

**CITY OF MARION**

Marion, South Carolina

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

June 30, 2018

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**MAYOR**

The Honorable Ashley Brady

**CITY TREASURER**

Patricia Brown

**COUNCIL MEMBERS**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor and City Council  
Marion, South Carolina

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the City of Marion as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Marion'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 from material misstatement.

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

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

### **Opinions**

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

## **Change in Accounting Principle**

As discussed in Note 15 to the financial statements, in the year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75 "*Accounting and Financial Reporting for Post-employment Benefits other than Pensions.*" Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Other Post Employment Benefits Plan (OPEB) schedules, and the pension schedules on pages 6 through 12 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marion's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed under the other information section in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the City of Marion's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marion's internal control over financial reporting and compliance.

*Kenneth Cobb & Company P.C.*

Mullins, South Carolina

December 7, 2018

City of Marion, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2018

Management of the City of Marion provides this Management's Discussion and Analysis for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City of Marion is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the additional information that is furnished with the City's financial statements which follow.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at fiscal year ending June 30, 2018 by \$6.5 million (net position). Of this amount a deficit of \$2.2 million was reported as "unrestricted net position." Unrestricted net position represented the amount available to be used to meet the City's ongoing obligations to citizens and creditors.
- The City's beginning net position was restated to a deficit of \$6.8 million and decreased by \$332 thousand during the fiscal year ended June 30, 2018.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5.8 million, a decrease of \$48 thousand in comparison with the prior year. Approximately 92.5 percent of this total or \$5.3 million was unassigned fund balance.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Marion's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information (combining and individual fund financial statements) in addition to the basic financial statements themselves. These components are described below.

#### **Government-Wide Financial Statements**

The government-wide financial statements provide a broad view of the City's operations in a manner similar to a private-sector business.

The statement of net position presents all of the government's assets and liabilities, with differences between the two reported as "net position." Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

City of Marion, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2018

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and recreation.

The government-wide financial statements can be found immediately following this discussion and analysis.

### **Fund Financial Statements**

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 City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are governmental funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on the near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the pages immediately following each governmental fund financial statement.

The City has two major governmental funds for presentation purposes: the general fund, and the local hospitality tax fund. The City's other nonmajor governmental fund details are shown in the supplemental section of the financial statements.

The City adopts an annual appropriated budget for its general fund and the local hospitality tax fund. Budgetary comparison statements have been provided herein to demonstrate compliance with the budgets.

The basic governmental funds financial statements can be found immediately following the government-wide statements.



City of Marion, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2018

**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 the fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

**Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information including budgetary comparison schedules. This section also includes the required pension and OPEB schedules.

**Other Information**

**Combining and Individual Fund Financial Statement and Schedules**

The combining and individual fund financial statements are presented following the required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position totaled \$6.5 million at the close of the most recent fiscal year.

The largest portion of the City's net position is \$8.2 million which represents its net investment in capital assets such as land, buildings, equipment, and infrastructure (roads and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The City uses these fixed assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its fixed assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the fixed assets themselves cannot be used to liquidate these liabilities.

City of Marion, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2018

City of Marion's Net Position  
(Expressed in thousands)

	<u>Governmental Activities</u>		<u>Variance Favorable/ (Unfavorable)</u>
As			
Restated			
	<u>2017</u>	<u>2018</u>	
Current Assets	\$ 5,543	\$ 5,327	\$ (216)
Capital Assets	8,668	8,499	(169)
Other Assets	<u>1,032</u>	<u>1,272</u>	<u>240</u>
Total Assets	<u>15,243</u>	<u>15,098</u>	<u>(145)</u>
Deferred Outflows of Resources	<u>786</u>	<u>956</u>	<u>170</u>
Long Term Liabilities	8,246	8,435	(189)
Other Liabilities	<u>814</u>	<u>880</u>	<u>(66)</u>
Total Liabilities	<u>9,060</u>	<u>9,315</u>	<u>(255)</u>
Deferred Inflows of Resources	<u>171</u>	<u>273</u>	<u>(102)</u>
Net Investment in Capital Assets	8,307	8,207	(100)
Restricted	382	423	41
Unrestricted	<u>(1,891)</u>	<u>(2,164)</u>	<u>(273)</u>
Total Net Position	<u>\$ 6,798</u>	<u>\$ 6,466</u>	<u>\$ (332)</u>

A portion of the City's net position (6.5 percent) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position.

**Change in Net Position**

The City's net position decreased by \$332 thousand (after restatement). Approximately 38.9 percent of the City's total revenue came from taxes, while 10.7 percent resulted from restricted grants and contributions (including state and federal aid). Charges for various goods and services provided 46.3 percent of the total revenues. The City's expenses cover a range of services. The largest expenses were for public safety and general government. In 2018, governmental activity expenses exceeded program revenues, resulting in the use of \$2.6 million in general revenues (mostly taxes).

City of Marion, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2018

	<u>Governmental Activities</u>		<u>Variance Favorable/ (Unfavorable)</u>
	<u>2017</u>	<u>2018</u>	
Revenues:			
Program Revenues:			
Charges for Services	\$ 2,799	\$ 2,862	63
Operating Grants & Contributions	750	389	(361)
Capital Grants & Contributions	0	274	274
General Revenues:			
Taxes	2,360	2,401	41
Investment Earnings	39	53	14
Other	218	189	(29)
Total Revenues	<u>6,166</u>	<u>6,168</u>	<u>2</u>
Expenses:			
General Government	1,687	1,600	(87)
Public Safety	2,405	2,546	141
Highways and Streets	444	427	(17)
Public Works	1,133	1,156	23
Community Development	231	0	(231)
Culture and Recreation	709	721	12
Interest	10	8	(2)
Depreciation, Unallocated	61	61	0
Total Expenses	<u>6,680</u>	<u>6,519</u>	<u>(161)</u>
Excess (Deficiency) Revenues over Expenses	(514)	(351)	163
Special Items	<u>(47)</u>	<u>19</u>	<u>66</u>
Change in Net Position	(561)	(332)	229
Net Position, Beginning of Year	9,802	9,241	(561)
Change in acct. principal-GASB 75	0	(2,443)	(2,443)
Net Position, End of Year	<u>\$ 9,241</u>	<u>\$ 6,466</u>	<u>\$ (2,775)</u>

**FINANCIAL ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS**

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

City of Marion, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2018

**Governmental funds**

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

As of the end of the current fiscal year, the City's governmental funds reported total fund balances of \$5.8 million. As a measure of the liquidity, it may be useful to compare the unreserved fund balance to total governmental fund expenditures. Unassigned fund balance of \$5,320,688 represents 85.4 percent of total governmental fund expenditures.

The fund balances of the City's governmental funds decreased by \$48 thousand during the current fiscal year. This is a 0.8 percent decrease from the prior year fund balance.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original approved general fund budget was not amended for the fiscal year ended June 30, 2018. General fund revenues were over the approved budgeted revenues by \$189 thousand. This was largely due to the City receiving disaster assistance of \$49,466 due to Hurricane Matthew, \$42,969 more in Local Option Sales Tax, \$36,084 more in business license, and \$15,124 more in building permits. General fund expenditures were under the approved budget by \$278 thousand. This was largely due to property insurance being \$23,250 less due to a one time credit. The police, public works, and recreation salaries and fringes were down considerably due to several vacancies throughout the year.

**FIXED ASSET AND DEBT ADMINISTRATION**

**Fixed Assets**

The City's investment in fixed assets for its governmental activities as of June 30, 2018, amounts to \$15.8 million, less accumulated depreciation of \$7.3 million, leaving a net book value of \$8.5 million. This investment in fixed assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City, such as roads, bridges, drainage systems and similar items.

Actual governmental expenditures to purchase or construct capital assets were \$323 thousand for the year. Depreciation charges for the year totaled \$488 thousand. Additional information on the City's capital assets can be found in Note 10 of the notes to the financial statements of this report.

City of Marion, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2018

**Debt Activity**

Additional information on the City's long-term debt obligations can be found in Note 4 of the notes to the financial statements of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City has approved a balanced budget for the fiscal year ended June 30, 2019. The following are some factors considered in preparing this budget.

Marion County continues to have one of the highest unemployment rates in South Carolina at 5.8% in October 2018. The State average was 3.3% in October 2018.

Personnel costs make up a significant portion of the City's operating costs. The City gave a 3% cost of living increase. There was a 3.5% health insurance increase. The \$2 million (from the sale of the water and sewer system to GSWSA) is still being invested and should generate approximately \$35,000 in interest which is included in the fiscal year 18/19 budget. Also, the City expects to receive a franchise fee of approximately \$140,000 from GSWSA. There was a 3 mil tax increase to raise the base salary for police.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of City of Marion's finances for all of City of Marion's citizens, taxpayers, customers and investors and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to: City of Marion, Post Office Box 1190, Marion, South Carolina 29571.

CITY OF MARION  
STATEMENT OF NET POSITION  
June 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Cash	\$4,648,249
Due from Other Agencies	184,044
Accounts Receivable	242,751
Accounts Receivable-Sanitation	174,340
Interest Receivable	7,418
Taxes Receivable- Net of Allowance	70,651
Restricted Cash	1,271,788
Land	513,050
Real Estate and Buildings	8,851,247
Furniture, Fixtures and Equipment	4,445,902
Infrastructure	1,992,139
Accumulated Depreciation	(7,303,037)
<b>TOTAL ASSETS</b>	<b>15,098,542</b>
 <b>DEFERED OUTFLOWS OF RESOURCES</b>	
Deferred Pension Charges	840,422
Deferred OPEB Charges	115,336
<b>TOTAL DEFERED OUTFLOWS OF RESOURCES</b>	<b>955,758</b>
 <b>LIABILITIES AND FUND EQUITY</b>	
<b>LIABILITIES</b>	
Accounts Payable	302,194
Accrued Liabilities	5,325
Due to State/Federal Governments	11,656
Due to Retirees	53,761
Payroll Deductions	48,267
Revenues Received in Advance	390,092
Long Term Liabilities- Due within one year	
Lease Obligations	68,885
Long Term Liabilities- Due in greater than one year	
Lease Obligations	218,040
OPEB obligations	3,657,575
Pension obligations	4,411,431
Compensated Absences Payable	147,975
<b>TOTAL LIABILITIES</b>	<b>9,315,201</b>
 <b>DEFERED INFLOWS OF RESOURCES</b>	
Deferred Pension Credits	273,116
 <b>NET POSITION</b>	
Net investment in capital assets	8,207,051
Restricted for:	
Cemetery-Non-expendable	32,833
Local Hospitality Tax	357,786
Housing Rehabilitation	29,628
Drug Fund	2,232
Unrestricted	(2,163,547)
<b>TOTAL NET POSITION</b>	<b>\$6,465,983</b>

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

CITY OF MARION  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
General Government	\$1,600,116	\$1,212,935	\$301,653	\$0	(\$85,528)
Public Safety	2,545,706	281,119	82,600	273,600	(1,908,387)
Highways and Streets	427,496	0	0	0	(427,496)
Public Works	1,156,111	1,003,798	0	0	(152,313)
Community Development	0	10,300	3,098	0	13,398
Culture and Recreation	720,712	354,488	1,495	0	(364,729)
Depreciation *	61,114	0	0	0	(61,114)
Interest	8,081	0	0	0	(8,081)
<b>Total Governmental Activities</b>	<b>\$6,519,336</b>	<b>\$2,862,640</b>	<b>\$388,846</b>	<b>\$273,600</b>	<b>(2,994,250)</b>
General revenues:					
Property taxes levied for:					
General Purposes					2,400,903
Unrestricted Investment Earnings					52,706
Miscellaneous					189,138
Total general revenues					<u>2,642,747</u>
Special Items:					
Gain/(Loss) on disposal of assets					(3,790)
Insurance Proceeds					23,104
Total Special Items					<u>19,314</u>
Changes in net position					(332,189)
Net position, beginning of year					9,240,838
Cumulative change in accounting principle-GASB #75					<u>(2,442,666)</u>
Net position, beginning of year as restated					<u>6,798,172</u>
Net position, end of year					<u><u>\$6,465,983</u></u>

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

\* Unallocated--see Note 10 for depreciation charged to functions

CITY OF MARION  
BALANCE SHEET -- GOVERNMENTAL FUNDS  
June 30, 2018

	General Fund	Local Hospitality Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash				
Cash	\$4,648,249	\$0	\$0	\$4,648,249
Restricted Cash	711,063	482,604	78,121	1,271,788
Receivables				
Interest	7,418	0	0	7,418
Taxes - Net of Allowance	30,484	0	0	30,484
Accounts-Miscellaneous	217,262	25,489	0	242,751
Accounts-Sanitation	174,340	0	0	174,340
Due from Other Funds	0	0	2,712	2,712
Due from Agencies	184,044	0	0	184,044
<b>TOTAL ASSETS</b>	<b>\$5,972,860</b>	<b>\$508,093</b>	<b>\$80,833</b>	<b>\$6,561,786</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Revenue Received in Advance	\$373,952	\$0	\$16,140	\$390,092
Accounts Payable & Accrued Expenditures	151,887	150,307	0	302,194
Payroll Deductions & Employer Contributions	48,267	0	0	48,267
Due to Other Funds	2,712	0	0	2,712
Due to Retirees	53,761	0	0	53,761
Due to Other Agencies	11,656	0	0	11,656
<b>TOTAL LIABILITIES</b>	<b>642,235</b>	<b>150,307</b>	<b>16,140</b>	<b>808,682</b>
<b>FUND EQUITY</b>				
Fund Equity				
Restricted For:				
Permanent Fund-Cemetery Fund	0	0	32,833	32,833
Special Revenue Fund-Hospitality Fund	0	357,786	0	357,786
Special Revenue Fund-Drug Fund	0	0	2,232	2,232
Committed To:				
Special Revenue Fund-Housing Rehabilitation	0	0	29,628	29,628
Assigned	9,937	0	0	9,937
Unassigned				
General Fund	5,320,688	0	0	5,320,688
<b>TOTAL FUND EQUITY</b>	<b>5,330,625</b>	<b>357,786</b>	<b>64,693</b>	<b>5,753,104</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$5,972,860</b>	<b>\$508,093</b>	<b>\$80,833</b>	<b>\$6,561,786</b>

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



CITY OF MARION  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
Year Ended June 30, 2018

Fund Balances - total governmental funds	\$5,753,104
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$15,802,338 and the accumulated depreciation is \$7,303,037.	8,499,301
Interest on long term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(5,325)
Delinquent property taxes receivable will be collected in the subsequent fiscal year, but only those receivables available soon enough to pay for the current period's expenditures are reported in the governmental funds.	40,167
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Lease obligations	(286,925)
Compensated absences	(147,975)
OPEB obligation	(4,296,095)
Net pension obligations and deferred charges and credits	(3,090,269)
 Net Position - Governmental Activities	 \$6,465,983

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

CITY OF MARION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2018

	General Fund	Local Hospitality Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$2,394,555	\$0	\$0	\$2,394,555
Licenses and Permits	1,253,209	0	0	1,253,209
Charges for Services	1,003,798	0	0	1,003,798
Fines and Forfeits	143,635	0	0	143,635
Operational Revenues	804,881	283,958	3,849	1,092,688
Grants	0	0	273,600	273,600
<b>TOTAL REVENUES</b>	<b>5,600,078</b>	<b>283,958</b>	<b>277,449</b>	<b>6,161,485</b>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
General Government	1,289,462	0	0	1,289,462
Public Safety	2,344,330	0	0	2,344,330
Highways and Streets	398,569	0	0	398,569
Public Works	1,112,259	0	0	1,112,259
Culture and Recreation	476,650	208,737	1,495	686,882
<b>Debt Service</b>				
Principal	0	0	67,073	67,073
Interest	0	0	9,593	9,593
Capital Outlay	13,955	37,299	273,600	324,854
<b>TOTAL EXPENDITURES</b>	<b>5,635,225</b>	<b>246,036</b>	<b>351,761</b>	<b>6,233,022</b>
Excess (deficiency) of revenues over expenditures	(35,147)	37,922	(74,312)	(71,537)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Proceeds	23,104	0	0	23,104
Operating Transfers In	25	0	76,666	76,691
Operating Transfer Out	(76,666)	0	(25)	(76,691)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(53,537)</b>	<b>0</b>	<b>76,641</b>	<b>23,104</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(88,684)	37,922	2,329	(48,433)
Fund Balances at beginning of year	5,419,309	319,864	62,364	5,801,537
Fund Balances at end of year	<u>\$5,330,625</u>	<u>\$357,786</u>	<u>\$64,693</u>	<u>\$5,753,104</u>

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

CITY OF MARION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018

Total net change in fund balance-governmental funds	(\$48,433)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add - Capital outlay per fund financial statements	324,854
Deduct - Depreciation expense	(487,560)
Deduct - Capital outlay that does not meet the depreciation requirements and add depreciable assets not reported as capital outlay	(1,719)
In the Statement of Activities, the loss or gain on sale of disposal of capital assets is recognized; however, the fund financial statement recognized the proceeds from these sales.	(3,790)
The increase in the liability for compensated absences does not require the use of current financial resources and therefore, is not reported as an expenditure in the governmental funds.	(2,020)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and therefore, is not reflected in the Statement of Activities.	67,073
Delinquent property taxes receivable will be collected in the subsequent period, however in the fund financial statements, only the amounts available soon enough after year end to pay for the current period's expenditures are recorded. This amount is the difference between the June 30, 2017 amount of \$33,819 and the June 30, 2018 amount of \$40,167.	6,348
Interest on long term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount is the difference between the June 30, 2017 interest in the amount of \$6,837 and the June 30, 2018 interest in the amount of \$5,325.	1,512
The increase in the liability for the net OPEB obligation, net pension obligation and net pension deferred charges and credits does not require the use of current financial resources and therefore, is not reported as an expenditure in the governmental funds.	(188,454)
Change in Net Position of Governmental Activities	(\$332,189)

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

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Marion is a distinct political subdivision of the State of South Carolina. The governing authority is the Mayor and the City Council. The Mayor and City Council are elected by the citizens of the City of Marion. The financial statements of the City of Marion have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis - for State and Local Governments*. Some of the significant changes in the financial statements include the following:

A Management's Discussion and Analysis (MD&A) providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the City's activities.

A change in the fund financial statements to focus on the major funds.

The City implemented GASB Statement No. 75 "*Accounting and Financial Reporting for Post Employment Benefits other than Pensions* (GASB #75") in 2018. The adoption has resulted in the restatement of the City's net position as of July 1, 2017 for its government-wide financial statements to reflect the reporting of net OPEB liabilities and deferred inflows and outflows of resources for its qualified Plan in accordance with the provisions of this Statement.

**Reporting Entity**

This report includes all of the funds of the City of Marion. It includes all activities considered to be part of (controlled by or dependent on) the City under GASB Statement No. 14, the Financial Reporting Entity and GASB Statement No. 39, determining whether certain organizations are component units.

**Basis of Accounting/Measurement Focus**

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific City functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of the Governmental Activities for the City.

These statements include all financial activities of the City. For the most part, the effect of interfund activity has been removed from these statements.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds. Accordingly, in the government-wide statements all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. The City does not allocate indirect expenses. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the City.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payable and receivables. All internal balances in the Statement of Net Position have been eliminated.

**Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net positions presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for (1) principal and interest on general long term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which is reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by the employees.

Governmental fund types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Fiduciary Funds) are accounted for through governmental funds.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

The model as defined in Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements. The City reports the following major funds.

Major Funds

General Fund - The General fund is the general operating fund of the City and accounts and reports for all financial resources of the City not accounted for and reported in another fund. All general tax revenue and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures are paid from the General Fund.

Local Hospitality Tax Fund - The local hospitality tax fund accounts for and reports the proceeds of the revenue from the local hospitality tax collections and the expenditures from this revenue.

Other Governmental Funds

Permanent Fund - Cemetery Fund - The cemetery fund is used to account for the funds held for the operations of the city owned cemeteries.

Special Revenue Funds - The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Debt Service Fund - The Debt Service Fund, an unbudgeted fund, is used to account for the accumulation of financial resources that are restricted, committed or assigned to expenditures for the payment of general long-term debt including capital lease obligations, principal, interest and related costs.

Capital Projects Fund - The capital projects fund is used to account and report for financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition, construction, or renovation of capital facilities and other capital assets by the City.

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Position.

Use of Restricted/Unrestricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available for use, the City's practice is to apply restricted resources first, then unrestricted resources as they are needed.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

Deposits and Investments

The City is authorized by state statute to invest in the following:

1. Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
2. (i) General obligations of the State of South Carolina and its political units, savings and loan associations to the extent that the same are insured by an agency of the federal government or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top rating categories without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;
3. Savings and loan associations to the extent that the same are insured by an agency of the federal government.
4. Certificates of deposits where collaterally secured by securities of the type described in 1 & 2 above held by a third party escrow agent or custodian of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
5. Repurchase agreements when collateralized by securities as set forth in this section, and
6. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution, when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or County Treasurer if the particular portfolio of the investment company investment or trust in which the investment is made (a) limited to obligations described in items (1), (2), (3) and (5) and (b) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

Inventories

Inventories are valued at cost using the FIFO method, and are determined by physical count. The cost is recorded as an expenditure at the time of purchase and significant inventories on hand at year end are recorded as assets.

Capital Assets and Depreciation

General capital assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
 Year Ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City follows the policy of not capitalizing assets with a cost of less than \$5,000 or with a useful life of less than 1 year. All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<b>Description</b>	<b>Useful Life</b>
Land	Not Depreciated
Land Improvements	20-50 Years
Buildings and Improvements	10-50 Years
Furniture and Equipment	3-10 Years
Vehicles	3-10 Years
Construction in Progress	Not Depreciated

**Net Position/Fund Balances**

The government-wide financial statements utilize a net position presentation. Net position is categorized as; invested in capital assets (net of related debt), restricted and unrestricted.

*Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

*Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or purpose.

The City adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

*Nonspendable* - amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* - amounts that can be spent only for specific purposes because of City, state or federal laws, or externally imposed conditions by grantors or creditors.

*Committed* - amounts that can be used only for specific purposes determined by a formal action by City Council. Commitments may be modified or rescinded only through policies approved by the Council, the highest level of decision making authority.

*Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Treasurer, Mayor or Council may assign, modify, or rescind amounts for specific purposes.



CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Unassigned - all amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 15). As discussed in Note 1, restricted funds are used first as appropriate. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

Nonexchange transactions

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements 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, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, investment earnings, and grants.

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

Investments

The City of Marion's investments include savings accounts and certificates of deposits held by TD Bank, First Citizens Bank, First Citizens Securities, BB&T, Anderson Brothers Bank and Pee Dee Federal Savings Bank.

Revenue Received in Advance

The City reports revenue received in advance on its statement of net position and governmental funds balance sheet. In subsequent periods, the liability for revenue received in advance is removed from the statement of net position and governmental funds balance sheet and revenue is recognized. Revenue received in advance includes the following. Local option sales tax that has been collected and will be used to roll back property taxes in the subsequent year. The portion of police fines collected for victims's rights that has not been expended is included. It also contains revenue from special revenue funds not expended at fiscal year end.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Expenditures/Expenses

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which is reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by the employees. Capital asset acquisitions are reported as expenditures in governmental funds.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. A proposed operating budget covering the General Fund is prepared prior to May 30, and is submitted to City Council. The budget for the General Fund is prepared on the modified accrual basis and is adopted on a basis consistent with GAAP.
2. Prior to June 30, the budget is legally enacted through passage of an ordinance.
3. Public hearings are conducted to obtain taxpayer comments, with appropriate public notice published prior to these hearings.
4. The Treasurer is authorized to transfer budgeted amounts between departments within funds; any revisions must be approved by the City Council.
5. Formal budgetary integration is employed within the general ledger.

Property Tax Calendar

The City's property tax calendar is as follows:

- January 1 - property tax assessment
- October 1 - levy of property taxes
- January 16 - penalties are added to property taxes
- March 16 - execution of property taxes

New vehicle property taxes are assessed and levied by the County Auditor. Payment on new vehicles purchased from a dealer are due within 120 days of purchase. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Department of Transportation and payment is due before the end of the month of the schedule renewal.

Deferred Outflows and Inflows of Resources

The Statement of Net Position may report deferred outflows of resources following the assets section and deferred inflows of resources following the liabilities section. Deferred outflows of resources represents a consumption of net position that applies to future periods and will not be recognized as an expenditure until then. Deferred inflows of resources represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Sick and Annual Leave

Employees of the City are permitted to accumulate annual leave up to a maximum of six weeks. Annual leave is earned at the rate of 2 weeks per year for the first 10 years of City service, 3 weeks per year for the second 10 years of City service, and 4 weeks per year upon completion of 20 years of services. Employees have no vested interest in sick leave benefits. Sick leave is earned based on the following schedule:

<u>TIME EMPLOYED</u>	<u>SICK LEAVE</u>	<u>ACCUMULATION</u>
6 months - 1 year	1 week	none
1 year - 4 years	2 weeks	4 weeks
5 years - 9 years	3 weeks	6 weeks
10 years - 14 years	4 weeks	8 weeks
15 years - 19 years	5 weeks	10 weeks
20 years or over	6 weeks	12 weeks

**NOTE 2 - RECEIVABLES**

Gross receivables of \$181,346 net of an allowance for uncollectibles of \$7,006 are recorded in the general fund for sanitation fees due from City customers.

The general fund defers revenue recognition in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The general fund has reported gross taxes receivable of \$233,806 net of a deferral of \$203,322 in the balance sheet for governmental funds on the modified accrual basis of accounting. In the statement of net position the City has reported a deferral of \$163,155 on the full accrual basis of accounting.

Only those receivables with allowances or deferrals are presented above.

**NOTE 3 - NET POSITION/FUND BALANCES**

As of June 30, 2018 the assigned fund balance components of the general and special revenue funds consist of the following:

General Fund

Fire Department Substation purchases in memory of Mayor Gerald	\$ 3,046
Auction proceeds	6,652
Police Department	<u>239</u>
	<u>\$ 9,937</u>

**NOTE 4 - LEASE OBLIGATIONS**

First Citizens Bank

On August 14, 2015, the City signed a lease obligation with First Citizens Bank for \$400,000. The purpose of this lease was to purchase vehicles and heavy equipment. The lease requires annual payments of \$62,567.28 at an interest rate of 2.32%. The balance on this lease at June 30, 2018 was \$236,397. The following table reflects principal and interest requirements until maturity. The general fund will fund the repayment of this obligation.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 4 - LEASE OBLIGATIONS - (continued)**

<u>YEAR ENDED</u> <u>JUNE 30,</u>	<u>LEASE</u> <u>PAYMENT</u>	<u>IMPUTED</u> <u>INTEREST</u>	<u>PRESENT</u> <u>VALUE</u>
2018			\$236,397
2019	\$62,567	\$5,485	179,315
2020	62,567	4,160	120,908
2021	62,567	2,805	61,146
2022	62,567	1,421	0

Musco Finance, LLC

On March 12, 2015, the City signed a lease obligation with Musco Finance, LLC for \$82,949.56. The purpose of this lease was to purchase recreation field lighting. The lease requires annual payments of \$14,098.25 at an interest rate of 4.45%. The balance on this lease at June 30, 2018 was \$50,528. The following table reflects principal and interest requirements until maturity. This obligation has been funded with a \$20,000 grant received in the fiscal year ended June 30, 2015 and by the general fund.

<u>YEAR ENDED</u> <u>JUNE 30,</u>	<u>LEASE</u> <u>PAYMENT</u>	<u>IMPUTED</u> <u>INTEREST</u>	<u>PRESENT</u> <u>VALUE</u>
2018			\$50,528
2019	\$14,098	\$2,295	38,725
2020	14,098	1,759	26,386
2021	14,098	1,198	13,486
2022	14,098	612	0

The above leases meet the criteria of a capital lease as defined by SFAS No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the Lessee.

Capital assets acquired by leases have been capitalized in the statement of net position for governmental activities in the amount of \$482,950 with accumulated depreciation of \$191,020.

<u>Governmental Activities</u>	<u>6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/18</u>	<u>Due Within</u> <u>One Year</u>
Lease obligations	\$ 353,998	\$ 0	\$ 67,073	\$ 286,925	\$ 68,885
Compensated absences	<u>145,955</u>	<u>2,020</u>	<u>0</u>	<u>147,975</u>	
	<u>\$ 499,953</u>	<u>\$ 2,020</u>	<u>\$ 67,073</u>	<u>\$ 434,900</u>	

The City has commitments with various entities and individuals to lease certain land, buildings and equipment. The lease periods range from monthly to 10 years. These leases have cancellation provisions and are subject to annual appropriations. During the current fiscal year a total of \$11,251 was expended under operating leases.

During the year, no short term debt was issued, nor was any outstanding at the beginning of the year.

**NOTE 5 - SUBSEQUENT EVENTS**

The City is not aware of any subsequent events occurring after the City's year end, June 30, 2018, that will have a material effect on the financial statements. Subsequent events have been evaluated through the date in which the financial statements were available to be issued.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2018

**NOTE 6 - RETIREMENT**

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense information about the fiduciary net positions of the Systems and additions to/deductions from the Systems' fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned, and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Dr., Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

*Plan Description*

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer deferred benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

*Membership*

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2018

**NOTE 6 - RETIREMENT - (continued)**

- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

*Benefits*

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five-or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
 Year Ended June 30, 2018

**NOTE 6 - RETIREMENT - (continued)**

*Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA board may adopt and present to the SFAA for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a 30-year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30-year amortization period; this increase is not limited to one-half of one percent per year.

The City contributed amounts equal to 100% of the required contributions for employers:

SCRS Employer Contribution	Amount For Retirement	% of Covered Payroll	Amount For Death Benefits	% of Covered Payroll
6/30/18	\$129,160	13.41%	\$1,445	.15%
6/30/17	\$115,148	11.41%	\$1,514	.15%
6/30/16	\$107,219	10.91%	\$1,474	.15%

SCRS Employee Contributions	Amount	% of Covered Payroll
6/30/18	\$86,644	9.00%
6/30/17	\$87,304	8.66%
6/30/16	\$80,193	8.16%

PORS Employer Contribution	Amount For Retirement	% of Covered Payroll	Amount For Accidental Death	% of Covered Payroll	Amount For Death Benefits	% of Covered Payroll
6/30/18	\$181,699	15.84%	\$2,262	.2%	\$2,262	.2%
6/30/17	\$147,138	13.84%	\$2,126	.2%	\$2,126	.2%
6/30/16	\$146,996	13.34%	\$2,204	.2%	\$2,204	.2%

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 6 - RETIREMENT - (continued)**

PORS Employee Contributions	Amount	% of Covered Payroll
6/30/18	\$111,823	9.75%
6/30/17	\$98,231	9.24%
6/30/16	\$96,307	8.74%

**South Carolina Retirement System Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.**

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was calculated on the basis of historical employer contributions. For the measurement period ended at June 30, 2017, the City's proportion was 0.009989%.

Measurement Period <u>Ended June 30</u>	Fiscal Year <u>Ending June 30</u>	Net Pension <u>Liability-SCRS</u>
2017	2018	\$ 2,248,685
2016	2017	\$ 2,171,443

For the year ended June 30, 2018, the City recognized pension expense of \$184,377. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,025	\$ 1,246
Changes of assumptions	131,636	0
Net difference between projected and actual earnings on plan investments	62,773	0
Changes in proportion and differences between City contributions and proportionate share of contributions	0	99,792
City contributions subsequent to the measurement date	<u>130,604</u>	<u>0</u>
Total	<u>\$ 335,038</u>	<u>\$ 101,038</u>

The \$130,604 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

**Police Officers Retirement System Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was calculated on the basis of historical employer contributions. For the measurement period ended June 30, 2017, the City's proportion was 0.07895%.



CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 6 - RETIREMENT - (continued)**

Measurement Period <u>Ended June 30</u>	Fiscal Year <u>Ending June 30</u>	Net Pension <u>Liability-PORS</u>
2017	2018	\$ 2,162,746
2016	2017	\$ 2,191,159

For the year ended June 30, 2018, the City recognized pension expense of \$225,733. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences between expected and actual experience	\$ 19,286	\$ 0
Changes of assumptions	205,265	0
Net difference between projected and actual earnings on plan investments	77,067	0
Changes in proportion and differences between City contributions and proportionate share of contributions	20,098	172,078
City contributions subsequent to the measurement date	<u>183,668</u>	<u>0</u>
Total	<u>\$ 505,384</u>	<u>\$ 172,078</u>

The \$183,668 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

The difference between projected and actual earnings on pension plan investments are reported as deferred outflows (inflows) of resources and will be amortized over a closed five-year period and recognized in pension expense in future years. The difference between expected and actual and the change in proportionate share of contributions are reported as deferred outflows (inflows) of resources and will be amortized over the average remaining service lives of all plan participants. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2017, measurement date was 4.073 years for SCRS and 4.553 years for PORS. The following schedule reflects the amortization of the City's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2018.

Pensions Expense and Deferred Outflows (Inflows) of Resources

Measurement Period <u>Ending June 30,</u>	Fiscal Year Ending <u>June 30,</u>	<u>SCRS</u>	<u>PORS</u>
2018	2019	\$ 17,946	\$ 47,244
2019	2020	51,988	79,501
2020	2021	51,455	37,027
2021	2022	<u>(17,993)</u>	<u>(14,134)</u>
Net Balance of Deferred Outflows/ (Inflows) of Resources		<u>\$ 103,396</u>	<u>\$ 149,638</u>

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 6 - RETIREMENT - (continued)**

**Actuarial Assumptions**

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the June 30, 2017, total pension liability are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017 total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS), and are based on an actuarial valuation performed as of July 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year ended, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 6 - RETIREMENT - (continued)**

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015 valuations for SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment rate of return <sup>1</sup>	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) <sup>1</sup>	3.5% to 9.5% (varies by service) <sup>1</sup>
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
<sup>1</sup> Includes inflation at 2.75%		

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments, is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.0% real rate of return and a 2.25% inflation component.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 6 - RETIREMENT - (continued)**

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>45.0%</b>		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
<b>Opportunistic</b>	<b>17.0%</b>		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	<u>2.0%</u>	0.92%	<u>0.02%</u>
Total Expected Real Return	<u>100.0%</u>		5.31%
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.56%</u>

**Sensitivity Analysis**

The following table presents the collective net pension liability, of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.25%) or 1.0% higher (8.25%) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.0% Decrease (6.25%)	Current Discount Rate (7.25%)	1.0% Increase (8.25%)
SCRS	\$2,898,245	\$2,248,685	\$1,854,554
PORS	\$2,920,304	\$2,162,746	\$1,566,273

**Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in PEBA's separately issued Comprehensive Annual Financial Report.

**Payables to the Pension Plans**

At June 30, 2018, the City reported a payable of \$19,484 and \$29,551 for the outstanding amount of contributions due to SCRS and PORS, respectively. This liability will be paid in the normal course of paying year-end obligations.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 7 - CASH AND CASH EQUIVALENTS**

All deposits are made and held by the City's local banks, as needed. Cash is stated at cost (which approximates market).

At June 30, 2018, the book balance of the City's deposits was \$5,918,563 and the bank balance was \$6,001,454. The difference between bank and book balance is due to outstanding items. The financial statement balance also includes \$1,474 in petty cash. The following chart shows the bank where these funds were deposited. The chart also shows a breakdown of insurance coverage, securities pledged and any uncollateralized amounts per bank.

<u>Deposits With</u>	<u>Bank Balance</u>	<u>SIPC &amp; FDIC Insurance</u>	<u>Letter of Credit &amp; Pledged Securities (MKT Value)</u>	<u>Uncollateralized Amount</u>
Anderson Brothers Bank	\$ 1,895,716	\$ 250,000	\$ 2,225,600	\$ 0
TD Bank	1,828,808	250,000	2,500,000	0
BB&T	53,761	53,761	0	0
First Citizens Bank & Securities	2,210,411	2,210,411	0	0
Pee Dee Federal	<u>12,758</u>	<u>12,758</u>	<u>0</u>	<u>0</u>
	<u>\$ 6,001,454</u>	<u>\$ 2,776,930</u>	<u>\$ 4,725,600</u>	<u>\$ 0</u>

**Risk-Deposits and Investments**

The City has not formally adopted deposit and investment policies that limit their allowable deposits or investments and address the specific types of risk to which they are exposed.

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The City does not have a policy for interest rate risk. The City had no investments with exposure to interest rate risk at June 30, 2018.

Credit Risk is the risk that an issuer of a debt type investment will not fulfill it's obligations to the holder of the investment. The City does not have a policy for credit risk. The City had no investments in debt type investments at June 30, 2018.

**Restricted Cash**

The restricted cash section shows those assets that contain restrictions on their use as set forth by legal compliance requirements of revenue bond ordinances or other sources. Governmental activities restricted cash include \$53,761 for post-65 retirees, for property tax rollbacks pertaining to local option sales tax \$657,302; \$29,628 for the CDBG programs, \$15,660 for the drug enforcement fund, \$482,604 for the hospitality tax fund and \$32,833 for the cemetery funds.

**NOTE 8 - CONTINGENCIES**

**Grants**

The City participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. If grant revenues received for expenditures are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from possible disallowed expenditures will not be material to the financial statements at June 30, 2018.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2018

**NOTE 8 - CONTINGENCIES - (continued)**

Unemployment

The City does not participate in the unemployment reserve fund for the South Carolina Department of Employment and Workforce. The City pays unemployment claims as incurred. This is a common procedure for cities.

Litigation

In the normal course of operations, the City may from time to time become a party to legal claims and disputes. At June 30, 2018, there were legal claims outstanding that are being handled by the Insurance Reserve fund on the City's behalf.

Encumbrances

At June 30, 2018, the City had no significant encumbrances outstanding.

**NOTE 9 - RISKS AND UNCERTAINTIES**

The City is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City maintains elements of both self-insurance and purchased insurance policies divided into coverage for workers compensation, property and casualty, and employee health insurance.

Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The City also pays insurance premiums to certain commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy in accord with the insurance policy and benefit program limits.

Several state funds accumulate assets and the State assumes substantially all risks for the following:

1. Claims for property and casualty loss (South Carolina Municipal Insurance Reserve Fund)

Employees health and dental coverage plans are through Blue Cross and Blue Shield and Citizens Security Life.

The City participates in the South Carolina Municipal Insurance Trust, Workers Compensation Self-Insurance Fund, a public entity risk pool for its workers compensation coverage. Pool members are subject to a supplemental assessment in the event of deficiencies.

The City has recorded insurance premium expenditures in the applicable functional expenditure categories of the unrestricted current funds. These expenditures do not include estimated claims losses and estimable premium adjustments. The City has not reported a supplemental premium assessment expenditure and the related liability at June 30, 2018, because the requirements of GASB Statement 10, which states that a liability for supplemental assessments must be reported if information prior to issuance of financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2018 and the amount of the premium is reasonably estimable have not been satisfied.

In management's opinion, supplemental premium assessments, if any, would not be significant enough to have a material effect on the financial position of the City.

During the year ended June 30, 2018 the City did not reduce insurance coverages from coverage levels of the prior year (except to remove assets that the City no longer owns). No settlements have exceeded insurance coverages during the fiscal year ended June 30, 2018, 2017, and 2016.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 10 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land & Improvements	\$ 513,050	\$ 0	\$ 0	\$ 513,050
Total capital assets not being depreciated	<u>\$ 513,050</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 513,050</u>
Capital assets being depreciated				
Infrastructure	\$ 1,972,139	\$ 20,000	\$ 0	\$ 1,992,139
Buildings & Improvements	8,863,882	0	12,635	8,851,247
Furniture, Fixtures, & Equipment	<u>4,201,620</u>	<u>303,135</u>	<u>58,853</u>	<u>4,445,902</u>
Total capital assets being depreciated	<u>15,037,641</u>	<u>323,135</u>	<u>71,488</u>	<u>15,289,288</u>
Less accumulated depreciation for				
Buildings & Improvements	3,051,054	180,053	8,845	3,222,262
Infrastructure	977,561	61,114	0	1,038,675
Furniture, Fixtures, & Equipment	<u>2,854,560</u>	<u>246,392</u>	<u>58,853</u>	<u>3,042,099</u>
Total accumulated depreciation	<u>6,883,175</u>	<u>487,560</u>	<u>67,698</u>	<u>7,303,037</u>
Total capital assets being depreciated, net	<u>\$ 8,154,466</u>	<u>\$ (164,425)</u>	<u>\$ 3,790</u>	<u>\$ 7,986,251</u>

Depreciation expense was charged to the governmental functions as follows:

General Government	\$ 191,568
Public Safety	146,021
Highways and Streets	31,596
Public Works	32,131
Culture and Recreation	25,130
Unallocated	<u>61,114</u>
<b>TOTAL DEPRECIATION EXPENSE</b>	<b><u>\$ 487,560</u></b>

**NOTE 11 - INTERFUND BALANCES/TRANSFERS**

The composition of interfund balances as of June 30, 2018 are as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Major Governmental Fund		
General Fund	Special Revenue Funds	<u>\$ 2,712</u>

These interfund balances represent short-term loans resulting from the centralized cash system.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 11 - INTERFUND BALANCES/TRANSFERS - (continued)**

The composition of interfund transfers are as follows:

<u>Transfer From</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Debt Service	\$ 76,666	To fund debt repayment
Fiduciary Fund	General Fund	<u>25</u>	To transfer interest earnings
		<u>\$ 76,691</u>	

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

The City’s defined benefit OPEB plan provides OPEB for employees who meet the eligibility requirements. It is a single employer defined benefit OPEB plan. City Council has the authority to establish and amend the benefit terms of the plan. The plan does not issue a financial report.

**Eligibility**

Participants must meet one of the following criteria:

- Attainment of age 55 with 15 years of South Carolina governmental service, the last 10 years must be in continuous service with the City;
- 30 consecutive years of service with the City;
- 28 years with SCRS, the last 10 years must be in continuous service with the City;
- 25 years with PORS, the last 10 years must be in continuous service with the City.

**Benefits**

The City provides medical coverage for retirees and their dependents prior to Medicare eligibility. The monthly premiums as of July 1, 2017 are based on age and range from \$988 to \$1,329.

The City sponsors a Medicare Supplement Plan for the retiree only through Blue Cross Blue Shield. The Plan contains age banded premiums.

In addition, the City offers dental and vision coverage.

Dependent coverage ceases upon the death of the retiree or the dependent’s eligibility for Medicare.

The Plan offers a disability benefit for those participants who become eligible for disabled retirement through SCRS/PORS and meet the additional criteria described in the eligibility section above.

Service is credited from the date of hire.



CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
 Year Ended June 30, 2018

**NOTE 12 - POST RETIREMENT BENEFITS - (continued)**

**Employees Covered by Benefit Terms**

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	28
Inactive Members Entitled To But Not Yet Receiving Benefits	0
Active Employees	<u>63</u>
Total Membership	<u><u>91</u></u>

**Contributions**

All contribution rates are established and may be amended by the City Council.

Prior to Medicare eligibility, the City pays the medical premium for retiree only coverage.

Upon Medicare eligibility, the City contributes a maximum of \$225 toward the Medicare supplement and drug card.

In addition, the City pays the dental premium for retiree only coverage.

Employees are not required to contribute to the plan.

**Life Insurance**

The City offers life insurance to retirees at their own cost.

**Trust**

During the year ended June 30, 2013, the City joined the South Carolina Other Retirement Benefits Employer Trust. The Trust is a tax-exempt governmental trust under IRS Codes Section 115 and applicable SC law and is open to all political subdivisions. During the year ended June 30, 2018, the City contributed \$4,000 to the Trust.

**Net OPEB Liability**

The City's net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
 Year Ended June 30, 2018

**NOTE 12 - POST RETIREMENT BENEFITS - (continued)**

*Actuarial Assumptions.* The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Real wage growth	
SCRS	0.75%
PORS	1.25%
Wage inflation	
SCRS	3.00%
PORS	3.50%
Salary increases, including wage inflation	
SCRS	3.00% - 7.00%
PORS	3.50% - 9.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	4.75%
Municipal Bond Index Rate	
Prior Measurement Date	3.86%
Measurement Date	3.55%
Year FNP is projected to be depleted	
Prior Measurement Date	2018
Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	3.86%
Measurement Date	3.55%
Health Care Cost Rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2016 decreasing to an ultimate rate of 5.00% by 2020

The discount rate used to measure the TOL was based upon the Single Equivalent Interest Rate.

Mortality rates were based on the RP-2014 Mortality for Employees with a 95% multiplier to better reflect anticipated experience and provide a margin for future improvements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the January 1, 2017 valuation were based on the results of an actuarial experience study adopted by SCRS and PORS.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
 Year Ended June 30, 2018

**NOTE 12 - POST RETIREMENT BENEFITS - (continued)**

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) Used in the January 1, 2017 valuation were based on a review of recent plan experience done concurrently with the January 1, 2017 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

Asset Class	Target Allocation
Fixed Income	94.3%
Equity Funds	0.0%
Cash and Cash Equivalents	<u>5.7%</u>
Total	100.0%

The long-term expected rate of return assumption is 4.75%.

*Discount rate.* The discount rate used to measure the total OPEB liability was 3.55 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. As a result of the change to the Municipal Bond Index Rate, there was a change in the discount rate from 3.86% at the prior measurement date to 3.55% at the current measurement date.

In addition to the actuarial methods and assumptions of the January 1, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.
- Cash flows occur mid-year.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 12 - POST RETIREMENT BENEFITS - (continued)**

- In all future years, the employer is assumed to contribute an amount equal to the average of the contributions over that last five years.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.

Based on these assumptions, the Plan's FNP was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in determination of the SEIR. Here, the long-term expected rate of return of 4.75% on Plan investments was applied to periods through 2019 and the Municipal Bond Index Rate at the Measurement Date (3.55%) was applied to periods on and after 2019, resulting in an SEIR at the Measurement Date (3.55%). As a result of the change to the Municipal Bond Index Rate, there was a change in the discount rate from 3.86% at the Prior Measurement Date to 3.55% at the Measurement Date.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

**Changes in the Net OPEB Liability**

The TOL is based upon an actuarial valuation performed as of the Valuation Date, January 1, 2017. An expected TOL is determined as of December 31, 2017 using standard roll forward techniques. The roll forward calculation begins with the TOL, as of January 1, 2017, subtracts the actual benefit payments and refunds for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the Service Cost). Actuarial gains and losses arising from the change in the SEIR from 3.86% on the Prior Measurement Date to 3.55% on the Measurement Date are accounted for as changes of assumptions or other inputs. The procedure used to determine the TOL, as of December 31, 2017, is shown in the following table:

	Total OPEB Liability <u>(a)</u>	Plan Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
<b>Balance as of December 31, 2016</b>	\$ 3,465,870	\$ 16,093	\$ 3,449,777
<b>Changes for the year:</b>			
Service Cost at the end of the year*	98,805	0	98,805
Interest on TOL and Cash Flows	130,867	0	130,867
Change in benefit terms	0	0	0
Difference between expected and actual experience	21,014	0	21,014
Changes of assumptions or other inputs	117,666	0	117,666
Contributions - employer	0	160,520	(160,520)
Contributions - non-employer	0	0	0
Net investment income	0	489	(489)
Benefit payments and implicit subsidy credit	(152,520)	(152,520)	0
Plan administrative expenses	0	(455)	455
Other	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net changes</b>	<u>215,832</u>	<u>8,034</u>	<u>207,798</u>
<b>Balance as of December 31, 2017</b>	<u>\$ 3,681,702</u>	<u>\$ 24,127</u>	<u>\$ 3,657,575</u>

\* The service cost includes interest for the year.

CITY OF MARION  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**NOTE 12 - POST RETIREMENT BENEFITS - (continued)**

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.55 percent) or 1-percentage-point higher (4.55 percent) than the current discount rate:

	<u>1% Decrease</u> <u>(2.55%)</u>	<u>Discount Rate</u> <u>(3.55%)</u>	<u>1% Increase</u> <u>(4.55%)</u>
Net OPEB liability (asset)	\$ 4,078,380	\$ 3,657,575	\$ 3,297,110

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ 3,407,995	\$ 3,657,575	\$ 3,954,584

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is not available in a publicly available separately issued financial report.

**OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resource Related to OPEB**

For the year ended June 30, 2018, the City recognized OPEB expenses of \$252,982. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 17,422	\$ 0
Changes of assumptions or other inputs	97,552	0
Net differences between projected and actual earnings on OPEB plan investments	<u>362</u>	<u>0</u>
Total	<u>\$ 115,336</u>	<u>\$ 0</u>

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2018

**NOTE 12 - POST RETIREMENT BENEFITS - (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period ended December 31,	
2018	\$ 23,796
2019	23,796
2020	23,796
2021	23,798
2022	20,150
Thereafter	0

**Payable to the OPEB Plan**

At June 30, 2018, the City reported no payables to the plan.

**NOTE 13 - RELATED PARTY TRANSACTIONS**

During the fiscal year ended June 30, 2018, the City conducted business with a business owned by an employee.

**NOTE 14 - NON-HEALTH CARE RELATED TERMINATION BENEFITS**

The City of Marion paid an employee \$35,600 in severance pay in March, 2018.

**NOTE 15 - CUMULATIVE CHANGE IN ACCOUNTING PRINCIPLE**

The City implemented GASB Statement No. 75 "*Accounting & Financial Reporting for Post-employment Benefits other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The adoption of this Statement had no impact on the City's governmental fund financial statements, which continue to report expenditures in the amount of the actual contributions. However, the adoption has resulted in the restatement of the City's net position as of July 1, 2017 for its government-wide financial statements to reflect the reporting of net OPEB liabilities for its qualified Plan in accordance with the provisions of this Statement. Net position of the City's government-wide financial statements as of July 1, 2017 was decreased by approximately \$2,442,666, reflecting the cumulative change in accounting principle related to the adoption of this Statement. See Note 12 for more information regarding the City's OPEB plans.

CITY OF MARION  
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS  
Year Ended June 30, 2018

	SCRS				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$130,604	\$116,662	\$108,693	\$108,142	\$105,338
Contributions made to pension plan	<u>130,604</u>	<u>116,662</u>	<u>108,693</u>	<u>108,142</u>	<u>105,338</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll during the measurement period	\$963,159	\$1,009,244	\$982,761	\$992,126	\$993,754
Contributions as a percentage of covered employee payroll	13.56%	11.56%	11.06%	10.90%	10.60%
	PORS				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$186,223	\$151,391	\$151,403	\$153,789	\$134,979
Contributions made to pension plan	<u>186,223</u>	<u>151,391</u>	<u>151,403</u>	<u>153,789</u>	<u>134,979</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll during the measurement period	\$1,147,092	\$1,063,138	\$1,101,916	\$1,146,825	\$1,051,240
Contributions as a percentage of covered employee payroll	16.23%	14.24%	13.74%	13.41%	12.84%

The City implemented GASB 68 during fiscal year 2015, as such only the last five years of data are available.

CITY OF MARION  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Year Ended June 30, 2018

	SCRS				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
The City's percentage of the net pension liability	0.009989%	0.010166%	0.010933%	0.010944%	0.010944%
The City's proportionate share of the net pension liability	\$2,248,685	\$2,171,443	\$2,073,496	\$1,884,194	\$1,962,963
The City's covered employee payroll	\$1,009,244	\$982,761	\$992,126	\$993,754	\$1,000,963
The City's proportionate share of the net pension liability as a percentage of its covered payroll	222.81%	220.95%	209.00%	189.60%	196.11%
The Plan's fiduciary net position as a percentage of the total pension liability	53.30%	52.90%	57.00%	59.90%	56.39%
	PORS				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
The City's percentage of the net pension liability	0.07895%	0.08639%	0.08999%	0.08740%	0.08740%
The City's proportionate share of the net pension liability	\$2,162,746	\$2,191,159	\$1,961,351	\$1,673,267	\$1,811,840
The City's covered employee payroll	\$1,063,138	\$1,101,916	\$1,146,825	\$1,051,240	\$1,121,168
The City's proportionate share of the net pension liability as a percentage of its covered payroll	203.43%	198.85%	171.02%	159.17%	161.60%
The Plan's fiduciary net position as a percentage of the total pension liability	60.90%	60.40%	64.60%	67.50%	62.98%

The City implemented GASB 68 during fiscal year 2015, as such only the last five years of data are available.



CITY OF MARION  
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS  
Year Ended June 30, 2018

		<u>December 31, 2017</u>
Actuarially determine employer contribution (ADEC)		\$231,204
Contributions in relation to the ADEC		<u>160,520</u>
Annual contribution deficiency (excess)		<u><u>\$70,684</u></u>
City's covered payroll	*	\$1,704,576
Contributions as a percentage of covered employee payroll		9.42%

**NOTES TO SCHEDULE**

Valuation date: January 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	5 year smoothed market
Inflation	2.25 percent
Healthcare cost trend rates	Pre-Medicare 7.5% for 2017 decreasing to an ultimate rate of 5% by 2023 Medicare 5.5% for 2016 decreasing to an ultimate rate of 5% by 2020
Medical cost trend rate	7.5%-5%
Ultimate trend rate	5.00%
Year of ultimate trend rate	2023
Salary increases	SCRS 3% - 7% PORS 3.5% - 9.5%
Investment rate of return	4.75%, net of OPEB plan investment expense, including inflation
Retirement age	See Note to Financial Statements number 6
Mortality	In the January 1, 2017 valuation, mortality rates were based on the RP-2014 Mortality Table for Employees with 95% multiplier

The City implemented GASB 74 during fiscal year 2018, as such only one year of data is available.

CITY OF MARION  
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITIES AND RELATED RATIOS  
Year Ended June 30, 2018

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Total OPEB Liability</b>		
Service Cost at the end of the year	\$98,805	
Interest on the total OPEB liability	130,867	
Changes of benefit terms	0	
Difference between expected and actual experience	21,014	
Changes of assumptions or other inputs	117,666	
Benefit payments	* <u>(152,520)</u>	
<b>Net change in total OPEB liability</b>	215,832	
<b>Total OPEB liability - beginning</b>	<u>3,465,870</u>	
<b>Total OPEB liability - ending</b>	<u><u>\$3,681,702</u></u>	<u><u>\$3,465,870</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	** \$160,520	
Contributions - non-employer	0	
Contributions - active member	0	
Net investment income	489	
Benefit payments	* (152,520)	
Administrative expenses	(455)	
Other	<u>0</u>	
<b>Net change in plan fiduciary net position</b>	8,034	
<b>Plan Fiduciary Net Position - beginning</b>	<u>16,093</u>	
<b>Plan Fiduciary Net Position - ending</b>	<u><u>\$24,127</u></u>	<u><u>\$16,093</u></u>
<b>Net OPEB liability - ending</b>	<u><u>\$3,657,575</u></u>	<u><u>\$3,449,777</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.66%	0.46%
Covered Payroll	\$1,704,576	\$1,704,576 ***
Net OPEB liability as a percentage of covered payroll	214.57%	202.38%

\* Benefit payments are net of participant contributions and include a payment of \$17,400 for the implicit subsidy.

\*\* Employer contribution includes \$135,120 paid outside the Trust and \$17,400 due to the implicit subsidy.

\*\*\* For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent year.

The City implemented GASB 75 during fiscal year 2018, as such only one year of data is available.

CITY OF MARION  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGET (GAAP BASIS) AND ACTUAL-GENERAL FUND  
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
<b>LOCAL</b>				
Taxes	\$2,348,500	\$2,348,500	\$2,394,555	\$46,055
Operational Revenues	2,842,184	2,842,184	2,903,870	61,686
<b>STATE</b>				
Operational Revenues	220,000	220,000	252,187	32,187
Disaster Assistance	0	0	49,466	49,466
<b>TOTAL REVENUES</b>	<b>5,410,684</b>	<b>5,410,684</b>	<b>5,600,078</b>	<b>189,394</b>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
General Government	1,395,112	1,395,112	1,289,462	105,650
Public Safety	2,397,760	2,397,760	2,344,330	53,430
Highways and Streets	461,417	461,417	398,569	62,848
Public Works	1,151,640	1,151,640	1,112,259	39,381
Culture and Recreation	507,200	507,200	476,650	30,550
Capital Outlay	0	0	13,955	(13,955)
<b>TOTAL EXPENDITURES</b>	<b>5,913,129</b>	<b>5,913,129</b>	<b>5,635,225</b>	<b>277,904</b>
Excess (deficiency) of revenues over expenditures	(502,445)	(502,445)	(35,147)	467,298
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Proceeds	0	0	23,104	23,104
Transfer to Debt Service Fund	(76,700)	(76,700)	(76,666)	34
Transfer from Fiduciary Fund	25	25	25	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(76,675)</b>	<b>(76,675)</b>	<b>(53,537)</b>	<b>23,138</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(579,120)	(579,120)	(88,684)	490,436
Fund Balances at beginning of year	5,419,309	5,419,309	5,419,309	0
Fund Balances at end of year	<u>\$4,840,189</u>	<u>\$4,840,189</u>	<u>\$5,330,625</u>	<u>\$490,436</u>

CITY OF MARION  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGET (GAAP BASIS) AND ACTUAL-LOCAL HOSPITALITY TAX  
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
LOCAL				
Hospitality Tax	\$325,000	\$325,000	\$283,604	(\$41,396)
Interest	0	0	354	354
TOTAL REVENUES	<u>325,000</u>	<u>325,000</u>	<u>283,958</u>	<u>(41,042)</u>
EXPENDITURES				
CURRENT				
Culture & Recreation				
Contributions-Marion Chamber of Commerce	5,225	5,225	5,225	0
Contributions-Arts Council	1,500	1,500	0	1,500
Contributions-Marion County Museum	1,900	1,900	1,900	0
Contributions-HMRA	28,000	28,000	28,000	0
Contributions-Foxtrot Festival	5,000	5,000	5,000	0
Foxtrot Festival Salaries and Fringes	20,000	20,000	12,100	7,900
CD Joyner Events	22,500	22,500	8,683	13,817
City Planner	11,000	11,000	10,693	307
Advertising & Promotion	30,000	30,000	17,256	12,744
Street Lights	68,000	68,000	61,910	6,090
Opera House Expenditures	12,000	12,000	11,311	689
Depot Expenditures	7,000	7,000	6,446	554
Beautification Expenditures	24,000	24,000	16,197	7,803
Christmas Festival Expenditures	30,000	30,000	23,750	6,250
Contingency	19,575	19,575	0	19,575
Miscellaneous	2,000	2,000	266	1,734
CAPITAL OUTLAY				
Equipment	9,800	9,800	9,799	1
Sidewalks at Green St. Park	20,000	20,000	20,000	0
Beautification	7,500	7,500	7,500	0
TOTAL EXPENDITURES	<u>325,000</u>	<u>325,000</u>	<u>246,036</u>	<u>78,964</u>
Excess (deficiency) of revenues over expenditures	0	0	37,922	37,922
Fund Balances at beginning of year	<u>319,864</u>	<u>319,864</u>	<u>319,864</u>	<u>0</u>
Fund Balances at end of year	<u>\$319,864</u>	<u>\$319,864</u>	<u>\$357,786</u>	<u>\$37,922</u>

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Council  
Marion, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Marion as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Marion's basic financial statements and have issued our report thereon dated December 7, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Marion'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 City of Marion's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Marion's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control. We consider the deficiencies described in the accompanying schedule of findings and responses listed as items #2018-001 and #2018-002 to be significant deficiencies in internal control.

### **Compliance and Other Matters**

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

### **The City of Marion's Response to Findings**

The City of Marion's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Marion's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.

*Kenneth Cobb & Company P.C.*

Mullins, South Carolina

December 7, 2018

CITY OF MARION  
**SCHEDULE OF FINDINGS AND RESPONSES**  
July 1, 2017 to June 30, 2018

#2018-001 Preparation of annual financial statements and disclosures (initially reported 1/16/09)

Condition: The City does not prepare its annual financial statements and footnote disclosures. The City staff work with the auditor in the preparation and subsequently reviews and approves all statements and disclosures before issuance.

Criteria: Internal controls should be in place that provide reasonable assurance that financial statements are free of material misstatements and that the independent auditor is not part of this control system.

Effect: The City relies on the audit firm to prepare the financial statements and disclosures and reviews the final product. Caution must be exercised so that the auditor is not deemed to be part of the control system.

Recommendation: The City can accept this condition and concentrate on the review and approval process or prepare all financial statements and disclosures in house or hire an outside source to prepare the financial statements and disclosures.

Response: The City accepts the condition and will concentrate on the review and approval process.

#2018-002 Inadequate Segregation of Duties (initially reported 1/16/09)

Condition: Due to a small staff size, the City does not have complete segregation of duties.

Criteria: The ideal internal control system would not allow one person to perform a transaction from beginning to end.

Effect: An error in financial reporting may not be detected in a timely manner or the misappropriation of assets could be concealed.

Recommendation: We recommend that the Council and management continue to use supervisory reviews such as monitoring financial statements and budget reports, and segregate duties where cost beneficial to do so.

Response: The City will continue to use supervisory reviews such as monitoring financial statements and budget reports, and where cost beneficial will segregate duties.

CITY OF MARION  
 SUPPLEMENTARY INFORMATION  
 Year Ended June 30, 2018

**POLICE FINES, ASSESSMENTS AND SURCHARGES:**

Total Court Fines Collected	\$124,199
Court Fines Retained by the City	<u>(124,199)</u>
Court Fines Remitted to the State Treasurer	<u>\$0</u>
Total Court Other Assessments Collected	\$135,415
Court Other Assessments Retained by the City	<u>(15,114)</u>
Court Other Assessments Remitted to the State Treasurer	<u>\$120,301</u>
Total DUI, DUS, BUI Assessments, Surcharges Pullout Collected	\$87,455
DUI, DUS, BUI Assessments, Surcharges and Pullout Retained by the City	<u>(4,320)</u>
DUI, DUS, BUI Assessments, Surcharges and Pullout Remitted to the State Treasurer	<u>\$83,135</u>
Beginning Balance - Revenue Received in Advance - Victim's Rights	\$58,156
Assessments for Victim's Rights	15,114
Surcharges for Victim's Rights	4,320
Expenditures for Victim's Rights	<u>(21,000)</u>
Ending Balance - Revenue Received in Advance - Victim's Rights	<u>\$56,590</u>



CITY OF MARION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE--BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
<b>LOCAL</b>			
Taxes			
Current	\$2,197,500	\$2,228,107	\$30,607
Executions	95,000	96,465	1,465
In Lieu Of	31,000	38,783	7,783
In Lieu of Motor Carriers	25,000	31,200	6,200
Operational Revenues	2,842,184	2,903,870	61,686
<b>STATE</b>			
Operational Revenues	220,000	252,187	32,187
Disaster Assistance	0	49,466	49,466
<b>TOTAL REVENUES</b>	<b>5,410,684</b>	<b>5,600,078</b>	<b>189,394</b>
<b>EXPENDITURES</b>			
<b>Current Expenditures</b>			
General Government	1,180,337	1,089,831	90,506
Administrator & City Clerk	106,470	94,736	11,734
City Treasurer	68,650	68,185	465
Planning & Zoning	39,655	36,710	2,945
Building Inspector	87,530	85,644	1,886
Municipal Court	101,420	95,141	6,279
Police Department	1,627,015	1,608,751	18,264
Fire Department	581,795	554,794	27,001
Street Department	401,977	342,231	59,746
Public Works Department	1,151,640	1,112,259	39,381
City Shop	59,440	56,338	3,102
Recreation Department	507,200	476,650	30,550
Capital Outlay	0	13,955	(13,955)
<b>TOTAL EXPENDITURES</b>	<b>5,913,129</b>	<b>5,635,225</b>	<b>277,904</b>
Excess (deficiency) of revenues over expenditures	(502,445)	(35,147)	467,298

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE--BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Budget
OTHER FINANCING SOURCES (USES)			
Insurance Proceeds	\$0	\$23,104	\$23,104
Transfer to Debt Service Fund	(76,700)	(76,666)	34
Transfer from Fiduciary Fund	25	25	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(76,675)</u>	<u>(53,537)</u>	<u>23,138</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(579,120)	(88,684)	490,436
Fund Balances at beginning of year	<u>5,419,309</u>	<u>5,419,309</u>	<u>0</u>
Fund Balances at end of year	<u><u>\$4,840,189</u></u>	<u><u>\$5,330,625</u></u>	<u><u>\$490,436</u></u>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF OPERATIONAL REVENUES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Budget
REVENUES			
LOCAL			
Business Licenses	\$1,175,000	\$1,211,085	\$36,085
Building Permits	27,000	42,124	15,124
Franchise Fee GSWSA	140,000	145,199	5,199
Setoff Debt Fees	2,000	650	(1,350)
Sanitation Receipts	1,003,000	1,003,798	798
Donations - Food Boxes	0	3,098	3,098
Grass Cutting Fees	6,000	10,300	4,300
Francis Marion Run Fest	0	8,392	8,392
Recreation - Swimming Pool	2,000	1,968	(32)
Recreation - Program Registration	3,000	2,248	(752)
Recreation - Tournament Fund	6,000	18,877	12,877
Recreation - Youth Sports Registration	18,000	11,948	(6,052)
Recreation - Rent	8,000	8,720	720
Recreation - Youth Sponsor Fees	8,000	7,204	(796)
Recreation - Miscellaneous	250	4,009	3,759
Recreation - Insurance	6,000	4,716	(1,284)
Recreation - Game Admissions	9,000	13,212	4,212
Recreation - Concessions	0	3,101	3,101
Police Fines and Forfeits	190,000	143,635	(46,365)
Police - Miscellaneous	1,000	2,373	1,373
Police - Proceeds for School Resource Officer	90,734	82,600	(8,134)
Opera House Income	6,500	7,610	1,110
Fire Department Donations	1,000	875	(125)
Fire Christmas Fund	0	2,955	2,955
Fire Miscellaneous	500	1,475	975
Rural Fire Dues	89,500	87,800	(1,700)
Sale of Assets - Equipment	0	7,885	7,885
Rose Hill - Sales	4,000	1,200	(2,800)
City - Miscellaneous	4,000	9,058	5,058
Yard Sales	700	775	75
Interest	9,000	21,172	12,172
Investment Interest Income	30,000	31,058	1,058
CD Joyner Rent	2,000	2,750	750
<b>TOTAL LOCAL OPERATIONAL REVENUES</b>	<b><u>\$2,842,184</u></b>	<b><u>\$2,903,870</u></b>	<b><u>\$61,686</u></b>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF GENERAL GOVERNMENT EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

EXPENDITURES	Final Budget	Actual	Variance with Final Budget
Salary-Mayor/Council	\$40,500	\$40,500	\$0
Salary	135,500	134,537	963
Retirement	23,858	23,654	204
Social Security	13,460	13,152	308
Insurance	64,000	62,317	1,683
Insurance Retirees (Pre)	65,000	69,871	(4,871)
Insurance Retirees (Post)	67,687	64,220	3,467
SC ORBET	4,000	4,000	0
Penalties	25	0	25
Supplies	6,100	5,080	1,020
Food Boxes	0	3,098	(3,098)
Postage	6,000	5,386	614
Membership & Dues	1,000	709	291
Convention & Travel	12,500	9,986	2,514
Gas & Oil	4,000	2,899	1,101
Electricity & Gas	10,000	9,627	373
Telephone	16,000	16,372	(372)
Street Lights	135,000	138,804	(3,804)
Refunds	130	0	130
Bank Charges-Credit Card	500	864	(364)
Maintenance/Service Agreements	34,800	34,181	619
Opera House Expenditures	3,000	3,000	0
Rental Property	1,900	3,100	(1,200)
Repairs/Maintenance Buildings/Grounds	7,500	6,363	1,137
Janitor Uniforms	300	473	(173)
County Tax - Housing Authority	22,000	27,095	(5,095)
Janitorial Supplies	1,400	920	480
Beautification	1,000	0	1,000
Advertising & Printing	4,500	3,784	716
Swamp Fox Scene Paper	2,300	1,669	631
Insurance - Property, Etc.	315,472	292,221	23,251
Professional Services	44,000	38,537	5,463
Attorney Fees	20,000	25,408	(5,408)
Summer Camp	2,500	317	2,183
Annual Awards Banquet	3,500	3,846	(346)
Francis Marion Runfest	0	8,392	(8,392)
Miscellaneous	4,000	4,148	(148)
Contributions	17,505	17,005	500
Hurricane Expenditures	0	14,296	(14,296)
Transfer GSWSA funds	89,400	0	89,400
	<u>\$1,180,337</u>	<u>\$1,089,831</u>	<u>\$90,506</u>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF ADMINISTRATOR AND CITY CLERK EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

EXPENDITURES	Final Budget	Actual	Variance with Final Budget
Salary	\$70,200	\$62,072	\$8,128
Retirement	11,400	9,395	2,005
Social Security	5,370	4,389	981
Insurance	10,500	10,342	158
Supplies	900	823	77
Membership & Dues	800	775	25
Convention & Travel	3,000	3,310	(310)
Gas & Oil	4,000	3,164	836
Vehicle Expenditures	200	356	(156)
Miscellaneous	100	110	(10)
	<u>\$106,470</u>	<u>\$94,736</u>	<u>\$11,734</u>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF CITY TREASURER EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

EXPENDITURES	Final Budget	Actual	Variance with Final Budget
Salary	\$47,470	\$47,486	(\$16)
Retirement	6,440	6,429	11
Social Security	3,640	3,521	119
Insurance	7,000	6,910	90
Supplies	1,500	528	972
Membership & Dues	300	200	100
Convention & Travel	2,100	3,111	(1,011)
Miscellaneous	200	0	200
	<u>\$68,650</u>	<u>\$68,185</u>	<u>\$465</u>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF PLANNING AND ZONING EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Budget
EXPENDITURES			
Salary	\$22,000	\$21,710	\$290
Retirement	4,475	4,384	91
Social Security	2,530	2,474	56
Health Insurance	7,000	6,910	90
Supplies	400	372	28
Convention & Travel	1,200	483	717
Planning	250	0	250
Advertising & Printing	200	377	(177)
Professional Services	1,500	0	1,500
Miscellaneous	100	0	100
	<u>\$39,655</u>	<u>\$36,710</u>	<u>\$2,945</u>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF BUILDING INSPECTOR EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

EXPENDITURES	Final Budget	Actual	Variance with Final Budget
Salary	\$58,300	\$59,145	(\$845)
Retirement	9,470	9,062	408
Social Security	4,460	4,183	277
Insurance	10,500	10,232	268
Supplies	1,300	2,101	(801)
Membership & Dues	3,000	921	2,079
Miscellaneous Expense	500	0	500
	<u>\$87,530</u>	<u>\$85,644</u>	<u>\$1,886</u>



CITY OF MARION  
GENERAL FUND  
SCHEDULE OF MUNICIPAL COURT DEPARTMENT EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

EXPENDITURES	Final Budget	Actual	Variance with Final Budget
Salary	\$60,710	\$58,870	\$1,840
Retirement	8,240	7,111	1,129
Social Security	4,650	4,342	308
Insurance	13,900	13,792	108
Supplies	3,400	1,430	1,970
Postage	2,000	852	1,148
Membership & Dues	270	170	100
Convention & Travel	4,000	4,736	(736)
Maintenance/Service Agreements	1,500	1,500	0
Jury Pay	750	40	710
Part-time Municipal Judge	2,000	1,398	602
Professional Services-Public Defender	0	900	(900)
	<u>\$101,420</u>	<u>\$95,141</u>	<u>\$6,279</u>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF POLICE DEPARTMENT EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

EXPENDITURES	Final Budget	Actual	Variance with Final Budget
Salary	\$926,000	\$868,504	\$57,496
Retirement	150,500	137,033	13,467
Social Security	71,000	64,859	6,141
Insurance	160,000	144,109	15,891
Unemployment Insurance	2,000	0	2,000
Supplies	17,000	14,040	2,960
Postage	500	497	3
Litter Control	7,500	9,548	(2,048)
Membership & Dues	1,500	100	1,400
Convention & Travel	3,000	2,483	517
Gas & Oil	68,000	60,201	7,799
Vehicle Expenditures	32,000	39,142	(7,142)
Electricity	15,000	14,682	318
Electricity-Firing Range	200	210	(10)
Telephone	11,000	10,358	642
Maintenance/Service Agreements	7,000	9,084	(2,084)
Radio Supplies & Maintenance	2,000	988	1,012
Maintenance/Building & Grounds	11,215	11,612	(397)
Combined Drug Unit	7,500	2,049	5,451
Community Police Substation	2,000	1,340	660
Jones Ave Sub Station	7,500	8,833	(1,333)
Uniforms	17,000	9,604	7,396
Uniform allowance	4,000	3,996	4
Prisoner Safe Keeping	1,200	0	1,200
Medical - Prisoners	3,000	0	3,000
Juvenile Detention	8,000	7,000	1,000
Advertising & Printing	1,000	362	638
Professional Services	6,900	7,235	(335)
School Resource Officers	5,500	3,795	1,705
Victims Advocacy Program	21,000	21,000	0
800 MHZ Systems	55,000	55,000	0
Miscellaneous Expense	2,000	3,799	(1,799)
Calendar Fund	0	775	(775)
Settlements	0	96,513	(96,513)
	<u>\$1,627,015</u>	<u>\$1,608,751</u>	<u>\$18,264</u>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF FIRE DEPARTMENT EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

EXPENDITURES	Final Budget	Actual	Variance with Final Budget
Salary	\$277,000	\$303,554	(\$26,554)
Wages-Fire Attendance	30,000	24,155	5,845
Retirement	45,000	45,608	(608)
Social Security	24,500	24,870	(370)
Insurance	55,500	36,050	19,450
Unemployment Insurance	2,000	0	2,000
Supplies	4,600	5,013	(413)
Christmas Fund Supplies	0	2,955	(2,955)
Class 5 Supplies	17,000	10,444	6,556
Memberships/Conventions/School	2,000	411	1,589
Gas & Oil	16,000	15,267	733
Truck Expenditures	21,000	16,075	4,925
Electricity & Heat	21,000	17,559	3,441
Telephone	5,000	4,784	216
Maintenance/Service Agreements	95	95	0
Radio Maintenance	2,000	797	1,203
Equipment Maintenance	4,500	4,028	472
Repairs/Maintenance Buildings/Grounds	7,500	9,683	(2,183)
Hose & Nozzle	6,100	1,086	5,014
Fire Prevention	2,700	2,835	(135)
Uniforms	4,800	4,497	303
Medical Expenditures	4,600	3,187	1,413
OSHA Regulations	1,500	22	1,478
Training	6,500	4,675	1,825
Professional Services	700	315	385
800 MHZ Systems	15,000	15,000	0
Miscellaneous	1,200	1,031	169
Asbestos	0	798	(798)
Training Ground	4,000	0	4,000
	<u>\$581,795</u>	<u>\$554,794</u>	<u>\$27,001</u>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF STREET DEPARTMENT EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

EXPENDITURES	Final Budget	Actual	Variance with Final Budget
Salary	\$215,146	\$166,302	\$48,844
Retirement	29,173	22,510	6,663
Social Security	16,458	12,598	3,860
Insurance	62,400	46,624	15,776
Unemployment Insurance	300	0	300
Supplies	4,500	5,062	(562)
Gas & Oil	24,000	21,462	2,538
Vehicle Expenditures	4,000	5,291	(1,291)
Truck Maintenance	6,000	22,004	(16,004)
Chemicals	700	0	700
Electricity & Heat	1,000	1,235	(235)
Telephone	1,000	227	773
Tractor/Mower Maintenance	13,000	17,474	(4,474)
Heavy Equipment Maintenance	12,000	14,121	(2,121)
Building Maintenance	500	985	(485)
Uniforms	2,100	2,278	(178)
Storm Drainage	4,500	778	3,722
Street Repair	2,000	1,477	523
Sidewalk Improvements	1,000	0	1,000
Street Signs	1,000	0	1,000
Miscellaneous	1,200	1,803	(603)
	<u>\$401,977</u>	<u>\$342,231</u>	<u>\$59,746</u>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF PUBLIC WORKS DEPARTMENT EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Budget
EXPENDITURES			
Salary	\$242,420	\$209,220	\$33,200
Retirement	32,870	27,500	5,370
Social Security	18,550	15,583	2,967
Insurance	76,200	66,996	9,204
Unemployment Insurance	300	0	300
Supplies	2,150	2,137	13
Supplies-Auction Funds	0	2,713	(2,713)
Gas & Oil	33,000	35,536	(2,536)
Vehicle Expenditures	4,000	4,021	(21)
Truck Maintenance	13,000	12,195	805
Chemicals	100	0	100
Electricity/Heat	2,200	2,395	(195)
Telephone	1,000	780	220
Landfill Closing	25,000	35,627	(10,627)
Radio Maintenance	600	0	600
Contract Garbage Hauling	657,000	656,891	109
Equipment Repairs - Mowers	1,500	1,559	(59)
Maintenance-Building	1,100	2,081	(981)
Rose Hill Maintenance	250	27	223
Heavy Equipment Maintenance	5,500	8,607	(3,107)
Sweeper Maintenance	6,500	8,677	(2,177)
Tree Trimming	25,000	15,044	9,956
Uniforms	2,400	3,214	(814)
Miscellaneous	1,000	1,456	(456)
	<u>\$1,151,640</u>	<u>\$1,112,259</u>	<u>\$39,381</u>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF CITY SHOP EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Budget
EXPENDITURES			
Salary	\$29,700	\$30,255	(\$555)
Retirement	4,030	3,960	70
Social Security	2,280	2,245	35
Insurance	6,930	5,310	1,620
Supplies	4,000	3,821	179
Gas & Oil	3,400	1,271	2,129
Vehicle Expenditures	700	690	10
Electricity & Gas	4,500	3,969	531
Telephone	1,000	683	317
Repairs/Maintenance Buildings/Grounds	1,000	2,171	(1,171)
Small Hand Tools	1,200	748	452
Uniforms	200	972	(772)
Miscellaneous	500	243	257
	<u>\$59,440</u>	<u>\$56,338</u>	<u>\$3,102</u>

CITY OF MARION  
GENERAL FUND  
SCHEDULE OF RECREATION DEPARTMENT EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

EXPENDITURES	Final Budget	Actual	Variance with Final Budget
Officials	\$24,200	\$25,907	(\$1,707)
Salary	180,000	150,614	29,386
Salaries-Part Time	22,000	20,891	1,109
Retirement	24,000	17,993	6,007
Social Security	15,100	13,093	2,007
Insurance	35,100	32,158	2,942
Unemployment Insurance	100	0	100
Supplies	1,200	1,533	(333)
Membership & Dues	1,500	2,047	(547)
Convention & Travel	2,500	2,514	(14)
Gas & Oil	11,500	10,192	1,308
Vehicle Expenditures	3,500	4,559	(1,059)
Electricity & Gas	50,000	50,809	(809)
Electricity -Athletic Field	35,000	37,754	(2,754)
Telephone	8,500	7,804	696
Maintenance/Service Agreements	2,000	2,352	(352)
Mower Repairs	3,000	3,624	(624)
Repairs/Maintenance Buildings/Grounds/Radios	29,700	31,136	(1,436)
Uniforms	1,000	1,243	(243)
Uniforms-Athletics	25,000	21,448	3,552
Janitorial Supplies	3,000	3,745	(745)
Athletic Supplies	10,000	8,594	1,406
Pool Operation	8,000	7,410	590
Tournament Funds	0	10,058	(10,058)
Special Events	500	505	(5)
General Insurance	2,400	1,860	540
Advertising & Printing	400	119	281
Trophy Account	1,500	1,051	449
Recreation Programs	5,000	3,828	1,172
Miscellaneous	1,500	1,810	(310)
	<u>\$507,200</u>	<u>\$476,650</u>	<u>\$30,550</u>

CITY OF MARION  
 ALL SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET  
 June 30, 2018

	PROJECT #3-L-87023	PROJECT #3-L-89002	DRUG ENFORCEMENT FUND
<b>ASSETS</b>			
Cash-Restricted	\$18,288	\$11,340	\$15,660
Accounts Receivable	0	0	0
Due From Other Funds	0	0	0
<b>TOTAL ASSETS</b>	<b>\$18,288</b>	<b>\$11,340</b>	<b>\$15,660</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$0	\$0	\$0
Revenue Received in Advance	0	0	13,428
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>13,428</b>
<b>FUND BALANCE/(DEFICIT)</b>			
Restricted For:			
Hospitality Fund	0	0	0
Drug Enforcement	0	0	2,232
Committed To:			
Housing Rehabilitation	18,288	11,340	0
<b>TOTAL FUND BALANCE</b>	<b>18,288</b>	<b>11,340</b>	<b>2,232</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$18,288</b>	<b>\$11,340</b>	<b>\$15,660</b>



CITY OF MARION  
 ALL SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET  
 June 30, 2018

	LOCAL HOSPITALITY TAX	SUMMER CAMP	TOTAL
<b>ASSETS</b>			
Cash-Restricted	\$482,604	\$0	\$527,892
Accounts Receivable	25,489	0	25,489
Due From Other Funds	0	2,712	2,712
<b>TOTAL ASSETS</b>	<b>\$508,093</b>	<b>\$2,712</b>	<b>\$556,093</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$150,307	\$0	\$150,307
Revenue Received in Advance	0	2,712	16,140
<b>TOTAL LIABILITIES</b>	<b>150,307</b>	<b>2,712</b>	<b>166,447</b>
<b>FUND BALANCE/(DEFICIT)</b>			
Restricted For:			
Hospitality Fund	357,786	0	357,786
Drug Enforcement	0	0	2,232
Committed To:			
Housing Rehabilitation	0	0	29,628
<b>TOTAL FUND BALANCE</b>	<b>357,786</b>	<b>0</b>	<b>389,646</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$508,093</b>	<b>\$2,712</b>	<b>\$556,093</b>

CITY OF MARION  
 ALL SPECIAL REVENUE FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 Year Ended June 30, 2018

	DRUG ENFORCEMENT FUND	LOCAL HOSPITALITY TAX	SUMMER CAMP	FEMA Firefighters	PROJECT #3-L-87023	PROJECT #3-L-89002	Total Current Year
REVENUES							
LOCAL							
Interest Income	\$0	\$354	\$0	\$0	\$0	\$0	\$354
Other Income	2,232	283,604	1,495	0	0	0	287,331
FEDERAL							
Grants	0	0	0	273,600	0	0	273,600
TOTAL REVENUES	<u>2,232</u>	<u>283,958</u>	<u>1,495</u>	<u>273,600</u>	<u>0</u>	<u>0</u>	<u>561,285</u>
EXPENDITURES							
CURRENT							
Culture & Recreation	0	208,737	1,495	0	0	0	210,232
CAPITAL OUTLAY	0	37,299	0	273,600	0	0	310,899
TOTAL EXPENDITURES	<u>0</u>	<u>246,036</u>	<u>1,495</u>	<u>273,600</u>	<u>0</u>	<u>0</u>	<u>521,131</u>
Excess (deficiency) of revenues over expenditures	2,232	37,922	0	0	0	0	40,154
Fund Balance/(Deficit) at beginning of year	<u>0</u>	<u>319,864</u>	<u>0</u>	<u>0</u>	<u>18,288</u>	<u>11,340</u>	<u>349,492</u>
Fund Balance/(Deficit) at end of year	<u><u>\$2,232</u></u>	<u><u>\$357,786</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$18,288</u></u>	<u><u>\$11,340</u></u>	<u><u>\$389,646</u></u>

CITY OF MARION  
DRUG ENFORCEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Year Ended June 30, 2018

REVENUES	
LOCAL	
Drug Forfeitures	<u>\$2,232</u>
TOTAL REVENUES	<u>2,232</u>
Excess (deficiency) of revenues over expenditures	2,232
Fund Balances at beginning of year	<u>0</u>
Fund Balances at end of year	<u><u>\$2,232</u></u>

CITY OF MARION  
LOCAL HOSPITALITY TAX  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE--BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Budget
REVENUES			
LOCAL			
Hospitality Tax	\$325,000	\$283,604	(\$41,396)
Interest	0	354	354
TOTAL REVENUES	<u>325,000</u>	<u>283,958</u>	<u>(41,042)</u>
EXPENDITURES			
CURRENT			
Culture & Recreation			
Contributions-Marion Chamber of Commerce	5,225	5,225	0
Contributions-Arts Council	1,500	0	1,500
Contributions-Marion County Museum	1,900	1,900	0
Contributions-HMRA	28,000	28,000	0
Contributions-Foxtrot Festival	5,000	5,000	0
Foxtrot Festival Salaries and Fringes	20,000	12,100	7,900
CD Joyner Events	22,500	8,683	13,817
City Planner	11,000	10,693	307
Advertising & Promotion	30,000	17,256	12,744
Street Lights	68,000	61,910	6,090
Opera House Expenditures	12,000	11,311	689
Depot Expenditures	7,000	6,446	554
Beautification Expenditures	24,000	16,197	7,803
Christmas Festival Expenditures	30,000	23,750	6,250
Contingency	19,575	0	19,575
Miscellaneous	2,000	266	1,734
CAPITAL OUTLY			
Equipment	9,800	9,799	1
Sidewalks at Green St Park	20,000	20,000	0
Beautification	7,500	7,500	0
TOTAL EXPENDITURES	<u>325,000</u>	<u>246,036</u>	<u>78,964</u>
Excess (deficiency) of revenues over expenditures	0	37,922	37,922
Fund Balances at beginning of year	<u>319,864</u>	<u>319,864</u>	<u>0</u>
Fund Balances at end of year	<u><u>\$319,864</u></u>	<u><u>\$357,786</u></u>	<u><u>\$37,922</u></u>

CITY OF MARION  
SUMMER CAMP  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Year Ended June 30, 2018

REVENUES	
LOCAL	
Donation	<u>\$1,495</u>
TOTAL REVENUES	<u>1,495</u>
EXPENDITURES	
CURRENT	
Culture and Recreation	
Student Activities	<u>1,495</u>
TOTAL EXPENDITURES	<u>1,495</u>
Excess (deficiency) of revenues over expenditures	0
Fund Balances at beginning of year	<u>0</u>
Fund Balances at end of year	<u><u>\$0</u></u>

CITY OF MARION  
 FEMA FIREFIGHTERS  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE- BUDGET (GAAP BASIS) AND ACTUAL  
 Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Budget
REVENUES			
FEDERAL			
Grants	\$273,600	\$273,600	\$0
TOTAL REVENUES	273,600	273,600	0
EXPENDITURES			
CAPITAL OUTLAY			
Equipment	273,600	273,600	0
TOTAL EXPENDITURES	273,600	273,600	0
Excess (deficiency) of revenues over expenditures	0	0	0
Fund Balances at beginning of year	0	0	0
Fund Balances at end of year	\$0	\$0	\$0

CITY OF MARION  
 PERMANENT FUND - CEMETERY FUNDS  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 Year Ended June 30, 2018

REVENUES		
Interest Income		\$122
TOTAL REVENUES		122
Excess (deficiency) of revenues over expenditures		122
OTHER FINANCING SOURCES (USES)		
Transfer to General Fund		(25)
TOTAL FINANCING SOURCES (USES)		(25)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)		97
Fund Balances at beginning of year		32,736
Fund Balances at end of year		\$32,833

CITY OF MARION  
DEBT SERVICE  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Year Ended June 30, 2018

EXPENDITURES	
DEBT SERVICE	
Principal	\$67,073
Interest	<u>9,593</u>
TOTAL EXPENDITURES	<u>76,666</u>
Excess (deficiency) of revenues over expenditures	<u>(76,666)</u>
OTHER FINANCING SOURCES (USES)	
Transfer from General Fund	<u>76,666</u>
TOTAL FINANCING SOURCES (USES)	<u>76,666</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	0
Fund Balances at beginning of year	<u>0</u>
Fund Balances at end of year	<u><u>\$0</u></u>