,253	67,372	22,119
Installment obligations issued	283,000	283,000	-
Transfer from ARPA fund	1,257,156	1,257,421	265
Transfer from capital projects funds	35,000	35,072	72
Transfer to Water & Sewer fund	(954,304)	(954,304)	-
Transfer to capital projects funds	<u>(283,500)</u>	<u>(278,487)</u>	<u>5,013</u>
 Total other financing sources (uses)	 <u>1,463,484</u>	 <u>449,832</u>	 <u>(1,013,652)</u>
 Revenues and other sources over expenditures and other uses	 <u>\$</u> <u>-</u>	 <u>754,723</u>	 <u>\$</u> <u>754,723</u>
 Fund balance, beginning of year		 <u>5,090,959</u>	
 Fund balance, end of year		 <u>\$</u> <u>5,845,682</u>	

CITY OF MARION, NORTH CAROLINA

American Rescue Plan Act Fund
 Coronavirus State Local Fiscal Recovery Funds CFR 21.027
 Schedule of Revenues and Expenditures - Budget and Actual
 From inception and for the year ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Actual Total
Revenues:				
Restricted intergovernmental:				
ARP Funds	\$ 2,514,842	\$ -	\$ 1,257,421	\$ 1,257,421
Other Financing Uses:				
Transfers out	(2,514,842)	-	(1,257,421)	(1,257,421)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning of year				-
Fund balance, end of year			\$ -	

CITY OF MARION, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND

Combining Balance Sheet

June 30, 2022

	Blue Ridge		Lincoln		Baldwin	Joseph		McDowell	
	General	Carson Street	Avenue	Culvert	Avenue	Catawba River	Street	Lady Marian	Total
	Grant	Repairs	Replacement	Project	Improvement	Greenway	Improvements	Dam	Capital Project
	Projects	Project	Project	Project	Project	Project	Project	Project	Fund
Assets									
Cash and investments	\$ 61,218	\$ -	\$ -	\$ 87,000	\$ -	\$ 320,000	\$ -	\$ -	468,218
Restricted cash	74,101	-	-	-	-	356,000	-	-	430,101
Due from other governments	1,069	-	1,340	-	266	-	-	-	2,675
Accounts receivable	-	-	17,695	-	-	-	-	-	17,695
Total assets	<u>\$ 136,388</u>	<u>\$ -</u>	<u>\$ 19,035</u>	<u>\$ 87,000</u>	<u>\$ 266</u>	<u>\$ 676,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>918,689</u>
Liabilities and Fund Balances									
Liabilities:									
Accounts payable and accrued liabilities	\$ 2,287	\$ -	\$ 93,154	\$ -	\$ -	\$ -	\$ -	\$ 26,431	121,872
Due to the general fund	-	-	38,440	-	266	-	-	33,722	72,428
Total liabilities	<u>2,287</u>	<u>-</u>	<u>131,594</u>	<u>-</u>	<u>266</u>	<u>-</u>	<u>-</u>	<u>60,153</u>	<u>194,300</u>
Fund balances:									
Restricted:									
Stabilization by State statute	1,069	-	-	-	-	-	-	-	1,069
Future operating expenses	74,101	-	-	-	-	-	-	(60,153)	13,948
Future capital projects	-	-	-	-	-	356,000	-	-	356,000
Committed:									
Future capital projects	58,931	-	(112,559)	87,000	-	320,000	-	-	353,372
Total fund balances (deficits)	<u>134,101</u>	<u>-</u>	<u>(112,559)</u>	<u>87,000</u>	<u>-</u>	<u>676,000</u>	<u>(60,153)</u>	<u>-</u>	<u>724,389</u>
Total liabilities and fund balances	<u>\$ 136,388</u>	<u>\$ -</u>	<u>\$ 19,035</u>	<u>\$ 87,000</u>	<u>\$ 266</u>	<u>\$ 676,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>918,689</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, 2022

	Joseph McDowell								Total Capital Project Fund	
	Blue Ridge		Lincoln Avenue		Catawba River		Street			
	General	Carson Street	Avenue Culvert	Sidewalk	Greenway	Stabilization	Improvements	Lady Marian		
	Grant Projects	Repairs Project	Replacement Project	Improvement Project	Project	Project	Project	Dam Project		
Revenues										
Restricted intergovernmental	\$ 36,701	\$ 113,862	\$ 247,842	\$ -	\$ 328,496	\$ -	\$ -	\$ -	\$ 726,901	
Private donations	-	-	-	-	-	-	-	43,077	43,077	
Total revenues	<u>36,701</u>	<u>113,862</u>	<u>247,842</u>	<u>-</u>	<u>328,496</u>	<u>-</u>	<u>-</u>	<u>43,077</u>	<u>769,978</u>	
Expenditures										
Capital outlay:										
Engineering	-	6,519	72,237	-	55,750	-	-	97,230	231,736	
Planning and administration	-	-	3,032	-	1,510	-	-	6,000	10,542	
Construction	-	108,795	581,491	-	318,164	-	-	-	1,008,450	
Current:										
General government	92,323	-	-	-	-	-	-	-	92,323	
Community development	40,701	-	-	-	-	-	-	-	40,701	
Total expenditures	<u>133,024</u>	<u>115,314</u>	<u>656,760</u>	<u>-</u>	<u>375,424</u>	<u>-</u>	<u>-</u>	<u>103,230</u>	<u>1,383,752</u>	
Revenues under expenditures	<u>(96,323)</u>	<u>(1,452)</u>	<u>(408,918)</u>	<u>-</u>	<u>(46,928)</u>	<u>-</u>	<u>-</u>	<u>(60,153)</u>	<u>(613,774)</u>	
Other Financing Sources (Uses)										
Installment obligations issued	-	-	245,139	-	-	-	-	-	245,139	
Transfers out	-	-	-	-	(35,072)	-	-	-	(35,072)	
Transfers in	2,487	-	-	-	-	276,000	-	-	278,487	
Total other financing sources (uses)	<u>2,487</u>	<u>-</u>	<u>245,139</u>	<u>-</u>	<u>(35,072)</u>	<u>276,000</u>	<u>-</u>	<u>-</u>	<u>488,554</u>	
Net change in fund balance	<u>(93,836)</u>	<u>(1,452)</u>	<u>(163,779)</u>	<u>-</u>	<u>(82,000)</u>	<u>276,000</u>	<u>(60,153)</u>	<u>(125,220)</u>		
Fund balances, beginning of year	<u>227,937</u>	<u>1,452</u>	<u>51,220</u>	<u>87,000</u>	<u>82,000</u>	<u>400,000</u>	<u>-</u>	<u>849,609</u>		
Fund balances (deficits), end of year	<u>\$ 134,101</u>	<u>\$ -</u>	<u>\$ (112,559)</u>	<u>\$ 87,000</u>	<u>\$ -</u>	<u>\$ 676,000</u>	<u>\$ (60,153)</u>	<u>\$ 724,389</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, 2022

	Actual through June 30, 2022			
	Project Authorization	Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Office of Recovery & Resiliency	\$ 245,773	\$ 245,773	\$ -	\$ 245,773
Appalachian Regional Commission	70,000	33,261	36,701	69,962
Contribution from McDowell County				
TDA	5,000	5,000	-	5,000
Other revenues:				
Private donations	6,000	6,000	-	6,000
Total	326,773	290,034	36,701	326,735
Expenditures:				
Architect/engineering services	60,000	-	-	-
Operating - general government	216,575	50,151	92,323	142,474
Operating - community development	100,000	59,261	40,701	99,962
Capital outlay - general government	29,198	29,198	-	29,198
Total	405,773	138,610	133,024	271,634
Revenues over (under) expenditures	(79,000)	151,424	(96,323)	55,101
Other Financing Sources:				
Transfers in	79,000	76,513	2,487	79,000
Net change in fund balance	\$ -	\$ 227,937	\$ (93,836)	\$ 134,101
Fund balance, beginning of year			227,937	
Fund balance, end of year			\$ 134,101	

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, 2022

	Actual through June 30, 2022			
	Project Authorization	Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Dept of Emergency Management	\$ 153,266	\$ 28,946	\$ 113,862	\$ 142,808
Expenditures:				
Engineering	54,900	38,195	6,519	44,714
Construction	149,455	40,388	108,795	149,183
Total expenditures	204,355	78,583	115,314	193,897
Revenues under expenditures	(51,089)	(49,637)	(1,452)	(51,089)
Other Financing Sources:				
Transfers in	51,089	51,089	-	51,089
Net change in fund balance	\$ -	\$ 1,452	(1,452)	\$ -
Fund balance, beginning of year			1,452	
Fund balance, end of year			\$ -	

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, 2022

	<u>Actual through June 30, 2022</u>			
	Project Authorization	Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
Federal emergency management public assistance funding	\$ 529,070	\$ 143,258	\$ 247,842	\$ 391,100
Expenditures:				
Engineering	243,433	162,842	72,237	235,079
Construction	597,775	-	581,491	581,491
Administration	11,001	7,196	3,032	10,228
Total expenditures	<u>852,209</u>	<u>170,038</u>	<u>656,760</u>	<u>826,798</u>
Revenues under expenditures	<u>(323,139)</u>	<u>(26,780)</u>	<u>(408,918)</u>	<u>(435,698)</u>
Other Financing Sources:				
Installment obligations issued - NCORR	<u>323,139</u>	<u>78,000</u>	<u>245,139</u>	<u>323,139</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 51,220</u>	<u>(163,779)</u>	<u>\$ (112,559)</u>
Fund balance, beginning of year			<u>51,220</u>	
Fund balance (deficit), end of year			<u>\$ (112,559)</u>	

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, 2022

	<u>Project Authorization</u>	Actual through June 30, 2022		
		<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
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 under expenditures	<u>(87,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers in	<u>87,000</u>	<u>87,000</u>	<u>-</u>	<u>87,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 87,000</u>	<u>-</u>	<u>\$ 87,000</u>
Fund balance, beginning of year			<u>87,000</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, 2022

	<u>Actual through June 30, 2022</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	\$ 282,000	\$ -	\$ 281,568	\$ 281,568
Contribution from McDowell County	47,000	-	46,928	46,928
Total revenues	329,000	-	328,496	328,496
Expenditures:				
Professional services - engineer/architect	55,750	-	55,750	55,750
Administrative costs	2,000	-	1,510	1,510
Materials/supplies	5,120	-	5,035	5,035
Construction - trail bank stabilization	313,130	-	313,129	313,129
Total expenditures	376,000	-	375,424	375,424
Revenues over (under) expenditures	(47,000)	-	(46,928)	(46,928)
Other financing sources:				
Transfers in (out), net	47,000	82,000	(35,072)	46,928
Net change in fund balance	\$ -	\$ 82,000	(82,000)	\$ -
Fund balance, beginning of year			82,000	
Fund balance, end of year			\$ -	

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, 2022

	<u>Actual through June 30, 2022</u>			
	<u>Project Authorization</u>	<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures:				
Construction	\$ 676,000	\$ -	\$ -	\$ -
Total expenditures	<u>676,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues under expenditures	(676,000)	-	-	-
Other financing sources:				
Transfers in (Powell Bill funds)	356,000	206,000	150,000	356,000
Transfers in	<u>320,000</u>	<u>194,000</u>	<u>126,000</u>	<u>320,000</u>
Total other financing sources	<u>676,000</u>	<u>400,000</u>	<u>276,000</u>	<u>676,000</u>
Net change in fund balance	\$ -	\$ 400,000	276,000	\$ 676,000
Fund balance, beginning of year			400,000	
Fund balance, end of year			<u>\$ 676,000</u>	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - LADY MARIAN DAM DECOMMISSIONING PROJECT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2022

	Actual through June 30, 2022			
	Project Authorization	Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC-FEMA	\$ 80,000	\$ -	\$ -	\$ -
Other revenue:				
Private donations	43,077	-	43,077	43,077
Total revenues	123,077	-	43,077	43,077
Expenditures:				
Engineering	117,077	-	97,230	97,230
Planning and administration	6,000	-	6,000	6,000
Total expenditures	123,077	-	103,230	103,230
Revenues over (under) expenditures	-	-	(60,153)	(60,153)
Net change in fund balance	\$ -	\$ -	(60,153)	\$ (60,153)
Fund balance, beginning of year			-	
Fund balance (deficit), end of year			\$ (60,153)	

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, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 1,163,120	\$ 1,218,632	\$ 55,512
Sewer sales	819,380	871,047	51,667
Sewer taps	7,500	43,051	35,551
Water taps	10,000	43,445	33,445
Cut-on fees/penalties	110,500	111,055	555
Water service charges	1,119,360	1,133,854	14,494
Sewer service charges	604,200	616,060	11,860
Other operating income	34,852	66,794	31,942
Total operating revenues	<u>3,868,912</u>	<u>4,103,938</u>	<u>235,026</u>
Non-operating revenues:			
Interest	150	949	799
Total revenues	<u>3,869,062</u>	<u>4,104,887</u>	<u>235,825</u>
Expenditures:			
Utility line maintenance:			
Salaries and employee benefits	502,549		
Operating expenditures	498,692		
Repairs and maintenance	41,874		
Capital outlay	222,304		
Overhead allocation	669,065		
	<u>2,420,117</u>	<u>1,934,484</u>	<u>485,633</u>
Water filter plant:			
Salaries and employee benefits	309,692		
Operating expenditures	335,032		
Repairs and maintenance	13,531		
Capital outlay	30,087		
	<u>819,659</u>	<u>688,342</u>	<u>131,317</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, 2022

	Budget	Actual	Variance Positive (Negative)
Water treatment plant:			
Salaries and employee benefits	486,599		
Operating expenditures	622,296		
Repairs and maintenance	152,678		
Capital outlay	310,407		
	<u>1,722,039</u>	<u>1,571,980</u>	<u>150,059</u>
Total operating expenditures	<u>4,961,815</u>	<u>4,194,806</u>	<u>767,009</u>
Miscellaneous	<u>11,912</u>	<u>2,117</u>	<u>9,795</u>
Debt service:			
Principal retirement	198,758		
Interest	10,716		
	<u>210,012</u>	<u>209,474</u>	<u>538</u>
Insurance, bonding and workers' compensation	<u>122,500</u>	<u>92,403</u>	<u>30,097</u>
Total expenditures	<u>5,306,239</u>	<u>4,498,800</u>	<u>807,439</u>
Revenues under expenditures	<u>(1,437,177)</u>	<u>(393,913)</u>	<u>1,043,264</u>
Other Financing Sources:			
Transfer from general fund - note payable	954,304	954,304	-
Installment obligations issued	155,000	155,000	-
Transfer from capital reserve fund	65,000	50,500	(14,500)
Proceeds on sale of capital assets	-	78	78
Appropriated fund balance	<u>262,873</u>	<u>-</u>	<u>(262,873)</u>
Total other financing sources	<u>1,437,177</u>	<u>1,159,882</u>	<u>(277,295)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>765,969</u>	<u>\$ 765,969</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, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Decrease in inventories	(6,139)		
Interest earned on long-term note receivable	5,134		
Capital outlay	562,799		
Depreciation	(900,711)		
Due from consolidated grant project fund	-		
Increase in accrued interest	(484)		
Increase in accrued compensated absences	(14,409)		
Installment obligations issued	(155,000)		
Principal retirement	198,758		
From Water and Sewer Capital Reserve Fund:			
Water and sewer system development fees	50,500		
Intrafund transfer	(50,500)		
From Water and Sewer Capital Projects:			
Non-capital grants	60,340		
Non-capital expenditures	(60,340)		
Decrease in net pension liability	250,260		
Increase in deferred outflows of resources - pensions	38,962		
Increase in deferred inflows of resources - pensions	(246,784)		
Total reconciling items	<u>(267,614)</u>		
Change in net position	<u>\$ 498,355</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, 2022

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
Revenue:			
Water and sewer system development fees	\$ 65,000	\$ 50,500	\$ (14,500)
Other financing uses:			
Transfer to water and sewer fund for debt service	(65,000)	(50,500)	14,500
Revenues over other financing uses	\$ -	\$ -	\$ -

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, 2022

	Actual through June 30, 2022			
	Project Authorization	Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Division of Water				
Infrastructure grant	\$ 150,000	\$ 71,660	\$ 60,340	\$ 132,000
Expenditures:				
Professional services	132,000	71,660	60,340	132,000
Capital outlay - IT	<u>18,000</u>	<u>-</u>	<u>14,506</u>	<u>14,506</u>
Total	<u>150,000</u>	<u>71,660</u>	<u>74,846</u>	<u>146,506</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,506)</u>	<u>\$ (14,506)</u>

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, 2022

	Financial Plan	Actual	Variance Positive (Negative)
Revenue:			
Sales to other funds	\$ 466,505	\$ 413,116	\$ (53,389)
Expenditures:			
Salaries and employee benefits		53,211	
Operating expenditures		382,657	
Total expenditures	<u>466,505</u>	<u>435,868</u>	<u>30,637</u>
Revenue under expenditures	<u>\$ -</u>	<u>(22,752)</u>	<u>\$ (22,752)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Increase in inventories		30,156	
Depreciation		(1,765)	
Increase in accrued compensated absences		(69)	
Increase in deferred outflows of resources - pension		1,855	
Increase in net pension liability		11,917	
Increase in deferred inflows of resources - pension		<u>(11,752)</u>	
Total reconciling items		<u>30,342</u>	
Change in net position		<u>\$ 7,590</u>	

OTHER SCHEDULES

CITY OF MARION, NORTH CAROLINA

GENERAL FUND
Schedule of Ad Valorem Taxes Receivable
For the year ended June 30, 2022

Fiscal Year	Uncollected			Uncollected		
	Balance 6/30/2021	Additions	Collections And Credits		Balance 6/30/2022	
2021-2022	\$ -	\$ 3,053,125	\$ 3,038,627	\$ 14,498		
2020-2021	18,172	-	13,282		4,890	
2019-2020	9,964	-	7,061		2,903	
2018-2019	3,623	-	1,664		1,959	
2017-2018	2,718	-	1,354		1,364	
2016-2017	3,742	-	1,243		2,499	
2015-2016	2,368	-	884		1,484	
2014-2015	3,932	-	961		2,971	
2013-2014	6,005	-	668		5,337	
2012-2013	7,740	-	904		6,836	
2011-2012 and prior	<u>5,598</u>	<u>-</u>	<u>5,598</u>		<u>-</u>	
	<u><u>\$ 63,862</u></u>	<u><u>\$ 3,053,125</u></u>	<u><u>\$ 3,072,246</u></u>		<u><u>44,741</u></u>	
Less: allowance for uncollectible accounts:						
			General Fund		25,000	
Ad valorem taxes receivable, net						
					<u><u>\$ 19,741</u></u>	
<u><u>Reconciliation with revenues:</u></u>						
Ad valorem taxes - General Fund						
			\$ 3,039,883			
Reconciling items:						
			Releases		10,819	
			Discount		15,752	
			Amounts written off for the 2011 levy			
			per the statute of limitations		5,598	
			Other		<u>13,450</u>	
					<u>3,085,502</u>	
			Less: interest collected		<u>(13,256)</u>	
			Total collections and credits		<u><u>\$ 3,072,246</u></u>	

CITY OF MARION, NORTH CAROLINA

GENERAL FUND
Analysis of Current Tax Levy
For the year ended June 30, 2022

	Total Levy				
	City-Wide		Total Levy	Property Excluding Registered	Property Registered Motor Vehicles
	Property Valuation	Rate			
Original levy:					
Real	\$ 451,948,431	\$ 0.51/\$100	\$ 2,304,937	\$ 2,304,937	\$ -
Personal	130,492,157	\$ 0.51/\$100	665,510	406,410	259,100
Old age exemptions	<u>(7,253,529)</u>	\$ 0.51/\$100	<u>(36,993)</u>	<u>(36,993)</u>	-
Total	<u>575,187,059</u>		<u>2,933,454</u>	<u>2,674,354</u>	259,100
Penalties			3,508	3,508	-
			<u>2,936,962</u>	<u>2,677,862</u>	259,100
Discoveries:					
Current year taxes:					
Real	641,961	\$ 0.51/\$100	3,274	3,274	-
Personal	22,158,039	\$ 0.51/\$100	113,006	113,006	-
Old age exceptions	<u>(23,039)</u>	\$ 0.51/\$100	<u>(117)</u>	<u>(117)</u>	-
Total	<u>22,776,961</u>		<u>116,163</u>	<u>116,163</u>	-
Total City levy	<u>\$ 597,964,020</u>				
Net levy			3,053,125	2,794,025	259,100
Less: Uncollected taxes at June 30, 2022			<u>14,498</u>	<u>14,498</u>	-
Current year's taxes collected			<u>\$ 3,038,627</u>	<u>\$ 2,779,527</u>	<u>\$ 259,100</u>
Current levy collection percentage			99.53%	99.48%	100.00%

COMPLIANCE SECTION



**GOULD KILLIAN
CPA GROUP, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

**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, 2022, 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 29, 2022. The financial statements of the City of Marion ABC Board and Municipal Event Center were not audited in accordance with *Government Auditing Standards*.

Report on 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.

Report on 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 29, 2022



**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

Opinion on Each Major Federal Program

We have audited the City of Marion, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and 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 federal programs for the year ended June 30, 2022. The City of Marion's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Marion and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Marion's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City Marion federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Marion's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Marion's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Marion's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Marion's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Marion's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 29, 2022



**Report On Compliance For Each Major State 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 State Program

Opinion on Each Major State Program

We have audited the City of Marion, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement and 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, 2022. 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.

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 State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Marion and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the City of Marion's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City Marion state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Marion's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Marion's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Marion's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Marion's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Marion's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 state program that is less severe than a *material weakness in internal control over compliance*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 29, 2022

CITY OF MARION, NORTH CAROLINA

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2022

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

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes 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 No

Identification of major federal programs:

Program Name	AL #
Coronavirus State and Local Fiscal Recovery Program	21.027
Public Assistance Program	97.036

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

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

CITY OF MARION, NORTH CAROLINA

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2022

State Awards

Internal control over major State programs:

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

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

- Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act _____ Yes No

Identification of major state programs:

Program Name

Disaster Grants - Public Assistance Program (Presidentially Declared Disasters)

The only major State program for the City of Marion is the Disaster Grants – Public Assistance, which has a portion (\$164,190) being a State match on the federal program (97.036). The remaining portion of \$417,362 was not a match on the federal program, but it was reported by the NC Department of Public Safety as a passthrough from the U.S Department of Homeland Security through the same federal program (97.036).

CITY OF MARION, NORTH CAROLINA

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

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. State Award Findings and Questioned Costs

None reported.

4. Summary of Prior Audit Findings

None reported.

CITY OF MARION, NORTH CAROLINA

Page 1 of 3

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2022

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>State/Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Federal Awards:				
U.S. Department of Transportation				
Passed-Through N.C. Department of Transportation:				
Governor's Highway Safety Program	20.600		\$ 4,380	\$ -
Total U.S. Department of Transportation			4,380	-
U.S Department of Treasury				
Equitable Sharing Program	16.922		12,498	-
Passed-Through Office of State Management and Budget				
NC Pandemic Recovery Office				
Coronavirus State and Local Fiscal Recovery Funds	21.027		1,257,421	-
Total U.S. Department of Treasury			1,269,919	-
U.S. Department of Homeland Security				
Staffing for Adequate Fire and Emergency Response (SAFER) Grant Program	97.083		142,457	-
Assistance to Firefighters Grant Program	97.044		24,183	-
Passed-through N.C Department of Environmental Quality FEMA-HHPD	97.041		60,153	-
Passed-Through N.C. Department of Public Safety:				
Public Assistance Program	97.036	2D51 / 2Z62	492,570	581,552
Total U.S. Department of Homeland Security			719,363	581,552
Appalachian Regional Commission				
NC Appalachian Regional Commission Program	23.011		36,701	-
Total Appalachian Regional Commission			36,701	-

CITY OF MARION, NORTH CAROLINA

Page 2 of 3

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2022

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>State/Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Department of Justice</u>				
Equitable Sharing Program	16.922		7,958	-
Total U.S. Department of Justice			7,958	-
 Total Federal Awards			<u>2,038,321</u>	<u>581,552</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	-	74,846
<u>N.C. Department of Transportation</u>				
Powell Bill			-	62,314
<u>N.C. Office of Recovery and Resiliency</u>				
State Grant for Financially Distressed Local Government		NCORR-FDLG-020	-	92,323
State Loan for Financially Distressed Local Government		NCORR-TCALG-24 / 2X21 H200	-	245,139
Total N.C. Office of Recovery and Resiliency			-	337,462
 Total State Awards			-	474,622
 Total Federal and State Expenditures			<u>\$ 2,038,321</u>	<u>\$ 1,056,174</u>

CITY OF MARION, NORTH CAROLINA**Page 3 of 3**

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2022

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>State/Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
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, 2022. 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, 2022.

Note 4: Loans

During the year ended June 30, 2022, the City of Marion had the following loan expenditures and outstanding balance:

Program Name	AL #	Spent	Loan Balance
State Loan for Financially Distressed Local Government	N/A	\$ 245,139	\$ 323,139