

**REVIEWED**

***By SLGFD at 11:05 am, Dec 03, 2021***

***TOWN OF MARSHALL, NORTH CAROLINA***

Financial Statements, Management's Discussion and Analysis,  
Supplemental Schedules, Independent Auditors' Report and Compliance Reports  
For the Year Ended June 30, 2021

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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## TOWN OF MARSHALL, NORTH CAROLINA

Town Officials  
June 30, 2021

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### Aldermen

Thomas Jablonski  
Billie Jean Haynie  
Laura Ponder Smith  
Dr. Christiaan Ramsey  
Aileen Payne, Mayor Pro-Tem

### Mayor

Nancy Allen

### Town Administrator, Clerk and Zoning Officer

Forrest Gilliam

### Deputy Town Clerk

Michelle Massey

### Tax Collector

Kristie Griffin

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# TOWN OF MARSHALL, NORTH CAROLINA

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**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

**Independent Auditors' Report**

To the Honorable Mayor and  
Members of the Board of Aldermen of  
Town of Marshall, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marshall, North Carolina as of, and for, the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Marshall, North Carolina'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.

**Auditors' 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 from 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 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 the 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marshall, North Carolina as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof 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 the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 4-11 and 47-50, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Marshall, North Carolina's basic financial statements. The individual fund financial statements, the budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, the budgetary schedules, and other schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic 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, the individual fund financial statements, the budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2021 on our consideration of the Town of Marshall, North Carolina'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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Marshall, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Marshall, North Carolina's internal control over financial reporting and compliance.

*Lawrence H. Church & Co., L.L.P.*

Morganton, North Carolina  
November 10, 2021



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## **Management's Discussion and Analysis**

As management of the Town of Marshall, we offer readers of the Town of Marshall's financial statements this narrative overview and analysis of the financial activities of the Town of Marshall for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with the additional information that we have furnished in the Town's financial statements, which follow this narrative.

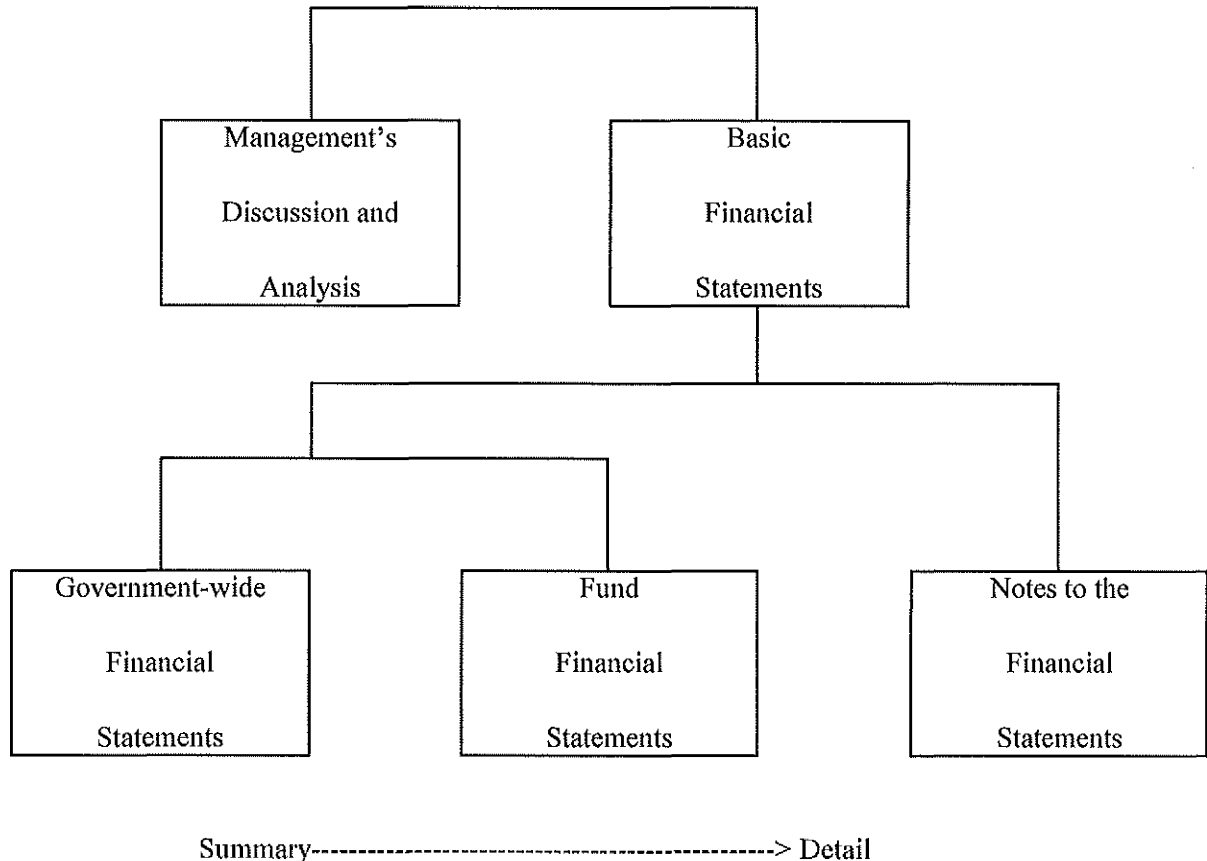
### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Marshall exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$10,231,792 (net position).
- The government's total net position decreased by \$90,953, primarily due to decreases in both the governmental-type activities and in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Marshall's governmental funds reported combined ending fund balances of \$1,710,102, with a net change of \$19,638 in fund balance. Approximately 23.63 percent of this total amount, or \$404,054, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$771,370, or 57.94 percent of total General Fund expenditures for the fiscal year.
- The Town of Marshall's total debt decreased by \$9,986 (1.06%) during the current fiscal year. The key factor in this decrease was principal payments and a decrease in the total pension liability for LEOSA.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Marshall's basic financial statements. The Town'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 Town 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 Town of Marshall.

**Required Components of Annual Financial Report**  
**Figure 1**



### **Basic Financial Statements**

The first two statements (pages 12 and 13) 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 14 through 21) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary 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 Town'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 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 it has changed. Net position is the difference between the Town'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 Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town'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 Town charges customers to provide. This includes the water and sewer services offered by the Town of Marshall.

The government-wide financial statements are on pages 12 and 13 of this report.

## Fund Financial Statements

The fund financial statements (see Figure 1) 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 Marshall, like all other governmental entities in North Carolina, uses fund accounting to insure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Marshall 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 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 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 Town'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 Town of Marshall 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 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 authorizes 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 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 Town of Marshall has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Marshall uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**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 22 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Marshall's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information can be found beginning on page 47 of this report.

**Interdependence with Other Entities** - The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

### Government-Wide Financial Analysis

The Town of Marshall's Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Current and other assets	\$1,752,621	\$1,732,924	\$1,301,760	\$1,114,058	\$ 3,054,381	\$ 2,846,982
Capital assets	547,928	565,322	7,522,066	7,798,503	8,069,944	8,363,825
Deferred outflows of resources	<u>123,025</u>	<u>95,949</u>	<u>27,959</u>	<u>28,366</u>	<u>150,984</u>	<u>124,315</u>
Total assets and deferred outflows of resources	<u>2,423,574</u>	<u>2,394,195</u>	<u>8,851,785</u>	<u>8,940,927</u>	<u>11,275,359</u>	<u>11,335,122</u>
Long-term liabilities outstanding	229,054	223,265	705,031	720,806	934,085	944,071
Other liabilities	18,090	9,392	61,503	48,307	79,593	57,699
Deferred inflows of resources	<u>25,245</u>	<u>8,626</u>	<u>4,644</u>	<u>1,981</u>	<u>29,889</u>	<u>10,607</u>
Total liabilities and deferred inflows of resources	<u>272,389</u>	<u>241,283</u>	<u>771,178</u>	<u>771,094</u>	<u>1,043,567</u>	<u>1,012,377</u>
Net position:						
Net investment in capital assets	547,928	565,322	6,866,372	7,130,789	7,414,300	7,696,111
Restricted	404,054	226,345	35,250	31,650	439,303	257,995
Unrestricted	<u>1,199,204</u>	<u>1,361,244</u>	<u>1,178,985</u>	<u>1,007,395</u>	<u>2,378,189</u>	<u>2,368,639</u>
Total net position	<u>\$2,151,185</u>	<u>\$2,152,911</u>	<u>\$8,080,607</u>	<u>\$8,169,833</u>	<u>\$10,231,792</u>	<u>\$10,322,744</u>

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 Town of Marshall exceeded liabilities and deferred inflows by \$10,231,792 as of June 30, 2021. The Town's net position decreased by \$90,953 for the fiscal year ended June 30, 2021. However, the largest portion \$7,414,300 (72.46%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Marshall uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Marshall'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 Town of Marshall's net position, \$439,303 (4.29%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,378,189 is unrestricted.

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes.
- Increase in property tax revenue.
- Increase in operating grants and contributions.
- Increase in taxes.
- Increase in expenses.

**The Town of Marshall  
Changes in Net Position**

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,468	\$ 40,912	\$ 765,251	\$ 713,253	\$ 772,719	\$ 754,165
Operating grants and contributions	264,318	126,074	-	-	264,318	126,074
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	592,701	471,884	-	-	592,701	471,884
Other taxes	459,371	406,014	-	-	459,371	406,014
Unrestricted investment earnings	3,056	5,176	-	-	3,056	5,176
Other	15,374	7,254	(14,477)	(9,640)	897	(2,386)
Total revenues	<u>1,342,288</u>	<u>1,057,314</u>	<u>750,774</u>	<u>703,613</u>	<u>2,093,062</u>	<u>1,760,927</u>
Expenses:						
General government	630,722	413,855	-	-	630,722	413,855
Public safety	407,100	368,603	-	-	407,100	368,603
Transportation	280,046	328,669	-	-	280,046	328,669
Cultural and recreational	20,406	16,206	-	-	20,406	16,206
Economic and physical development	5,741	649	-	-	5,741	649
Interest on long-term debt	-	269	24,186	24,607	24,186	24,876
Water and sewer	-	-	815,815	815,765	815,815	815,765
Total expenses	<u>1,344,015</u>	<u>1,128,251</u>	<u>840,001</u>	<u>840,372</u>	<u>2,184,016</u>	<u>1,968,623</u>
Increase (decrease) in net position before transfers	(1,727)	(70,937)	(89,226)	(136,759)	(90,953)	(207,695)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	<u>\$ (1,727)</u>	<u>\$ (70,937)</u>	<u>\$ (89,226)</u>	<u>\$ (136,759)</u>	<u>\$ (90,953)</u>	<u>\$ (207,695)</u>
Net assets, July 1	2,152,911	2,223,848	8,169,833	8,306,592	10,322,744	10,530,440
Decrease in net position	<u>(1,727)</u>	<u>(70,937)</u>	<u>(89,226)</u>	<u>(136,759)</u>	<u>(90,953)</u>	<u>(207,695)</u>
Net position, June 30	<u>\$2,151,185</u>	<u>\$2,152,911</u>	<u>\$8,080,607</u>	<u>\$8,169,833</u>	<u>\$10,231,792</u>	<u>\$10,322,745</u>

**Governmental Activities** - Governmental activities decreased the Town's net position by \$1,727. Key elements of this decrease are as follows:

- Increase in overall expenses.
- Increase in general government due to substantial repairs and maintenance.

**Business-type Activities** - Business-type activities decreased the Town of Marshall's net position by \$89,226. Key elements of this decrease are as follows:

- Increase in operating revenues.
- Expenses remained consistent with the prior year.
- Depreciation expense of \$318,035.

### **Financial Analysis of the Town's Funds**

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

**Governmental Funds** - The focus of the Town of Marshall'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 of Marshall's financing requirements.

The General Fund is the chief operating fund of the Town of Marshall. At the end of the current fiscal year, the Town of Marshall's fund balance available in the General Fund was \$1,472,939, while the total fund balance reached \$1,710,102. The Town currently has an available fund balance of 110.64 percent of General Fund expenditures, while the total fund balance represents 128.45 percent of that same amount.

At June 30, 2021, the governmental funds of the Town of Marshall reported a combined fund balance of \$1,710,102, with a net increase in fund balance of \$19,638. Included in this change in fund balance is an increase in fund balance in the General Fund.

**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.

- Numerous interdepartmental revisions were made to the budget.
- Property tax exceeded expectations due to increased property values.
- Sales tax revenues exceeded expectations, likely due to an increase in local grocery store and online purchases during COVID-19 restrictions.
- The Town received federal Coronavirus Relief Funding and expanded funds for repair to Sunset and Nix Drives as a result of 2018 and 2019 flooding. State reimbursement was received for seventy-five percent of the flood damage repairs.
- Increase in appropriated fund balance to cover street paving and repairs, Law Enforcement Officer Separation Payment, and an increase in funding for the fire department.

**Proprietary Funds** - The Town'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 \$1,178,985. The total change in net position for the fund was \$(89,226).

## Capital Asset and Debt Administration

**Capital Assets** - The Town of Marshall's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$8,069,994 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles and water and sewer distribution systems.

Major capital asset transactions during the year include the following:

- Purchase of a vehicle for \$32,400.
- Purchase of equipment for \$56,075.
- Disposal of various equipment.

**The Town of Marshall's Capital Assets  
(Net of Depreciation)**

**Figure 4**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 59,635	\$ 59,635	\$ 62,472	\$ 62,472	\$ 122,107	\$ 122,107
Buildings and improvements	315,053	329,533	-	-	315,053	329,533
Machinery and equipment	79,403	90,170	109,574	81,536	188,977	171,706
Distribution systems	-	-	7,350,020	7,654,495	7,350,020	7,654,495
Infrastructure	-	-	-	-	-	-
Vehicles and motorized equipment	93,836	85,984	-	-	93,836	85,984
Construction in progress	-	-	-	-	-	-
<b>Total</b>	<u><b>\$547,928</b></u>	<u><b>\$565,322</b></u>	<u><b>\$7,522,066</b></u>	<u><b>\$7,798,503</b></u>	<u><b>\$8,069,994</b></u>	<u><b>\$8,363,825</b></u>

Additional information on the Town's capital assets can be found in Note III of the Basic Financial Statements.

**Long-Term Debt** - As of June 30, 2021, the Town of Marshall had total bonded debt outstanding of \$-0-. The remainder of the Town's debt results from installment purchase contracts for water system improvements and pension related debt.

**The Town of Marshall's Outstanding Debt  
Outstanding Liabilities**

**Figure 5**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Direct placement installment purchases	\$ -	\$ -	\$655,694	\$667,714	\$655,694	\$667,714
Compensated absences	24,047	24,316	3,537	3,523	27,583	27,839
Pension related debt (LGERS)	137,874	130,126	45,800	49,569	183,674	179,695
Pension related debt (LEO)	<u>67,134</u>	<u>68,824</u>	-	-	<u>67,134</u>	<u>68,824</u>
<b>Total</b>	<u><b>\$229,055</b></u>	<u><b>\$223,266</b></u>	<u><b>\$705,031</b></u>	<u><b>\$720,806</b></u>	<u><b>\$934,085</b></u>	<u><b>\$944,072</b></u>



## **Town of Marshall Outstanding Debt**

The Town of Marshall's total debt decreased by \$9,986 (1.06%) during the past fiscal year. The key factors in this decrease were an increase of \$3,979 of pension liability for the Local Government Employees' Retirement System (LGERS) and a decrease of \$1,690 of the Law Enforcement Officers' Special Separation Allowance (LEOSSA), respectively. Increases were offset by planned debt service principal payments of \$12,020.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Marshall is \$9,617,646.

Additional information regarding the Town of Marshall's long-term debt can be found in Note III beginning on page 43 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the Town:

- The Town will make use of available American Rescue Plan Act Funding and will continue to pursue available grants for water and sewer improvements.
- The Town continues to partner with, and participate in, regional and county-wide economic development strategies and initiatives that promote local economic growth.
- Growth and development continue in the Town, with renovations of existing buildings in the downtown district for commercial and residential use continuing, as well as development of individual home sites throughout the Town. These improvements and renovations should have a positive impact on the Town's property tax valuation. Increased demand for services as a result of population growth must also be evaluated.
- The Town is continuing to monitor the long-term effects of consumer behavior changes on sales tax revenues as a result of COVID-19.

## **Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities** - The Property tax rate will remain the same.

Budgeted revenues are expected to increase to \$1,304,943 due to increased property values and expected increases in sales and use tax, as well as reimbursement for flooding repairs. Expenses are expected to increase to \$1,614,621. This expense increase will cover capital outlay expenses and road repairs. \$309,678 is appropriated from Fund Balance to allow for the shortage.

**Business-type Activities** - The Town's water and sewer rates increased 1.5%. General operating expenses will increase slightly due to inflation and increased funding for ongoing maintenance and repairs.

## **Requests for Information**

This report is designed to provide an overview of the Town'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 Town Administrator, Forrest Gilliam, Town of Marshall, P. O. Box 548, Marshall, North Carolina 28753. You can also call (828) 649-3031, visit our website at [www.townofmarshall.org](http://www.townofmarshall.org) or send an email to [administrator@townofmarshall.org](mailto:administrator@townofmarshall.org) for more information.

## **BASIC FINANCIAL STATEMENTS**

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The Basic Financial Statements present a condensed overview of the financial position and results of operations of the Town as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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# TOWN OF MARSHALL, NORTH CAROLINA

## Statement of Net Position June 30, 2021

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 1,324,138	\$ 1,181,690	\$ 2,505,828
Restricted cash and cash equivalents	166,891	37,895	204,786
Taxes receivable - net	18,159	-	18,159
Accrued interest receivable on taxes	6,270	-	6,270
Accounts receivable	232,442	82,175	314,617
Due from governmental agency	4,721	-	4,721
Total current assets	<u>1,752,621</u>	<u>1,301,760</u>	<u>3,054,381</u>
Capital assets:			
Land, non-depreciable assets and construction in progress	59,635	62,472	122,107
Other capital assets, net of depreciation	488,293	7,459,594	7,947,887
Total capital assets	<u>547,928</u>	<u>7,522,066</u>	<u>8,069,994</u>
Total assets	<u>2,300,549</u>	<u>8,823,826</u>	<u>11,124,375</u>
<u>Deferred Outflows of Resources</u>			
Pension deferrals	<u>123,025</u>	<u>27,959</u>	<u>150,984</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and other current liabilities	18,090	61,503	79,593
Current portion of long-term liabilities	14,762	16,013	30,775
	<u>32,852</u>	<u>77,516</u>	<u>110,368</u>
Long-term liabilities			
Net pension liability	137,874	45,800	183,674
Total pension liability	67,134	-	67,134
Due in more than one year	9,285	643,218	652,503
Total liabilities	<u>247,144</u>	<u>766,534</u>	<u>1,013,678</u>
<u>Deferred Inflows of Resources</u>			
Pension deferrals	<u>25,245</u>	<u>4,644</u>	<u>29,889</u>
<u>Net Position</u>			
Net investment in capital assets	547,928	6,866,372	7,414,300
Restricted for:			
Stabilization by State Statute	237,163	-	237,163
Streets	166,891	-	166,891
Pursuant to loan requirements	-	35,250	35,250
Unrestricted	1,199,204	1,178,985	2,378,189
Total net position	<u>\$ 2,151,185</u>	<u>\$ 8,080,607</u>	<u>\$ 10,231,792</u>

*The accompanying notes are an integral part of the financial statements.*

# TOWN OF MARSHALL, NORTH CAROLINA

## Statement of Activities For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 630,722	\$ -	\$ 242,674	\$ -	\$ (388,048)	\$ -	\$ (388,048)
Public safety	407,100	3,848	-	-	(403,252)	-	(403,252)
Transportation	280,046	-	21,644	-	(258,402)	-	(258,402)
Cultural and recreational	20,406	1,840	-	-	(18,566)	-	(18,566)
Economic and physical development	5,741	1,780	-	-	(3,961)	-	(3,961)
Total governmental activities	<u>1,344,015</u>	<u>7,468</u>	<u>264,318</u>	<u>-</u>	<u>(1,072,229)</u>	<u>-</u>	<u>(1,072,229)</u>
Business-type activities:							
Wastewater	840,001	765,251	-	-	-	(74,750)	(74,750)
Total	<u>\$ 2,184,015</u>	<u>\$ 772,719</u>	<u>\$ 264,318</u>	<u>\$ -</u>	<u>(1,072,229)</u>	<u>(74,750)</u>	<u>(1,146,979)</u>
General revenues:							
Taxes:							
Property taxes					592,701	-	592,701
Local option sales tax					315,926	-	315,926
Other taxes and licenses					143,445	-	143,445
Unrestricted investment earnings					3,056	-	3,056
Miscellaneous					15,374	-	15,374
Gain (loss) on sale of capital assets					-	(14,477)	(14,477)
Total general revenues, special items and transfers					<u>1,070,502</u>	<u>(14,477)</u>	<u>1,056,026</u>
Change in net position					<u>\$ (1,727)</u>	<u>\$ (89,226)</u>	<u>\$ (90,953)</u>
Net position - beginning					\$ 2,152,911	\$ 8,169,833	\$ 10,322,744
Change in net position					<u>(1,727)</u>	<u>(89,226)</u>	<u>(90,953)</u>
Net position - ending					<u>\$ 2,151,185</u>	<u>\$ 8,080,607</u>	<u>\$ 10,231,792</u>

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

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**TOWN OF MARSHALL, NORTH CAROLINA**

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**Balance Sheet  
Governmental Fund  
June 30, 2021**

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	<u><b>Major Fund General Fund</b></u>
<u><b>Assets</b></u>	
Cash and cash equivalents	\$ 1,324,138
Restricted cash and cash equivalents	166,891
Taxes receivables (net)	18,159
Accounts receivable	232,442
Due from governmental agency	<u>4,721</u>
 Total assets	 <u><u>\$ 1,746,351</u></u>
 <u><b>Liabilities</b></u>	
Liabilities:	
Accounts payable and accrued liabilities	<u>\$ 18,090</u>
 <u><b>Deferred Inflows of Resources</b></u>	
Property taxes receivable	<u>18,159</u>
 Fund balances:	
Nonspendable:	
Restricted:	
Stabilization by State Statute	237,163
Streets	166,891
Assigned	
Subsequent year's expenditures	534,678
Unassigned	<u>771,370</u>
 Total fund balances	 <u>1,710,102</u>
 Total liabilities, deferred inflows of resources and fund balances	  <u><u>\$ 1,746,351</u></u>

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF MARSHALL, NORTH CAROLINA**

**Reconciliation of the Governmental Fund Balance Sheet  
To the Statement of Net Position  
June 30, 2021**

---

Total governmental fund balances	\$ 1,710,102
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.	547,928
Deferred outflows of resources related to pensions are not reported in the funds	123,025
Other long-term assets are not available to pay for current-period expenditures, and therefore, are inflows of resources in the funds.	
Accrued interest receivable from taxes	6,270
Earned revenues considered deferred inflows of resources in fund statements.	
Property taxes receivable	18,159
Long-term liabilities used in governmental activities are not financial resources and therefore are not reported in the funds.	
Compensated absences	(24,047)
Net pension liability	(137,874)
Total pension liability	(67,134)
Deferred inflows of resources related to pensions are not reported in the funds.	<u>(25,245)</u>
Net position of governmental activities	<u>\$ 2,151,185</u>

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF MARSHALL, NORTH CAROLINA****Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Fund**  
**For the Year Ended June 30, 2021**

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	<u>Major Fund</u> <u>General</u> <u>Fund</u>
<b>Revenues:</b>	
Ad valorem taxes	\$ 601,339
Other taxes and licenses	13,780
Unrestricted intergovernmental	445,591
Restricted intergovernmental	264,318
Permits and fees	4,428
Investment earnings	3,056
Miscellaneous	18,414
Total revenues	<u>1,350,927</u>
<b>Expenditures:</b>	
General government	594,784
Public safety	445,730
Transportation	274,293
Cultural and recreational	10,742
Economic and physical development	5,741
Debt service:	
Principal retirement	-
Interest	-
Total expenditures	<u>1,331,289</u>
Revenues over (under) expenditures	<u>19,638</u>
<b>Other Financing Sources (Uses):</b>	
Total other financing sources (uses)	<u>-</u>
Net change in fund balances	19,638
Fund balances - beginning	<u>1,690,464</u>
Fund balances - ending	<u>\$ 1,710,102</u>

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF MARSHALL, NORTH CAROLINA**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Fund  
To the Statement of Activities  
For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds	\$ 19,638
---	-----------

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.

Capital outlay expenditures that were capitalized	32,400
Depreciation expense for governmental assets	(49,794)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	37,093
--	--------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(8,638)
--	---------

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 the 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	-
--------------------------------------	---

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.

Pension expense	(32,694)
Compensated absences	<u>269</u>

Total changes in net position of governmental activities	<u>\$ (1,727)</u>
--	-------------------

*The accompanying notes are an integral part of the financial statements.*



# TOWN OF MARSHALL, NORTH CAROLINA

## General Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 469,647	\$ 579,061	\$ 601,339	\$ 22,278
Other taxes and licenses	11,700	11,651	13,780	2,130
Unrestricted intergovernmental	369,000	439,000	445,591	6,591
Restricted intergovernmental	23,343	256,224	264,318	8,094
Permits and fees	4,000	3,676	4,428	752
Investment earnings	2,500	2,500	3,056	556
Miscellaneous	2,575	12,322	18,414	6,093
Total revenues	<u>882,765</u>	<u>1,304,433</u>	<u>1,350,927</u>	<u>46,493</u>
<b>Expenditures:</b>				
General government	381,607	630,174	594,784	35,391
Public safety	385,355	466,181	445,730	20,451
Transportation	388,565	461,203	274,293	186,910
Cultural and recreational	230,600	235,600	10,742	224,858
Economic and physical development	7,000	7,000	5,741	1,259
Total expenditures	<u>1,393,127</u>	<u>1,800,158</u>	<u>1,331,289</u>	<u>468,869</u>
Revenues over (under) expenditures	<u>(510,362)</u>	<u>(495,725)</u>	<u>19,638</u>	<u>515,363</u>
<b>Other Financing Sources (Uses):</b>				
Fund balance appropriated	510,362	495,725	-	(495,725)
Proceeds from borrowing	-	-	-	-
Total other financing sources (uses)	<u>510,362</u>	<u>495,725</u>	<u>-</u>	<u>(495,725)</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>19,638</u>	<u>\$ 19,638</u>
Fund balance - beginning			<u>1,690,464</u>	
Fund balance - end of year			<u>\$ 1,710,102</u>	

*The accompanying notes are an integral part of the financial statements.*

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## TOWN OF MARSHALL, NORTH CAROLINA

### Statement of Net Position Proprietary Fund June 30, 2021

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#### Assets

##### Current assets:

Cash	\$ 1,181,690
Accounts receivable	82,175
Restricted cash	<u>37,895</u>
Total current assets	<u>1,301,760</u>

##### Capital assets:

Land and construction in progress	62,472
Other depreciable assets, net of accumulated depreciation	<u>7,459,594</u>
Total capital assets	<u>7,522,066</u>

Total assets	<u>8,823,826</u>
--------------	------------------

#### Deferred Outflows of Resources

Pension deferrals	<u>27,959</u>
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#### Liabilities

##### Current liabilities

Accounts payable and other accrued liabilities	23,608
Customer deposits	37,895
Accrued compensated absences	3,537
Loans payable-current	<u>12,476</u>
Total current liabilities	77,516

##### Noncurrent liabilities:

Net pension liability	45,800
Loans payable	<u>643,218</u>

Total liabilities	<u>766,534</u>
-------------------	----------------

#### Deferred Inflows of Resources

Pension deferrals	<u>4,644</u>
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#### Net Position

Net investment in capital assets	6,866,372
Restricted pursuant to loan requirements	35,250
Unrestricted	<u>1,178,985</u>
Total net position	<u>\$ 8,080,607</u>

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF MARSHALL, NORTH CAROLINA****Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2021**

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**Operating Revenues:**

Charges for services	\$ 737,571
Other operating revenues	<u>27,680</u>
Total operating revenues	<u>765,251</u>

**Operating Expenses:**

Water and sewer administrative and distribution	497,780
Depreciation	<u>318,035</u>
Total operating expenses	<u>815,815</u>

Operating income (loss)	<u>(50,564)</u>
-------------------------	-----------------

**Nonoperating Revenues (Expenses):**

Gain (loss) on disposal	(14,477)
Interest and other charges	<u>(24,186)</u>
Total nonoperating revenues (expenses)	<u>(38,662)</u>

Change in net position	(89,226)
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Total net position - beginning	<u>8,169,833</u>
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Total net position - ending	<u><u>\$8,080,607</u></u>
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*The accompanying notes are an integral part of the financial statements.*

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## TOWN OF MARSHALL, NORTH CAROLINA

### Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2021

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**Cash Flows From Operating Activities:**

Cash received from customers	\$ 758,252
Cash paid for goods and services	(313,916)
Cash paid to or on behalf of employees for services	<u>(169,779)</u>
Net cash provided (used) by operating activities	<u>274,557</u>

**Cash Flows From Capital and Related Financing Activities:**

Acquisition and construction of capital assets	(56,075)
Principal paid on debt maturities	(12,020)
Interest paid on debt maturities	<u>(24,205)</u>
Net cash provided (used) by capital and related financing activities	<u>(92,300)</u>

Net increase (decrease) in cash and cash equivalents	182,257
--	---------

Balances - beginning of year	<u>1,037,328</u>
------------------------------	------------------

Balances - end of year	<u><u>\$ 1,219,585</u></u>
------------------------	----------------------------

**Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:**

Operating income (loss)	\$ (50,564)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	318,035
Change in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	(5,444)
Increase (decrease) in accounts payable and accrued liabilities	14,770
Increase (decrease) in customer deposits	(1,555)
Increase (decrease) in accrued compensated absences	14
Increase (decrease) in deferred outflows of resources - pensions	407
Increase (decrease) in net pension liability	(3,769)
Increase (decrease) in deferred inflows of resources - pensions	<u>2,663</u>
Net cash provided (used) by operating activities	<u><u>\$ 274,557</u></u>

*The accompanying notes are an integral part of the financial statements.*

## **NOTES TO THE FINANCIAL STATEMENTS**

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### I. Summary of Significant Accounting Policies

The accounting policies of the Town of Marshall, North Carolina 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 Town of Marshall, North Carolina is a municipal corporation that is governed by an elected mayor and a five member Board of Aldermen.

##### B. Basis of Presentation

**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 are generally 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 specific 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 Town's funds. Separate statements for each fund category - governmental and proprietary - are presented. The Town has no fiduciary funds to report. 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, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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The Town reports the following major governmental fund:

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 ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, and street maintenance and construction.

The Town reports the following major enterprise fund:

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

#### 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.

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 Town 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 in 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 and expenses 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 Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue 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.



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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town 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 for property other than motor vehicles 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 a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, 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 Marshall, because the tax is levied by Madison County and then remitted to, and distributed by, the State. 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 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 are 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 and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Fund and the Enterprise Fund Capital Projects Funds. The enterprise fund capital projects are consolidated with the respective operating funds for reporting purposes. 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. All amendments must be approved by the governing board, and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### 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.

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). During 2021, the Town did not maintain any investments.

##### Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income, and considers all cash and investments to be cash and cash equivalents.

##### Restricted Assets

Powell Bill Funds are also classified as restricted cash, because they can be expended only for the purpose outlined in G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the services for which the deposit was collected.

##### Town of Marshall Restricted Cash

Governmental Activities	
General fund	
Streets	\$166,891
Business-type Activities	
Customer deposits	<u>37,895</u>
Total restricted cash	<u>\$204,786</u>

##### Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020.

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### **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 that were written off in prior years.

#### **Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$1, buildings and land improvements, \$5,000; substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$25,000; equipment and furniture, vehicles and motorized equipment, and computer equipment \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or at estimated historical cost. 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 the errors would be material when fixed assets are considered as a whole. Public domain or infrastructure capital assets purchased or constructed prior to July 1, 2007 have not been capitalized. Also, the Town has elected not to capitalize those interest costs which are incurred during the construction period of capital assets.

Plant assets of the Town are depreciated on a composite straight-line basis for the entire plant, regardless of the year of acquisition, at a 2% annual rate. The composite rate and gain or loss on dispositions is not calculated except in extraordinary circumstances. Other assets are depreciated on a class life basis from 10% to 30%.

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 Town has one item that meets this criterion, pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial 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 Town has two items that meet the criterion for this category - property taxes receivable and pension deferrals.

#### 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are, except for prepaid costs, expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Compensated Absences

The vacation policies of the Town provide for the accumulation of up to 240 hours earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds an expense and a liability for compensated absences, and the salary-related payments are recorded as the leave is earned. The Town 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.

The Town's sick leave policy provides 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 the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### Net Position/Fund Balances

##### 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 represents 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.

##### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

**Prepaid Items** - the portion of fund balance that is not available for appropriation, because it represents the year-end balance of prepaid items, which are not expendable available resources.

**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 and Restricted Fund Balance on the face of the balance sheet.

**Restricted for Streets** - the 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 Funds.

**Restricted Pursuant to Loan Requirements** - the portion of fund balance that is restricted by the USDA as a reserve requirement for loans.

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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**Committed Fund Balance** - the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Marshall'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.

**Assigned Fund Balance** - the portion of fund balance that the Town of Marshall intends to use for specific purposes.

**Subsequent year's expenditures** - the 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 Town of Marshall 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, 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 Town.

#### **F. Defined Benefit Cost-Sharing Plans**

For purposes of measuring the net pension asset, 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 (LERS) and additions to/deductions from LERS' fiduciary net position have been determined on the same basis as they are reported by LERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Marshall's employer contributions are recognized when due, and the Town of Marshall has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LERS. Investments are reported at fair value.

#### **G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### II. Stewardship, Compliance and Accountability

##### A. Material Violations of Finance-Related Legal and Contractual Provisions

###### 1. Noncompliance with North Carolina General Statutes

###### Lack of Pre-Audit Certification

G.S. 159-28(a) requires the finance officer to determine if a sufficient balance remains in the budget to pay the invoice when it is received, and that the finance officer certifies this by signing a “pre-audit certificate” and by putting it on the contract, agreement or purchase order before it becomes an obligation of the Town. A “pre-audit certificate” was missing on several invoices.

#### III. Detail Notes on All Funds

##### A. Assets

###### Deposits

All of the Town’s deposits 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 agent in the Town's name. 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 agent in the Town’s name. 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. 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 Town has no formal 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 Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,710,211 and a bank balance of \$2,786,534. Of the bank balance, \$666,891 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the Town’s petty cash fund totaled \$403.

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## TOWN OF MARSHALL, NORTH CAROLINA

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### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowance for doubtful accounts:

General Fund:	
Taxes receivable	\$ 7,500
Enterprise Fund:	
Accounts receivable	<u>8,000</u>
Total	<u>\$15,500</u>

#### Capital Assets

Capital asset activity for the Town of Marshall for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 59,635	\$ -	\$ -	\$ 59,635
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>59,635</u>	<u>-</u>	<u>-</u>	<u>59,635</u>
Capital assets being depreciated:				
Buildings and improvements	500,080	-	-	500,080
Machinery and equipment	435,993	-	-	435,993
Vehicles and motorized equipment	280,563	32,400	-	312,963
Infrastructure	<u>33,870</u>	<u>-</u>	<u>-</u>	<u>33,870</u>
Total capital assets being depreciated	<u>1,250,506</u>	<u>32,400</u>	<u>-</u>	<u>1,282,906</u>
Less accumulated depreciation for:				
Buildings and improvements	170,548	14,480	-	185,028
Machinery and equipment	345,823	10,767	-	356,590
Vehicles and motorized equipment	194,579	24,547	-	219,126
Infrastructure	<u>33,870</u>	<u>-</u>	<u>-</u>	<u>33,870</u>
Total accumulated depreciation	<u>744,819</u>	<u>\$49,794</u>	<u>\$ -</u>	<u>794,613</u>
Total capital assets being depreciated, net	<u>505,687</u>			<u>488,293</u>
Governmental activity capital assets, net	<u>\$ 565,322</u>			<u>\$ 547,928</u>

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

General government	\$31,593
Public safety	3,751
Transportation	9,664
Cultural and recreational	<u>4,785</u>
Total depreciation expense	<u>\$49,794</u>



# TOWN OF MARSHALL, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-Type Activities:</b>				
<b>Water and Sewer Fund</b>				
Capital assets not being depreciated:				
Land	\$ 62,472	\$ -	\$ -	\$ 62,472
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>62,472</u>	<u>-</u>	<u>-</u>	<u>62,472</u>
Capital assets being depreciated:				
Distribution systems	15,049,071	-	-	15,049,071
Machinery and equipment	183,278	56,075	75,826	163,527
Vehicles and motorized equipment	-	-	-	-
Total capital assets being depreciated	<u>15,232,349</u>	<u>56,075</u>	<u>75,826</u>	<u>15,212,598</u>
Less accumulated depreciation for:				
Distribution systems	7,394,576	304,475	-	7,699,052
Machinery and equipment	101,742	13,560	61,350	53,953
Vehicles and motorized equipment	-	-	-	-
Total accumulated depreciation	<u>7,496,318</u>	<u>\$318,035</u>	<u>\$61,350</u>	<u>7,753,003</u>
Total capital assets being depreciated, net	<u>7,736,031</u>			<u>7,459,594</u>
Business-type activities capital assets, net	<u>\$7,798,503</u>			<u>\$7,522,066</u>

### B. Liabilities

#### Pension Plan and Postemployment Obligations

##### 1. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Marshall is a participating employer in the statewide 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, and one appointed by the State House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing 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](http://www.osc.nc.gov).

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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*Benefits Provided.* LGERS provides retirement, disability 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. General employee 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. General employee 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 and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan 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 workers 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. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the North Carolina General Assembly.

LGERS plan members who are Law Enforcement Officers (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. Effective July 1, 2019, LEOs who complete 25 years of creditable service, with 15 years as an officer, are eligible to retire with partial retirement benefits. 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 creditable 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 North Carolina General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically, and affirmed annually, by the LGERS Board of Trustees. The Board establishes a funding policy from which the accrued liability rates and the normal contribution rates are developed by the consulting actuary for general employees and firefighters as well as for law enforcement officers. The sum of those two rates developed under the funding policy and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate (ADC). Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. For the fiscal year ended June 30, 2020, all employers made contributions of 10.840% of covered payroll for law enforcement officers and 10.250% for general employees and firefighters. These amounts, combined with member contributions and investment income, fund the benefits earned by plan members during the year,

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. In addition, employers with an unfunded liability, established when the employer initially enters the system, must make additional contributions towards that liability. The State's responsibility is administrative only. Contributions to the pension plan from the Town of Marshall was \$49,415 for the year ended June 30, 2020.

*Refunds of Contributions.* Members who have terminated service as contributing members may file an application for a refund of their contributions. By State law, refunds to members include interest (currently 4%, per year), regardless of the number of years of retirement service credit or of the reason for separation from service. 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 any other retirement or survivor benefit provided by LGERS.

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

At June 30, 2021, the Town reported a liability of \$183,674 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town'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, (measurement date) the Town's proportion was 0.00514% which was a decrease of 0.00144% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$55,540. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,195	\$ -
Changes of assumptions	13,669	-
Net difference between projected and actual earnings on pension plan investments	25,847	-
Changes in proportion, and differences between, Town contributions and proportionate share of contributions	-	18,623
Town contributions subsequent to the measurement date	49,415	-
Total	<u>\$112,126</u>	<u>\$18,623</u>

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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\$49,415, reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

2022	\$10,720
2023	17,523
2024	8,196
2025	7,649
2026	-
Thereafter	-

*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	3.0 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 currently uses mortality tables 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 for the period January 1, 2010 through December 31, 2014.

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

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

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.

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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*Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town'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 (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	<u>\$372,655</u>	<u>\$183,674</u>	<u>\$26,618</u>

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

## 2. Law Enforcement Officers Special Separation Allowance

### *Plan Description*

The Town of Marshall administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of credible service or have attained 55 years of age and have completed five or more years of credible 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 Town are covered by the Separation Allowance. At December 31, 2019, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to, but not yet receiving, benefits	0
Active plan members	<u>3</u>
Total	<u>3</u>

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### *Summary of Significant Accounting Policies*

Basis of Accounting - The Town 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 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 meets the criteria which are outlined in GASB Statement 73.

#### *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount Rate	1.93 percent

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

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

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

#### *Contributions*

The Town 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 Town's obligation to contribute to this plan is established, and may be amended by, the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$26,285 as benefits came due for the reporting period.

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**TOWN OF MARSHALL, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2021**

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

At June 30, 2021, the Town reported a total pension liability of \$67,134. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$15,062.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$13,591	\$10,506
Changes of assumptions	25,267	760
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$38,858</u>	<u>\$11,266</u>

\$-0-, paid as benefits came due subsequent to the measurement date, have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

**Year ending June 30:**

2022	\$10,821
2023	10,895
2024	5,876
2025	-
2026	-
Thereafter	-

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (0.93 percent) or one percentage point higher (2.93 percent) than the current rate:

	<b>1% Decrease <u>(0.93%)</u></b>	<b>Discount Rate <u>(1.93%)</u></b>	<b>1% Increase <u>(2.93%)</u></b>
Total pension liability	<u>\$71,297</u>	<u>\$67,134</u>	<u>\$63,064</u>



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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$68,824
Service cost	2,426
Interest on the total pension liability	1,815
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(12,358)
Changes of assumptions or other inputs	32,712
Benefit payments	(26,285)
Other changes	-
Ending balance of the total pension liability	<u>\$67,134</u>

The plan currently uses mortality tables that vary by age and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U. S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019.

#### ***Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions***

The following is information related to the proportionate share and pension expense for all pension plans:

	<u><b>LGERS</b></u>	<u><b>LEOSSA</b></u>	<u><b>Total</b></u>
Pension expense	\$55,540	\$15,062	\$70,602
Pension liability	183,674	67,134	250,808
Proportionate share of the net pension liability	0.00514%	n/a	-
Deferred outflows of resources:			
Differences between expected and actual experience	23,195	13,591	36,786
Changes of assumptions	13,669	25,267	38,936
Net difference between projected and actual earnings on plan investments	25,847	-	25,847
Changes in proportion, and differences between, contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	49,415	-	49,415
Deferred inflows of resources:			
Differences between expected and actual experience	-	10,506	10,506
Changes of assumptions	-	760	760
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	18,623	-	18,623

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### 3. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town 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 Town made contributions of \$8,726 for the reporting year. No amounts were forfeited.

#### 4. Other Postemployment Benefits

##### Other Employee Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (the "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 while 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 Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment 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 Town considers these contributions to be immaterial.

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### Deferred Outflows and Inflows of Resources

Deferred outflows of resources, reported on the Statement of Net Position, is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to the pension plan in the current fiscal year	\$ 49,415
Differences between expected and actual experience	36,786
Changes of assumptions	38,936
Net difference between projected and actual	25,847
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	-
Total	<u>\$150,984</u>

Deferred inflows of resources at year-end is comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$18,159
Changes of assumptions	760	-
Differences between expected and actual experience	10,506	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>18,623</u>	-
Total	<u>\$29,889</u>	<u>\$18,159</u>

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded, risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance and excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the N. C. League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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 fiscal years. The Town carries commercial coverage for all other risks of loss.

The Town carries flood insurance through a commercial carrier. The flood insurance coverage limits are: \$250,000 for Town Hall and \$50,000 for contents and \$105,000 for the Sewer Treatment Plant and \$50,000 for contents.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are individually bonded under public official bonds in the amounts of \$300,000 and \$30,000, respectively.

#### Long-Term Obligations

##### 1. Direct Placement Installment Purchase Contracts

The Town entered into a direct placement installment purchase contract to make various water system improvements. A security interest in the facilities constructed is collateral for the debt while the debt is outstanding. This agreement was executed June 14, 2011 between the Town and the USDA and requires one annual installment of \$27,188 and then 39 annual installments of \$36,225, with interest at 3.625% per annum. The total principal borrowed was \$750,000.

\$655,694

At June 30, 2021, the Town of Marshall had a legal debt margin of \$9,617,646.

# TOWN OF MARSHALL, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

Annual debt service requirements for installment purchase contracts, including interest of \$430,212 are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ -	\$ -	\$ 12,476	\$ 23,773	\$ 12,476	\$ 23,773
2023	-	-	12,903	23,322	12,903	23,322
2024	-	-	13,371	22,854	13,371	22,854
2025	-	-	13,856	22,369	13,856	22,369
2026	-	-	14,358	21,867	14,358	21,867
2027-2031	-	-	79,984	101,141	79,984	101,141
2032-2036	-	-	95,571	85,554	95,571	85,554
2037-2041	-	-	114,200	66,930	114,200	66,930
Thereafter	-	-	298,976	62,401	298,976	62,401
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$655,694</u>	<u>\$430,212</u>	<u>\$655,694</u>	<u>\$430,212</u>

### 2. Changes in Long-Term Liabilities

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 24,316	\$18,718	\$18,987	\$ 24,047	\$14,762
Net pension liability (LERS)	130,126	7,748	-	137,874	-
Total net pension liability (LEO)	68,824	24,595	26,285	67,134	-
Direct placement installment purchases	-	-	-	-	-
Total	<u>\$223,266</u>	<u>\$51,061</u>	<u>\$45,272</u>	<u>\$229,055</u>	<u>\$14,762</u>
Business-type activities:					
Compensated absences	\$ 3,523	\$10,462	\$10,448	\$ 3,537	\$ 3,537
Net pension liability (LERS)	49,569	-	3,769	45,800	-
Direct placement installment purchases	<u>667,714</u>	<u>-</u>	<u>12,020</u>	<u>655,694</u>	<u>12,476</u>
Total	<u>\$720,806</u>	<u>\$10,462</u>	<u>\$26,237</u>	<u>\$705,031</u>	<u>\$16,013</u>

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## TOWN OF MARSHALL, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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#### C. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$547,928	\$7,522,066
Less: long-term debt	<u>-</u>	<u>(655,694)</u>
Net investment in capital assets	<u>\$547,928</u>	<u>\$6,866,372</u>

#### D. 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	\$1,710,102
Less:	
Prepaid expenditures	-
Stabilization by State Statute	237,163
Streets - Powell Bill	166,891
Appropriated Fund Balance in 2022 budget	534,678
Remaining fund balance	771,370

#### IV. Jointly Governed Organization

The Town, in conjunction with four counties and fourteen other municipalities, established the Land-of-Sky Regional Council (the "Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board.

#### V. Related Organization

The five-member board of the Town of Marshall Housing Authority is appointed by the Mayor of the Town of Marshall. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town of Marshall is also disclosed as a related organization in the notes to the financial statements for the Town of Marshall Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at 630 N. Main Street, Marshall, North Carolina, 28753-7829.

The six-member board of the Town of Marshall Depot is appointed by the Mayor of the Town of Marshall. The Town is accountable for The Depot because it appoints the organizational board; however, the Town is not financially accountable for The Depot. The Town of Marshall is also disclosed as a related organization in the notes to the financial statements for the Town of Marshall Depot. Complete financial statements for The Depot can be obtained from The Depot/Caboose at South Main Street, P. O. Box 421, Marshall, North Carolina, 28753.

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## **TOWN OF MARSHALL, NORTH CAROLINA**

### **Notes to the Financial Statements For the Year Ended June 30, 2021**

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#### **VI. Summary Disclosure of Significant Contingencies**

##### **Federal and State Assisted Programs**

The Town 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.

#### **VII. Significant Effects of Subsequent Events**

Management has evaluated subsequent events through November 10, 2021, the date on which the financial statements were available to be issued, and concluded that the following subsequent event has occurred that would require recognition in the financial statements or disclosure in the financial statements:

##### **COVID-19 Pandemic**

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses and communities. As a result, domestic and international equity markets have experienced significant fluctuations. The impact on the Town of Marshall, North Carolina is not reflected in the financial statements for the year ended June 30, 2021, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of November 10, 2021.

## **REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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This section contains additional information required by generally accepted accounting principles.

- Schedule of the Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
  - Schedule of Contributions to Local Government Employees' Retirement System
  - Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
  - Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
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**TOWN OF MARSHALL, NORTH CAROLINA**

**Town of Marshall's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Eight Fiscal Years\***  
**Local Government Employees' Retirement System**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Marshall's proportion of the net pension liability (asset) (%)	0.00514%	0.00658%	0.00678%	0.00676%	0.00662%	0.00672%	0.00626%	0.00680%
Town of Marshall's proportion of the net pension liability (asset) (\$)	\$ 183,674	\$ 179,695	\$ 160,845	\$ 103,274	\$ 140,499	\$ 30,159	\$ (36,918)	\$ 81,966
Town of Marshall's covered payroll	\$ 413,707	\$ 424,936	\$ 424,264	\$ 346,504	\$ 333,179	\$ 323,712	\$ 297,760	\$ 294,299
Town of Marshall's proportionate share of the net pension liability (asset ) as a percentage of its covered-employee payroll	44.40%	42.29%	37.91%	29.80%	42.17%	9.32%	(12.40)%	27.85%
Plan fiduciary net position as a percentage of the total pension liability	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

\*The amount presented for each fiscal year was determined as of the prior fiscal year ending June 30.

\*\*This will be the same percentage for all participant employers in the LGERS plan.

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**TOWN OF MARSHALL, NORTH CAROLINA**

**Town of Marshall's Contributions  
Required Supplementary Information  
Last Eight Fiscal Years  
Local Government Employees' Retirement System**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 49,415	\$ 38,393	\$ 33,432	\$ 31,483	\$ 25,529	\$ 22,917	\$ 22,933	\$ 19,148
Contributions in relation to the contractually required contributions	<u>49,415</u>	<u>38,393</u>	<u>33,432</u>	<u>31,483</u>	<u>25,529</u>	<u>22,917</u>	<u>22,933</u>	<u>19,148</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Marshall's covered-employee payroll	\$471,984	\$413,707	\$424,936	\$424,264	\$346,504	\$333,179	\$323,712	\$297,760
Contributions as a percentage of covered employee payroll	10.47%	9.28%	7.87%	7.42%	7.37%	6.88%	7.08%	6.43%

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**TOWN OF MARSHALL, NORTH CAROLINA****Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
Last Five Fiscal Years**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 68,824	\$ 54,750	\$ 29,513	\$ 29,602	\$ 27,449
Service cost	2,426	3,728	2,730	1,712	1,898
Interest on the total pension liability	1,815	1,993	933	1,143	980
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(12,358)	6,884	22,954	(4,661)	-
Changes of assumptions or other inputs	32,712	1,469	(1,380)	1,717	(725)
Benefit payments	(26,285)	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 67,134</u>	<u>\$ 68,824</u>	<u>\$ 54,750</u>	<u>\$ 29,513</u>	<u>\$ 29,602</u>

The amounts presented for the fiscal year were determined as of the prior fiscal year ending December 31.

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**TOWN OF MARSHALL, NORTH CAROLINA****Schedule of Total Pension Liability as a Percentage of Covered Payroll  
Law Enforcement Officers' Special Separation Allowance  
Last Five Fiscal Years**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 67,134	\$ 68,824	\$ 54,750	\$ 29,513	\$ 29,602
Covered payroll	143,858	173,873	154,936	100,729	97,254
Total pension liability as a percentage of covered payroll	46.67%	39.58%	35.34%	29.30%	30.44%

## Notes to the schedules:

The Town of Marshall has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement 73 to pay related benefits

## **GOVERNMENTAL ACTIVITIES**

### **GENERAL FUND**

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The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

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**TOWN OF MARSHALL, NORTH CAROLINA****Page 1 of 4**

**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 557,447	\$ 578,395	\$ 20,948
Prior years	17,114	18,164	1,049
Penalties and interest	4,500	4,781	281
Total	<u>579,061</u>	<u>601,339</u>	<u>22,278</u>
Other taxes and licenses:			
Other taxes	<u>11,651</u>	<u>13,780</u>	<u>2,130</u>
Unrestricted intergovernmental:			
Franchise tax	140,000	125,715	(14,285)
Local option sales tax	295,000	315,926	20,926
Alcohol/beverage tax	4,000	3,951	(49)
Total	<u>439,000</u>	<u>445,591</u>	<u>6,591</u>
Restricted intergovernmental:			
Powell Bill State street aid allocation	21,596	21,596	-
Investment earnings on Powell Bill allocation	50	48	(2)
Federal and State grants	170,776	178,824	8,049
Other grant revenues	63,802	63,850	48
Total	<u>256,224</u>	<u>264,318</u>	<u>8,095</u>
Permits and fees:			
Zoning permits	1,690	1,780	90
Other fees	1,986	2,648	662
Total	<u>3,676</u>	<u>4,428</u>	<u>752</u>
Investment earnings	<u>2,500</u>	<u>3,056</u>	<u>556</u>
Miscellaneous:			
Rents and sale of property	1,947	6,067	4,120
Other	10,375	12,347	1,973
Total	<u>12,322</u>	<u>18,414</u>	<u>6,093</u>
Total revenues	<u>1,304,433</u>	<u>1,350,927</u>	<u>46,494</u> cont.



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**TOWN OF MARSHALL, NORTH CAROLINA**

Page 2 of 4

**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures:</b>			
General government:			
Governing body			
Salaries and employee benefits	\$ 25,700	\$ 24,581	\$ 1,119
Professional services	40,030	31,370	8,660
Office expense	3,614	2,946	667
Utilities	8,500	6,662	1,838
Repairs and maintenance	245,504	240,883	4,620
Insurance	30,542	29,490	1,052
Other expenses	26,169	20,659	5,511
Capital outlay	30,000	28,650	1,350
	<u>410,058</u>	<u>385,241</u>	<u>24,817</u>
Administration			
Salaries and benefits	132,441	126,074	6,367
Professional services	59,625	59,625	-
Office expense	6,700	6,062	638
Travel	1,800	1,610	190
Utilities	2,300	1,869	431
Repairs and maintenance	11,000	10,606	394
Other expenses	6,250	3,697	2,553
	<u>220,116</u>	<u>209,542</u>	<u>10,574</u>
Total general government	<u>630,174</u>	<u>594,784</u>	<u>35,391</u>

cont.

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**TOWN OF MARSHALL, NORTH CAROLINA****Page 3 of 4**

**General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Fiscal Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued):</b>			
Public safety:			
Police			
Salaries and benefits	\$ 312,301	\$ 293,237	\$ 19,064
Uniforms	2,000	1,952	48
Office expense	550	413	137
Utilities	2,200	2,100	100
Repairs and maintenance	17,630	17,619	11
Insurance	3,500	3,500	-
Other expenses	10,600	9,509	1,091
Capital outlay	32,400	32,400	-
	<u>381,181</u>	<u>360,730</u>	<u>20,452</u>
Fire			
Contracted services	85,000	85,000	-
	<u>85,000</u>	<u>85,000</u>	<u>-</u>
Total public safety	<u>466,181</u>	<u>445,730</u>	<u>20,452</u>
Transportation:			
Streets			
Salaries and employee benefits	125,715	121,780	3,935
Uniforms	1,600	1,414	186
Utilities	18,000	17,211	789
Repairs and maintenance	242,638	103,715	138,923
Other expenses	34,500	27,658	6,842
	<u>422,453</u>	<u>271,778</u>	<u>150,674</u>
Powell Bill			
Operating expenditures	38,750	2,514	36,236
Total transportation	<u>461,203</u>	<u>274,293</u>	<u>186,910</u>
			cont.

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**TOWN OF MARSHALL, NORTH CAROLINA**

Page 4 of 4, cont.

**General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Fiscal Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures ( continued):</b>			
Cultural and recreational:			
Supplies	\$ 2,200	\$ 1,688	\$ 512
Other expenses	233,400	9,054	224,346
Total cultural and recreational	235,600	10,742	224,858
 Economic and physical development:			
Other expenses	7,000	5,741	1,259
Total economic and physical development	7,000	5,741	1,259
 Debt service:			
Principal retirement	-	-	-
 Total expenditures	1,800,158	1,331,289	468,870
 Revenues over (under) expenditures	(495,725)	19,638	515,364
 <b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	495,725	-	(495,725)
Transfers (to) from other funds	-	-	-
Proceeds from borrowing	-	-	-
 Total other financing sources (uses)	495,725	-	(495,725)
 Revenues and other financing sources over (under) expenditures and other financing sources (uses)	\$ -	19,638	\$ 19,638
 Fund balance - beginning		1,690,464	
 Fund balance - ending		<u>\$ 1,710,102</u>	

## **BUSINESS-TYPE ACTIVITIES**

### **ENTERPRISE FUNDS**

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Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund - This fund is used to account for the activities associated with the operation and maintenance of the Town's sewer and surface drainage systems.

Water and Sewer Capital Project Fund - This fund is used to account for capital improvements to the Water and Sewer System.

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**TOWN OF MARSHALL, NORTH CAROLINA**

Page 1 of 2

**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenue:			
Charges for services	\$ 640,000	\$ 737,571	\$ 97,571
Other operating revenues	<u>21,599</u>	<u>27,680</u>	<u>6,082</u>
Total operating revenues	661,599	765,251	103,652
Nonoperating revenue:			
Proceeds on disposal	-	(14,477)	(14,477)
Interest earned	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>661,599</u>	<u>750,774</u>	<u>89,176</u>
<b>Expenditures:</b>			
Administration and distribution:			
Salaries and benefits	174,463	169,094	5,369
Telephone and postage	11,020	10,740	280
Utilities	51,500	48,963	2,537
Repairs and maintenance	94,489	113,869	(19,380)
Supplies and materials	26,621	23,818	2,803
Contracted/professional services	75,000	77,152	(2,152)
Rent	40,000	40,000	-
Miscellaneous	92,235	14,828	77,407
Capital outlay	90,267	56,075	34,192
Debt service:			
Principal retirement	12,020	12,020	-
Interest and other charges	<u>24,205</u>	<u>24,186</u>	<u>19</u>
Total expenditures	<u>691,820</u>	<u>590,746</u>	<u>101,074</u>
Revenues over (under) expenditures	(30,221)	160,029	(190,250)
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>30,221</u>	<u>-</u>	<u>30,221</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	160,029	<u>\$ (160,029)</u> cont.

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**TOWN OF MARSHALL, NORTH CAROLINA**

Page 2 of 2, cont.

**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**

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**Reconciliation from Budgetary Basis****(modified accrual) to Full Accrual:**

(Increase) decrease in accrued vacation	\$ (14)
(Increase) decrease in net pension liability	3,769
Increase (decrease) in deferred outflows of resources - pension	(407)
(Increase) decrease in deferred inflows of resources - pension	(2,663)
Proceeds on disposal	14,477
Gain (loss) on disposal	(14,477)
Cost of expenditures that were capitalized	56,075
Principal retirement	12,020
Depreciation	<u>(318,035)</u>
Change in net position	<u>\$ (89,226)</u>

Note: This schedule is included to show budgetary compliance with the legally adopted budget.

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## **OTHER SCHEDULES**

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This section contains additional information required on property taxes and transfers

- Schedule of Ad Valorem Taxes Receivable
  - Analysis of Current Tax Levy
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**TOWN OF MARSHALL, NORTH CAROLINA**

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**Schedule of Ad Valorem Taxes Receivable  
June 30, 2021**

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<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020 - 2021	\$ -	\$ 589,081	\$ 578,340	\$ 10,741
2019 - 2020	13,808	-	10,931	2,877
2018 - 2019	5,947	-	3,444	2,503
2017 - 2018	2,814	-	1,370	1,444
2016 - 2017	2,669	-	1,312	1,357
2015 - 2016	2,453	-	1,268	1,185
2014 - 2015	1,132	-	98	1,034
2013 - 2014	1,554	-	153	1,401
2012 - 2013	1,838	-	201	1,637
2011 - 2012	1,607	-	127	1,480
2010 - 2011	<u>1,475</u>	<u>-</u>	<u>1,475</u>	<u>-</u>
Total	<u>\$ 35,299</u>	<u>\$ 589,081</u>	<u>\$ 598,719</u>	25,659
Less allowance for uncollectibles				<u>7,500</u>
Balance				<u>\$ 18,159</u>
<b>Reconciliation With Revenues:</b>				
Taxes - Ad valorem - General Fund				\$ 601,339
Taxes written off				1,429
Interest collected				(4,781)
Adjustments, releases and discounts				<u>731</u>
Total collections and credits				<u>\$ 598,719</u>

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**TOWN OF MARSHALL, NORTH CAROLINA**

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**Analysis of Current Tax Levy  
June 30, 2021**

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	<u>City - wide</u>			<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>		
Original levy:					
Property taxes at current year's rate	\$ 115,374,082	0.49	\$ 565,333	\$ 565,333	\$ -
Registered motor vehicles taxed at current year's rate	<u>5,617,959</u>	0.49	<u>27,528</u>	<u>-</u>	<u>27,528</u>
Total	<u>120,992,041</u>		<u>592,861</u>	<u>565,333</u>	<u>27,528</u>
Discoveries-property	377,055	0.49	1,848	1,848	-
Releases-property	<u>(1,148,520)</u>	0.49	<u>(5,628)</u>	<u>(5,628)</u>	<u>-</u>
Total	<u>(771,465)</u>		<u>(3,780)</u>	<u>(3,780)</u>	<u>-</u>
Total property valuation	<u><u>\$ 120,220,576</u></u>				
Net Levy			589,081	561,553	27,528
Less uncollected taxes at June 30, 2021			<u>(10,741)</u>	<u>(10,741)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 578,340</u>	<u>\$ 550,812</u>	<u>\$ 27,528</u>
Current levy collection percentage			<u>98.18%</u>	<u>98.09%</u>	<u>100.00%</u>

## COMPLIANCE SECTION

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Independent Auditors' 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

Schedule of Findings and Responses

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**Lowdermilk Church & Co., L.L.P.**  
**Certified Public Accountants**

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121 N. Sterling Street  
Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

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

To the Honorable Mayor and  
Members of the Board of Aldermen of  
Town of Marshall, 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, each major fund, and the aggregate remaining fund information of the Town of Marshall, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Marshall, North Carolina's basic financial statements and have issued our report thereon dated November 10, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Marshall, North Carolina's internal control over financial reporting (internal control) as a basis for designing 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 Town of Marshall, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Marshall, North Carolina'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 of this section 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 have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. See 2021-001 and 2021-002.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Marshall, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2021-002.

## **The Town of Marshall, North Carolina's Response to Findings**

The Town of Marshall, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Marshall, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Lowmire & Co., L.L.P.*

Morganton, North Carolina  
November 10, 2021



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**TOWN OF MARSHALL, NORTH CAROLINA**

**Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

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**Finding : 2021-001**  
Significant Deficiency  
Segregation of Duties

Criteria: Duties need to be segregated to provide efficient internal controls.

Condition: The size of the Town's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Cause: Limited number of accounting and administrative staff are available to segregate duties.

Effect: Material misstatements could occur, whether due to fraud or error, and not be detected on a timely basis.

Recommendation: The Mayor and the Board of Aldermen should be engaged in the ongoing review of the financial affairs of the Town to provide oversight.

Views of responsible officials and planned corrective action: The Board agrees with this finding and will adhere to the corrective action plan on page 62 of this report.

**Finding : 2021-002**  
Significant Deficiency, Noncompliance  
Lack of Pre-Audit Certification

Criteria: Obligations of the Town are required to have a signed "pre-audit certificate."

Condition: G.S. 159-28(a) requires the finance officer to determine if a sufficient balance remains in the budget to pay the invoice when it is received, and that the finance officer certifies this by signing a "pre-audit certificate" and putting it on the contract, agreement, or purchase order before it becomes an obligation of the Town. A "pre-audit certificate" was missing from several invoices.

Cause: Due to the COVID pandemic and social distancing requirements, some of the invoices were paid without a "pre-audit certificate".

Effect: An obligation of the Town could have been paid without sufficient funds remaining in the budget line item, resulting in an over expenditure.

Recommendation: The finance officer should not obligate the Town without determining that sufficient funds remain in the budget and certifying this by signing a "pre-audit certificate."

Views of responsible officials and planned corrective action: The Board agrees with this finding and will adhere to the corrective action plan on page 62 of this report.

# TOWN OF MARSHALL

Jack Wallin, Mayor

PO Box 548  
180 South Main Street  
Marshall, NC 28753  
828-649-3413 Fax  
828-649-3031

Aileen Payne, Mayor Pro-Tem

## **Corrective Action Plan For the Year Ended June 30, 2021**

### **Finding 2021-1:**

Name of contact person:

Michelle Massey, Deputy Town Clerk

Corrective action:

The Mayor and the Board of Aldermen will provide ongoing review of the financial affairs of the Town to provide oversight.

Proposed completion date:

The Town will implement this immediately.

### **Finding 2021-2:**

Name of contact person:

Michelle Massey, Deputy Town Clerk

Corrective action:

Management will comply with G.S. 159-28(a), and obtain a "pre-audit certificate" prior to obligating an expenditure to the Town.

Proposed completion date:

The Town will implement this immediately.