

**Village of Marvin
Marvin, North Carolina**

Audited Financial Statements

Year Ended June 30, 2019

Village of Marvin, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2019

VILLAGE COUNCIL MEMBERS

Joseph E. Pollino, Jr., Mayor

Nick Dispenziere, Mayor Pro Tempore

Robert Epps

Mary Shkut

Kim Vandenberg

ADMINISTRATIVE AND FINANCIAL STAFF

Christina Amos, Village Administrator

Christine Robertson, Finance Officer

Nancy Schneeberger, Tax Collector

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June 30, 2019**

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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Marvin, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Marvin, North Carolina as of June 30, 2019, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year 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 11, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 35 and 36 respectively. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, North Carolina. The individual fund financial statements, budgetary schedules, and other schedules are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules, and other schedules 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. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in, all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019 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 grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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' internal control over financial reporting and compliance.



Lumberton, North Carolina
October 14, 2019

Management's Discussion and Analysis

**Village of Marvin, North Carolina
Management's Discussion and Analysis
June 30, 2019**

Management's Discussion and Analysis

As management of the Village of Marvin, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village of Marvin for the fiscal year ending June 30, 2019. We encourage readers to read 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

- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$626,113, or approximately 65.74% of the total general fund expenditures for the year. This is an increase over the prior year where unassigned fund balance was 58.9% of total expenditures. Unassigned fund balance as a percentage of total expenditures has consistently exceeded the Village Council's goal of 8% as set in its fund balance policy enacted in June, 2012.
- As of the close of the current fiscal year, the Village of Marvin's governmental funds reported combined ending fund balances of \$2,646,571. While the Village was budgeted to use \$70,000 of fund balance for current year operations, the actual decrease was only \$16,609 for the current fiscal year.
- As of June 30, 2019, the Village of Marvin had \$1,970,231 in fund balances that were either committed or assigned for particular purposes, such as Capital Projects, Parks and Recreation, Land Acquisition, Road Improvements and Loop Projects.
- The assets and deferred outflows of the Village of Marvin exceeded its liabilities and deferred inflows at the close of the fiscal year by \$6,504,168 (net position).
- The Village of Marvin's total net position decreased by \$39,121, which represents less than 1% of the net position. This was due to a decrease in the amount of development and infrastructure revenue received in the current fiscal year
- The Village of Marvin is self-funded and does not have any outstanding debt.
- The Village of Marvin's approved Capital Improvement Plan has \$108,600 of fully funded Capital Projects for fiscal year 2020. The Capital Improvement Plan includes projects proposed for the following years which are anticipated to be fully funded:
 - FY 2021 \$ 67,500
 - FY 2022 \$ 135,000
 - FY 2023 \$ 60,000
 - FY 2024 \$ 87,500
 - After 2024 \$ 340,000

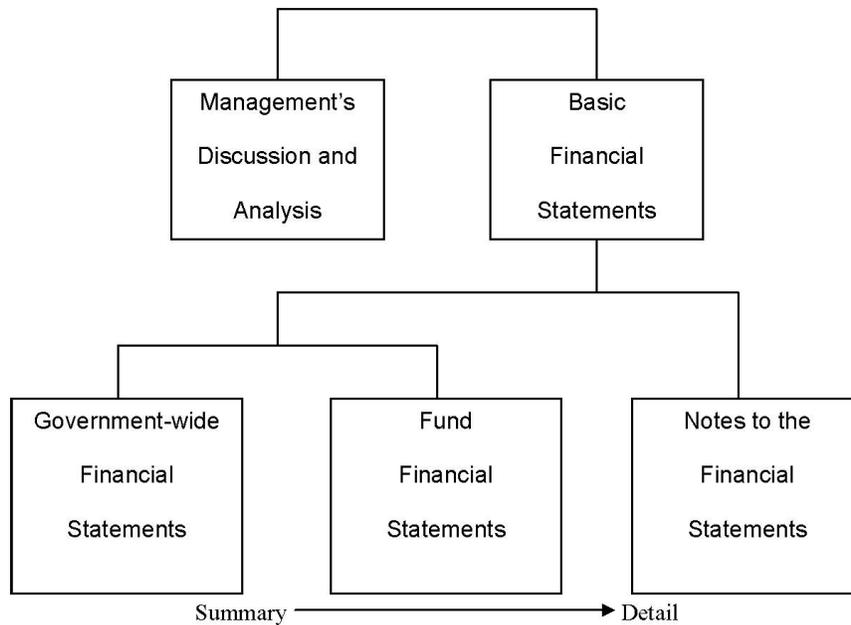
Village of Marvin, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Marvin's basic financial statements. The Village's basic financial statements comprise 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 also contains other supplementary 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



Village of Marvin, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Basic Financial Statements

The first two statements 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 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 to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show additional details about the Village's individual funds. Budgetary information required by the North Carolina General Statutes can also 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, in a manner similar to the 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 governmental activities include most of the Village's basic services such as general government, public safety, general administration, and parks and recreation. Property taxes and State and federal grant funds finance most of these activities.

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

Fund Financial Statements. The fund financial statements (see Figure 1) provide a more detailed look at the 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 state and local governments, 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 type – the governmental fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Village's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the 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 Board 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.

Village of Marvin, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Governmental Funds (continued). 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 board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-34 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's Net Position
Figure 2

	Governmental Activities 2019	Governmental Activities 2018
Current and other assets	\$ 2,713,271	\$ 2,822,492
Capital assets	3,863,247	3,890,730
Total assets	6,576,518	6,713,222
Deferred Outflows of Resources	40,729	20,288
Current liabilities	69,902	159,726
Long-term liabilities	34,636	16,804
Total liabilities	104,538	176,530
Deferred Inflows of Resources	8,541	13,691
Net position		
Net investment in capital assets	3,863,247	3,890,730
Restricted	49,327	39,358
Unrestricted	2,591,594	2,613,201
Total net position	\$ 6,504,168	\$ 6,543,289

Village of Marvin, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Government-Wide Financial Analysis (continued)

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 \$6,504,168 as of June 30, 2019. The Village's net position decreased by \$39,121 for the fiscal year ended June 30, 2019. The largest portion of the Village's net position (59.4%) 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, \$49,327, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,591,594 is unrestricted.

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

- Diligence in the collection of property taxes by maintaining a tax collection percentage of 99.82% which continues to exceed the state-wide average.
- Ad valorem tax revenue increased over the prior year due to continued growth and the addition of new neighborhoods in the Village.
- The Village has not incurred any new debt in the current fiscal year.
- Total expenses increased, largely due to a commitment to Capital Project plans related to Village infrastructure.

**Village of Marvin, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019**

Government-Wide Financial Analysis (continued)

**Village of Marvin's Changes in Net Position
Figure 3**

	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 46,589	\$ 79,710
Operating grants and contributions	-	-
Capital Grants and contributions	-	60,600
General revenues:		
Property taxes	608,784	591,278
Other taxes	667,620	651,528
Other	13,864	31,140
Total revenues	<u>1,336,857</u>	<u>1,414,256</u>
Expenses:		
General government	1,150,937	758,513
Economic and physical develop.	51,193	50,887
Public safety	120,599	351,689
Cultural and recreation	53,249	68,585
Interest on long-term debt	-	725
Total expenses	<u>1,375,978</u>	<u>1,230,399</u>
Increase in net position before transfers	(39,121)	183,857
Transfers	-	-
Increase in net position	<u>(39,121)</u>	<u>183,857</u>
Net position, beginning	6,543,289	5,810,632
Restatement	-	548,800
Net position, beginning, restated	6,543,289	6,359,432
Net position - June 30	<u>\$ 6,504,168</u>	<u>\$ 6,543,289</u>

Governmental activities. Governmental activities decreased the Village's net position by \$39,121, accounting for 100% of the total decrease in the net position of the Village of Marvin. The Village of Marvin is committed to improving roads and public safety. Expenses of \$400,755 were paid during the fiscal year to continue the Village's capital project endeavors.

Village of Marvin, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Financial Analysis of the Government'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 \$626,113. The Village currently has an available fund balance of 65.74% of general fund expenditures.

At June 30, 2019, the governmental funds of the Village of Marvin reported a combined fund balance of \$2,646,571 with a net decrease in fund balance of \$16,609. 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 allocating additional resources dedicated to the planning department, increased legal fees, increased auditor fees, and additional funds for the annual tree lighting event.

Capital Assets and Debt Administration

The Village of Marvin's investment in capital assets for its governmental activities as of June 30, 2019 total \$3,863,247 (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, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019**

**Village of Marvin's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities	
	2019	2018
Land & improvements	\$ 1,248,078	\$ 1,248,078
Right-of-way easements	1,696,046	1,696,046
Infrastructure	569,362	582,784
Buildings and improvements	340,422	351,152
Equipment and computers	6,962	8,998
Furniture	863	2,093
Leasehold improvements	1,514	1,579
Total capital assets, net	\$ 3,863,247	\$ 3,890,730

Additional information on the Village's capital assets can be found in the notes on page 26 of this report.

Long-term Liabilities. As of June 30, 2019, the Village of Marvin had the following long-term liabilities outstanding:

**Village of Marvin's Outstanding Liabilities
Figure 5**

	Governmental Activities	
	2019	2018
Net pension liability (LGERS)	\$ 34,636	\$ 16,804
Compensated absences	4,872	1,805
Total outstanding long-term liabilities	\$ 39,508	\$ 18,609

The Village of Marvin's long-term liabilities increased by \$20,899 (112.31%) during the past fiscal year, due to increases in the net pension liability (LGERS) and compensated absences.

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 \$97,266,161. Additional information regarding the Village of Marvin's long-term liabilities can be found in the Notes to the Financial Statements beginning on page 32.

Village of Marvin, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Economic Factors and Next Year's Budgets and Rates

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

- Population Growth. The Village continues to see new construction and population growth resulting in an increase in the Village's tax base. Since 2002, the Village's population has experienced a growth rate of over 308%.
- Employment. The Village benefits from Union County's continued economic development efforts which has seen growth this past year in commercial and industrial projects, and the aerospace industry resulting in thousands of new jobs.
- Schools. Marvin Ridge High School is ranked by US News & World Report the #1 Charlotte, NC Metro Area High School and eighth in North Carolina.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes (benefiting from the economic growth) are expected to increase 2% over the current year while the Village's tax rate remains at \$0.05 per \$100 of assessed property value, marking the 13th year in a row that the Village has held a constant tax rate.

The Village's budgeted expenditures maintain current service levels without any significant increase in costs and provide new funding benefiting both staff and citizens. The largest additions are for a new agenda formatting software, a new website, benefits and compensation adjustments, and funding for capital needs for parks and recreation.

The budget reflects a \$161,000 decrease in appropriation to the Roads Capital Project Budget which is due to a change in the resurfacing schedule that includes spreading the plan over 8-10 years, allowing for curb/gutter replacements as needed and estimates for necessary inflation. This funding proposal allows for more realistic long-term fiscal planning that utilizes State funding more efficiently and requires little to no use of ad valorem tax. The Village has chosen not to appropriate fund balance in the fiscal year 2020 budget. Further, 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 Christina Amos, Village Administrator, Village of Marvin, 10004 New Town Road, Marvin, NC 28173. You can also call 704-843-1680, visit our website at www.marvinnc.org, or send an email to finance@marvinnc.org for more information.

Basic Financial Statements

Village of Marvin, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,628,354
Taxes receivables, net	1,670
Accounts receivable, net	7,603
Due from other governments	41,724
Prepaid items	900
Restricted cash and cash equivalents	33,020
Total current assets	2,713,271
Noncurrent assets:	
Capital assets (Note 3):	
Land, and non-depreciable improvements	2,944,124
Other capital assets, net of depreciation	919,123
Total capital assets	3,863,247
Total assets	6,576,518
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	40,729
Total deferred outflows of resources	40,729
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	32,010
Deposits in escrow	33,020
Compensated absences	4,872
Total current liabilities	69,902
Long-term liabilities:	
Net pension liability	34,636
Total long term liabilities	34,636
Total liabilities	104,538
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	8,541
Total deferred inflows of resources	8,541
NET POSITION	
Net investment in capital assets	3,863,247
Restricted for:	
Stabilization by State Statute	49,327
Unrestricted	2,591,594
Total net position	\$ 6,504,168

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

Village of Marvin, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 1,150,937	\$ 12,943	\$ -	\$ -	\$ (1,137,994)	\$ (1,137,994)
Economic and physical develop.	51,193	15,251	-	-	(35,942)	(35,942)
Public safety	120,599	-	-	-	(120,599)	(120,599)
Cultural and recreational	53,249	18,395	-	-	(34,854)	(34,854)
Total governmental activities	<u>\$ 1,375,978</u>	<u>\$ 46,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,329,389)</u>	<u>(1,329,389)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose					608,784	608,784
Other taxes					667,620	667,620
Investment earnings, unrestricted					13,232	13,232
Investment earnings, restricted					358	358
Miscellaneous, unrestricted					274	274
Total general revenues					<u>1,290,268</u>	<u>1,290,268</u>
Change in net position					<u>(39,121)</u>	<u>(39,121)</u>
Net position, beginning					<u>6,543,289</u>	<u>6,543,289</u>
Net position, ending					<u>\$ 6,504,168</u>	<u>\$ 6,504,168</u>

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

Village of Marvin, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,597,799	\$ 1,030,555	\$ 2,628,354
Restricted cash and cash equivalents	33,020	-	33,020
Taxes receivable, net	1,670	-	1,670
Accounts receivable, net	7,603	-	7,603
Due from other governments	41,724	-	41,724
Prepaid expenses	900	-	900
Total assets	<u>\$ 1,682,716</u>	<u>\$ 1,030,555</u>	<u>\$ 2,713,271</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 32,010	\$ -	\$ 32,010
Deposits in escrow	33,020	-	33,020
Total liabilities	<u>65,030</u>	<u>-</u>	<u>65,030</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	1,670	-	1,670
Total deferred inflows of resources	<u>1,670</u>	<u>-</u>	<u>1,670</u>
<u>FUND BALANCES</u>			
Non Spendable			
Prepaid expense	900	-	900
Restricted			
Stabilization by State Statute	49,327	-	49,327
Committed			
Parks and recreation	142,762	-	142,762
Capital projects fund	-	1,030,555	1,030,555
Assigned			
Land acquisition	364,797	-	364,797
Road improvements	99,914	-	99,914
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	626,113	-	626,113
Total fund balances	<u>1,616,016</u>	<u>1,030,555</u>	<u>2,646,571</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,682,716</u>	<u>\$ 1,030,555</u>	<u>\$ 2,713,271</u>

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

Village of Marvin, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2019

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

Total Fund Balance, Governmental Funds		\$ 2,646,571
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	4,135,208	
Accumulated depreciation	<u>(271,961)</u>	3,863,247
Deferred outflows of resources related to pensions are not reported in the fund statements.		40,729
Earned revenues are considered deferred inflows of resources in fund statements		1,670
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences		(4,872)
Net pension liability		(34,636)
Deferred inflows of resources related to pensions are not reported in the funds		(8,541)
Net position of governmental activities		<u><u>\$ 6,504,168</u></u>

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

Village of Marvin, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	
Revenues:			
Ad valorem taxes	\$ 608,507	\$ -	\$ 608,507
Unrestricted intergovernmental	528,673	-	528,673
Restricted intergovernmental	138,947	-	138,947
Permits and fees	28,194	-	28,194
Sales and services	18,393	-	18,393
Investment earnings	13,590	-	13,590
Miscellaneous	274	-	274
Total revenues	<u>1,336,578</u>	<u>-</u>	<u>1,336,578</u>
Expenditures:			
General government	739,378	400,755	1,140,133
Public safety	120,599	-	120,599
Economic development	51,193	-	51,193
Cultural and recreational	41,262	-	41,262
Total expenditures	<u>952,432</u>	<u>400,755</u>	<u>1,353,187</u>
Excess (deficiency) of revenues over expenditures	<u>384,146</u>	<u>(400,755)</u>	<u>(16,609)</u>
Other financing sources (uses):			
Transfers to other funds	(317,850)	(99,914)	(417,764)
Transfers from other funds	99,914	317,850	417,764
Total other financing sources (uses)	<u>(217,936)</u>	<u>217,936</u>	<u>-</u>
Net change in fund balances	166,210	(182,819)	(16,609)
Fund balance, beginning	<u>1,449,806</u>	<u>1,213,374</u>	<u>2,663,180</u>
Fund balances, ending	<u>\$ 1,616,016</u>	<u>\$ 1,030,555</u>	<u>\$ 2,646,571</u>

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

Village of Marvin, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$	(16,609)
<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	\$ 4,302	
Depreciation expense for governmental assets	(31,785)	(27,483)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		15,573
<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		279
<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	(3,067)	
Pension revenue (expense)	(7,814)	(10,881)
Total changes in net position of governmental activities	\$	(39,121)

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

Village of Marvin, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 590,900	\$ 599,900	\$ 608,507	\$ 8,607
Unrestricted intergovernmental	499,000	499,000	528,673	29,673
Restricted intergovernmental	136,668	136,668	138,947	2,279
Permits and fees	29,050	29,050	28,194	(856)
Sales and services	10,790	10,790	18,393	7,603
Investment earnings	2,000	12,750	13,590	840
Miscellaneous	175	175	274	99
Total revenues	<u>1,268,583</u>	<u>1,288,333</u>	<u>1,336,578</u>	<u>48,146</u>
Expenditures:				
General government	590,425	779,875	739,378	40,497
Public safety	132,030	127,030	120,599	6,431
Economic development	74,616	64,616	51,193	13,423
Cultural and recreational	103,662	68,962	41,262	27,700
Contingency	50,000	-	-	-
Total expenditures	<u>950,733</u>	<u>1,040,483</u>	<u>952,432</u>	<u>88,051</u>
Revenues over (under) expenditures	<u>317,850</u>	<u>247,850</u>	<u>384,146</u>	<u>136,296</u>
Other financing sources (uses):				
Transfers to other funds	(317,850)	(317,850)	(317,850)	-
Transfers from other funds	-	-	99,914	99,914
Total other financing sources (uses)	<u>(317,850)</u>	<u>(317,850)</u>	<u>(217,936)</u>	<u>99,914</u>
Fund balance appropriated	-	70,000	-	70,000
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	166,210	<u>\$ 166,210</u>
Fund balance, beginning			<u>1,449,806</u>	
Fund balance, ending			<u>\$ 1,616,016</u>	

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

Notes to the Financial Statements

Village of Marvin, North Carolina
Notes to the Financial Statements
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Marvin, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A - Reporting Entity

The 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 component unit.

B - Basis of Presentation

Government-wide Statements: The statement of net position and statement of activities display information about the primary government. These statements include the financial activities of the overall government. The Village has only 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 and 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. Separate statements for each fund category - governmental - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column.

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.

Government-wide Financial Statements. 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 the 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.

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Village are recognized as revenue. Sales taxes are considered shared revenue for the Village of Marvin because the tax is levied by Union County and then remitted to and distributed by the State. Most intergovernmental revenue 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-reimbursed 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 by general revenues.

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.

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D - Budgetary Data (continued)

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. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Village pools money from both funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered 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.

Village of Marvin's Restricted Cash

Governmental Activities

General Fund

Escrow deposits	\$ 33,020
Total Restricted Cash	\$ 33,020

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

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, 2019.

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>Estimated Useful Lives</u>
Infrastructure	50
Improvements	39
Furniture and Equipment	7
Computer Equipment	5 - 7

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 meet this criterion – pension related deferrals for the 2019 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 two items that meet the criteria for this category – property taxes receivable and pension related deferrals.

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 fund financial statements are classified as invested 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.

The governmental fund types classify fund balances as follows:

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

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

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Net Position / Fund Balances (continued)

Restricted for Stabilization by State Statute (continued)

Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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 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 Road Improvements – portion of fund balance that has been assigned by the Village Council for expenditures related to road paving and improvements in excess of amounts funded by the Powell Bill.

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.

Unassigned Fund Balance - 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.

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B - Deficit in Fund Balance or Net Position of Individual Funds

None.

C - Excess of Expenditures over Appropriations

None.

NOTE 3 - 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.

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

1. Deposits (continued)

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, 2019, the Village's deposits had a carrying amount of \$2,661,185 and a bank balance of \$2,672,082. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Village's petty cash fund totaled \$189.

2. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 1,248,078	\$ -	\$ -	\$ 1,248,078
Right-of-way easements	1,696,046	-	-	1,696,046
Total capital assets not being depreciated	2,944,124	-	-	2,944,124
Capital assets being depreciated:				
Leasehold improvements	2,513	-	-	2,513
Buildings and improvements	418,452	-	-	418,452
Infrastructure	671,078	-	-	671,078
Equipment and computers	72,980	4,302	4,071	73,211
Furniture	25,830	-	-	25,830
Total capital assets being depreciated	1,190,853	4,302	4,071	1,191,084
Less accumulated depreciation for:				
Leasehold improvements	934	65	-	999
Buildings and improvements	67,300	10,730	-	78,030
Infrastructure	88,294	13,422	-	101,716
Equipment and computers	63,982	6,338	4,071	66,249
Furniture	23,737	1,230	-	24,967
Total accumulated depreciation	244,247	31,785	4,071	271,961
Total capital assets being depreciated, net	946,606			919,123
Governmental activities capital assets, net	\$ 3,890,730			\$ 3,863,247

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

2. Capital Assets (continued)

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

General government	\$	19,798
Cultural and recreational		11,987
Total depreciation expense		<u><u>31,785</u></u>

B - Liabilities

1. Pension Plan and Postemployment 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 the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (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 of Marvin's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 of Marvin were \$15,573 for the year ended June 30, 2019.

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, 2019, the Village reported a liability of \$34,636 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Village's proportion was 0.00146%, which was a decrease of 0.00036% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village recognized pension expense of \$7,814. At June 30, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,344	\$ 179
Changes of assumptions	9,191	-
Net difference between projected and actual earnings on pension plan investments	4,755	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	5,866	8,362
Village contributions subsequent to the measurement date	15,573	-
Total	<u>\$ 40,729</u>	<u>\$ 8,541</u>

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

\$15,573 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	8,694
2020		4,026
2021		74
2022		3,822
2023		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		3.0 percent
Salary increases		3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return		7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 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.

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate. The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 83,199	\$ 34,636	\$ (5,944)

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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.

2. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to the pension plan in the current fiscal year	\$ 15,573
Differences between expected and actual experience	5,344
Changes of assumptions	9,191
Net difference between projected and actual earnings on pension plan investments	4,755
Changes in proportion and differences between Village contributions and proportionate share of contributions	5,866
Total	\$ 40,729

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)	\$ -	\$ 1,670
Differences between expected and actual experience	179	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,362	-
Total	\$ 8,541	\$ 1,670

3. 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.

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Risk Management (continued)

The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Village Council each year. Stop loss insurance is purchased by the Village Council 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 Village Council 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.

4. Claims, Judgements, and Contingent Liabilities

At June 30, 2019, the Village was a defendant in one lawsuit. In the opinion of the Village's management and the Village attorney, the ultimate effect of this legal matter will not have a material adverse effect on the Village's financial position.

5. 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, 2019 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, 2019 totaled \$2,208.

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

Years Ending June 30:	Payments
2020	\$ 368
Total	\$ 368

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

b. Changes in Long-Term Liabilities

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

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Compensated absences	\$ 1,805	\$ 7,293	\$ (4,226)	\$ 4,872	\$ 4,872
Net pension liability (LGERS)	16,804	17,832	-	34,636	-
Governmental activity long-term liabilities	<u>\$ 18,609</u>	<u>\$ 25,125</u>	<u>\$ (4,226)</u>	<u>\$ 39,508</u>	<u>\$ 4,872</u>

6. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019, consist of the following:

From the General Fund to the Capital Projects Fund	\$ 9,850
From the General Fund to the Capital Projects Fund	308,000
From the Capital Projects Fund to the General Fund	99,914
Total	<u>\$ 417,764</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 as matching funds for various grant programs.

During the 2019 fiscal year, the Village made a one-time transfer of \$9,850 from the General Fund to the Capital Projects Fund for greenway trails construction and maintenance.

During the 2019 fiscal year, the Village made a one-time transfer of \$308,000 from the General Fund to the Capital Projects Fund for road improvements construction and maintenance.

During the 2019 fiscal year, the Village made a one-time transfer of \$99,914 from the Capital Projects fund to the General Fund to establish an assigned fund balance for road improvement expenses which exceed Powell Bill allotments.

Village of Marvin, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C - Fund Balance

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

Total Fund Balance - General Fund	\$ 1,616,016
Less:	
Prepaid Expenditures	900
Stabilization by State Statute	49,327
Parks and Recreation	142,762
Land Acquisition	364,797
Road Improvements	99,914
Loop Projects	127,012
Capital Asset Replacement	15,659
Future Capital Projects	7,947
Village Signs	20,000
Reserves	161,585
Remaining Fund Balance	\$ 626,113

NOTE 4 - 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, 2019 was \$96,199.

NOTE 5 - 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, 2019, the elected official's company has paid \$102,204 to the Village's escrow account as a performance surety.

The Village paid \$75,000 to settle a litigation matter with an elected official. This payment is reflected in professional services.

NOTE 6 - SUBSEQUENT EVENTS

There are no subsequent events that would have a material effect on the financial statements. Subsequent events were evaluated through October 14, 2019 which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

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

Village of Marvin, North Carolina
Village of Marvin's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Marvin's proportion of the net pension liability (asset) (%)	0.00146%	0.00110%	0.00296%	0.00370%	0.00245%	0.00300%
Marvin's proportion of the net pension liability (asset) (\$)	\$ 34,636	\$ 16,804	\$ 62,820	\$ 16,605	\$ (14,449)	\$ 36,162
Marvin's covered-employee payroll	\$ 123,364	\$ 140,811	\$ 128,510	\$ 155,123	\$ 109,079	\$ 109,079
Marvin's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.08%	11.93%	48.88%	10.70%	-13.25%	33.15%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Village of Marvin, North Carolina
Village of Marvin's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 15,573	\$ 9,252	\$ 10,209	\$ 11,754	\$ 15,179	\$ 8,061
Contributions in relation to the contractually required contribution	15,573	9,252	10,209	11,754	15,179	8,061
Contribution deficiency (excess)	<u>\$ -</u>					
Marvin's covered-employee payroll	\$ 200,948	\$ 123,364	\$ 140,811	\$ 128,510	\$ 155,123	\$ 109,079
Contributions as a percentage of covered-employee payroll	7.75%	7.50%	7.25%	9.15%	9.79%	7.39%

Individual Fund Statements and Schedules

Village of Marvin, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year ad valorem taxes	\$ 552,000	\$ 555,663	\$ 3,663
Motor vehicle taxes	47,800	52,031	4,231
Interest	100	813	713
Total	<u>599,900</u>	<u>608,507</u>	<u>8,607</u>
Unrestricted intergovernmental:			
Beer and wine tax	25,000	30,103	5,103
Utility sales tax	300,000	306,672	6,672
Local option sales taxes	174,000	191,898	17,898
Total	<u>499,000</u>	<u>528,673</u>	<u>29,673</u>
Restricted intergovernmental:			
Powell Bill allocation	136,668	138,947	2,279
Total	<u>136,668</u>	<u>138,947</u>	<u>2,279</u>
Permits and fees:			
Zoning fees	29,050	28,194	(856)
Total	<u>29,050</u>	<u>28,194</u>	<u>(856)</u>
Sales and services:			
Recreation department fees	10,790	15,593	4,803
Event sponsorships	-	2,800	2,800
Total	<u>10,790</u>	<u>18,393</u>	<u>7,603</u>
Investment earnings	<u>12,750</u>	<u>13,590</u>	<u>840</u>
Other			
Miscellaneous revenues	175	274	99
Total	<u>175</u>	<u>274</u>	<u>99</u>
Total revenues	<u>\$ 1,288,333</u>	<u>\$ 1,336,578</u>	<u>\$ 48,245</u>

Village of Marvin, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration:			
Salaries and benefits	\$ 400,000	\$ 377,777	\$ 22,223
Stipends - Mayor, Council & Boards	33,785	29,525	4,260
Professional services	250,075	239,445	10,630
Training	2,984	2,031	953
Dues and subscriptions	14,107	14,035	72
Furniture and equipment	1,513	1,513	-
Gifts	500	451	49
Insurance and bonds	11,480	11,461	19
Occupancy	21,128	19,989	1,139
Office expenses and supplies	40,000	38,849	1,151
Capital outlay	4,303	4,302	1
Total	<u>779,875</u>	<u>739,378</u>	<u>40,497</u>
Public safety:			
Police:			
Professional services	97,230	96,199	1,031
Other operating expenditures	29,800	24,400	5,400
Total	<u>127,030</u>	<u>120,599</u>	<u>6,431</u>
Economic and physical development:			
Zoning:			
Other operating expenditures	64,616	51,193	13,423
Total	<u>64,616</u>	<u>51,193</u>	<u>13,423</u>
Cultural and recreational:			
Community events	10,300	9,653	647
Park operations	43,925	31,609	12,316
Capital outlay	14,737	-	14,737
Total	<u>68,962</u>	<u>41,262</u>	<u>27,700</u>
Total expenditures	<u>1,040,483</u>	<u>952,432</u>	<u>88,051</u>
Revenues over (under) expenditures	<u>\$ 247,850</u>	<u>\$ 384,146</u>	<u>\$ 136,296</u>

Village of Marvin, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers to General Fund	\$ -	\$ 99,914	\$ 99,914
Transfers from General Fund	(317,850)	(317,850)	-
Total	(317,850)	(217,936)	99,914
 Fund balance appropriated	 70,000	 -	 70,000
Net change in fund balances	\$ -	166,210	\$ 166,210
 Fund balance, beginning		 1,449,806	
Fund balance, ending		\$ 1,616,016	

Village of Marvin, North Carolina
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
From Inception and For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Year Actual</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Village hall	964,425	95,021	10,180	105,201	(859,224)
Greenway loop extensions	127,500	63,270	1,599	64,869	(62,631)
Farmers' market	25,000	-	-	-	(25,000)
Greenway trails construction/maint.	56,450	-	-	-	(56,450)
Road improvements	694,961	278,735	388,976	667,711	(27,250)
Total expenditures	<u>1,868,336</u>	<u>437,026</u>	<u>400,755</u>	<u>837,781</u>	<u>(1,030,555)</u>
Revenues under expenditures	(1,868,336)	(437,026)	(400,755)	(837,781)	1,030,555
Other financing sources (uses):					
Transfers from General Fund	1,968,250	1,650,400	317,850	1,968,250	-
Transfers to General Fund	(99,914)	-	(99,914)	(99,914)	-
Total other sources (uses)	<u>1,868,336</u>	<u>1,650,400</u>	<u>217,936</u>	<u>1,868,336</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,213,374</u>	<u>(182,819)</u>	<u>\$ 1,030,555</u>	<u>\$ 1,030,555</u>
Fund balance, beginning			<u>1,213,374</u>		
Fund balance, ending			<u>\$ 1,030,555</u>		

Other Schedules

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Village of Marvin, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2019</u>
2018-2019	\$ -	\$ 607,913	\$ 606,826	\$ 1,087
2017-2018	944	-	706	238
2016-2017	172	-	102	70
2015-2016	181	-	-	181
2014-2015	94	-	-	94
2013-2014	-	-	-	-
2012-2013	-	-	-	-
2011-2012	-	-	-	-
2010-2011	-	-	-	-
2009-2010	-	-	-	-
2008-2009	-	-	-	-
	<u>\$ 1,391</u>	<u>\$ 607,913</u>	<u>\$ 607,634</u>	<u>1,670</u>

Less: allowance for uncollectible accounts - General Fund -

Ad valorem taxes receivable - net \$ 1,670

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 608,505
Reconciling items:	
Discounts, releases, refunds	(871)
Interest collected	<u>-</u>
Total collections and credits	<u><u>\$ 607,634</u></u>

Village of Marvin, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2019

	Village-Wide Levy		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at					
current year's rate	\$ 1,212,405,025	\$ 0.05	\$ 606,202	\$ 554,867	\$ 51,335
Total	<u>1,212,405,025</u>		<u>606,202</u>	<u>554,867</u>	<u>51,335</u>
Discoveries	<u>3,938,000</u>		<u>1,969</u>	<u>1,969</u>	<u>-</u>
Releases	<u>(516,000)</u>		<u>(258)</u>	<u>(258)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,215,827,025</u></u>				
Net levy			607,913	556,578	51,335
Uncollected taxes at June 30, 2019			<u>(1,087)</u>	<u>(1,087)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 606,826</u>	<u>\$ 555,491</u>	<u>\$ 51,335</u>
Current levy collection percentage			<u>99.82%</u>	<u>99.80%</u>	<u>100.00%</u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each major fund of the Village of Marvin, North Carolina, as of and for the year ended June 30, 2019, 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 October 14, 2019.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be material weakness (item 2019-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Marvin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 item 2019-1.

Village of Marvin's Response to Findings

The Village of Marvin's response to the finding 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.

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

Lumberton, North Carolina
October 14, 2019

**Village of Marvin, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? _____ yes _____ no • Significant deficiency(s) identified that are not considered to be material weaknesses _____ yes <u> X </u> none reported • Noncompliance material to financial statements _____ yes <u> X </u> no 	

Section II. Financial Statement Findings

MATERIAL WEAKNESS

2019-1 Segregation of Duties:

Criteria

Effective internal control over financial reporting requires adequate segregation of duties to ensure that no one person can initiate, approve, record and reconcile or adjust accounting transactions.

Condition

Many of the Village of Marvin's financial operations are carried out or overseen by the Finance Officer, who is involved with execution of daily activities and processing and reconciliation of supporting accounting records.

Cause

Village of Marvin has limited staff, many of which work on a part time basis which makes it difficult to segregate all accounting functions, even with the involvement of the Village Council members.

Effect

While this limitation is not unusual for organizations the size of the Village of Marvin, the lack of adequate segregation of accounting functions can result in errors and irregularities (intentional and unintentional) occurring and not being identified in a timely manner.

Recommendation

We recommend that Village of Marvin identify critical accounting functions that need to be performed to ensure that accounting records are complete, properly authorized and accurate. In addition, we recommend that the Council involve its members in any such activities identified.

Views of Responsible Officials

The Village agrees with the finding and agrees to adhere to the corrective action plan on page 46.



VILLAGE OF MARVIN

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Corrective Action Plan

Finding 2019-001

Segregation of Duties

Name of contact person: Christina Amos, Village Administrator

Corrective Action: The Village has implemented several reviews intended to mitigate the segregation of duties issues. The Village Administrator performs a review and final approval of all expenditure transactions, and counter-signs all issued checks, and reviews budget to actual financial reports regularly. In addition, a member of the Village Council reviews bank reconciliations, check images, and journal entry reports monthly. Further, detail reports showing revenue and expenditure transactions are provided to the Village Council and posted to the Village's website monthly.

We will continue to monitor this area and will assess the needs of hiring additional finance personnel or hiring a third party to assist in the day to day financial reporting responsibilities as funding sees appropriate.

Proposed Completion Date: The Village will implement the above procedures immediately.

Village of Marvin, North Carolina
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

Finding: 2018-1
Status: The finding has been corrected.

Finding: 2018-2
Status: The finding has been corrected.