

# **VILLAGE OF MARVIN**

**North Carolina**

## **Audited Financial Statements**

**June 30, 2018**

### **Village Council Members**

Joseph E. Pollino, Jr., Mayor  
Nick Dispenziere, Mayor Pro Tempore  
Robert Epps  
Mary Shkut  
Kim Vandenberg

### **Administrative and Financial Staff**

Christina Alphin, Village Administrator  
Christine Robertson, Finance Officer  
Nancy Schneeberger, Tax Collector

**VILLAGE OF MARVIN**  
**Table of Contents**  
**June 30, 2018**

<b>Exhibit</b>		<b>Page</b>
	<b>FINANCIAL SECTION:</b>	
	Independent Auditors' Report	1-2
	Management's Discussion and Analysis	3-10
	<b>BASIC FINANCIAL STATEMENTS:</b>	
	<b>Government-wide Financial Statements:</b>	
1	Statement of Net Position	11
2	Statement of Activities	12
	<b>Fund Financial Statements:</b>	
3	Balance Sheet - Governmental Funds	13
4	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
7	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual - General Fund	17
	Notes to Financial Statements	18-34
	<b>REQUIRED SUPPLEMENTAL FINANCIAL DATA:</b>	
	Schedule of the Proportionate Share of the Net Pension Liability - Local Government Employees' Retirement System	35
	Schedule of Contributions – Local Government Employees' Retirement System	36
	<b>INDIVIDUAL FUND STATEMENTS AND SCHEDULES:</b>	
<b>Schedule</b>		
1	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	37-39

**VILLAGE OF MARVIN**  
**Table of Contents**  
**June 30, 2018**

<b>Exhibit</b>		<b>Page</b>
2	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	40
	<b>Other Schedules:</b>	
3	Schedule of Ad Valorem Taxes Receivable	41
4	Analysis of Current Tax Levy - Village-Wide Levy	42
	<b>COMPLIANCE SECTION</b>	
	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>	43-44
	Schedule of Findings and Responses	45-48
	Schedule of Prior Year Findings	49
	Schedule of Expenditures of Federal and State Awards	50

## **Financial Section**

### **Independent Auditors' Report**

To the Honorable Mayor and  
Members of Village Council  
Village of Marvin, North Carolina

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Marvin, North Carolina as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Village of Marvin's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Marvin, North Carolina as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 49 through 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Marvin. The individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates 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 by us. In our opinion, based on our audit, the procedures performed above the individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018 on our consideration of the Village of Marvin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Village of Marvin's internal control over financial reporting and compliance.

*Collins, Boike & Moore, PA*

Monroe, North Carolina  
November 15, 2018

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

## Management's Discussion and Analysis

As management of the Village of Marvin, we offer readers of the Village of Marvin's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2018. We encourage readers to use the information presented here in conjunction with additional information that we have furnished in the Village's financial statements, which follow this narrative.

### Financial Highlights

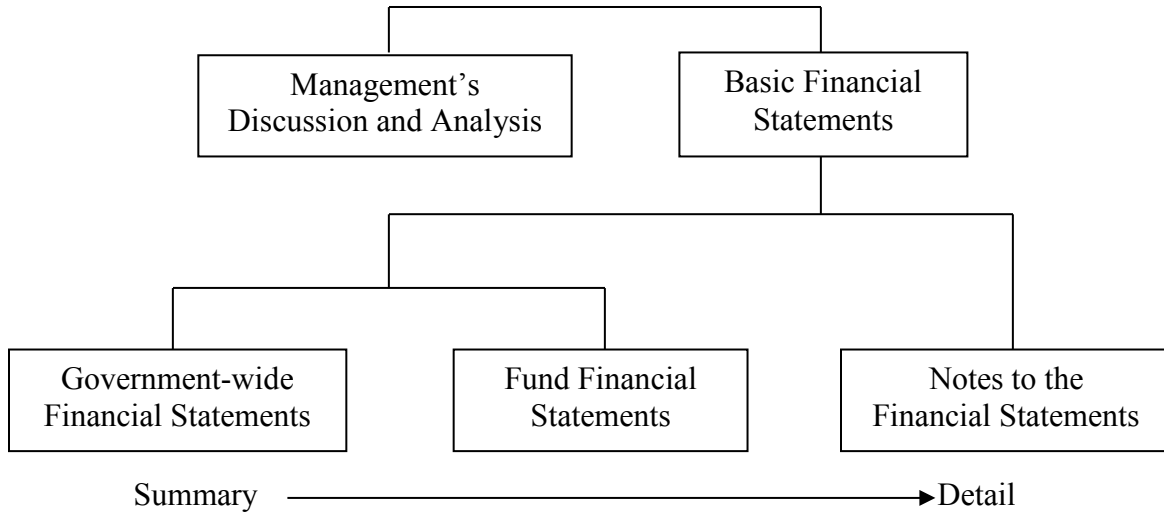
- The assets and deferred outflows of resources of the Village of Marvin exceeded its liabilities and deferred inflows of resources at the close of the year by \$6,543,289 (*net position*).
- The government's total net position increased by \$732,657, primarily due to increases in unrestricted intergovernmental revenues, and diligent expenditure management. There was also a positive restatement in net position of \$548,800 from land easements acquired in prior years.
- As of the close of the current fiscal year, the Village of Marvin's governmental funds reported an ending fund balance of \$2,663,180, a net increase of \$75,921 in comparison with the prior year. Approximately 1.5 percent of this total amount, or \$40,258, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$572,024, or 58.9 percent of total general fund expenditures for the fiscal year.
- As of June 30, 2018, the Village of Marvin had \$2,050,898 in fund balances that were either committed or assigned for particular purposes, such as Capital Projects, Parks and Recreation, and Land Acquisition.
- The Village of Marvin's total debt decreased by \$121,485 during the current fiscal year. In February 2018, the final payment was made on the loan that financed the purchase of the Marvin-Efird Park. The Village of Marvin has not borrowed funds for any other purposes.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village of Marvin's basic financial statements. The Village'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 Village 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 Village of Marvin.



**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 Village’s financial status.

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Village’s government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

**Government-Wide Financial Statements**

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

The two government-wide statements report the Village’s net position and how it has changed. Net position is the difference between the Village’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 Village’s financial condition.

The government-wide statements report the governmental activities of the Village of Marvin. The governmental activities include the Village's basic services, such as public safety, general administration, and parks and recreation. Property taxes and state grant funds finance most of these activities.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the Village's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Marvin, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Village's budget ordinance. The Village of Marvin has only one fund - the governmental fund.

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Village of Marvin's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 35 of this report.

**Interdependence with Other Entities** – The Village depends on financial resources flowing from, or associated with, the State of North Carolina. Because of this dependency, the Village is subject to

changes in specific flows of intergovernmental revenues based on modification to State laws and State appropriations.

## Government-Wide Financial Analysis

### Village of Marvin – Net Position

	<b>Governmental Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Current and other assets	\$ 2,822,492	\$ 2,772,935	\$2,822,492	\$2,772,935
Capital assets	3,890,730	3,316,178	3,890,730	3,316,178
Deferred outflows of resources	<u>20,288</u>	<u>55,982</u>	<u>20,288</u>	<u>55,982</u>
Total assets and deferred outflows of resources	<u>6,733,510</u>	<u>6,145,095</u>	<u>6,733,510</u>	<u>6,145,095</u>
Long-term liabilities	16,804	62,820	16,804	62,820
Other liabilities	159,726	261,802	159,726	261,802
Deferred inflows of resources	<u>13,691</u>	<u>9,841</u>	<u>13,691</u>	<u>9,841</u>
Total liabilities and deferred inflows of resources	<u>190,221</u>	<u>334,463</u>	<u>190,221</u>	<u>334,463</u>
Net position:				
Net investment in capital assets	3,890,730	3,316,178	3,890,730	3,316,178
Restricted	39,358	169,478	39,358	169,478
Unrestricted	<u>2,613,201</u>	<u>2,324,976</u>	<u>2,613,201</u>	<u>2,324,976</u>
Total net position	<u>\$ 6,543,289</u>	<u>\$ 5,810,632</u>	<u>\$ 6,543,289</u>	<u>\$ 5,810,632</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Village of Marvin exceeded liabilities and deferred inflows by \$6,543,289 as of June 30, 2018. The Village's net position increased by \$732,657 for the fiscal year ended June 30, 2018. However, the largest portion (59.5%) reflects the Village's net investment in capital assets (e.g. land, sidewalks and easements, buildings, and equipment). The Village of Marvin uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. As of the end of the current fiscal year, the Village does not have any outstanding debt related to the capital assets. An additional portion of the Village of Marvin's net position, \$39,358, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,613,201 is unrestricted.

Several particular aspects of the Village’s financial operations positively influenced the total unrestricted governmental net position:

- Diligence in the collection of property taxes by maintaining a tax collection percentage of 99.84% which continues to exceed the state-wide average.
- Ad valorem tax revenue, unrestricted intergovernmental revenues and fees in lieu of park land all increased over the prior year due to continued growth and the addition of new neighborhoods in the Village.
- Other revenue increased due to the receipt of \$14,450 from NCDOT for the acquisition of a right-of-way easement to construct the roundabout at the Marvin School/ New Town Road intersection.
- The Village made the final payment on its installment purchase loan in February 2018 and has not incurred any additional debt.

	<b><u>Village of Marvin – Changes in Net Position</u></b>			
	<b><u>Governmental</u></b>		<b><u>Total</u></b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Revenues				
Program revenues:				
Charges for services	\$ 79,710	\$ 71,621	\$ 79,710	\$ 71,621
Operating grants and contributions	-	10,168	-	10,168
Capital grants and Contributions	60,600	-	60,600	-
General revenues:				
Property taxes	591,278	565,585	591,278	565,585
Other taxes	651,528	630,062	651,528	630,062
Other	<u>31,140</u>	<u>2,735</u>	<u>31,140</u>	<u>2,735</u>
Total revenues	<u>1,414,256</u>	<u>1,280,171</u>	<u>1,414,256</u>	<u>1,280,171</u>
Expenses:				
General government	758,513	560,592	785,513	560,592
Economic and physical development	50,887	64,469	50,887	64,469
Public safety	351,689	109,711	351,689	109,711
Cultural and recreation	68,585	81,278	68,585	81,278
Interest on long-term debt	<u>725</u>	<u>3,508</u>	<u>725</u>	<u>3,508</u>
Total expenses	<u>1,230,399</u>	<u>819,558</u>	<u>1,230,399</u>	<u>819,558</u>
Increase in net position before transfers	183,857	460,613	123,257	460,613

Net position, July 1	5,810,632	5,350,019	5,810,632	5,350,019
Restatement	<u>548,800</u>	<u>-</u>	<u>548,800</u>	<u>-</u>
Net position, June 30	<u>\$ 6,453,289</u>	<u>\$ 5,810,632</u>	<u>\$6,453,289</u>	<u>\$5,810,632</u>

**Governmental Activities.** Governmental activities increased the Village’s net position by \$183,857, accounting for 100% of the total growth in the net position of the Village of Marvin. Increases in certain revenues, and diligence in controlling costs and managing expenditures contributed to the increase in net position. The Village of Marvin is committed to improving roads and public safety, and entered into two agreements with NCDOT in the current fiscal year to resurface certain subdivision roads and construct a roundabout at the intersection of New Town and Marvin Roads. The Village contributed \$251,919.38 towards the resurfacing project and \$220,000 towards the roundabout project. Subsequent to year end, the Village Council approved a four-year plan to resurface the remaining subdivision roads within the Village.

**Financial Analysis of the Village’s Funds**

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

**Governmental Funds**

The focus of the Village of Marvin’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Village of Marvin’s financing requirements.

The general fund is the chief operating fund of the Village of Marvin. At the end of the current fiscal year, the Village of Marvin’s fund balance available in the General Fund was \$1,411,786, while total fund balance reached \$1,449,806. The Village currently has an available fund balance of 145% of general fund expenditures, while total fund balance represents 149% of the same amount.

At June 30, 2018, the governmental funds of the Village of Marvin reported a combined fund balance of \$2,663,180 with a net increase in fund balance of \$75,921. This change in fund balance is comprised of an increase in fund balance in the general fund, offset by a decrease in the fund balance in the Capital Projects Fund.

**General Fund Budgetary Highlights.** During the fiscal year, the Village revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

There were several reasons the Village revised its budget throughout the year. The Village Council reallocated funds for several expenditures that were not anticipated in the original budget including a planning support staff position, hiring additional off-duty officers to provide traffic control at certain

intersections, hiring a consultant to conduct a land use plan survey, and increased legal fees. Additionally, the Village Council appropriated funds from fund balance for its share of construction costs for a roundabout at the Marvin and New Town Road intersection.

**Capital Asset and Debt Administration**

**Capital Assets.** The Village of Marvin’s investment in capital assets for its governmental activities as of June 30, 2018 total \$3,890,730 (net of accumulated depreciation). These assets include land, right-of-way easements, sidewalks, furniture and equipment, buildings and park facilities. There were no major capital asset transactions during the year.

	Village of Marvin – Capital Assets (Net of Depreciation)	
	Governmental Activities 2018	Governmental Activities 2017
Land and improvements	\$ 1,248,078	\$ 1,248,078
Right-of-way easements	1,696,046	1,086,646
Infrastructure	582,784	596,206
Buildings and improvements	351,152	361,882
Equipment and computers	8,998	17,080
Furniture	2,093	4,643
Leasehold improvements	1,579	1,643
Total	<u>\$ 3,890,730</u>	<u>\$ 3,316,178</u>

Additional information on the Village’s capital assets can be found on page 26 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2018, the Village of Marvin had no debt outstanding.

**Village of Marvin’s Outstanding Debt**

	Governmental Activities	
	2018	2017
Installment purchase	\$ -	\$ 71,428
Compensated absences	1,805	5,846
Net pension liability (LGERS)	16,804	62,810
Total	<u>\$ 18,609</u>	<u>\$ 140,094</u>

The Village of Marvin’s total debt decreased by \$121,485 (86.72%) during the past fiscal year, due to decreases in the net pension liability (LGERS) and compensated absences. In addition, the Village paid off its loan that had been obtained to purchase the land for Marvin-Efird Park.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Village of Marvin is \$94,586,427.

Additional information regarding the Village of Marvin's long-term debt can be found in the Notes to the Financial Statements on page 32.

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

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

- The economy has stimulated construction growth in the Village this fiscal year with ad valorem tax growth of 4.5%. Population growth and new construction continue to increase the Village's tax base.
- The Village's tax rate remained at \$0.05 per \$100 of assessed property value. Excellent collection rates and controlled spending have allowed the Village to hold the tax rate constant.

### **Budget Highlights for the Fiscal Year Ending June 30, 2019**

**Governmental Activities:** The budget allows the Village to continue to carry out its obligations in the General Fund with no proposed property tax increase, as well as no increases in other fees. Budgeted revenues are up by 5% in total over the prior year, with property taxes making up the majority of the increase benefitting from economic growth. Budgeted expenditures in the General Fund are expected to increase slightly as the cost of business has a natural increase and the Village is impacted accordingly.

The Village has no outstanding debt and therefore incurs no interest expense.

### **Request for Information**

This report is designed to provide an overview of the Village'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 Christine Robertson, Finance Officer, Village of Marvin, 10004 New Town Road, Marvin, NC 28173. You can also call 704-843-1680, visit our website at [www.marvinnc.org](http://www.marvinnc.org), or send an email to [finance@marvinnc.org](mailto:finance@marvinnc.org) for more information.

## **Basic Financial Statements**



**Village of Marvin  
Statement of Net Position  
June 30, 2018**

Exhibit 1

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,672,639
Taxes receivable (net)	1,391
Accounts receivable (net)	2,947
Due from other governments	33,995
Prepaid items	900
Restricted cash and cash equivalents	110,620
Total current assets	2,822,492
Non-current assets:	
Capital assets:	
Land and non-depreciable improvements	2,944,124
Other capital assets, net of depreciation	946,606
Total capital assets	3,890,730
Total non-current assets	3,890,730
Total assets	6,713,222
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	20,288
Total deferred outflows of resources	20,288
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	49,717
Deposits in escrow	108,204
Current portion long-term liabilities	1,805
Total current liabilities	159,726
Long-term liabilities:	
Net pension liability	16,804
Total long-term liabilities	16,804
Total liabilities	176,530
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	13,691
Total deferred inflows of resources	13,691
<b>NET POSITION</b>	
Net investment in capital assets	3,890,730
Restricted for:	
Stabilization by State Statute	36,942
Streets	2,416
Unrestricted	2,613,201
Total net position	\$ 6,543,289

The notes to the financial statements are an integral part of this statement.

**Village of Marvin  
Statement of Activities  
For the Year Ended June 30, 2018**

**Exhibit 2**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Other Activities</u>	<u>Total</u>
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 758,513	\$ 18,229	\$ -	\$ -	\$ (740,284)	\$ -	\$ (740,284)
Public safety	351,689	-	-	-	(351,689)	-	(351,689)
Economic and physical development	50,887	4,364	-	-	(46,523)	-	(46,523)
Cultural and recreational	68,585	57,117	-	60,600	49,132	-	49,132
Interest on long-term debt	725	-	-	-	(725)	-	(725)
Total governmental activities	<u>1,230,399</u>	<u>79,710</u>	<u>-</u>	<u>60,600</u>	<u>(1,090,089)</u>	<u>-</u>	<u>(1,090,089)</u>
Total primary government	<u>\$ 1,230,399</u>	<u>\$ 79,710</u>	<u>\$ -</u>	<u>\$ 60,600</u>	<u>\$ (1,090,089)</u>	<u>\$ -</u>	<u>\$ (1,090,089)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					591,278	-	591,278
Other taxes and licenses					651,528	-	651,528
Unrestricted investment earnings					8,572	-	8,572
Restricted investment earnings					152	-	152
Miscellaneous					22,416	-	22,416
Total general revenues and transfers					<u>1,273,946</u>	<u>-</u>	<u>1,273,946</u>
Change in net position					183,857	-	183,857
Net position, beginning, previously reported					5,810,632	-	5,810,632
Restatement					548,800	-	548,800
Net position, beginning, restated					<u>6,359,432</u>	<u>-</u>	<u>6,359,432</u>
Net position, ending					<u>\$ 6,543,289</u>	<u>\$ -</u>	<u>\$ 6,543,289</u>

The notes to the financial statements are an integral part of this statement.

**Village of Marvin  
Balance Sheet  
Governmental Funds  
June 30, 2018**

**Exhibit 3**

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,461,503	\$ 1,211,136	\$ 2,672,639
Restricted cash	108,382	2,238	110,620
Receivables, net:			
Taxes	1,391	-	1,391
Accounts	2,947	-	2,947
Due from other governments	33,995	-	33,995
Prepaid expenses	900	-	900
Total assets	<u>1,609,118</u>	<u>1,213,374</u>	<u>2,822,492</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	49,717	-	49,717
Deposits in escrow	108,204	-	108,204
Total liabilities	<u>157,921</u>	<u>-</u>	<u>157,921</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	1,391	-	1,391
Total deferred inflows of resources	<u>1,391</u>	<u>-</u>	<u>1,391</u>
<b>FUND BALANCES</b>			
Non Spendable			
Prepaid expense	900	-	900
Restricted			
Stabilization by State Statute	36,942	-	36,942
Streets - Powell Bill	178	2,238	2,416
Committed			
Parks and Recreation	142,762	-	142,762
Capital Projects Fund	-	1,211,136	1,211,136
Assigned			
Land acquisition	364,797	-	364,797
Loop projects	127,012	-	127,012
Capital asset replacement	15,659	-	15,659
Future capital projects	7,947	-	7,947
Village signs	20,000	-	20,000
Reserves	161,585	-	161,585
Unassigned	572,024	-	572,024
Total fund balances	<u>1,449,806</u>	<u>1,213,374</u>	<u>2,663,180</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,609,118</u>	<u>\$ 1,213,374</u>	<u>\$ 2,822,492</u>

The notes to the financial statements are an integral part of this statement.

**Village of Marvin**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2018**

**Exhibit 4**

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

Total fund balance - Governmental Funds		\$ 2,663,180
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	4,134,977	
Accumulated depreciation	(244,247)	3,890,730
Deferred outflows of resources related to pensions are not reported in the funds		
		20,288
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Compensated absences	(1,805)	
Net pension liability	(16,804)	(18,609)
Deferred inflows of resources related to pensions are not reported in the funds		
		(13,691)
Earned revenues considered deferred inflows of resources in fund statements		
		1,391
Net position of governmental activities		\$ 6,543,289

The notes to the financial statements are an integral part of this statement.

**Village of Marvin**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

**Exhibit 5**

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects Fund</u>	
<b>REVENUES</b>			
Ad valorem taxes	\$ 591,035	\$ -	\$ 591,035
Unrestricted intergovernmental	514,859	-	514,859
Restricted intergovernmental	136,668	-	136,668
Permits and fees	22,593	-	22,593
Sales and services	15,833	-	15,833
Investment earnings	8,724	-	8,724
Miscellaneous	64,900	-	64,900
Total revenues	<u>1,354,612</u>	<u>-</u>	<u>1,354,612</u>
<b>EXPENDITURES</b>			
Current:			
General government	463,271	293,060	756,331
Public safety	351,689	-	351,689
Economic and physical development	50,887	-	50,887
Cultural and recreational	33,229	14,401	47,630
Debt service:			
Principal	71,429	-	71,429
Interest	725	-	725
Total expenditures	<u>971,230</u>	<u>307,461</u>	<u>1,278,691</u>
Excess (deficiency) of revenues over expenditures	<u>383,382</u>	<u>(307,461)</u>	<u>75,921</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to/from other funds	<u>(311,525)</u>	311,525	-
Total other financing sources (uses)	<u>(311,525)</u>	<u>311,525</u>	<u>-</u>
Net change in fund balance	71,857	4,064	75,921
Fund balances, beginning	<u>1,377,949</u>	<u>1,209,310</u>	<u>2,587,259</u>
Fund balances, ending	<u>\$ 1,449,806</u>	<u>\$ 1,213,374</u>	<u>\$ 2,663,180</u>

The notes to the financial statements are an integral part of this statement.

**Village of Marvin**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2018**

**Exhibit 6**

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

Net changes in fund balances - total governmental funds	\$	75,921
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$	2,504
Contributed capital - non-cash additions	\$	60,600
Disposals, net book value		(147)
Depreciation expense for governmental assets		(37,206)
		25,751
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		9,252
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		242
		242
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt		71,429
		71,429
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		4,041
Pension expense		(2,779)
		1,262
Total changes in net position of governmental activities	\$	183,857

The notes to the financial statements are an integral part of this statement.

**Village of Marvin**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

**Exhibit 7**

	<b>General Fund</b>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 568,900	\$ 568,900	\$ 591,035	\$ 22,135
Unrestricted intergovernmental	465,000	465,000	514,859	49,859
Restricted intergovernmental	132,410	132,410	136,668	4,258
Permits and fees	11,421	13,921	22,593	8,672
Sales and services	7,040	7,040	15,833	8,793
Investment earnings	400	400	8,724	8,324
Miscellaneous	20,175	20,175	64,900	44,725
Total revenues	<u>1,205,346</u>	<u>1,207,846</u>	<u>1,354,612</u>	<u>146,766</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	522,282	526,131	463,271	62,860
Public safety	115,058	369,858	351,689	18,169
Economic and physical development	78,660	81,160	50,887	30,273
Cultural and recreational	114,500	81,200	33,229	47,971
<b>Debt service:</b>				
Principal retirement	71,429	71,429	71,429	-
Interest and other charges	726	726	725	1
Contingency	55,791	50,442	-	50,442
Total expenditures	<u>958,446</u>	<u>1,180,946</u>	<u>971,230</u>	<u>209,716</u>
Revenues over (under) expenditures	<u>246,900</u>	<u>26,900</u>	<u>383,382</u>	<u>356,482</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	<u>(246,900)</u>	<u>(246,900)</u>	<u>(311,525)</u>	<u>(64,625)</u>
Total other financing sources (uses)	<u>(246,900)</u>	<u>(246,900)</u>	<u>(311,525)</u>	<u>(64,625)</u>
Fund balance appropriated	<u>-</u>	<u>220,000</u>	<u>-</u>	<u>(220,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>71,857</u>	<u>\$ 71,857</u>
Fund balances, beginning			<u>1,377,949</u>	
Fund balances, ending			<u>\$ 1,449,806</u>	

The notes to the financial statements are an integral part of this statement.

## **Notes to the Financial Statements**



**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Village of Marvin 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 Village of Marvin, North Carolina, in Union County, was incorporated under the General Statutes of the State of North Carolina in July 1994. It is a municipal corporation that is governed by an elected mayor and a four-member Council. As required by generally accepted accounting principles, these financial statements present only the Village of Marvin, as there were no entities which met the requirements of a reportable component unit.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. The Village only has governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The Village reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Village. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various state-shared revenues. The primary expenditures are for public safety, zoning, and general governmental services.

**Capital Projects Fund.** This fund is used for the construction, rehabilitation and acquisition of major capital assets, such as buildings, equipment, roads and greenways.

**C. Measurement Focus and Basis of Accounting**

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

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**I. Summary of Significant Accounting Policies (continued)**

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

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

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

The Village considers all revenues available if they are collected within 60 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 Village are recognized as revenue. Sales taxes are considered shared revenue for the Village 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 Village 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 Village's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**I. Summary of Significant Accounting Policies (continued)**

**D. Budgetary Data**

The Village's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the Village Council, and the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

All deposits of the Village are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Village may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the Village 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 Village 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 Village's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT - Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT - Term Portfolio's securities are valued at fair value.

**2. Cash and Cash Equivalents**

The Village pools money from both funds to facilitate disbursements and investments, and to maximize investment income, and considers all cash and investments to be cash and cash equivalents.

**3. Restricted Assets**

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

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**I. Summary of Significant Accounting Policies (continued)**

*Restricted Cash*

Governmental Activities	
General Fund	
Powell Bill	\$          178
Escrow deposits	108,204
Capital Projects Fund	
Powell Bill	<u>2,238</u>
Total Restricted Cash	<u>\$      110,620</u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Village levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017.

**5. Allowance for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. No allowance for doubtful accounts was required as of June 30, 2018.

**6. Prepaid Items**

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

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land and right-of-way easements, \$10,000; buildings, improvements, substations, lines and other plan and distributions systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$1,000; and vehicles, \$10,000. 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. All other purchased or constructed capital assets are recorded at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Years</u>
Infrastructure	50
Improvements	39
Furniture and Equipment	7
Computer equipment	5 - 7

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**I. Summary of Significant Accounting Policies (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 Village has one item that meets this criterion: pension deferrals in the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village has several items that meet the criterion for this category – property taxes receivable, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

10. Compensated Absences

The vacation policy of the Village provides for the accumulation of up to ten days earned vacation leave with such leave being fully vested when earned. For the Village's governmental-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Village 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 Village'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 Village 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; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

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.

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**I. Summary of Significant Accounting Policies (continued)**

The governmental fund types classify fund balances as follows:

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

Prepaid Expenditures – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not expendable, available resources.

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

Committed for Parks and Recreation – committed for parks and recreation.

Capital Projects Fund – committed to construction, rehabilitation and acquisition of major capital assets, such as buildings, equipment, roads, and greenways.

Assigned Fund Balance – portion of fund balance that the Village of Marvin council intends to use for specific purposes.

Assigned for Land Acquisition – portion of fund balance that has been assigned by the Village Council for expenditures related to the purchase of land for the Village.

Assigned for Loop Projects – portion of fund balance that has been assigned by the Village Council for expenditures related to the Village of Marvin's Loop located in the Village.

Assigned for Capital Asset Replacement – portion of fund balance that has been assigned by the Village Council for expenditures related to the purchase of capital assets for the Village.

Assigned for Village Signs – portion of fund balance that has been assigned by the Village Council for the design and purchase of signs welcoming visitors to the Village of Marvin.

Assigned for Reserves – portion of fund balance that has been assigned by Village Council as a percentage of current year budgeted expenditures in accordance with internal financial policy.

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**I. Summary of Significant Accounting Policies (continued)**

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 in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

**12. Defined Benefit Cost-Sharing Plans**

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 Village of Marvin's employer contributions are recognized when due and the Village 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.

**13. Management Estimates**

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

**II. Stewardship, Compliance, and Accountability**

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

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

The Village of Marvin is required to comply with the requirements of North Carolina General Statute 159, Article 3, which requires the Village to adopt a budget prior to the start of a new fiscal year. The Budget Ordinance for fiscal year 2018/2019 was not adopted until July 10, 2018. For the period of July 1, 2018 through July 10, 2018, the Village temporarily suspended operations until the budget was adopted, however the Village contract with Union County for law enforcement services was still in force. Due to the suspended operations, residents were not allowed access to the Village park or allowed into Village Hall to do business with the Village.

**2. Contractual Violations**

None

**B. Deficit in Fund Balance or Net Position of Individual Funds**

None

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II. Stewardship, Compliance, and Accountability (continued)**

C. Excess of Expenditures over Appropriations

During the year, transfers were made from the General Fund to the Capital Projects Fund. These transfers violated State law [G.S. 159-28(b)] because the transfers to the Capital Projects Fund were in excess of the amounts appropriated in the budget ordinance.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Village 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 Village's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Village, these deposits are considered to be held by the Village's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Village or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Village under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Village 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 Village complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2018, the Village's deposits had a carrying amount of \$2,783,070 and a bank balance of \$2,786,696. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2018, the Village's petty cash fund totaled \$189.



**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**III. Detail Notes on All Funds (continued)**

**2. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2018 was as follows:

	(Restated) July 1, 2017	Additions	Retirements	June 30, 2018
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 1,248,078	\$ -	\$ -	\$ 1,248,078
Right-of-way easements	1,635,446	60,600	-	1,696,046
Total capital assets not being depreciated	<u>2,883,524</u>	<u>60,600</u>	<u>-</u>	<u>2,944,124</u>
<b>Capital assets being depreciated:</b>				
Leasehold improvements	2,513	-	-	2,513
Buildings and improvements	418,452	-	-	418,452
Infrastructure	671,078	-	-	671,078
Equipment and computers	86,316	2,504	15,840	72,980
Furniture	25,830	-	-	25,830
Total capital assets being depreciated	<u>1,204,189</u>	<u>2,504</u>	<u>15,840</u>	<u>1,190,853</u>
<b>Less accumulated depreciation:</b>				
Leasehold improvements	870	64	-	934
Buildings and improvements	56,570	10,730	-	67,300
Infrastructure	74,872	13,422	-	88,294
Equipment and computers	69,236	10,440	15,694	63,982
Furniture	21,187	2,550	-	23,737
Total accumulated depreciation	<u>222,735</u>	<u>\$ 37,206</u>	<u>\$ 15,694</u>	<u>244,247</u>
Total capital assets being depreciated, net	<u>981,454</u>			<u>946,606</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 3,864,978</u>			<u>\$ 3,890,730</u>

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

General government	\$ 22,475
Cultural and recreational	<u>14,731</u>
Total depreciation expense	<u>\$ 37,206</u>

**Construction Commitments**

The Village has active construction projects as of June 30, 2018. At year-end, the Village's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Village Hall	\$92,693	11,943

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**III. Detail Notes on All Funds (continued)**

B. Liabilities

1. Accounts Payable – Disaggregate Information

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 45,528	\$ 4,190	\$ 49,718
Total governmental activities	<u>\$ 45,528</u>	<u>\$ 4,190</u>	<u>\$ 49,718</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The Village of Marvin 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 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](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**III. Detail Notes on All Funds (continued)**

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Village of Marvin employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Village's contractually required contribution rate for the year ended June 30, 2018 was 7.50% of compensation for general employees, 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 Village were \$9,252 for the year ended June 30, 2018.

*Refunds of Contributions* – Village 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, 2018, the Village reported a liability of \$16,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Village's proportion of the net pension liability was based on a projection of the Village'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, 2017, the Village's proportion was 0.00110%, which was a decrease of 0.00186% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized pension expense of \$2,779. At June 30, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 968	\$ 476
Changes of assumptions	2,400	-
Net difference between projected and actual earnings on pension plan investments	4,081	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	3,587	13,215
Village contributions subsequent to the measurement date	9,252	-
Total	\$ 20,288	\$ 13,691

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**III. Detail Notes on All Funds (continued)**

\$9,252 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (1,987)
2020	3,275
2021	(603)
2022	(3,341)
2023	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 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	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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, 2017 are summarized in the following table:

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**III. Detail Notes on All Funds (continued)**

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 7.20%. 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 Village's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Village's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the Village's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
Village's proportionate share of the net pension liability (asset)	\$ 50,449	\$ 16,804	\$ (11,277)

*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.

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**III. Detail Notes on All Funds (continued)**

*3. Deferred Outflows and Inflows of Resources*

The Village has several deferred outflow of resources. Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$	9,252
Differences between expected and actual experience		968
Changes of assumptions		2,400
Net difference between projected and actual		4,081
Changes in proportion and differences between employer contributions and proportionate share of contributions		3,587
Total	<u>\$</u>	<u>20,288</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$ 1,391
Differences between expected and actual experience	476	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,215	-
Total	<u>\$ 13,691</u>	<u>\$ 1,391</u>

*4. Risk Management*

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; including flood insurance; errors and omissions; injuries to employees; and natural disasters. The Village participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village obtains general liability and auto liability coverage of \$5 million and \$1 million per occurrence, respectively, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Village upon request.

The Village carries commercial insurance for all risks of loss, with the exception of flood. The Village's offices are not located in a flood plain; therefore flood insurance is not deemed a necessity. Settled claims have not exceeded commercial insurance covered in any of the past three fiscal years.

In accordance with G.S. 159-29, the Village's employees are performance bonded through a commercial surety bond. The Village carries a fidelity bond on the finance officer and tax collector, in the amount of \$100,000 and \$60,000, respectively, and \$10,000 for all other employees.

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**III. Detail Notes on All Funds (continued)**

*5. Claims, Judgments and Contingent Liabilities*

At June 30, 2018, the Village was a defendant in to various lawsuits. In the opinion of the Village's management and the Village attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Village's financial position.

*6. Long-Term Obligations*

**a. Operating Leases**

In October 2003, the Village entered into a one year lease for office space. The lease expired in September 2004 and is renewed monthly. Lease expense for the year ended June 30, 2018 totaled \$10,980.

In September 2014, the Village entered into a five year lease for office equipment. The lease expires in August 2019. Lease expense for the year ended June 30, 2018 totaled \$2,208.

The future minimum lease obligations of these minimum lease payments are as follows:

<u>Year Ending June 30</u>	
2019	\$ 2,208
2020	368

**b. Installment Obligation**

In February 2011, the Village obtained a \$750,000 loan from a financial institution to purchase land for a future municipal park. The loan agreement required 84 monthly payments of \$8,928, plus interest through February 2018. The annual interest rate is 2.71%. The obligation was paid in full as of June 30, 2018.

**c. Changes in Long-Term Liabilities**

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
Compensated absences	\$ 5,846	\$ -	\$ 4,041	\$ 1,805	\$ 1,805
Net pension liability (LGERS)	62,810	-	46,016	16,804	-
Installment purchase	<u>71,428</u>	<u>-</u>	<u>71,428</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	\$ <u>140,094</u>	\$ <u>-</u>	\$ <u>121,485</u>	\$ <u>18,609</u>	\$ <u>1,805</u>

**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**III. Detail Notes on All Funds (continued)**

*7. Interfund Balance and Activity*

Transfers to/from other funds at June 30, 2018 consist of the following:

From the General Fund to the Capital Projects Fund for Road Improvements	\$ 261,875
From the General Fund to the Capital Projects Fund for Greenway trails construction and maintenance	<u>49,650</u>
Total	<u>\$ 311,525</u>

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

**C. Fund Balance**

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

<u>Total Fund Balance - General Fund</u>	<u>\$ 1,449,806</u>
Less:	
Prepaid expenditures	900
Stabilization by State Statute	36,942
Streets - Powell Bill	178
Parks and Recreation	142,762
Land acquisition	364,797
Loop projects	127,012
Capital asset replacement	15,659
Future capital projects	7,947
Village signs	20,000
Reserves	<u>161,585</u>
Remaining Fund Balance	<u>\$ 572,024</u>

**D. Interlocal Agreements**

In February 2005, the Village entered into an interlocal agreement with the county for law enforcement services. This contract is renewed annually. The amount expended for the year ending June 30, 2018 was 88,058.

**E. Restatement**

During the fiscal year ended June 30, 2018, the Village determined that certain donated easements were omitted from the Statement of Net Position (Exhibit 1) in prior years. The Net Position should have been increased by the value of these easements at the date of donation. To correct this oversight, the Net Position was restated by \$548,800 as reconciled on the Statement of Activities (Exhibit 2).



**VILLAGE OF MARVIN**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**III. Detail Notes on All Funds (continued)**

**F. Related Party Transactions**

A Company owned by an elected official is in the land development / construction business and has activities within the village limits. As of June 30, 2018, the elected official's company has paid \$102,204 to the village's escrow account as a performance surety.

**G. Significant Effects of Subsequent Events**

Management has evaluated subsequent events through November 15, 2018, the date the financial statements were made available to be issued. No subsequent events of note occurred during this period.

### Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

**Village of Marvin**  
**Village of Marvin's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Five Fiscal Years**  
**From Inception and For the Fiscal Year Ended June 30, 2018**

**Local Government Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Marvin's proportion of the net pension liability (asset) (%)	0.00110%	0.00296%	0.00370%	0.00245%	0.00300%
Marvin's proportion of the net pension liability (asset) (\$)	\$ 16,804	\$ 62,820	\$ 16,605	\$ (14,449)	\$ 36,162
Marvin's covered payroll	\$ 123,364	\$ 140,811	\$ 128,510	\$ 155,123	\$ 109,079
Marvin's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.62%	44.61%	12.92%	-9.31%	33.15%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	96.09%	102.64%	94.35%

This schedule will not present ten years' worth of fiscal information until 2024.

The notes to the financial statements are an integral part of this statement.

**Village of Marvin  
Village of Marvin's Contributions  
Required Supplementary Information  
Last Five Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 9,252	\$ 10,209	\$ 11,754	\$ 15,179	\$ 8,061
Contributions in relation to the contractually required contribution	<u>9,252</u>	<u>10,209</u>	<u>11,754</u>	<u>15,179</u>	<u>8,061</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Marvin's covered payroll	\$ 123,364	\$ 140,811	\$ 128,510	\$ 155,123	\$ 109,079
Contributions as a percentage of covered payroll	7.50%	7.25%	9.15%	9.79%	7.39%

This schedule will not present ten years' worth of fiscal information until 2024.

The notes to the financial statements are an integral part of this statement.

**Individual Fund Statements  
and Schedules**

**Village of Marvin**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Fiscal Year Ended June 30, 2018**

**Schedule 1**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Current year ad valorem taxes	\$ 524,000	\$ 540,985	\$ 16,985
Motor vehicle taxes	44,800	49,425	4,625
Penalties and interest	100	625	525
Total	<u>568,900</u>	<u>591,035</u>	<u>22,135</u>
Unrestricted intergovernmental:			
Beer and wine tax	25,000	29,219	4,219
Utilities sales tax	280,000	307,621	27,621
Local option sales tax	160,000	178,019	18,019
Total	<u>465,000</u>	<u>514,859</u>	<u>49,859</u>
Restricted intergovernmental:			
Powell Bill allocation	132,410	136,668	4,258
Total	<u>132,410</u>	<u>136,668</u>	<u>4,258</u>
Permits and fees:			
Zoning fees	13,921	22,593	8,672
Total	<u>13,921</u>	<u>22,593</u>	<u>8,672</u>
Sales and services:			
Recreation department fees	7,040	15,833	8,793
Total	<u>7,040</u>	<u>15,833</u>	<u>8,793</u>
Investment earnings	400	8,724	8,324
Other:			
Fee in lieu of green space	20,000	42,484	22,484
Miscellaneous revenues	175	22,416	22,241
Total	<u>20,175</u>	<u>64,900</u>	<u>44,725</u>
Total revenues	<u>1,207,846</u>	<u>1,354,612</u>	<u>146,766</u>

**Village of Marvin**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

**Schedule 1**  
**cont**

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General government:			
Administration:			
Salaries and employee benefits	318,664	278,347	40,317
Stipends - Mayor, Council & Boards	35,100	29,750	5,350
Professional services	73,700	69,995	3,705
Training	8,300	6,252	2,048
Dues and subscriptions	13,342	12,319	1,023
Elections	4,500	4,448	52
Furniture and equipment	2,996	1,913	1,083
Gifts	500	318	182
Insurance and bonds	13,200	12,486	714
Occupancy	27,726	19,340	8,386
Office expenses and supplies	25,599	25,599	-
Capital outlay	2,504	2,504	-
Total	<u>526,131</u>	<u>463,271</u>	<u>62,860</u>
Public safety:			
Police:			
Professional services	88,058	88,058	-
Other operating expenditures	281,800	263,631	18,169
Total	<u>369,858</u>	<u>351,689</u>	<u>18,169</u>
Economic and physical development:			
Zoning:			
Other operating expenditures	81,160	50,887	30,273
Total	<u>81,160</u>	<u>50,887</u>	<u>30,273</u>
Cultural and recreational:			
Community events	10,800	7,539	3,261
Park operations	35,200	25,690	9,510
Capital outlay	35,200	-	35,200
Total	<u>81,200</u>	<u>33,229</u>	<u>47,971</u>

**Village of Marvin**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

**Schedule 1**  
**cont**

	Budget	Actual	Variance Positive (Negative)
Debt Services:			
Principal retirement	71,429	71,429	-
Interest	726	725	1
Total	72,155	72,154	1
Contingency	50,442	-	50,442
Total	50,442	-	50,442
Total expenditures	1,180,946	971,230	209,716
Revenues over (under) expenditures	26,900	383,382	356,482
<b>Other financing sources (uses):</b>			
Transfer from General Fund	(246,900)	(311,525)	(64,625)
Total	(246,900)	(311,525)	(64,625)
Fund balance appropriated	220,000	-	(220,000)
Net change in fund balance	\$ -	71,857	\$ 71,857
Fund balances, beginning		1,377,949	
Fund balances, ending		\$ 1,449,806	



**Village of Marvin  
Capital Projects Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2018**

**Schedule 2**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>					
Village Hall:					
Construction	964,425	65,955	29,066	95,021	869,404
Total Village Hall	<u>964,425</u>	<u>65,955</u>	<u>29,066</u>	<u>95,021</u>	<u>869,404</u>
Marvin Loop Extensions:					
Loop Extensions	72,500	7,897	270	8,167	64,333
Total Marvin Loop Extensions	<u>72,500</u>	<u>7,897</u>	<u>270</u>	<u>8,167</u>	<u>64,333</u>
Tullamore Parking Lot/Trail:					
Construction	55,000	40,702	14,401	55,103	(103)
Total Tullamore Parking Lot/Trail	<u>55,000</u>	<u>40,702</u>	<u>14,401</u>	<u>55,103</u>	<u>(103)</u>
Farmers' Market:					
Construction	25,000	-	-	-	25,000
Total Farmers' Market	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Greenway Trails Construction/Maint:					
Construction & Maintenance	46,600	-	-	-	46,600
Total Greenway Const/Maint	<u>46,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,600</u>
Road Improvements:					
Road Improvements	486,875	15,011	263,724	278,735	208,140
Total Road Improvements	<u>486,875</u>	<u>15,011</u>	<u>263,724</u>	<u>278,735</u>	<u>208,140</u>
Total Expenditures	<u>1,650,400</u>	<u>129,565</u>	<u>307,461</u>	<u>437,026</u>	<u>1,213,374</u>
Revenues over (under) expenditures	<u>(1,650,400)</u>	<u>(129,565)</u>	<u>(307,461)</u>	<u>(437,026)</u>	<u>(1,213,374)</u>
Other financing sources:					
Transfer from General Fund	1,650,400	1,338,875	311,525	1,650,400	-
Total other financing sources	<u>1,650,400</u>	<u>1,338,875</u>	<u>311,525</u>	<u>1,650,400</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,209,310</u>	4,064	<u>\$ 1,213,374</u>	<u>\$ (1,213,374)</u>
Fund balance, beginning			1,209,310		
Fund balance, ending			<u>\$ 1,213,374</u>		

## **Other Schedules**

**Village of Marvin**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2018**

**Schedule 3**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 591,419	\$ 590,475	\$ 944
2016-2017	873	-	701	172
2015-2016	181	-	-	181
2014-2015	94	-	-	94
2013-2014	-	-	-	-
2012-2013	-	-	-	-
2011-2012	-	-	-	-
2010-2011	-	-	-	-
2009-2010	-	-	-	-
2008-2009	-	-	-	-
2007-2008	-	-	-	-
	<u>\$ 1,148</u>	<u>\$ 591,419</u>	<u>\$ 591,176</u>	<u>\$ 1,391</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 591,035
Refunds, releases of prior years' taxes	3,879
Interest and penalties collected	(625)
Adjustments	<u>(3,113)</u>
Total collections and credits	<u>\$ 591,176</u>

**Village of Marvin  
Analysis of Current Tax Levy  
Village-Wide Levy  
June 30, 2018**

**Schedule 4**

	Village-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 1,175,868,157	\$ 0.050	\$ 588,188	\$ 538,091	\$ 50,097
Discoveries	6,553,580	0.050	3,277	3,277	-
Releases	(91,400)	0.050	(46)	(46)	
Total property valuation	<u>\$ 1,182,330,337</u>				
Net levy			<u>591,419</u>	<u>541,322</u>	<u>50,097</u>
Uncollected taxes at June 30, 2018			<u>(944)</u>	<u>(846)</u>	<u>(98)</u>
Current year's taxes collected			<u>\$ 590,475</u>	<u>\$ 540,476</u>	<u>\$ 49,999</u>
Current levy collection percentage			<u>99.84%</u>	<u>99.84%</u>	<u>99.80%</u>

## **Compliance Section**

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

**Independent Auditors' Report**

To the Honorable Mayor and  
Members of the Village Council  
Village of Marvin, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Marvin, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Village of Marvin's basic financial statements, and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Marvin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Marvin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal

control, described in the accompanying schedule of findings and responses as items 2018-1 and 2018-3, which we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Marvin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-1 and 2018-2.

#### Village of Marvin's Response to Findings

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

#### Purpose of this Report

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

*Collins, Boike & Moore, PA*

Monroe, North Carolina  
November 15, 2018

**VILLAGE OF MARVIN  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018**

**Section I. Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(s)?        Yes   X   None reported

Non-compliance material to financial statements noted?

  X   Yes        No

**Section II. Financial Statement Findings**

**Finding: 2018-1 Failure to Timely Adopt Budget Ordinance**

Material Weakness

Material Noncompliance

Criteria: G.S. 159-13(a) requires the governing board to adopt the budget ordinance prior to July 1 and G.S. 159-8 requires that all monies expended by local governments should be budgeted.

Condition: The Village did not adopt the budget ordinance for fiscal year 2018/2019 until July 10, 2018. The Village temporarily suspended operations. During this time the Village's contract for law enforcement services was active. The Village had several automatic withdrawals clear the bank account and one check dated during the shutdown period. Salaried employees were paid their normal salaries but the check date was after the shutdown period. Hourly employees were not paid during the shutdown period, but were given a bonus after the shutdown period was over in the amount of what they would have earned.

Effect: When the Village operations were suspended, this denied residents access to the park and their ability to do business with the Village. Expenditures were made or accrued in excess of resources due to the lack of a budget.



Cause: The Village Council did not have enough members present to make a quorum to adopt the budget prior to July 1.

Recommendation: Village Council should make every effort possible to obtain a quorum to adopt the budget in a timely manner.

Views of responsible officials and planned corrective actions: Village Council and staff fully recognize the requirement of compliance with NCGS 159-13(a) and 159-8 requiring all municipalities to have an adopted budget by July 1<sup>st</sup> and for all monies expended to be budgeted. Village staff adopted a budget schedule last year with full intentions of having a balanced budget adopted well before July. We recognize the level of trust the public embodies in the governing board to assure public interest is at the upmost core of decision making, and that personal interests and time constraints must be duly balanced.

Contractual obligations were continued to be paid (including that of law enforcement and salaried positions) and hourly personnel were compensated in the form of a bonus given after the government re-opened in order to not frustrate compliance with expenditures during a government closure; this was done after consultation with the School of Government. All such payments were made upon resuming operations of the Village after the budget was passed. Although several automatic withdrawals cleared the bank, and one check was dated during the shutdown period due to a data entry mistake, no payments were actually conducted during the shutdown.

Staff and Council will commit to an aggressive budget schedule for all subsequent years, putting personal time constraints aside to assure necessary quorums are made, to assure a balanced budget is adopted before July 1<sup>st</sup>.

## **Finding: 2018-2 Budget Ordinance Violation**

### Material Noncompliance

Criteria: G.S. 159-8(a) states that all monies received and expended by a local government or public authority should be included in the budget ordinance.

Condition: Village of Marvin transferred \$64,625 more from the General Fund to the Capital Projects Fund than appropriated in the annual budget ordinance.

Effect: Monies were spent that had not been appropriated.

Cause: The Village was allocating monies from the General Fund to the Capital Projects Fund for existing projects and did not properly budget the transfer in the appropriate transfer line item.

Recommendation: Budget amendments should be adopted prior to transferring monies

between funds.

Views of responsible officials and planned corrective actions: Pursuant to NCGS 159-8(a), any public monies spent must be included in the annual budget ordinance; this shall include any funds appropriated for a capital project ordinance from Fund Balance. Staff was unaware of the requirement to initially appropriate the funds into the annual budget ordinance before transferring them to the capital project ordinance.

On August 3, 2017, Council adopted ordinance 2017-08-03 to appropriate \$5,000 of Fund Balance in a Greenway and Trails Capital Project Ordinance; on December 12, 2017, Council adopted ordinance 2017-12-01 to appropriate \$2,000 of Fund Balance in a Greenway and Trails Capital Project Ordinance; on March 13, 2018, Council adopted ordinance 2018-03-02 to appropriate \$29,875 of Fund Balance in a Road Maintenance Project Ordinance and ordinance 2018-03-01 to appropriate \$27,750 of Fund Balance in a Greenway and Trails Capital Project Ordinance. These ordinances total \$64,625 of funds that were appropriated directly from Fund Balance into capital project ordinances without being first appropriated and expended within the annual budget ordinance.

It shall be noted there were no monies being spent without appropriate approvals for the expenditures rather Council approved these expenditures as amendments to capital project budgets instead of as amendments to the annual budget ordinance. Staff will proceed with amendments to the annual operating budget shall future Fund balance appropriations be needed for capital projects.

### **Finding: 2018-3 Financial Statement Preparation**

#### Material Weakness

Criteria: Management is responsible for establishing and maintaining internal controls for the fair presentation of the financial statements including the related disclosures, in conformity with the U.S. generally accepted accounting principles (GAAP).

Condition: The Village does not have an internal control policy in place over annual financial statement reporting that would enable management to prepare its annual financial statements including the Schedule of Expenditures of Federal and State Awards (SEFSA) and ensure related footnote disclosures are complete and presented in accordance with GAAP. Management has informed us they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures and SEFSA.

Effect: The potential exists that a material misstatement of the annual financial statements and SEFSA could occur and not be prevented or detected by the Village's internal controls.

Cause: The Village relies on the audit firm to prepare the annual financial statements including the SEFSA and footnote disclosures. However, they have reviewed and approved

the annual financial statements and related footnote disclosures.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of responsible officials and planned corrective actions: We understand the lack of internal controls with regard to our annual financial statement reporting. Unfortunately, this is an area where small municipalities struggle due to limited staffing. We will continue to monitor this and will assess the needs of hiring additional finance personnel or hiring third party financial statement preparers as funding sees appropriate.

**VILLAGE OF MARVIN  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

None

**Village of Marvin**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2018**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass- through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to sub recipients	Local Expenditures
<b>Federal Awards:</b>						
none						
<b>State Grants:</b>						
<b>Cash Assistance:</b>						
<u>N.C. Department of Transportation</u>						
Powell Bill	n/a	57173	-	251,919	-	-
Total Assistance - State Programs			-	251,919	-	-
Total Assistance			\$ -	\$ 251,919	\$ -	\$ -

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

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Village of Marvin under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. Because the Schedule presents only a selected portion of the operations of the Village of Marvin, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village of Marvin.

**2. Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.