

Town of Marietta, North Carolina

Financial Statements

**For the Year Ended
June 30, 2020**

**Town of Marietta, North Carolina
Financial Statements**

For the Year Ended June 30, 2020

Board of Town Commissioners

Justin Oliver, Mayor

Johnny Bare

Donna Stubbs

Mae Thelma Williams

Walter Powell

Julia Simpson, Town Clerk and Finance Officer

Town of Marietta, North Carolina
Table of Contents
June 30, 2020

	Page
Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Annual Budget and Actual – General Fund	13
Notes to Financial Statements	14

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Board of Town Commissioners
Town of Marietta, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Marietta, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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 the 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 financial statement 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.

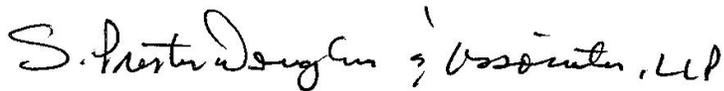
Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Marietta, North Carolina as of June 30, 2020, and the respective changes in financial position, and the respective 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 Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive style.

Lumberton, North Carolina
September 23, 2020

Town of Marietta, North Carolina
Management's Discussion and Analysis
June 30, 2020

Management's Discussion and Analysis

As management of the Town of Marietta, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Marietta 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 Town's financial statements, which follow this narrative.

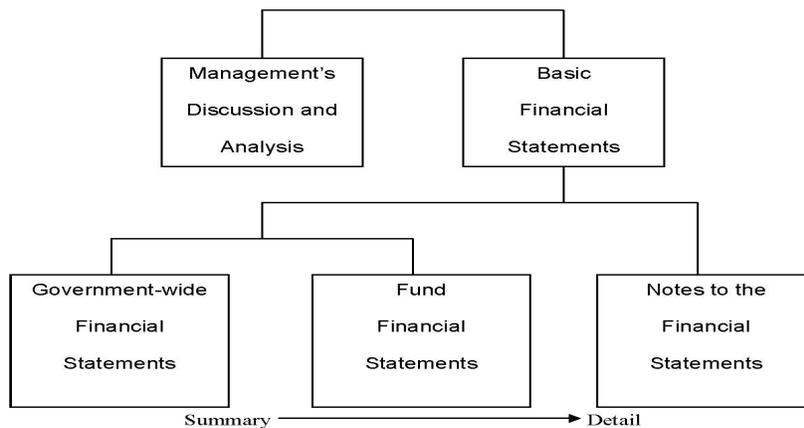
Financial Highlights

- The assets of the Town of Marietta exceeded its liabilities at the close of the fiscal year by \$189,429 (net position).
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$141,989 with a net change of \$10,423 in fund balance. Approximately 4.08% of this total amount, or \$5,800 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$136,189 or 336% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Pages 8 and 9) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Pages 10 through 13) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison 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.

Town of Marietta, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town'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 Town's financial status as a whole.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town'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 Town's basic services such as general administration. State and federal grant funds finance most of these activities. The Town has no business-type activities or component units.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town'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 Town of Marietta, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. The town has only one governmental fund – the General Fund.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the governmental-wide financial statements. All of the Town'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 monies that are unexpected 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statements of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Marietta adopts an annual budget for its General Fund, as required by General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorized the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town 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 format, language, and classifications as the legal budget document. The statement shows three columns: 1) the original and final budget adopted by the board; 2) the actual resources, charges to appropriations, and ending balances in the General Fund; and 3) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found starting on page 10 of this report.

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 can be found starting on page 14 of this report.

Town of Marietta, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Government-Wide Financial Analysis

The Town of Marietta's Net Position

	Governmental Activities			
	2020	2019	\$ Change	% Change
Current and other assets	\$ 141,989	\$ 131,566	\$ 10,423	7.34%
Capital assets	47,440	51,476	(4,036)	-8.51%
Total assets	<u>189,429</u>	<u>183,042</u>	<u>6,387</u>	<u>3.37%</u>
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>
Net position:				
Net investment in capital assets	47,440	51,476	(4,036)	-8.51%
Restricted	5,800	5,800	-	0.00%
Unrestricted	136,189	125,766	10,423	7.65%
Total net position	<u>\$ 189,429</u>	<u>\$ 183,042</u>	<u>\$ 6,387</u>	<u>3.37%</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded liabilities by \$189,429 as of June 30, 2020. The Town's net position increased by \$6,387 for the fiscal year ended June 30, 2020. The amount of net position representing investment in capital assets (e.g. buildings and land) is \$47,440.

The Town of Marietta's Changes in Net Position

	Governmental Activities			
	2020	2019	\$ Change	% Change
Revenues:				
General revenues:				
Other taxes	\$ 49,869	\$ 48,683	\$ 1,186	2.38%
Investment earnings	1,105	100	1,005	90.95%
Total revenues	<u>50,974</u>	<u>48,783</u>	<u>2,191</u>	<u>4.30%</u>
Expenses:				
General government	44,587	35,761	8,826	19.80%
Total expenditures	<u>44,587</u>	<u>35,761</u>	<u>8,826</u>	<u>19.80%</u>
Increase (decrease) in net position	6,387	13,022	(6,635)	-103.88%
Net position, beginning	183,042	170,020	13,022	7.11%
Net position, ending	<u>\$ 189,429</u>	<u>\$ 183,042</u>	<u>\$ 6,387</u>	<u>3.37%</u>

Governmental Activities

Governmental activities increased the Town of Marietta's net position by \$6,387. Key elements of this increase are as follows:

- Revenues from the State increased compared to the prior year.
- Investment income increased from the prior year.

Town of Marietta, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the principal operating fund of the Town of Marietta. At the end of the current fiscal year, the Town's General Fund reported a fund balance of \$141,989. The Governing Body of the Town of Marietta has determined that the Town should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of \$136,189 which represents 336% of general fund expenditures.

General Fund Budgetary Highlights. During the fiscal year, the Town 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.

Revenues were more than budgeted amounts because State revenues were more than originally anticipated and expenditures were held in check, which allowed the Town to comply with its budgetary requirements.

Capital Assets

The Town of Marietta's investment in capital assets for its governmental activities as of June 30, 2020 totals \$47,440 (net of accumulated depreciation). The investments in capital assets include buildings and improvements and equipment and furniture.

Town of Marietta's Capital Assets

	<u>Governmental Activities 2020</u>	<u>Governmental Activities 2019</u>	<u>Change</u>
Land	\$ 7,155	\$ 7,155	\$ -
Town Hall and improvements	24,365	27,077	(2,712)
Equipment and furniture	<u>15,920</u>	<u>17,244</u>	<u>(1,324)</u>
Total capital assets	<u>\$ 47,440</u>	<u>\$ 51,476</u>	<u>\$ (4,036)</u>

Additional information on the Town's capital assets can be found in the notes starting on page 18 of this report.

Town of Marietta, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Economic Factors and Next Year's Budgets and Rates

The following key economic indicator reflects the growth and prosperity of the Town.

- The unemployment rate for the Town and surrounding area is 8.80% at June 30, 2020, which is an increase from a rate of 5.90% a year ago. This comparison is higher than the State's rate of 7.50% but lower than the national rate of 11.10%.

Budget highlights for the fiscal year ending June 30, 2021, include anticipating budgeted revenues from sales and use taxes and franchise taxes to remain approximately the same as the prior year amounts. Budgeted expenditures are expected to remain approximately the same as the prior year.

Request for Information

This financial report is designed to provide a general overview of the Town of Marietta's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Post Office Box 178, Marietta, NC 28362.

Town of Marietta, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government Governmental Activities
<u>Assets</u>	
Current assets	
Cash and cash equivalents	\$ 136,189
Due from other governments	5,800
Total current assets	141,989
Capital assets	
Land, non-depreciable	7,155
Other capital assets, net of depreciation	40,285
Total capital assets	47,440
Total assets	189,429
<u>Liabilities</u>	
Total liabilities	-
<u>Net Position</u>	
Net investment in capital assets	47,440
Restricted - Stabilization by State Statute	5,800
Unrestricted	136,189
Total net position	\$ 189,429

Town of Marietta, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenue (Expenses) and Changes in Net Position Primary Government</u>	
			<u>Governmental Activities</u>	<u>Total</u>
Primary government:				
Governmental Activities				
General government	\$ 44,587	\$ -	\$ (44,587)	\$ (44,587)
Total primary government	<u>\$ 44,587</u>	<u>\$ -</u>	<u>(44,587)</u>	<u>(44,587)</u>
 General revenues:				
Grants and contributions not restricted to specific programs			49,869	49,869
Unrestricted investment earnings			1,105	1,105
Total general revenues			<u>50,974</u>	<u>50,974</u>
Change in net position			6,387	6,387
Net position, beginning			<u>183,042</u>	<u>183,042</u>
Net position, ending			<u>\$ 189,429</u>	<u>\$ 189,429</u>

Town of Marietta, North Carolina
Balance Sheet – Governmental Funds
June 30, 2020

	Governmental
	Fund
	Major
	Fund
	General
	Fund
Assets	
Cash and cash equivalents	\$ 136,189
Due from other governments	5,800
Total assets	141,989
Liabilities	
Total liabilities	-
Fund balances	
Restricted	
Stabilization by State Statute	5,800
Unassigned	136,189
Total fund balances	141,989
Total liabilities and fund balances	\$ 141,989

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Gross capital assets at historical costs	\$ 161,213
Accumulated depreciation	(113,773)
Net position of governmental activities	\$ 189,429

Town of Marietta, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major Fund General Fund	Total Governmental Funds
Revenues		
Unrestricted intergovernmental revenue	\$ 49,869	\$ 49,869
Investment earnings	1,105	1,105
Total revenues	50,974	50,974
Expenditures		
General government	40,551	40,551
Net change in fund balance	10,423	10,423
Fund balance, beginning	131,566	131,566
Fund balance, ending	\$ 141,989	\$ 141,989

Town of Marietta, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 10,423
--	-----------

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 exceeded depreciation in the current period.

Depreciation expense for governmental assets	(4,036)
--	---------

Change in net position of governmental activities	\$ 6,387
--	-----------------

Town of Marietta, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Annual Budget and Actual
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Unrestricted intergovernmental revenue	\$	\$	\$ 49,869	\$
Investment earnings			1,105	
Total revenues	<u>42,000</u>	<u>42,000</u>	<u>50,974</u>	<u>8,974</u>
Expenditures				
General government	<u>42,000</u>	<u>42,000</u>	<u>40,551</u>	<u>1,449</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>10,423</u>	<u>10,423</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>10,423</u>	<u>\$ 10,423</u>
Fund balance, beginning			<u>131,566</u>	
Fund balance, ending			<u>\$ 141,989</u>	

Town of Marietta, North Carolina
Notes to Financial Statements
June 30, 2020

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Marietta, North Carolina, conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies.

A - Reporting Entity

The Town of Marietta is a municipal corporation that is governed by an elected mayor and a four-member council.

B - Basis of Presentation - Fund Accounting

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government. 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 Town. 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 Town and for each function of the Town'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 Statement. The fund financial statements provide information about the Town's funds. The Town of Marietta has only one category of funds – governmental. The Town of Marietta does not have any proprietary funds.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. 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 State grants and various other taxes and licenses. The primary expenditures are for general government, street maintenance and construction, and sanitation services.

C - Measurement Focus and Basis of Accounting

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

Town of Marietta, North Carolina
Notes to Financial Statements (continued)
June 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

C - Measurement Focus and Basis of Accounting (continued)

Government-wide Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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 Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Marietta because the tax is levied by Robeson 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. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town'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 Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. 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. The governing board must approve all amendments. During the year, several immaterial 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

Deposits and Investments

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

Town of Marietta, North Carolina
Notes to Financial Statements (continued)
June 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Deposits and Investments (continued)

State law [G.S. 159-30(c)] authorizes the Town 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). Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Capital Assets

Capital assets are recorded at original cost, and fixed assets sold or destroyed are removed from the records periodically. Certain items acquired before July 1, 1970, are recorded at an estimated original cost. The total of such estimates is not considered large enough that errors would be material when the fixed assets are considered as a whole. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and improvements	50 years
Equipment and furniture	5-10 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section of 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 Town has no items that meet this criterion for this category. In addition to liabilities, the statement of financial position will sometimes report a separate section of 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 Town has no items that meet this criterion for this category.

Net Position

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

Town of Marietta, North Carolina
Notes to Financial Statements (continued)
June 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Fund Equity (continued)

Fund Balances

In the governmental fund financial statements, fund balance is composed of three 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:

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 nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

The Town of Marietta 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-town funds, town 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 Town.

The Town of Marietta has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures.

Note 2 - Stewardship, Compliance and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

No instances noted.

B. Excess of Expenditures over Appropriations

No instances noted.

Town of Marietta, North Carolina
Notes to Financial Statements (continued)
June 30, 2020

Note 3 - Detail Notes on All Funds

A - Assets

Deposits

All the deposits of the Town 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 Town'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 Town, these deposits are considered to be held by the Town'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 Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2020, the Town's deposits had a carrying amount of \$136,189 and a bank balance of \$136,989. Federal Deposit Insurance covers all of the Town's deposits.

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020, is as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,155	\$ -	\$ -	\$ 7,155
Total capital assets not being depreciated	<u>7,155</u>	<u>-</u>	<u>-</u>	<u>7,155</u>
Capital assets being depreciated:				
Town Hall - Improvements	135,490	-	-	135,490
Equipment and furniture	18,568	-	-	18,568
Total capital assets being depreciated	<u>154,058</u>	<u>-</u>	<u>-</u>	<u>154,058</u>
Less accumulated depreciation for:				
Town Hall - Improvements	108,413	2,712	-	111,125
Equipment and furniture	1,324	1,324	-	2,648
Total accumulated depreciation	<u>109,737</u>	<u>4,036</u>	<u>-</u>	<u>113,773</u>
Total capital assets being depreciated, net	<u>44,321</u>			<u>40,285</u>
Governmental activities capital assets, net	<u>\$ 51,476</u>			<u>\$ 47,440</u>

Town of Marietta, North Carolina
Notes to Financial Statements (continued)
June 30, 2020

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities

Pension Plan and Postemployment Obligations

The Town has no full-time employees. All services are performed on a volunteer or contract basis. Therefore, the Town has no pension, payroll, or postemployment benefit liabilities.

Note 4 - Commitments

At June 30, 2020 the Town had no contractual commitments.

Note 5 - Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town carries commercial coverage for risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years.

The Town Finance officer is performance bonded in the amount of \$50,000.

Note 6 - Net Investment in Capital Assets

Capital assets	\$	47,440
less: long-term debt		-
Net investment in capital assets		\$ 47,440

Note 7 - Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance-General Fund	\$	141,989
Less:		
Stabilization by State Statute		5,800
Remaining Fund Balance	\$	136,189

Note 8 - Subsequent Events

Subsequent events were evaluated through September 23, 2020, which is the date the financial statements were available to be issued.