

City of Marion, North Carolina

Financial Statements

June 30, 2020



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

CERTIFIED PUBLIC ACCOUNTANTS

**Marion City Council
(As of June 30, 2020)**

Steve Little, Mayor
Juanita Doggett, Mayor Pro Tem

Woody Ayers
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City Manager
Bob Boyette

Prepared under the direction of:
Finance Director
Julie Scherer, CPA, NCCLGFO



**CITY OF MARION, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2020**

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Marion, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Marion, North Carolina, as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-17, the Other Postemployment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios on page 65, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 66 and 67, respectively, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 68, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2020 on our consideration of the City of Marion's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marion's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 5, 2020



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BASIC FINANCIAL STATEMENTS

City of Marion, North Carolina

Management's Discussion and Analysis

June 30, 2020

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, 2020. 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

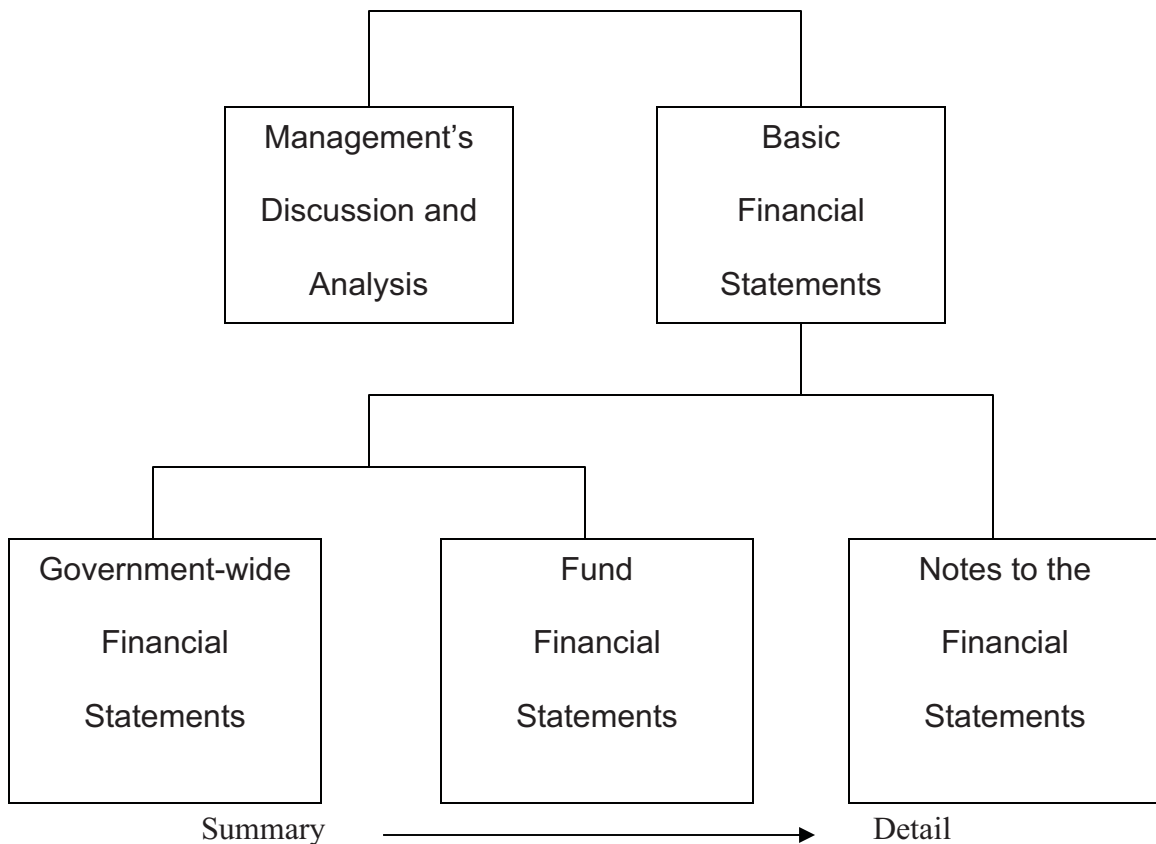
- The assets and deferred outflows of resources of the City of Marion exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,715,238 (*net position*).
- The government's total net position decreased by (\$1,240,968), consisting of decreases in the governmental activities net position of \$(876,725) and decreases in the business-type activities net position of (\$364,243).
- As of the close of the current fiscal year, the City of Marion's governmental funds reported combined ending fund balances of \$4,796,110 with a net increase of \$772,026 in fund balance. Approximately 32% of this total amount, or \$1,558,365, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$3,521,432, or 51% of general fund expenditures, as adjusted for the fiscal year. Total fund balance for the General Fund was \$4,478,753 or 65% of the total general fund expenditures, as adjusted.
- The City of Marion's total debt increased by \$195,709 (7%) during the current fiscal year. The key factors in this increase were regularly scheduled principal payments on existing debt of \$468,291, the addition of the USDA interim financing loan for \$586,000, and addition of a NC Office of Recovery & Resiliency loan for \$78,000.
- The City of Marion maintained a stable property tax rate of \$.51 per \$100 of valuation for the 52nd consecutive year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Marion, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Marion can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 31 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Marion's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 64 of this report.

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

Government-Wide Financial Analysis

City of Marion's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 4,637,463	\$ 4,084,249	\$ 2,387,883	\$ 2,425,857	\$ 7,025,346	\$ 6,510,106
Restricted assets	597,559	354,827	248,740	241,721	846,299	596,548
Capital assets	9,588,398	10,444,827	18,469,419	19,104,515	28,057,817	29,549,342
Deferred outflows of resources	830,363	920,027	187,682	215,044	1,018,045	1,135,071
Total assets and deferred outflows of resources	15,653,783	15,803,930	21,293,724	21,987,137	36,947,507	37,791,067
Long-term liabilities outstanding	2,951,220	2,858,073	1,341,576	1,575,002	4,292,796	4,433,075
Current liabilities	1,230,368	576,027	634,947	726,616	1,865,315	1,302,643
Deferred inflows of resources	66,222	87,132	7,936	12,011	74,158	99,143
Total liabilities and deferred inflows of resources	4,247,810	3,521,232	1,984,459	2,313,629	6,232,269	5,834,861
Net position:						
Net investment in capital assets	7,995,695	9,328,813	17,181,905	17,536,021	25,177,600	26,864,834
Restricted	1,529,703	1,620,357	-	-	1,529,703	1,620,357
Unrestricted	1,880,575	1,333,528	2,127,360	2,137,487	4,007,935	3,471,015
Total net position	\$11,405,973	\$12,282,698	\$19,309,265	\$19,673,508	\$30,715,238	\$31,956,206

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Marion exceeded liabilities and deferred inflows by \$30,715,238 as of June 30, 2020, which represents the City's total net position. The largest portion of net position (82%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Marion uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Marion's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Marion's net position, \$1,529,702 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,007,936 is unrestricted.

The City's total net position decreased by (\$1,240,968) for the fiscal year ended June 30, 2020 mainly due to the decrease of (\$1,491,525) in Capital Assets. Capital Assets in the Governmental Activities decreased (\$856,429) mainly due to depreciation and the disposals of the demolition and cleanup costs associated with the former Drexel facility as of June 30, 2020. Capital Assets in the Business-Type Activities decreased (\$635,096) mainly due to depreciation.

While the total net position of the City decreased, several particular aspects of the City's financial operations positively helped to offset the items noted above:

- Continued diligence in the collection of property taxes as shown by the stability in the tax collection rate (excluding registered motor vehicles) in the current fiscal year of 98.85% compared to 99.01% in the prior fiscal year.
- Increased ad valorem tax revenues of approximately \$334,000 due to the increase in the ad valorem tax base as a result of natural growth, the addition of the Mission McDowell Hospital's real property value to the ad valorem tax base, and the octennial property revaluation.
- Increased profit distribution from ABC operations of approximately \$83,000, or 44%, as a result of increased ABC sales.
- Continued efforts of all departments to minimize costs and efficiently serve our citizens.

City of Marion's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,544,228	\$ 1,303,905	\$ 3,681,230	\$ 3,572,687	\$ 5,225,458	\$ 4,876,592
Operating grants and contributions	985,998	368,150	87,968	76,211	1,073,966	444,361
Capital grants and contributions	114,590	1,288,538	12,317	156,300	126,907	1,444,838
General revenues:						
Property taxes	2,773,982	2,446,896	-	-	2,773,982	2,446,896
Other taxes	2,128,305	2,354,692	-	-	2,128,305	2,354,692
Investment earnings	24,127	-	5,238	4,911	29,365	4,911
Other	132,122	273,422	635	8,001	132,757	281,423
Total revenues	<u>7,703,352</u>	<u>8,035,603</u>	<u>3,787,388</u>	<u>3,818,110</u>	<u>11,490,740</u>	<u>11,853,713</u>
Expenses:						
General government	2,561,870	1,276,583	-	-	2,561,870	1,276,583
Public safety	3,751,999	3,381,133	-	-	3,751,999	3,381,133
Transportation	1,359,103	1,345,558	-	-	1,359,103	1,345,558
Environmental protection	822,988	704,119	-	-	822,988	704,119
Cultural and recreation	224,596	254,614	-	-	224,596	254,614
Interest on long-term debt	32,521	36,284	-	-	32,521	36,284
Water and sewer	-	-	3,978,631	3,684,617	3,978,631	3,684,617
Total expenses	<u>8,753,077</u>	<u>6,998,291</u>	<u>3,978,631</u>	<u>3,684,617</u>	<u>12,731,708</u>	<u>10,682,908</u>
Change in net position before transfers	(1,049,725)	1,037,312	(191,243)	133,493	(1,240,968)	1,170,805
Transfers	173,000	173,000	(173,000)	(173,000)	-	-
Change in net position	<u>(876,725)</u>	<u>1,210,312</u>	<u>(364,243)</u>	<u>(39,507)</u>	<u>(1,240,968)</u>	<u>1,170,805</u>
Net position, July 1	<u>12,282,698</u>	<u>11,072,386</u>	<u>19,673,508</u>	<u>19,713,015</u>	<u>31,956,206</u>	<u>30,785,401</u>
Net position, June 30	<u>\$ 11,405,973</u>	<u>\$ 12,282,698</u>	<u>\$ 19,309,265</u>	<u>\$ 19,673,508</u>	<u>\$ 30,715,238</u>	<u>\$ 31,956,206</u>

Governmental activities. Governmental activities decreased the City's net position by (\$876,725). Public Safety accounted for 43%, General Government accounted for 29% and Transportation accounted for 16% of governmental activities for fiscal year 2019-2020. The City's governmental activities cover a wide range of services. Several factors affected the governmental activities net position:

- An 18% increase in charges for services mainly due to two items. First, a 33% increase in the residential garbage fee from \$3 to \$4 per month per household and a 20% increase in commercial garbage fees resulted in approximately \$114,000 in revenue which helped to offset an increase in County tipping fees and helped to better cover sanitation costs with user fees. Second, additional

revenues for County fire protection of approximately \$144,000 were received mainly as a result of a 2 cent property tax rate increase coupled with the octennial property revaluation to help fund 5 additional firefighter positions.

- A 34% decrease in grants and contributions mainly due to \$867,417 in one-time grants received in the prior year related to the demolition and cleanup of the former Drexel site.
- A 13% increase in ad valorem tax revenues due to an increase in the ad valorem tax base as a result of natural growth, the addition of the Mission McDowell Hospital's real property value to the ad valorem tax base, the octennial property revaluation, and a steady tax collection rate.
- A 10% decrease in other taxes, primarily due to a (\$189,000) decrease in sales tax revenue as a result of the County capping the amount of reimbursement to the City under an interlocal sales tax agreement in FY 2019-2020 at \$100,000. The City received approximately \$285,000 under this agreement in the prior year.
- An overall increase in expenses of approximately 25% due mainly to 1) \$1 million of previously capitalized demolition and cleanup costs associated with the former Drexel facility that were written off in FY 2019-2020 and \$250,000 in current year expenses associated with this same project, and 2) an increase in Fire Department expenses of approximately \$250,000 mostly attributable to the addition of five new firefighter positions as a result of being awarded a Federal Staffing for Adequate Fire and Emergency Response (SAFER) grant to bring our staffing per shift more in line with the City's peer group.

Business-type activities. Business-type activities decreased the City of Marion's net position by (\$364,243). The key element of the decrease related to business-type activities was in Capital Assets where depreciation expense of \$909,491 exceeded newly capitalized assets totaling \$567,044.

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 \$544,258 during fiscal year 2019-2020. Overall revenues increased approximately \$605,000, or 9%, due mainly to increases in property taxes and grants as discussed above. Ad valorem taxes, which now represent 39% of general fund revenues (they represented 38% in the prior year), increased approximately \$334,000, or 13% as discussed above. Other taxes and licenses decreased (\$226,000), or 10%, mainly due to a decrease in sales tax revenues as discussed above. Unrestricted intergovernmental revenue increased \$81,000, or 29%, due to an increased profit distribution from ABC operations as discussed above. Restricted intergovernmental revenue increased by approximately \$320,000, or 38%, due to 1) increases in public safety grants for an additional School Resource Officer and five new firefighter positions and 2) additional revenues for County fire protection as discussed earlier. Sales and services increased \$114,000, or 31%, due to increases

in the residential garbage fee and commercial garbage fees as discussed earlier. Overall expenditures were relatively stable increasing \$57,000, or approximately 1%.

At the end of the current fiscal year, the City of Marion's available fund balance in the General Fund was \$3,521,432, while total fund balance reached \$4,478,753. 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 51% of general fund expenditures, and total fund balance represents 65% of the same amount.

At June 30, 2020, the governmental funds of the City of Marion reported a combined fund balance of \$4,796,110 with a net increase in fund balance of \$772,026. This increase is the result of 1) the general fund increase of \$544,258 (discussed earlier) and 2) an increase in the capital project fund of \$227,768 due mainly to the loan proceeds of \$664,000 (discussed earlier).

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. The major budget ordinance amendments in 2019-2020 were to increase revenues for 1) restricted intergovernmental grants that were awarded during the year such as the Governor Highway Safety Program grant (\$40,000), a School Resource Officer grant (\$40,000), and the Staffing for Adequate Fire and Emergency Response (SAFER) grant (\$150,342), 2) additional garbage fees of \$55,000 based on actual billings, and 3) the receipt of insurance funds for various losses totaling \$58,174. Although expenditures were held in check overall to comply with its budgetary requirements, the City did amend the budget in the General Fund to account for 1) a \$40,000 appropriation related to the Governor's Highway Safety program grant, 2) \$61,000 related to Police Department vehicle replacements as a result of accident losses, 3) additional personnel expenses of \$106,000 in the Fire Department related to the receipt of the Staffing for Adequate Fire and Emergency Response (SAFER) grant, 4) \$75,000 in maintenance and repair expenses related to major repairs of the Fire Department ladder truck, and other miscellaneous smaller amounts.

Proprietary Funds. The City of Marion's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,189,563 and the total decrease in net position for the Water and Sewer and the Internal Service Funds was (\$361,105) and (\$8,257), 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, 2020, totals \$28,057,817 (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:

- Roof replacements for City Hall and the Community Building - \$107,898
- Progress on the Community Building Park study & repair - \$499,643
- Progress on the Lincoln Avenue Bridge project - \$75,777
- Purchase of used Sanitation Department Brush Hawg Knuckleboom truck - \$26,786
- Purchase of Street Department truck - \$30,906
- Purchase of 2 Police Department vehicles - \$74,988
- Purchase of various Equipment - \$40,268
- Completion of construction on Holiday Inn Express water and sewer line extensions - \$334,539
- Rebuild Aqua Guard bar screen at Wastewater Treatment Plant - \$82,538
- Purchase of generator for Wastewater Treatment Plant - \$76,595
- Purchase of tractor for Utility Line Maintenance Department - \$25,165
- Purchase of various water & sewer equipment - \$43,553

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,951,369	\$ 1,951,369	\$ 101,245	\$101,245	\$ 2,052,614	\$ 2,052,614
Buildings and system Improvements other than buildings	2,850,978	2,855,493	17,062,023	17,426,191	19,913,001	20,281,684
Equipment and furniture	1,617,029	1,680,928	485,765	512,302	2,102,794	2,193,230
Infrastructure	342,560	444,796	728,232	623,431	1,070,792	1,068,227
Vehicles and motorized equipment	1,677,435	1,741,839	-	-	1,677,435	1,741,839
Construction in progress	413,508	594,558	56,444	117,641	469,952	712,199
Total	735,519	1,175,844	35,710	323,705	771,229	1,499,549
	<u>\$ 9,588,398</u>	<u>\$ 10,444,827</u>	<u>\$ 18,469,419</u>	<u>\$ 19,104,515</u>	<u>\$ 28,057,817</u>	<u>\$ 29,549,342</u>

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

Long-term Debt. As of June 30, 2020, the City of Marion had total installment debt outstanding of \$1,742,843. Of this, \$624,475 is debt backed by the full faith and credit of the City. The remainder of the City's debt is secured by the related assets purchased or constructed.

City of Marion's Outstanding Debt

The City of Marion's total direct borrowing installment purchases debt and other loans increased by \$195,709 (7%) during the past fiscal year, due to regularly scheduled principal payments of \$468,291 on existing debt and

the addition of the USDA interim financing loan for \$586,000 and the NC Office of Recovery & Resiliency loan which had a balance at June 30, 2020 of \$78,000.

City of Marion's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct borrowing						
installment purchases	\$ 1,079,804	\$ 561,988	\$ 663,039	\$881,572	\$ 1,742,843	\$1,443,560
Direct borrowing USDA loan	512,899	554,026	-	-	512,899	554,026
Direct borrowing CWSRF loan	-	-	624,475	686,922	624,475	686,922
Net pension liability (LGERS)	1,226,067	1,045,026	325,917	277,792	1,551,984	1,322,818
Total pension liability (LEOSSA)	728,793	684,323	-	-	728,793	684,323
Total OPEB liability	104,185	130,107	-	-	104,185	130,107
Compensated absences	232,234	209,814	45,635	48,696	277,869	258,510
Total	\$3,883,982	\$3,185,284	\$1,659,066	\$1,894,982	\$5,543,048	\$5,080,266

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 \$41,500,000. The City has \$-0- in bonds authorized but unissued at June 30, 2020.

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

Economic Factors and Next Year's Budgets and Rates

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

Continued Low Unemployment Rates. The McDowell County unemployment rate has been very steady in recent years and consistently at or below the State average until the COVID-19 pandemic began earlier in 2020. 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 pandemic, but was down to 5.9% as of August, a rate below the State average of 6.8% and equal to or below many counties in the region, including Buncombe (7.5%), Burke (6.3%), Caldwell (7.3%), Catawba (7.0%), Cleveland (7.0%), Haywood (6.7%), Henderson (6.0%), Jackson (6.1%), Madison (6.2%), Mitchell (6.5%) and Rutherford (8.0%). As of August 2020, McDowell County was tied for the 29th lowest unemployment rate among North Carolina's 100 counties and McDowell County's unemployment rate was only 1.3% higher than the lowest unemployment rates in North Carolina, which were Camden and Watauga Counties at 4.6%. The stable unemployment rate is a very welcome sign. Since 1990, 3,048 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 \$567,000 per year in utility revenues and an estimated \$129,000 per year in property tax revenues.

Continued Manufacturing Stability. From 2008 until the beginning of the COVID-19 pandemic, a period of 12 years, no manufacturing closings took place in the City of Marion or in

the City's utility service area, in contrast to prior years in which the City experienced large numbers of manufacturing job losses. In 2020, one small manufacturer in the Universal Building located in the City closed, resulting in a small loss of property tax base and employment, but there have been no other impacts on manufacturing in and around Marion so far as a result of the COVID-19 pandemic.

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

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

First floor occupancy rates in the downtown area have remained at over 90% in the past year, despite a few business closings, and should increase even more in the next year with planned projects, a rate higher than many surrounding downtown areas. Several new businesses, including food and beverage establishments and retail stores, have opened in the past few years or have been announced for the downtown area, a positive indicator for the future. Several more businesses, including a second brewery, two restaurants and a skating rink, are planning to open in the downtown area in the next year and at least two businesses that were mostly closed during the COVID-19 pandemic should reopen soon.

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

Retail sales gains/sales tax losses. The fiscal year 2019-2020 gross taxable retail sales for McDowell County were 6.72% higher than in 2018-2019, with a record total of over \$422 million, despite a slight decrease in retail sales in August and May 2020 over the prior year, due to the COVID-19 pandemic. McDowell County's growth in retail sales in 2019-20 was considerably higher than the increase in North Carolina as a whole of 2.04% over the same time period. July and August 2020 gross taxable retail sales in McDowell County were 27.77% and 19.63%, respectively, higher than the same time periods in 2019. The gross taxable retail sales for July 2020, at nearly \$47 million, and for August 2020, at almost \$41 million, were also the

highest two months of retail sales in McDowell County's history, indicating a very quick and significant local economic recovery.

Since 2005, gross taxable retail sales in McDowell County have increased by 95.19%, compared to growth of 57.31% for the State as a whole. Retail sales in the City of Marion comprise approximately 80% of the total retail sales in McDowell County. These figures show a growing McDowell County retail economy that continues to be primarily driven by commercial growth and development in the City of Marion and also demonstrates that the City and County economy is much healthier and more stable, in relative terms, than the overall State economy. Unfortunately, action taken by the County in 2018-19 not to extend a Sales Tax Agreement with the City will reduce the sales tax reimbursement from the County to the City by \$33,334 in 2020-21 and by an additional \$33,333 per year over the next two Fiscal Years. The City's share of the County's sales tax revenues for 2020-21 is 8.35%.

Housing. For many years, the City of Marion has struggled to attract housing, which has resulted in recent years in a very tight local housing market and hundreds of manufacturing jobs going unfilled in the City and County, due to housing not being available. Fortunately, collaboration among the City, County, McDowell Chamber of Commerce, McDowell Economic Development Association, Marion Business Association and other local agencies has led to close to 300 housing units being under construction or planned for the next two years in Marion. The City has had discussions with developers about additional housing and it is possible that Marion could see a total of 500 or more new housing units constructed in the next several years. This growth in housing will expand the City's property tax base, increase water and sewer revenues and provide opportunities for local businesses, particularly manufacturing companies, to hire additional employees, providing a significant boost to the local economy.

Property Tax Collection. The City of Marion's tax collection percentage for property excluding motor vehicles decreased slightly to 98.85% in FY 2019-2020 as compared to 99.01% in 2018-2019. This slight decrease can mainly be attributed to the City discontinuing aggressive enforcement of delinquent property taxes in the last 4 months of the fiscal year in response to the COVID-19 pandemic. The City took a less aggressive approach to collections in these last 4 months based on already achieving a higher than budgeted tax collection percentage and to allow those struggling financially amid the pandemic some time to recover after more restrictions were lifted.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

Growth is expected in overall revenues in the General Fund. The City's property tax base is budgeted to increase 2.9% due to natural growth and also due to the addition of the Mission McDowell Hospital's personal property value to the ad valorem tax base. The Hospital, which was previously owned by Mission Health (a non-profit organization which was considered exempt from ad valorem taxes), was sold to HCA (a for profit organization), resulting in the real property being subject to property taxation in Fiscal Year 2019-2020 and personal property being subject to property taxation in Fiscal Year 2020-2021.

Sales tax revenues are expected to decrease by \$67,000, or 4.3%, in 2020-21, due to the ongoing COVID-19 pandemic and the termination of an Interlocal Agreement between the City and McDowell County regarding sales tax distribution. As stated earlier, as a result of the termination of the agreement, the City will receive \$33,334 less in sales tax reimbursement from the County in 2020-21 than in 2019-20. The remaining reduction in sales tax of \$34,000 is based on State projections related to potential reductions in sales as a result of the ongoing pandemic. The City's sales tax receipts to this point in the pandemic have remained relatively flat.

Utility franchise taxes are estimated to decrease \$24,000, or 4.25%, in 2020-21 based on State projections. ABC profit distributions are expected to increase \$30,000 based on actual 2019-2020 sales and anticipated continued increases in sales. The City increased its residential garbage fee from \$4 per month to \$5 per month per household which is anticipated to result in approximately \$30,000 in additional revenues. Interest income is projected to decrease approximately \$20,000, or 90%, due to the drastic decrease in the Fed Funds rate as a result of the COVID-19 pandemic. Other revenues are expected to remain relatively flat in 2020-2021. The City will use available revenues to finance programs currently in place and will not seek to add new programs and functions for 2020-2021. For the 53rd consecutive year, the City of Marion will not increase the property tax rate.

Budgeted expenditures in the General Fund are expected to increase by 6.32% as compared to the original FY 2019-2020 budget to \$7,543,695. This increase over the original 2019-20 budget is primarily due to the addition of four employees since the adoption of the 2019-20 budget (three Firefighters and a School Resource Officer), the carry forward of approximately \$133,000 for vehicles that were ordered in FY 2019-20 but will not be delivered until FY 2020-21 due to COVID-19 delays, cost of living increases and general price increases.

Business-type Activities:

The water and sewer rates for inside the City and outside customers will increase by approximately 5% 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 3.89%, mainly due to the carry forward of approximately \$38,100 for a Utility Maintenance Division replacement vehicle ordered in FY 2019-2020 that will not be delivered until FY 2020-2021 due to COVID-19 delays and general price increases.

Requests for Information

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

CITY OF MARION, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2020

	Primary Government			Component Units	
	Governmental	Business-type	Total	City of Marion ABC Board	Municipal Event Center
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,552,094	\$ 1,676,370	\$ 5,228,464	\$ 70,878	\$ 26,167
Taxes receivable, net	41,413	-	41,413	-	-
Accrued interest receivable	8,626	-	8,626	-	-
Accounts receivable, net	124,983	524,605	649,588	-	15,000
Internal balances	62,203	(62,203)	-	-	-
Due from other governments	644,075	56,741	700,816	-	-
Due from component unit	80,098	-	80,098	-	-
Inventories	95,308	64,711	160,019	477,469	-
Prepaid items	28,663	4,248	32,911	9,381	-
Restricted cash	597,559	248,740	846,299	-	-
Total current assets	<u>5,235,022</u>	<u>2,513,212</u>	<u>7,748,234</u>	<u>557,728</u>	<u>41,167</u>
Noncurrent assets:					
Notes receivable	-	123,411	123,411	-	-
Capital assets:					
Land and construction in progress	2,686,888	136,955	2,823,843	59,832	-
Other capital assets, net	<u>6,901,510</u>	<u>18,332,464</u>	<u>25,233,974</u>	<u>488,744</u>	<u>122,609</u>
Total capital assets	<u>9,588,398</u>	<u>18,469,419</u>	<u>28,057,817</u>	<u>548,576</u>	<u>122,609</u>
Total noncurrent assets	<u>9,588,398</u>	<u>18,592,830</u>	<u>28,181,228</u>	<u>548,576</u>	<u>122,609</u>
Total assets	<u>14,823,420</u>	<u>21,106,042</u>	<u>35,929,462</u>	<u>1,106,304</u>	<u>163,776</u>
DEFERRED OUTFLOWS OF RESOURCES					
	<u>830,363</u>	<u>187,682</u>	<u>1,018,045</u>	<u>36,091</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	283,601	67,645	351,246	205,871	-
Accrued interest payable	6,368	1,072	7,440	-	-
Other current liabilities	-	-	-	-	4,500
Liabilities payable from restricted assets:					
Customer deposits	7,637	248,740	256,377	-	10,800
Current portion of long-term liabilities	<u>932,762</u>	<u>317,490</u>	<u>1,250,252</u>	<u>470,333</u>	<u>-</u>
Total current liabilities	<u>1,230,368</u>	<u>634,947</u>	<u>1,865,315</u>	<u>676,204</u>	<u>15,300</u>

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

Statement of Net Position
June 30, 2020

	Primary Government			Component Units	
	Governmental	Business-type	Total	City of Marion ABC Board	Municipal Event Center
Long-term liabilities:					
Net pension liability-LGERS	1,226,067	325,917	1,551,984	50,798	-
Total pension liability-LEOSSA	728,793	-	728,793	-	-
Total OPEB liability	104,185	-	104,185	-	-
Due in more than one year	892,175	1,015,659	1,907,834	-	-
Total long-term liabilities	<u>2,951,220</u>	<u>1,341,576</u>	<u>4,292,796</u>	<u>50,798</u>	<u>-</u>
Total liabilities	<u>4,181,588</u>	<u>1,976,523</u>	<u>6,158,111</u>	<u>727,002</u>	<u>15,300</u>
DEFERRED INFLOWS OF RESOURCES	<u>66,222</u>	<u>7,936</u>	<u>74,158</u>	<u>2,540</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	7,995,695	17,181,905	25,177,600	78,243	122,609
Restricted for:					
Stabilization by State statute	928,658	-	928,658	-	-
Streets	214,857	-	214,857	-	-
Public safety	81,590	-	81,590	-	-
Community development	208,375	-	208,375	-	-
Capital projects	96,223	-	96,223	-	-
Working capital	-	-	-	104,000	-
Unrestricted	<u>1,880,575</u>	<u>2,127,360</u>	<u>4,007,935</u>	<u>230,610</u>	<u>25,867</u>
Total net position	<u>\$ 11,405,973</u>	<u>\$ 19,309,265</u>	<u>\$ 30,715,238</u>	<u>\$ 412,853</u>	<u>\$ 148,476</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, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental	Business-type	Total	City of Marion ABC Board	Municipal Event Center
Primary government:									
Governmental Activities:									
General government	\$ 2,561,870	\$ 414,275	\$ 361,504	\$ 114,590	\$ (1,671,501)	\$ -	\$ (1,671,501)		
Public safety	3,751,999	698,325	352,141	-	(2,701,533)	-	(2,701,533)		
Transportation	1,359,103	-	224,229	-	(1,134,874)	-	(1,134,874)		
Environmental protection	822,988	419,133	4,200	-	(399,655)	-	(399,655)		
Cultural and recreation	224,596	12,495	43,924	-	(168,177)	-	(168,177)		
Interest on long-term debt	32,521	-	-	-	(32,521)	-	(32,521)		
Total governmental activities	<u>8,753,077</u>	<u>1,544,228</u>	<u>985,998</u>	<u>114,590</u>	<u>(6,108,261)</u>	<u>-</u>	<u>(6,108,261)</u>		
Business-type activities:									
Water and sewer	3,978,631	3,681,230	87,968	12,317	-	(197,116)	(197,116)		
Total primary government	<u>\$ 12,731,708</u>	<u>\$ 5,225,458</u>	<u>\$ 1,073,966</u>	<u>\$ 126,907</u>	<u>(6,108,261)</u>	<u>(197,116)</u>	<u>(6,305,377)</u>		
Component units:									
City of Marion ABC Board	\$ 3,480,769	\$ 3,515,712	\$ -	\$ -			\$ 34,943	\$ -	
Municipal Events Center	71,490	19,550	65,000	-			-	13,060	
Total component units	<u>\$ 3,552,259</u>	<u>\$ 3,535,262</u>	<u>\$ 65,000</u>	<u>\$ -</u>			<u>34,943</u>	<u>13,060</u>	
General revenues:									
Taxes:									
Property taxes, levied for general purpose					2,773,982	-	2,773,982	-	-
Other taxes					2,128,305	-	2,128,305	-	-
Unrestricted investment earnings					24,127	5,238	29,365	-	-
Gain/insurance proceeds on disposal of capital assets					66,978	635	67,613	-	-
Miscellaneous					65,144	-	65,144	-	-
Total general revenues					<u>5,058,536</u>	<u>5,873</u>	<u>5,064,409</u>	<u>-</u>	<u>-</u>
Changes in net position before transfers					(1,049,725)	(191,243)	(1,240,968)	34,943	13,060
Transfers					173,000	(173,000)	-	-	-
Changes in net position after transfers					<u>(876,725)</u>	<u>(364,243)</u>	<u>(1,240,968)</u>	<u>34,943</u>	<u>13,060</u>
Net position, beginning, as previously stated					-	-	-	-	-
Restatement (Note 8)					-	-	-	-	-
Net position, beginning of year					<u>12,282,698</u>	<u>19,673,508</u>	<u>31,956,206</u>	<u>377,910</u>	<u>135,416</u>
Net position, ending					<u>\$ 11,405,973</u>	<u>\$ 19,309,265</u>	<u>\$ 30,715,238</u>	<u>\$ 412,853</u>	<u>\$ 148,476</u>

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2020

	Major Funds		Total Governmental Funds
	General Fund	Capital Project Fund	
ASSETS			
Cash and cash equivalents	\$ 3,443,225	\$ 108,869	\$ 3,552,094
Restricted cash and cash equivalents	304,084	293,475	597,559
Taxes receivable, net	41,413	-	41,413
Accounts receivable, net	93,559	31,424	124,983
Prepaid items	28,663	-	28,663
Due from other governments	636,650	1,073	637,723
Due from other funds	155,815	-	155,815
Due from component unit	80,098	-	80,098
Total assets	<u>\$ 4,783,507</u>	<u>\$ 434,841</u>	<u>\$ 5,218,348</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 208,405	\$ 67,240	\$ 275,645
Due to other funds	-	50,244	50,244
Liabilities payable from restricted assets:			
Customer deposits	<u>7,637</u>	<u>-</u>	<u>7,637</u>
Total liabilities	<u>216,042</u>	<u>117,484</u>	<u>333,526</u>
DEFERRED INFLOWS OF RESOURCES	<u>88,712</u>	<u>-</u>	<u>88,712</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	28,663	-	28,663
Restricted for:			
Stabilization by State statute	928,658	-	928,658
Streets	214,857	-	214,857
Public safety	81,590	-	81,590
Community development	-	208,375	208,375
Capital projects	-	96,223	96,223
Committed for:			
Cemetery	148,608	-	148,608
Capital projects	-	73,340	73,340
Assigned - subsequent year's expenditures	12,534	-	12,534
Unassigned (deficit)	<u>3,063,843</u>	<u>(60,581)</u>	<u>3,003,262</u>
Total fund balances	<u>4,478,753</u>	<u>317,357</u>	<u>4,796,110</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,783,507</u>	<u>\$ 434,841</u>	<u>\$ 5,218,348</u>

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2020

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

Fund balances of governmental funds	\$	4,796,110
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		9,582,661
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.		821,426
Accrued interest receivable is not available to pay for current-period expenditures and, therefore, is not reported in the funds.		8,626
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		49,112
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		78,877
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Notes and loans payable	(1,592,703)	
Accrued interest	(6,368)	
Net pension liability - LGERS	(1,210,547)	
Total pension liability - LEOSSA	(728,793)	
Total OPEB liability	(104,185)	
Compensated absences	<u>(232,234)</u>	(3,874,830)
Deferred inflows of resources related to pension and OPEB are not reported in the funds.		<u>(56,009)</u>
Net position of governmental activities	\$	<u><u>11,405,973</u></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, 2020

	Major Funds		Total Governmental Funds
	General Fund	Capital Project Fund	
REVENUES			
Ad valorem taxes	\$ 2,800,271	\$ -	\$ 2,800,271
Other taxes and licenses	2,128,305	-	2,128,305
Unrestricted intergovernmental	360,285	-	360,285
Restricted intergovernmental	1,156,194	377,092	1,533,286
Licenses and permits	144,601	-	144,601
Sales and services	479,768	-	479,768
Investment earnings	23,026	1,101	24,127
Restricted contributions	15,645	111,231	126,876
Miscellaneous	65,144	-	65,144
Total revenues	<u>7,173,239</u>	<u>489,424</u>	<u>7,662,663</u>
EXPENDITURES			
Current:			
General government	997,304	132,012	1,129,316
Public safety	3,420,325	-	3,420,325
Transportation	1,300,211	-	1,300,211
Environmental protection	670,611	-	670,611
Cultural and recreation	201,390	25,924	227,314
Capital outlay	-	826,309	826,309
Debt service:			
Principal	187,311	-	187,311
Interest	33,218	-	33,218
Total expenditures	<u>6,810,370</u>	<u>984,245</u>	<u>7,794,615</u>
Revenues over (under) expenditures	<u>362,869</u>	<u>(494,821)</u>	<u>(131,952)</u>
OTHER FINANCING SOURCES (uses)			
Proceeds from insurance	66,978	-	66,978
Installment obligations issued	-	664,000	664,000
Transfers from other funds	173,000	58,589	231,589
Transfers to other funds	(58,589)	-	(58,589)
Total other financing sources (uses)	<u>181,389</u>	<u>722,589</u>	<u>903,978</u>
Net change in fund balances	544,258	227,768	772,026
Fund balances, beginning of year	<u>3,934,495</u>	<u>89,589</u>	<u>4,024,084</u>
Fund balances, end of year	<u>\$ 4,478,753</u>	<u>\$ 317,357</u>	<u>\$ 4,796,110</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, 2020

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

Net changes in fund balances - total governmental funds	\$	772,026
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was more than depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$	862,266
Demolition and cleanup costs in CIP expensed		(1,015,745)
Depreciation expense for governmental assets		<u>(701,185)</u> (854,664)
Contributions to the LGERS pension plan in the current fiscal year are not included in the statement of activities.		263,004
Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities.		22,682
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.		13,751
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In addition, some revenues reported in the fund statements are not reported as revenues in the statement of activities.		
Change in accrued interest receivable on taxes		(3,876)
Change in unavailable tax revenues		<u>(22,413)</u> (26,289)
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.		
Principal payments on long-term debt		187,311
Accrued interest expense		<u>697</u> (475,992)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These include amounts consolidated from the internal service fund.		
Compensated absences		(23,512)
Pension expense (LGERS)		(528,247)
Pension expense (LEO)		(48,224)
Other postemployment benefits		<u>13,859</u> (586,124)
The change in net position of the internal service fund reported with governmental activities.		<u>(5,119)</u>
Total changes in net position of governmental activities	\$	<u>(876,725)</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, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,707,412	\$ 2,732,412	\$ 2,800,271	\$ 67,859
Other taxes	2,165,500	2,165,500	2,128,305	(37,195)
Unrestricted intergovernmental	240,500	240,500	360,285	119,785
Restricted intergovernmental	836,380	1,095,947	1,156,194	60,247
Licenses, permits, and fees	72,100	72,100	144,601	72,501
Sales and services	401,930	469,030	479,768	10,738
Investment earnings	22,000	22,000	23,026	1,026
Restricted contributions	-	8,725	15,645	6,920
Miscellaneous	49,930	47,430	65,144	17,714
Total revenues	<u>6,495,752</u>	<u>6,853,644</u>	<u>7,173,239</u>	<u>319,595</u>
Expenditures:				
Current:				
General government	1,012,961	1,053,839	997,304	56,535
Public safety	3,395,787	3,773,314	3,420,325	352,989
Transportation	1,597,097	1,587,297	1,300,211	287,086
Environmental protection	668,796	723,796	670,611	53,185
Cultural and recreation	141,600	210,600	201,390	9,210
Debt service:				
Principal retirement	187,312	187,312	187,311	1
Interest and other charges	33,218	33,218	33,218	-
Total expenditures	<u>7,036,771</u>	<u>7,569,376</u>	<u>6,810,370</u>	<u>759,006</u>
Revenues over (under) expenditures	<u>(541,019)</u>	<u>(715,732)</u>	<u>362,869</u>	<u>1,078,601</u>
Other financing sources (uses):				
Fund balance appropriated	426,608	543,147	-	(543,147)
Proceeds from insurance	-	58,174	66,978	8,804
Transfer from water and sewer fund	173,000	173,000	173,000	-
Transfer to capital projects fund	(58,589)	(58,589)	(58,589)	-
Total other financing sources (uses)	<u>541,019</u>	<u>715,732</u>	<u>181,389</u>	<u>(534,343)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>544,258</u>	<u>\$ 544,258</u>
Fund balance, beginning of year			<u>3,934,495</u>	
Fund balance, end of year			<u>\$ 4,478,753</u>	

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

PROPRIETARY FUNDS
Statement of Fund Net Position
June 30, 2020

	Major Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,676,370	\$ -
Accounts receivable, net	524,605	-
Due from other governments	56,741	6,352
Inventories	64,711	95,308
Prepaid items	4,248	-
Restricted cash and cash equivalents	248,740	-
Total current assets	<u>2,575,415</u>	<u>101,660</u>
Noncurrent assets:		
Notes receivable	123,411	-
Capital assets:		
Land and other non-depreciable assets	136,955	-
Other capital assets, net of depreciation	18,332,464	5,737
Capital assets, net	<u>18,469,419</u>	<u>5,737</u>
Noncurrent assets	<u>18,592,830</u>	<u>5,737</u>
Total assets	<u>21,168,245</u>	<u>107,397</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>187,682</u>	<u>8,937</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	67,645	7,956
Accrued interest payable	1,072	-
Due to general fund	-	105,571
Liabilities payable from restricted assets:		
Customer deposits	248,740	-
Compensated absences, current	30,400	-
Current portion of long-term debt	287,090	-
Total current liabilities	<u>634,947</u>	<u>113,527</u>

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

PROPRIETARY FUNDS
Statement of Fund Net Position
June 30, 2020

	Major Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
Noncurrent liabilities:		
Compensated absences, net	15,235	-
Net pension liability - LGERS	325,917	15,520
Long-term debt, net of current portion	1,000,424	-
Total noncurrent liabilities	<u>1,341,576</u>	<u>15,520</u>
Total liabilities	<u>1,976,523</u>	<u>129,047</u>
DEFERRED INFLOWS OF RESOURCES	<u>7,936</u>	<u>378</u>
NET POSITION		
Net investment in capital assets	17,181,905	5,737
Unrestricted (deficit)	<u>2,189,563</u>	<u>(18,828)</u>
Total net position (deficit)	<u>\$ 19,371,468</u>	<u>\$ (13,091)</u>
Reconciliation with Statement of Net Position - Business-type Activities:		
Total net position - proprietary fund presentation	\$ 19,371,468	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(62,203)</u>	
Net position of business-type activities	<u>\$ 19,309,265</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, 2020

	Major Enterprise Fund Water and Sewer Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 3,510,623	\$ 267,082
Water and sewer taps and development fees	135,541	-
Other operating revenue	35,066	-
Total operating revenues	<u>3,681,230</u>	<u>267,082</u>
OPERATING EXPENSES		
Utility line maintenance	1,310,392	-
Water filter plant	593,063	-
Waste treatment plant	1,042,355	-
Operating expenses	-	54,961
Materials	-	218,613
Insurance and bonding	97,879	-
Miscellaneous	3,955	-
Depreciation	909,491	1,765
Total operating expenses	<u>3,957,135</u>	<u>275,339</u>
Operating loss	<u>(275,905)</u>	<u>(8,257)</u>
NONOPERATING REVENUE (EXPENSE)		
County reimbursements - Sugar Hill	51,968	-
Investment earnings	5,238	-
Gain on sale of capital assets	635	-
FEMA grants	36,000	-
Interest on long-term debt	(18,358)	-
Total nonoperating revenue (expense)	<u>75,483</u>	<u>-</u>
Loss before capital contributions and transfers	(200,422)	(8,257)
Capital contributions	12,317	-
Transfer to general fund - payment in lieu of taxes	<u>(173,000)</u>	<u>-</u>
Change in net position	(361,105)	(8,257)
Net position (deficit), beginning of year	<u>19,732,573</u>	<u>(4,834)</u>
Net position (deficit), end of year	<u>\$ 19,371,468</u>	<u>\$ (13,091)</u>
Reconciliation with Statement of Activities - Change in Net Position - Business-type Activities:		
Change in net position - fund perspective	\$ (361,105)	
Internal service fund loss allocated to business-type activities	<u>(3,138)</u>	
Change in net position - government-wide perspective	<u>\$ (364,243)</u>	

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

PROPRIETARY FUNDS
Statement of Cash Flows
For the year ended June 30, 2020

	Major Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
Cash flows from operating activities:		
Cash received from customers and users	\$ 3,679,221	\$ 267,082
Cash paid for goods and services	(1,741,331)	(244,242)
Cash paid to or on behalf of employees for services	(1,171,797)	(35,077)
Net cash provided (used) by operating activities	<u>766,093</u>	<u>(12,237)</u>
Cash flows from noncapital and related financing activities:		
Transfer to General Fund	(173,000)	-
Due to other funds	-	12,237
Federal, state and local contributions	87,968	-
Net cash provided (used) by noncapital and related financing activities	<u>(85,032)</u>	<u>12,237</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(274,395)	-
Capital contribution	12,317	-
Proceeds from the sale of capital assets	635	-
Principal payments on long-term debt	(280,980)	-
Interest on long-term debt	(19,256)	-
Net cash used by capital and related financing activities	<u>(561,679)</u>	<u>-</u>
Cash flows from investing activities:		
Interest received	492	-
Net cash provided by investing activities	<u>492</u>	<u>-</u>
Net increase in cash and cash equivalents	119,874	-
Cash and cash equivalents, beginning of year	<u>1,805,236</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 1,925,110</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, 2020

	Major Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (275,905)	\$ (8,257)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	909,491	1,765
Bad debts written off	13,993	-
Changes in assets deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	(23,021)	-
(Increase) decrease in due from other governments	145,290	(932)
(Increase) decrease in inventories	1,797	(15,478)
(Increase) decrease in prepaid items	14,378	1,049
(Increase) decrease in deferred outflows of resources - pensions	27,362	1,303
Increase (decrease) in accounts payable and accrued liabilities	(95,300)	7,307
Increase (decrease) in customer deposits	7,019	-
Increase (decrease) in compensated absences	(3,061)	(1,092)
Increase (decrease) in net pension liability	48,125	2,292
Increase (decrease) in deferred inflows of resources - pensions	(4,075)	(194)
Total adjustments	<u>1,041,998</u>	<u>(3,980)</u>
Net cash provided (used) by operating activities	<u>\$ 766,093</u>	<u>\$ (12,237)</u>

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



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CITY OF MARION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2020

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

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

A. Reporting Entity

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

City of Marion ABC Board

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

Municipal Event Center

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

B. Basis of Presentation

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as receivable in these financial statements and are offset by deferred inflows of resources.

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

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

D. Budgetary Data

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

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

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

1. Deposits and Investments

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

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

The(NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT – Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have 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	\$ 214,857
Public Safety	81,590
Customer deposits	7,637
Capital Project Fund:	
Unspent grant proceeds	<u>293,475</u>
Total governmental activities	<u>597,559</u>

Business Type Activities

Water and Sewer Fund:	
Customer deposits	<u>248,740</u>
Total restricted cash	<u>\$ 846,299</u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of \$2,500 and

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

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

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

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

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

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

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

8. Deferred Outflows/Inflows of Resources

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

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

9. Long-Term Obligations

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

10. Compensated Absences

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

Both the City and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position

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

12. Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Total Fund Balance - General Fund	\$ 4,478,753
Less:	
Nonspendable - prepaids	28,663
Stabilization by State statute	928,658
Streets	214,857
Public safety	81,590
Cemetery	148,608
Appropriated fund balance in next year's budget	12,534
Fund balance policy - 25% of budgeted expenditures	<u>1,892,344</u>
Remaining fund balance	<u><u>\$ 1,171,499</u></u>

13. Use of Estimates

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

14. Pensions

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

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

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

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

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

At June 30, 2020, the City's deposits had a carrying amount of \$4,365,559 and a bank balance of \$4,503,928. Of the bank balance, \$251,500 was covered by federal depository insurance and the remaining balance was covered by collateral held under the pooling method. At June 30, 2020, the City's petty cash fund totaled \$1,800.

At June 30, 2020, the carrying amount of deposits for the ABC Board was \$67,653 and the bank balance was \$274,535. The bank balance exceeded the federal depository insurance by \$24,535 and are collateralized as required by G.S. 159-131. All of the bank balance was covered by Federal depository insurance. At June 30, 2020, the Board's petty cash fund totaled \$3,225.

2. Investments

At June 30, 2020 the City's investments consisted of the following:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months
NCCMT - Term Portfolio	Fair Value-Level 1	\$ 263,069	\$ 263,069
NCCMT - Government Portfolio	Fair Value-Level 1	<u>1,444,335</u>	<u>1,444,335</u>
Total investments		<u>\$ 1,707,404</u>	<u>\$ 1,707,404</u>

* As of June 30, 2020, the NCCMT Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

All investments are measured using the market approach: using prices and other relevant information

generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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

Credit Risk. The City has no policy regarding credit risk. The City’s investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAm by Standard & Poor’s as of June 30,2020. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivables - Allowances for Doubtful Accounts

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

<u>Fund</u>	
General Fund: Taxes receivable	<u>\$ 50,000</u>
Enterprise Funds	<u>\$ 120,000</u>

4. Due from Other Governments

Due from other governments consisted of the following:

	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Local option sales tax	\$ 384,842	\$ -	\$ 384,842
Sales tax refund	56,248	31,781	88,029
Vehicle taxes/tag fees	29,107	-	29,107
Fire district tax	1,516	-	1,516
Franchise/video programming tax	121,595	-	121,595
Solid waste tax	1,528	-	1,528
Federal and State grants	29,719	24,960	54,679
Other	19,520	-	19,520
	<u>\$ 644,075</u>	<u>\$ 56,741</u>	<u>\$ 700,816</u>

5. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2020 was as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,951,369	\$ -	\$ -	\$ 1,951,369
Construction in progress	<u>1,175,844</u>	<u>575,420</u>	<u>1,015,745</u>	<u>735,519</u>
Total capital assets not being depreciated	<u>3,127,213</u>	<u>575,420</u>	<u>1,015,745</u>	<u>2,686,888</u>
Capital assets being depreciated:				
Building improvements	2,955,249	113,898	-	3,069,147
Buildings	1,652,498	-	-	1,652,498
Equipment	2,470,453	40,268	11,816	2,498,905
Equipment – ISF	28,085	-	-	28,085
Furniture and fixtures	231,985	-	-	231,985
Land improvements	2,191,223	-	-	2,191,223
Vehicles	5,181,459	132,680	275,676	5,038,463
Infrastructure	<u>2,239,230</u>	<u>-</u>	<u>-</u>	<u>2,239,230</u>
Total capital assets being depreciated	<u>16,950,182</u>	<u>286,846</u>	<u>287,492</u>	<u>16,949,536</u>
Less accumulated depreciation for:				
Building improvements	978,774	82,699	-	1,061,473
Buildings	773,480	35,714	-	809,194
Equipment	2,054,856	136,914	11,816	2,179,954
Equipment – ISF	20,583	1,765	-	22,348
Furniture and fixtures	210,288	3,825	-	214,113
Land improvements	510,295	63,899	-	574,194
Vehicles	4,586,901	313,730	275,676	4,624,955
Infrastructure	<u>497,391</u>	<u>64,404</u>	<u>-</u>	<u>561,795</u>
Total accumulated depreciation	<u>9,632,568</u>	<u>702,950</u>	<u>287,492</u>	<u>10,048,026</u>
Total capital assets being depreciated, net	<u>7,317,614</u>			<u>6,901,510</u>
Governmental activities capital assets, net	<u>\$ 10,444,827</u>			<u>\$ 9,588,398</u>

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

General government	\$ 158,532
Public safety	251,121
Transportation	52,387
Environmental protection	169,867
Culture and recreation	<u>71,043</u>
Total depreciation expense	<u>\$ 702,950</u>

Capital asset activity for business-type activities for the year ended June 30, 2020 was as follows:

Business-type Activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 101,245	\$ -	\$ -	\$ 101,245
Construction in progress	323,705	46,544	334,539	35,710
Total capital assets not being depreciated	<u>424,950</u>	<u>46,544</u>	<u>334,539</u>	<u>136,955</u>
Capital assets being depreciated:				
Building improvements	629,641	-	-	629,641
Buildings	6,891,369	-	-	6,891,369
Water and sewer mains, fittings, and lines	24,243,427	334,539	-	24,577,966
Equipment	1,904,030	227,851	38,052	2,093,829
Furniture and fixtures	647,437	-	-	647,437
Land improvements	1,165,048	-	-	1,165,048
Vehicles	610,504	-	-	610,504
Total capital assets being depreciated	<u>36,091,456</u>	<u>562,390</u>	<u>38,052</u>	<u>36,615,794</u>
Less accumulated depreciation for:				
Building improvements	536,743	6,886	-	543,629
Buildings	4,563,567	126,537	-	4,690,104
Water and sewer mains, fittings, and lines	9,237,936	565,284	-	9,803,220
Equipment	1,542,535	109,911	38,052	1,614,394
Furniture and fixtures	385,501	13,139	-	398,640
Land improvements	652,746	26,537	-	679,283
Vehicles	492,863	61,197	-	554,060
Total accumulated depreciation	<u>17,411,891</u>	<u>909,491</u>	<u>38,052</u>	<u>18,283,330</u>
Total capital assets being depreciated, net	<u>18,679,565</u>			<u>18,332,464</u>
Business-type activities capital assets, net	<u>\$19,104,515</u>			<u>\$18,469,419</u>

Construction Commitments

The City had the following material construction commitments at June 30, 2020: Community Building Park/ Main Street Stormwater Project - \$98,914.

Discretely Presented Component Unit:

Activity for the ABC Board for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 59,832	\$ -	\$ -	\$ 59,832
Capital assets being depreciated:				
Buildings	693,942	-	-	693,942
Land improvements	19,493	-	-	19,493
Equipment	245,075	38,381	43,700	239,756
Total capital assets being depreciated	<u>958,510</u>	<u>38,381</u>	<u>43,700</u>	<u>953,191</u>
Less accumulated depreciation for:				
Buildings	230,965	25,655	-	256,620
Land improvements	19,493	-	-	19,493
Equipment	218,293	13,741	43,700	188,334
Total accumulated depreciation	<u>468,751</u>	<u>39,396</u>	<u>43,700</u>	<u>464,447</u>
Total capital assets being depreciated, net	<u>489,759</u>			<u>488,744</u>
ABC Board capital assets, net	<u>\$ 549,591</u>			<u>\$ 548,576</u>

6. Notes Receivable:

In October 2000, the City entered into an agreement with a partnership to loan \$178,000 of a CDBG Grant to build an apartment facility. The partnership will repay the loan over a ten year period, in annual installments of \$17,800 at zero percent (0%) interest beginning June 28, 2024. At June 30, 2020, the loan has been discounted to the present value of \$123,411.

B. Liabilities1. Accounts Payable – Disaggregate Information

	Governmental Business-type		
	Activities	Activities	Total
Vendor payables	\$ 129,764	\$ 45,030	\$ 174,794
Accrued salaries and expenses	153,837	22,615	176,452
Total	<u>\$ 283,601</u>	<u>\$ 67,645</u>	<u>\$ 351,246</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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Marion employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Marion's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.040% 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 \$337,184 for the year ended June 30, 2020. Contributions to the pension plan from the ABC Board were \$16,425 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, 2020, the City reported a liability of \$1,551,984 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020, the City’s proportion was 0.05683%, which was an increase of 0.00107% from its proportion measured as of June 30, 2019. The ABC Board reported a liability of \$50,798 for its proportionate share of the net pension liability.

For the year ended June 30, 2020, the City recognized pension expense of \$677,240. At June 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 265,739	\$ -
Changes of assumptions	252,947	-
Net difference between projected and actual earnings on pension plan investments	37,855	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	37,793
City contributions subsequent to the measurement date	<u>337,184</u>	<u>-</u>
Total	<u>\$ 893,725</u>	<u>\$ 37,793</u>

\$337,184 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 259,159
2022	75,134
2023	142,826
2024	41,629
2025	-
Thereafter	-
	<u>\$ 518,748</u>

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

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

The plan actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

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

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

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

	1% Decrease	Current	1% Increase
	(6.00%)	Discount	(8.00%)
	<u>Rate (7.00%)</u>	<u>Rate (7.00%)</u>	<u>(8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 3,549,669	\$ 1,551,984	\$ (108,499)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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, 2018 (valuation date), the Separation Allowance’s membership consisted of:

Inactive members receiving benefits	4
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>25</u>
Total	<u><u>29</u></u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate used to measure the total pension liability is S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2018 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, 2014.

The plan uses the RP-2014 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 \$48,878 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, 2020, the City reported a total pension liability of \$728,793. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$48,224.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 45,490	\$ -
Changes of assumptions and other inputs	42,397	26,530
City benefit payments and plan administrative expense made subsequent to the measurement date	22,682	-
Total	<u>\$ 110,569</u>	<u>\$ 26,530</u>

\$22,682 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, 2021.

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

Year ended June 30:

2021	\$ 15,946
2022	15,946
2023	16,683
2024	5,634
2025	6,316
Thereafter	<u>832</u>
	<u>\$ 61,357</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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 798,842	\$ 728,793	\$ 665,431

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2018	\$ 684,323
Changes for the year:	
Service cost at end of year	34,538
Interest	23,940
Change in benefit terms	-
Difference between expected and actual experience	14,386
Changes of assumptions and other inputs	24,840
Benefit payments	(53,234)
Other	<u>-</u>
Net changes	<u>44,470</u>
Total pension liability as of December 31, 2019	<u>\$ 728,793</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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 677,240	\$ 48,224	\$ 725,464
Pension liability	1,551,984	728,793	2,280,777
Proportionate share of the net pension liability	0.05683%	n/a	
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 265,739	\$ 45,490	\$ 311,229
Changes of assumptions	252,947	42,397	295,344
Net difference between projected and actual earnings on plan investments	37,855	-	37,855
Benefit payments and administrative costs paid subsequent to the measurement date	<u>337,184</u>	<u>22,682</u>	<u>359,866</u>
	<u>\$ 893,725</u>	<u>\$ 110,569</u>	<u>\$ 1,004,294</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ -	\$ -	\$ -
Changes of assumptions	-	26,530	26,530
Changes in proportion and differences between contributions and proportionate share of contributions	<u>37,793</u>	<u>-</u>	<u>37,793</u>
	<u>\$ 37,793</u>	<u>\$ 26,530</u>	<u>\$ 64,323</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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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 \$55,049 for the reporting year. No amounts were forfeited.

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

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

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

The City made contributions of \$127,431 for the reporting year. No amounts were forfeited.

e. Firefighters' and Rescue Squad Workers' Pension Fund

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

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

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2020, the State contributed \$18,302,000 to the plan. The City's proportionate share of the State's contribution is \$6,995.

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

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

At June 30, 2020, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the

State was \$13,868. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2020 and at June 30, 2019 was 0%.

For the year ended June 30, 2020, the City recognized pension expense of \$7,301 and revenue of \$7,301 for support provided by the State. At June 30, 2020, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

3. Other Post-Employment Benefits

Healthcare Benefits

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

Plan A Benefits Provided. The Plan provides post-employment healthcare benefits to retirees of the City up to age 65, provided they participate in the North Carolina Local Governmental Employees' Retirement System, were hired prior to July 1, 2011, and were covered by the Authority's group health plan for the three years immediately preceding retirement. The City pays the full cost of coverage for these benefits through private insurers. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. Employees hired on or after July 1, 2011, are not eligible for the City's post-employment healthcare benefits. The Plan is closed to

all active employees as of July 1, 2014. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will no longer be eligible for post-employment healthcare benefits by the City. The City Council may amend the benefit provisions. A separate report was not issued for the Plan.

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

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

Membership of the Retiree Health Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

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

Total OPEB Liability

The City’s total OPEB liability of \$104,185 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% – 7.75%, including wage inflation
Discount rate	3.50%
Healthcare cost trends	
Medicare	5.00% for 2019 decreasing to an ultimate 4.50% by 2021

The discount rate is based on the June average of the Bond Buyer General Obligation 20 Year Municipal Bond Index published weekly by The Bond Buyer, as of June 30, 2019.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS. The remaining actuarial

assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Schedule of Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2018	\$ 130,107
Changes for the year:	
Service cost	-
Interest	4,888
Changes of benefit terms	-
Differences between expected and actual experience	(23,088)
Changes in assumptions or other inputs	1,260
Benefit payments	(8,982)
Net changes	<u>(25,922)</u>
Total OPEB liability as of June 30, 2019	<u>\$ 104,185</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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 112,092	\$ 104,185	\$ 97,178

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

	1% Decrease (4.00%)	Discount Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 100,669	\$ 104,185	\$ 108,053

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

For the year ended June 30, 2020, the City recognized OPEB expense (benefit) of \$(14,635). At June 30, 2020, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Benefit payments and administrative costs made subsequent to the measurement date	13,751	-
Total	<u>\$ 13,751</u>	<u>\$ -</u>

\$13,751 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, 2021. The City does not have any amounts reported as deferred inflows of resources as of June 30, 2020.

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, 2020 were as follows:

Contributions to pension plan in current fiscal year	\$ 337,184
Benefit payments and admin expenses for LEOSSA made subsequent to measurement date	22,682
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	13,751
Other pension and OPEB deferrals	<u>644,428</u>
	<u>\$ 1,018,045</u>

Deferred inflows of resources at June 30, 2020 were as follows:

	Governmental Funds	Government- Wide
Prepaid taxes (General Fund)	\$ 9,835	\$ 9,835
Taxes receivable, net (General Fund)	41,413	-
Other receivables (General Fund)	37,464	-
Pension deferrals	-	64,323
Total	<u>\$ 88,712</u>	<u>\$ 74,158</u>

6. Risk Management

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

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

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

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

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

The City of Marion ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The ABC Board has property, general liability, workers’ compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years. The Finance Director is individually bonded for \$100,000.

7. Long-Term Obligations**Serviced by the General Fund:**Direct Borrowing Installment Purchases:

During the year ended June 30, 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 will be paid in full with proceeds of the USDA loan at the completion of the project. The loan includes interest at 2.44% and matures October 2020. The infrastructure is pledged as collateral for the debt while the debt is outstanding.	\$ 586,000
During the year ended June 30, 2020, the City was awarded a \$450,120 loan by NCORR to finance the Lincoln Avenue bridge project, of which \$78,000 has been drawn down at June 30, 2020. The remaining proceeds will be received on a reimbursement basis as the project progresses. The repayment terms will be finalized when the project is complete. The property is pledged as collateral for the debt while the debt is outstanding.	78,000
During the year ended June 30, 2018, the City entered into a \$112,768 direct borrowing installment purchase to finance a backhoe. Semiannual payments of \$11,916, including interest at 2.03%, began September 5, 2018. The backhoe is pledged as collateral for the debt while the debt is outstanding.	69,022
During the year ended June 30, 2017, the City entered into a \$171,000 direct borrowing installment purchase to finance a sanitation truck. Semiannual payments of \$18,021, including interest at 1.93%, began July 13, 2017. The truck is pledged as collateral for the debt while the debt is outstanding.	70,377
During the year ended June 30, 2017, the City entered into a \$171,000 direct borrowing installment purchase to finance a sanitation truck. Semiannual payments of \$18,021, including interest at 1.93%, began July 13, 2017. The truck is pledged as collateral for the debt while the debt is outstanding.	41,635
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.	234,770
Total direct borrowing installment purchases	<u>\$ 1,079,804</u>

Direct Borrowing USDA Loan:

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.

\$ 512,899

Serviced by the Water and Sewer Fund:Direct Borrowing Installment Purchases:

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.

\$ 311,677

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.

224,086

During the year ended June 30, 2011, the City entered into a \$1,102,225 direct borrowing installment purchase to finance the construction of a water and sewer line extension. Forty quarterly payments of \$32,480, including interest at 3.31%, began July 14, 2011. The system improvements are pledged as collateral for the debt while the debt is outstanding.

127,276

Total direct borrowing installment purchases

\$ 663,039

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.

\$ 624,475

At June 30, 2020, the City of Marion had a legal debt margin of approximately \$41,500,000. Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Governmental Activities			
	Direct Borrowing Installment Purchases		Direct Borrowing USDA Loan	
	Principal	Interest	Principal	Interest
2021	\$ 735,190	\$ 35,716	\$ 42,772	\$ 20,516
2022	187,818	23,990	44,483	18,805
2023	75,915	20,074	46,262	17,026
2024	53,620	16,685	48,113	15,175
2025	27,261	13,556	50,037	13,251
2026-2030	-	34,582	281,232	34,582
Total	<u>\$ 1,079,804</u>	<u>\$ 144,603</u>	<u>\$ 512,899</u>	<u>\$ 119,355</u>

Year Ending June 30	Business-Type Activities			
	Direct Borrowing Installment Purchases		Direct Borrowing CWSRF Loan	
	Principal	Interest	Principal	Interest
2021	\$ 224,643	\$ 13,146	\$ 62,447	\$ -
2022	99,392	8,477	62,447	-
2023	101,459	6,411	62,447	-
2024	103,568	4,301	62,447	-
2025	79,452	2,147	62,447	-
2026-2030	54,525	807	312,240	-
Total	<u>\$ 663,039</u>	<u>\$ 35,289</u>	<u>\$ 624,475</u>	<u>\$ -</u>

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

	<u>Balance</u> <u>7/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2020</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
<u>Governmental Activities:</u>					
Direct borrowing installment purchases	\$ 561,988	\$ 664,000	\$ 146,184	\$ 1,079,804	\$ 735,190
Direct borrowing USDA loan	554,026	-	41,127	512,899	42,772
Total pension liability (LEO)	684,323	44,470	-	728,793	-
Total OPEB liability	130,107	-	25,922	104,185	-
Net pension liability (LGERS)	1,045,026	181,041	-	1,226,067	-
Compensated absences	209,814	175,540	153,120	232,234	154,800
Total	<u>\$ 3,185,284</u>	<u>\$ 1,065,051</u>	<u>\$ 366,353</u>	<u>\$ 3,883,982</u>	<u>\$ 932,762</u>
<u>Business-type Activities:</u>					
Direct borrowing installment purchases	\$ 881,572	\$ -	\$ 218,533	\$ 663,039	\$ 224,643
Direct borrowing CWSRF loan	686,922	-	62,447	624,475	62,447
Net pension liability (LGERS)	277,792	48,125	-	325,917	-
Compensated absences	48,696	43,619	46,680	45,635	30,400
Total	<u>\$ 1,894,982</u>	<u>\$ 91,744</u>	<u>\$ 327,660</u>	<u>\$ 1,659,066</u>	<u>\$ 317,490</u>
<u>Marion ABC Board:</u>					
Notes payable	<u>\$ 515,827</u>	<u>\$ -</u>	<u>\$ 45,494</u>	<u>\$ 470,333</u>	<u>\$ 470,333</u>

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

In September 2020, Marion ABC Board refinanced the notes payable into a new promissory note for \$465,000 payable over ten years with an interest rate of 3.9% and a balloon payment due of approximately \$190,000.

8. Interfund Balances and Activity:

Balances due to the General Fund from other funds at June 30, 2020, consist of the following:

Internal Service Fund	\$ 105,571
Capital Project Fund	<u>50,244</u>
Total	<u>\$ 155,815</u>

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

Transfers to/from other funds during the year ended June 30, 2020 consist of the following:

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

From the General Fund to the Capital Projects Fund for City matching funds for the Blue Ridge Carson Street repairs project	\$ 51,089
From the General Fund to the Capital Projects Fund to fund general capital projects	<u>7,500</u>
	<u>\$ 58,589</u>

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

Note 3 – Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs – The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 4 – Jointly Governed Organization

The City, in conjunction with four counties and twenty other municipalities, established the Isothermal Planning and Development Commission. Participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The City paid membership fees of \$7,261 to the Commission during the fiscal year ended June 30, 2020.

Note 5 – Joint Ventures

The City and the members of the City's fire department each appoint two members to the five-member local Board of Trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local Board of the Firefighter's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the Board of Trustees. During the fiscal year ended June 30, 2020, the City reported revenue and expenditures for the payments of \$11,000 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, 2020. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Raleigh, North Carolina 27603.

Note 6 – Uncertainties from COVID-19 Pandemic

The COVID-19 pandemic in the United States, including McDowell County, North Carolina, where the City is located, has caused severe business disruptions as state and local governments have declared states of emergency and issued stay-at-home orders for all but the most essential activities. As a result, economic uncertainties have arisen which are likely to negatively impact the City in various ways. There were, in particular, two areas of concern that the City focused on in the last few months of FY 2019-2020 – sales tax revenues and utility collections.

Sales Tax Revenues - When preparing financial projections for FY 2019-2020 after the pandemic started, the City anticipated a decrease of (20%) in sales tax revenues for sales that occurred March – June 2020 as compared to sales that occurred March – June 2019. Actual results were much better than anticipated. The City received \$509,520 for sales that occurred March – June 2020 compared to \$525,108 for sales that occurred March – June 2019 resulting in a comparative decrease of (\$15,588), or approximately (3%).

Utility Collections - In compliance with the NC Governor's Executive Orders (EOs) 124 and 142, the City of Marion suspended disconnections of residential utility accounts for non-payment from March 31, 2020 through July 29, 2020. This halted the City's ability to force collection on utility accounts. In addition, the City was required to offer payment plans to customers on their delinquent balances as of July 29, 2020 for not less than 6 months. These EOs delayed collection for a period of time and, at the beginning of August 2020, the City offered payment plans to 194 delinquent utility customers totaling \$19,736, representing ½% of annual water and sewer sales and service charges.

The City finished Fiscal Year 2019-2020 with positive budgetary variances of \$544,258 in the General Fund and \$56,032 in the Water and Sewer Fund.



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REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

Schedule of Changes in the Total OPEB Liability and Related Ratios

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

* 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 SEVEN FISCAL YEARS *

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

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

CITY OF MARION, NORTH CAROLINA

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

Local Governmental Employees' Retirement System

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

CITY OF MARION, NORTH CAROLINA

CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS *

Firefighters' and Rescue Squad Workers' Pension

	<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 (%)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
City's proportion of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City of Marion	<u>13,868</u>	<u>17,898</u>	<u>17,144</u>	<u>12,736</u>	<u>12,644</u>	<u>13,629</u>
Total	<u>\$ 13,868</u>	<u>\$ 17,898</u>	<u>\$ 17,144</u>	<u>\$ 12,736</u>	<u>\$ 12,644</u>	<u>\$ 13,629</u>
City's covered payroll	\$ 407,561	\$ 296,412	\$ 250,782	\$ 255,627	\$ 250,678	\$ 244,449
City's proportionate share of the net pension liability as a percentage of its covered payroll	3.40%	6.04%	6.84%	4.98%	5.04%	5.58%
Plan fiduciary net position as a percentage of the total pension liability	92.43%	89.69%	89.35%	84.94%	91.40%	93.42%

* The amounts presented are for the prior fiscal year

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

Schedule of Changes in Total Pension Liability

	2020	2019	2018	2017
Beginning balance	\$ 684,323	\$ 687,673	\$ 590,935	\$ 575,080
Changes for the year:				
Service cost at end of year	34,538	36,526	28,315	30,667
Interest	23,940	20,934	22,106	20,189
Change in benefit terms	-	-	-	-
Difference between expected and actual experience	14,386	19,681	40,088	-
Changes of assumptions and other inputs	24,840	(30,108)	42,723	(15,860)
Benefit payments	(53,234)	(50,383)	(36,494)	(19,141)
Net changes	44,470	(3,350)	96,738	15,855
Ending balance of the total pension liability	<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	\$ 728,793	\$ 684,323	\$ 687,673	\$ 590,935
Covered Payroll	1,158,974	1,110,442	981,280	1,121,051
Total pension liability as a percentage of covered payroll	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.



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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

CITY OF MARION, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Current year taxes	\$ 2,505,412	\$ 2,560,793	\$ 55,381
Prior year taxes	28,000	28,210	210
Motor vehicle taxes, net	181,000	197,905	16,905
Penalties and interest	<u>18,000</u>	<u>13,363</u>	<u>(4,637)</u>
	<u>2,732,412</u>	<u>2,800,271</u>	<u>67,859</u>
Other Taxes and Licenses:			
Local option sales tax	1,550,000	1,560,742	10,742
Utilities sales tax	565,000	515,685	(49,315)
Solid waste disposal tax	5,500	6,398	898
Licenses and permits	9,000	9,119	119
Wine and beer tax	<u>36,000</u>	<u>36,361</u>	<u>361</u>
	<u>2,165,500</u>	<u>2,128,305</u>	<u>(37,195)</u>
Unrestricted Intergovernmental:			
Court revenue	3,500	5,618	2,118
ABC revenues	150,000	269,192	119,192
Video franchise fees	<u>87,000</u>	<u>85,475</u>	<u>(1,525)</u>
	<u>240,500</u>	<u>360,285</u>	<u>119,785</u>
Restricted Intergovernmental:			
Powell Bill allocation	225,000	221,711	(3,289)
ABC revenue for law enforcement	5,000	11,594	6,594
Parking violations	4,500	6,387	1,887
County fire protection	496,000	547,457	51,457
County recycling	9,200	7,354	(1,846)
NCDOT reimbursements	2,500	2,519	19
Federal drug asset revenue	1,804	13,615	11,811
DARE fund revenue	-	7,000	7,000
State controlled substance revenue	442	1,626	1,184
State of NC fire protection	1,680	2,126	446
McDowell County schools officer	138,979	128,695	(10,284)
Public safety grants	194,342	142,874	(51,468)
FEMA grants	-	29,985	29,985
Mt. Glory contribution	10,000	10,000	-
Tailgate market grants	6,500	6,500	-
On-behalf payments for fire and rescue	<u>-</u>	<u>16,751</u>	<u>16,751</u>
	<u>1,095,947</u>	<u>1,156,194</u>	<u>60,247</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive/ (Negative)
License, Permits and Fees:			
City vehicle license	24,000	25,688	1,688
Building permits (zoning and inspections)	48,100	118,913	70,813
	<u>72,100</u>	<u>144,601</u>	<u>72,501</u>
Sales and Services:			
Rents and concessions	40,500	33,326	(7,174)
Cemetery revenues	10,000	12,495	2,495
Garbage fees	405,180	415,979	10,799
Copies and fingerprints	250	150	(100)
Sale of surplus equipment	13,100	17,818	4,718
	<u>469,030</u>	<u>479,768</u>	<u>10,738</u>
Miscellaneous	<u>47,430</u>	<u>65,144</u>	<u>17,714</u>
Investment earnings	<u>22,000</u>	<u>23,026</u>	<u>1,026</u>
Restricted contributions	<u>8,725</u>	<u>15,645</u>	<u>6,920</u>
Total revenues	<u>6,853,644</u>	<u>7,173,239</u>	<u>319,595</u>
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits		753,324	
Operating expenditures		158,498	
Capital outlay		34,137	
Allocation to Water and Sewer		(359,369)	
	<u>617,961</u>	<u>586,590</u>	<u>31,371</u>
Cemetery:			
Operating expenditures		37,381	
	<u>39,400</u>	<u>37,381</u>	<u>2,019</u>
Non-departmental:			
Operating expenditures		373,333	
	<u>396,478</u>	<u>373,333</u>	<u>23,145</u>
Total general government	<u>1,053,839</u>	<u>997,304</u>	<u>56,535</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Public safety:			
Police department:			
Salaries and employee benefits		1,737,962	
Operating expenditures		473,510	
Capital outlay		91,760	
	<u>2,505,621</u>	<u>2,303,232</u>	<u>202,389</u>
Fire department:			
Salaries and employee benefits		550,939	
Operating expenditures		287,831	
Capital outlay		17,817	
	<u>963,973</u>	<u>856,587</u>	<u>107,386</u>
Inspections:			
Salaries and employee benefits		218,404	
Operating expenditures		42,102	
	<u>303,720</u>	<u>260,506</u>	<u>43,214</u>
Total public safety	<u>3,773,314</u>	<u>3,420,325</u>	<u>352,989</u>
Transportation:			
Public works administration:			
Salaries and employee benefits		176,710	
Other operating expenditures		34,406	
Capital outlay		6,000	
Allocation to Water and Sewer		(92,272)	
	<u>140,258</u>	<u>124,844</u>	<u>15,414</u>
Street department:			
Salaries and employee benefits		471,689	
Other operating expenditures		395,273	
Capital outlay		30,905	
	<u>1,134,291</u>	<u>897,867</u>	<u>236,424</u>
Powell Bill:			
Other operating expenditures		193,576	
	<u>225,000</u>	<u>193,576</u>	<u>31,424</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Fleet maintenance:			
Salaries and employee benefits		113,235	
Other operating expenditures		16,448	
Capital outlay		5,678	
Allocation to Water and Sewer		(51,437)	
	<u>87,748</u>	<u>83,924</u>	<u>3,824</u>
 Total transportation	 <u>1,587,297</u>	 <u>1,300,211</u>	 <u>287,086</u>
 Environmental protection:			
Salaries and employee benefits		328,055	
Other operating expenditures		315,770	
Capital outlay		26,786	
Total environmental protection	<u>723,796</u>	<u>670,611</u>	<u>53,185</u>
 Cultural and recreation:			
Community building and recreation:			
Other operating expenditures		127,629	
Capital outlay		73,761	
Total cultural and recreation	<u>210,600</u>	<u>201,390</u>	<u>9,210</u>
 Debt service:			
Principal retirement		187,311	
Interest and other charges		33,218	
Total debt service	<u>220,530</u>	<u>220,529</u>	<u>1</u>
 Total expenditures	 <u>7,569,376</u>	 <u>6,810,370</u>	 <u>759,006</u>
 Revenues over (under) expenditures	 <u>(715,732)</u>	 <u>362,869</u>	 <u>1,078,601</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive/ (Negative)
Other Financing Sources (Uses):			
Fund balance appropriated	543,147	-	(543,147)
Proceeds from insurance	58,174	66,978	8,804
Transfer from water and sewer fund	173,000	173,000	-
Transfer to capital projects funds	<u>(58,589)</u>	<u>(58,589)</u>	<u>-</u>
Total other financing sources (uses)	<u>715,732</u>	<u>181,389</u>	<u>(534,343)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	544,258	<u>\$ 544,258</u>
Fund balance, beginning of year		<u>3,934,495</u>	
Fund balance, end of year		<u>\$ 4,478,753</u>	



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CITY OF MARION, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND
Combining Balance Sheet
June 30, 2020

	West Marion Forum Group Grant Project	General Grant Projects	Blue Ridge Carson Street Repairs	Lincoln Avenue Bridge Replacement	Former Drexel Building Demolition Project	Building Park Playground Equipment Capital Project	Community Building Park/ Main St. Stormwater Capital Project	Total Capital Project Fund
Assets								
Cash and investments	\$ -	\$ -	\$ 51,089	\$ 35,529	\$ 22,251	\$ -	\$ -	108,869
Restricted cash	-	234,475	-	-	-	59,000	-	293,475
Due from other governments	729	344	-	-	-	-	-	1,073
Accounts receivable	-	31,424	-	-	-	-	-	31,424
Total assets	<u>\$ 729</u>	<u>\$ 266,243</u>	<u>\$ 51,089</u>	<u>\$ 35,529</u>	<u>\$ 22,251</u>	<u>\$ 59,000</u>	<u>\$ -</u>	<u>434,841</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ -	\$ 5,434	\$ -	\$ 33,306	\$ -	\$ -	\$ 28,500	67,240
Due to General Fund	729	17,434	-	-	-	-	32,081	50,244
Total liabilities	<u>729</u>	<u>22,868</u>	<u>-</u>	<u>33,306</u>	<u>-</u>	<u>-</u>	<u>60,581</u>	<u>117,484</u>
Fund balances:								
Restricted:								
Future operating expenses	-	208,375	-	-	-	-	-	208,375
Future capital projects	-	35,000	-	2,223	-	59,000	-	96,223
Committed:								
Future capital projects	-	-	51,089	-	22,251	-	-	73,340
Unassigned (deficit)	-	-	-	-	-	-	(60,581)	(60,581)
Total fund balances (deficit)	<u>-</u>	<u>243,375</u>	<u>51,089</u>	<u>2,223</u>	<u>22,251</u>	<u>59,000</u>	<u>(60,581)</u>	<u>317,357</u>
Total liabilities and fund balances	<u>\$ 729</u>	<u>\$ 266,243</u>	<u>\$ 51,089</u>	<u>\$ 35,529</u>	<u>\$ 22,251</u>	<u>\$ 59,000</u>	<u>\$ -</u>	<u>434,841</u>



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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, 2020

	West Marion Forum Group Grant Project	General Grant Projects	Blue Ridge Carson Street Repairs	Lincoln Avenue Bridge Replacement	Former Drexel Building Demolition Project	Building Park Playground Equipment Capital Project	Community Building Park/ Main St. Stormwater Capital Project	Total Capital Project Fund
Revenues								
Restricted intergovernmental	\$ -	\$ 276,697	\$ -	\$ -	\$ 100,395	\$ -	\$ -	\$ 377,092
Investment earnings	-	-	-	-	-	-	1,101	1,101
Private donations	-	3,000	-	-	-	-	-	3,000
Other grants and contributions	108,231	-	-	-	-	-	-	108,231
Total revenues	108,231	279,697	-	-	100,395	-	1,101	489,424
Expenditures								
Capital outlay:								
Engineering	-	-	-	75,550	-	-	37,723	113,273
Planning and administration	-	-	-	227	19,858	-	9,911	29,996
Clearance activities	-	-	-	-	231,031	-	-	231,031
Capitalized interest	-	-	-	-	-	-	7,149	7,149
Construction	-	-	-	-	-	-	444,860	444,860
Current:								
General government	-	11,298	-	-	-	-	-	11,298
Community development	114,114	6,600	-	-	-	-	-	120,714
Culture and recreation	-	25,924	-	-	-	-	-	25,924
Total expenditures	114,114	43,822	-	75,777	250,889	-	499,643	984,245
Revenues over (under) expenditures	(5,883)	235,875	-	(75,777)	(150,494)	-	(498,542)	(494,821)
Other Financing Sources								
Installment obligations issued	-	-	-	78,000	-	-	586,000	664,000
Transfers in	-	7,500	51,089	-	-	-	-	58,589
Total other financing sources	-	7,500	51,089	78,000	-	-	586,000	722,589
Net change in fund balance	(5,883)	243,375	51,089	2,223	(150,494)	-	87,458	227,768
Fund balances (deficit), beginning of year	5,883	-	-	-	172,745	59,000	(148,039)	89,589
Fund balances (deficit), end of year	\$ -	\$ 243,375	\$ 51,089	\$ 2,223	\$ 22,251	\$ 59,000	\$ (60,581)	\$ 317,357

CITY OF MARION, NORTH CAROLINA

GRANT PROJECT - WEST MARION FORUM PROJECT
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From inception and for the year ended June 30, 2020

	Actual through June 30, 2020			
	Project Authorization	Reported in Prior Years	Current Year	Total to Date
Revenues:				
Kate B Reynolds grant	\$ 344,438	\$ 236,207	\$ 108,231	\$ 344,438
Expenditures:				
Operating-community development	344,438	230,324	114,114	344,438
Net change in fund balance	\$ -	\$ 5,883	(5,883)	\$ -
Fund balance, beginning of year			5,883	
Fund balance, end of year			\$ -	

CITY OF MARION, NORTH CAROLINA

GRANT PROJECT - GENERAL PROJECTS

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2020

	Project Authorization	Actual through June 30, 2020		
		Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Recreational Trail Programs Grant	\$ 30,000	500	\$ 25,924	\$ 26,424
NC Office of Recovery & Resiliency	245,773	-	245,773	245,773
Appalachian Regional Commission	70,000	-	5,000	5,000
Contribution from McDowell County	5,000	-	-	-
Private donations	20,000	10,000	3,000	13,000
Total	370,773	10,500	279,697	290,197
Expenditures:				
Operating - general government	210,773	-	11,298	11,298
Operating - culture & recreation	40,000	10,500	25,924	36,424
Operating-community development	100,000	-	6,600	6,600
Capital outlay - general government	35,000	-	-	-
Total	385,773	10,500	43,822	54,322
Revenues over (under) expenditures	(15,000)	-	235,875	235,875
Other Financing Sources:				
Transfers in	15,000	-	7,500	7,500
Net change in fund balance	\$ -	\$ -	243,375	\$ 243,375
Fund balance, beginning of year			-	
Fund balance, end of year			\$ 243,375	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - BLUE RIDGE/CARSON STREET REPAIRS
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From inception and for the year ended June 30, 2020

	Project Authorization	Actual through June 30, 2020		
		Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Dept of Emergency Management	\$ 153,266	\$ -	\$ -	\$ -
Expenditures:				
Engineering	39,900	-	-	-
Construction	149,455	-	-	-
Contingency	15,000	-	-	-
Total expenditures	<u>204,355</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(51,089)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources:				
Transfers in	<u>51,089</u>	<u>-</u>	<u>51,089</u>	<u>51,089</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	51,089	<u>\$ 51,089</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 51,089</u>	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - LINCOLN AVENUE BRIDGE REPLACEMENT
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From inception and for the year ended June 30, 2020

	Project Authorization	Actual through June 30, 2020		
		Reported in Prior Years	Current Year	Total to Date
Expenditures:				
Engineering	\$ 199,861	\$ -	\$ 75,550	\$ 75,550
Construction	250,259	-	-	-
Administration	-	-	227	227
Total expenditures	<u>450,120</u>	<u>-</u>	<u>75,777</u>	<u>75,777</u>
Revenues over (under) expenditures	<u>(450,120)</u>	<u>-</u>	<u>(75,777)</u>	<u>(75,777)</u>
Other Financing Sources:				
Installment obligations issued - NCORR	<u>450,120</u>	<u>-</u>	<u>78,000</u>	<u>78,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,223</u>	<u>\$ 2,223</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 2,223</u>	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - FORMER DREXEL BUILDING DEMOLITION PROJECT
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From inception and for the year ended June 30, 2020

	Project Authorization	Actual through June 30, 2020		
		Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
CDBG	\$ 500,000	\$ 417,418	\$ 82,582	\$ 500,000
NC Rural Center grant	150,000	150,000	-	150,000
NC Department of Commerce - State appropriation	300,000	300,000	-	300,000
McDowell County contribution	180,567	140,504	17,813	158,317
Total revenues	<u>1,130,567</u>	<u>1,007,922</u>	<u>100,395</u>	<u>1,108,317</u>
Expenditures:				
Planning and administration	64,600	43,028	19,858	62,886
Clearance activities	<u>1,246,535</u>	<u>972,717</u>	<u>231,031</u>	<u>1,203,748</u>
Total expenditures	<u>1,311,135</u>	<u>1,015,745</u>	<u>250,889</u>	<u>1,266,634</u>
Revenues over (under) expenditures	<u>(180,568)</u>	<u>(7,823)</u>	<u>(150,494)</u>	<u>(158,317)</u>
Other Financing Sources:				
Transfers in	<u>180,568</u>	<u>180,568</u>	<u>-</u>	<u>180,568</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 172,745</u>	<u>(150,494)</u>	<u>\$ 22,251</u>
Fund balance, beginning of year			<u>172,745</u>	
Fund balance, end of year			<u>\$ 22,251</u>	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - COMMUNITY BUILDING PARK PLAYGROUND EQUIPMENT
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From inception and for the year ended June 30, 2020

	Project Authorization	Actual through June 30, 2020		
		Reported in Prior Years	Current Year	Total to Date
Revenues:				
Kate B Reynolds grant	\$ 59,000	\$ 59,000	\$ -	\$ 59,000
Connect NC bonds	159,622	-	-	-
	<u>218,622</u>	<u>59,000</u>	<u>-</u>	<u>59,000</u>
Expenditures:				
Capital - equipment	<u>218,622</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 59,000</u>	<u>-</u>	<u>\$ 59,000</u>
Fund balance, beginning of year			<u>59,000</u>	
Fund balance, end of year			<u>\$ 59,000</u>	

CITY OF MARION, NORTH CAROLINA

CAPITAL PROJECT - COMMUNITY BUILDING PARK/MAIN STREET STORMWATER PROJECT

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

From inception and for the year ended June 30, 2020

	Project Authorization	Actual through June 30, 2020		
		Reported in Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ -	\$ -	\$ 1,101	\$ 1,101
Expenditures:				
Engineering	184,850	146,931	37,723	184,654
Construction	543,774	-	444,860	444,860
Administration	31,401	11,158	9,911	21,069
Capitalized interest	14,500	-	7,149	7,149
Total expenditures	<u>774,525</u>	<u>158,089</u>	<u>499,643</u>	<u>657,732</u>
Revenues over (under) expenditures	<u>(774,525)</u>	<u>(158,089)</u>	<u>(498,542)</u>	<u>(656,631)</u>
Other financing sources:				
Transfer from general fund	10,050	10,050	-	10,050
Installment obligations issued	764,475	-	586,000	586,000
Total other financing sources	<u>774,525</u>	<u>10,050</u>	<u>586,000</u>	<u>596,050</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (148,039)</u>	87,458	<u>\$ (60,581)</u>
Fund balance (deficit), beginning of year			<u>(148,039)</u>	
Fund balance (deficit), end of year			<u>\$ (60,581)</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water sales	\$ 1,123,500	\$ 1,097,181	\$ (26,319)
Sewer sales	775,000	781,275	6,275
Sewer taps	18,500	18,986	486
Water taps	49,000	52,432	3,432
Cut-on fees/penalties	110,800	93,342	(17,458)
Water service charges	997,000	1,000,770	3,770
Sewer service charges	534,000	538,055	4,055
Other operating income	26,419	35,066	8,647
Total operating revenues	<u>3,634,219</u>	<u>3,617,107</u>	<u>(17,112)</u>
Non-operating revenues:			
Interest	500	492	(8)
County reimbursements - Sugar Hill	51,968	51,968	-
FEMA grants	-	36,000	36,000
Total non-operating income	<u>52,468</u>	<u>88,460</u>	<u>35,992</u>
Total revenues	<u>3,686,687</u>	<u>3,705,567</u>	<u>18,880</u>
Expenditures:			
Utility line maintenance:			
Salaries and employee benefits		449,938	
Operating expenditures		282,913	
Repairs and maintenance		44,641	
Capital outlay		67,836	
Overhead allocation		503,079	
	<u>1,600,836</u>	<u>1,348,407</u>	<u>252,429</u>
Water filter plant:			
Salaries and employee benefits		288,149	
Operating expenditures		266,253	
Repairs and maintenance		26,358	
Capital outlay		8,810	
	<u>734,161</u>	<u>589,570</u>	<u>144,591</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, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Water treatment plant:			
Salaries and employee benefits		490,529	
Operating expenditures		401,864	
Repairs and maintenance		121,938	
Capital outlay		186,915	
	<u>1,266,897</u>	<u>1,201,246</u>	<u>65,651</u>
 Total operating expenditures	 <u>3,601,894</u>	 <u>3,139,223</u>	 <u>462,671</u>
 Miscellaneous	 <u>11,893</u>	 <u>3,955</u>	 <u>7,938</u>
 Debt service:			
Principal retirement		280,980	
Interest		19,256	
	<u>300,240</u>	<u>300,236</u>	<u>4</u>
 Insurance, bonding and workers' compensation	 <u>98,107</u>	 <u>97,879</u>	 <u>228</u>
 Total expenditures	 <u>4,012,134</u>	 <u>3,541,293</u>	 <u>470,841</u>
 Revenues over (under) expenditures	 <u>(325,447)</u>	 <u>164,274</u>	 <u>489,721</u>
 Other Financing Sources (Uses):			
Transfer to general fund - payment in lieu of taxes	(173,000)	(173,000)	-
Transfer from capital reserve fund	65,500	64,123	(1,377)
Proceeds on sale of capital assets	-	635	635
Appropriated fund balance	432,947	-	(432,947)
	<u>325,447</u>	<u>(108,242)</u>	<u>(433,689)</u>
 Total other financing sources (uses)	 <u>325,447</u>	 <u>(108,242)</u>	 <u>(433,689)</u>
 Revenues and other sources over expenditures and other uses	 <u>\$ -</u>	 56,032	 <u>\$ 56,032</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, 2020

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Decrease in inventories		(1,797)	
Interest earned on long-term note receivable		4,746	
Capital outlay		263,561	
Depreciation		(909,491)	
Decrease in accrued interest		898	
Decrease in accrued compensated absences		3,061	
Principal retirement of debt		280,980	
From Water and Sewer Capital Reserve Fund:			
Water and sewer system development fees		64,123	
Intrafund transfer		(64,123)	
From Water and Sewer Capital Projects:			
Capital contributions		12,317	
Non-capital grants		24,960	
Non-capital expenditures		(24,960)	
Contributions to pension plan in the current year		70,809	
Pension expense		(142,221)	
Total reconciling items		(417,137)	
Change in net position		\$ (361,105)	

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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Water and sewer system development fees	<u>\$ 65,500</u>	<u>\$ 64,123</u>	<u>\$ (1,377)</u>
Other financing uses:			
Transfer to water and sewer fund for debt service	<u>(65,500)</u>	<u>(64,123)</u>	<u>1,377</u>
Revenues over other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MARION, NORTH CAROLINA

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

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2020

	Project Authorization	Actual through June 30, 2020		
		Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Dept of Commerce- Economic infrastructure grant	\$ 60,000	\$ 60,000	\$ -	\$ 60,000
Contribution from McDowell County	120,280	91,300	12,317	103,617
Other revenues:				
Capital Contribution- SAHAS Hospitality	5,000	5,000	-	5,000
Total	<u>185,280</u>	<u>156,300</u>	<u>12,317</u>	<u>168,617</u>
Expenditures:				
Engineering	63,600	50,236	2,300	52,536
Professional services	3,000	135	1,673	1,808
Construction	227,560	210,550	6,861	217,411
Contingency	11,400	480	-	480
Total	<u>305,560</u>	<u>261,401</u>	<u>10,834</u>	<u>272,235</u>
Revenues over (under) expenditures	<u>(120,280)</u>	<u>(105,101)</u>	<u>1,483</u>	<u>(103,618)</u>
Other Financing Sources:				
Transfer from Water and Sewer	<u>120,280</u>	<u>114,150</u>	<u>-</u>	<u>114,150</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 9,049</u>	<u>\$ 1,483</u>	<u>\$ 10,532</u>

CITY OF MARION, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
GRANT PROJECT FUND - WATER/SEWER FUND MISCELLANEOUS

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

From inception and for the year ended June 30, 2020

		Actual through June 30, 2020		
	Project Authorization	Reported in Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Division of Water				
Infrastructure grant	\$ 300,000	\$ 125,040	\$ 24,960	\$ 150,000
Expenditures (Non-Capital):				
Professional services	300,000	125,040	24,960	150,000
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -

CITY OF MARION, NORTH CAROLINA

CENTRAL WAREHOUSE INTERNAL SERVICE FUND

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

For the year ended June 30, 2020

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Sales to other funds	\$ 304,547	\$ 267,082	\$ (37,465)
Expenditures:			
Salaries and employee benefits		44,693	
Operating expenditures		<u>242,050</u>	
Total expenditures	<u>304,547</u>	<u>286,743</u>	<u>17,804</u>
Revenue under expenditures	<u>\$ -</u>	(19,661)	<u>\$ (19,661)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Increase in inventories		15,478	
Depreciation		(1,765)	
Decrease in accrued compensated absences		1,092	
Contributions to pension plan in the current year		3,371	
Pension expense		<u>(6,772)</u>	
Total reconciling items		<u>11,404</u>	
Change in net position		<u>\$ (8,257)</u>	



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OTHER SCHEDULES

CITY OF MARION, NORTH CAROLINA

GENERAL FUND

Schedule of Ad Valorem Taxes Receivable
For the year ended June 30, 2020

Fiscal Year	Uncollected Balance 6/30/2019	Additions	Collections And Credits	Uncollected Balance 6/30/2020
2019-2020	\$ -	\$ 2,833,333	\$ 2,803,235	\$ 30,098
2018-2019	22,306	-	13,158	9,148
2017-2018	11,379	-	5,189	6,190
2016-2017	10,317	-	3,129	7,188
2015-2016	6,272	-	2,001	4,271
2014-2015	6,484	-	1,454	5,030
2013-2014	7,977	-	1,064	6,913
2012-2013	9,513	-	652	8,861
2011-2012	8,157	-	916	7,241
2010-2011	7,175	-	702	6,473
2009-2010 and prior	6,396	-	6,396	-
	<u>\$ 95,976</u>	<u>\$ 2,833,333</u>	<u>\$ 2,837,896</u>	<u>91,413</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>50,000</u>
Ad valorem taxes receivable, net				<u>\$ 41,413</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,800,271
Reconciling items:				
Releases				16,362
Discount				11,254
Amounts written off for the 2009 levy per the statute of limitations				5,446
Other				<u>17,926</u>
				2,851,259
Less: interest collected				<u>(13,363)</u>
Total collections and credits				<u>\$ 2,837,896</u>

CITY OF MARION, NORTH CAROLINA

GENERAL FUND
Analysis of Current Tax Levy
For the year ended June 30, 2020

	City-Wide		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy	Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real	\$ 437,574,942	\$0.51/\$100	\$ 2,231,634	\$ 2,231,634	\$ -
Personal	105,237,164	\$0.51/\$100	536,710	327,548	209,162
Old age exemptions	<u>(8,844,835)</u>	\$0.51/\$100	<u>(45,109)</u>	<u>(45,109)</u>	<u>-</u>
Total	<u>533,967,271</u>		<u>2,723,235</u>	<u>2,514,073</u>	<u>209,162</u>
Penalties			<u>2,345</u>	<u>2,345</u>	<u>-</u>
			<u>2,725,580</u>	<u>2,516,418</u>	<u>209,162</u>
Discoveries:					
Current year taxes:					
Real	1,823,855	\$0.51/\$100	9,302	9,302	-
Personal	20,031,659	\$0.51/\$100	102,161	102,161	-
Old age exceptions	<u>(727,486)</u>	\$0.51/\$100	<u>(3,710)</u>	<u>(3,710)</u>	<u>-</u>
Total	<u>21,128,028</u>		<u>107,753</u>	<u>107,753</u>	<u>-</u>
Total City levy	<u>\$ 555,095,299</u>				
Net levy			2,833,333	2,624,171	209,162
Uncollected taxes at June 30, 2020			<u>30,098</u>	<u>30,098</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,803,235</u>	<u>\$ 2,594,073</u>	<u>\$ 209,162</u>
Current levy collection percentage			98.94%	98.85%	100.00%



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COMPLIANCE SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Marion, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the City of Marion's basic financial statements, and have issued our report thereon dated November 5, 2020. The financial statements of the City of Marion ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of the Report

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 5, 2020



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Marion, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Marion's major state programs for the year ended June 30, 2020. The City of Marion's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Marion complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 5, 2020

CITY OF MARION, NORTH CAROLINA

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None

- Non-compliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None

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

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

Identification of major federal programs:

Program Name	CFDA #
Water and Waste Loan and Grant Program	10.760

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

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

CITY OF MARION, NORTH CAROLINA

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

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

None reported.

2. Federal Award Findings and Questioned Costs

None reported.

3. Summary of Prior Audit Findings

None reported.

CITY OF MARION, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2020

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Federal Awards:				
<u>U.S. Department of Agriculture Rural Utilities Service:</u>				
Water and Waste Loan and Grant Program	10.760		\$ 499,643	\$ -
Total U.S. Department of Housing and Urban Development			<u>499,643</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed-Through N.C. Department of Commerce:				
Community Development Block Grant	14.228		82,582	-
Total U.S. Department of Housing and Urban Development			<u>82,582</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Passed-Through N.C. Department of Transportation:				
Governor's Highway Safety Program	20.600		53,033	-
Passed-Through N.C. Department of Natural And Cultural Resources				
Recreational Trails Program	20.219		25,924	-
Total U.S. Department of Transportation			<u>78,957</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Staffing for Adequate Fire and Emergency				
Response (SAFER) Grant Program	97.083		88,342	-
Passed-Through N.C. Department of Public Safety:				
Public Assistance Program	97.036		10,251	-
Total Department of Homeland Security			<u>98,593</u>	<u>-</u>
<u>Appalachian Regional Commission</u>				
NC Appalachian Regional Commission Program	23.011		5,000	-
<u>U.S Department of Justice</u>				
Direct Program				
Equitable Sharing Program	16.922	XXXX	16,750	-
Total Federal Awards			<u>\$ 781,525</u>	<u>-</u>
State Awards:				
<u>N.C. Department of Environmental Quality</u>				
Division of Water Infrastructure:				
Asset Inventory and Assessment Grant Program		E-AIA-W-18-0141		<u>24,960</u>
<u>N.C. Department of Transportation</u>				
Powell Bill				<u>193,576</u>
<u>N.C. Department of Public Safety</u>				
Public Assistance Program				<u>55,734</u>
<u>N.C. Department of Urban & Forestry Grant</u>				
Pt NC Office of Recovery and Resiliency Grant				11,298
NC Office of Recovery and Resiliency Loan				<u>75,777</u>
Total N.C. Department of Urban & Forestry Grant				<u>87,075</u>
Total State awards				<u>274,270</u>
Total Federal and State Awards			<u>\$ 781,525</u>	<u>\$ 274,270</u>

CITY OF MARION, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2020

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Marion under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Marion, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Marion.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Subrecipients

No amounts were passed to subrecipients by the City of Marion during the year ended June 30, 2020.

Note 4: Loans

During the year ended June 30, 2020, the City of Marion had the following loan expenditures and outstanding balance:

<u>Program Name</u>	<u>CFDA #</u>	<u>Spent</u>	<u>Loan Balance</u>
Water and Waste Loan and Grant Program	10.760	\$ 499,643	\$ -

The project has been funded by interim bank financing, to be repaid with a new USDA loan at completion. Therefore, federal funds have been expended but no loan proceeds have been received as of June 30, 2020.