

REVIEWED

By SLGFD at 10:29 am, Nov 19, 2021

**Town of Marshville
Marshville, North Carolina
For the year ended
June 30, 2021**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

Governance

Mayor Larry Smith

Town Council Members

Virginia Morgan, Mayor Pro Tem

Margaret Bivens

Paulette Blakeney

Gary Huntley

Ernestine Staton

Administrative and Financial Staff

Franklin Deese, Town Manager

Ann Sutton, Town Clerk

Michael Garrison, Finance Officer

Town of Marshville
Table of Contents
June 30, 2021

Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-11
Basic Financial Statements:		
Government-wide Financial Statements:		
Exhibit 1	Statement of Net Position	12
Exhibit 2	Statement of Activities	13
Fund Financial Statements		
Exhibit 3	Balance Sheet – Governmental Funds	14-15
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16-17
Exhibit 5	Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	18
Exhibit 6	Statement of Fund Net Position – Proprietary Fund	19
Exhibit 7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	20
Exhibit 8	Statement of Cash Flows – Proprietary Fund	21-22
Notes to the Financial Statements		23-48
Required Supplemental Financial Data:		
Schedule of Contributions and the Proportionate Share of the Net Pension Liability (Asset) - Local Government Employees' Retirement System		49
LEO Special Separation Allowance – Schedule Changes in Total Pension Liability and Pension Liability as a Percentage of Covered Payroll		50

Individual Funds Statements and Schedules:

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	51-53
Schedule of Revenues and Expenditures – Budget and Actual – (Non – GAAP) Proprietary Fund Type – Enterprise Fund	54-55
Booster Pump Replacement. – Water & Sewer Infrastructure Grant Fund	56

Other Schedules:

Schedule of Ad Valorem Taxes Receivable	57
Analysis of Current Tax Levy	58

Compliance:

Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit Of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	59-60
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EDDIE CARRICK, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Town Board
Town of Marshville
Marshville, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Marshville, 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's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Marshville, North Carolina, as of June 30, 2021, and the respective changes in financial position, cash flows, where appropriate, thereof, and the respective budgetary comparison of 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, LGERS – Schedule of Contributions and Proportionate Share of Net Pension Liability (Asset) and LEO Separation Allowance – Schedule of Changes in Pension Liability and Pension Liability as a Percentage of Covered Payroll on pages 3-11 and 49-50, respectively, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Marshville, North Carolina's basic financial statements. The individual fund statements, 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 statements, 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 my opinion, based on my audit, the individual fund statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 21, 2021, on my consideration of the Town of Marshville, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Marshville, North Carolina's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note VI to the financial statements, in January 2021, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter.



Eddie Carrick, CPA

Lexington, North Carolina

October 21, 2021

TOWN OF MARSHVILLE

est. 1877

118 E. Union Street • Marshville, NC 28103
Town Hall - 704.624.2515 • Fax – 704.624.0175

Management's Discussion and Analysis

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

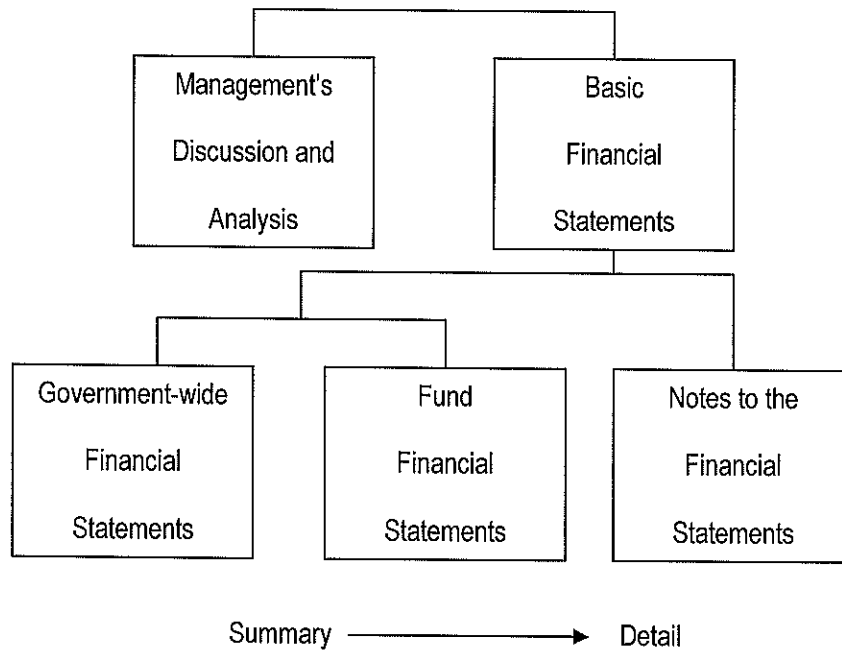
Financial highlights

- The assets and deferred outflows of the Town of Marshville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,465,967 (*net position*).
- The Town's total net position increased by \$173,099 primarily due to increases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Marshville's governmental fund reported combined ending fund balance of \$936,123 with a net decrease of \$2,096,109 in fund balance. Approximately 91 percent of this total amount, or \$855,155, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$80,968, or 3 percent of total General Fund expenditures for the fiscal year.
- The Town's total debt and long-term liabilities increased by \$263,272 due to principal payments of \$97,188 on installment loans, proceeds from installment loans of \$177,317, decrease in compensated absences of \$1,751, increase in LEO pension liability of \$100,471 and increase in LGERS pension liability of \$84,424.

Overview of the Financial Statements

This discussion and analysis is intended to serve as introduction to the Town of Marshville'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 Marshville.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibit 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements; and 2) 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 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 they have 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 three categories: 1) governmental activities, 2) component units and 3) 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 finance most of these activities. The component unit reports the activities of the ABC Board. The business-type activities are those that municipalities generally charge fees for.

The government-wide financial statements are on Exhibits 1 and 2 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 group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Marshville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as General Statutes or the Town's budget ordinance. All of the funds of the Town of Marshville are reported under governmental funds. All of the funds of the Town of Marshville 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Marshville adopts an annual budget for the 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 the current period activities.

Management Discussion and Analysis
Town of Marshville

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 in 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 differences or variance between the final budget and actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reporting activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Marshville has only 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 Marshville uses enterprise funds to account for its sewer activity and operations. 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 the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplemental information concerning the Town of Marshville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 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.

Management Discussion and Analysis
Town of Marshville

Town of Marshville's Net Position (Figure 2)

June 30, 2021 and June 30, 2020

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Current and other assets	\$ 991,865	\$ 3,090,698	\$ 3,147,545	\$ 1,954,421	\$ 4,139,410	\$ 5,045,119
Capital assets, net	2,131,978	1,432,425	5,032,048	5,053,798	7,164,026	6,486,223
Deferred outflows of resources	334,881	226,683	37,091	32,375	371,972	259,058
Total assets and deferred outflows of resources	3,458,724	4,749,806	8,216,684	7,040,594	11,675,408	11,790,400
Current liabilities	33,637	8,180	120,144	799,399	153,781	807,579
Long-term Liabilities	826,217	647,373	1,208,819	1,027,203	2,035,036	1,674,576
Deferred inflows of resources	18,185	13,953	2,439	1,423	20,624	15,376
Total liabilities and deferred inflows of resources	878,039	669,506	1,331,402	1,828,025	2,209,441	2,497,531
Net position:						
Net investment in capital assets	2,131,978	1,432,425	3,890,613	3,992,492	6,022,591	5,424,917
Restricted	364,637	506,246	-	-	364,637	506,246
Unrestricted	84,068	2,141,629	2,994,669	1,220,077	3,078,737	3,361,706
Total net position	\$ 2,580,685	\$ 4,080,300	\$ 6,885,282	\$ 5,212,568	\$ 9,465,967	\$ 9,292,869

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 Marshville exceeded liabilities and deferred inflows by \$9,465,967 as of June 30, 2021. The Town's net position increased by \$173,099 for the fiscal year ended June 30, 2021. However, the largest portion (64%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Marshville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Marshville'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 Marshville's net position, \$364,637, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,078,737 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental assets:

- Steady property tax collection continued for FY 2021
- Expenditures were consistently monitored and held in check.

Management Discussion and Analysis
Town of Marshville

Town of Marshville's Changes in Net Position (Figure 3)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 309,065	\$ 240,044	\$ 1,672,095	\$ 1,340,788	\$ 1,981,160	\$ 1,580,832
Operating grants and contributions	64,630	68,368	-	-	64,630	68,368
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	1,056,072	1,011,417	-	-	1,056,072	1,011,417
Other taxes and licenses	604,544	544,035	-	-	604,544	544,035
Grants and contributions unrestricted	-	-	-	-	-	-
Investment earnings (net), unrestricted	464	19,446	166	4,312	630	23,758
Miscellaneous, unrestricted	89,966	121,299	(34,001)	1,210	55,965	122,509
Total revenues	2,124,741	2,004,609	1,638,260	1,346,310	3,763,001	3,350,919
Expenses:						
General government	414,236	435,849	-	-	414,236	435,849
Public safety	892,258	926,135	-	-	892,258	926,135
Transportation	268,435	264,593	-	-	268,435	264,593
Economic and physical development	97,802	84,552	-	-	97,802	84,552
Environmental protection	246,726	250,868	-	-	246,726	250,868
Culture and recreation	194,584	135,246	-	-	194,584	135,246
Water and sewer	-	-	1,475,861	1,326,355	1,475,861	1,326,355
Total expenses	2,114,041	2,097,243	1,475,861	1,326,355	3,589,902	3,423,598
Increase (decrease) in net position						
before special item and transfers	10,700	(92,634)	162,399	19,955	173,099	(72,679)
Transfers	(1,510,315)	1,495,868	1,510,315	(1,495,868)	-	-
Increase (decrease) in net position	(1,499,615)	1,403,234	1,672,714	(1,475,913)	173,099	(72,679)
Net position July 1	4,080,300	2,677,066	5,212,568	6,688,481	9,292,868	9,365,547
Net position June 30	\$ 2,580,685	\$ 4,080,300	\$ 6,885,282	\$ 5,212,568	\$ 9,465,967	\$ 9,292,868

Governmental activities – Governmental activities decreased the Town's net position by \$1,499,615, thereby accounting for 100% of the total decrease in net position of the Town. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue did not appreciably decline in the current year. Town management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Management Discussion and Analysis
Town of Marshville

Governmental activities (continued)

Key elements of this increase are as follows:

- Increase in property taxes and other taxes and licenses.
- Efforts to reduce spending at the department level.
- Transfer to Water and Sewer Fund

Business-type activities – Business-type activities increased the Town's net position by \$1,672,714, accounting for 100% of the total increase in the Town's net position. Key elements of this increase are as follows:

- Decrease in overall expenses
- Transfer from General Fund

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Marshville's fund balance available in the General Fund was \$80,968, while total fund balance reached \$936,123. The Town currently has an available fund balance of 3% of general fund expenditures, while total fund balance represents 34% of the same amount.

At June 30, 2021, the governmental funds of the Town of Marshville reported a combined fund balance of \$936,123, a 324% percent decrease from last year. The General Fund is included in this combined amount.

General Fund Budgetary Highlights: 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.

The Town made several amendments to the original budget to reflect changes in economic conditions.

Proprietary Funds. The Town of Marshville's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water / Sewer Fund at the end of the fiscal year amounted to \$2,994,669. The total change in net position for the Water / Sewer fund was \$1,672,714 increase. The change in net position in the Water / Sewer Fund is a result of actual revenues exceeding expenses, which includes depreciation and a transfer from the General Fund.

Management Discussion and Analysis
Town of Marshville

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities and business-type activities as of June 30, 2021, totals \$7,164,026 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

Town of Marshville's Capital Assets (net of depreciation) (Figure 4)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Land	\$ 1,067,405	\$ 313,346	\$ 25,109	\$ 25,109	\$ 1,092,514	\$ 338,455
Construction in progress	-	-	695,820	592,648	695,820	592,648
Plant & distribution systems	-	-	4,142,170	4,198,986	4,142,170	4,198,986
Land improvements	37,938	37,938	-	-	37,938	37,938
Buildings	404,028	434,877	117,251	126,797	521,279	561,674
Infrastructure	371,402	393,740	-	-	371,402	393,740
Equipment	119,385	124,915	17,866	28,208	137,251	153,123
Vehicles	131,820	127,609	33,832	82,050	165,652	209,659
	<u>\$ 2,131,978</u>	<u>\$ 1,432,425</u>	<u>\$ 5,032,048</u>	<u>\$ 5,053,798</u>	<u>\$ 7,164,026</u>	<u>\$ 6,486,223</u>

Additional information regarding the Town of Marshville's capital assets can be found in Note III.A.4 of this report.

Long-term Debt:

The Town's total debt and long-term liabilities increased by \$263,272 due to principal payments of \$97,188 on installment loans, proceeds from installment loans of \$177,317, decrease in compensated absences of \$1,751, increase in LEO pension liability of \$100,471 and increase in LGERS pension liability of \$84,424.

Town of Marshville's Outstanding Debt

	Balance June 30, 2020	Increases	(Decreases)	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 70,262	\$ 6,068	\$ -	\$ 76,330	\$ -
Total pension liability (LEO)	247,319	100,471	-	347,790	-
Net pension liability (LGERS)	329,792	72,305	-	402,097	-
Total	<u>\$ 647,373</u>	<u>\$ 178,844</u>	<u>\$ -</u>	<u>\$ 826,217</u>	<u>\$ -</u>
Business-type activities:					
Installment purchase	\$ 279,193	\$ -	\$ (17,450)	\$ 261,743	\$ 17,450
Installment purchase	445,007	-	(24,723)	420,284	24,722
Installment purchase	337,106	177,317	(55,016)	459,407	55,016
Compensated absences	9,182	-	(7,819)	1,363	-
Net pension liability (LGERS)	53,903	12,119	-	66,022	-
Total	<u>\$ 1,124,391</u>	<u>\$ 189,436</u>	<u>\$ (105,008)</u>	<u>\$ 1,208,819</u>	<u>\$ 97,188</u>

Management Discussion and Analysis Town of Marshville

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 Marshville is \$16,516,894.

Economic Factors and Next Year's Budget and Rates

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

- The Charlotte region is projected to continue to experience economic growth
- Construction of the Monroe Bypass/Connector is complete. Marshville is the eastern terminal community of this project which will likely focus development toward Marshville and the surrounding area.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property tax revenue is expected to remain steady this year, and the Town will use that to finance programs currently in place. At this point, the Town does not anticipate an adverse effect on Property Tax due to the COVID-10 pandemic; however, we will continue to keep a watchful eye on the ever changing pandemic.

Budgeted expenditures are not expected to rise significantly.

The Town has chosen to appropriate fund balance in the 2021-22 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$.01 increase in property tax rate will result in additional revenues of approximately \$20,625 at the current values and collection rate. The Town recognizes that the only way to increase the revenues resulting from a \$.01 increase in the property tax rate would be to increase the value of the property in town and/or increase the parcels of land in the town. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in the future years' budgets.

Two major factors contributing to this decrease are the transfer of \$1,510,314 back to the Enterprise Fund from the General Fund Balance and, the purchase of our new lake property for the amount of \$754,060. As of October, 2021 the town has financed the purchase of the lake property and reimbursed General Fund Balance for the cost of the lake property.

Business-type Activities: The water and sewer rates in the Town will remain constant for 2021-2021. Current sewer system inflow and infiltration issues are being identified and repaired. In addition, plans are being developed to increase our present sewer capacity to accommodate future development.

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 Finance Officer, Town of Marshville, 118 E. Union St, Marshville, NC 28103.

Town of Marshville, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Marshville ABC Board
ASSETS				
Current assets:				
Cash & cash equivalents	\$ 605,121	\$ 2,887,343	\$ 3,492,464	\$ 44,599
Receivables:				
Property tax	22,107	-	22,107	-
Accounts (net)	37,348	120,160	157,508	-
Accrued interest receivable	1,303	-	1,303	-
Due from other governments	130,906	-	130,906	-
Escrow for land	-	-	-	-
Inventories	-	72,805	72,805	216,465
Prepays and deposits	-	-	-	5,618
Restricted assets:				
Cash & cash equivalents	195,081	67,237	262,318	-
	<u>991,865</u>	<u>3,147,545</u>	<u>4,139,410</u>	<u>266,682</u>
Capital assets:				
Land, construction in progress, and deposits	1,067,406	695,820	1,763,226	-
Capital assets, net of depreciation	1,064,572	4,336,228	5,400,800	62,097
	<u>2,131,978</u>	<u>5,032,048</u>	<u>7,164,026</u>	<u>62,097</u>
Total assets	<u>3,123,843</u>	<u>8,179,593</u>	<u>11,303,436</u>	<u>328,779</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	<u>334,881</u>	<u>37,091</u>	<u>371,972</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	33,637	52,908	86,545	76,067
Due to other governments	-	-	-	54,995
Current portion of long-term liabilities	-	97,188	97,188	40,657
Payable from restricted assets	-	67,237	67,237	-
	<u>33,637</u>	<u>217,332</u>	<u>250,970</u>	<u>171,719</u>
Long-term liabilities:				
Due in more than one year	<u>826,217</u>	<u>1,111,631</u>	<u>1,937,848</u>	<u>90,735</u>
Total liabilities	<u>859,854</u>	<u>1,328,963</u>	<u>2,188,817</u>	<u>262,454</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	<u>18,185</u>	<u>2,439</u>	<u>20,624</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	2,131,978	3,890,613	6,022,591	62,097
Restricted for:				
Stabilization by State Statute	169,556	-	169,556	-
Streets and Police	195,081	-	195,081	-
Unrestricted net position	<u>84,068</u>	<u>2,994,669</u>	<u>3,078,737</u>	<u>4,228</u>
Total net position	<u>\$ 2,580,685</u>	<u>\$ 6,885,282</u>	<u>\$ 9,465,967</u>	<u>\$ 66,325</u>

Town of Marshville, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Programs Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 414,236	\$ 2,800	\$ -	\$ -	\$ (411,436)	\$ -	\$ (411,436)	\$ -
Public safety	892,258	-	-	\$ -	(892,258)	-	(892,258)	-
Transportation	268,435	-	62,803	-	(205,632)	-	(205,632)	-
Economic and physical development	97,802	2,500	-	-	(95,302)	-	(95,302)	-
Environmental protection	246,726	238,530	1,827	-	(6,369)	-	(6,369)	-
Culture and recreation	194,504	65,235	-	-	(129,349)	-	(129,349)	-
Total governmental activities	2,114,041	309,065	64,630	-	(1,740,346)	-	(1,740,346)	-
Business-type activities:								
Sewer	1,475,861	1,672,095	-	-	-	196,234	196,234	-
Total business-type activities	1,475,861	1,672,095	-	-	-	196,234	196,234	-
Total Primary Government	\$ 3,589,902	\$ 1,981,160	\$ 64,630	\$ -	(1,740,346)	196,234	(1,544,112)	-
Component unit:								
Marshville ABC Board	1,338,838	1,436,245	-	-	-	-	-	97,407
Total Component units	\$ 1,338,838	\$ 1,436,245	\$ -	\$ -	-	-	-	97,407
General revenues:								
Taxes:								
Ad valorem					1,056,072	-	1,056,072	-
Other taxes and licenses					604,544	-	604,544	-
Grants and contributions not restricted to specific programs					-	-	-	-
Investment earnings					464	166	630	-
Sale of assets					2,393	-	2,393	-
Transfers in (out)					(1,510,315)	1,510,315	-	-
Miscellaneous					87,573	(34,001)	53,572	-
Total general revenues and transfers					240,731	1,476,480	1,717,211	-
Change in net position					(1,499,615)	1,672,714	173,099	97,407
Net position beginning					4,080,300	5,212,568	9,292,868	(31,082)
Net position ending					\$ 2,580,685	\$ 6,885,282	\$ 9,465,967	\$ 66,325

The accompanying notes are an integral part of the financial statements

Town of Marshville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Fund</u>	<u>Total Governmental Fund</u>
	<u>General</u>	
Assets		
Cash & cash equivalents	\$ 605,121	\$ 605,121
Restricted cash	195,081	195,081
Property taxes receivable	22,107	22,107
Accounts receivable	37,348	37,348
Accrued interest receivable	1,303	1,303
Escrow for land	-	-
Due from other governments	130,906	130,906
Total assets	<u>\$ 991,865</u>	<u>\$ 991,865</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 33,637	\$ 33,637
Due to other governments	-	-
Total liabilities	<u>33,637</u>	<u>33,637</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	22,105	22,105
Total deferred inflows of resources	<u>22,105</u>	<u>22,105</u>
Fund balance:		
Restricted:		
Stabilization by State Statute	169,556	169,556
Streets	188,480	188,480
Law enforcement	6,601	6,601
Assigned:		
Subsequent year's expenditures	490,518	490,518
Unassigned	80,968	80,968
Total fund balance	<u>936,123</u>	<u>936,123</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 991,865</u>	

Town of Marshville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

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

Total fund balance, governmental funds	\$ 936,123
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
	\$ 4,227,061
	<u>(2,095,083)</u>
	2,131,978
Deferred outflows of resources related to pensions are not reported in the funds	334,881
Earned revenues considered deferred inflow of resources in the fund statements	22,107
Deferred inflows of resources related to pensions are not reported in the funds	(18,185)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Compensated absences	(76,330)
Total pension liability (LEO)	(402,097)
Net pension liability (LGERS)	<u>(347,790)</u>
Net position of governmental activities	<u><u>\$ 2,580,685</u></u>

Town of Marshville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	<u>Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	
Revenues:		
Ad valorem taxes	\$ 1,084,251	\$ 1,084,251
Other taxes	120	120
Unrestricted intergovernmental revenues	604,424	604,424
Restricted intergovernmental revenues	64,630	64,630
Permits and fees	2,800	2,800
Sales and services	306,265	306,265
Investment earnings	464	464
Miscellaneous	87,573	87,573
Total revenues	<u>2,150,527</u>	<u>2,150,527</u>
Expenditures:		
General government	372,292	372,292
Public safety	836,492	836,492
Transportation	231,206	231,206
Economic and physical development	94,762	94,762
Environmental protection	239,124	239,124
Culture and recreation	964,838	964,838
Total expenditures	<u>2,738,714</u>	<u>2,738,714</u>
Excess of revenues over (under) expenditures	(588,187)	(588,187)
Other financing sources (uses)		
Sale of capital assets	2,393	2,393
Transfers from other funds	(1,510,315)	(1,510,315)
	<u>(1,507,922)</u>	<u>(1,507,922)</u>
Net change in fund balance	(2,096,109)	(2,096,109)
Fund balance - beginning of year	<u>3,032,232</u>	<u>3,032,232</u>
Fund balance - end of year	<u>\$ 936,123</u>	<u>\$ 936,123</u>

The accompanying notes are an integral part of the financial statements

Exhibit 4
(continued)

Town of Marshville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$ (2,096,109)
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these 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	\$ 841,916	
Depreciation	<u>(142,363)</u>	699,553

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	<u>(28,179)</u>	(28,179)
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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.

Changes in compensated absences	(6,068)
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Change in pension expense:

Changes in deferred outflows	27,823	
Changes in net pension liability	(72,305)	
Changes in deferred inflows	<u>(6,149)</u>	(50,631)

Change in LEO separation allowance expense:

Changes in deferred outflows	80,374	
Changes in net pension liability	(100,471)	
Changes in deferred inflows	<u>1,916</u>	<u>(18,181)</u>

Total changes in net position of governmental activities	<u><u>\$ (1,499,615)</u></u>
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Town of Marshville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 932,565	\$ 932,565	\$ 1,084,251	\$ 151,686
Other taxes	200	200	120	(80)
Unrestricted intergovernmental revenues	430,900	430,900	604,424	173,524
Restricted intergovernmental revenues	66,255	66,255	64,630	(1,625)
Permits and fees	1,450	1,450	2,800	1,350
Sales and services	294,650	294,650	306,265	11,615
Investment earnings	9,600	9,600	464	(9,136)
Miscellaneous	13,630	71,630	87,573	15,943
Total revenues	<u>1,749,250</u>	<u>1,807,250</u>	<u>2,150,527</u>	<u>343,277</u>
Expenditures:				
General government	489,053	440,509	372,292	68,217
Public safety	859,265	855,165	836,492	18,673
Transportation	234,070	250,420	231,206	19,214
Economic and physical development	72,441	101,091	94,762	6,329
Environmental protection	235,023	242,673	239,124	3,549
Culture and recreation	156,705	969,705	964,838	4,867
Contingency	-	-	-	-
Total expenditures	<u>2,046,557</u>	<u>2,859,563</u>	<u>2,738,714</u>	<u>120,849</u>
Revenues over (under) expenditures	<u>(297,307)</u>	<u>(1,052,313)</u>	<u>(588,187)</u>	<u>464,126</u>
Other sources (uses):				
Sale of capital assets			2,393	
Transfers from other funds		(1,510,315)	(1,510,315)	
Fund balance appropriated	297,307	2,562,628	-	
	<u>297,307</u>	<u>1,052,313</u>	<u>(1,507,922)</u>	<u>(2,560,235)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(2,096,109)</u>	<u>\$ (2,096,109)</u>
Fund balance, beginning of year			3,032,232	
Fund balance, end of year			<u>\$ 936,123</u>	

The accompanying notes are an integral part of the financial statements

Town of Marshville, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash & cash equivalents - unrestricted	\$ 2,887,343
Restricted assets:	
Cash & cash equivalents	67,237
Accounts receivable (net)	120,160
Inventories	72,805
	<u>3,147,545</u>
Noncurrent assets:	
Capital assets:	
Land, construction in progress, and deposits	695,820
Other capital assets, net of accumulated depreciation	4,336,228
Net capital assets	<u>5,032,048</u>
 Total assets	 <u>8,179,593</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	<u>37,091</u>
 LIABILITIES	
Current liabilities:	
Accounts payable & accrued liabilities	52,908
Due to other governments	-
Current portion of long-term debt	97,188
Liabilities payable from restricted assets:	
Customer deposits	67,237
	<u>217,332</u>
Long-term liabilities:	
Accrued vacation pay	1,362
Installment purchase, net of current portion	1,044,247
Net pension liability	66,022
Total long-term liabilities	<u>1,111,631</u>
 Total liabilities	 <u>1,328,963</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>2,439</u>
 NET POSITION	
Net investment in capital assets	3,890,613
Unrestricted net position	2,994,669
Total net position	<u><u>\$ 6,885,282</u></u>

The accompanying notes are an integral part of the financial statements

Town of Marshville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Operating revenues:	
Water sales	\$ 736,890
Sewer charges	853,963
Water and sewer taps	44,010
Capacity fees	32
Other operating revenues	37,200
Total operating revenue	<u>1,672,095</u>
 Operating expenses:	
Water department	496,856
Sewer department	793,350
Depreciation	185,656
Total operating expenses	<u>1,475,861</u>
 Operating income (loss)	<u>196,234</u>
 Nonoperating revenues(expenses):	
Investment earnings	166
Grants	73,379
Grants expenditures	(113,563)
Miscellaneous income	6,183
Total nonoperating revenues (expenses)	<u>(33,835)</u>
 Income (loss) before other sources (uses)	162,400
 Other sources (uses):	
Transfer from general fund	<u>1,510,315</u>
 Change in net position	1,672,714
 Net position beginning of year	<u>5,212,568</u>
 Net position end of year	<u><u>\$ 6,885,282</u></u>

The accompanying notes are an integral part of the financial statements

Town of Marshville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,623,942
Cash paid for goods and services	(1,674,236)
Cash paid for salaries and benefits	(200,292)
Net Cash Used By Operating Activities	<u>(250,586)</u>
Cash flows from non-capital financing activities:	
Transfers from other funds	1,510,315
Other revenues received (expenses paid)	(33,835)
Net Cash Provided By Non-Capital and Related Financing Activities	<u>1,476,480</u>
Cash flows from capital and related financing activities:	
Capital contributions	-
Loan proceeds	177,315
Principal paid on debt	(97,188)
Acquisition or construction of capital assets	(163,906)
Net Cash Used By Capital and Related Financing Activities	<u>(83,779)</u>
Cash flows from investing activities:	
Investment earnings (net)	-
Net Cash Provided by Investing Activities	<u>-</u>
Net Increase (Decrease) In Cash	1,142,115
Cash - Beginning of Year, July 1	<u>1,812,465</u>
Cash - End of Year, June 30	<u><u>\$ 2,954,580</u></u>
Noncash investing, capital, and financing activities:	
None	

Exhibit 8 (continued)

Town of Marshville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Net Operating Income (Loss)	\$ 196,234
Adjustments to reconcile net operating income to net cash used by operating activities:	
Depreciation & amortization	185,656
Other income	-
Changes in Current Assets and Liabilities:	
(Increase) decrease in accounts receivable	(51,010)
(Increase) decrease in inventories	-
(Increase) decrease in pension expense	8,419
Increase (Decrease) in accounts payable	(584,921)
Increase (Decrease) in customer deposits	2,856
Increase (Decrease) in accrued vacation	(7,820)
Total adjustments	<u>(446,820)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (250,586)</u>
Interest paid	<u>\$ 18,815</u>

Town of Marshville, North Carolina

NOTES TO FINANCIAL STATEMENTS As of or for the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Marshville 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 Marshville is a municipal corporation governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Marshville ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Marshville ABC Board, Marshville, North Carolina.

B. Basis of presentation

Government-wide Statements: The statement of net position and the statement of activities display the information about the government and its component unit. These statements include the activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Town of Marshville has no non-major governmental or enterprise funds.

Notes to the Financial Statements (continued)

B. Basis of presentation (continued)

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 the same values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in other funds. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise funds:

Water and Sewer Fund – This fund is used to account for the Town's water and sewer operations. Booster Replacement - Water & Sewer Infrastructure Grant Fund are consolidated with the Water and Sewer Fund for financial reporting purposes.

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 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 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, including property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues 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 enterprise fund 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 sewer system. Operating expenses for enterprise funds include the cost of sales and services,

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial 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 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 shared revenue for the Town because the tax is levied by Union County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then 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 as needed. The enterprise fund projects are consolidated with the Water and Sewer Fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for any multi-year funds. During the year, several amendments to the original budget were necessary. 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.

Notes to the Financial Statements (continued)

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

3. Restricted Cash

Restricted cash and cash equivalents in the Water and Sewer Fund customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Marshville Restricted Cash

Governmental Activities		
General Fund	Streets	\$188,480
	Law Enforcement	6,601
Total governmental activities		<u>195,081</u>
 Business-type Activities		
Water and Sewer Fund	Customer deposits	<u>67,237</u>
Total Business-type Activities		<u>67,237</u>
Total Restricted Cash		<u><u>\$262,318</u></u>

Notes to the Financial Statements (continued)

4. 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 July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This account is estimated by analyzing the percentage of receivables that were written off in prior years as well as the receivables at year-end deemed to be uncollectible.

6. Inventories and Prepaid Items

Inventories are maintained for the Enterprise Fund supplies and the ABC Board. The inventories are valued at cost (first-in, first-out). The costs of these inventories are expensed when consumed rather than when purchased. Prepaid items are expensed as consumed.

7. 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: depreciable capital assets, \$5,000; real estate, \$1. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and have not been capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life - Years</u>
Plant and distribution systems	10 - 50
Buildings	20 - 55
Equipment	5 - 50
Vehicles	5 - 20
Land improvements	10 - 30
Infrastructure	20 - 30

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

<u>Asset Class</u>	<u>Estimated Useful Life - Years</u>
Buildings	31.5
Building improvements	10 - 15
Land improvements	15
Furniture and equipment	5-10

Notes to the Financial Statements (continued)

8. 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 – pensions deferral 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 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 three items that meet the criterion for this category – prepaid taxes (when applicable), property taxes receivable, and pension deferrals.

9. Long-Term Obligations

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days 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.

11. Net Position/ Fund Balances

Net Position

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

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.

Notes to the Financial Statements (continued)

11. Net Position/ Fund Balances (continued)

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Streets - 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 for Law Enforcement - portion of fund balance that is restricted by revenue source for law enforcement. This amount represents unexpended controlled substance tax from the State.

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Marshville'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 – portion of fund balance that Town of Marshville intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves this appropriation.

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

For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed by in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Notes to the Financial Statements (continued)

11. Net Position/ Fund Balances (continued)

The Town has not adopted a formal minimum fund balance policy but follows the State Treasurer's guidance.

12. Pensions

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

II. Stewardship, Compliance, and Accountability:

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

1. *Noncompliance with North Carolina General Statutes:* None
2. *Contractual Violations:* None

III. Detail Notes on All Funds:

A. Assets:

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approval 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 and ABC Board under the Pooling Method, the potential exists to undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The 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 provisions of GS 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial risk for deposits.

Notes to the Financial Statements (continued)

1. Deposits (continued)

At June 30, 2021, the Town's deposits had a carrying amount of \$1,477,458 and a bank balance of \$1,501,518. At June 30, 2021, the Town's bank balances were covered by FDIC insurance of \$288,872. All excess deposits of the Town are insured or collateralized under the Pooling Method. At June 30, 2021, the Town's petty cash totaled \$325. At June 30, 2021, the ABC Board's deposits had a carrying amount of \$14,074 and a bank balance of \$38,006. All of the bank balance was covered by Federal Depository insurance. The Board had change funds of \$1,400.

2. Investments

At June 30, 2021, the Town had \$2,276,999 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivable - Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>Amount</u>
General Fund	\$ -
Enterprise Fund	<u>54,000</u>
Total	<u>\$ 54,000</u>

Notes to the Financial Statements (continued)

4. Capital assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021:

Capital assets not being depreciated:

Land	\$ 313,346	\$ 754,059	\$ -	\$ 1,067,405
Construction in progress	-	-	-	-
Total capital assets not being depreciated:	<u>313,346</u>	<u>754,059</u>	<u>-</u>	<u>1,067,405</u>

Capital assets being depreciated:

Land improvements	491,797	-	-	491,797
Buildings	1,050,534	-	-	1,050,534
Infrastructure	574,203	-	-	574,203
Equipment	424,891	29,598	-	454,489
Vehicles	530,374	58,259	-	588,633
Total capital assets being depreciated:	<u>3,071,799</u>	<u>87,857</u>	<u>-</u>	<u>3,159,656</u>

Less, accumulated depreciation for:

Land improvements	453,859	-	-	453,859
Buildings	615,657	30,849	-	646,506
Infrastructure	180,463	22,338	-	202,801
Equipment	299,976	35,128	-	335,104
Vehicles	402,765	54,048	-	456,813
Total accumulated depreciation	<u>1,952,720</u>	<u>142,363</u>	<u>-</u>	<u>2,095,083</u>

Total capital assets being depreciated, net	<u>1,119,079</u>			<u>1,064,573</u>
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Governmental activity capital assets, net	<u>\$ 1,432,425</u>			<u>\$ 2,131,978</u>
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Depreciation expense was charged to functions of the primary government as follows:

General government	\$ 23,441
Public Safety	58,898
Transportation	30,339
Environmental protection	6,642
Economic and physical development	9,111
Culture and recreation	<u>13,932</u>
	<u>\$ 142,363</u>

Notes to the Financial Statements (continued)

4. Capital assets (continued)

ABC Board

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

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated:				
Leasehold improvements	\$ 35,140	\$ -	\$ -	\$ 35,140
Equipment	43,783	-	-	43,783
	<u>78,923</u>	<u>-</u>	<u>-</u>	<u>78,923</u>
Less, accumulated depreciation for:				
Leasehold improvements	3,970	2,534	-	6,504
Equipment	6,335	3,987	-	10,322
	<u>10,305</u>	<u>6,521</u>	<u>-</u>	<u>16,826</u>
Capital assets, net	<u>\$ 68,618</u>	<u>\$ (6,521)</u>	<u>\$ -</u>	<u>\$ 62,097</u>

Capital assets activity for the Business-type Activities for the year ending June 30, 2021:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 25,109	\$ -	\$ -	\$ 25,109
Construction in progress	592,648	103,172	-	695,820
Total capital assets not being depreciated:	<u>617,757</u>	<u>-</u>	<u>-</u>	<u>720,929</u>
Capital assets being depreciated:				
Plant and distribution system	6,316,273	60,734	-	6,377,007
Equipment	448,608	-	-	448,608
Buildings	364,151	-	-	364,151
Vehicles	272,290	-	-	272,290
Total capital assets being depreciated:	<u>7,401,322</u>	<u>60,734</u>	<u>-</u>	<u>7,462,056</u>
Less, accumulated depreciation for:				
Plant and distribution system	2,117,287	117,550	-	2,234,837
Equipment	420,400	10,342	-	430,742
Buildings	237,354	9,546	-	246,900
Vehicles	190,240	48,218	-	238,458
Total accumulated depreciation	<u>2,965,281</u>	<u>185,656</u>	<u>-</u>	<u>3,150,937</u>
Total capital assets being depreciated, net	<u>4,436,041</u>			<u>4,311,119</u>
Business-type activity capital assets, net	<u>\$ 5,053,798</u>			<u>\$ 5,032,048</u>

Notes to the Financial Statements (continued)

4. Capital assets (continued)

Construction Commitments

The government has active construction projects as of June 30, 2021. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Booster Pump Replacement - Water and Sewer Infrastructure Grant Fund	695,820	990,505
Total	<u>\$ 695,820</u>	<u>\$ 990,505</u>

B. Liabilities:

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town 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, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.22% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$98,413 for the year ended June 30, 2021.

Refunds of Contributions – Town employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2021, the Town reported a liability of \$468,119 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, 2021 (measured as of June 30, 2020), the Town's proportion was 0.01310%, which was an decrease of 0.00095% from its proportion measured as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the Town recognized pension expense of \$157,461. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,115	\$ -
Changes of assumptions	34,837	-
Net difference between projected and actual earnings on pension plan investments	65,875	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,753	17,294
Town contributions subsequent to the measurement date	98,413	-
Total	\$ 262,993	\$ 17,294

\$98,413 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 41,132
2021	54,062
2022	32,598
2023	19,496
2024	-
	<u>\$ 147,288</u>

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

Inflation	3.0 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, 2018 valuation were based on the results of an actuarial experience for the period December 31, 2010 through 2014.

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

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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:

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

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

Sensitivity of the Town's proportionate share of the net pension 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

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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)	\$ 949,762	\$ 468,119	\$ 67,839

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

b. Law Enforcement Officers Special Allowance

1. Plan description.

The Town 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. The Separation Allowance is equal to .85% 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 GS 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, 2018 the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	9
	<u>11</u>

A separate report was not issued for the plan.

2. 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 and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statements 73

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020 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	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. 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 \$26,678 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$347,790. The total pension liability was measured as of December 31, 2019 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$18,181.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,725	\$ -
Changes of assumptions	83,254	3,330
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 108,979</u>	<u>\$ 3,330</u>

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflow of Resources	Amount recognized in Pension Expense as an Increase or (decrease) to Pension Expense
2022	\$ 26,194	\$ 1,672	\$ 5,967
2023	24,728	1,264	6,211
2024	23,062	394	5,153
2025	19,982	-	4,357
2026	15,013	-	1,671
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 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 377,934	\$ 347,790	\$ 320,497

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

	2021	2020
Beginning balance	\$ 247,319	\$ 232,753
Service Cost	13,997	11,212
Interest on the total pension liability	7,611	7,968
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	13,717	16,916
Changes of assumptions or other inputs	92,851	6,175
Benefit payments	(27,705)	(27,705)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 347,790</u>	<u>\$ 247,319</u>

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

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 actuarial experience study as of December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 157,461	\$ 18,181	\$ 175,642
Pension Liability	468,119	347,790	815,909
Proportionate share of the net pension liability	0.01310%	na	
Deferred of Outflows of Resources			
Differences between expected and actual experience	59,115	25,725	84,840
Changes of assumptions	34,837	83,254	118,091
Net difference between projected and actual earnings on plan investments	65,875	-	65,875
Changes in proportion and differences between contributions and proportionate share of contributions	4,753	-	4,753
Benefit payments and administrative costs paid subsequent to the measurement date	98,413	-	98,413
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	3,330	3,330
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	17,294	-	17,294

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

Plan description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and other employed by the Town. Article 5 of GS Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina

Notes to the Financial Statements (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees (cont)

General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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 GS 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. Also, the law enforcement officers may make voluntary contributions to the plan.

The Town has elected to make the Supplemental Retirement Income Plan available to other employees. The Town contributes each month an amount equal to four percent of other employees' salaries, and all amounts contributed are vested immediately. Also, the other employees may make voluntary contributions to the plan.

The Town made contributions of \$32,513 for the reporting year. No amounts were forfeited.

d. Other Employment 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 (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the 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 post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2021, the Town made contributions to the State for death benefits of \$1,110. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .12% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

Notes to the Financial Statements (continued)

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of the following:

Source	Amount
Pension deferrals (LGERS)	\$ 262,993
Pension deferrals (LEOSSA)	108,979
Total	<u>\$ 371,972</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 22,107
Pension deferrals (LGERS)	17,294	-
Pension deferrals (LEOSSA)	3,330	-
Total	<u>\$ 20,624</u>	<u>\$ 22,107</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors 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 \$5 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for employee health coverage all other risks of loss. 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 does not currently participate in the National Flood Insurance Plan (NFIP). There is only one small parcel of land within the incorporated limits of the Town designated as a Flood Hazard Area. As additional Flood Hazard Areas are designated within the limits of the Town due to Extra Territorial Jurisdiction and re-mapping of the Yadkin-Pee Dee river system, the Town will consider the need for participation in the NFIP.

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 each individually bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

Notes to the Financial Statements (continued)

4. Claims and Judgments

The Town of Marshville and Union County entered into a 30 year sewer treatment contract in October 1978. That contract was superseded and replaced by another 30 year sewer treatment contract in October 1994. The Town and County are currently involved in legal proceedings. The Town has not paid Union County for sewer treatment since February 2014, until January 2017. The Town began paying current invoices to Union County in January 2017 per a Consent Order. All unpaid amounts billed by Union County have been accrued and are included in due to other governments. The amount accrued to Union County as of June 30, 2021 total \$634,753.

The matter has gone before a judge resulting in several orders, all of which have been appealed to the North Carolina Court of Appeals. The Town is vigorously contesting the County's claims. At this point, any effect on the Town's financial statements cannot be determined other than the accrued sewer treatment fees.

5. Long-Term Obligations:

a. Installment Purchase Payable

Installment purchase payables at June 30, 2021 are comprised of the following individual issues:

Direct placement obligations serviced by the Water and Sewer fund

On May 19, 2016, the Town entered into a revolving loan agreement for \$348,992 with the NC Department of Environmental Quality for a water project. The financing contract requires 20 annual payments of \$17,450 at 0% interest beginning May 1, 2017. The obligation is collateralized by the full faith and credit of the Town and is callable if payments are substantially past due.

On May 19, 2016, the Town entered into a revolving loan agreement for \$986,620 with the NC Department of Environmental Quality for a water project. The financing contract requires 20 annual payments of \$49,331 at 0% interest beginning May 1, 2021. The obligation is collateralized by the full faith and credit of the Town and is callable if payments are substantially past due.

On August 16, 2019, the Town entered into a revolving loan agreement for \$1,100,312 with the NC Department of Environmental Quality for a water project. The financing contract requires 20 annual principal payments of \$55,015 plus interest payment at 1.80% interest beginning May 1, 2021. The obligation is collateralized by the full faith and credit of the Town and is callable if payments are substantially past due. As of June 30, 2021, \$569,439 had been advanced with two principal payments made.

Notes to the Financial Statements (continued)

a. Installment Purchase Payable (continued):

Annual debt service requirements to maturity for long-term obligation, including \$169,338 of interest are as follows (assuming all \$1,100,312 is eventually advanced on Note 3):

Year Ending June 30	Water and Sewer Fund			
	<u>Note 1</u> Principal	<u>Note 2</u> Principal	<u>Note 3</u> Principal	Interest
2022	\$ 17,450	\$ 24,773	\$ 55,016	\$ 17,825
2023	17,450	24,773	55,016	16,835
2024	17,450	24,773	55,016	15,845
2025	17,449	24,773	55,016	14,854
2026	17,449	24,773	55,016	13,864
2027-31	87,248	123,865	275,080	59,417
2032-36	87,247	123,865	275,080	30,698
2037-39	-	48,689	165,040	-
	<u>\$ 261,743</u>	<u>\$ 420,284</u>	<u>\$ 990,280</u>	<u>\$ 169,338</u>

Marshville ABC Board

The Board incurred debt of \$200,000 with First Citizens Bank, interest rate of 5.65%, 60 monthly payments of \$3,841.

The balance at June 30, 2021 was \$108,393.

Future maturities are as follows:

2022	\$40,657
2023	43,507
2024	24,229

The Board established a line of credit with First Citizens Bank of \$49,000. Payments are interest only. The line is renewable annually and is due September 24, 2021. The outstanding balance at June 30, 2021 was \$22,999.

Notes to the Financial Statements (continued)

b. Changes in Long-term Liabilities

Compensated absences have typically been liquidated in the General and Water and Sewer Funds.

	Balance June 30, 2020	Increases	(Decreases)	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 70,262	\$ 6,068	\$ -	\$ 76,330	\$ -
Total pension liability (LEO)	247,319	100,471	-	347,790	-
Net pension liability (LGERS)	329,792	72,305	-	402,097	-
Total	<u>\$ 647,373</u>	<u>\$ 178,844</u>	<u>\$ -</u>	<u>\$ 826,217</u>	<u>\$ -</u>
Business-type activities:					
Installment purchase	\$ 279,193	\$ -	\$ (17,450)	\$ 261,743	\$ 17,450
Installment purchase	445,007	-	(24,723)	420,284	24,722
Installment purchase	337,106	177,317	(55,016)	459,407	55,016
Compensated absences	9,182	-	(7,819)	1,363	-
Net pension liability (LGERS)	53,903	12,119	-	66,022	-
Total	<u>\$ 1,124,391</u>	<u>\$ 189,436</u>	<u>\$ (105,008)</u>	<u>\$ 1,208,819</u>	<u>\$ 97,188</u>

At June 30, 2021, the Town of Marshville had bonds authorized but un-issued of \$-0- and a legal debt margin of \$16,516,894.

C. Operating Lease Revenue

The Town leases space to various parties under noncancellable operating leases with initial terms of one year or more. The Town has also entered into a lease with a communications company granting the company the right to install communications equipment on the Town's water tank. The initial lease was for five years, with four automatic renewal terms of five years each. Lease revenue under these leases for the year ended June 30, 2021 was \$44,849. The total future minimum rental payments receivable under these leases (excluding any unexercised renewal options) are as follows at June 30, 2021, reflecting the above noted termination agreement:

Year Ending June 30,	
<u>2022</u>	<u>\$ -</u>
	<u>\$ -</u>

The Town entered into a lease with the Marshville ABC Board July 1, 2021 for the lease of the old Town Hall building. The lease is for \$2,000 per month with an escalating agreement upon reaching certain sales objectives by the ABC Board. The payments increased to \$2,500 as of June 1, 2021.

Notes to the Financial Statements (continued)

D. Operating Leases

The Town leases office equipment under a noncancellable operating lease. The annual minimum lease payments as of June 30, 2021 are as follows:

Year Ending June 30,	
2022	\$ 1,005
	<u>\$ 1,005</u>

Lease expense for the year ended June 30, 2021 was \$4,020.

E. Interfund Receivables and Activity

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

The following transfers occurred during the year ended June 30, 2021.

General Fund to Water and Sewer Fund	\$1,510,315
--------------------------------------	-------------

The Town transferred funds from the Water and sewer fund to the General fund in anticipation of selling the assets of the Water and sewer fund to Union County during FY 2020. This did not occur. The Town returned the funds during FY 2021.

F. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 2,131,978	\$ 5,032,048
less: long-term debt	-	1,141,435
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 2,131,978</u>	<u>\$ 3,890,613</u>

G. 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	\$ 936,123
Less:	
Stabilization by State Statute	218,048
Subsequent year's expenditures	490,518
Law enforcement	6,601
Streets - Powell Bill	188,480
Remaining Fund Balance	<u>\$ 32,476</u>

Notes to the Financial Statements (continued)

IV. Jointly Governed Organization

The Town, in conjunction with nine counties and sixty-five other municipalities is a member of the Centralina council of Government (Council). The Council coordinates various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing body. The Town paid \$750 to the Council during the fiscal year ended June 30, 2021 for membership fees.

V. 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 moneys 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 moneys.

VI. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through October 21, 2021, which is the date the financial statements were available to be issued.

Two major factors contributing to the decrease in fund balance were the transfer of \$1,510,314 back to the Enterprise Fund from the General Fund Balance and the purchase of our new lake property for the amount of \$754,060. As of October, 2021 the town has financed the purchase of the lake property and reimbursed General Fund Balance for the cost of the lake property.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Town and its ability to carry out its activities which could impact its financial results.

Town of Marshville, North Carolina
Town of Marshville's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	<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 contribution	\$ 98,413	\$ 85,198	\$ 66,557	\$ 67,499	\$ 65,861	\$ 58,927	\$ 58,413	\$ 53,623
Contributions in relation to the contractually required contribution	98,413	85,198	66,557	67,499	65,861	58,927	58,413	53,623
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Marshville's covered-employee payroll	\$ 941,023	\$ 908,466	\$ 866,469	\$ 853,161	\$ 859,237	\$ 851,679	\$ 811,342	\$ 748,973
Contributions as a percentage of covered-employee payroll	10.46%	9.38%	7.68%	7.91%	7.67%	6.92%	7.20%	7.16%

Proportionate Share of Net Pension Liability (Asset)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Marshville's proportion of the net pension liability (asset) (%)	0.01310%	0.01405%	0.01320%	0.01525%	0.01342%	0.01399%	0.01321%	0.01310%
Marshville's proportion of the net pension liability (asset) (\$)	\$ 468,119	\$ 383,695	\$ 313,149	\$ 232,978	\$ 284,817	\$ 62,786	\$ (77,905)	\$ 157,905
Marshville's covered-employee payroll	\$ 908,466	\$ 866,469	\$ 853,161	\$ 859,237	\$ 851,679	\$ 811,342	\$ 748,973	\$ 733,162
Marshville's proportionate share of the net pension liability	51.53%	44.28%	36.70%	27.11%	33.44%	7.74%	(10.40%)	21.54%
Plan fiduciary net position as a percentage of the total	88.61%	91.63%	91.68%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Marshville, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2021

Schedule of Changes in Total Pension Liability

	2021	2020	2019	2018	2017
Beginning balance	\$ 247,319	\$ 232,753	\$ 241,399	\$ 240,602	\$ 255,341
Service Cost Interest on total pension liability	13,997	11,212	10,601	8,639	8,013
Interest	7,611	7,968	7,190	8,753	8,621
Differences between expected and actual experience in the measurement of the total pension liability	13,717	16,916	7,982	1,024	-
Changes of assumptions or other inputs	92,851	6,175	(6,714)	10,086	(3,668)
Benefit payments	(27,705)	(27,705)	(27,705)	(27,705)	(27,705)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 347,790</u>	<u>\$ 247,319</u>	<u>\$ 232,753</u>	<u>\$ 241,399</u>	<u>\$ 240,602</u>

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2021	2020	2019	2018	2017
Total pension liability	\$ 347,790	\$ 247,319	\$ 232,753	\$ 241,399	\$ 240,602
Covered payroll	498,366	462,783	425,822	397,026	366,303
Total pension liability as a percentage of covered payroll	69.79%	53.44%	54.66%	60.80%	65.68%

Notes to the schedules:

The employer does not have a special funding situation

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 nor does the Plan provide pay related benefits

Change in actuarial assumptions

December 31, 2020 Measurement date: The Municipal Bond Index rate decreased from 3.26% to 1.93%

December 31, 2019 Measurement date: The Municipal Bond Index rate decreased from 3.64% to 3.26%

December 31, 2018 Measurement date: The Municipal Bond Index rate increased from 3.16% to 3.64%

December 31, 2017 Measurement date: The Municipal Bond Index rate decreased from 3.86% to 3.16%

December 31, 2016 Measurement date: The Municipal Bond Index rate increased from 3.57% to 3.86%

Town of Marshville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
REVENUES:				
Ad valorem taxes				
Current year		\$ 1,074,088		\$ 1,012,033
Penalties and interest		10,164		5,899
	<u>\$ 932,565</u>	<u>1,084,251</u>	<u>\$ 151,686</u>	<u>1,017,932</u>
Other taxes & licenses				
Privilege license		120		170
	<u>200</u>	<u>120</u>	<u>(80)</u>	<u>170</u>
Unrestricted intergovernmental				
Local option sales tax		318,188		256,070
Transitional hold harmless		82,426		76,158
Utility franchise tax		193,560		201,031
Beer & wine tax		10,249		10,606
	<u>430,900</u>	<u>604,424</u>	<u>173,524</u>	<u>543,865</u>
Restricted intergovernmental				
Powell Bill allocation		62,803		66,493
Solid waste disposal tax		1,827		1,876
Controlled substance tax		-		-
	<u>66,255</u>	<u>64,630</u>	<u>(1,625)</u>	<u>68,368</u>
Permits and fees				
Planning/zoning fees	<u>1,450</u>	<u>2,800</u>	<u>1,350</u>	<u>2,115</u>
Sales and services				
Refuse collection		238,530		221,512
Police event services		-		-
Cemetery revenues		2,500		13,000
Recreational revenues		65,235		3,417
Rents		-		-
	<u>294,650</u>	<u>306,265</u>	<u>11,615</u>	<u>237,929</u>
Investment earnings	<u>9,600</u>	<u>464</u>	<u>(9,136)</u>	<u>19,446</u>
Miscellaneous				
Lease income		69,599		75,336
Insurance proceeds		8,983		49,484
Other		8,991		15,195
	<u>71,630</u>	<u>87,573</u>	<u>15,943</u>	<u>140,014</u>
Total revenues	<u>1,807,250</u>	<u>2,150,527</u>	<u>343,277</u>	<u>2,029,840</u>

Town of Marshville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
EXPENDITURES:				
General Government				
Governing body:				
Salaries and employee benefits		\$ 11,734		\$ 10,079
Professional services		18,044		18,102
Other operating expenditures		15,238		15,324
	<u>\$ 80,449</u>	<u>45,016</u>	<u>\$ 35,433</u>	<u>43,505</u>
Administration:				
Salaries and employee benefits		215,303		218,692
Tax collection and listing		14,822		13,729
Other operating expenditures		28,318		43,648
	<u>290,102</u>	<u>258,443</u>	<u>31,659</u>	<u>276,069</u>
Public buildings:				
Operating expenditures		68,833		68,625
Capital outlay		-		-
	<u>69,958</u>	<u>68,833</u>	<u>1,125</u>	<u>68,625</u>
Total general government	<u>440,509</u>	<u>372,292</u>	<u>68,217</u>	<u>388,199</u>
Public safety				
Police:				
Salaries and employee benefits		678,526		656,040
Other operating expenditures		111,248		130,879
Capital outlay		46,718		82,194
	<u>855,165</u>	<u>836,492</u>	<u>18,673</u>	<u>869,112</u>
Fire:				
Operating expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Total public safety	<u>855,165</u>	<u>836,492</u>	<u>18,673</u>	<u>914,112</u>
Transportation				
Streets & highways :				
Salaries and employee benefits		74,173		64,262
Other operating expenditures		111,911		104,501
Capital outlay		-		-
	<u>187,620</u>	<u>186,084</u>	<u>1,536</u>	<u>168,763</u>
Powell Bill:				
Operating expenditures		45,122		59,936
Capital outlay		-		-
	<u>62,800</u>	<u>45,122</u>	<u>17,678</u>	<u>59,936</u>
Total transportation	<u>250,420</u>	<u>231,206</u>	<u>19,214</u>	<u>228,700</u>

Town of Marshville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
EXPENDITURES:				
Economic and physical development				
Community development:				
Salaries and employee benefits		7,209		12,884
Other operating expenditures		81,783		61,568
Capital outlay		5,770		-
Total economic and physical development	<u>101,091</u>	<u>94,762</u>	<u>6,329</u>	<u>74,452</u>
Environmental Protection				
Sanitation:				
Salaries and employee benefits		71,859		65,037
Contracted services		142,420		138,563
Other operating expenditures		11,158		15,558
Capital outlay		-		-
	<u>227,673</u>	<u>225,437</u>	<u>2,236</u>	<u>219,158</u>
Cemetery:				
Other operating expenditures	<u>15,000</u>	<u>13,688</u>	<u>1,313</u>	<u>20,100</u>
Total environmental protection	<u>242,673</u>	<u>239,124</u>	<u>3,549</u>	<u>239,258</u>
Culture and recreation				
Parks and recreation:				
Salaries and employee benefits		86,734		24,500
Other operating expenditures		88,677		96,530
Capital outlay		789,428		17,547
Total culture and recreation	<u>969,705</u>	<u>964,838</u>	<u>4,867</u>	<u>138,577</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,859,563</u>	<u>2,738,714</u>	<u>120,849</u>	<u>1,983,298</u>
Revenues over (under) expenditures	<u>(1,052,313)</u>	<u>(588,187)</u>	<u>464,126</u>	<u>46,542</u>
Other sources (uses) of funds				
Sale of capital assets	-	2,393	-	9,943
Transfers to other funds	(1,510,315)	(1,510,315)	-	1,495,868
Appropriated fund balance	2,562,628	-	-	-
	<u>1,052,313</u>	<u>(1,507,922)</u>	<u>(2,560,235)</u>	<u>1,505,811</u>
Net change in fund balance	<u>\$ -</u>	<u>(2,096,109)</u>	<u>\$ (2,096,109)</u>	<u>1,552,353</u>
Fund balances - beginning of year		<u>3,032,232</u>		<u>1,479,879</u>
Fund balances - end of year		<u>\$ 936,123</u>		<u>\$ 3,032,232</u>

Town of Marshville, North Carolina
Proprietary Fund Type - Enterprise Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
Revenues:				
Operating revenues:				
Water sales		\$ 736,890		\$ 601,138
Sewer charges		853,963		713,901
Water and sewer taps		44,010		4,700
Capacity fees		32		-
Other operating charges		37,200		21,050
	<u>\$ 1,691,300</u>	<u>1,672,095</u>	<u>\$ (19,205)</u>	<u>1,340,788</u>
Non-operating Revenues:				
Grants		73,379		-
Investment earnings		166		4,311
Insurance proceeds		-		837
Miscellaneous income		6,183		373
	<u>5,950</u>	<u>79,728</u>	<u>73,778</u>	<u>5,521</u>
Total revenues	<u>1,697,250</u>	<u>1,751,823</u>	<u>54,573</u>	<u>1,346,310</u>
Expenditures:				
Water Operations:				
Salaries & employee benefits		110,044		94,192
Water purchases		196,010		206,546
Repairs and maintenance		24,224		42,647
Professional fees		9,879		5,241
Other operating expenditures		132,752		155,069
	<u>509,395</u>	<u>472,909</u>	<u>36,486</u>	<u>503,695</u>
Sewer Operations:				
Salaries & employee benefits		90,847		86,945
Sewer treatment		453,569		408,204
Repairs and maintenance		24,720		18,597
Professional fees		38,125		24,683
Grant expenses		113,563		-
Other operating expenditures		190,622		79,585
	<u>920,635</u>	<u>911,445</u>	<u>9,190</u>	<u>618,013</u>
Other budgetary appropriations:				
Debt service:				
Principal		97,188		97,188
Interest		18,815		15,031
	<u>116,004</u>	<u>116,003</u>	<u>1</u>	<u>112,218</u>
Capital outlay	<u>1,677,043</u>	<u>60,734</u>	<u>1,616,309</u>	<u>71,873</u>
Total expenditures	<u>3,223,077</u>	<u>1,561,091</u>	<u>1,661,986</u>	<u>1,305,800</u>
Revenues over (under) expenditures	<u>(1,525,827)</u>	<u>190,732</u>	<u>1,716,559</u>	<u>40,510</u>

Town of Marshville, North Carolina
Proprietary Fund Type - Enterprise Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
Expenditures (continued):				
Other sources (uses) of funds				
Transfers from other funds	1,510,315	1,510,315	-	-
Transfers to other funds	-	-	-	(1,495,868)
	<u>1,510,315</u>	<u>1,510,315</u>	<u>-</u>	<u>(1,495,868)</u>
Revenues and other sources over (under) expenditures and other sources	(15,512)	1,701,047	1,716,559	(1,455,358)
Appropriated fund balance	<u>15,512</u>	<u>-</u>	<u>(15,512)</u>	<u>-</u>
Net Change in fund balance	<u>\$ -</u>	<u>\$ 1,701,047</u>	<u>\$ 1,701,047</u>	<u>\$ (1,455,358)</u>

	<u>2021</u>	<u>2020</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:		
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 1,701,047	\$ (1,455,358)
Reconciling items:		
Debt service - principal portion	97,188	97,188
Capital outlay	60,734	80,429
Depreciation & amortization	(185,656)	(176,712)
Decrease (increase) in accrued vacation pay	7,820	(2,939)
Increase (decrease) in deferred outflows of resources - pensions	4,716	(7,843)
(Increase) decrease in net pension liability	(12,119)	(3,179)
(Increase) decrease in deferred inflows of resources - pensions	(1,016)	1,057
Capital contributions - grants	-	-
Transfers - water sewer capital projects	-	(8,556)
Change in net position	<u>\$ 1,672,714</u>	<u>\$ (1,475,913)</u>

Town of Marshville, North Carolina
Booster Pump Replacement - Water & Sewer Infrastructure Grant Fund
(Including former Water System Improvements WIR-1915 Project)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
REVENUES:					
Restricted intergovernmental:					
CDBG Funds - #13-E-2605	\$ 532,000	\$ -	\$ -	\$ -	\$ (532,000)
Investment earnings	-	-	-	-	-
Total revenues	532,000	-	-	-	(532,000)
EXPENDITURES:					
Construction	1,473,240	457,892	101,396	559,288	913,952
Engineer/Design	95,100	71,300	-	71,300	23,800
Surveying	12,000	7,500	26	7,526	4,474
Administration	105,985	55,956	1,750	57,706	48,279
Total expenses	1,686,325	592,648	103,172	695,820	990,505
Total revenues over expenses	(1,154,325)	(592,648)	(103,172)	(695,820)	458,505
Other sources (uses) of funds:					
Loan proceeds - DENR	1,104,240	392,122	177,317	569,439	(534,801)
Transfers from other funds	50,085	80,000	-	80,000	29,915
	1,154,325	472,122	-	472,122	(504,886)
Revenues and other sources over expenditures and other uses	\$ -	\$ (120,526)	74,145	\$ (46,381)	\$ (46,381)
Fund balances - beginning of year			(120,526)		
Fund balances - end of year			\$ (46,381)		

Town of Marshville, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2021		\$ 1,065,156	\$ 1,058,837	\$ 6,319
2020	\$ 13,808		10,983	2,825
2019	3,899		1,617	2,282
2018	3,100		686	2,414
2017	2,884		855	2,029
2016	2,572		764	1,808
2015	2,600		715	1,885
2014	3,184		639	2,545
2013	7,712		7,712	-
2012	5,997		5,997	-
2011	4,528		4,528	-
	<u>\$ 50,284</u>	<u>\$ 1,065,156</u>	<u>\$ 1,093,333</u>	22,107
Less - allowance for doubtful Ad Valorem taxes receivable				<u>-</u>
Ad Valorem taxes receivable (net)				<u>\$ 22,107</u>
Reconciliation with revenues:				
Ad Valorem Tax - General Fund			\$ 1,084,251	
Amounts written off for tax year 2011-13 per statute of limitations			18,237	
Other credits			(27,319)	
Total Collections & Credits			<u>\$ 1,093,333</u>	

Town of Marshville, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Year Ended June 30, 2021

	Town-Wide			Total Levy	
	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor	Registered Motor Vehicles
Original levy:					
Real property	\$ 206,997,843	0.51	\$ 1,055,689	\$ 960,339	\$ 95,350
Penalties	-		5,231	5,231	-
Total levy	206,997,843		1,060,920	965,570	95,350
Releases	(536,667)	0.51	(2,737)	(2,737)	-
Total Property Valuation	<u>\$ 206,461,176</u>				
Net Levy			1,058,183	962,833	95,350
Less: Uncollected Tax at June 30, 2021			<u>6,319</u>	<u>6,319</u>	<u>-</u>
Current Year Tax Collected			<u>\$ 1,051,864</u>	<u>\$ 956,514</u>	<u>\$ 95,350</u>
Percent current year collected			<u>99.40%</u>	<u>99.34%</u>	<u>100.00%</u>

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

Independent Auditor's Report

To the Honorable Mayor and
Town Board
Town of Marshville, North Carolina

I 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 aggregate remaining fund information of the Town of Marshville, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Marshville's basic financial statements, and have issued my report thereon dated October 21, 2021.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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 the accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eddie Carrick, CPA

A handwritten signature in black ink, appearing to read "E. Carrick", with a stylized flourish at the end.

Lexington, North Carolina
October 21, 2021