

City of Marion, North Carolina

Financial Statements

June 30, 2023

Marion City Council

(As of June 30, 2023)

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**CITY OF MARION, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2023**

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Independent Auditors' Report

To the Honorable Mayor
and member 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, and each major fund of the City of Marion as of and for the year ended June 30, 2023, 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 of the City of Marion as of June 30, 2023, 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, the Other Postemployment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, 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, 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 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 January 30, 2024 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
January 30, 2024

City of Marion, North Carolina

Management's Discussion and Analysis

June 30, 2023

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, 2023. 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

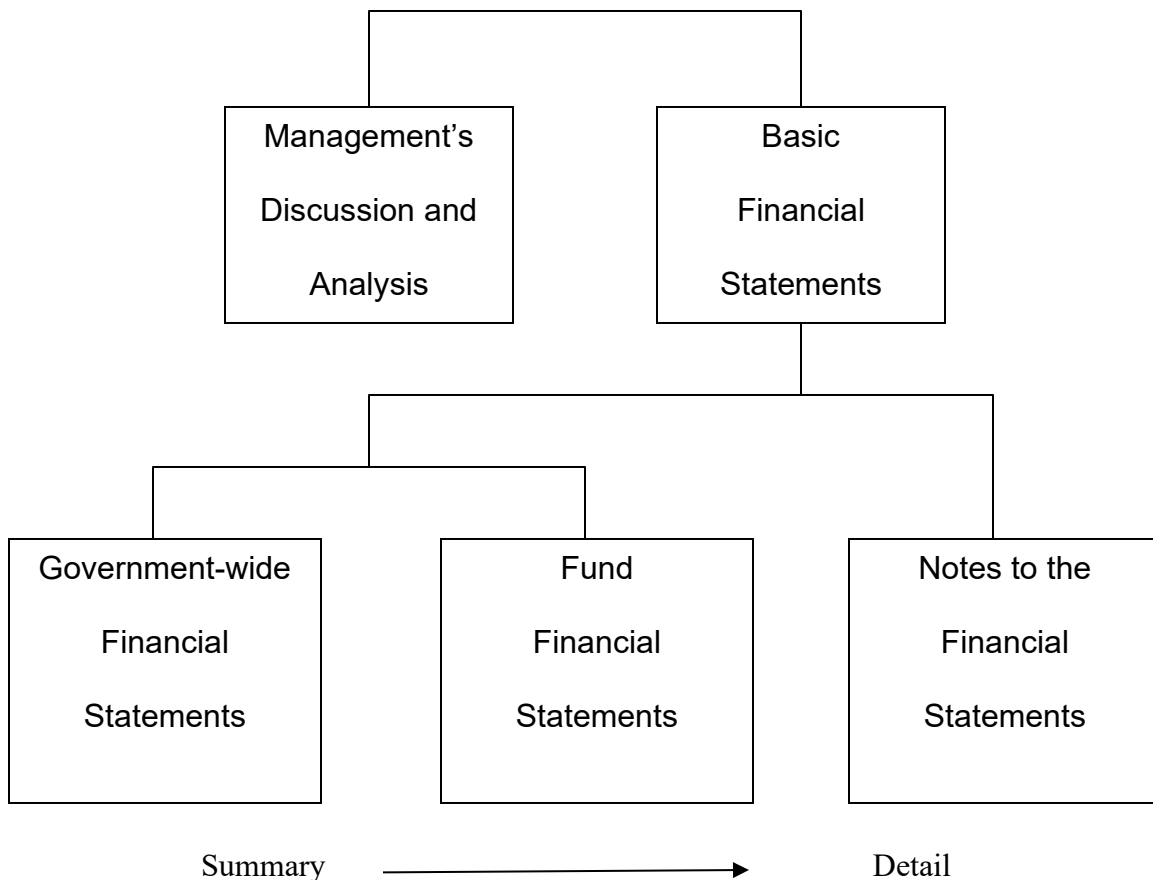
- The assets and deferred outflows of resources of the City of Marion exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$35,262,009 (*net position*).
- The government's total net position increased by \$1,737,906, consisting of increases in the governmental activities net position of \$1,935,320 and decreases in the business-type activities net position of \$197,414.
- As of the close of the current fiscal year, the City of Marion's governmental funds reported combined ending fund balances of \$9,131,246 with a net increase of \$2,561,175 in fund balance. Approximately 40% of this total amount, or \$4,464,857, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$4,419,056, or 46% of general fund expenditures, as adjusted for the fiscal year. Total fund balance for the General Fund was \$6,362,095 or 67% of the total general fund expenditures, as adjusted.
- The City of Marion's total debt increased by \$1,153,222 (36%) during the current fiscal year. The key factors in this increase were regularly scheduled principal payments on existing debt of \$1,010,758, the additional of second supplemental NC ORR loan of \$126,981 to fund the Lincoln Avenue culvert replacement project, the addition of a direct borrowing installment purchase of \$1,085,000 to finance fire truck purchases serviced by the General Fund, the addition of a direct borrowing installment purchase of \$506,850 to finance vehicles and equipment serviced by the General Fund and the addition of a direct borrowing installment purchase of \$445,150 to finance vehicles and equipment serviced by the Water and Sewer Fund.
- For FY2023, the City of Marion increased the property tax rate to \$.55 per \$100 of valuation. This was a \$.04 increase from FY 2022. Current year property taxes were approximately \$3.4 million compared to FY2022 current year property tax of \$3.03 million.

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.

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.

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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 8,462,998	\$ 6,244,620	\$ 3,123,725	\$ 3,359,347	\$ 11,586,723	\$ 9,603,967
Restricted assets	2,116,824	1,033,536	665,672	338,259	2,782,496	1,371,795
Capital assets	12,208,065	11,505,448	17,307,309	17,402,183	29,515,374	28,907,631
Deferred outflows of resources	2,139,897	1,270,492	477,089	262,624	2,616,986	1,533,116
Total assets and deferred outflows of resources	24,927,784	20,054,096	21,573,795	21,362,413	46,501,579	41,416,509
Long-term liabilities outstanding	6,712,623	3,503,620	1,638,764	1,034,492	8,351,387	4,538,112
Current liabilities	1,723,295	1,147,176	717,541	694,044	2,440,836	1,841,220
Deferred inflows of resources	409,493	1,256,247	37,854	256,827	447,347	1,513,074
Total liabilities and deferred inflows of resources	8,845,411	5,907,043	2,394,159	1,985,363	11,239,570	7,892,406
Net position:						
Net investment in capital assets	9,128,714	9,392,760	16,063,711	16,345,037	25,192,425	25,737,797
Restricted	4,457,901	2,657,266	-	-	4,457,901	2,657,266
Unrestricted	2,495,758	2,097,027	3,115,925	3,032,013	5,611,683	5,129,040
Total net position	\$ 16,082,373	\$ 14,147,053	\$ 19,179,636	\$ 19,377,050	\$ 35,262,009	\$ 33,524,103

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 \$35,262,009 as of June 30, 2023, which represents the City's total net position. The largest portion of net position (71%) 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, \$4,457,901 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,611,683 is unrestricted.

The City's total net position increased by \$1,737,906 for the fiscal year ended June 30, 2023. Governmental activities experienced an increase of \$1,935,320 in net position while business activities experienced a decrease of \$197,414. Increases in current and other assets of approximately \$2.2 million accounted for the majority of the overall increase for governmental activities. Although business activities overall showed a decrease in net position of \$197,414, depreciation expense of \$916,928 was part of this overall decrease. Current and other assets declined \$235,622 for business activities due to net cash used for acquisition and constriction of capital assets of approximately \$377,000.

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

- Conservative budgeting in Fiscal Year 2022-2023 due to economic uncertainties.
- Continued diligence in the collection of property taxes as shown by the stability in the tax collection rate in the current fiscal year of 99.64% compared to 99.48% in the prior fiscal year.
- Increased ad valorem tax revenues of approximately \$294,000, or 10.7%, due to the increase in the ad valorem tax base as a result of economic growth and an increase in the property tax rate in Fiscal Year 2022-23.
- Increased local option sales tax revenues of approximately \$100,000, or 5.2%.
- Decreased profit distribution from ABC operations of approximately \$50,000 or 12.6%, as a result of ABC Board investments in capital outlay, increased ABC Board costs and pay increases for ABC Board employees.
- Increased garbage revenues of approximately \$103,000, or 19.10%, resulting from increased garbage fees.
- The receipt of \$555,055 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	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 2,010,663	\$ 1,882,045	\$ 4,444,914	\$ 4,156,867	\$ 6,455,577	\$ 6,038,912
Operating grants and contributions	1,616,427	1,998,967	-	-	1,616,427	1,998,967
Capital grants and contributions	962,114	697,700	-	-	962,114	697,700
General revenues:						
Property taxes	3,387,657	3,108,449	-	-	3,387,657	3,108,449
Other taxes	2,594,488	2,475,178	-	-	2,594,488	2,475,178
Investment earnings	184,729	4,715	11,090	6,084	195,819	10,799
Other	220,981	106,375	17,862	78	238,843	106,453
Total revenues	10,977,059	10,273,429	4,473,866	4,163,029	15,450,925	14,436,458
Expenses:						
General government	1,273,879	1,387,997	-	-	1,273,879	1,387,997
Public safety	4,995,565	4,103,378	-	-	4,995,565	4,103,378
Transportation	1,551,687	1,300,029	-	-	1,551,687	1,300,029
Environmental protection	978,748	960,043	-	-	978,748	960,043
Cultural and recreation	200,588	204,043	-	-	200,588	204,043
Interest on long-term debt	41,272	38,722	-	-	41,272	38,722
Water and sewer	-	-	4,671,280	4,616,549	4,671,280	4,616,549
Total expenses	9,041,739	7,994,212	4,671,280	4,616,549	13,713,019	12,610,761
Change in net position before transfers	1,935,320	2,279,217	(197,414)	(453,520)	1,737,906	1,825,697
Transfers	-	(954,304)	-	954,304	-	-
Change in net position	1,935,320	1,324,913	(197,414)	500,784	1,737,906	1,825,697
Net position, July 1	14,147,053	12,822,140	19,377,050	18,876,266	33,524,103	31,698,406
Net position, June 30	\$ 16,082,373	\$ 14,147,053	\$ 19,179,636	\$ 19,377,050	\$ 35,262,009	\$ 33,524,103

Governmental activities. Governmental activities increased the City's net position by \$1,935,320. Public Safety accounted for 55%, General Government accounted for 14% and Transportation accounted for 17% of governmental activities for fiscal year 2022-2023. The City's governmental activities cover a wide range of services. Several factors affected the governmental activities net position:

- A 6.8% increase in charges for services mainly due to two items. First, a 33% increase in the residential garbage fee from \$6 to \$8 per month per household and a 10% increase in commercial garbage fees resulted in approximately \$103,000 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 \$26,000 were received as a result of increases in the Marion Area Fire District property tax base, and sales tax revenues.

- A 51.9% decrease in grants and contributions mainly due to the receipt of \$702,366 less 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.
- A 9% increase in ad valorem tax revenues due to a modest tax rate increase of \$.51/\$100 to \$.55/\$100 and a results of natural growth.
- A 4% increase in other taxes, primarily due to a \$100,000 increase in local option sales tax revenue.

Business-type activities. Business-type activities decreased the City of Marion's net position by \$197,414. The key element of the decrease was related to business-type activities in Capital Assets where depreciation expense of \$916,928 exceeded newly capitalized assets totaling \$822,054.

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 \$516,413 during fiscal year 2022-2023. Overall revenues increased approximately \$1,212,000, or 14.9%, due mainly to increases in ad valorem taxes, local option sales taxes and garbage fees. Ad valorem taxes, which now represent 36% of general fund revenues (they represented 37% in the prior year), increased approximately \$292,000, or 9.6%, due to excellent growth in the ad valorem tax base. Other taxes and licenses increased \$119,310, or 4.8%, mainly due to an increase in sales tax revenues as discussed above. Unrestricted intergovernmental revenue decreased \$55,443, or 11.5%, due to a decreased profit distribution from ABC operations as discussed above.

Restricted intergovernmental revenue increased by approximately \$385,221, or 29.1%, mainly due to increase public safety grants, increase Fire District funding from McDowell County and increased funding from the McDowell TDA for City projects and initiatives. Sales and services increased \$190,440, or 31%, due to an increase in the residential and commercial garbage fee as discussed earlier. Overall expenditures increased by \$1,690,871, or approximately 21.6%.

At the end of the current fiscal year, the City of Marion's available fund balance in the General Fund was \$4,419,056, while total fund balance reached \$6,362,095. 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 46% of general fund expenditures, and total fund balance represents 67% of the same amount.

At June 30, 2023, the governmental funds of the City of Marion reported a combined fund balance of \$9,131,246 with a net increase in fund balance of \$2,561,175. This increase is the result of 1) the general fund increase of \$516,413 (discussed earlier) and 2) an increase in the capital project fund of \$2,044,762 due mainly to proceeds from installment financing for the purchase of fire truck and related equipment of \$1,085,000 and related grant funding of \$500,000. The fire truck and equipment has not been purchased as of June 30, 2023.

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 2022-2023 were to increase revenues for grants that were received and to increase revenues such as property tax and sales tax in response to the local economy continuing to recover from the pandemic. The majority of appropriation amendments were related to the receipt of American Rescue Plan funding, for additional capital outlay and for unexpected expenses.

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 \$3,180,708 and the total decrease and increase in the net position for the Water and Sewer and the Internal Service Funds was (\$198,765) and \$4,222, 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, 2023, totals \$29,401,910 (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:

- City Hall Renovations - \$94,207
- City Hall Heating and Air Upgrade - \$46,117
- Construction on FNB/City Hall - \$ 102,780
- Completion of Lincoln Avenue Culvert - \$ 26,416
- Purchase of Planning Dept vehicle - \$ 26,637
- Purchase of 3 Police Dept vehicles - \$129,787
- Purchase of Fire Dept vehicle - \$70,499
- Completion of Public Works Shed Row Building - \$27,557
- Purchase of Street Dept CAT C Roller - \$66,623
- Purchase of Street Dept Backhoe & Loader - \$119,882
- Purchase of Street Dept Dump Truck - \$129,456
- Purchase of 2 Street Dept Vehicles - \$ 81,701
- Purchase of Sanitation Vehicle - \$ 38,413

- Implementation of Water Utility work Order System - \$ 40,440
- Replace Crawford Street Culvert \$ 357,671
- Purchase of Utility Maintenance Dept Excavator - \$ 34,098
- Upgrade of East Court Street Lines and Manholes - \$ 130,682
- Rebuild of Prison Lift Station Bar Screen - \$ 72,150
- Purchase of Water Treatment Dept Vehicle - \$ 29,609
- Construction on Clinchfield Basin - \$37,500

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,908,801	\$ 1,908,801	\$ 101,245	\$101,245	\$ 2,010,046	\$ 2,010,046
Buildings and system	3,077,792	3,021,607	15,661,563	15,778,431	18,739,355	18,800,038
Improvements other than buildings	3,863,748	2,969,303	406,154	432,691	4,269,902	3,401,994
Equipment and furniture	727,572	649,275	1,072,897	1,073,438	1,800,469	1,722,713
Infrastructure	1,899,260	1,771,430	-	-	1,899,260	1,771,430
Vehicles and motorized equipment	552,148	311,490	27,950	16,378	580,098	327,868
Construction in progress	102,780	835,772	37,500	-	140,280	835,772
Total	\$ 12,132,101	\$ 11,467,678	\$ 17,307,309	\$ 17,402,183	\$ 29,439,410	\$ 28,869,861

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, 2023, the City of Marion had total installment debt, USDA loans, and CWSRF loans outstanding of \$4,323,056. Of this, \$437,134 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 debt increased by \$1,153,222 (36%) during the current fiscal year. The key factors in this increase were regularly scheduled principal payments on existing debt of \$1,010,758, the additional of second supplemental NC ORR loan of \$126,981 to fund the Lincoln Avenue culvert replacement project, the addition of a direct borrowing installment purchase of \$1,085,000 to finance fire truck purchases serviced by the General Fund, the addition of a direct borrowing installment purchase of \$506,850 to finance vehicles and equipment serviced by the General Fund and the addition of a direct borrowing installment purchase of \$445,150 to finance vehicles and equipment serviced by the Water and Sewer Fund.

City of Marion's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Direct borrowing						
installment purchases	\$ 1,982,245	\$ 953,892	\$ 806,571	\$557,565	\$ 2,788,816	\$1,511,457
Direct borrowing USDA loan	1,097,106	1,158,796	-	-	1,097,106	1,158,796
Direct borrowing CWSRF loan	-	-	437,134	499,581	437,134	499,581
Lease	76,450	37,856	6,893	-	83,343	37,856
Net pension liability (LGERS)	2,757,026	623,338	666,192	165,698	3,423,218	789,036
Total pension liability (LEOSSA)	868,407	959,581	-	-	868,407	959,581
Total OPEB liability	183,163	216,802	-	-	183,163	216,802
Compensated absences	394,707	324,548	72,364	63,982	467,071	388,530
Total	\$7,359,104	\$4,274,813	\$1,989,154	\$1,286,826	\$9,348,258	\$ 5,561,639

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 \$45,400,000. The City has \$-0- in bonds authorized but unissued at June 30, 2023.

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 2023, the McDowell County unemployment rate was down to 3.3%, a rate below the State average of 3.6% and equal to or below many counties in the region, including Burke, Caldwell, Catawba, Cleveland, Gaston, Iredell, Madison, Mitchell, Polk, Rutherford, Transylvania and Wilkes. As of August 2023, McDowell County was tied for the 25th 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 rate in North Carolina (Swain County at 2.7%). 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 have taken place since 2020, 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 second brewery, five restaurants, a skating rink, a bar/entertainment facility and three retail shops, opened in the downtown area in the past few 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 2022-23 gross taxable retail sales for McDowell County were 6.02% higher than in 2021-22, with a record total of over \$573 million. McDowell County's retail sales have grown faster than the State as a whole for 10 of the past 17 years.

Gross taxable retail sales in McDowell County have increased by a total of 164.86% since 2005, compared to growth in Statewide retail sales of 125.34% 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 2023-24 is 8.90%.

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 Economic Development Association, Marion Business Association and other local agencies has led to close to 600 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 99.64% in Fiscal Year 2022-2023 as compared to 99.48% in Fiscal Year 2021-2022.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities:

Growth is expected in overall revenues in the General Fund.

The City property tax rate remained at \$.55 per \$100 valuation. The City's property tax base is projected to increase due to McDowell County's property revaluation and continued economic growth. The tax base for real, personal and utility property is estimated to be \$703,911,441, an increase of \$151,330,618, or 27.39 percent, over the property tax base estimated in the 2022-23 original budget. Current year real, personal and utility property tax revenues are estimated to be approximately 27%, or \$807,000, higher in Fiscal Year 2023-2024 than were originally budgeted in Fiscal Year 2022-2023. Current motor vehicle taxes are estimated to be approximately \$7,000 higher.

Sales tax revenues were budgeted conservatively in Fiscal Year 2022-2023. The Fiscal Year 2023-2024 budget includes an increase of \$214,000, or 11.72 percent, over the Fiscal Year 2022-2023 original budget due to strong sales tax revenues in Fiscal Year 2022-2023 which are expected to at least remain stable and hopefully grow throughout Fiscal Year 2023-2024.

Based on State projections, utility sales tax revenues are projected to remain the same as the budgeted Fiscal Year 2022-2023 amount. Powell Bill revenues are projected to decrease by \$3,115, or 1.35 percent, as compared to the 2022-2023 original budget, due to Powell Bill revenues being lower than expected in 2022-2023 as a result of a State legislative decision. At the time the 2023-24 Budget was prepared, it was unclear if Powell Bill funding from the State in 2023-2024 would remain at 2022-2023 levels or would decrease.

ABC revenues are forecasted to be \$350,000 in Fiscal Year 2023-2024, the same as the Fiscal Year 2022-2023 budgeted amount, which is a very conservative estimate, since ABC revenues have increased consistently in almost all recent years.

The City increased its residential garbage fee from \$8 per month to \$10 per month per household and increased commercial garage rates by 5%. Both of these increases are projected to generate approximately \$86,000 to help cover the cost of sanitation services.

Other revenues are expected to remain relatively flat in Fiscal Year 2023-2024. 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 2023-2024.

Budgeted expenditures in the General Fund are expected to increase by 14.68% as compared to the original Fiscal Year 2022-2023 budget to \$10,882,074. This increase over the original Fiscal Year 2022-2023 budget is primarily due to investments in equipment and capital projects, the continued rising costs of fuel, supplies and materials and insurance, targeted staff additions in the Police and Fire Departments 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 10% 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 5.92%, mainly due to investments in equipment and capital projects, a 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 dpenland@marionnc.org for more information.

BASIC FINANCIAL STATEMENTS

CITY OF MARION, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2023

	Primary Government			Component Units	
	Governmental	Business-type	Total	City of Marion ABC Board	Municipal Event Center
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 5,775,074	\$ 2,315,385	\$ 8,090,459	\$ 88,906	\$ 17,540
Taxes receivable, net	13,600	-	13,600	-	-
Accrued interest receivable	6,468	-	6,468	-	-
Accounts receivable, net	368,791	602,978	971,769	-	-
Internal balances	22,983	(22,983)	-	-	-
Due from other governments	1,187,609	33,633	1,221,242	-	-
Lease receivable	142,017	-	142,017	-	-
Due from component unit	87,497	-	87,497	-	-
Inventories	151,507	44,641	196,148	586,327	-
Prepaid items	5,087	4,250	9,337	11,240	5,000
Restricted cash	2,819,189	665,672	3,484,861	-	-
Total current assets	10,579,822	3,643,576	14,223,398	686,473	22,540
Noncurrent assets:					
Notes receivable	-	138,821	138,821	-	-
Capital assets:					
Land and construction in progress	2,011,581	138,745	2,150,326	59,832	-
Other capital assets, net	10,120,520	17,168,564	27,289,084	432,246	111,877
Total capital assets	12,132,101	17,307,309	29,439,410	492,078	111,877
Right to use leased asset, net of amortization	75,964	7,000	82,964	-	-
Total noncurrent assets	12,208,065	17,453,130	29,661,195	492,078	111,877
Total assets	22,787,887	21,096,706	43,884,593	1,178,551	134,417
DEFERRED OUTFLOWS OF RESOURCES	2,139,897	477,089	2,616,986	125,251	-
LIABILITIES					
Current liabilities:					
Accounts payable	338,197	79,918	418,115	159,814	-
Due to primary government	702,365	-	702,365	87,497	-
Accrued interest payable	13,621	6,104	19,725	-	-
Liabilities payable from restricted assets:					
Customer deposits	22,631	281,129	303,760	-	2,850
Current portion of long-term liabilities	646,481	350,390	996,871	27,000	-
Total current liabilities	1,723,295	717,541	2,440,836	274,311	2,850

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

CITY OF MARION, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2023

	Primary Government			Component Units	
	Governmental	Business-type	Total	City of Marion ABC Board	Municipal Event Center
Long-term liabilities:					
Net pension liability-LGERS	2,757,026	666,192	3,423,218	173,192	-
Total pension liability-LEOSSA	868,407	-	868,407	-	-
Total OPEB liability	183,163	-	183,163	-	-
Due in more than one year	2,904,027	972,572	3,876,599	334,638	-
Total long-term liabilities	6,712,623	1,638,764	8,351,387	507,830	-
Total liabilities	8,435,918	2,356,305	10,792,223	782,141	2,850
DEFERRED INFLOWS OF RESOURCES	409,493	37,854	447,347	2,367	-
NET POSITION					
Net investment in capital assets	9,128,714	16,063,711	25,192,425	130,440	111,877
Restricted for:					
Stabilization by State statute	1,936,160	-	1,936,160	-	-
Streets	728,177	-	728,177	-	-
Public safety	43,499	-	43,499	-	-
Community development	-	-	-	-	-
Capital projects	1,750,065	-	1,750,065	-	-
Working capital	-	-	-	137,500	-
Unrestricted	2,495,758	3,115,925	5,611,683	251,354	19,690
Total net position	\$ 16,082,373	\$ 19,179,636	\$ 35,262,009	\$ 519,294	\$ 131,567

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, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	City of Marion ABC Board	Municipal Event Center
Primary government:									
Governmental Activities:									
General government	\$ 1,273,879	\$ 493,918	\$ 58,363	\$ -	\$ (721,598)	\$ -	\$ (721,598)		
Public safety	4,995,565	850,222	1,263,196	500,000	(2,382,147)	-	(2,382,147)		
Transportation	1,551,687	-	230,668	462,114	(858,905)	-	(858,905)		
Environmental protection	978,748	645,272	4,200	-	(329,276)	-	(329,276)		
Cultural and recreation	200,588	21,251	60,000	-	(119,337)	-	(119,337)		
Interest on long-term debt	41,272	-	-	-	(41,272)	-	(41,272)		
Total governmental activities	9,041,739	2,010,663	1,616,427	962,114	(4,452,535)	-	(4,452,535)		
Business-type activities:									
Water and sewer	4,671,280	4,444,914	-	-	-	(226,366)	(226,366)		
Total primary government	\$ 13,713,019	\$ 6,455,577	\$ 1,616,427	\$ 962,114	(4,452,535)	(226,366)	(4,678,901)		
Component units:									
City of Marion ABC Board	\$ 4,613,128	\$ 4,650,247	\$ -	\$ -				\$ 37,119	\$ -
Municipal Events Center	73,347	16,537	30,000	-				-	(26,810)
Total component units	\$ 4,686,475	\$ 4,666,784	\$ 30,000	\$ -				37,119	(26,810)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					3,387,657	-	3,387,657	-	-
Other taxes					2,594,488	-	2,594,488	-	-
Unrestricted investment earnings					184,729	11,090	195,819	-	-
Gain/insurance proceeds on disposal of capital assets					115,580	17,862	133,442	-	-
Miscellaneous					105,401	-	105,401	-	-
Total general revenues					6,387,855	28,952	6,416,807	-	-
Changes in net position					1,935,320	(197,414)	1,737,906	37,119	(26,810)
Net position, beginning of year					14,147,053	19,377,050	33,524,103	482,175	158,377
Net position, ending					\$ 16,082,373	\$ 19,179,636	\$ 35,262,009	\$ 519,294	\$ 131,567

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2023

	Major Funds			
		American		Total
	General Fund	Rescue Plan Act	Capital	Governmental
		Fund	Project Fund	Funds
ASSETS				
Cash and cash equivalents	\$ 4,377,120	\$ -	\$ 1,397,954	\$ 5,775,074
Restricted cash and cash equivalents	670,424	702,365	1,446,400	2,819,189
Taxes receivable, net	13,600	-	-	13,600
Accounts receivable, net	288,791	-	80,000	368,791
Prepaid items	5,087	-	-	5,087
Due from other governments	1,178,889	-	-	1,178,889
Lease receivable	142,017	-	-	142,017
Due from other funds	198,894	-	-	198,894
Due from component unit	87,497	-	-	87,497
Total assets	<u>\$ 6,962,319</u>	<u>\$ 702,365</u>	<u>\$ 2,924,354</u>	<u>\$ 10,589,038</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 258,197	\$ -	\$ 75,280	\$ 333,477
Due to other funds	-	-	79,923	79,923
Liabilities payable from restricted assets:				
Advances from grantor	-	702,365	-	702,365
Customer deposits	<u>22,631</u>	<u>-</u>	<u>-</u>	<u>22,631</u>
Total liabilities	<u>280,828</u>	<u>702,365</u>	<u>155,203</u>	<u>1,138,396</u>
DEFERRED INFLOWS OF RESOURCES	<u>319,396</u>	<u>-</u>	<u>-</u>	<u>319,396</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	5,087	-	-	5,087
Leases	1,869	-	-	1,869
Restricted for:				
Stabilization by State statute	1,936,083	-	77	1,936,160
Streets	372,177	-	356,000	728,177
Public safety	43,499	-	-	43,499
Capital projects	159,281	-	1,590,784	1,750,065
Committed for:				
Cemetery	185,957	-	-	185,957
Capital projects	-	-	822,290	822,290
Assigned - subsequent year's expenditures	778,744	-	-	778,744
Unassigned	<u>2,879,398</u>	<u>-</u>	<u>-</u>	<u>2,879,398</u>
Total fund balances	<u>6,362,095</u>	<u>-</u>	<u>2,769,151</u>	<u>9,131,246</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,962,319</u>	<u>\$ 702,365</u>	<u>\$ 2,924,354</u>	<u>\$ 10,589,038</u>

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2023

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

Fund balances of governmental funds	\$	9,131,246
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		12,132,100
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		75,964
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.		2,116,102
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.		46,332
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		172,747
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Notes and loans payable	(3,079,353)	
Accrued interest	(13,621)	
Net pension liability - LGERS	(2,722,794)	
Total pension liability - LEOSA	(868,407)	
Total OPEB liability	(183,163)	
Lease liability	(76,450)	
Compensated absences	<u>(392,659)</u>	(7,336,447)
Deferred inflows of resources related to pension and OPEB are not reported in the funds.		<u>(262,139)</u>
Net position of governmental activities	\$	<u>16,082,373</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, 2023

	Major Funds			Total
	General Fund	American Rescue Plan Act Fund	Capital Project Fund	Governmental Funds
REVENUES				
Ad valorem taxes	\$ 3,332,157	\$ -	\$ -	\$ 3,332,157
Other taxes and licenses	2,594,488	-	-	2,594,488
Unrestricted intergovernmental	427,865	-	-	427,865
Restricted intergovernmental	1,708,323	555,055	988,051	3,251,429
Licenses and permits	143,251	-	-	143,251
Sales and services	809,145	-	-	809,145
Lease interest earnings	2,077	-	-	2,077
Investment earnings	178,945	-	5,784	184,729
Restricted contributions	32,426	-	-	32,426
Capital grants and contributions	-	-	-	-
Miscellaneous	103,313	-	-	103,313
Total revenues	<u>9,331,990</u>	<u>555,055</u>	<u>993,835</u>	<u>10,880,880</u>
EXPENDITURES				
Current:				
General government	1,214,254	-	20,038	1,234,292
Public safety	4,707,488	-	-	4,707,488
Transportation	2,022,465	-	-	2,022,465
Environmental protection	948,858	-	-	948,858
Cultural and recreation	264,310	-	-	264,310
Capital outlay	-	-	148,966	148,966
Debt service:				
Principal	306,454	-	450,120	756,574
Interest	41,272	-	-	41,272
Total expenditures	<u>9,505,101</u>	<u>-</u>	<u>619,124</u>	<u>10,124,225</u>
Revenues over (under) expenditures	<u>(173,111)</u>	<u>555,055</u>	<u>374,711</u>	<u>756,655</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance	42,689	-	-	42,689
Lease liabilities issued	43,000	-	-	43,000
Installment obligations issued	506,850	-	1,211,981	1,718,831
Transfers from other funds	555,055	-	458,070	1,013,125
Transfers to other funds	(458,070)	(555,055)	-	(1,013,125)
Total other financing sources (uses)	<u>689,524</u>	<u>(555,055)</u>	<u>1,670,051</u>	<u>1,804,520</u>
Net change in fund balances	516,413	-	2,044,762	2,561,175
Fund balances, beginning of year	<u>5,845,682</u>	<u>-</u>	<u>724,389</u>	<u>6,570,071</u>
Fund balances, end of year	<u>\$ 6,362,095</u>	<u>\$ -</u>	<u>\$ 2,769,151</u>	<u>\$ 9,131,246</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, 2023

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

Net changes in fund balances - total governmental funds \$ 2,561,175

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 / lease expenditures which were capitalized	\$ 1,447,785	
Depreciation and amortization expense for governmental assets	<u>(736,147)</u>	711,638

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.

72,891

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

471,559

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

18,326

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

13,001

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		55,500
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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 / lease issued	(1,761,830)	
Principal payments on long-term debt	756,574	
Accrued interest expense	<u>-</u>	(1,005,256)

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	(69,435)	
Pension expense (LGERS)	(834,040)	
Pension expense (LEO)	(83,942)	
Other postemployment benefits	<u>21,039</u>	(966,378)

The change in net position of the internal service fund reported with governmental activities.

2,864

Total changes in net position of governmental activities		<u><u>\$ 1,935,320</u></u>
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The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
For the year ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3,215,243	\$ 3,306,632	\$ 3,332,157	\$ 25,525
Other taxes	2,375,000	2,375,000	2,594,488	219,488
Unrestricted intergovernmental	430,000	430,000	427,865	(2,135)
Restricted intergovernmental	1,402,635	1,591,201	1,708,323	117,122
Licenses, permits, and fees	82,050	134,050	143,251	9,201
Sales and services	692,350	710,722	809,145	98,423
Investment earnings	1,200	136,952	178,945	41,993
Lease interest earnings	-	-	2,077	2,077
Restricted contributions	-	25,000	32,426	7,426
Miscellaneous	59,602	61,837	103,313	41,476
Total revenues	<u>8,258,080</u>	<u>8,771,394</u>	<u>9,331,990</u>	<u>560,596</u>
Expenditures:				
Current:				
General government	1,221,239	1,503,342	1,214,254	289,088
Public safety	4,689,214	4,995,275	4,707,488	287,787
Transportation	2,123,860	2,513,368	2,022,465	490,903
Environmental protection	992,220	1,434,228	948,858	485,370
Cultural and recreation	110,075	298,259	264,310	33,949
Debt service:				
Principal retirement	317,278	315,907	306,454	9,453
Interest and other charges	35,141	41,774	41,272	502
Total expenditures	<u>9,489,027</u>	<u>11,102,153</u>	<u>9,505,101</u>	<u>1,597,052</u>
Revenues over (under) expenditures	<u>(1,230,947)</u>	<u>(2,330,759)</u>	<u>(173,111)</u>	<u>2,157,648</u>
Other financing sources (uses):				
Fund balance appropriated	622,397	1,197,478	-	(1,197,478)
Lease liabilities issued	-	87,030	43,000	(44,030)
Proceeds from insurance	-	7,996	42,689	34,693
Installment obligations issued	506,850	866,850	506,850	(360,000)
Transfer from ARPA fund	101,700	629,475	555,055	(74,420)
Transfer to capital projects fund	-	(458,070)	(458,070)	-
Total other financing sources (uses)	<u>1,230,947</u>	<u>2,330,759</u>	<u>689,524</u>	<u>(1,641,235)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>516,413</u>	<u>\$ 516,413</u>
Fund balance, beginning of year			<u>5,845,682</u>	
Fund balance, end of year			<u>\$ 6,362,095</u>	

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

PROPRIETARY FUNDS
Statement of Fund Net Position
June 30, 2023

	Major Enterprise Fund		Internal Service Fund
	Water and Sewer Fund		Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,315,385	\$	-
Accounts receivable, net	602,978		-
Due from other governments	33,633		8,720
Due from internal service fund	41,800		-
Inventories	44,641		151,507
Prepaid items	4,250		-
Restricted cash and cash equivalents	665,672		-
Total current assets	<u>3,708,359</u>		<u>160,227</u>
Noncurrent assets:			
Notes receivable	138,821		-
Right to use leased asset, net of amortization	7,000		-
Capital assets:			
Land and other non-depreciable assets	138,745		-
Other capital assets, net of depreciation	17,168,564		442
Capital assets, net	<u>17,307,309</u>		<u>442</u>
Noncurrent assets	<u>17,453,130</u>		<u>442</u>
Total assets	<u>21,161,489</u>		<u>160,669</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>477,089</u>		<u>23,794</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	79,918	4,719	
Accrued interest payable	6,104		-
Due to general fund	-		118,971
Due to water and sewer fund	-		41,800
Liabilities payable from restricted assets:			
Customer deposits	281,129		-
Compensated absences, current	45,000		2,047
Current portion of long-term debt	305,390		-
Total current liabilities	<u>717,541</u>		<u>167,537</u>

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

PROPRIETARY FUNDS
Statement of Fund Net Position
June 30, 2023

	Major Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
Noncurrent liabilities:		
Compensated absences, net	27,364	-
Net pension liability - LGERS	666,192	34,232
Long-term debt, net of current portion	945,208	-
Total noncurrent liabilities	<u>1,638,764</u>	<u>34,232</u>
Total liabilities	<u>2,356,305</u>	<u>201,769</u>
DEFERRED INFLOWS OF RESOURCES	<u>37,854</u>	<u>705</u>
NET POSITION		
Net investment in capital assets	16,063,711	442
Unrestricted (deficit)	<u>3,180,708</u>	<u>(18,454)</u>
Total net position (deficit)	<u>\$ 19,244,419</u>	<u>\$ (18,012)</u>
Reconciliation with Statement of Net Position - Business-type Activities:		
Total net position - proprietary fund presentation	\$ 19,244,419	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(64,783)</u>	
Net position of business-type activities	<u>\$ 19,179,636</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, 2023

	Major Enterprise Fund Water and Sewer Fund	Internal Service Fund
	Fund	Fund
OPERATING REVENUES		
Charges for services	\$ 4,100,111	\$ 470,305
Water and sewer taps and development fees	138,767	-
Other operating revenue	204,685	-
Total operating revenues	<u>4,443,563</u>	<u>470,305</u>
OPERATING EXPENSES		
Utility line maintenance	2,024,715	-
Water filter plant	669,397	-
Waste treatment plant	949,090	-
Operating expenses	-	73,286
Materials	-	391,032
Insurance and bonding	88,748	-
Miscellaneous	3,067	-
Depreciation	916,928	1,765
Total operating expenses	<u>4,651,945</u>	<u>466,083</u>
Operating income (loss)	<u>(208,382)</u>	<u>4,222</u>
NONOPERATING REVENUE (EXPENSE)		
Investment earnings	11,090	-
Gain on sale of capital assets	17,862	-
Interest on long-term debt	(19,335)	-
Total nonoperating revenue (expense)	<u>9,617</u>	<u>-</u>
Income (loss) before capital contributions and transfers	(198,765)	4,222
Capital contributions	-	-
Transfer from general fund	<u>-</u>	<u>-</u>
Change in net position	(198,765)	4,222
Net position (deficit), beginning of year	<u>19,443,184</u>	<u>(22,234)</u>
Net position (deficit), end of year	<u>\$ 19,244,419</u>	<u>\$ (18,012)</u>
Reconciliation with Statement of Activities - Change in Net Position - Business-type Activities:		
Change in net position - fund perspective	\$ (198,765)	
Internal service fund income allocated to business-type activities	<u>1,351</u>	
Change in net position - government-wide perspective	<u>\$ (197,414)</u>	

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

PROPRIETARY FUNDS
Statement of Cash Flows
For the year ended June 30, 2023

	Major Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
Cash flows from operating activities:		
Cash received from customers and users	\$ 4,428,486	\$ 470,305
Cash paid for goods and services	(2,347,278)	(397,034)
Cash paid to or on behalf of employees for services	(1,372,852)	(68,977)
Net cash provided by operating activities	<u>708,356</u>	<u>4,294</u>
Cash flows from noncapital and related financing activities:		
Transfer from the General Fund	-	-
Due (from) to other funds	4,419	(4,294)
Federal, state and local contributions	<u>-</u>	<u>-</u>
Net cash provided by (used by) noncapital and related financing activities	<u>4,419</u>	<u>(4,294)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(822,054)	-
Proceeds from the sale of capital assets	17,862	-
Principal payments on long-term debt	(258,698)	-
Proceeds from the issuance of debt	445,150	-
Interest on long-term debt	(14,515)	-
Net cash used by capital and related financing activities	<u>(632,255)</u>	<u>-</u>
Cash flows from investing activities:		
Interest received	<u>5,751</u>	<u>-</u>
Net increase in cash and cash equivalents	86,271	-
Cash and cash equivalents, beginning of year	<u>2,894,786</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 2,981,057</u>	<u>\$ -</u>
Reconciliation of cash and cash equivalents, end of year:		
Cash and cash equivalents	\$ 2,315,385	\$ -
Restricted cash and cash equivalents	<u>665,672</u>	<u>-</u>
	<u>\$ 2,981,057</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, 2023

	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)	\$ (208,382)	\$ 4,222
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	916,928	1,765
Bad debts written off	15,485	-
Changes in assets deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	(40,448)	-
(Increase) decrease in due from other governments	20,453	(60)
(Increase) decrease in inventories	8,261	(4,281)
(Increase) decrease in deferred outflows of resources - pensions	(214,465)	(11,289)
Increase (decrease) in accounts payable and accrued liabilities	(89,265)	(1,603)
Increase (decrease) in customer deposits	9,886	-
Increase (decrease) in compensated absences	8,382	724
Increase (decrease) in net pension liability	500,494	26,341
Increase (decrease) in deferred inflows of resources - pensions	(218,973)	(11,525)
Total adjustments	<u>916,738</u>	<u>72</u>
Net cash provided (used) by operating activities	<u>\$ 708,356</u>	<u>\$ 4,294</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, 2023

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 Projects 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 Projects 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	\$ 372,177
Public safety	106,787
Escrow account	168,829
Customer deposits	22,631
ARPA Fund:	
Grant	702,365
Capital Project Fund:	
Fire truck purchase	1,090,400
Street improvements	356,000
Total governmental activities	<u>2,819,189</u>

Business Type Activities

Water and Sewer Fund:	
Escrow account	384,543
Customer deposits	281,129
Total business-type activities	<u>665,672</u>
Total restricted cash	<u><u>\$ 3,484,861</u></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, 2022. 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.

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.

5. 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.

6. Inventory and Prepaid Items

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

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of \$2,500 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Rate</u>
Infrastructure	3%
Maintenance and construction equipment	12%

Vehicles – medium and heavy duty	16%
Furniture and office equipment	10%
Vehicles – automobile and light duty	30%

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

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

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

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

8. 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.

9. 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.

10. Long-Term Obligations

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

11. 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.

12. 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 was received in July 2022. City staff and the City Council elected to use \$555,055 of the ARPA for revenue replacement in Fiscal Year 2023. The \$555,055 used for revenue replacement funds were transferred to the General Fund from the ARPA Fund. \$702,365 remain to be used by December 31, 2026.

13. 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.

14. 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 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	\$ 6,362,095
Less:	
Nonspendable - prepaids	5,087
Nonspendable - leases	1,869
Stabilization by State statute	1,936,083
Streets	372,177
Public safety	43,499
Cemetery	185,957
Capital projects	159,281
Appropriated fund balance in next year's budget	778,744
Fund balance policy - 25% of budgeted expenditures	<u>2,775,538</u>
Remaining fund balance	<u><u>\$ 103,860</u></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:

Police - Ford Explorer	\$ 32,954
Streets - McGill Engineering	29,880
Streets - McGill Engineering	7,500
Sanitation - Front End Loader	359,532
Sanitation - Dump Truck	71,625
Total outstanding encumbrances over \$10,000	<u>\$ 501,491</u>

15. 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.

16. 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, 2023, the City's deposits had a carrying amount of \$5,587,139 and a bank balance of \$5,833,371. Of the bank balance, \$501,500 was covered by federal depository insurance and the remaining balance was covered by collateral held under the pooling method. At June 30, 2023, the City's petty cash fund totaled \$1,800.

At June 30, 2023, the carrying amount of deposits for the ABC Board was \$85,681 and the bank balance was \$334,781. The bank balance exceeded the federal depository insurance by \$84,781 and are collateralized as required by G.S. 159-131. At June 30, 2023, the Board's petty cash fund totaled \$3,225.

2. Investments

At June 30, 2023, the City's investments consisted of the following:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>
NCCMT - Government Portfolio	Fair Value-Level 1	\$ 5,986,381	\$ 5,986,381
Total investments		<u>\$ 5,986,381</u>	<u>\$ 5,986,381</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, 2023.

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>\$ 14,000</u>
Enterprise Funds	<u>\$ 167,500</u>

4. Due from Other Governments

Due from other governments consisted of the following:

	Governmental Activities	Business-type Activities	Total
Local option sales tax	\$ 535,688	\$ -	\$ 535,688
Sales tax refund	69,535	33,633	103,168
Vehicle taxes/tag fees	37,357	-	37,357
Fire district tax	13,953	-	13,953
Franchise/video programming tax	131,065	-	131,065
Solid waste tax	1,540	-	1,540
Federal and State grants	329,115	-	329,115
McDowell County	2,133	-	2,133
Other	67,223	-	67,223
	<u>\$ 1,187,609</u>	<u>\$ 33,633</u>	<u>\$ 1,221,242</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 2023, the City recognized \$3,399 of lease revenue and \$332 of interest revenue under the lease. The lease receivable balance was \$21,799 as of June 30, 2023.

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 2023, the City recognized \$5,878 of lease revenue and \$668 of interest revenue under the lease. The lease receivable balance was \$41,714 as of June 30, 2023.

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 2023, the City recognized \$5,511 of lease revenue and \$636 of interest revenue under the lease. The lease receivable balance was \$46,319 as of June 30, 2023.

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 2023, the City recognized \$3,752 of lease revenue and \$441 of interest revenue under the lease. The lease receivable balance was \$32,185 as of June 30, 2023.

6. Capital Assets

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

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,908,801	\$ -	\$ -	\$ 1,908,801
Construction in progress	<u>835,772</u>	<u>129,196</u>	<u>862,188</u>	<u>102,780</u>
Total capital assets not being depreciated	<u>2,744,573</u>	<u>129,196</u>	<u>862,188</u>	<u>2,011,581</u>
Capital assets being depreciated:				
Building improvements	3,142,419	162,783	-	3,305,202
Buildings	1,998,397	27,557	-	2,025,954
Equipment	2,994,906	277,292	63,581	3,208,617
Equipment – ISF	28,085	-	-	28,085
Furniture and fixtures	231,985	-	-	231,985
Land improvements	3,696,365	986,971	-	4,683,336
Vehicles	5,319,822	476,493	130,115	5,666,200
Infrastructure	<u>2,464,627</u>	<u>199,681</u>	<u>-</u>	<u>2,664,308</u>
Total capital assets being depreciated	<u>19,876,606</u>	<u>2,130,777</u>	<u>193,696</u>	<u>21,813,687</u>
Less accumulated depreciation for:				
Building improvements	1,236,496	91,064	-	1,327,560
Buildings	882,713	43,091	-	925,804
Equipment	2,358,060	191,416	61,560	2,487,916
Equipment – ISF	25,878	1,765	-	27,643
Furniture and fixtures	221,763	3,793	-	225,556
Land improvements	727,062	92,526	-	819,588
Vehicles	5,008,332	235,835	130,115	5,114,052
Infrastructure	<u>693,197</u>	<u>71,851</u>	<u>-</u>	<u>765,048</u>
Total accumulated depreciation	<u>11,153,501</u>	<u>731,341</u>	<u>191,675</u>	<u>11,693,167</u>
Total capital assets being depreciated, net	<u>8,723,105</u>			<u>10,120,520</u>
Governmental activities capital assets, net	<u>\$ 11,467,678</u>			<u>\$ 12,132,101</u>

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

General government	\$ 165,024
Public safety	267,045
Transportation	137,985
Environmental protection	61,263
Culture and recreation	<u>100,024</u>
Total depreciation expense	<u>\$ 731,341</u>

Capital asset activity for business-type activities for the year ended June 30, 2023 was as follows:

Business-type Activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 101,245	\$ -	\$ -	\$ 101,245
Construction in progress	-	37,500	-	37,500
Total capital assets not being depreciated	101,245	37,500	-	138,745
Capital assets being depreciated:				
Building improvements	647,035	-	-	647,035
Buildings	6,891,369	-	-	6,891,369
Water and sewer mains, fittings, and lines	24,673,278	585,503	-	25,258,781
Equipment	2,690,070	169,442	39,314	2,820,198
Furniture and fixtures	653,152	-	-	653,152
Land improvements	1,165,048	-	-	1,165,048
Vehicles	617,322	29,609	-	646,931
Total capital assets being depreciated	37,337,274	784,554	39,314	38,082,514
Less accumulated depreciation for:				
Building improvements	554,575	5,763	-	560,338
Buildings	4,943,180	126,537	-	5,069,717
Water and sewer mains, fittings, and lines	10,935,496	570,071	-	11,505,567
Equipment	1,844,200	156,274	39,314	1,961,160
Furniture and fixtures	425,584	13,709	-	439,293
Land improvements	732,357	26,537	-	758,894
Vehicles	600,944	18,037	-	618,981
Total accumulated depreciation	20,036,336	916,928	39,314	20,913,950
Total capital assets being depreciated, net	17,300,938			17,168,564
Business-type activities capital assets, net	\$ 17,402,183			\$ 17,307,309

Construction Commitments

The City had no major construction commitment at June 30, 2023.

Discretely Presented Component Unit:

Activity for the ABC Board for the year ended June 30, 2023 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 59,832	\$ -	\$ -	\$ 59,832
Capital assets being depreciated:				
Buildings	730,975	-	-	730,975
Vehicles	21,400	-	-	21,400
Land improvements	19,493	-	-	19,493
Equipment	265,129	-	-	265,129
Total capital assets being depreciated	1,036,997	-	-	1,036,997
Less accumulated depreciation for:				
Buildings	309,862	41,759	-	351,621
Vehicles	594	7,133	-	7,727
Land improvements	19,493	-	-	19,493
Equipment	225,910	-	-	225,910
Total accumulated depreciation	555,859	48,892	-	604,751
Total capital assets being depreciated, net	481,138			432,246
ABC Board capital assets, net	<u>\$ 540,970</u>			<u>\$ 492,078</u>

7. Right to Use Leased Asset

The City has recorded two right to use leased assets for a parking lot and copiers. 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, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets				
Parking lot	\$ 39,758	\$ -	\$ -	\$ 39,758
Copiers	-	50,000	-	50,000
	<u>39,758</u>	<u>50,000</u>	<u>-</u>	<u>89,758</u>
Less accumulated amortization for:				
Parking lot	1,988	3,973		5,961
Copiers	-	833	-	833
	<u>1,988</u>	<u>4,806</u>	<u>-</u>	<u>6,794</u>
Right to use assets, net	<u>\$ 37,770</u>	<u>\$ 45,194</u>	<u>\$ -</u>	<u>\$ 82,964</u>

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, 2023, the loan has been discounted to the present value of \$138,821.

B. Liabilities1. Accounts Payable – Disaggregate Information

	Governmental Business-type		
	Activities	Activities	Total
Vendor payables	\$ 175,711	\$ 41,957	\$ 217,668
Accrued salaries and expenses	162,486	37,961	200,447
Total	\$ 338,197	\$ 79,918	\$ 418,115

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, 2023, was 13.04% of compensation for law enforcement officers and 12.16% 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 \$623,494 for the year ended June 30, 2023. Contributions to the pension plan from the ABC Board were \$31,422 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, 2023, the City reported a liability of \$3,423,218 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The 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, 2023, the City's proportion was 0.06068%, which was an increase of 0.00923% from its proportion measured as of June 30, 2022. The ABC Board reported a liability of \$173,192 for its proportionate share of the net pension liability.

For the year ended June 30, 2023, the City recognized pension expense of \$976,422. At June 30, 2023, 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	\$ 147,503	\$ 14,463
Changes of assumptions	341,560	-
Net difference between projected and actual earnings on pension plan investments	1,131,410	-
Changes in proportion and differences between City contributions and proportionate share of contributions	135,387	56,031
City contributions subsequent to the measurement date	623,494	-
Total	<u>\$ 2,379,354</u>	<u>\$ 70,494</u>

\$623,494 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	517,994
2025	455,857
2026	172,490
2027	539,025
Thereafter	-
	<u>\$ 1,685,366</u>

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

Inflation	2.50 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation protection	6.0%	2.7%
Total	100.0%	

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:

	1% Decrease (5.5%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 6,178,469	\$ 3,423,218	\$ 1,152,732

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>26</u>
Total	<u><u>29</u></u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 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, 2021. The actuarial assumptions used in the December 31,

2021 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.

4. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The City paid \$18,326 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 \$868,407. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$101,866.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,388	\$ 68,179
Changes of assumptions and other inputs	163,917	162,025
City benefit payments and plan administrative expense made subsequent to the measurement date	18,326	-
Total	<u>\$ 224,631</u>	<u>\$ 230,204</u>

\$18,326 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, 2024.

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

Year ended June 30:

2024	\$ 8,463
2025	9,145
2026	3,661
2027	(22,111)
2028	(23,057)
Thereafter	-
	<u>\$ (23,899)</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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 945,627	\$ 868,407	\$ 798,322

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2021	\$ 959,581
Changes for the year:	
Service cost at end of year	60,745
Interest	21,188
Change in benefit terms	-
Difference between expected and actual experience	30,172
Changes of assumptions and other inputs	(167,469)
Benefit payments	(35,810)
Other	-
Net changes	<u>(91,174)</u>
Total pension liability as of December 31, 2022	<u>\$ 868,407</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	\$ 976,422	\$ 101,866	\$ 1,078,288
Pension liability	3,423,218	868,407	4,291,625
Proportionate share of the net pension liability	0.06068%	n/a	n/a
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 147,503	\$ 42,388	\$ 189,891
Changes of assumptions	341,560	163,917	505,477
Net difference between projected and actual earnings on plan investments	1,131,410	-	1,131,410
Changes in proportion and differences between contributions and proportionate share of contributions	135,387	-	135,387
Benefit payments and administrative costs paid subsequent to the measurement date	623,494	18,326	641,820
	<u>\$ 2,379,354</u>	<u>\$ 224,631</u>	<u>\$ 2,603,985</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 14,463	\$ 68,179	\$ 82,642
Changes of assumptions	-	162,025	162,025
Changes in proportion and differences between contributions and proportionate share of contributions	56,031	-	56,031
	<u>\$ 70,494</u>	<u>\$ 230,204</u>	<u>\$ 300,698</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The City made contributions of \$71,931 for the reporting year. No amounts were forfeited.

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

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

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

The City made contributions of \$179,234 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 Employees</u>
Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	-
Total	<u>3</u>

Total OPEB Liability

The City's total OPEB liability of \$183,163 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022 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	3.54%
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, 2022.

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, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

Schedule of Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2021	\$ 216,802
Changes for the year:	
Service cost	-
Interest	4,548
Changes of benefit terms	-
Differences between expected and actual experience	(980)
Changes in assumptions or other inputs	(24,607)
Benefit payments	(12,600)
Net changes	(33,639)
Total OPEB liability as of June 30, 2022	<u>\$ 183,163</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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 200,471	\$ 183,163	\$ 168,223

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	\$ 170,055	\$ 183,163	\$ 198,171

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

For the year ended June 30, 2022, the City recognized an OPEB benefit of \$5,728. At June 30, 2023, 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	13,001	-
Total	<u>\$ 13,001</u>	<u>\$ -</u>

\$13,001 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, 2024. The City does not have any amounts reported as deferred inflows of resources as of June 30, 2023.

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, 2023 were as follows:

Contributions to pension plan in current fiscal year	\$ 623,494
Benefit payments and admin expenses for LEOSA made subsequent to measurement date	18,326
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	13,001
Other pension deferrals	1,962,165
	<u>\$ 2,616,986</u>

Deferred inflows of resources at June 30, 2023 were as follows:

	Governmental Funds	Government- Wide
Prepaid taxes (General Fund)	\$ 6,502	\$ 6,502
Lease receivable (General Fund)	140,147	140,147
Taxes receivable, net (General Fund)	13,600	-
Other receivables (General Fund)	159,147	-
Pension deferrals	-	300,698
Total	<u>\$ 319,396</u>	<u>\$ 447,347</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 and Water and Sewer Fund:

Parking lot 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 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
2024	3,804	456
2025	3,858	402
2026	3,912	348
2027	3,968	292
2028	4,024	236
2029-2030	14,540	370
Total	<u>\$ 34,106</u>	<u>\$ 2,104</u>

Copiers lease

The City has entered into an agreement to lease photocopiers. 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 April 2023 and requires 60 monthly payments of \$1,292. The lease also provides for overage charges on excess copies per month. The lease liability has an implicit interest rate of 18.813%. As a result of the lease, the City has recorded a right to use asset with a net book value of \$50,000 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
2024	6,754	8,748
2025	8,140	7,362
2026	9,811	5,691
2027	11,824	3,678
2028	12,708	1,251
Total	\$ 49,237	\$ 26,730

Direct Borrowing Installment Purchases:

During the year ended June 30, 2023, the City entered into a \$1,085,000 direct borrowing installment purchase to finance a fire truck. Semiannual payments of \$64,457, including implicit interest at 1.70%, began July 2, 2023. The fire truck is pledged as collateral for the debt while the debt is outstanding.

\$1,085,000

During the year ended June 30, 2023, the City entered into a \$952,000 direct borrowing installment purchase to finance vehicles and equipment. Of the total amount, \$506,850 or 53% of the proceeds were assigned to the Water and Sewer Fund. Semiannual payments of \$102,557, including interest at 1.35%, began January 15, 2023. The vehicles and equipment are pledged as collateral for the debt while the debt is outstanding.

458,934

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 February 2022. The loan matures in August 2026. The vehicles and equipment are pledged as collateral while the debt is outstanding.

200,710

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.

156,720

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.

80,881

Total direct borrowing installment purchases \$1,982,245

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.

\$ 562,497

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.

155,227

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.

379,382

Total direct borrowing installment purchases \$ 1,097,106

Serviced by the Water and Sewer Fund:

During the year ended June 30, 2023, the City entered into a \$952,000 direct borrowing installment purchase to finance vehicles and equipment. Of the total amount, \$445,150 or 47% of the proceeds were assigned to the Water and Sewer Fund. Semiannual payments of \$102,557, including implicit interest at 1.35%, began on January 15, 2023. The loan matures in 2027. The vehicles and equipment are pledged as collateral while the debt is outstanding.

\$ 403,066

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 equipment. 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 equipment are pledged as collateral while the debt is outstanding.

108,720

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.	57,240
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.	160,419
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.	<u>77,126</u>
Total direct borrowing installment purchases	<u>\$ 806,571</u>

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.	<u>\$ 437,134</u>
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At June 30, 2023, the City of Marion had a legal debt margin of approximately \$45,500,000. Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending	Governmental Activities			
	Direct Borrowing		Direct Borrowing	
	Installment Purchases		USDA Loan	
June 30	Principal	Interest	Principal	Interest
2024	\$ 355,915	\$ 59,776	\$ 63,714	\$ 23,436
2025	343,580	44,454	65,791	21,359
2026	291,519	36,543	67,993	19,157
2027	237,950	29,322	70,254	16,896
2028	160,806	22,740	72,600	14,550
2029-2060	<u>592,475</u>	<u>54,520</u>	<u>756,754</u>	<u>139,977</u>
Total	<u>\$ 1,982,245</u>	<u>\$ 247,355</u>	<u>\$ 1,097,106</u>	<u>\$ 235,375</u>

Year Ending June 30	Business-Type Activities			
	Direct Borrowing Installment Purchases		Direct Borrowing CWSRF Loan	
	Principal	Interest	Principal	Interest
2024	\$ 242,825	\$ 17,103	\$ 62,447	\$ -
2025	221,605	11,798	62,447	-
2026	188,696	7,231	62,447	-
2027	106,180	336	62,447	-
2028	47,265	657	62,447	-
2029-2033	-	-	124,899	-
Total	<u>\$ 806,571</u>	<u>\$ 37,125</u>	<u>\$ 437,134</u>	<u>\$ -</u>

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

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023	Current Portion of Balance
<u>Governmental Activities:</u>					
Direct borrowing installment purchases	\$ 953,892	\$ 1,718,830	\$ 690,477	\$ 1,982,245	\$ 355,915
Direct borrowing USDA loan	1,158,796	-	61,690	1,097,106	63,714
Total pension liability (LEOSSA)	959,581	-	91,174	868,407	-
Total OPEB liability	216,802	-	33,639	183,163	-
Net pension liability (LGERS)	623,338	2,133,688	-	2,757,026	-
Lease	37,856	43,000	4,406	76,450	4,805
Compensated absences	324,548	290,159	220,000	394,707	222,047
Total	<u>\$4,274,813</u>	<u>\$ 4,185,677</u>	<u>\$ 1,101,386</u>	<u>\$7,359,104</u>	<u>\$ 646,481</u>
<u>Business-type Activities:</u>					
Direct borrowing installment purchases	\$ 557,565	\$ 445,150	\$ 196,144	\$ 806,571	\$ 242,825
Direct borrowing CWSRF loan	499,581	-	62,447	437,134	62,447
Net pension liability (LGERS)	165,698	500,494	-	666,192	-
Lease	-	7,000	107	6,893	118
Compensated absences	63,982	53,382	45,000	72,364	45,000
Total	<u>\$1,286,826</u>	<u>\$ 1,006,026</u>	<u>\$ 303,698</u>	<u>\$1,989,154</u>	<u>\$ 350,390</u>
<u>Marion ABC Board:</u>					
Notes payable	<u>\$ 404,977</u>	<u>\$ -</u>	<u>\$ 43,339</u>	<u>\$ 361,638</u>	<u>\$ -</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, 2023, consist of the following:

Internal Service Fund	\$ 118,971
Capital Project Fund	<u>79,923</u>
Total	<u>\$ 198,894</u>

Balance due to the Water and Sewer Fund from other funds at June 30, 2023, consist of the following:

Internal Service Fund	<u>\$ 41,800</u>
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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, 2023 consist of the following:

From the General Fund to the Capital Projects Fund

To fund general capital projects	<u>\$ 458,070</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 FY2023	<u>\$ 555,055</u>
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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 \$7,753 to the Commission during the fiscal year ended June 30, 2023.

Note 5 – Joint Ventures

The City and the members of the City's fire department each appoint two members to the five-member local Board of Trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightening insurance premiums which insurers remit to the State. The State passes these monies to the local Board of the Firefighter's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the Board of Trustees. During the fiscal year ended June 30, 2023, the City reported revenue and expenditures for the payments of \$11,381 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, 2023. 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 SIX FISCAL YEARS

Schedule of Changes in the Total OPEB Liability and Related Ratios

	2023	2022	2021	2020	2019	2018
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	4,548	2,237	3,442	4,888	4,743	4,341
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(980)	116,628	2,243	(23,088)	473	967
Changes of assumptions	(24,607)	2,959	9,337	1,260	(3,743)	(7,152)
Benefit payments	(12,600)	(12,455)	(11,774)	(8,982)	(9,115)	(9,152)
Net change in total OPEB liability	(33,639)	109,369	3,248	(25,922)	(7,642)	(10,996)
Total OPEB liability - beginning	216,802	107,433	104,185	130,107	137,749	148,745
Total OPEB liability - ending	<u>\$ 183,163</u>	<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	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%
2023	3.54%

* 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 TEN FISCAL YEARS *

	Local Governmental Employees' Retirement System									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportionate share of the net pension liability (asset) (%)	0.06068%	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) (\$)	\$ 3,423,218	\$ 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	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	3,113,996
City's proportionate share of the net pension liability (asset) as a percentage of covered payroll	78.66%	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)	84.14%	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 TEN FISCAL YEARS

	Local Governmental Employees' Retirement System									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 623,494	\$ 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>623,494</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 5,041,384	\$ 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	12.37%	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 SEVEN FISCAL YEARS *

Schedule of Changes in Total Pension Liability

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 959,581	\$ 1,053,809	\$ 728,793	\$ 684,323	\$ 687,673	\$ 590,935	\$ 575,080
Changes for the year:							
Service cost at end of year	60,745	49,297	37,654	34,538	36,526	28,315	30,667
Interest	21,188	19,993	23,104	23,940	20,934	22,106	20,189
Change in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	30,172	(101,195)	15,807	14,386	19,681	40,088	-
Changes of assumptions and other inputs	(167,469)	(26,513)	288,617	24,840	(30,108)	42,723	(15,860)
Benefit payments	(35,810)	(35,810)	(40,166)	(53,234)	(50,383)	(36,494)	(19,141)
Net changes	(91,174)	(94,228)	325,016	44,470	(3,350)	96,738	15,855
Ending balance of the total pension liability	<u>\$ 868,407</u>	<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	\$ 868,407	\$ 959,581	\$ 1,053,809	\$ 728,793	\$ 684,323	\$ 687,673	\$ 590,935
Covered Payroll	1,303,340	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	66.63%	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, 2023

	Final Budget	Actual	Variance Positive/ (Negative)
Revenues:			
Ad Valorem Taxes:			
Current year taxes	\$ 3,022,408	\$ 3,045,498	\$ 23,090
Prior year taxes	20,000	(13,547)	(33,547)
Motor vehicle taxes, net	251,974	286,988	35,014
Penalties and interest	12,250	13,218	968
	<u>3,306,632</u>	<u>3,332,157</u>	<u>25,525</u>
Other Taxes and Licenses:			
Local option sales tax	1,826,000	2,017,855	191,855
Utilities sales tax	500,000	526,583	26,583
Solid waste disposal tax	6,000	6,195	195
Licenses and permits	8,000	9,029	1,029
Wine and beer tax	35,000	34,826	(174)
	<u>2,375,000</u>	<u>2,594,488</u>	<u>219,488</u>
Unrestricted Intergovernmental:			
Court revenue	4,500	3,793	(707)
ABC revenues	350,000	351,595	1,595
Video franchise fees	75,500	72,477	(3,023)
	<u>430,000</u>	<u>427,865</u>	<u>(2,135)</u>
Restricted Intergovernmental:			
Powell Bill allocation	231,115	228,149	(2,966)
Contribution for SRO	101,348	72,074	(29,274)
COVID-19 FEMA funds	-	20,225	20,225
ABC revenue for law enforcement	12,000	14,667	2,667
Parking violations	4,500	6,139	1,639
County fire protection	653,000	695,065	42,065
County recycling	7,200	6,317	(883)
NCDOT reimbursements	2,500	2,519	19
Federal drug asset revenue	4,000	4,119	119
DARE fund revenue	7,500	7,500	-
State controlled substance revenue	11,000	14,281	3,281
State of NC fire protection	2,000	1,994	(6)
McDowell County schools officer	208,190	162,622	(45,568)
Public safety grants	286,848	374,120	87,272
MEC contribution	10,000	10,000	-
Florence costs reimbursement	-	27,151	27,151
Contributions from TDA	50,000	50,000	-

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, 2023

	Final Budget	Actual	Variance Positive/ (Negative)
On-behalf payments for fire and rescue	-	11,381	11,381
	<u>1,591,201</u>	<u>1,708,323</u>	<u>117,122</u>
License, Permits and Fees:			
City vehicle license	24,000	28,009	4,009
Building permits (zoning and inspections)	<u>110,050</u>	<u>115,242</u>	<u>5,192</u>
	<u>134,050</u>	<u>143,251</u>	<u>9,201</u>
Sales and Services:			
Rents, concessions and lease revenue	51,300	68,615	17,315
Cemetery revenues	14,070	21,251	7,181
Garbage fees	630,050	643,155	13,105
Sales of real estate	-	1,212	1,212
Sale of surplus equipment	<u>15,302</u>	<u>74,912</u>	<u>59,610</u>
	<u>710,722</u>	<u>809,145</u>	<u>98,423</u>
Miscellaneous	<u>61,837</u>	<u>103,313</u>	<u>41,476</u>
Lease interest earnings	<u>-</u>	<u>2,077</u>	<u>2,077</u>
Investment earnings	<u>136,952</u>	<u>178,945</u>	<u>41,993</u>
Restricted contributions	<u>25,000</u>	<u>32,426</u>	<u>7,426</u>
Total revenues	<u>8,771,394</u>	<u>9,331,990</u>	<u>560,596</u>
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits		922,742	
Operating expenditures		199,769	
Capital outlay		140,324	
Capital outlay-lease		43,000	
Allocation to Water and Sewer		<u>(478,658)</u>	
	<u>1,044,880</u>	<u>827,177</u>	<u>217,703</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, 2023

	Final Budget	Actual	Variance Positive/ (Negative)
Cemetery:			
Operating expenditures		64,652	
	<u>69,900</u>	<u>64,652</u>	<u>5,248</u>
Non-departmental:			
Operating expenditures		322,425	
	<u>388,562</u>	<u>322,425</u>	<u>66,137</u>
Total general government	<u>1,503,342</u>	<u>1,214,254</u>	<u>289,088</u>
Public safety:			
Police department:			
Salaries and employee benefits		2,220,509	
Operating expenditures		529,305	
Capital outlay		141,123	
	<u>3,118,582</u>	<u>2,890,937</u>	<u>227,645</u>
Fire department:			
Salaries and employee benefits		925,219	
Operating expenditures		254,047	
Capital outlay		92,079	
	<u>1,304,379</u>	<u>1,271,345</u>	<u>33,034</u>
Inspections:			
Salaries and employee benefits		394,319	
Operating expenditures		118,555	
Capital outlay		32,332	
	<u>572,314</u>	<u>545,206</u>	<u>27,108</u>
Total public safety	<u>4,995,275</u>	<u>4,707,488</u>	<u>287,787</u>
Transportation:			
Public works administration:			
Salaries and employee benefits		205,032	
Other operating expenditures		27,046	
Capital outlay		51,013	
Allocation to Water and Sewer		(142,690)	
	<u>209,176</u>	<u>140,401</u>	<u>68,775</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Street department:			
Salaries and employee benefits		566,537	
Other operating expenditures		578,621	
Capital outlay		607,538	
	<u>1,975,665</u>	<u>1,752,696</u>	<u>222,969</u>
Powell Bill:			
Other operating expenditures	<u>235,590</u>	<u>47,197</u>	<u>188,393</u>
Fleet maintenance:			
Salaries and employee benefits		121,767	
Other operating expenditures		12,768	
Allocation to Water and Sewer		(52,364)	
	<u>92,937</u>	<u>82,171</u>	<u>10,766</u>
Total transportation	<u>2,513,368</u>	<u>2,022,465</u>	<u>490,903</u>
Environmental protection:			
Salaries and employee benefits		460,432	
Other operating expenditures		450,013	
Capital outlay		38,413	
	<u>1,434,228</u>	<u>948,858</u>	<u>485,370</u>
Cultural and recreation:			
Community building and recreation:			
Other operating expenditures		100,564	
Capital outlay		163,746	
	<u>298,259</u>	<u>264,310</u>	<u>33,949</u>
Debt service:			
Principal retirement		306,454	
Interest and other charges		41,272	
	<u>357,681</u>	<u>347,726</u>	<u>9,955</u>
Total expenditures	<u>11,102,153</u>	<u>9,505,101</u>	<u>1,597,052</u>
Revenues under expenditures	<u>(2,330,759)</u>	<u>(173,111)</u>	<u>2,157,648</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, 2023

	Final Budget	Actual	Variance Positive/ (Negative)
Other Financing Sources (Uses):			
Fund balance appropriated	1,197,478	-	(1,197,478)
Lease liabilities issued	87,030	43,000	(44,030)
Proceeds from insurance	7,996	42,689	34,693
Installment obligations issued	866,850	506,850	(360,000)
Transfer from ARPA fund	629,475	555,055	(74,420)
Transfer to capital projects funds	(458,070)	(458,070)	-
	<u>2,330,759</u>	<u>689,524</u>	<u>(1,641,235)</u>
Total other financing sources (uses)			
	<u>2,330,759</u>	<u>689,524</u>	<u>(1,641,235)</u>
Revenues and other sources over expenditures and other uses	\$ <u>-</u>	516,413	\$ <u>516,413</u>
Fund balance, beginning of year		<u>5,845,682</u>	
Fund balance, end of year		<u>\$ 6,362,095</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, 2023

	Actual		
Project Authorization	Prior Years	Current Year	Total
Revenues:			
Restricted intergovernmental:			
ARP Funds	\$ 2,514,842	\$ 1,257,421	\$ 555,055
			\$ 1,812,476
Other Financing Uses:			
Transfers out	(2,514,842)	(1,257,421)	(555,055)
			(1,812,476)
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, 2023

	General Grant Projects	Lincoln Avenue Culvert Replacement Project	Baldwin Avenue Sidewalk Improvement Project	Fire Truck Purchases Project	Street Improvements Projects	Lady Marian Dam Decommissioning Project	Total Capital Project Fund
Assets							
Cash and investments	\$ 126,500	\$ -	\$ 87,000	\$ 500,384	\$ 684,070	\$ -	\$ 1,397,954
Restricted cash	-	-	-	1,090,400	356,000	-	1,446,400
Accounts receivable	-	-	-	-	-	80,000	80,000
Total assets	<u>\$ 126,500</u>	<u>\$ -</u>	<u>\$ 87,000</u>	<u>\$ 1,590,784</u>	<u>\$ 1,040,070</u>	<u>\$ 80,000</u>	<u>2,924,354</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 75,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,280
Due to the general fund	-	-	-	-	-	79,923	79,923
Total liabilities	<u>75,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,923</u>	<u>155,203</u>
Fund balances:							
Restricted:							
Stabilization by State statute	-	-	-	-	-	77	77
Future capital projects	-	-	-	1,590,784	356,000	-	1,946,784
Committed:							
Future capital projects	<u>51,220</u>	<u>-</u>	<u>87,000</u>	<u>-</u>	<u>684,070</u>	<u>-</u>	<u>822,290</u>
Total fund balances	<u>51,220</u>	<u>-</u>	<u>87,000</u>	<u>1,590,784</u>	<u>1,040,070</u>	<u>77</u>	<u>2,769,151</u>
Total liabilities and fund balances	<u>\$ 126,500</u>	<u>\$ -</u>	<u>\$ 87,000</u>	<u>\$ 1,590,784</u>	<u>\$ 1,040,070</u>	<u>\$ 80,000</u>	<u>\$ 2,924,354</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, 2023

	General Grant Projects	Lincoln Avenue Culvert Replacement Project	Baldwin Avenue Sidewalk Improvement Project	Fire Truck Purchases Project	Street Improvements Projects	Lady Marian Dam Decommissioning Project	Total Capital Project Fund
Revenues							
Restricted intergovernmental (refunded)	\$ (54,063)	\$ 462,114	\$ -	\$ 500,000	\$ -	\$ 80,000	\$ 988,051
Investment income	-	-	-	5,784	-	-	5,784
Total revenues	<u>(54,063)</u>	<u>462,114</u>	<u>-</u>	<u>505,784</u>	<u>-</u>	<u>80,000</u>	<u>993,835</u>
Expenditures							
Capital outlay:							
Engineering	102,780	11,471	-	-	-	19,770	134,021
Construction	-	14,945	-	-	-	-	14,945
Current:							
General government	20,038	-	-	-	-	-	20,038
Debt service - principal	-	450,120	-	-	-	-	450,120
Total expenditures	<u>122,818</u>	<u>476,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,770</u>	<u>619,124</u>
Revenues (under) over expenditures	<u>(176,881)</u>	<u>(14,422)</u>	<u>-</u>	<u>505,784</u>	<u>-</u>	<u>60,230</u>	<u>374,711</u>
Other Financing Sources							
Loan proceeds / installment obligations issued	-	126,981	-	1,085,000	-	-	1,211,981
Transfers in	<u>94,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>364,070</u>	<u>-</u>	<u>458,070</u>
Total other financing sources	<u>94,000</u>	<u>126,981</u>	<u>-</u>	<u>1,085,000</u>	<u>364,070</u>	<u>-</u>	<u>1,670,051</u>
Net change in fund balance	(82,881)	112,559	-	1,590,784	364,070	60,230	2,044,762
Fund balances (deficits), beginning of year	<u>134,101</u>	<u>(112,559)</u>	<u>87,000</u>	<u>-</u>	<u>676,000</u>	<u>(60,153)</u>	<u>724,389</u>
Fund balances, end of year	<u>\$ 51,220</u>	<u>\$ -</u>	<u>\$ 87,000</u>	<u>\$ 1,590,784</u>	<u>\$ 1,040,070</u>	<u>\$ 77</u>	<u>\$ 2,769,151</u>

CITY OF MARION, NORTH CAROLINA

GRANT PROJECT FUND - GENERAL GRANT PROJECTS

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

From inception and for the year ended June 30, 2023

		Actual through June 30, 2023		
	Project	Reported in		
	Authorization	Prior Years	Current Year	Total to Date
Revenues:				
NC Office Recovery & Resiliency (refund)	\$ 245,773	\$ 245,773	\$ (54,063)	\$ 191,710
Expenditures:				
Architect/Engineering Services	154,000	-	102,780	102,780
Operating - general government	216,575	142,474	20,038	162,512
Capital outlay - general government	29,198	29,198	-	29,198
Total expenditures	399,773	171,672	122,818	294,490
Revenues over (under) expenditures	(154,000)	74,101	(176,881)	(102,780)
Other Financing Sources (Uses)				
Transfers in	154,000	60,000	94,000	154,000
Net change in fund balance	\$ -	\$ 134,101	(82,881)	\$ 51,220
Fund balance, beginning of year			134,101	
Fund balance, end of year			\$ 51,220	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - LINCOLN AVENUE CULVERT REPLACEMENT PROJECT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2023

		<u>Actual through June 30, 2023</u>		
	<u>Project Authorization</u>	<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Federal emergency management public assistance funding	\$ 854,554	\$ 391,100	\$ 462,114	\$ 853,214
Expenditures:				
Engineering	246,550	235,079	11,471	246,550
Construction	597,775	581,491	14,945	596,436
Administration	10,229	10,228	-	10,228
Debt service (Repayment of loan)	450,120	-	450,120	(450,120)
Total expenditures	<u>1,304,674</u>	<u>826,798</u>	<u>476,536</u>	<u>403,094</u>
Revenues over (under) expenditures	<u>(450,120)</u>	<u>(435,698)</u>	<u>(14,422)</u>	<u>450,120</u>
Other Financing Sources (Uses):				
Installment obligations issued - NCORR	<u>450,120</u>	<u>323,139</u>	<u>126,981</u>	<u>450,120</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (112,559)</u>	112,559	<u>\$ 900,240</u>
Fund balance (deficit), beginning of year			<u>(112,559)</u>	
Fund balance, end of year			<u>\$ -</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, 2023

		<u>Actual through June 30, 2023</u>		
	<u>Project Authorization</u>	<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
NC Department of Transportation	\$ 350,000	\$ -	\$ -	\$ -
Expenditures:				
Engineering	25,000	-	-	-
Construction	312,000	-	-	-
Right of way expansion	100,000	-	-	-
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 - FIRE TRUCK PURCHASE PROJECT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2023

		<u>Actual through June 30, 2023</u>		
	<u>Project</u> <u>Authorization</u>	<u>Reported in</u> <u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
State capital infrastructure grant	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Investment income	<u>-</u>	<u>-</u>	<u>5,784</u>	<u>5,784</u>
Total revenues	<u>500,000</u>	<u>-</u>	<u>505,784</u>	<u>505,784</u>
Expenditures:				
Capital outlay - fire truck	1,358,000	-	-	-
Capital outlay - equipment	210,000	-	-	-
Contingencies	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,585,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(1,085,000)</u>	<u>-</u>	<u>505,784</u>	<u>505,784</u>
Other financing sources:				
Proceeds installment financing	<u>1,085,000</u>	<u>-</u>	<u>1,085,000</u>	<u>1,085,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,590,784</u>	<u>\$ 1,590,784</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 1,590,784</u>	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT FUND - STREET IMPROVEMENT PROJECTS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2023

		<u>Actual through June 30, 2023</u>		
	<u>Project Authorization</u>	<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures:				
Construction	\$ 1,040,070	\$ -	\$ -	\$ -
Revenues under expenditures	<u>(1,040,070)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers in (Powell Bill funds)	356,000	356,000	-	356,000
Transfers in	<u>684,070</u>	<u>320,000</u>	<u>364,070</u>	<u>684,070</u>
Total other financing sources	<u>1,040,070</u>	<u>676,000</u>	<u>364,070</u>	<u>1,040,070</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 676,000</u>	364,070	<u>\$ 1,040,070</u>
Fund balance, beginning of year			<u>676,000</u>	
Fund balance, end of year			<u>\$ 1,040,070</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, 2023

		<u>Actual through June 30, 2023</u>		
	<u>Project Authorization</u>	<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
NC-FEMA	\$ 80,000	\$ -	\$ 80,000	\$ 80,000
Other revenue:				
Private donations	<u>43,077</u>	<u>43,077</u>	<u>-</u>	<u>43,077</u>
Total revenues	<u>123,077</u>	<u>43,077</u>	<u>80,000</u>	<u>123,077</u>
Expenditures:				
Engineering	117,077	97,230	19,770	117,000
Planning and administration	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total expenditures	<u>123,077</u>	<u>103,230</u>	<u>19,770</u>	<u>123,000</u>
Revenues over (under) expenditures	<u>-</u>	<u>(60,153)</u>	<u>60,230</u>	<u>77</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (60,153)</u>	60,230	<u>\$ 77</u>
Fund balance (deficit), beginning of year			<u>(60,153)</u>	
Fund balance, end of year			<u>\$ 77</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, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 1,267,000	\$ 1,305,527	\$ 38,527
Sewer sales	901,000	927,785	26,785
Sewer taps	27,500	32,710	5,210
Water taps	48,000	59,437	11,437
Cut-on fees/penalties	110,500	118,671	8,171
Water service charges	1,195,680	1,210,363	14,683
Sewer service charges	646,600	656,436	9,836
Other operating income	66,298	86,014	19,716
Total operating revenues	<u>4,262,578</u>	<u>4,396,943</u>	<u>134,365</u>
Non-operating revenues:			
Interest	<u>500</u>	<u>5,751</u>	<u>5,251</u>
Total revenues	<u>4,263,078</u>	<u>4,402,694</u>	<u>139,616</u>
Expenditures:			
Utility line maintenance:			
Salaries and employee benefits		704,984	
Operating expenditures		531,955	
Repairs and maintenance		70,179	
Capital outlay		676,210	
Overhead allocation		673,712	
	<u>3,276,557</u>	<u>2,657,040</u>	<u>619,517</u>
Water filter plant:			
Salaries and employee benefits		347,703	
Operating expenditures		281,517	
Repairs and maintenance		22,574	
Capital outlay		80,064	
	<u>865,069</u>	<u>731,858</u>	<u>133,211</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, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Water treatment plant:			
Salaries and employee benefits		397,904	
Operating expenditures		487,755	
Repairs and maintenance		41,220	
Capital outlay		42,787	
	<u>1,165,200</u>	<u>969,666</u>	<u>195,534</u>
 Total operating expenditures	 <u>5,306,826</u>	 <u>4,358,564</u>	 <u>948,262</u>
 Miscellaneous	 <u>39,500</u>	 <u>10,067</u>	 <u>29,433</u>
 Debt service:			
Principal retirement		258,698	
Interest		14,515	
	<u>276,437</u>	<u>273,213</u>	<u>3,224</u>
 Insurance, bonding and workers' compensation	 <u>111,569</u>	 <u>88,748</u>	 <u>22,821</u>
 Total expenditures	 <u>5,734,332</u>	 <u>4,730,592</u>	 <u>1,003,740</u>
 Revenues under expenditures	 <u>(1,471,254)</u>	 <u>(327,898)</u>	 <u>1,143,356</u>
 Other Financing Sources:			
Lease liability issued	7,120	7,000	(120)
Installment obligations issued	445,150	445,150	-
Transfer from capital reserve fund	20,000	46,620	26,620
Proceeds on sale of capital assets	-	17,862	17,862
Appropriated fund balance	998,984	-	(998,984)
 Total other financing sources	 <u>1,471,254</u>	 <u>516,632</u>	 <u>(954,622)</u>
 Revenues and other sources over expenditures	 <u>\$ -</u>	 <u>188,734</u>	 <u>\$ 188,734</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, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Decrease in inventories		(8,261)	
Interest earned on long-term note receivable		5,339	
Capital outlay		806,061	
Depreciation		(916,928)	
Increase in accrued interest		(4,820)	
Increase in accrued compensated absences		(8,382)	
Installment obligations issued		(445,150)	
Lease liability issued		(7,000)	
Principal retirement		258,698	
From Water and Sewer Capital Reserve Fund:			
Water and sewer system development fees		46,620	
Intrafund transfer		(46,620)	
Increase in net pension liability		(500,494)	
Increase in deferred outflows of resources - pensions		214,465	
Decrease in deferred inflows of resources - pensions		<u>218,973</u>	
Total reconciling items		<u>(387,499)</u>	
 Change in net position		 <u>\$ (198,765)</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Water and sewer system development fees	<u>\$ 46,620</u>	<u>\$ 46,620</u>	<u>\$ -</u>
Other financing uses:			
Transfer to water and sewer fund for debt service	<u>(46,620)</u>	<u>(46,620)</u>	<u>-</u>
Revenues over other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MARION, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
GRANT PROJECT - WATER/SEWER FUND MISCELLANEOUS
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From inception and for the year ended June 30, 2023

		<u>Actual through June 30, 2023</u>		
	<u>Project Authorization</u>	<u>Reported in Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
NC Division of Water				
Infrastructure grant	\$ 150,000	\$ 132,000	\$ 18,000	\$ 150,000
Expenditures:				
Professional services	132,000	132,000	-	132,000
Capital outlay - IT	<u>18,000</u>	<u>14,506</u>	<u>3,494</u>	<u>18,000</u>
Total	<u>150,000</u>	<u>146,506</u>	<u>3,494</u>	<u>150,000</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ (14,506)</u>	<u>\$ 14,506</u>	<u>\$ -</u>

CITY OF MARION, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
GRANT PROJECT - CLINCHFIELD SUB-BASIN REPLACEMENT/REHAB PROJECT
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From inception and for the year ended June 30, 2023

		<u>Actual through June 30, 2023</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 Environment SFR Funding	\$ 3,244,430	\$ -	\$ -	\$ -
Total revenues	<u>3,244,430</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Administration	239,000			
Construction	2,451,430	-	-	-
Engineering	<u>554,000</u>	<u>-</u>	<u>37,500</u>	<u>37,500</u>
Total expenditures	<u>3,244,430</u>	<u>-</u>	<u>37,500</u>	<u>37,500</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>(37,500)</u>	<u>(37,500)</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, 2023

	Financial Plan	Actual	Variance Positive (Negative)
Revenue:			
Sales to other funds	\$ 497,725	\$ 470,305	\$ (27,420)
Expenditures:			
Salaries and employee benefits		60,336	
Operating expenditures		404,012	
Total expenditures	497,725	464,348	33,377
Revenue over expenditures	\$ -	5,957	\$ 5,957
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Increase in inventories		4,281	
Depreciation		(1,765)	
Increase in accrued compensated absences		(724)	
Increase in deferred outflows of resources - pension		11,289	
Increase in net pension liability		(26,341)	
Increase in deferred inflows of resources - pension		11,525	
Total reconciling items		(1,735)	
Change in net position		\$ 4,222	

OTHER SCHEDULES

CITY OF MARION, NORTH CAROLINA

GENERAL FUND

Schedule of Ad Valorem Taxes Receivable

For the year ended June 30, 2023

Fiscal Year	Uncollected Balance 6/30/2022	Additions	Collections And Credits	Uncollected Balance 6/30/2023
2022-2023	\$ -	\$ 3,402,207	\$ 3,391,064	\$ 11,143
2021-2022	14,498	-	10,044	4,454
2020-2021	4,890	-	2,633	2,257
2019-2020	2,903	-	1,549	1,354
2018-2019	1,959	-	963	996
2017-2018	1,364	-	578	786
2016-2017	2,499	-	1,794	705
2015-2016	1,484	-	531	953
2014-2015	2,971	-	2,019	952
2013-2014	5,337	-	1,337	4,000
2012-2013	6,836	-	6,836	-
	<u>\$ 44,741</u>	<u>\$ 3,402,207</u>	<u>\$ 3,419,348</u>	<u>27,600</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>14,000</u>
Ad valorem taxes receivable, net				<u>\$ 13,600</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,332,157
Reconciling items:				
Releases				29,549
Discount				17,027
Amounts written off for the 2012 levy				
per the statute of limitations				6,189
Other				<u>47,644</u>
				3,432,566
Less: interest collected				<u>(13,218)</u>
Total collections and credits				<u>\$ 3,419,348</u>

CITY OF MARION, NORTH CAROLINA

GENERAL FUND
Analysis of Current Tax Levy
For the year ended June 30, 2023

				Total Levy	
	City-Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Real	\$ 457,996,352	\$0.55/\$100	\$ 2,518,980	\$ 2,518,980	\$ -
Personal	145,478,737	\$0.55/\$100	776,545	475,973	300,572
Old age exemptions	<u>(7,573,016)</u>	\$0.55/\$100	<u>(41,652)</u>	<u>(41,652)</u>	<u>-</u>
Total	<u>595,902,073</u>		<u>3,253,873</u>	<u>2,953,301</u>	<u>300,572</u>
Penalties			<u>4,453</u>	<u>4,453</u>	<u>-</u>
			<u>3,258,326</u>	<u>2,957,754</u>	<u>300,572</u>
Discoveries:					
Current year taxes:					
Real	10,000	\$0.55/\$100	275	275	-
Personal	27,182,720	\$0.55/\$100	149,505	149,505	-
Old age exceptions	<u>(1,072,520)</u>	\$0.55/\$100	<u>(5,899)</u>	<u>(5,899)</u>	<u>-</u>
Total	<u>26,120,200</u>		<u>143,881</u>	<u>143,881</u>	<u>-</u>
Total City levy	<u>\$ 622,022,273</u>				
Net levy			3,402,207	3,101,635	300,572
Less: Uncollected taxes at June 30, 2023			<u>11,143</u>	<u>11,143</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,391,064</u>	<u>\$ 3,090,492</u>	<u>\$ 300,572</u>
Current levy collection percentage			99.67%	99.64%	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, 2023, 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 January 30, 2024. 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
January 30, 2024

CITY OF MARION, NORTH CAROLINA

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2023

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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