

**City of Marion, North Carolina**

**Financial Statements**

**June 30, 2024**

*Marion City*

*Council*

Steve Little, Mayor

Woody Ayers, Mayor Pro Tem

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**CITY OF MARION, NORTH  
CAROLINA**

**FOR THE YEAR ENDED JUNE 30,  
2024**

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*S. Gillespie, P.A.*

*Certified Public Accountant*

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**Independent Auditor's Report**

To the City Council  
City of Marion  
Marion, North Carolina

**Report on the Audit of Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component units of the City of Marion, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Marion's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marion as of June 30, 2024, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and each major 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 (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Audit of the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 raises substantial doubt about the City of Marion's ability to continue as a going concern for the 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 of 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 GAAS and Governmental Auditing Standards will always detect material statement 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 GAAS and Governmental Auditing Standards, we:

- exercised professional judgement and maintained 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 responsible 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 of Marion'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 of Marion'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' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions Local Government Employees' Retirement System Schedules of the City's Proportionate Share of Net Pension Asset and Town Contributions, pages 10-24 and 77-80, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consist 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 Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marion's basic financial statements. The combining and individual fund financial statements, budgetary schedules, 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 Schedule of Expenditures of Federal and State Awards as required by the Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act and is also not a required part of 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, the procedures performed as described above, and the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State

Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Marion's 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.

***S. Gillespie P.A.***  
***Spruce Pine, North Carolina***  
***October 4, 2024***

# City of Marion, North Carolina

## Management's Discussion and Analysis

June 30, 2024

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, 2024. 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

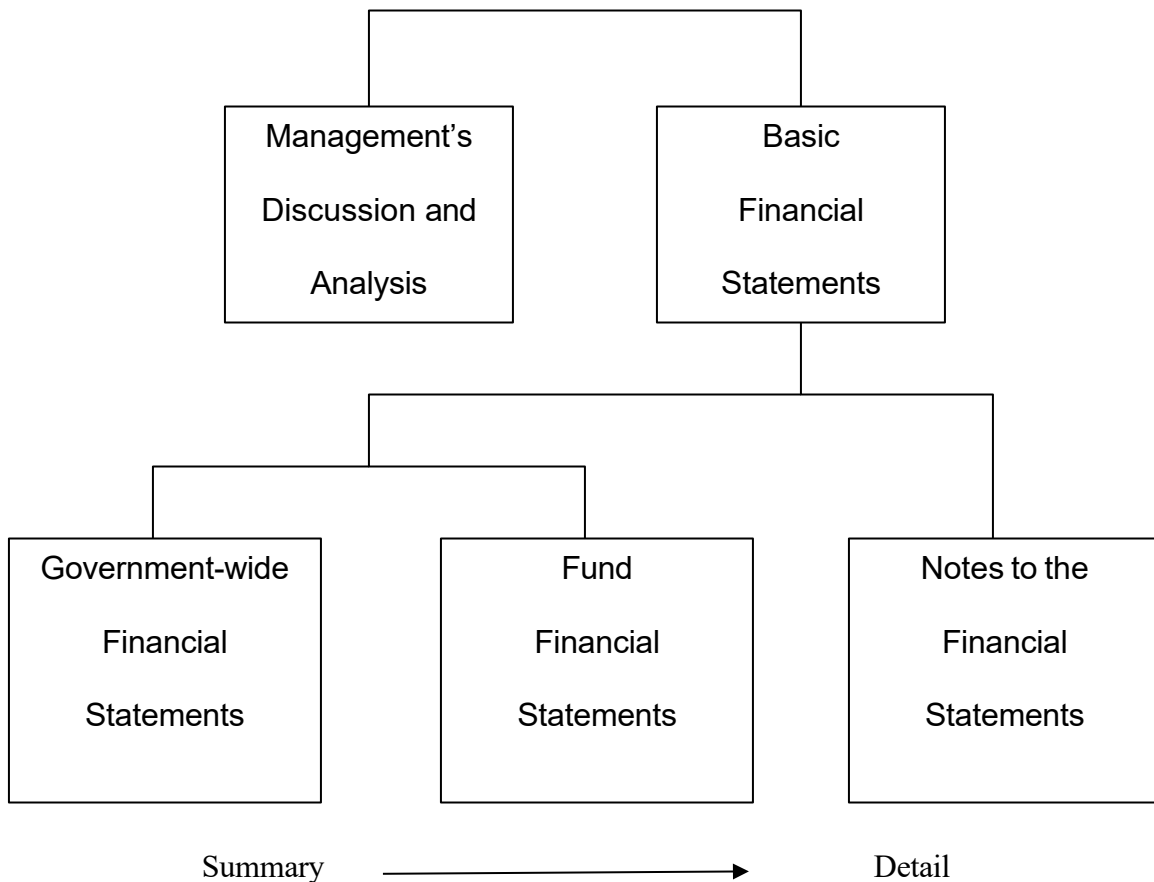
- The assets and deferred outflows of resources of the City of Marion exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$36,671,658 (*net position*).
- The government's total net position increased by \$1,391,649, consisting of increases in the governmental activities net position of \$1,044,939 and increases in the business-type activities net position of \$346,710.
- As of the close of the current fiscal year, the City of Marion's governmental funds reported combined ending fund balances of \$9,947,701 with a net increase of \$816,455 in fund balance. Approximately 54% of this total amount, or \$5,470,041, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$4,477,660, or 43% of general fund expenditures, as adjusted for the fiscal year. Total fund balance for the General Fund was \$7,339,873 or 70% of the total general fund expenditures, as adjusted.
- The City of Marion's total debt decreased by \$10,865 during the current fiscal year. The key factors in this decrease were regularly scheduled principal payments on existing debt of \$796,668 and the addition of a direct borrowing installment purchase of \$785,903 to finance vehicles and equipment serviced by both the General Fund and the Water and Sewer Fund.
- For FY2023, the City of Marion increased the property tax rate to \$.55 per \$100 of valuation. Current year property taxes were approximately \$4.1 million compared to FY2023 current year property tax of \$3.4 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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 7,949,364	\$ 8,462,998	\$ 3,558,655	\$ 3,123,725	\$ 11,359,445	\$ 11,586,723
Restricted assets	3,244,816	2,116,824	546,410	665,672	3,791,226	2,782,496
Capital assets	13,113,027	12,208,065	17,350,180	17,307,309	30,463,207	29,515,374
Deferred outflows of resources	2,098,859	2,139,897	636,745	477,089	2,735,604	2,616,986
Total assets and deferred outflows of resources	26,406,066	24,927,784	22,091,990	21,573,795	48,498,056	46,501,579
Long-term liabilities outstanding	7,360,884	6,712,623	1,754,685	1,638,764	9,115,569	8,351,387
Current liabilities	1,574,974	1,723,295	781,175	717,541	2,356,149	2,440,836
Deferred inflows of resources	343,573	409,493	11,784	37,854	355,357	447,347
Total liabilities and deferred inflows of resources	9,278,754	8,845,411	2,547,644	2,394,159	11,826,398	11,239,570
Net position:						
Net investment in capital assets	9,786,854	9,128,714	16,036,482	16,063,711	25,823,336	25,192,425
Restricted	3,029,568	4,457,901	-	-	3,029,568	4,457,901
Unrestricted	4,310,890	2,495,758	3,507,864	3,115,925	7,818,754	5,611,683
Total net position	\$17,127,312	\$16,082,373	\$19,544,346	\$19,179,636	\$36,671,658	\$35,262,009

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 \$36,671,658 as of June 30, 2024, which represents the City's total net position. The largest portion of net position (70%) 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, \$3,029,568 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,818,754 is unrestricted.

The City's total net position increased by \$1,428,996 for the fiscal year ended June 30, 2024. Governmental activities experienced an increase of \$1,082,286 in net position while business activities experienced a increase of \$346,710. Increases in current and other assets of approximately \$920,000 thousand accounted for the majority of the overall increase for governmental activities. Business activities overall showed an increase in net position of \$346,710, even after depreciation expense of \$956,882. This increase was attributed to federal grant awards. Current and other assets increased for business activities due to grant funding receivable at year end of approximately \$544,000.

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

- Conservative budgeting in Fiscal Year 2023-2024 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 99.37% compared to 99.64% in the prior fiscal year.
- Increased ad valorem tax revenues of approximately \$863,000, due to the increase in the ad valorem tax base as a result of economic growth.
- Increased local option sales tax revenues of approximately \$77,000, or 3%.
- Consistent profit distribution from ABC operations.
- Increased garbage revenues of approximately \$79,000, or 10%, resulting from increased garbage services.
- The receipt of \$343,114 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Revenues:						
Program revenues:						
Charges for services	\$ 1,083,562	\$ 2,010,663	\$ 5,024,609	\$ 4,444,914	\$ 6,108,171	\$ 6,455,577
Operating grants and contributions	2,071,014	1,616,427	-	-	2,071,014	1,616,427
Capital grants and contributions	-	962,114	676,902	-	676,902	962,114
General revenues:						
Property taxes	4,250,963	3,387,657	-	-	4,250,963	3,387,657
Other taxes	3,120,397	2,594,488	-	-	3,120,397	2,594,488
Investment earnings	315,724	184,729	11,461	11,090	327,185	195,819
Other	90,489	220,981	2,952	17,862	93,441	238,843
Total revenues	10,932,149	10,977,059	5,715,924	4,473,866	16,648,073	15,450,925
Expenses:						
General government	1,518,888	1,273,879	-	-	1,518,888	1,273,879
Public safety	5,121,008	4,995,565	-	-	5,121,008	4,995,565
Transportation	1,478,778	1,551,687	-	-	1,478,778	1,551,687
Environmental protection	1,400,847	978,748	-	-	1,400,847	978,748
Cultural and recreation	246,845	200,588	-	-	246,845	200,588
Interest on long-term debt	120,844	41,272	-	-	120,844	41,272
Water and sewer	-	-	5,369,214	4,671,280	5,369,214	4,671,280
Total expenses	9,887,210	9,041,739	5,369,214	4,671,280	15,256,424	13,713,019
Change in net position	1,044,939	1,935,320	346,710	(197,414)	1,391,649	1,737,906
Net position, July 1	16,082,373	14,147,053	19,179,636	19,377,050	35,262,009	33,524,103
Restatements	-	-	18,000	-	18,000	-
Net position, June 30	\$ 17,127,312	\$ 16,082,373	\$ 19,544,346	\$ 19,179,636	\$ 36,671,658	\$ 35,262,009

**Governmental activities.** Governmental activities increased the City's net position by \$1,044,939. Public Safety accounted for 51%, General Government accounted for 15% and Transportation accounted for 15% of governmental activities for fiscal year 2023-2024. The City's governmental activities cover a wide range of services. Several factors affected the governmental activities net position:

- A decrease in grants and contributions mainly due to the receipt of a prior year capital grant.
- An increase in ad valorem tax revenues due to economic growth.
- An increase in other taxes, primarily due to a \$77,000 increase in local option sales tax revenue.

**Business-type activities.** Business-type activities increased the City of Marion's net position by \$346,716. The key element of the increase was related to business-type activities due federal grant funding.

### **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 \$977,778 during fiscal year 2023-2024. Overall revenues decreased approximately \$53,000, remaining consistent with the prior year. Ad valorem taxes, which now represent 38% of general fund revenues (they represented 36% in the prior year), increased approximately \$863,000, or 20%, due to excellent growth in the ad valorem tax base. Other taxes and licenses increased \$98,206, or 3%, mainly due to an increase in sales tax revenues as discussed above.

Restricted intergovernmental revenue decreased by approximately \$1.2 million, or 39%, mainly due to prior year capital grants and additional ARPA funding that were not recurring grants. Sales and services increased by approximately \$70,000 due to an increase in the residential and commercial garbage services. Overall expenditures increased by \$661,059, or approximately 6%.

At the end of the current fiscal year, the City of Marion's available fund balance in the General Fund was \$4,477,660, while total fund balance reached \$7,339,873. 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 43% of general fund expenditures, and total fund balance represents 69% of the same amount.

At June 30, 2024, the governmental funds of the City of Marion reported a combined fund balance of \$9,947,701 with a net increase in fund balance of \$816,455. This increase is the result of 1) the general fund increase of \$977,778 (discussed earlier) and 2) a decrease in the capital project fund of \$161,323. The capital projects fund is holding funds to purchase a fire truck and equipment in the upcoming year.

**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 2023-2024 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 \$3,529,468 and the total decrease and increase in the net position for the Water and Sewer and the Internal Service Funds was \$303,531 and \$(11,382), 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, 2024, totals \$30,395,275 (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:

- Carrier 5 Ton Units Community Building - \$13,590
- Roof and guttering – Community Building - \$12,681
- Construction on FNB/City Hall - \$ 267,324
- Initial payment on Tyler Tech - \$50,000
- Purchase of Paratech Light Kits \$44,993
- Purchase of Permitting Software for Inspections \$59,400
- Purchase of equipment and related items – Police Department \$203,981
- Purchase of Street Dept Salte Spreader \$20,509
- Street sealing - \$83,194.
- Storm and Pipe Drain replacement – Miller Avenue \$73,990
- Purchase of Administrative Vehicle - \$ 40,434
- Purchase of Inspections Vehicle - \$ 28,320

- Purchase of Public Safety Vehicles - \$203,892
- Purchase of Sanitation Truck- \$ 361,583

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

**Figure 4**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Land	\$ 1,914,604	\$ 1,908,801	\$ 101,245	\$101,245	\$ 2,015,849	\$ 2,010,046
Buildings and system	2,962,271	3,077,792	15,074,590	15,661,563	18,036,861	18,739,355
Improvements other than buildings	3,762,765	3,863,748	379,617	406,154	4,142,382	4,269,902
Equipment and furniture	1,117,028	727,571	1,274,300	1,090,897	2,391,328	1,818,468
Infrastructure	1,979,014	1,899,260	-	-	1,979,014	1,899,260
Vehicles and motorized equipment	939,309	552,148	160,545	27,951	1,099,854	580,099
Construction in progress	370,104	102,780	359,883	-	729,987	102,780
<b>Total</b>	<b>\$13,045,095</b>	<b>\$12,132,100</b>	<b>\$17,350,180</b>	<b>\$17,287,810</b>	<b>\$30,395,275</b>	<b>\$29,419,910</b>

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, 2024, the City of Marion had total installment debt, USDA loans, and CWSRF loans outstanding of \$4,312,291. Of this, \$374,687 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 decreased by \$10,765 (less than 1%) during the current fiscal year. The key factors in this increase were regularly scheduled principal payments on existing debt of \$796,668, the addition of a direct borrowing installment purchase of \$785,903 to finance vehicles and equipment serviced by both the General Fund and the Water and Sewer Fund.

**City of Marion's Outstanding Debt**  
**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Direct borrowing						
installment purchases	\$ 2,292,781	\$ 1,982,245	\$ 611,431	\$806,571	\$ 2,904,212	\$2,788,816
Direct borrowing USDA loan	1,033,392	1,097,106	-	-	1,033,392	1,097,106
Direct borrowing CWSRF loan	-	-	374,687	437,134	374,687	437,134
Lease	74,335	76,450	4,363	6,893	78,698	83,343
Net pension liability (LGERS)	3,080,133	2,757,026	1,026,711	666,192	4,106,844	3,423,218
Total pension liability (LEOSSA)	952,661	868,407	-	-	952,661	868,407
Total OPEB liability	182,279	183,163	-	-	182,279	183,163
Compensated absences	435,043	394,707	69,580	72,364	504,623	467,071
<b>Total</b>	<b>\$8,050,624</b>	<b>\$7,359,104</b>	<b>\$2,086,772</b>	<b>\$1,989,154</b>	<b>\$10,137,396</b>	<b>\$ 9,348,258</b>

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 \$56,878,204. The City has \$-0- in bonds authorized but unissued at June 30, 2024.

## 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 2024, the McDowell County unemployment rate was down to 4.0%, a rate below the State average of 4.3% and equal to or below many counties in the region, including Alexander, Burke, Caldwell, Catawba, Cleveland, Gaston, Iredell, Mitchell, Polk, Rutherford and Wilkes. As of August 2024, McDowell County was tied for the 30th 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 (Dare County at 3.3%). 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 more than 95% over the past three 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 2023-24 gross taxable retail sales for McDowell County were 4.88% higher than in 2022-23, with a record total of over \$601 million. McDowell County's retail sales have grown faster than the State as a whole for 11 of the past 18 years.

Gross taxable retail sales in McDowell County have increased by a total of 177.79% since 2005, compared to growth in Statewide retail sales of 132.63% 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 2024-25 is 8.78%.

**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 remained steady, with only a slight decrease from 99.64% in Fiscal Year 2023-2024 to 99.32% in Fiscal Year 2024-2025.

## **Budget Highlights for the Fiscal Year Ending June 30, 2025**

### **Governmental Activities:**

Growth is expected in overall revenues in the General Fund.

The City property tax rate increased for Fiscal Year 2024-25 from \$.55 per \$100 valuation to \$.595 per \$100 valuation. The City's property tax base is projected to increase due to the property tax increase and continued growth. The tax base for real, personal and utility property is estimated to be \$718,881,182, an increase of \$14,969,741, or 2.1%, over the property tax base estimated in the 2023-24 original budget. Current year real, personal and utility property tax revenues are estimated to be approximately 10.5%, or \$393,655, higher in Fiscal Year 2024-2025 than were originally budgeted in Fiscal Year 2023-2024. Current motor vehicle taxes are estimated to be approximately \$20,000 higher.

Sales tax revenues were budgeted conservatively in Fiscal Year 2023-2024. The Fiscal Year 2024-2025 budget includes an increase of \$142,800, or 7%, over the Fiscal Year 2023-2024 original budget due to strong sales tax revenues in Fiscal Year 2023-2024 which are expected to grow throughout Fiscal Year 2024-2025.

Based on State projections, utility sales tax revenues are projected to increase by 3%, or \$15,000, over the budgeted Fiscal Year 2023-2024 amount. Powell Bill revenues are projected to increase by 9.7%, or \$22,000, as compared to the 2023-2024 original budget, due to Powell Bill revenues increasing due to State legislative decisions.

ABC revenues are forecasted to be \$350,000 in Fiscal Year 2024-2025, the same as the Fiscal Year 2023-2024 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 \$10 per month to \$12 per month per household and increased commercial garage rates by 5%. Both of these increases are projected to generate approximately \$84,000 to help cover the cost of sanitation services.

Other revenues are expected to remain relatively flat in Fiscal Year 2024-2025. 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 2024-2025.

Budgeted expenditures in the General Fund are expected to increase by 9.48% as compared to the original Fiscal Year 2023-2024 budget to \$11,913,642. This increase over the original Fiscal Year 2023-2024 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 Fire and Information Technology 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 9% 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 11.42% 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](http://marionnc.org), or send an email to [dpenland@marionnc.org](mailto:dpenland@marionnc.org) for more information.



## CITY OF MARION, NORTH CAROLINA

Exhibit 1

Statement of Net Position  
June 30, 2024

	Primary Government			Component Units	
	Governmental	Business-type	Total	City of Marion ABC Board	Municipal Event Center
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 6,386,879	\$ 2,078,117	\$ 8,464,996	\$ 177,873	\$ 23,470
Taxes receivable, net	24,851	-	24,851	-	-
Accrued interest receivable	10,460	-	10,460	-	-
Accounts receivable, net	370,827	672,954	1,043,781	-	-
Internal balances	(21,883)	21,883	-	-	-
Due from other governments	826,899	587,281	1,414,180	-	-
Lease receivable	123,084	-	123,084	-	-
Due from component unit	76,037	-	76,037	-	-
Inventories	149,121	45,596	194,717	523,416	-
Prepaid items	3,089	4,250	7,339	11,468	-
Restricted cash	3,244,816	546,410	3,791,226	-	-
Total current assets	11,194,180	3,956,491	15,150,671	712,757	23,470
Noncurrent assets:					
Notes receivable	-	144,374	144,374	-	-
Capital assets:					
Land and construction in progress	2,284,708	461,128	2,745,836	59,832	-
Other capital assets, net	10,760,387	16,889,052	27,649,439	416,111	108,339
Total capital assets	13,045,095	17,350,180	30,395,275	475,943	108,339
Right to use leased asset, net of amortization	67,932	4,200	72,132	-	-
Total noncurrent assets	13,113,027	17,498,754	30,611,781	475,943	108,339
Total assets	24,307,207	21,455,245	45,762,452	1,188,700	131,809
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	2,098,859	636,745	2,735,604	126,310	-
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	473,101	158,391	631,492	153,396	-
Due to primary government		-	-	76,037	-
Accrued interest payable	40,515	4,901	45,416	348	-
Liabilities payable from restricted assets:	359,251	-	359,251		
Customer deposits	11,690	285,796	297,486	-	-
Current portion of long-term liabilities	689,740	332,787	1,022,527	28,000	-
Total current liabilities	1,574,297	781,875	2,356,172	257,781	-

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

## CITY OF MARION, NORTH CAROLINA

Exhibit 1

Statement of Net Position  
June 30, 2024

	Primary Government			Component Units	
	Governmental	Business-type	Total	City of Marion ABC Board	Municipal Event Center
Long-term liabilities:					
Net pension liability-LGERS	3,080,133	1,026,711	4,106,844	201,739	-
Total pension liability-LEOSSA	952,661	-	952,661	-	-
Total OPEB liability	182,279	-	182,279	-	-
Due in more than one year	3,145,811	727,274	3,873,085	293,128	-
Total long-term liabilities	7,360,884	1,753,985	9,114,869	494,867	-
Total liabilities	8,935,181	2,535,860	11,471,041	752,648	-
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>343,573</u>	<u>11,784</u>	<u>355,357</u>	<u>2,557</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	9,786,854	16,036,482	25,823,336	154,815	108,339
Restricted for:					
Stabilization by State statute	1,162,133	-	1,162,133	-	-
Streets	1,473,776	-	1,473,776	-	-
Public safety	29,951	-	29,951	-	-
Community development	-	-	-	-	-
Capital projects	159,281	-	159,281	-	-
Working capital	-	-	-	143,315	-
Unrestricted	4,515,317	3,507,864	8,023,181	261,675	23,470
Total net position	<u>\$ 17,127,312</u>	<u>\$ 19,544,346</u>	<u>\$ 36,671,658</u>	<u>\$ 559,805</u>	<u>\$ 131,809</u>

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

## CITY OF MARION, NORTH CAROLINA

Exhibit 2

Statement of Activities  
For the year ended June 30, 2024

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	\$ 1,518,888	\$ -	\$ 374,779	\$ -	\$ (1,144,109)	\$ -	\$ (1,144,109)		
Public safety	5,121,008	7,406	1,414,342	-	(3,699,260)	-	(3,699,260)		
Transportation	1,478,778		249,693	-	(1,229,085)	-	(1,229,085)		
Environmental protection	1,400,847	973,486	-	-	(427,361)	-	(427,361)		
Cultural and recreation	246,845	102,670	32,200	-	(111,975)	-	(111,975)		
Interest on long-term debt	120,844	-	-	-	(120,844)	-	(120,844)		
Total governmental activities	9,887,210	1,083,562	2,071,014	-	(6,732,634)	-	(6,732,634)		
Business-type activities:									
Water and sewer	5,369,214	5,024,609	-	676,902	-	332,297	332,297		
Total primary government	\$ 15,256,424	\$ 6,108,171	\$ 2,071,014	\$ 676,902	(6,732,634)	332,297	(6,400,337)		
Component units:									
City of Marion ABC Board	\$ 4,801,059	\$ 4,841,570	\$ -	\$ -				\$ 40,511	\$ -
Municipal Events Center	61,873	12,115	-	50,000				-	242
Total component units	\$ 4,862,932	\$ 4,853,685	\$ -	\$ 50,000				40,511	242
General revenues:									
Taxes:									
Property taxes, levied for general purpose					4,250,963	-	4,250,963	-	-
Other taxes					3,120,397	-	3,120,397	-	-
Unrestricted investment earnings					315,724	11,461	327,185	-	-
Gain/insurance proceeds on disposal of capital assets					61,927	2,952	64,879	-	-
Miscellaneous					28,562	-	28,562	-	-
Total general revenues					7,777,573	14,413	7,791,986	-	-
Changes in net position					1,044,939	346,710	1,391,649	40,511	242
Net position, beginning, as previously stated					16,082,373	19,179,636	35,262,009	-	
Restatement					-	18,000	18,000	-	-
Net position, beginning of year					16,082,373	19,197,636	35,280,009	519,294	131,567
Net position, ending					\$ 17,127,312	\$ 19,544,346	\$ 36,671,658	\$ 559,805	\$ 131,809

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

## GOVERNMENTAL FUNDS

## Balance Sheet

June 30, 2024

	Major Funds			
	General Fund	American Rescue Plan Act Fund	Capital Project Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,294,785	\$ -	\$ 92,094	\$ 6,386,879
Restricted cash and cash equivalents	373,859	359,251	2,511,706	3,244,816
Taxes receivable, net	24,851	-	-	24,851
Accounts receivable, net	370,827	-	-	370,827
Prepaid items	3,089	-	-	3,089
Due from other governments	811,404	-	5,627	817,031
Lease receivable	123,084	-	-	123,084
Due from other funds	117,576	-	-	117,576
Due from component unit	76,037	-	-	76,037
Total assets	<u>\$ 8,195,512</u>	<u>\$ 359,251</u>	<u>\$ 2,609,427</u>	<u>\$ 11,164,190</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 464,225	\$ -	\$ 1,599	\$ 465,824
Liabilities payable from restricted assets:				
Advances from grantor	-	359,251	-	359,251
Customer deposits	11,690	-	-	11,690
Total liabilities	<u>475,915</u>	<u>359,251</u>	<u>1,599</u>	<u>836,765</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>379,724</u>	<u>-</u>	<u>-</u>	<u>379,724</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	3,089	-	-	3,089
Leases	123,084	-	-	123,084
Restricted for:				
Stabilization by State statute	1,156,506	-	5,627	1,162,133
Streets	516,900	-	956,876	1,473,776
Public safety	29,951	-	-	29,951
Capital projects	159,281	-	-	159,281
Committed for:				
Cemetery	206,233	-	-	206,233
Capital projects	-	-	1,645,325	1,645,325
Assigned - subsequent year's expenditures	462,742	-	-	462,742
Unassigned	4,682,087	-	-	4,682,087
Total fund balances	<u>7,339,873</u>	<u>-</u>	<u>2,607,828</u>	<u>9,947,701</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,195,512</u>	<u>\$ 359,251</u>	<u>\$ 2,609,427</u>	<u>\$ 11,164,190</u>

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

## GOVERNMENTAL FUNDS

## Balance Sheet

June 30, 2024

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

Fund balances of governmental funds	\$	9,947,701	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		13,045,095	
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		67,932	
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.		2,073,389	
Accrued interest receivable is not available to pay for current-period expenditures and, therefore, is not reported in the funds.		10,460	
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		37,723	
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		246,665	
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Notes and loans payable	(3,323,806)		
Accrued interest	(40,515)		
Net pension liability - LGERS	(3,080,133)		
Total pension liability - LEOSA	(952,661)		
Total OPEB liability	(182,279)		
Lease liability	(74,335)		
Compensated absences	(437,410)	(8,091,139)	
		(210,514)	
Deferred inflows of resources related to pension and OPEB are not reported in the funds.			
Net position of governmental activities	\$	<u>17,127,312</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, 2024

	Major Funds			Total
	General Fund	American Rescue Plan Act Fund	Capital Project Fund	Governmental Funds
<b>REVENUES</b>				
Ad valorem taxes	\$ 4,173,053	\$ -	\$ -	\$ 4,173,053
Other taxes and licenses	2,692,694	-	-	2,692,694
Unrestricted intergovernmental	431,507	-	-	431,507
Restricted intergovernmental	1,687,093	343,114	2,150	2,032,357
Licenses and permits	246,655	-	-	246,655
Sales and services	880,426	-	-	880,426
Lease interest earnings	2,000	-	-	2,000
Investment earnings	304,685	-	9,039	313,724
Restricted contributions	31,050	-	-	31,050
Miscellaneous	24,112	-	-	24,112
Total revenues	<u>10,473,275</u>	<u>343,114</u>	<u>11,189</u>	<u>10,827,578</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,243,576	-	5,001	1,248,577
Public safety	4,432,436	-	-	4,432,436
Transportation	1,333,902	-	-	1,333,902
Environmental protection	1,283,958	-	-	1,283,958
Cultural and recreation	129,488	-	-	129,488
Capital outlay	1,362,599	-	395,511	1,758,110
Debt service:				
Principal	502,473	-	-	502,473
Interest	96,340	-	-	96,340
Total expenditures	<u>10,384,772</u>	<u>-</u>	<u>400,512</u>	<u>10,785,284</u>
Revenues over (under) expenditures	<u>88,503</u>	<u>343,114</u>	<u>(389,323)</u>	<u>42,294</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from insurance	26,661	-	-	26,661
Lease liabilities issued	13,597	-	-	13,597
Installment obligations issued	733,903	-	-	733,903
Transfers from other funds	343,114	(343,114)	-	-
Transfers to other funds	(228,000)	-	228,000	-
Total other financing sources (uses)	<u>889,275</u>	<u>(343,114)</u>	<u>228,000</u>	<u>774,161</u>
Net change in fund balances	977,778	-	(161,323)	816,455
Fund balances, beginning of year	<u>6,362,095</u>	<u>-</u>	<u>2,769,151</u>	<u>9,131,246</u>
Fund balances, end of year	<u>\$ 7,339,873</u>	<u>\$ -</u>	<u>\$ 2,607,828</u>	<u>\$ 9,947,701</u>

The accompanying notes are an integral part of these financial statements

## CITY OF MARION, NORTH CAROLINA

Exhibit 4

GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the year ended June 30, 2024

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

Net changes in fund balances - total governmental funds	\$	816,455
<p>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.</p>		
Capital outlay / lease expenditures which were capitalized	\$	1,758,110
Depreciation and amortization expense for governmental assets	<u>(860,976)</u>	897,134
Contributions to the LGERS pension plan in the current fiscal year are not included in the statement of activities.		705,109
Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities.		35,810
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.		12,989
<p>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.</p>		
Change in accrued interest receivable on taxes		3,992
Change in unavailable tax revenues		73,918
<p>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.</p>		
New long-term debt / lease issued	(747,500)	
Principal payments on long-term debt	502,473	
Accrued interest expense	<u>(24,504)</u>	(269,531)
<p>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.</p>		
Compensated absences	(44,751)	
Pension expense (LGERS)	(1,059,986)	
Pension expense (LEO)	(68,439)	
Other postemployment benefits	<u>(12,105)</u>	(1,185,281)
The change in net position of the internal service fund reported with governmental activities.		<u>(45,656)</u>
Total changes in net position of governmental activities	\$	<u><u>1,044,939</u></u>

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, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,040,617	\$ 4,132,717	\$ 4,173,053	\$ 40,336
Other taxes	2,570,000	2,582,800	2,692,694	109,894
Unrestricted intergovernmental	434,000	429,000	431,507	2,507
Restricted intergovernmental	1,382,898	1,669,084	1,687,093	18,009
Licenses, permits, and fees	90,000	237,320	246,655	9,335
Sales and services	831,280	875,544	880,426	4,882
Investment earnings	80,500	271,787	304,685	32,898
Lease interest earnings	-	2,000	2,000	-
Restricted contributions	5,000	33,000	31,050	(1,950)
Miscellaneous	8,720	28,488	24,112	(4,376)
Total revenues	<u>9,443,015</u>	<u>10,261,740</u>	<u>10,473,275</u>	<u>211,535</u>
Expenditures:				
Current:				
General government	908,665	1,479,370	1,335,790	143,580
Public safety	5,204,256	5,807,629	5,601,060	206,569
Transportation	2,188,044	2,248,783	1,406,670	842,113
Environmental protection	1,378,127	1,396,139	1,283,958	112,181
Cultural and recreation	154,285	185,290	158,481	26,809
Debt service:				
Principal retirement	907,762	502,473	502,473	-
Interest and other charges	140,935	109,935	96,340	13,595
Total expenditures	<u>10,882,074</u>	<u>11,729,619</u>	<u>10,384,772</u>	<u>1,344,847</u>
Revenues over (under) expenditures	<u>(1,439,059)</u>	<u>(1,467,879)</u>	<u>88,503</u>	<u>1,556,382</u>
Other financing sources (uses):				
Fund balance appropriated	540,656	1,179,069	-	(1,179,069)
Lease liabilities issued	-	13,597	13,597	-
Proceeds from insurance	-	26,200	26,661	461
Installment obligations issued	733,903	733,903	733,903	-
Transfer from ARPA fund	164,500	343,110	343,114	4
Transfer to capital projects fund	-	(828,000)	(228,000)	600,000
Total other financing sources (uses)	<u>1,439,059</u>	<u>1,467,879</u>	<u>889,275</u>	<u>(578,604)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>977,778</u>	<u>\$ 977,778</u>
Fund balance, beginning of year			<u>6,362,095</u>	
Fund balance, end of year			<u>\$ 7,339,873</u>	

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



PROPRIETARY FUNDS  
Statement of Fund Net Position  
June 30, 2024

	<b>Major Enterprise Fund</b>		<b>Internal Service Fund</b>
	<b>Water and Sewer Fund</b>		<b>Fund</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,078,117	\$	-
Accounts receivable, net	672,954		-
Due from other governments	587,281		9,868
Due from internal service fund	43,487		-
Inventories	45,596		149,121
Prepaid items	4,250		-
Restricted cash and cash equivalents	546,410		-
Total current assets	<u>3,978,095</u>		<u>158,989</u>
Noncurrent assets:			
Notes receivable	144,374		-
Right to use leased asset, net of amortization	4,200		-
Capital assets:			
Land and other non-depreciable assets	461,128		-
Other capital assets, net of depreciation	<u>16,889,052</u>		<u>-</u>
Capital assets, net	<u>17,350,180</u>		<u>-</u>
Noncurrent assets	<u>17,498,754</u>		<u>-</u>
Total assets	<u>21,476,849</u>		<u>158,989</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>636,745</u>		<u>28,017</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	158,391	7,277	
Accrued interest payable	4,901		-
Due to general fund	-		117,576
Due to water and sewer fund	-		43,487
Liabilities payable from restricted assets:			
Customer deposits	285,796		-
Compensated absences, current	38,939		2,367
Current portion of long-term debt	<u>293,847</u>		<u>-</u>
Total current liabilities	<u>781,874</u>		<u>170,707</u>

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

PROPRIETARY FUNDS  
Statement of Fund Net Position  
June 30, 2024

	<b>Major Enterprise Fund</b>	
	<b>Water and Sewer Fund</b>	<b>Internal Service Fund</b>
Noncurrent liabilities:		
Compensated absences, net	30,641	-
Net pension liability - LGERS	1,026,711	45,175
Long-term debt, net of current portion	696,634	-
Total noncurrent liabilities	<u>1,753,986</u>	<u>45,175</u>
Total liabilities	<u>2,535,860</u>	<u>215,882</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>11,784</u>	<u>518</u>
<b>NET POSITION</b>		
Net investment in capital assets	16,036,482	-
Unrestricted (deficit)	3,529,468	(29,394)
Total net position (deficit)	<u>\$ 19,565,950</u>	<u>\$ (29,394)</u>
<b>Reconciliation with Statement of Net Position - Business-type Activities:</b>		
Total net position - proprietary fund presentation	\$ 19,565,950	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(21,604)</u>	
Net position of business-type activities	<u>\$ 19,544,346</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, 2024

	<b>Major Enterprise Fund</b>	<b>Internal Service</b>
	<b>Water and Sewer</b>	<b>Fund</b>
	<b>Fund</b>	<b>Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 4,778,991	\$ 429,825
Water and sewer taps and development fees	163,349	-
Other operating revenue	82,269	-
Total operating revenues	<u>5,024,609</u>	<u>429,825</u>
<b>OPERATING EXPENSES</b>		
Utility line maintenance	2,180,058	-
Water filter plant	769,058	-
Waste treatment plant	1,002,656	-
Operating expenses	367,143	72,174
Materials	-	368,592
Insurance and bonding	115,716	-
Miscellaneous	2,699	-
Depreciation	956,882	441
Total operating expenses	<u>5,394,212</u>	<u>441,207</u>
Operating income (loss)	<u>(369,603)</u>	<u>(11,382)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Investment earnings	11,461	-
Gain on sale of capital assets	2,952	-
Interest on long-term debt	(18,181)	-
Total nonoperating revenue (expense)	<u>(3,768)</u>	<u>-</u>
Income (loss) before capital contributions and transfers	(373,371)	(11,382)
Capital contributions	676,902	-
Change in net position	303,531	(11,382)
Net position, beginning, as previously reported	19,244,419	(18,012)
Restatements	18,000	-
Net position (deficit), beginning of year	<u>19,262,419</u>	<u>(18,012)</u>
Net position (deficit), end of year	<u>\$ 19,565,950</u>	<u>\$ (29,394)</u>
<b>Reconciliation with Statement of Activities - Change in Net Position -</b>		
<b>Business-type Activities:</b>		
Change in net position - fund perspective	\$ 303,531	
Internal service fund income allocated to business-type activities	<u>43,179</u>	
Change in net position - government-wide perspective	<u>\$ 346,710</u>	

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

PROPRIETARY FUNDS  
Statement of Cash Flows  
For the year ended June 30, 2024

	<b>Major Enterprise Fund</b>	
	<b>Water and Sewer Fund</b>	<b>Internal Service Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 4,950,520	\$ 428,676
Cash paid for goods and services	(2,933,864)	(363,649)
Cash paid to or on behalf of employees for services	(1,252,984)	(64,734)
Net cash provided by operating activities	<u>763,672</u>	<u>293</u>
<b>Cash flows from noncapital and related financing activities:</b>		
Transfer from the General Fund	-	-
Due (from) to other funds	1,687	(293)
Federal, state and local contributions	<u>132,034</u>	<u>-</u>
Net cash provided by (used by) noncapital and related financing activities	<u>133,721</u>	<u>(293)</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(984,705)	-
Proceeds from the sale of capital assets	2,952	-
Principal payments on long-term debt	(312,117)	-
Proceeds from the issuance of debt	52,000	-
Interest on long-term debt	<u>(18,181)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(1,260,051)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest received	<u>6,128</u>	<u>-</u>
Net increase in cash and cash equivalents	(356,530)	-
Cash and cash equivalents, beginning of year	<u>2,981,057</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,624,527</u></u>	<u><u>\$ -</u></u>
<b>Reconciliation of cash and cash equivalents, end of year:</b>		
Cash and cash equivalents	\$ 2,078,117	\$ -
Restricted cash and cash equivalents	<u>546,410</u>	<u>-</u>
	<u><u>\$ 2,624,527</u></u>	<u><u>\$ -</u></u>

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

PROPRIETARY FUNDS  
Statement of Cash Flows  
For the year ended June 30, 2024

	<b>Major Enterprise Fund</b>	
	<b>Water and Sewer Fund</b>	<b>Internal Service Fund</b>
<b>Reconciliation of operating loss to net cash provided by (used by) operating activities:</b>		
Operating income (loss)	\$ (369,603)	\$ (11,382)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	956,882	441
Bad debts written off	-	-
Changes in assets deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	(69,976)	-
(Increase) decrease in due from other governments	(8,780)	(1,149)
(Increase) decrease in inventories	955	2,386
(Increase) decrease in deferred outflows of resources - pensions	(159,656)	(422)
Increase (decrease) in accounts payable and accrued liabilities	78,473	2,557
Increase (decrease) in customer deposits	4,667	-
Increase (decrease) in compensated absences	(2,784)	320
Increase (decrease) in net pension liability	359,564	7,729
Increase (decrease) in deferred inflows of resources - pensions	(26,070)	(187)
Total adjustments	<u>1,133,275</u>	<u>11,675</u>
Net cash provided (used) by operating activities	<u>\$ 763,672</u>	<u>\$ 293</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, 2024

**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	\$ 94
Public safety	93,238
Escrow account	269,708
Customer deposits	10,819
ARPA Fund:	
Grant	359,251
Capital Project Fund:	
Fire truck purchase	1,554,830
Street improvements	<u>956,876</u>
Total governmental activities	<u>3,244,816</u>

**Business Type Activities**

Water and Sewer Fund:	
Escrow account	260,614
Customer deposits	<u>285,796</u>
Total business-type activities	<u>546,410</u>
Total restricted cash	<u>\$ 3,791,226</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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2023. 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 City 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 \$343,114 of the ARPA for revenue replacement in Fiscal Year 2024. The \$343,114 used for revenue replacement funds were transferred to the General Fund from the ARPA Fund. \$359,251 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:

<b>Total Fund Balance - General Fund</b>	<b>\$ 7,339,873</b>
Less:	
Nonspendable – prepaids	3,089
Nonspendable – leases	123,084
Stabilization by State statute	1,156,506
Streets	516,900
Public safety	29,951
Cemetery	206,233
Capital projects	159,281
Appropriated fund balance in next year's budget	462,742
Fund balance policy - 25% of budgeted expenditures	<u>2,932,405</u>
Remaining fund balance	<u><u>\$1,749,682</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:

Streets – Bucket Truck	<u>\$204,427</u>
Total Year End Encumbrances Over \$10k	\$204,427

#### 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, 2024, the City's deposits had a carrying amount of \$7,710,794 and a bank balance of \$8,309,935. Of the bank balance, \$750,000 was covered by federal depository insurance and the remaining balance was covered by collateral held under the pooling method. At June 30, 2024, the City's petty cash fund totaled \$1,400.

At June 30, 2024, the carrying amount of deposits for the ABC Board was \$174,648 and the bank balance was \$354,860. The bank balance exceeded the federal depository insurance by \$104,860 and is collateralized as required by G.S. 159-131. At June 30, 2024, the Board's petty cash fund totaled \$3,225.

## 2. Investments

At June 30, 2024, 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	<u>\$ 4,544,028</u>	<u>\$ 4,544,028</u>
Total investments		<u>\$ 4,544,028</u>	<u>\$ 4,544,028</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, 2024.

## Receivables - Allowances for Doubtful Accounts

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

<u>Fund</u>	
General Fund: Taxes receivable	<u>\$ 17,000</u>
Enterprise Funds	<u>\$ 167,500</u>

Due from Other Governments

Due from other governments consisted of the following:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
Local option sales tax	\$ 507,257	\$ -	\$ 507,257
Sales tax refund	76,308	-	76,308
Vehicle taxes/tag fees	36,889	-	36,889
Fire district tax	14,408	-	14,408
Franchise/video programming tax	143,000	-	143,000
Solid waste tax	1,432	-	1,432
Federal and State grants	22,262	587,281	609,543
McDowell County	7,334	-	7,334
Other	18,009	-	18,009
	<u>\$ 826,899</u>	<u>\$ 587,281</u>	<u>\$ 1,414,180</u>

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 2024, the City recognized \$3,399 of lease revenue and \$286 of interest revenue under the lease. The lease receivable balance was \$18,485 as of June 30, 2024.

*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 2024, the City recognized \$5,878 of lease revenue and \$588 of interest revenue under the lease. The lease receivable balance was \$36,002 as of June 30, 2024.

*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 2024, the City recognized \$6,512 of lease revenue and \$663 of interest revenue under the lease. The lease receivable balance was \$40,001 as of June 30, 2024.

*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 2024, the City recognized \$3,752 of lease revenue and \$462 of interest revenue under the lease. The lease receivable balance was \$28,596 as of June 30, 2024.

3. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2024 was as follows:

<b>Governmental Activities</b>	<b><u>Beginning Balances</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balances</u></b>
Capital assets not being depreciated:				
Land	\$ 1,908,801	\$ 5,803	\$ -	\$ 1,914,604
Construction in progress	<u>102,780</u>	<u>267,324</u>	<u>-</u>	<u>370,104</u>
Total capital assets not being depreciated	<u>2,011,581</u>	<u>273,127</u>	<u>-</u>	<u>2,284,708</u>
Capital assets being depreciated:				
Building improvements	3,305,202	26,271	-	3,331,473
Buildings	2,025,954	-	-	2,025,954
Equipment	3,208,617	603,620	6,800	3,805,437
Equipment – ISF	28,085	-	-	28,085
Furniture and fixtures	231,985	-	-	231,985
Land improvements	4,683,336	-	-	4,683,336
Vehicles	5,666,200	697,909	73,739	6,290,370
Infrastructure	<u>2,664,308</u>	<u>157,184</u>	<u>-</u>	<u>2,821,492</u>
Total capital assets being depreciated	<u>21,813,687</u>	<u>1,484,984</u>	<u>80,539</u>	<u>23,218,132</u>
Less accumulated depreciation for:				
Building improvements	1,327,560	98,609	-	1,426,169
Buildings	925,804	43,183	-	968,987
Equipment	2,487,917	210,799	6,800	2,691,916
Equipment – ISF	27,643	442	-	28,085
Furniture and fixtures	225,556	2,922	-	228,478
Land improvements	819,588	100,983	-	920,571
Vehicles	5,114,052	310,748	73,739	5,351,061
Infrastructure	<u>765,048</u>	<u>77,430</u>	<u>-</u>	<u>842,478</u>
Total accumulated depreciation	<u>11,693,168</u>	<u>845,116</u>	<u>80,539</u>	<u>12,457,745</u>
Total capital assets being depreciated, net	<u>10,120,519</u>			<u>10,760,387</u>
Governmental activities capital assets, net	<u>\$ 12,132,100</u>			<u>\$ 13,045,095</u>

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

General government	\$ 203,141
Public safety	335,402
Transportation	97,060
Environmental protection	92,156
Culture and recreation	<u>117,357</u>
Total depreciation expense	<u>\$ 845,116</u>

Capital asset activity for business-type activities for the year ended June 30, 2024 was as follows:

<b>Business-type Activities</b>	<b><u>Beginning Balances</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balances</u></b>
Capital assets not being depreciated:				
Land	\$ 101,245	\$ -	\$ -	\$ 101,245
Construction in progress	<u>37,500</u>	<u>322,383</u>	<u>-</u>	<u>359,883</u>
Total capital assets not being depreciated	<u>138,745</u>	<u>322,383</u>	<u>-</u>	<u>461,128</u>
Capital assets being depreciated:				
Building improvements	647,035	13,640	-	660,675
Buildings	6,891,369	-	-	6,891,369
Water and sewer mains, fittings, and lines	25,258,781	120,440	-	25,379,221
Equipment	2,838,198	341,721	-	3,179,919
Furniture and fixtures	653,152	-	-	653,152
Land improvements	1,165,048	-	-	1,165,048
Vehicles	<u>646,931</u>	<u>183,571</u>	<u>19,873</u>	<u>810,629</u>
Total capital assets being depreciated	<u>38,100,514</u>	<u>659,372</u>	<u>19,873</u>	<u>38,740,013</u>
Less accumulated depreciation for:				
Building improvements	560,338	5,854	-	566,192
Buildings	5,069,717	126,538	-	5,196,255
Water and sewer mains, fittings, and lines	11,505,567	588,661	-	12,094,228
Equipment	1,961,160	164,786	19,873	2,106,073
Furniture and fixtures	439,293	13,405	-	452,698
Land improvements	758,894	26,537	-	785,431
Vehicles	<u>618,980</u>	<u>31,104</u>	<u>-</u>	<u>650,084</u>
Total accumulated depreciation	<u>20,913,949</u>	<u>956,885</u>	<u>19,873</u>	<u>21,850,961</u>
Total capital assets being depreciated, net	<u>17,186,565</u>			<u>16,889,052</u>
Business-type activities capital assets, net	<u>\$ 17,325,310</u>			<u>\$ 17,350,180</u>

#### Construction Commitments

The City had no major construction commitment at June 30, 2024.

**Discretely Presented Component Unit:**

Activity for the ABC Board for the year ended June 30, 2024 was as follows:

	<b><u>Beginning Balances</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balances</u></b>
Capital assets not being depreciated:				
Land	\$ 59,832	\$ -	\$ -	\$ 59,832
Capital assets being depreciated:				
Buildings	752,375	8,682	-	761,057
Vehicles	21,400	-	-	21,400
Land improvements	19,493	-	-	19,493
Equipment	<u>243,729</u>	<u>14,263</u>	<u>-</u>	<u>257,992</u>
Total capital assets being depreciated	<u>1,036,997</u>	<u>22,945</u>	<u>-</u>	<u>1,059,942</u>
Less accumulated depreciation for:				
Buildings	332,961	22,838	-	355,799
Vehicles	7,728	7,133	-	14,861
Land improvements	19,493	-	-	19,493
Equipment	<u>244,569</u>	<u>9,108</u>	<u>-</u>	<u>253,677</u>
Total accumulated depreciation	<u>604,751</u>	<u>39,079</u>	<u>-</u>	<u>643,830</u>
Total capital assets being depreciated, net	<u>432,246</u>			<u>416,112</u>
ABC Board capital assets, net	<u>\$ 492,078</u>			<u>\$ 475,944</u>

**4. 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, 2024, was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Right to use assets				
Parking lot	\$ 39,758	\$ -	\$ -	\$ 39,758
Copiers	<u>50,000</u>	<u>13,597</u>	<u>-</u>	<u>63,597</u>
	<u>89,758</u>	<u>13,597</u>	<u>-</u>	<u>103,355</u>
Less accumulated amortization for:				
Parking lot	5,961	3,979		9,940
Copiers	<u>833</u>	<u>20,450</u>	<u>-</u>	<u>21,283</u>
	<u>6,794</u>	<u>24,429</u>	<u>-</u>	<u>31,223</u>
Right to use assets, net	<u>\$ 82,964</u>	<u>\$ (10,832)</u>	<u>\$ -</u>	<u>\$ 72,132</u>

5. 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 \$144,374.

**B. Liabilities**1. Accounts Payable – Disaggregate Information

	<b>Governmental</b>	<b>Business-type</b>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Vendor payables	\$ 266,615	\$ 58,205	\$ 324,820
Accrued salaries and expenses	<u>206,486</u>	<u>100,186</u>	<u>306,672</u>
Total	<u>\$ 473,101</u>	<u>\$ 158,391</u>	<u>\$ 631,492</u>

2. Pension Plan Obligations

## a. Local Governmental Employees' Retirement System

*Plan Description.* The City of Marion and the ABC Board are participating employers in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://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, 2024, was 14.04% of compensation for law enforcement officers and 12.91% 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 \$705,109 for the year ended June 30, 2024. Contributions to the pension plan from the ABC Board were \$36,490 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, 2024, the City reported a liability of \$4,106,844 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2024, the City's proportion was 0.06201%, which was an increase of 0.00133% from its proportion measured as of June 30, 2023. The ABC Board reported a liability of \$201,739 for its proportionate share of the net pension liability.



For the year ended June 30, 2024, the City recognized pension expense of \$1,193,208. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 457,624	\$ 9,852
Changes of assumptions	174,517	-
Net difference between projected and actual earnings on pension plan investments	1,099,171	-
Changes in proportion and differences between City contributions and proportionate share of contributions	110,558	37,282
City contributions subsequent to the measurement date	<u>705,109</u>	<u>-</u>
Total	<u>\$ 2,546,979</u>	<u>\$ 47,134</u>

\$705,109 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, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2025	650,947
2026	360,884
2027	736,427
2028	46,479
Thereafter	<u>-</u>
	<u>\$ 1,794,737</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2022 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, 2022 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, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	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	<u>100.0%</u>	

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

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

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	(5.5%)	(6.50%)	(7.50%)
City's proportionate share of the net pension liability (asset)	\$ 7,114,945	\$ 4,106,844	\$ 1,630,293

*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>27</u>
Total	<u><u>30</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, 2022 valuation. The total pension liability in the December 31, 2022 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	4.00 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, 2022. The actuarial assumptions used in the December 31, 2022 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 \$35,810 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, 2024, the City reported a total pension liability of \$952,661. The total pension liability was measured as of December 31, 2022 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the City recognized pension expense of \$96,814.

\$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.

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 42,182	\$ 51,671
Changes of assumptions and other inputs	133,454	124,193
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>35,810</u>	<u>-</u>
Total	<u>\$ 211,446</u>	<u>\$ 175,864</u>

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

**Year ended June 30:**

2025	\$ 15,798
2026	10,314
2027	(15,458)
2028	(16,404)
2029	5,522
Thereafter	<u>-</u>
	<u>\$ (228)</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 4.00 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 (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	<b><u>1% Decrease (3.00%)</u></b>	<b><u>Current Discount Rate (4.00%)</u></b>	<b><u>1% Increase (5.00%)</u></b>
Total pension Liability	\$ 1,036,120	\$ 952,661	\$ 877,048

**Schedule of Changes in Total Pension Liability**

Total pension liability as of December 31, 2022	\$ 868,407
Changes for the year:	
Service cost at end of year	44,620
Interest	36,657
Change in benefit terms	-
Difference between expected and actual experience	16,224
Changes of assumptions and other inputs	22,563
Benefit payments	<u>(35,810)</u>
Net changes	<u>84,254</u>
Total pension liability as of December 31, 2023	<u>\$ 952,661</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:

	<b><u>LGERS</u></b>	<b><u>LEOSSA</u></b>	<b><u>Total</u></b>
Pension expense	\$ 1,193,208	\$ 96,814	\$ 1,290,022
Pension liability	4,106,844	952,661	5,059,505
Proportionate share of the net pension liability	0.06068%	n/a	n/a
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 457,624	\$ 42,182	\$ 499,806
Changes of assumptions	174,517	133,454	307,971
Net difference between projected and actual earnings on plan investments	1,099,171	-	1,099,171
Changes in proportion and differences between contributions and proportionate share of contributions	110,558	-	110,558
Benefit payments and administrative costs paid subsequent to the measurement date	<u>705,109</u>	<u>35,810</u>	<u>740,919</u>
	<u>\$ 2,546,979</u>	<u>\$ 211,446</u>	<u>\$ 2,758,425</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 9,852	\$ 51,671	\$ 61,523
Changes of assumptions	-	124,193	124,193
Changes in proportion and differences between contributions and proportionate share of contributions	<u>37,282</u>	<u>-</u>	<u>37,282</u>
	<u>\$ 47,134</u>	<u>\$ 175,864</u>	<u>\$ 222,998</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 \$79,125 for the reporting year. No amounts were forfeited.

**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 \$187,020 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 2023 decreasing to an ultimate 4.50% by 2026

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, 2023.

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, 2023 valuation were based on a review of recent plan experience done concurrently with the June 30, 2023 valuation.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.54% to 3.65%.



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**Schedule of Changes in Total OPEB Liability**


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Total OPEB liability as of June 30, 2022	\$ 183,163
Changes for the year:	
Service cost	-
Interest	6,256
Changes of benefit terms	-
Differences between expected and actual experience	6,182
Changes in assumptions or other inputs	(333)
Benefit payments	<u>(12,989)</u>
Net changes	<u>(884)</u>
Total OPEB liability as of June 30, 2023	<u>\$ 182,279</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 (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	1% Decrease <u>(2.65%)</u>	Discount Rate <u>(3.65%)</u>	1% Increase <u>(4.65%)</u>
Total OPEB liability	\$ 198,500	\$ 182,279	\$ 168,192

*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 <u>(2.65%)</u>	Discount Rate <u>(3.65%)</u>	1% Increase <u>(4.65%)</u>
Total OPEB liability	\$ 171,112	\$ 182,279	\$ 194,929

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

For the year ended June 30, 2023, the City recognized an OPEB expense of \$14,655. 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	12,989	-
Total	<u>\$ 12,989</u>	<u>\$ -</u>

\$12,989 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, 2025. The City does not have any amounts reported as deferred inflows of resources as of June 30, 2024.

**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, 2024 were as follows:

Contributions to pension plan in current fiscal year	\$ 705,109
Benefit payments and admin expenses for LEOSSA made subsequent to measurement date	35,810
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	12,989
Other pension deferrals	<u>1,981,696</u>
	<u>\$ 2,735,604</u>

Deferred inflows of resources at June 30, 2024 were as follows:

	<b>Governmental Funds</b>	<b>Government- Wide</b>
Prepaid taxes (General Fund)	\$ 12,452	\$ 12,452
Lease receivable (General Fund)	120,607	120,607
Taxes receivable, net (General Fund)	24,851	-
Other receivables (General Fund)	221,814	-
Pension deferrals	<u>-</u>	<u>222,298</u>
Total	<u>\$ 379,724</u>	<u>\$ 355,357</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 and dental insurance plans are administered by Cigna Healthcare through a fully-insured plan. The City's vision 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 \$1,000,000 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 \$1,000,000 and \$50,000 each, the City Manager is bonded for \$100,000.

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 \$29,818 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:

<b>Year Ending</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2025	3,858	402
2026	3,912	348
2027	3,968	292
2028	4,024	236
2029	4,081	179
2030-2031	10,458	192
Total	<u>\$ 30,301</u>	<u>\$ 1,649</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 first 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%. The second lease agreement was executed in January 2024 and requires 60 monthly payments of \$273 with an implicit interest rate of 18.9%. As a result of the

leases, the City has recorded a right to use asset with a net book values of \$30,000 and \$12,314 respectively, 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:

<b>Year Ending</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2025	12,784	1,051
2026	13,145	690
2027	13,506	329
2028	2,396	50
2029	-	-
Total	<u>\$ 41,831</u>	<u>\$ 2,120</u>

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.	\$997,640
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.	361,819
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.	142,692
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.	94,134

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. 27,261

During the year ended June 30, 2024, the City entered into a \$733.903 direct borrowing installment purchase to finance vehicles and equipment. Semiannual payments of \$80,900, including interest at 3.74%, began on February 14, 2024. The loan matures in June 2029. The vehicles and equipment are pledged as collateral while the debt is outstanding. 664,440

Total direct borrowing installment purchases	<u>\$ 2,287,986</u>
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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. \$ 550,548

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. 151,576

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. 331,269

Total direct borrowing installment purchases \$ 1,033,393

**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. \$ 317,772

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. 77,450

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.	35,154
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.	107,991
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.	25,986
During the year ended June 30, 2024, the City entered into a \$52,000 direct borrowing installment purchase to finance vehicles and equipment. Semiannual payments of \$5,732, including interest at 3.74% , began February 14, 2024. The loan matures in June, 2029. The vehicles and equipment are pledged as collateral while the debt is outstanding.	47,078

Total direct borrowing installment purchases	<u>\$ 611,431</u>
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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>\$ 374,687</u>
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At June 30, 2024, the City of Marion had a legal debt margin of \$56,878,204. Annual debt service requirements to maturity for long-term obligations are as follows:



<b><u>Governmental Activities</u></b>				
<b>Year Ending <u>June 30</u></b>	<b>Direct Borrowing</b>		<b>Direct Borrowing</b>	
	<b><u>Installment Purchases</u></b>		<b><u>USDA Loan</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2025	481,809	68,124	65,791	21,359
2026	434,559	54,896	67,993	19,157
2027	386,807	42,258	70,254	16,896
2028	315,343	30,057	72,600	14,550
2029	189,874	19,930	75,014	12,135
2030-2060	<u>479,593</u>	<u>35,665</u>	<u>681,741</u>	<u>127,636</u>
Total	<u>\$ 2,287,985</u>	<u>\$ 250,930</u>	<u>\$ 1,033,393</u>	<u>\$ 211,733</u>

<b><u>Business-Type Activities</u></b>				
<b>Year Ending <u>June 30</u></b>	<b>Direct Borrowing</b>		<b>Direct Borrowing</b>	
	<b><u>Installment Purchases</u></b>		<b><u>CWSRF Loan</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2025	\$ 231,400	\$ 17,103	\$ 62,447	\$ -
2026	199,268	11,798	62,447	-
2027	119,406	7,231	62,447	-
2028	58,160	336	62,447	-
2029	3,197	657	62,447	-
2030-2033	<u>-</u>	<u>-</u>	<u>62,452</u>	<u>-</u>
Total	<u>\$ 611,431</u>	<u>\$ 37,125</u>	<u>\$ 374,687</u>	<u>\$ -</u>

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

	<b>Current</b>			<b>Balance</b>	<b>Portion of</b>
	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>6/30/2024</b>	<b>Balance</b>
	<b>7/1/2023</b>				
<u><b>Governmental Activities:</b></u>					
Direct borrowing installment					
Purchases	\$ 1,982,245	\$ 733,903	\$ 423,367	\$ 2,292,781	\$ 481,809
Direct borrowing USDA loan	1,097,106	-	63,714	1,033,392	65,791
Total pension liability (LEOSSA)	868,407	84,254		952,661	-
Total OPEB liability	183,163	-	884	182,279	-
Net pension liability (LGERS)	2,757,026	323,107	-	3,080,133	-
Lease	76,450		2,115	74,335	-
Compensated absences	394,707	40,336	-	435,043	142,140
Total	<u>\$ 7,359,104</u>	<u>\$ 1,181,600</u>	<u>\$ 490,080</u>	<u>\$ 8,050,624</u>	<u>\$ 689,740</u>
<u><b>Business-type Activities:</b></u>					
Direct borrowing installment					
purchases	\$ 806,571	\$ 52,000	\$ 247,140	\$ 611,431	\$ 231,400
Direct borrowing CWSRF loan	437,134	-	62,447	374,687	62,447
Net pension liability (LGERS)	666,192	360,519	-	1,026,711	-
Lease	6,893	-	2,530	4,363	-
Compensated absences	72,364	-	2,784	69,580	38,939
Total	<u>\$ 1,989,154</u>	<u>\$ 412,519</u>	<u>\$ 314,901</u>	<u>\$ 2,086,772</u>	<u>\$ 332,786</u>
<u><b>Marion ABC Board:</b></u>					
Notes payable	<u>\$ 361,638</u>	<u>\$ -</u>	<u>\$ 40,510</u>	<u>\$ 321,128</u>	<u>\$ 28,000</u>

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

8. Interfund Balances and Activity:

Balances due to the General Fund from other funds at June 30, 2024, consist of the following:

Internal Service Fund \$ 117,576

Balance due to the Water and Sewer Fund from other funds at June 30, 2024, consist of the following:

Internal Service Fund \$ 43,487

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, 2024 consist of the following:

*From the General Fund to the Capital Projects Fund*

To fund general capital projects	<u>\$ 228,000</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 FY2024	<u>\$ 343,114</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 \$7,731 to the Commission during the fiscal year ended June 30, 2024.

### **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 \$10,782 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, 2024. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Raleigh, North Carolina 27603.

**Note 6 – Subsequent Events**

Management has evaluated subsequent events through October 4, 2024, the date which the financial statements were available to be issued.

On September 26, 2024, hurricane Helene, a devastating tropical cyclone, traveled through the Southeastern United States, causing destruction and fatalities within the local area. Management of the City of Marion set up a capital fund in the amount of \$675,000 as an emergency and exigency fund. An application has also been submitted for Public Assistance grants. At this point, the extent of damages and the financial impact cannot reasonably be determined for the City.

**Note 7 – Prior Period Restatement**

During 2024, management determined that the previously issued financial statements for 2024 required correction due to unrecorded fixed assets in the Water and Sewer Fund. Fixed assets were restated by \$18,000 to include these capitalized purchases.

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

**Schedule of Changes in the Total OPEB Liability and Related Ratios**

	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	6,256	4,548	2,237	3,442	4,888	4,743	4,341
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	6,182	(980)	116,628	2,243	(23,088)	473	967
Changes of assumptions	(333)	(24,607)	2,959	9,337	1,260	(3,743)	(7,152)
Benefit payments	<u>(12,989)</u>	<u>(12,600)</u>	<u>(12,455)</u>	<u>(11,774)</u>	<u>(8,982)</u>	<u>(9,115)</u>	<u>(9,152)</u>
Net change in total OPEB liability	<u>(884)</u>	<u>(33,639)</u>	<u>109,369</u>	<u>3,248</u>	<u>(25,922)</u>	<u>(7,642)</u>	<u>(10,996)</u>
Total OPEB liability - beginning	<u>183,163</u>	<u>216,802</u>	<u>107,433</u>	<u>104,185</u>	<u>130,107</u>	<u>137,749</u>	<u>148,745</u>
Total OPEB liability - ending	<u>\$ 182,279</u>	<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	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%
2024	3.65%

\* 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 \*

	<b>Local Governmental Employees' Retirement System</b>									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportionate share of the net pension liability (asset) (%)	0.06201%	0.06068%	0.05145%	0.05543%	0.05683%	0.05576%	0.05745%	0.05698%	0.06210%	0.05892%
City's proportion of the net pension liability (asset) (\$)	\$ 4,106,844	\$ 3,423,218	\$ 789,036	\$ 1,980,750	\$ 1,551,984	\$ 1,322,818	\$ 877,677	\$ 1,209,306	\$ 278,701	\$ (347,478)
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
City's proportionate share of the net pension liability (asset) as a percentage of covered payroll	81.46%	78.66%	21.12%	54.27%	43.65%	39.61%	26.61%	36.08%	8.56%	( 10.83%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	82.97%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%

\* 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**

<b>Local Governmental Employees' Retirement System</b>										
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 705,109	\$ 623,494	\$ 503,854	\$ 388,781	\$ 337,184	\$ 286,026	\$ 260,460	\$ 249,331	\$ 231,085	\$ 235,131
Contribution in relation to the contractually required contribution	<u>705,109</u>	<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>
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	\$ 5,340,106	\$ 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
Contributions as a percentage of covered payroll	13.20%	12.37%	11.58%	10.40%	9.24%	8.04%	7.80%	7.56%	6.89%	7.22%

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

**Schedule of Changes in Total Pension Liability**

	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 868,407	\$ 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	44,620	60,745	49,297	37,654	34,538	36,526	28,315	30,667
Interest	36,657	21,188	19,993	23,104	23,940	20,934	22,106	20,189
Change in benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	16,224	30,172	(101,195)	15,807	14,386	19,681	40,088	-
Changes of assumptions and other inputs	22,563	(167,469)	(26,513)	288,617	24,840	(30,108)	42,723	(15,860)
Benefit payments	(35,810)	(35,810)	(35,810)	(40,166)	(53,234)	(50,383)	(36,494)	(19,141)
Net changes	84,254	(91,174)	(94,228)	325,016	44,470	(3,350)	96,738	15,855
Ending balance of the total pension liability	<u>\$ 952,661</u>	<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	\$ 952,661	\$ 868,407	\$ 959,581	\$ 1,053,809	\$ 728,793	\$ 684,323	\$ 687,673	\$ 590,935
Covered Payroll	1,432,626	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	66.50%	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.



**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, 2024**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Current year taxes	\$ 3,843,467	\$ 3,848,225	\$ 4,758
Prior year taxes	20,000	8,468	(11,532)
Motor vehicle taxes, net	257,000	303,251	46,251
Penalties and interest	12,250	13,109	859
	<u>4,132,717</u>	<u>4,173,053</u>	<u>40,336</u>
Other Taxes and Licenses:			
Local option sales tax	2,040,000	2,094,736	54,736
Utilities sales tax	500,000	554,829	54,829
Solid waste disposal tax	5,800	5,954	154
Wine and beer tax	37,000	37,175	175
	<u>2,582,800</u>	<u>2,692,694</u>	<u>109,894</u>
Unrestricted Intergovernmental:			
Court revenue	3,500	3,804	304
ABC revenues	350,000	358,019	8,019
Video franchise fees	75,500	69,684	(5,816)
	<u>429,000</u>	<u>431,507</u>	<u>2,507</u>
Restricted Intergovernmental:			
Powell Bill allocation	249,700	249,693	(7)
Contribution for SRO	125,147	119,095	(6,052)
COVID-19 FEMA funds	8,404	8,404	-
ABC revenue for law enforcement	12,000	15,969	3,969
Parking violations	6,205	7,406	1,201
County fire protection	877,724	870,868	(6,856)
County recycling	4,200	4,456	256
NCDOT reimbursements	9,200	-	(9,200)
DARE fund revenue	10,000	10,000	-
State controlled substance revenue	-	1,032	1,032
State of NC fire protection	2,000	1,981	(19)
McDowell County schools officer	175,000	190,788	15,788
Public safety grants	174,504	181,619	7,115
Contributions from TDA	15,000	15,000	-

# 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, 2024

	Final Budget	Actual	Variance Positive/ (Negative)
On-behalf payments for fire and rescue	-	10,782	10,782
	1,669,084	1,687,093	18,009
License, Permits and Fees:			
City vehicle license	24,000	27,724	3,724
Building permits (zoning and inspections)	213,320	218,931	5,611
	237,320	246,655	9,335
Sales and Services:			
Rents, concessions and lease revenue	115,014	102,670	(12,344)
Cemetery revenues	20,400	20,115	(285)
Garbage fees	716,230	722,375	6,145
Sales of real estate	3,900	3,932	32
Sale of surplus equipment	20,000	31,334	11,334
	875,544	880,426	4,882
Miscellaneous	28,488	24,112	(4,376)
Lease interest earnings	2,000	2,000	-
Investment earnings	271,787	304,685	32,898
Restricted contributions	33,000	31,050	(1,950)
Total revenues	10,261,740	10,473,275	211,535
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits		1,006,088	
Operating expenditures		237,166	
Capital outlay		71,434	
Allocation to Water and Sewer		(500,264)	
	936,602	814,424	122,178

**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, 2024

	Final Budget	Actual	Variance Positive/ (Negative)
Cemetery:			
Operating expenditures		67,065	
	<u>71,450</u>	<u>67,065</u>	<u>4,385</u>
Non-departmental:			
Operating expenditures		454,301	
	<u>471,318</u>	<u>454,301</u>	<u>17,017</u>
Total general government	<u>1,479,370</u>	<u>1,335,790</u>	<u>143,580</u>
Public safety:			
Police department:			
Salaries and employee benefits		2,457,443	
Operating expenditures		541,325	
Capital outlay		381,425	
	<u>3,474,498</u>	<u>3,380,193</u>	<u>94,305</u>
Fire department:			
Salaries and employee benefits		1,043,138	
Operating expenditures		270,587	
Capital outlay		188,043	
	<u>1,590,363</u>	<u>1,501,768</u>	<u>88,595</u>
Inspections:			
Salaries and employee benefits		464,928	
Operating expenditures		166,451	
Capital outlay		87,720	
	<u>742,768</u>	<u>719,099</u>	<u>23,669</u>
Total public safety	<u>5,807,629</u>	<u>5,601,060</u>	<u>206,569</u>
Transportation:			
Public works administration:			
Salaries and employee benefits		195,708	
Other operating expenditures		54,754	
Capital outlay		5,385	
Allocation to Water and Sewer		(127,584)	
	<u>191,725</u>	<u>128,263</u>	<u>63,462</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, 2024**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Street department:			
Salaries and employee benefits		516,153	
Other operating expenditures		533,063	
Capital outlay		112,376	
	<u>1,880,772</u>	<u>1,161,592</u>	<u>719,180</u>
Powell Bill:			
Other operating expenditures	<u>67,306</u>	<u>23,933</u>	<u>43,373</u>
Fleet maintenance:			
Salaries and employee benefits		119,639	
Other operating expenditures		13,475	
Capital outlay		17,700	
Allocation to Water and Sewer		(57,932)	
	<u>108,980</u>	<u>92,882</u>	<u>16,098</u>
Total transportation	<u>2,248,783</u>	<u>1,406,670</u>	<u>842,113</u>
Environmental protection:			
Salaries and employee benefits		468,388	
Other operating expenditures		437,492	
Capital outlay		378,078	
	<u>1,396,139</u>	<u>1,283,958</u>	<u>112,181</u>
Cultural and recreation:			
Community building and recreation:			
Other operating expenditures		126,408	
Capital outlay		32,073	
	<u>185,290</u>	<u>158,481</u>	<u>26,809</u>
Debt service:			
Principal retirement		502,473	
Interest and other charges		96,340	
	<u>612,408</u>	<u>598,813</u>	<u>13,595</u>
Total debt service	<u>612,408</u>	<u>598,813</u>	<u>13,595</u>
Total expenditures	<u>11,729,619</u>	<u>10,384,772</u>	<u>1,344,847</u>
Revenues under expenditures	<u>(1,467,879)</u>	<u>88,503</u>	<u>1,556,382</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, 2024

	Final Budget	Actual	Variance Positive/ (Negative)
Other Financing Sources (Uses):			
Fund balance appropriated	1,179,069	-	(1,179,069)
Lease liabilities issued	13,597	13,597	-
Proceeds from insurance	26,200	26,661	461
Installment obligations issued	733,903	733,903	-
Transfer from ARPA fund	343,110	343,114	4
Transfer to capital projects funds	(828,000)	(228,000)	600,000
Total other financing sources (uses)	<u>1,467,879</u>	<u>889,275</u>	<u>(578,604)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	977,778	<u>\$ 977,778</u>
Fund balance, beginning of year		<u>6,362,095</u>	
Fund balance, end of year		<u>\$ 7,339,873</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, 2024

	Project		Actual	
	Authorization	Prior	Current	Total
		Years	Year	
Revenues:				
Restricted intergovernmental:				
ARP Funds	\$ 2,514,842	\$ 1,812,476	\$ 343,114	\$ 2,155,590
Other Financing Uses:				
Transfers out	(2,514,842)	(1,812,476)	(343,114)	(2,155,590)
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, 2024

	General Grant Projects	Drexel Brownfields Project	Baldwin Avenue Sidewalk Improvement Project	Fire Truck Purchases Project	Street Improvements Projects	Total Capital Project Fund
<b>Assets</b>						
Cash and investments	\$ 7,868	\$ (2,774)	\$ 87,000	\$ -		\$ 92,094
Restricted cash	-	-	-	1,554,830	956,876	2,511,706
Due from other governments	5,627	-	-	-	-	5,627
Accounts receivable	-	-	-	-	-	-
Total assets	<u>\$ 13,495</u>	<u>\$ (2,774)</u>	<u>\$ 87,000</u>	<u>\$ 1,554,830</u>	<u>\$ 956,876</u>	<u>2,609,427</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,599	\$ -	\$ -	\$ -	\$ -	\$ 1,599
Due to the general fund	-	-	-	-	-	-
Total liabilities	<u>1,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,599</u>
Fund balances:						
Restricted:						
Stabilization by State statute	5,627	-	-	-	-	5,627
Future capital projects	-	-	-	-	956,876	956,876
Committed:						
Future capital projects	<u>6,269</u>	<u>(2,774)</u>	<u>87,000</u>	<u>1,554,830</u>	<u>-</u>	<u>1,645,325</u>
Total fund balances	<u>11,896</u>	<u>(2,774)</u>	<u>87,000</u>	<u>1,554,830</u>	<u>956,876</u>	<u>2,607,828</u>
Total liabilities and fund balances	<u>\$ 13,495</u>	<u>\$ (2,774)</u>	<u>\$ 87,000</u>	<u>\$ 1,554,830</u>	<u>\$ 956,876</u>	<u>\$ 2,609,427</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, 2024

	General Grant Projects	Drexel Brownfield Project	Baldwin Avenue Sidewalk Improvement Project	Fire Truck Purchases Project	Street Improvements Projects	Lady Marian Dam Decommissioning Project	Total Capital Project Fund
<b>Revenues</b>							
Restricted intergovernmental (refunded)	\$ -	\$ 2,150	\$ -	\$ -	\$ -	\$ -	\$ 2,150
Investment income	-	-	-	9,039	-	-	9,039
Total revenues	-	2,150	-	9,039	-	-	11,189
<b>Expenditures</b>							
Capital outlay:							
Engineering	1,000	2,280	-	-	-	77	3,357
Planning and administration	-	2,644	-	-	-	-	2,644
Construction	224,689	-	-	-	83,194	-	307,883
Fire trucks and equipment	-	-	-	44,993	-	-	44,993
IT upgrade costs	41,635	-	-	-	-	-	41,635
Total expenditures	267,324	4,924	-	44,993	83,194	77	400,512
Revenues (under) over expenditures	(267,324)	(2,774)	-	(35,954)	(83,194)	(77)	(389,323)
<b>Other Financing Sources</b>							
Loan proceeds / installment obligations issued	-	-	-	-	-	-	-
Transfers in	228,000	-	-	-	-	-	228,000
Total other financing sources	228,000	-	-	-	-	-	228,000
Net change in fund balance	(39,324)	(2,774)	-	(35,954)	(83,194)	(77)	(161,323)
Fund balances (deficits), beginning of year	51,220	-	87,000	1,590,784	1,040,070	77	2,769,151
Fund balances, end of year	\$ 11,896	\$ (2,774)	\$ 87,000	\$ 1,554,830	\$ 956,876	\$ -	\$ 2,607,828



# 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, 2024

	Project Authorization	Actual through June 30, 2024		
		Reported in Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
NC Office Recovery & Resiliency (refund)	\$ 245,773	\$ 191,710	\$ -	\$ 191,710
<b>Expenditures:</b>				
Architect/Engineering Services	103,780	102,780	1,000	103,780
Operating - general government	216,575	162,512	-	162,512
Capital outlay - general government	29,198	29,198	-	29,198
IT Upgrade costs	42,800	-	41,635	41,635
Construction and renovation	235,420	-	224,689	224,689
Total expenditures	627,773	294,490	267,324	561,814
Revenues over (under) expenditures	(382,000)	(102,780)	(267,324)	(370,104)
<b>Other Financing Sources (Uses)</b>				
Transfers in	382,000	154,000	228,000	382,000
Net change in fund balance	\$ -	\$ 51,220	(39,324)	\$ 11,896
Fund balance, beginning of year			51,220	
Fund balance, end of year			\$ 11,896	

# CITY OF MARION, NORTH CAROLINA

## CAPITAL PROJECT - DREXEL/BROWNFIELDS PROJECT

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

From inception and for the year ended June 30, 2024

	Project Authorization	Actual through June 30, 2024		
		Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
Grants - EPA	\$ 500,000	\$ -	\$ 2,150	\$ 2,150
Grants - RTG	450,000	-	-	-
	<u>950,000</u>	<u>-</u>	<u>2,150</u>	<u>2,150</u>
Expenditures:				
Drexel - Travel	5,000	-	2,280	2,280
Drexel - Supplies	1,000	-	-	-
Drexel - Contract	494,000	-	2,644	2,644
RTG Contract	450,000	-	-	-
Total expenditures	<u>950,000</u>	<u>-</u>	<u>4,924</u>	<u>4,924</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(2,774)	<u>\$ (2,774)</u>
Fund balance (deficit), beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ (2,774)</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, 2024

		Actual through June 30, 2024		
	Project <u>Authorization</u>	Reported in <u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
NC Department of Transportation	\$ 350,000	\$ -	\$ -	\$ -
Expenditures:				
Engineering	195,000	-	-	-
Construction	142,000	-	-	-
Right of way expansion	100,000	-	-	-
Total expenditures	437,000	-	-	-
Revenues under expenditures	(87,000)	-	-	-
Other financing sources:				
Transfers in	87,000	87,000	-	87,000
Net change in fund balance	\$ -	\$ 87,000	\$ -	\$ 87,000
Fund balance, beginning of year			87,000	
Fund balance, end of year			\$ 87,000	

**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, 2024**

		<u>Actual through June 30, 2024</u>		
	<u>Project</u>	<u>Reported in</u>	<u>Current Year</u>	<u>Total to Date</u>
	<u>Authorization</u>	<u>Prior Years</u>		
Revenues:				
Restricted intergovernmental:				
State capital infrastructure grant	\$ 500,000	\$ 500,000		\$ 500,000
Investment income	<u>-</u>	<u>5,784</u>	<u>9,039</u>	<u>14,823</u>
Total revenues	<u>500,000</u>	<u>505,784</u>	<u>9,039</u>	<u>514,823</u>
Expenditures:				
Capital outlay - fire truck	1,358,000	-	-	-
Capital outlay - equipment	210,000	-	44,993	44,993
Contingencies	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,585,000</u>	<u>-</u>	<u>44,993</u>	<u>44,993</u>
Revenues over (under) expenditures	<u>(1,085,000)</u>	<u>505,784</u>	<u>(35,954)</u>	<u>469,830</u>
Other financing sources:				
Proceeds installment financing	<u>1,085,000</u>	<u>1,085,000</u>	<u>-</u>	<u>1,085,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,590,784</u>	<u>(35,954)</u>	<u>\$ 1,554,830</u>
Fund balance, beginning of year			<u>1,590,784</u>	
Fund balance, end of year			<u><u>\$ 1,554,830</u></u>	

**CITY OF MARION, NORTH CAROLINA**

**CAPITAL PROJECT FUND - STREET IMPROVEMENT PROJECTS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**From inception and for the year ended June 30, 2024**

		<u>Actual through June 30, 2024</u>		
	<u>Project</u> <u>Authorization</u>	<u>Reported in</u> <u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures:				
Construction	\$ 1,640,070	\$ -	\$ 83,194	\$ 83,194
Revenues under expenditures	<u>(1,640,070)</u>	<u>-</u>	<u>(83,194)</u>	<u>(83,194)</u>
Other financing sources:				
Transfers in (Powell Bill funds)	956,000	356,000	-	356,000
Transfers in	<u>684,070</u>	<u>684,070</u>	<u>-</u>	<u>684,070</u>
Total other financing sources	<u>1,640,070</u>	<u>1,040,070</u>	<u>-</u>	<u>1,040,070</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,040,070</u>	<u>(83,194)</u>	<u>\$ 956,876</u>
Fund balance, beginning of year			<u>1,040,070</u>	
Fund balance, end of year			<u>\$ 956,876</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, 2024**

		<u>Actual through June 30, 2024</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>123,077</u>	<u>-</u>	<u>123,077</u>
Expenditures:				
Engineering	117,077	117,000	77	117,077
Planning and administration	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total expenditures	<u>123,077</u>	<u>123,000</u>	<u>77</u>	<u>123,077</u>
Revenues over (under) expenditures	<u>-</u>	<u>77</u>	<u>(77)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 77</u>	<u>(77)</u>	<u>\$ -</u>
Fund balance (deficit), beginning of year			<u>77</u>	
Fund balance, end of year			<u>\$ -</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, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water sales	\$ 1,419,000	\$ 1,514,610	\$ 95,610
Sewer sales	1,003,000	1,016,102	13,102
Sewer taps	13,480	16,113	2,633
Water taps	65,693	72,259	6,566
Cut-on fees/penalties	158,950	170,546	11,596
Water service charges	1,330,000	1,348,191	18,191
Sewer service charges	720,000	729,542	9,542
Other operating income	80,714	82,269	1,555
Total operating revenues	<u>4,790,837</u>	<u>4,949,632</u>	<u>158,795</u>
Non-operating revenues:			
Interest	<u>6,000</u>	<u>11,461</u>	<u>5,461</u>
Total revenues	<u>4,796,837</u>	<u>4,961,093</u>	<u>164,256</u>
Expenditures:			
Utility line maintenance:			
Salaries and employee benefits		704,818	
Operating expenditures		602,530	
Repairs and maintenance		57,494	
Capital outlay		407,489	
Overhead allocation		703,176	
	<u>3,034,914</u>	<u>2,475,507</u>	<u>559,407</u>
Water filter plant:			
Salaries and employee benefits		336,820	
Operating expenditures		379,179	
Repairs and maintenance		23,298	
Capital outlay		80,278	
	<u>889,895</u>	<u>819,575</u>	<u>70,320</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, 2024

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Water treatment plant:			
Salaries and employee benefits		383,355	
Operating expenditures		544,625	
Repairs and maintenance		41,414	
Capital outlay		171,606	
	<u>1,236,728</u>	<u>1,141,000</u>	<u>95,728</u>
 Total operating expenditures	 <u>5,161,537</u>	 <u>4,436,082</u>	 <u>725,455</u>
 Miscellaneous	 <u>15,000</u>	 <u>2,695</u>	 <u>12,305</u>
 Debt service:			
Principal retirement		312,117	
Interest		18,181	
	<u>349,529</u>	<u>330,298</u>	<u>19,231</u>
 Insurance, bonding and workers' compensation	 <u>125,743</u>	 <u>115,716</u>	 <u>10,027</u>
 Total expenditures	 <u>5,651,809</u>	 <u>4,884,791</u>	 <u>767,018</u>
 Revenues under expenditures	 <u>(854,972)</u>	 <u>76,302</u>	 <u>931,274</u>
 Other Financing Sources:			
Installment obligations issued	52,000	52,000	-
Transfer from capital reserve fund	56,907	56,907	-
Proceeds on sale of capital assets	14,751	2,952	(11,799)
Appropriated fund balance	<u>731,314</u>	<u>-</u>	<u>(731,314)</u>
 Total other financing sources	 <u>854,972</u>	 <u>111,859</u>	 <u>(743,113)</u>
 Revenues and other sources over expenditures	 <u>\$ -</u>	 <u>188,161</u>	 <u>\$ 188,161</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, 2024

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Increase in inventories		955	
Interest earned on long-term note receivable		(5,333)	
Capital outlay		659,373	
Depreciation		(956,882)	
Decrease in accrued compensated absences		2,784	
Installment obligations issued		(52,000)	
Lease liability issued net of payments		(6,895)	
Principal retirement		312,117	
From Water and Sewer Capital Reserve Fund:			
Water and sewer system development fees		74,977	
Intrafund transfer		(56,907)	
From Water and Sewer Capital Projects:			
Capital contributions		676,902	
Non-capital expenditures		(359,883)	
Increase in net pension liability		(359,564)	
Increase in deferred outflows of resources - pensions		159,656	
Decrease in deferred inflows of resources - pensions		<u>26,070</u>	
Total reconciling items		<u>115,370</u>	
Change in net position		<u>\$ 303,531</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, 2024**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Water and sewer system development fees	<u>\$          56,907</u>	<u>\$          74,977</u>	<u>\$          18,070</u>
Other financing uses:			
Transfer to water and sewer fund for debt service	<u>          (56,907)</u>	<u>          (56,907)</u>	<u>                  -</u>
Revenues over other financing uses	<u>\$                  -</u>	<u>\$          18,070</u>	<u>\$          18,070</u>

**CITY OF MARION, NORTH CAROLINA**

**WATER AND SEWER CAPITAL PROJECTS FUND**

**GRANT PROJECT - SEWER AIA GRANT PROJECT**

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

From inception and for the year ended June 30, 2024

		<u>Actual through June 30, 2024</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	\$ 400,000	\$ -	\$ 317,032	\$ 317,032
Expenditures:				
Project management	39,308	-	35,377	35,377
Data acquisition/GIS	3,970		3,461	3,461
Engineering assessment	74,370		71,395	71,395
Condition assessment	194,685		161,589	161,589
Update Asset plan	38,400		23,040	23,040
Rate study cost	49,267	-	22,170	22,170
Total	<u>400,000</u>	<u>-</u>	<u>317,032</u>	<u>317,032</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF MARION, NORTH CAROLINA**

WATER AND SEWER CAPITAL PROJECTS FUND  
GRANT PROJECT - LEAD SERVICE LINE INVENTORY PROJECT  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
From inception and for the year ended June 30, 2024

		<u>Actual through June 30, 2024</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 Environmental Quality	\$ 495,800	\$ -	\$ -	\$ -
Total revenues	<u>495,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Professional services	<u>495,800</u>	<u>-</u>	<u>50,111</u>	<u>50,111</u>
Total expenditures	<u>495,800</u>	<u>-</u>	<u>50,111</u>	<u>50,111</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(50,111)	<u>\$ (50,111)</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance (deficit), end of year			<u>\$ (50,111)</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, 2024

		Actual through June 30, 2024		
	Project Authorization	Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Dept of Environment SFR Funding	\$ 3,244,430	\$ -	\$ 359,870	\$ 359,870
Total revenues	<u>3,244,430</u>	<u>-</u>	<u>359,870</u>	<u>359,870</u>
Expenditures:				
Administration	239,000	-	-	-
Construction	2,253,085	-	13	13
Engineering	<u>752,345</u>	<u>37,500</u>	<u>322,370</u>	<u>359,870</u>
Total expenditures	<u>3,244,430</u>	<u>37,500</u>	<u>322,383</u>	<u>359,883</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (37,500)</u>	37,487	<u>\$ (13)</u>
Fund balance, beginning of year			<u>(37,500)</u>	
Fund balance (deficit), end of year			<u>\$ (13)</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, 2024

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Sales to other funds	\$ 532,481	\$ 429,825	\$ (102,656)
Expenditures:			
Salaries and employee benefits		65,960	
Operating expenditures		<u>370,978</u>	
Total expenditures	<u>532,481</u>	<u>436,938</u>	<u>95,543</u>
Revenue over expenditures	<u>\$ -</u>	(7,113)	<u>\$ (7,113)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Increase in inventories		2,386	
Depreciation		(441)	
Increase in accrued compensated absences		320	
Increase in deferred outflows of resources - pension		4,222	
Increase in net pension liability		(10,943)	
Increase in deferred inflows of resources - pension		<u>187</u>	
Total reconciling items		<u>(4,269)</u>	
Change in net position		<u>\$ (11,382)</u>	

**CITY OF MARION, NORTH CAROLINA**

**GENERAL FUND**

**Schedule of Ad Valorem Taxes Receivable**

For the year ended June 30, 2024

Fiscal Year	Uncollected Balance 6/30/2022	Additions	Collections And Credits	Uncollected Balance 6/30/2023
2023-2024	\$ -	\$ 4,215,345	\$ 4,188,930	\$ 26,415
2022-2023	11,143	-	4,377	6,766
2021-2022	4,454	-	1,753	2,701
2020-2021	2,257	-	1,144	1,113
2019-2020	1,354	-	300	1,054
2018-2019	996	-	184	812
2017-2018	786	-	80	706
2016-2017	705	-	80	625
2015-2016	953	-	80	873
2014-2015	952	-	166	786
2013-2014	4,000	-	4,000	-
	<u>\$ 27,600</u>	<u>\$ 4,215,345</u>	<u>\$ 4,201,094</u>	<u>41,851</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(17,000)</u>
Ad valorem taxes receivable, net				<u>\$ 24,851</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 4,173,053
Reconciling items:				
Releases				1,854
Discount				21,557
Amounts written off for the 2012 levy				
per the statute of limitations				3,898
Other				<u>13,841</u>
				4,214,203
Less: interest collected				<u>(13,109)</u>
Total collections and credits				<u>\$ 4,201,094</u>

**CITY OF MARION, NORTH CAROLINA**

GENERAL FUND  
Analysis of Current Tax Levy  
For the year ended June 30, 2024

				Total Levy	
	City-Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Real	\$ 599,345,351	\$0.55/\$100	\$ 3,296,406	\$ 3,296,406	\$ -
Personal	146,154,970	\$0.55/\$100	803,852	486,386	317,467
Old age exemptions	<u>(9,333,309)</u>	\$0.55/\$100	<u>(51,333)</u>	<u>(51,333)</u>	<u>-</u>
Total	<u>736,167,012</u>		<u>4,048,926</u>	<u>3,731,459</u>	<u>317,467</u>
Penalties			<u>8,654</u>	<u>8,654</u>	<u>-</u>
			<u>4,057,580</u>	<u>3,740,113</u>	<u>317,467</u>
Discoveries:					
Current year taxes:					
Real	351,550	\$0.55/\$100	1,934	1,934	-
Personal	13,502	\$0.55/\$100	74	74	-
Old age exceptions	<u>28,319,530</u>	\$0.55/\$100	<u>155,757</u>	<u>155,757</u>	<u>-</u>
Total	<u>28,684,582</u>		<u>157,765</u>	<u>157,765</u>	<u>-</u>
Total City levy	<u>\$ 764,851,594</u>				
Net levy			4,215,345	3,897,878	317,467
Less: Uncollected taxes at June 30, 2024			<u>26,415</u>	<u>26,415</u>	<u>-</u>
Current year's taxes collected			<u>\$ 4,188,930</u>	<u>\$ 3,871,463</u>	<u>\$ 317,467</u>
Current levy collection percentage			99.37%	99.32%	100.00%





*S. Gillespie, P.A.*

*Certified Public Accountant*

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**Independent Auditor's 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***

To the 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 discretely presented component unit, and each major fund of the City of Marion (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Marion's basic financial statements, and have issued our report thereon dated October 4, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

*S Gillespie, P.A.*

Spruce Pine, North Carolina

October 4, 2024



*S. Gillespie, P.A.*

*Certified Public Accountant*

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

**Independent Auditor's Report**

To the City Council  
City of Marion  
Marion, North Carolina

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Marion's compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Marion's major federal programs for the year ended June 30, 2024. The City of Marion's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Marion complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of the City of Marion and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Marion's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with *GAAS, Government Auditing Standards, and the Uniform Guidance*, we exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Marion's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City of Marion's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Marion's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Report on Internal Control Over Compliance***

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

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

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

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

*S Gillespie, P.A*

Spruce Pine, North Carolina  
October 4, 2024

**City of Marion, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

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**I. Summary of Auditor's Results**

- A. An unmodified opinion was issued on the financial statements of the City of Marion, North Carolina.
- B. Our audit of the financial statements disclosed no significant deficiencies in internal controls.
- C. Our audit of the financial statements disclosed no instance of noncompliance with laws, regulations, and the provisions of contracts and grant agreements that is material to the financial statements.
- D. Our audit of compliance with types of compliance requirements applicable to the City's major programs disclosed no significant deficiencies in internal controls over major programs.
- E. An unqualified opinion was issued on the City of Marion's compliance with the types of compliance requirements applicable to its major federal programs.
- F. There were no audit findings relative to the major federal award programs that the auditor is required to report under 200.516(a) for the City of Marion.
- G. Major federal programs for the City of Marion for the fiscal year ended June 30, 2024 are:

<u>Program</u> <u>Name</u>	<u>CFDA #</u>
U.S. Department of the Treasury DEQ – Asset Inventory and Assessment Grant Program	21.027
DEQ – Collection System Improvements – Clinchfield Basin	21.027

- H. There are no major State programs for the City of Marion, North Carolina for the year ended June 30, 2024.
- I. The threshold for determining Type A programs for the City of Marion is \$750,000.
- J. City of Marion did not qualify as a low risk auditee under Section 200.520 of the Uniform Guidance.

**II. Findings related to the Audit of the Financial Statements of City of Marion, North Carolina**

None

**III. Findings and Questioned Costs Related to the Audit of Federal and State Awards**

None

**IV. Status of Prior Year Findings**

None

**City of Marion, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2024**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Provided to Subrecipients</u>
<b>Federal Grants:</b>					
<b>Cash Programs:</b>					
<b><u>U.S. Environmental Protection Agency</u></b>					
Passed-through North Carolina Department of Environmental Quality: Division of Water Infrastructure Brownfield Cleanup Grant	66.818		4,924		
Total U.S. Department of Health & Human Services			<u>4,924</u>	<u>-</u>	<u>-</u>
<b><u>U.S. Department of Justice</u></b>					
Equitable Sharing Program	16.922		14,600		
Total U.S. Department of Justice			<u>14,600</u>	<u>-</u>	<u>-</u>
<b><u>U.S. Department of the Treasury</u></b>					
Passed through N.C. Office of State Budget and Management American Rescue Plans	21.027		343,114		
Passed through the N.C. Department of Environmental Quality Asset Inventory and Assessment Grant	21.027	AIA-W- ARP-0201	317,032		
Collection System Improvements - Clinchfield Sub-basin	21.027	SRP-W-ARP-0156	359,883		
Marion Lead Service Line Project	21.027	SRF-D-LSL-0027	50,111		
Total U.S. Department of the Treasury			<u>1,070,140</u>	<u>-</u>	<u>-</u>
<b><u>US Department of Transportation</u></b>					
Passed through NC Department of Transportation Governors Highway Safety Program	20.600		99,260	-	-
<b><u>U.S. Department of Homeland Security</u></b>					
Passed through N.C. Dept. of Public Safety: Assistance to Firefighters Grant Program	94.304		69,972		
Public Assistance Program	97.036		142,246		
Total U.S. Department of Homeland Security			<u>212,218</u>	<u>-</u>	<u>-</u>
Total federal cash assistance			<u>\$ 1,401,142</u>	<u>\$ -</u>	<u>\$ -</u>
<b>STATE GRANTS</b>					
<b>Cash Programs:</b>					
<b><u>N.C. Department of Transportation</u></b>					
Powell Bill			-	107,126	-
Total State cash assistance			<u>-</u>	<u>107,126</u>	<u>-</u>
Total assistance			<u>\$ 1,401,142</u>	<u>\$ 107,126</u>	<u>\$ -</u>

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

**1 Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Marion under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. Because the Schedule presents only a limited portion of the operations of the City of Marion, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**2 Summary of Significant Accounting Policies**

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