

TOWN OF MARION, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2020

TOWN OF MARION, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2020

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FISCAL YEAR ENDED JUNE 30, 2020

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TOWN OF MARION, VIRGINIA

TOWN COUNCIL

David P. Helms, Mayor

James Gates

Larry Carter

Bill Weaver

Tricia Spencer

Jim Barker

Suzanne Jennings

Avery Cornett

OTHER OFFICIALS

Bill Rush	Town Manager
Cindy Stanley	Town Clerk/Director of Finance
Mark Fenyk.....	Town Attorney
John Clair	Police Chief
Ken Heath.....	Director of Economic Development
Olivia Hall	Director of Marion Downtown
Billy Hamm	Town Purchasing Agent/Fire Chief
Todd Long	Town Information Technology/Town Engineer
Cecil Hicks.....	Assist Town Manager/Town Engineer



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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Marion, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Marion, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Marion, Virginia'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/ and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Marion, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information on pages 4-13, 74, and 75-76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Marion, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, 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 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the Town of Marion, Virginia'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Marion, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Marion, Virginia's internal control over financial reporting and compliance.

Sostis, Tucker & Company, P.C.

Lebanon, Virginia
December 11, 2020

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Our discussion and analysis of the Town of Marion's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights

The general fund is the chief operating fund of the Town. At the end of the 2019 fiscal year, the unassigned fund balance of the general fund was \$311,111 and there were nonspendable prepaid expenses of \$72,458. For the current fiscal year, 2020, the unassigned fund balance of the general fund was \$(180,992) and there were nonspendable prepaid expenses of \$143,991.

The total net position of the Town of Marion's governmental activities was \$3,276,976 as of June 30, 2019. The total net position for 2020 is \$2,368,170.

The total net position of the business-type activities was \$8,678,485 as of June 30, 2019. The total net position for 2020 is \$9,644,835. The water, sewer, CIRP, and swimming pool funds reported operating revenues of \$3,955,220, an increase of \$356,021 compared to 2019 operating revenues.

Overview of the Basic Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the Town of Marion's basic financial statements. The basic financial statements consist of 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to the Financial Statements.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements present the information for governmental activities. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Historically, the primary focus of local government financial statements has been summarized fund-type information on a current financial basis. The basic financial statements are presented under this approach and use the modified accrual basis. This year the report also includes the Statement of Net Position and the Statement of Activities, which use the full accrual basis.

This report contains a Comparative Analysis of Financial Statements. The Town implemented GASB Statement 34 for the fiscal year June 30, 2005 and is therefore required to complete a comparative analysis.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about the Town's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are accounted for regardless of when cash is received or paid.

These two statements report the Town's net position and current-year changes in net position. The Town's net position—the difference between assets and liabilities—is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are an indicator of whether the Town's financial health is improving or declining. Other indicators are non-financial, such as changes in the Town's property tax base and the condition of the Town's roads. Together financial and non-financial indicators reflect the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, the Town is divided into two kinds of activities: 1) Governmental Activities and 2) Business-type Activities.

The governmental financial statements provide both long-term and short-term information, including the General Fund and Other Governmental Funds. The services reported as governmental activities include general government; public safety; public works; parks, recreation, and cultural; and community development. These activities are financed by property taxes and other local taxes, state and federal funding, and transfers from the Water and Sewer Fund.

The business-type financial statements represent the Water, Sewer and Swimming Pool Funds. These funds charge customers for services. Transfers are made from the Water & Sewer Fund to balance any shortfalls in the General Fund or Swimming Pool Fund.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established, by State law or by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other moneys. The Town's three kinds of funds are governmental, proprietary, and fiduciary.

Governmental funds—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Exhibits 4 and 6 reconcile the differences between governmental funds reported on the modified accrual basis and the Statement of Net Position and Statement of Activities.

Fund Financial Statements (continued)

Proprietary funds—When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary funds—This fund accounts for assets held by the Town in a purely custodial capacity. The reporting entity includes one fiduciary fund, which is the Perpetual Care Fund. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the Fund Financial Statements.

Government-wide Financial Analysis – Governmental Activities

Net position may serve over time as a useful indicator of government's financial position. In the case of the Town of Marion, assets exceeded liabilities by \$3,276,976 as of June 30, 2019. As of June 30, 2020, assets exceeded liabilities by \$2,368,170.

The largest portion of the Town's net position reflects its \$7,556,411 net investment in capital assets. Net investment in capital assets includes assets such as land, buildings, equipment, improvements, infrastructure, and construction in progress, less any outstanding debt used to acquire those assets. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position is \$240,582 in resources that are subject to external restriction on how they may be used. The remaining balance of unreserved net position is \$(5,428,823).

General revenues and transfers were \$4,788,619 for governmental activities. General revenues include property taxes, other local taxes, interest income, miscellaneous income, and transfers from other funds. Program revenues were \$3,944,406 for governmental activities. The source of the program revenues are charges for services, operating grants and contributions, and capital grants and contributions. Total expenses for governmental activities were \$9,641,831, which included expenses for general government, public safety, public works, culture and recreation, community development, and interest expense. Governmental activities exhibited a change in net position of \$(908,806).

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Government-wide Financial Analysis – Business-type Activities

Business-type activities include the water, sewer, and swimming pool funds.

The total net position for business-type activities was \$9,644,835 which includes net investment in capital assets of \$9,111,023, restricted for debt service and bond covenants of \$244,258, and unreserved net position of \$289,554.

Program revenues for business-type activities for the Town were \$3,955,220 for charges for services and \$268,274 for capital grants and contributions. Program revenues include charges for water and sewer usage, tap and connection fees, pool fees, and grants. The expenses incurred to provide these services were \$2,329,808. General revenues and transfers include interest income of \$139 and transfers to other funds of \$(927,475). Business-type activities exhibited a change in net position of \$966,350.

Table 1 compares the net assets of the Town's governmental and business-type activities at June 30, 2019 and 2020.

Table 1. Comparative Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2020	2019	2020	2019	2020
Assets:						
Current Assets	\$ 2,708,768	\$ 2,276,280	\$ 2,001,249	\$ 2,244,240	\$ 4,710,017	\$ 4,520,520
Capital Assets	10,904,853	10,738,717	14,853,358	15,587,735	25,758,211	26,326,452
Total Assets	13,613,621	13,014,997	16,854,607	17,831,975	30,468,228	30,846,972
Deferred Outflows of Resources	348,480	814,492	97,218	210,665	445,698	1,025,157
Liabilities:						
Current Liabilities	1,014,984	874,447	299,760	349,847	1,314,744	1,224,294
Long-term Liabilities	8,226,487	8,724,074	7,875,524	7,878,688	16,102,011	16,602,762
Total Liabilities	9,241,471	9,598,521	8,175,284	8,228,535	17,416,755	17,827,056
Deferred Inflows of Resources	1,443,654	1,862,798	98,056	169,270	1,541,710	2,032,068
Net Position:						
Net Investment in Capital Assets	7,791,284	7,556,411	8,388,122	9,111,023	16,179,406	16,667,434
Restricted	240,582	240,582	214,746	244,258	455,328	484,840
Unrestricted	(4,754,890)	(5,428,823)	75,617	289,554	(4,679,273)	(5,139,269)
Total Net Position	\$ 3,276,976	\$ 2,368,170	\$ 8,678,485	\$ 9,644,835	\$ 11,955,461	\$ 12,013,005

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Government-wide Financial Analysis (continued)

Table 2 compares the revenues and expenses for the Town's governmental activities and business-type activities as of the years ended June 30, 2019 and 2020.

Table 2. Comparative Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2020	2019	2020	2019	2020
Revenues:						
Charges for Services	\$ 1,435,307	\$ 1,218,634	\$ 3,599,199	\$ 3,955,220	\$ 5,034,506	\$ 5,173,854
Operating Grants/Contributions	2,231,719	2,725,772	-	-	2,231,719	2,725,772
Capital Grants/Contributions	-	-	163,975	268,274	163,975	268,274
Program Revenues	3,667,026	3,944,406	3,763,174	4,223,494	7,430,200	8,167,900
Taxes	3,596,056	3,617,653	-	-	3,596,056	3,617,653
Interest Income	13,368	11,573	135	139	13,503	11,712
Miscellaneous	55,684	32,370	-	-	55,684	32,370
Fines, forfeitures, permits	28,011	18,458	-	-	28,011	18,458
Recovered costs	84,495	89,488	-	-	84,495	89,488
Grants not restricted to program	74,136	89,320	-	-	74,136	89,320
Gain (loss) on disposal of assets	175,361	2,282	-	-	-	-
General Revenues	4,027,111	3,861,144	135	139	3,851,885	3,859,001
Total Revenues	7,694,137	7,805,550	3,763,309	4,223,633	11,282,085	12,026,901
Expenses:						
General Government	1,613,462	1,678,914	-	-	1,613,462	1,678,914
Public Safety	2,417,178	2,616,381	-	-	2,417,178	2,616,381
Public Works	2,808,194	3,329,208	-	-	2,808,194	3,329,208
Parks, Recreation, and Cultural	933,385	862,124	-	-	933,385	862,124
Community Development	805,158	1,049,916	-	-	805,158	1,049,916
Interest expense	114,692	105,288	-	-	114,692	105,288
Swimming pool	-	-	38,756	35,220	38,756	35,220
Water and Sewer	-	-	1,960,102	2,294,588	1,960,102	2,294,588
Total Expenses	8,692,069	9,641,831	1,998,858	2,329,808	10,690,927	11,971,639
Transfers	1,861,905	927,475	(1,861,905)	(927,475)	-	-
Change in Net Position	863,973	(908,806)	(97,454)	966,350	766,519	57,544
Beginning Net Position	2,413,003	3,276,976	8,775,939	8,678,485	11,188,942	11,955,461
Ending Net Position	\$ 3,276,976	\$ 2,368,170	\$ 8,678,485	\$ 9,644,835	\$ 11,955,461	\$ 12,013,005

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Financial Analysis of the Town's Funds – Governmental Funds

The focus of the Town of Marion's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirement. Particularly unreserved or unassigned fund balances, which may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town of Marion's governmental funds reported a combined ending fund balance of \$196,155. Fund balance includes \$157,702 nonspendable for prepaid expenses and inventory, \$244,393 restricted for specific purposes, \$140,083 assigned to golf course and \$(346,023) unassigned.

Total revenues were \$7,934,967 for governmental funds. The governmental funds revenues include property taxes, other local taxes, permits, fees and licenses, fines and forfeitures, revenue from the use of money and property, charges for services, recovered costs, intergovernmental, and miscellaneous income.

Total expenditures for governmental funds were \$17,686,573. These expenses are for general government, public safety, public works, culture and recreation, community development, debt service principal retirement and interest expense. This resulted in a deficiency before other financing sources of \$(9,751,606) in the governmental funds. The governmental funds obtained other financing sources of \$9,345,975, which included net operating transfers from proprietary funds of \$927,475, proceeds from a line of credit of \$8,418,500, and proceeds from indebtedness of \$0. After the other financing sources were received by the governmental funds, there was a change in fund balance of \$(405,631) at June 30, 2020.

Financial Analysis of the Town's Funds – Proprietary Funds

The Town's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net position for the water and sewer fund decreased from \$8,496,289 to \$9,466,165. Net position includes \$8,931,898 of net investment in capital assets, \$244,258 restricted for debt service and bond covenants, and \$290,009 unrestricted.

Swimming pool fund net position decreased from \$182,196 to \$178,670. The net position balance includes net investment in capital assets of \$179,125 and unreserved of \$(455).

Total operating revenues for proprietary funds were \$3,955,220. Operating expenses were \$2,267,363. This resulted in an operating income of \$1,687,857. The proprietary funds had total non-operating expenses of \$62,306, capital contributions of \$268,274, and net operating transfers out of \$927,475. The change in net position was \$966,350.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

General Fund Budgetary Highlights

Over the course of the year, the Town Council did not revise the budget.

Budgetary Highlights for 2019-2020:

	General Fund Budget	General Fund Actual	Variance
Revenues	\$ 8,577,711	\$ 7,540,520	\$ (1,037,191)
Expenditures	(10,697,111)	(17,018,481)	(6,321,370)
Other Financing Sources (Uses)	2,119,400	9,057,391	6,937,991
Total	\$ -	\$ (420,570)	\$ (420,570)

Significant variances in the adopted budget and actual expenditures are reflected in the areas of general government administration, public works, capital projects, and debt service. The variance in the budget revenues and actual revenues is attributed to intergovernmental revenues received for funding projects of the Town. These amounts are variable upon the receipt of grant and loan funding.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2020, the Town had capital assets including land, buildings, construction in progress, land improvements, equipment, and infrastructure.

Major asset events during the fiscal year included the following:

Governmental projects—Capital expenditures for governmental projects totaled \$434,753 for the fiscal year ending June 30, 2020. Construction in progress asset of \$484,142 at June 30 includes the South Church Street Drainage project, which began in earnest in fiscal 2020.

Waterline and sewerline replacements and improvements—Capital expenditures on water and sewer lines were \$1,112,992 for the fiscal year ending June 30, 2020. The Comprehensive Infrastructure Replacement Program (CIRP) continues. CIRP completed Phase III Water for a total of \$1,111,829. Construction in progress asset of \$556,496 at June 30 includes ongoing CIRP phases.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Capital Asset and Long-Term Debt Activity

Long-term Debt

At the end of the fiscal year, the Town had the following outstanding debt for governmental activities:

Description	Balance July 1, 2019	Issuances	Retirements	Balance June 30, 2020
General obligation bonds	\$ 536,000	\$ -	\$ (36,000)	\$ 500,000
Loans payable	2,577,569	-	(180,455)	2,397,114
Line of credit	-	8,418,500	(8,133,308)	285,192
OPEB liability	2,201,046	314,486	-	2,515,532
Pension liability	2,637,207	91,360	-	2,728,567
Compensated absences	212,165	29,254	-	241,419
Deferred rebate	62,500	-	(6,250)	56,250
Total	<u>\$ 8,226,487</u>	<u>\$ 8,853,600</u>	<u>\$ (8,356,013)</u>	<u>\$ 8,724,074</u>

At the end of the fiscal year, the Town had the following outstanding debt for business-type activities:

Description	Balance July 1, 2019	Issuances	Retirements	Balance June 30, 2020
General obligation bonds	\$ 5,313,736	\$ 287,415	\$ (570,939)	\$ 5,030,212
Line of credit	1,151,500	1,546,000	(1,251,000)	1,446,500
OPEB liability	614,039	36,589	-	650,628
Pension liability	735,717	-	(29,988)	705,729
Compensated absences	60,532	1,258	(16,171)	45,619
Total	<u>\$ 7,875,524</u>	<u>\$ 1,871,262</u>	<u>\$ (1,868,098)</u>	<u>\$ 7,878,688</u>

Known Facts, Decisions, or Conditions Expected to Have a Significant Effect on Next Year and Beyond

Scheduled Major Projects

Marion Community Gateway Project – Funded by DHCD, the primary corridor extending from an area around Exit 45 off Interstate 81 into town continues to be studied for maximizing opportunities for economic development. Building facades, landscaping, gateway signage, and relocation of the state shop are priorities being addressed by this Planning Grant. It is anticipated the Town will leverage this planning grant to apply for Community Development grant funds in 2020-2021 to implement the project.

Emory & Henry College – The Town continues to partner with Emory & Henry College for the development of the Marion campus. As part of that partnership, the office of Community and Economic Development is serving as liaison for addressing needs and opportunities with the school.

Blight Reduction Project – Ongoing. This project is a comprehensive, multiyear plan to replace aging housing stock, both homeowner and residential rental. The Town is currently implementing the first phase of the process—enforcement of existing blight and overgrowth ordinances. The Town is also currently reviewing and revising ordinances to make them more effective in enforcing all owners to keep their properties in good condition. The Town has created the Marion Economic Development Authority, which in conjunction with the Marion Housing Authority is looking at ways to address the shortage of mid-range affordable housing in the town, as well as addressing the potential shortage of mid-range rental units for the anticipated demand generated from Emory & Henry's north campus expansion.

Attaway Meter Replacement Project – Completed. Replaced the old Venturi meter that measures water coming from the Currin Valley spring into the town water system.

South Church Street Drainage Project – Completed. This project addressed inadequate storm water facilities on South Church Street. This project included a comprehensive drainage system to handle most of the high intensity storm events and to prevent flooding on South Church Street.

Capital Infrastructure Replacement Plan (CIRP) – Ongoing. This project is a comprehensive, multiyear plan to replace the Town's aging water, sewer, paving, and storm water facilities. It will serve as a framework to coordinate future facility installations by intersections, and will incorporate all exterior utilities such as natural gas, cable, and phone. The Town completed Phase III Water in the current year. Phase IV Water and Phase V Sewer are in progress and anticipated to complete in fiscal 2021.

Sewer I&I Analysis Repairs – The Town purchased a state-of-the-art sewer camera with DEQ funds. The camera will allow the town to map the entire sewer system including location, manhole inverts, and condition. This will help identify problem areas and focus the scheduling of the CIRP program.

Holston Hill Community Golf Course – Funded by Smyth County Community Foundation renewable loan with interest payments only at 2.5% annual rate. The contract has two years remaining. Afterwards, there are several opportunities for the course: an equitable operational agreement with outside parties, sale of operations to a suitable buyer, or sale of the property through an RFP process.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Known Facts, Decisions, or Conditions Expected to Have a Significant Effect on Next Year and Beyond
(Continued)

Scheduled Major Projects (Continued)

Quarry Acquisition – The Town acquired the property known colloquially as “the quarry,” which comprises approximately 80 acres of land strategically located in the center of town. The old rock quarry will serve as a composting reservoir for brush/limbs/leaves that are picked up in the town. The rest of the land will be used as a DEQ-permitted, inorganic fill site, with future plans of recreational areas and ballfields. This multi-year project will combine DCR, DEQ, Town, and other funds.

The Town sold a portion of the land for \$500,000 to its component unit Economic Development Authority in order to qualify for grant funds from the Virginia Department of Conservation and Recreation. The Town will repurchase the land for \$500,000 in fiscal 2021. The Town expects to receive grant funds of \$250,000 in fiscal 2021.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Town of Marion
P.O. Box 1005
138 West Main Street
Marion, Virginia 24354

FINANCIAL STATEMENTS

Town of Marion, Virginia
Statement of Net Position
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents	\$ 202,353	\$ 731,338	\$ 933,691	\$ 525
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,081,226	-	1,081,226	-
Accounts receivable	489,313	672,064	1,161,377	-
Other receivables	133,363	-	133,363	-
Due from other funds	152,320	556,121	708,441	-
Due from other governmental units	60,003	24,036	84,039	-
Inventories	10,161	-	10,161	-
Prepaid expenses	147,541	16,423	163,964	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	244,258	244,258	-
Capital assets (net of accumulated depreciation):				
Land	1,866,030	707,377	2,573,407	-
Buildings, system, and improvements	5,387,768	-	5,387,768	-
Machinery and equipment	676,370	859,365	1,535,735	-
Infrastructure and plant & lines in service	2,324,407	13,464,497	15,788,904	-
Construction in progress	484,142	556,496	1,040,638	-
Total assets	13,014,997	17,831,975	30,846,972	525
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	759,837	196,528	956,365	-
Deferred other post employment benefits	54,655	14,137	68,792	-
Total deferred outflows of resources	814,492	210,665	1,025,157	-
Total assets & deferred outflows	\$ 13,829,489	\$ 18,042,640	\$ 31,872,129	\$ 525
LIABILITIES				
Accounts payable	\$ 118,767	\$ 261,727	\$ 380,494	\$ -
Accrued liabilities	42,912	9,896	52,808	-
Customers' deposits	-	49,050	49,050	-
Accrued interest payable	4,327	29,174	33,501	-
Due to other funds	708,441	-	708,441	-
Long-term liabilities due within one year	963,809	2,024,458	2,988,267	-
Long-term liabilities due in more than one year	7,760,265	5,854,230	13,614,495	-
Total liabilities	9,598,521	8,228,535	17,827,056	-
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	1,208,345	-	1,208,345	-
Deferred pensions	637,768	164,955	802,723	-
Deferred other post employment benefits	16,685	4,315	21,000	-
Total deferred inflows of resources	1,862,798	169,270	2,032,068	-
NET POSITION				
Net Investment in capital assets	7,556,411	9,111,023	16,667,434	-
Restricted for:				
Debt service and bond covenants	-	244,258	244,258	-
Other governmental funds	244,393	-	244,393	-
Unrestricted (deficit)	(5,432,634)	289,554	(5,143,080)	525
Total net position	2,368,170	9,644,835	12,013,005	525
Total liabilities & deferred inflows & net position	\$ 13,829,489	\$ 18,042,640	\$ 31,872,129	\$ 525

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

Town of Marion, Virginia
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit	
					Governmental Activities	Business-type Activities	Total	Economic Development Authority	
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 1,678,914	\$ 15,691	\$ -	\$ -	\$ (1,663,223)	\$ -	\$ (1,663,223)	\$ -	
Public safety	2,616,381	326,089	216,239	-	(2,074,053)	-	(2,074,053)	-	
Public works	3,329,208	469,350	2,202,898	-	(656,960)	-	(656,960)	-	
Parks, recreation, and cultural	862,124	403,449	-	-	(458,675)	-	(458,675)	-	
Community development	1,049,916	4,055	306,635	-	(739,226)	-	(739,226)	-	
Interest on long-term debt	105,288	-	-	-	(105,288)	-	(105,288)	-	
Total government activities	\$ 9,641,831	\$ 1,218,634	\$ 2,725,772	\$ -	\$ (5,697,425)	\$ -	\$ (5,697,425)	\$ -	
Business-type activities:									
Water, Sewer and CIRP	\$ 2,294,588	\$ 3,939,957	\$ -	\$ 268,274	\$ -	\$ 1,913,643	\$ 1,913,643	\$ -	
Swimming Pool	35,220	15,263	-	-	-	(19,957)	(19,957)	-	
Total business-type activities	\$ 2,329,808	\$ 3,955,220	\$ -	\$ 268,274	\$ -	\$ 1,893,686	\$ 1,893,686	\$ -	
Total primary government	\$ 11,971,639	\$ 5,173,854	\$ 2,725,772	\$ 268,274	\$ (5,697,425)	\$ 1,893,686	\$ (3,803,739)	\$ -	
COMPONENT UNITS:									
Economic Development Authority	\$ 55,000	\$ 55,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500.00	
Total component units	\$ 55,000	\$ 55,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	
General revenues:									
General property taxes					\$ 739,068	\$ -	\$ 739,068	-	
Other local taxes:									
Local sales and use taxes					219,327	-	219,327	-	
Consumers' utility taxes					112,521	-	112,521	-	
Business license taxes					556,354	-	556,354	-	
Communication tax					108,002	-	108,002	-	
Motor vehicle licenses					95,964	-	95,964	-	
Bank stock tax					186,173	-	186,173	-	
Meals taxes					1,321,074	-	1,321,074	-	
Other local taxes					279,170	-	279,170	-	
Permits, privilege fees, and regulatory licenses					626	-	626	-	
Fines and forfeitures					17,832	-	17,832	-	
Unrestricted revenues from use of money and property					11,573	139	11,712	-	
Miscellaneous					32,370	-	32,370	-	
Recovered costs					89,488	-	89,488	-	
Grants and contributions not restricted to specific programs					89,320	-	89,320	-	
Gain (loss) on disposal of capital assets					2,282	-	2,282	-	
Transfers					927,475	(927,475)	-	-	
Total general revenues and transfers					\$ 4,788,619	\$ (927,336)	\$ 3,861,283	\$ -	
Change in net position					\$ (908,806)	\$ 966,350	\$ 57,544	\$ (500)	
Net position - beginning					\$ 3,276,976	\$ 8,678,485	\$ 11,955,461	\$ -	
Net position - ending					\$ 2,368,170	\$ 9,644,835	\$ 12,013,005	\$ (500)	

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

Town of Marion, Virginia
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 75,329	\$ 127,024	\$ 202,353
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,081,226	-	1,081,226
Accounts receivable	348,598	140,715	489,313
Other receivables	133,363	-	133,363
Due from other funds	33,951	118,369	152,320
Due from other governmental units	60,003	-	60,003
Inventories	-	10,161	10,161
Prepaid expenses	143,991	3,550	147,541
Total assets	\$ 1,876,461	\$ 399,819	\$ 2,276,280
LIABILITIES			
Liabilities:			
Accounts payable	\$ 106,506	\$ 12,261	\$ 118,767
Accrued liabilities	40,830	2,082	42,912
Due to other funds	556,121	152,320	708,441
Total liabilities	703,457	166,663	870,120
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	1,210,005	-	1,210,005
FUND BALANCE			
Fund balances:			
Nonspendable			
Prepaid expense	143,991	3,550	147,541
Inventory	-	10,161	10,161
Restricted for:			
Debt service and bond covenants	-	-	-
DARE	-	1,311	1,311
Downtown housing project	-	240,582	240,582
Master redevelopment	-	2,500	2,500
Assigned to:			
Golf Course	-	140,083	140,083
Unassigned	(180,992)	(165,031)	(346,023)
Total fund balances	(37,001)	233,156	196,155
Total liabilities & deferred inflows & fund balances	\$ 1,876,461	\$ 399,819	\$ 2,276,280

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

Town of Marion, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 196,155
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,738,717
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,660
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(8,728,401)
Deferred outflows of resources reported in the Statement of Net Position	814,492
Deferred inflows of resources reported in the Statement of Net Position	<u>(654,453)</u>
Net position of governmental activities	<u><u>\$ 2,368,170</u></u>

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

Town of Marion, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
General property taxes	\$ 746,348	\$ -	\$ 746,348
Other local taxes	2,877,242	-	2,877,242
Permits, privilege fees, and regulatory licenses	626	-	626
Fines and forfeitures	17,832	-	17,832
Revenue from the use of money and property	11,573	-	11,573
Charges for services	824,187	394,447	1,218,634
Miscellaneous	34,652	-	34,652
Recovered costs	212,968	-	212,968
Intergovernmental revenues:			
Commonwealth	2,494,064	-	2,494,064
Federal	321,028	-	321,028
Total revenues	<u>\$ 7,540,520</u>	<u>\$ 394,447</u>	<u>\$ 7,934,967</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,529,100	\$ -	\$ 1,529,100
Public safety	2,390,236	-	2,390,236
Public works	3,512,760	-	3,512,760
Parks, recreation, and cultural	229,050	528,579	757,629
Community development	1,026,254	-	1,026,254
Capital projects	12,104	-	12,104
Debt service:			
Principal retirement	8,267,630	82,132	8,349,762
Interest and other fiscal charges	51,347	57,381	108,728
Total expenditures	<u>\$ 17,018,481</u>	<u>\$ 668,092</u>	<u>\$ 17,686,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,477,961)</u>	<u>\$ (273,645)</u>	<u>\$ (9,751,606)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	\$ 638,891	\$ 288,584	927,475
Proceeds from a line of credit	8,418,500	-	8,418,500
Proceeds of loans payable	-	-	-
Total other financing sources (uses)	<u>\$ 9,057,391</u>	<u>\$ 288,584</u>	<u>\$ 9,345,975</u>
Net change in fund balances	\$ (420,570)	\$ 14,939	\$ (405,631)
Fund balances - beginning	383,569	218,217	601,786
Fund balances - ending	<u>\$ (37,001)</u>	<u>\$ 233,156</u>	<u>\$ 196,155</u>

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

Town of Marion, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$	(405,631)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		(166,136)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(5,937)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(68,738)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		(262,364)
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Change in net position of governmental activities	\$	(908,806)
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The notes to the financial statements are an integral part of this statement.

Town of Marion, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2020

Exhibit 7
Page 1 of 2

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 731,138	\$ 200	\$ 731,338
Accounts receivables, net of allowances for uncollectibles	672,064	-	672,064
Due from other funds	556,121	-	556,121
Due from other governmental units	24,036	-	24,036
Prepaid expenses	16,423	-	16,423
Total current assets	1,999,782	200	1,999,982
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents	244,258	-	244,258
Investments	-	-	-
Total restricted current assets	244,258	-	244,258
Capital assets:			
Utility plant in service	26,514,742	-	26,514,742
Machinery and equipment	3,762,984	29,151	3,792,135
Land	528,252	179,125	707,377
Pool	-	974,651	974,651
Less accumulated depreciation	(15,953,864)	(1,003,802)	(16,957,666)
Construction in progress	556,496	-	556,496
Total capital assets	15,408,610	179,125	15,587,735
Total noncurrent assets	15,652,868	179,125	15,831,993
Total assets	17,652,650	179,325	17,831,975
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	196,528	-	196,528
Deferred other post employment benefits	14,137	-	14,137
Total deferred outflows of resources	210,665	-	210,665
Total assets & deferred outflows	\$ 17,863,315	\$ 179,325	\$ 18,042,640

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

Town of Marion, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2020

Exhibit 7
Page 2 of 2

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 261,072	\$ 655	\$ 261,727
Accrued liabilities	9,896	-	9,896
Customers' deposits	49,050	-	49,050
Accrued interest payable	29,174	-	29,174
Compensated absences	34,214	-	34,214
Pension liability	70,573	-	70,573
General obligation bonds payable - current portion	473,171	-	473,171
Line of credit	1,446,500	-	1,446,500
Total current liabilities	2,373,650	655	2,374,305
Noncurrent liabilities:			
General obligation bonds payable - net of current portion	4,557,041	-	4,557,041
Compensated absences	11,405	-	11,405
Pension liability	635,156	-	635,156
OPEB liability	650,628	-	650,628
Total noncurrent liabilities	5,854,230	-	5,854,230
Total liabilities	8,227,880	655	8,228,535
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	-	-	-
Deferred pensions	164,955	-	164,955
Deferred other post employment benefits	4,315	-	4,315
Total deferred inflows of resources	169,270	-	169,270
NET POSITION			
Net Investment in capital assets	8,931,898	179,125	9,111,023
Restricted for debt service and bond covenants	244,258	-	244,258
Unrestricted	290,009	(455)	289,554
Total net position	9,466,165	178,670	9,644,835
Total liabilities & deferred inflows & net position	\$ 17,863,315	\$ 179,325	\$ 18,042,640

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

Town of Marion, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
OPERATING REVENUES			
Charges for services	\$ 3,939,957	\$ 13,181	\$ 3,953,138
Other revenues	-	2,082	2,082
Total operating revenues	\$ 3,939,957	\$ 15,263	\$ 3,955,220
OPERATING EXPENSES			
Personal services	\$ 544,699	\$ 16,396	\$ 561,095
Fringe benefits	154,683	1,254	155,937
Contractual services	256,878	632	257,510
Materials and supplies	274,757	10,998	285,755
Other charges	303,489	2,531	306,020
Depreciation	697,637	3,409	701,046
Total operating expenses	\$ 2,232,143	\$ 35,220	\$ 2,267,363
Operating income (loss)	\$ 1,707,814	\$ (19,957)	\$ 1,687,857
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	\$ 139	\$ -	\$ 139
Interest expense	(62,445)	-	(62,445)
Total nonoperating revenues (expenses)	\$ (62,306)	\$ -	\$ (62,306)
Income before contributions and transfers	\$ 1,645,508	\$ (19,957)	\$ 1,625,551
Capital contributions	\$ 268,274	\$ -	\$ 268,274
Transfers in (out)	(943,906)	16,431	(927,475)
Change in net position	\$ 969,876	\$ (3,526)	\$ 966,350
Total net position - beginning	\$ 8,496,289	\$ 182,196	\$ 8,678,485
Total net position - ending	\$ 9,466,165	\$ 178,670	\$ 9,644,835

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

Town of Marion, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,746,272	\$ 15,263	\$ 3,761,535
Payments to suppliers	(947,662)	(15,298)	(962,960)
Payments to and for employees	(596,931)	(16,396)	(613,327)
Net cash provided (used by) operating activities	\$ 2,201,679	\$ (16,431)	\$ 2,185,248
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (943,906)	\$ -	\$ (943,906)
Transfers from other funds	-	16,431	16,431
Net cash provided (used) by noncapital financing activities	\$ (943,906)	\$ 16,431	\$ (927,475)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	\$ (2,547,252)	\$ -	\$ (2,547,252)
Deletions of capital assets	1,111,829	-	1,111,829
Principal payments on bonds	(1,821,939)	-	(1,821,939)
Proceeds from indebtedness	1,833,415	-	1,833,415
Capital contributions	268,671	-	268,671
Interest payments	(71,053)	-	(71,053)
Net cash provided (used) by capital and related financing activities	\$ (1,226,329)	\$ -	\$ (1,226,329)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 139	\$ -	\$ 139
Net cash provided (used) by investing activities	\$ 139	\$ -	\$ 139
Net increase (decrease) in cash and cash equivalents	\$ 31,583	\$ -	\$ 31,583
Cash and cash equivalents - beginning	\$ 943,813	\$ 200	\$ 944,013
Cash and cash equivalents - ending	\$ 975,396	\$ 200	\$ 975,596
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 1,707,814	\$ (19,957)	\$ 1,687,857
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ 697,637	\$ 3,409	\$ 701,046
(Increase) decrease in accounts receivable	(195,845)	-	(195,845)
(Increase) decrease in prepaid expenses	(15,960)	-	(15,960)
Increase (decrease) in customer deposits	2,160	-	2,160
Increase (decrease) in operating accounts payable	56,418	117	56,535
Increase (decrease) in OPEB liability	36,589	-	36,589
Increase (decrease) in deferred OPEB	(7,114)	-	(7,114)
Increase (decrease) in pension liability	(29,988)	-	(29,988)
Increase (decrease) in deferred pensions	(35,119)	-	(35,119)
Increase (decrease) in compensated absences	(14,913)	-	(14,913)
Total adjustments	\$ 493,865	\$ 3,526	\$ 504,505
Net cash provided (used) by operating activities	\$ 2,201,679	\$ (16,431)	\$ 2,192,362

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

Town of Marion, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Cemetery <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 7,458
Investments, at fair value	<u>140,135</u>
Total assets	<u><u>\$ 147,593</u></u>
NET POSITION	
Amounts held for cemetery maintenance	<u>\$ 147,593</u>
Total liabilities	<u><u>\$ 147,593</u></u>

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

Town of Marion, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	Cemetery <u>Fund</u>
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 3,576
Realized gain on investment	4,683
Unrealized gain on investment	<u>2,051</u>
Total additions	<u>\$ 10,310</u>
DEDUCTIONS	
Distributions	\$ 3,050
Fees	<u>167</u>
Total deductions	<u>\$ 3,217</u>
Change in net position	\$ 7,093
Net position - beginning	<u>140,500</u>
Net position - ending	<u><u>\$ 147,593</u></u>

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

NOTES TO
FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established by GAAP and used by the Town are discussed below.

A. Reporting Entity:

The Town of Marion, Virginia (the Town) was incorporated in 1832. The Town operates under a council-manager form of government and provides the following services as authorized by its charter: public safety, development services, culture, community development, water services, sewer services, and industrial development. The accompanying financial statements present the government.

Blended Component Units - None

Discretely Presented Component Units – The component unit column in the financial statements include the financial data of the Town's discretely presented component unit, the Economic Development Authority.

The Economic Development Authority (EDA) of the Town of Marion encourages and provides financing for economic development in the Town. The EDA directors are appointed by the Town Council. The EDA is fiscally dependent upon the Town because the Town provides significant funding and approves all debt issuances. In addition, the EDA does not have separate taxing powers. The EDA is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. The EDA is presented as an enterprise fund type and does not issue separate financial statements.

Related Organizations - None

Jointly Governed Organizations - None

B. Government-wide and fund financial statements:

The government-wide financial statements (the Statement of Net position and the Statement of Activities) report information on all the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims & judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. All general tax revenue and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

The Town operates a sewage collection and treatment system and a water distribution system. The activities of the systems are accounted for in the water, sewer and CIRP fund. In addition to the water, sewer and CIRP fund, the Town has a swimming pool fund that is operated as a proprietary fund.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds consist of a cemetery fund for perpetual care.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net position or equity:

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 6. The Town bills and collects its own property taxes.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, liabilities, and net position or equity: (continued)

3. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for governmental activities amounted to approximately \$31,895 for property taxes, \$17,297 for garbage billings, and \$30,515 for EMS billings at June 30, 2020. The allowance for business-type activities amounted to approximately \$139,541 for water and sewer billings at June 30, 2020.

4. Use of Estimates

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets, not including infrastructure assets, with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Infrastructure assets capitalized have an original cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. \$60,531 in interest was capitalized during the current year.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Buildings	20-50
Water and Sewer System	30-50
Infrastructure	20-35
Machinery and equipment	5-10
Improvements	10-20

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, liabilities, and net position or equity: (continued)

6. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted—consist of assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on share revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, liabilities, and net position or equity: (continued)

10. Concentration of Credit Risk

The Town has a credit risk associated with water and sewer fund accounts receivable due to geographic proximity of the Town's customers. The risk is mitigated by the large number of customers and relatively low individual balances.

11. Prepaid Expenses

Prepaid expenses are for payments made by the Town in the current fiscal year to provide services occurring in the subsequent fiscal year.

12. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

13. Inventory

Inventory generally is recorded at cost using the first-in/first-out (FIFO) method. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased.

E. New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statement:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees—Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table beginning on the next page.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

<p>opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</p> <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary</p>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

funding for the future benefit payment.		contributions according to specified percentages.
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contributions component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of</p>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

<p>requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>		<p>creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contributions component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u></p>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

<p>based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>		<p>See definition under Plan 1. <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%</p>	<p>Sheriffs and regional jail superintendents: Same as Plan 1.</p>	<p>Sheriffs and regional jail superintendents: Not applicable.</p>
<p>Political subdivision hazardous duty employees: The retirement</p>	<p>Political subdivision hazardous duty employees: Same as Plan</p>	<p>Political subdivision hazardous duty employees: Not applicable.</p>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	1.	<u>Defined Contribution Component:</u> Not applicable.
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

<p>years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective</u></p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective</u></p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

<p><u>Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Dates:</u> Same as Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

		Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The detail of this \$(8,728,401) difference for the primary government is as follows:

	Primary Government
General obligation bonds and loans payable	\$ 2,897,114
Line of credit	285,192
Interest payable	4,327
OPEB liability	2,515,532
Pension liability	2,728,567
Compensated absences	241,419
Deferred rebate	56,250
	<hr/>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u><u>\$ 8,728,401</u></u>

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The detail of this \$(166,136) difference for the primary government is as follows:

	Primary Government
Capital outlays	\$ 468,431
Depreciation expense	(634,567)
Disposal of capital assets	-
	<hr/>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (166,136)</u></u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements (continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued):

Another element of that reconciliation explains that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The detail of this \$(262,364) difference for the primary government is as follows:

	Primary Government
Change in compensated absences	\$ (29,253)
Change in interest payable	3,440
OPEB expense	(286,219)
Pension expense	43,418
Change in deferred rebate	<u>6,250</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (262,364)</u></u>

Note 3 - Stewardship, Compliance, and Accountability

- A. Budgetary information

The Town charter establishes the fiscal year as the twelve-month period beginning July 1st. The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. Only the Town Council can revise the appropriation for each department or category.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all Town units.

- B. Deficit fund equity

At June 30, 2020, the CDBG Gilman Street Fund had a deficit fund equity of \$(32,951) and the Streetscape Fund had a deficit fund equity of \$(118,369). These funds are combined with non-major funds and reflected as other governmental funds in the financial statement.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 4 - Deposits and Investments

Deposits

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Note 5 - Due from Other Governmental Units

The following amounts represent receivables from the Commonwealth of Virginia at year-end:

Local sales tax	\$	41,348
Communication tax		17,720
Non-categorical aid		935
Total	\$	<u>60,003</u>

Note 6 - Interfund Transfers

Interfund transfers for the year ended June 30, 2020 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,210,921	\$ 572,030
Other Governmental Funds	288,584	-
Water, Sewer and CIRP Fund	-	943,906
Swimming Pool Fund	16,431	-
Total	<u>\$ 1,515,936</u>	<u>\$ 1,515,936</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 7 - Long-Term Debt

Primary Government - Governmental Activity Indebtedness

Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	General Obligation Bonds		Loan Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 38,000	\$ 13,000	\$ 180,445	\$ 65,719	\$ 218,445	\$ 78,719
2022	38,000	12,012	1,673,583	53,223	1,711,583	65,235
2023	39,000	11,024	406,279	12,355	445,279	23,379
2024	40,000	10,010	34,422	3,884	74,422	13,894
2025	41,000	8,970	25,387	3,240	66,387	12,210
2026-2030	223,000	28,210	76,998	6,837	299,998	35,047
2031-2035	81,000	2,964	-	-	81,000	2,964
2036-2040	-	-	-	-	-	-
Totals	<u>\$ 500,000</u>	<u>\$ 86,190</u>	<u>\$ 2,397,114</u>	<u>\$ 145,258</u>	<u>\$ 2,897,114</u>	<u>\$ 231,448</u>

The following is a summary of long-term debt transactions for governmental activities for the year ended June 30, 2020.

	Balance July 1, 2019	Issuances	Retirements	Balance June 30, 2020
General obligation bonds	\$ 536,000	\$ -	\$ (36,000)	\$ 500,000
Loans payable	2,577,569	-	(180,455)	2,397,114
Line of credit	-	8,418,500	(8,133,308)	285,192
OPEB liability	2,201,046	314,486	-	2,515,532
Pension liability	2,637,207	91,360	-	2,728,567
Compensated absences	212,165	29,254	-	241,419
Deferred rebate	62,500	-	(6,250)	56,250
Total	<u>\$ 8,226,487</u>	<u>\$ 8,853,600</u>	<u>\$ (8,356,013)</u>	<u>\$ 8,724,074</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 7 - Long-Term Debt (continued)

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Due Within One Year</u>
General Obligation Bonds		
Bank of Marion bond, issued June 29, 2016, annual installments of principal and semi-annual installments of interest. Interest computed at a rate of 2.6% for sixteen years.	\$ 500,000	\$ 38,000
Total General Obligation Bonds	<u>\$ 500,000</u>	<u>\$ 38,000</u>
Loan Payable		
Smyth County Community Foundation, issued November 11, 2011 and extended March 2, 2017, monthly installments of interest in the amount of \$3,125 for five years with a balloon payment at the end of the five years. Interest computed at a rate of 2.5%.	\$ 1,500,000	\$ -
Bank of Marion, issued August 22, 2017, monthly installments of principal and interest in the amount of \$3,002. Interest computed at a rate of 3.5% for five years.	75,012	34,033
Bank of Marion, issued October 24, 2017, monthly installments of principal and interest in the amount of \$3,469. Interest computed at a rate of 3.5% for six years.	126,981	37,762
Bank of Marion, issued February 1, 2018, monthly installments of principal and interest in the amount of \$2,030. Interest computed at a rate of 3.5% for five years.	319,258	13,404
Bank of Marion, issued February 18, 2015, monthly installments of principal and interest in the amount of \$1,311. Interest computed at a rate of 4.5% for fifteen years.	121,593	10,482
Rural Development, issued September 19, 2017, monthly installments of principal and interest in the amount of \$1,636. Interest computed at a rate of 3.25% for three years.	12,864	12,864
Rural Development, issued June 10, 2019, monthly installments of principal and interest in the amount of \$1,327. Interest computed at a rate of 3.875% for three years.	30,551	15,004
Rural Development, issued May 15, 2019, monthly installments of principal and interest in the amount of \$4,086. Interest computed at a rate of 4.25% for four years.	134,109	44,182
VRA, issued March 18, 2016, semiannual installments of principal and interest in the amount of \$6,449. Interest computed at a rate of 0.25% for ten years.	76,746	12,714
Total Loans Payable	<u>\$ 2,397,114</u>	<u>\$ 180,445</u>
Line of Credit		
Line of credit with Bank of Marion dated May 1, 2013 for an amount up to \$1,000,000. Interest is variable.	<u>\$ 285,192</u>	<u>\$ 285,192</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 7 - Long-Term Debt (continued)

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness (continued):

	<u>Total Amount</u>	<u>Due Within One Year</u>
Other Obligations		
OPEB liability	\$ 2,515,532	\$ -
Pension liability	2,728,567	272,857
Compensated absences	241,419	181,065
Deferred rebate	56,250	6,250
Total Other Obligations	<u>\$ 5,541,768</u>	<u>\$ 460,172</u>
Total Long-Term Obligations	<u>\$ 8,724,074</u>	<u>\$ 963,809</u>

Primary Government - Business-type Activity Indebtedness

Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 473,171	\$ 104,397
2022	480,201	96,054
2023	487,824	86,031
2024	501,576	75,814
2025	514,805	65,270
2026-2030	946,667	235,552
2031-2035	582,853	172,621
2036-2040	393,644	118,171
2041-2045	345,664	68,636
2046-2050	273,691	20,620
2051-2055	30,116	663
Totals	<u>\$ 5,030,212</u>	<u>\$ 1,043,829</u>

The following is a summary of long-term debt transactions for business-type activities for the year ended June 30, 2020.

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 7 - Long-Term Debt (continued)

Primary Government - Business-type Activity Indebtedness

	Balance July 1, 2019	Issuances	Retirements	Balance June 30, 2020
General obligation bonds	\$ 5,313,736	\$ 287,415	\$ (570,939)	\$ 5,030,212
Line of credit	1,151,500	1,546,000	(1,251,000)	1,446,500
OPEB liability	614,039	36,589	-	650,628
Pension liability	735,717	-	(29,988)	705,729
Compensated absences	60,532	1,258	(16,171)	45,619
Total	<u>\$ 7,023,965</u>	<u>\$ 1,871,262</u>	<u>\$ (1,868,098)</u>	<u>\$ 7,878,688</u>

Details of long-term indebtedness:

	Total Amount	Due Within One Year
General Obligation Bonds		
Virginia Resource Authority, issued July 27, 2017, semi-annual principal and interest payments computed at a rate of 1.70% for twenty years.	\$ 240,865	\$ 8,043
Virginia Resource Authority, issued March 1, 2018, semi-annual principal and interest payments computed at a rate of 2.65% for thirty years.	313,728	7,153
Virginia Resource Authority, issued February 26, 2019, semi-annual principal and interest payments computed at a rate of 2.50% for thirty years.	357,815	9,514
Virginia Resource Authority, issued February 26, 2019, semi-annual principal and interest payments computed at a rate of 2.50% for thirty years.	94,409	2,018
Virginia Resource Authority, issued December 19, 2018, semi-annual principal and interest payments computed at a rate of 2.20% for thirty years.	273,973	12,835
Virginia Resource Authority, issued May 28, 2020, semi-annual principal and interest payments computed at a rate of 0.50% for twenty-five years.	26,384	1,004
Bank of Marion bond, issued June 29, 2016, annual installments of principal and semi-annual installments of interest. Interest computed at a rate of 2.16% for nine years.	1,281,344	246,000
Virginia Resource Authority, issued March 24, 2006, total issuance price of \$1,684,600. Semi-annual principal and interest payments computed at a rate of 3%.	705,858	92,256
Virginia Resource Authority, issued December 15, 2011, semi-annual principal reductions of \$25,257. There is no interest rate on this note.	599,862	50,514
Rural Development, issued July 14, 2011, monthly payments of principal and interest of \$1,988 at a rate of 2.375%.	523,473	11,546
Virginia Resource Authority, issued June 16, 2016, semi-annual principal and interest payments computed at a rate of 2.25% for thirty years.	84,674	6,956
Virginia Resource Authority, issued April 20, 2017, semi-annual principal and interest payments computed at a rate of 2.65% for thirty years.	250,366	7,362
Virginia Resource Authority, issued September 30, 2016, semi-annual principal and interest payments computed at a rate of .65% for twenty years.	277,461	17,970
Total General Obligation Bonds	<u>\$ 5,030,212</u>	<u>\$ 473,171</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 7 - Long-Term Debt (continued)

Primary Government - Business-type Activity Indebtedness (continued)

Details of long-term indebtedness (continued):

	<u>Total Amount</u>	<u>Due Within One Year</u>
Line of Credit		
Line of credit with Bank of Marion dated September 10, 2015 for an amount up to \$1,500,000. Interest is variable.	<u>\$ 1,446,500</u>	<u>\$ 1,446,500</u>
Other Obligations		
OPEB liability	\$ 650,628	\$ -
Pension liability	705,729	70,573
Compensated absences	<u>45,619</u>	<u>34,214</u>
Total Other Obligations	<u>\$ 1,401,976</u>	<u>\$ 104,787</u>
Total Long Term Obligations	<u>\$ 7,878,688</u>	<u>\$ 2,024,458</u>

Note 8 - Pension Plans

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The System administers three different benefit structures for covered employees—Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	51
Inactive members:	
Vested inactive members	5
Non-vested Inactive members	24
Inactive members active elsewhere in VRS	<u>20</u>
Total inactive members	49
Active members	<u>87</u>
Total covered employees	<u>187</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 8 - Pension Plans (continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement. Beginning July 1, 2016, all employees pay the 5%-member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2020 was 11.77% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The rate does not include the employer matching contribution to the defined contribution portion of the hybrid plan.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$407,335 and \$405,287 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions

The total pension liability for General Employees and Public Safety Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Note 8 - Pension Plans (continued)

Actuarial Assumptions (continued)

Participants with General Employees Benefit Coverage:

Mortality rates: 15% of deaths are assumed to be service related.

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90

Post-Disablement: RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

Participants with Enhanced Hazardous Duty Benefit Coverage:

Mortality rates: 45% of deaths are assumed to be service related.

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1% increase compounded from ages 70 to 90; females set forward 3 years

Post-Disablement: RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

Changes in Actuarial Assumptions

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

For Non-Hazardous Duty Members:

- Updated mortality rates to a more current mortality table - RP-2014 projected to 2020.
- Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
- Adjusted termination rates to better fit experience at each age and service year.
- Lowered disability rates.
- Increased line of duty disability assumption from 14% to 15%.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 8 - Pension Plans (continued)

Changes in Actuarial Assumptions (continued)

For Hazardous Duty Members:

- Updated mortality rates to a more current mortality table - RP-2014 projected to 2020.
- Increased rates at age 50, and lowered retirement rates at older ages.
- Adjusted termination rates to better fit experience at each age and service year.
- Adjusted disability rates to better match experience.
- Decreased line of duty disability assumption from 60% to 45%.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension system investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table.

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS	6.00%	3.52%	0.21%
PIP	3.00%	6.29%	0.19%
	<u>100.00%</u>		<u>5.13%</u>
	Inflation		2.50%
* Expected arithmetic nominal return			<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 8 - Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Fiscal 2020 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018	\$ 17,781,944	\$ 14,409,020	\$ 3,372,924
Changes for the year:			
Service Cost	346,558	-	346,558
Interest	1,211,524	-	1,211,524
Changes of assumptions	525,302		
Differences between expected and actual experience	(508,337)	-	(508,337)
Contributions - employer	-	405,287	(405,287)
Contributions - employee	-	170,323	(170,323)
Net investment income	-	948,150	(948,150)
Benefit payments, including refunds of employee contributions	(948,928)	(948,928)	-
Administrative expenses	-	(9,487)	9,487
Other changes	-	(598)	598
Net changes	626,119	564,747	61,372
Balance at June 30, 2019	\$ 18,408,063	\$ 14,973,767	\$ 3,434,296

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 8 - Pension Plans (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	<u>\$ 5,807,192</u>	<u>\$ 3,434,296</u>	<u>\$ 1,533,334</u>

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

For the year ended June 30, 2019, the Town recognized pension expense of \$(108,525). At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 484,782
Change in assumptions	384,847	30,700
Net difference between projected and actual earnings on pension plan investments	164,183	287,241
Employer contributions subsequent to the measurement date	407,335	-
Total	<u>\$ 956,365</u>	<u>\$ 802,723</u>

\$407,335 reported as deferred outflows of resources related to pensions, resulting from the political subdivision's contributions subsequent to the measurement date, will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Amortization Amount
2021	\$ (126,718)
2022	(137,927)
2023	1,538
2024	9,414
2025	-
Thereafter	-
Total Deferred	<u>\$ (253,693)</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 8 - Pension Plans (continued)

Payables to the Pension Plan

At June 30, 2020, the Town reported a payable of \$51,587 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

Schedule of Employer Contributions and Related Ratios

Year Ended June 30,	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as of % of Covered Employee Payroll (5)
2020	\$ 426,073	\$ 407,335	18,738	\$ 3,619,993	11.25%
2019	424,897	405,287	19,610	3,609,997	11.23%
2018	434,951	434,023	928	3,348,354	12.96%
2017	416,969	429,323	(12,354)	3,185,403	13.48%
2016	516,881	516,881	-	2,985,915	17.31%
2015	527,823	527,823	-	2,733,750	19.31%

Schedule is intended to show information for ten years.

Since 2015 is the first year for this presentation, no other data is available.

Additional years will be included as they become available.

For Reference Only:

Column (1) – Employer contribution rate multiplied by the employer's covered employee payroll

Column (2) – Actual employer contribution remitted to VRS

Column (4) – Employer's covered employee payroll amount for the fiscal year ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 9 - Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2020 was as follows.

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,866,030	\$ -	\$ -	\$ 1,866,030
Construction in progress	49,388	434,753	-	484,141
Total capital assets not being depreciated	<u>\$ 1,915,418</u>	<u>\$ 434,753</u>	<u>\$ -</u>	<u>\$ 2,350,171</u>
Capital assets, being depreciated:				
Buildings	\$ 9,846,748	\$ -	\$ -	\$ 9,846,748
Infrastructure	3,272,493	-	-	3,272,493
Machinery and equipment	7,265,095	33,678	-	7,298,773
Total capital assets being depreciated	<u>\$ 20,384,336</u>	<u>\$ 33,678</u>	<u>\$ -</u>	<u>\$ 20,418,014</u>
Less: accumulated depreciation for:				
Buildings	\$ (4,245,036)	\$ (213,944)	\$ -	\$ (4,458,980)
Infrastructure	(856,023)	(92,063)	-	(948,086)
Machinery and equipment	(6,293,842)	(328,560)	-	(6,622,402)
Total accumulated depreciation	<u>\$ (11,394,901)</u>	<u>\$ (634,567)</u>	<u>\$ -</u>	<u>\$ (12,029,468)</u>
Total capital assets being depreciated, net	<u>\$ 8,989,435</u>	<u>\$ (600,889)</u>	<u>\$ -</u>	<u>\$ 8,388,546</u>
Governmental activities capital assets, net	<u>\$ 10,904,853</u>	<u>\$ (166,136)</u>	<u>\$ -</u>	<u>\$ 10,738,717</u>

Depreciation expense was charged to Governmental functions/programs as follows.

Governmental Activities:	
General government	\$ 109,256
Public safety	225,241
Public works	179,880
Parks, recreation, and culture	<u>120,190</u>
Total depreciation expense - governmental activities	<u>\$ 634,567</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 9 - Capital Assets (continued)

Capital asset activity for business-type activities – Water, Sewer and CIRP Fund for the year ended June 30, 2020 was as follows.

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Water, Sewer and CIRP Fund				
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 528,252	\$ -	\$ -	\$ 528,252
Construction in progress	555,333	1,112,992	(1,111,829)	556,496
Total capital assets not being depreciated	<u>\$ 1,083,585</u>	<u>\$ 1,112,992</u>	<u>\$ (1,111,829)</u>	<u>\$ 1,084,748</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 25,402,913	\$ 1,111,829	\$ -	\$ 26,514,742
Machinery and equipment	3,440,553	322,430	-	3,762,983
Total capital assets being depreciated	<u>\$ 28,843,466</u>	<u>\$ 1,434,259</u>	<u>\$ -</u>	<u>\$ 30,277,725</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (12,488,774)	\$ (561,472)	\$ -	\$ (13,050,246)
Machinery and equipment	(2,767,453)	(136,165)	-	(2,903,618)
Total accumulated depreciation	<u>\$ (15,256,227)</u>	<u>\$ (697,637)</u>	<u>\$ -</u>	<u>\$ (15,953,864)</u>
Total capital assets being depreciated, net	<u>\$ 13,587,239</u>	<u>\$ 736,622</u>	<u>\$ -</u>	<u>\$ 14,323,861</u>
Water, Sewer and CIRP capital assets, net	<u>\$ 14,670,824</u>	<u>\$ 1,849,614</u>	<u>\$ (1,111,829)</u>	<u>\$ 15,408,609</u>

Depreciation expense for the Water, Sewer and CIRP Fund was \$697,637 for the year ended June 30, 2020.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 9 - Capital Assets (continued)

Capital asset activity for business-type activities – Swimming Pool Fund for the year ended June 30, 2020 was as follows.

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Swimming Pool Fund				
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 179,125	\$ -	\$ -	\$ 179,125
Total capital assets not being depreciated	<u>\$ 179,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,125</u>
Capital assets, being depreciated:				
Pool	\$ 974,651	\$ -	\$ -	\$ 974,651
Equipment	29,151	-	-	29,151
Total capital assets being depreciated	<u>\$ 1,003,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,003,802</u>
Less: accumulated depreciation for:				
Pool	\$ (971,242)	\$ (3,409)	\$ -	\$ (974,651)
Equipment	(29,151)	-	-	(29,151)
Total accumulated depreciation	<u>\$ (996,302)</u>	<u>\$ (3,409)</u>	<u>\$ -</u>	<u>\$ (1,003,802)</u>
Total capital assets being depreciated, net	<u>\$ 7,500</u>	<u>\$ (3,409)</u>	<u>\$ -</u>	<u>\$ -</u>
Swimming Pool capital assets, net	<u>\$ 186,625</u>	<u>\$ (3,409)</u>	<u>\$ -</u>	<u>\$ 179,125</u>

Depreciation expense for the Swimming Pool Fund was \$3,409 for the year ended June 30, 2020.

Note 10 - Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$1,210,005 is comprised of the following:

Property Taxes - \$1,084,890 representing uncollected tax billings not available for funding current expenditures.

RBEG Loan - \$125,115 representing uncollected loan payments not available for funding current expenditures.

Note 11 - Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of property, general liability and auto insurance with the Virginia Municipal Liability Pool. Each member of each of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Municipal Group contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 - Surety Bonds**Primary Government:**

Virginia Municipal Liability Pool

Public Employees Dishonesty Coverage	\$ 200,000
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Note 13 - Restricted Net Position**Governmental Activities:**

Restricted for downtown housing project	\$ 240,582
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Restricted for DARE	1,311
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Restricted for master redevelopment	2,500
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Total	<u>\$ 244,393</u>
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Business-type Activities:

Restricted for debt service and bond covenants	\$ 244,258
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Total	<u>\$ 244,258</u>
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Note 14 - Restricted Cash and Cash Equivalents

Restricted cash of \$244,258 is reflected in the financial statements for business-type activities and represents the amount set aside for debt service in the water, sewer and CIRP fund.

Note 16 - Contingencies

The Town participates in certain federal and state assisted grant programs. Grant funds are subject to audit by the funding agencies to determine compliance with various grant requirements. Should any expenditure be disallowed, they must be refunded to the granting agencies. Any liability for reimbursement, which may arise as the result of these

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

audits, is not believed to be material.

Note 17 - Compensated Absences

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. Town employees with up to five years of service earn vacation at the rate of one day for each month. After five years, thirteen vacation days are earned annually; after ten years, fourteen days vacation is earned; after fifteen years an employee earns fifteen days vacation; after twenty years, sixteen days vacation are earned. The employees also earn an additional one-half day vacation time when employees are accident-free for 90 days.

No benefits or pay is received for unused sick leave upon termination. However, upon retirement with 30 years of VRS service, the Town will pay 25% of all accumulated and unused sick pay up to \$2,500. No sick leave will be accrued at June 30, 2020 due to the difficulty in estimating the number of employees who may retire with 30 years of VRS service.

Note 18 - Restricted Fund Balances

Other Governmental Funds:

Dare Fund	\$ 1,311
Downtown Housing Fund	240,582
Master Redevelopment	<u>2,500</u>
Total	<u><u>\$ 244,393</u></u>

Note 19 - Interfund Balances

Interfund balances consisted of the following at June 30, 2020:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
Primary Government:		
General Fund	\$ 33,951	\$ 556,121
Water and Sewer Fund	556,121	-
Downtown Housing Fund	118,369	-
CDBG Gilman Street Fund	-	32,951
Streetscape Fund	-	118,369
Master Redevelopment Fund	-	1,000
Total	<u><u>\$ 708,441</u></u>	<u><u>\$ 708,441</u></u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 20 - Other Post-Employment Benefits – Health Insurance

Plan Description

The Town provides postemployment medical coverage for retired employees through a single-employer defined benefit plan. The Town may change, add or delete coverage as they deem appropriate and with the approval of the Town Council. The plan does not grant retirees vested health benefits.

A retiree eligible for post-retirement medical coverage is defined as a full-time employee who retires directly from the Town and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the Town. Employees of the Town are allowed to stay on the plan until death of the employee. The Town pays 50% of the subscriber premium.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* and GASB Statement No. 85, *Omnibus 2017* establish new accounting and financial reporting requirements for OPEB plans and standardize the valuation methodology. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The Town retrospectively adopted the requirements of GASB Statement No. 75 during the year ended June 30, 2018. The liability accumulated from prior years is recognized as a prior period adjustment for the year ended June 30, 2018.

The Town meets the requirements and elects to use the alternative measurement method.

Employees Covered by Benefit Terms

	Primary Government
Active participants	85
Retired participants	11
Total covered employees	96

Funding Policy and Contributions

The Town currently funds postemployment health care benefits on a pay-as-you-go basis. The Town does not accumulate assets in a trust. During fiscal year 2020, the Town made OPEB benefit payments of \$24,010.

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 20 - Other Post-Employment Benefits – Health Insurance (continued)

Actuarial Methods and Assumptions

The Town uses the alternative measurement method in accordance with GASB methodology. In the valuation for the year ended June 30, 2020, the cost method used to determine OPEB liability was entry age normal level percentage of payroll. All active and former employees who are potentially eligible to receive healthcare benefits as a retiree were included in the calculations. All assumptions attempt to represent the best estimate of anticipated experience under the plan. Employer future premium contribution is assumed to remain a level percentage of the total cost over time. Mortality rates are the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity. Turnover rates are derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System. Other assumptions are as follows.

Average retirement age	62 years
Salary increases	2.50 percent
Amortization period	20 years

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Discount Rate and Municipal Bond Rate

Pursuant to GASB 75, the discount rate for unfunded plans should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The Bond Buyer's 20 bond index is often cited as an appropriate benchmark. A discount rate of 2.22% was used for the valuation.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 20 - Other Post-Employment Benefits – Health Insurance (continued)

Changes in Total OPEB Obligation

	2020 Increase (Decrease)			2019	2018
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability	Net OPEB Liability	Net OPEB Liability
June 30, 2019	\$ 2,544,085	\$ -	\$ 2,544,085	\$ 2,259,999	\$ 1,353,161
Changes for the year:					
Service Cost	141,858	-	141,858	130,672	103,811
Interest	93,591	-	93,591	103,656	50,397
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or loss	(231,892)	-	(231,892)	(125,418)	973,592
Effect of assumptions changes or inputs	347,528	-	347,528	201,930	(194,880)
Benefit payments	(24,010)	(24,010)	-	-	-
Employer contributions	-	24,010	(24,010)	(26,754)	(26,082)
Employee contributions	-	-	-	-	-
Net investment income	-	-	-	-	-
Administrative expenses	-	-	-	-	-
Net changes	327,075	-	327,075	284,086	906,838
June 30, 2020	\$ 2,871,160	\$ -	\$ 2,871,160	\$ 2,544,085	\$ 2,259,999
Fiduciary Net Position as a percentage of Total OPEB Liability			0.00%	0.00%	0.00%
Covered payroll for year ended June 30, 2020			\$ 3,638,809	\$ 3,611,920	\$ 3,383,121
Political subdivision's total OPEB liability as a percentage of covered payroll			78.90%	70.44%	66.80%

1) This schedule is intended to show information for ten years. Since fiscal year 2018 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability using the discount rate of 2.22%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 20 - Other Post-Employment Benefits – Health Insurance (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (continued)

	1% Decrease 1.22%	Discount Rate 2.22%	1% Increase 3.22%
Total OPEB Liability	<u>\$ 3,200,589</u>	<u>\$ 2,871,160</u>	<u>\$ 2,593,578</u>

Healthcare Trend Rates

Year	Medical	Pharmacy	Dental	Vision
Year 1	4.60%	7.60%	3.50%	3.00%
Year 2	4.70%	6.20%	3.50%	3.00%
Year 3	4.80%	4.90%	3.00%	3.00%
Year 4	4.80%	4.80%	3.00%	3.00%
Year 5	4.80%	4.80%	3.00%	3.00%
Year 6	4.80%	4.80%	3.00%	3.00%
Year 7	4.70%	4.70%	3.00%	3.00%
Year 8	4.70%	4.70%	3.00%	3.00%
Year 9	4.70%	4.70%	3.00%	3.00%
Thereafter	4.70%	4.70%	3.00%	3.00%

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate

	1% Decrease (Baseline -1%)	Healthcare Trend Rate - Baseline	1% Increase (Baseline +1%)
Total OPEB Liability	<u>\$ 2,506,273</u>	<u>\$ 2,871,160</u>	<u>\$ 3,311,878</u>

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town's primary government recognized OPEB expense of \$327,075. At June 30, 2020, the primary government did not report deferred outflows of resources or deferred inflows of resources related to OPEB because the Town is on a pay-as-you-go basis.

Note 21 - Other Post-Employment Benefits – Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of political subdivision. The GLI Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS.

Note 21 - Other Post-Employment Benefits – Group Life Insurance (continued)

In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the VRS (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for GLI OPEB, including eligibility, coverage, and benefits is set out below:

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the GLI Program have several components.

- Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These benefits include: accidental dismemberment, safety belt, repatriation, felonious assault, accelerated death option.

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA and is currently \$8,463 effective June 30, 2020.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 21 - Other Post-Employment Benefits – Group Life Insurance (continued)

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and employer component using a 60/40 split. The employee component was 0.79% (1.31% * 60%) and the employer component was 0.52% (1.31% * 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Town contributions to the GLI Program were \$18,792 and \$18,411 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2020, the Town reported a liability of \$295,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.01812% as compared to 0.01806% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$(11,381). Since there was a change in the proportionate share between measure dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,000	\$ 4,000
Net difference between projected and actual investment earnings	-	6,000
Change in assumptions	19,000	9,000
Changes in proportion	11,000	2,000
Employer contributions subsequent to the measurement date	18,792	-
Total	<u>\$ 68,792</u>	<u>\$ 21,000</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 21 - Other Post-Employment Benefits – Group Life Insurance (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (continued)

\$18,792 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in the future reporting periods as follows:

<u>Year ended June 30</u>	<u>Amortization Amount</u>
2021	3,296
2022	3,297
2023	5,862
2024	7,093
2025	6,633
Thereafter	2,819
Total Deferred	<u>\$ 29,000</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the same assumptions as the VRS pension plan, as described in Note 8, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the programs' total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the entire GLI Program is as follows:

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$ 3,390,238,000
Plan Fiduciary Net Position	1,762,972,000
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,627,266,000</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 21 - Other Post-Employment Benefits – Group Life Insurance (continued)

Net GLI OPEB Liability (continued)

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments is the same as the VRS pension plan, as described in Note 8.

Discount Rate

The discount rate used to measure the total GLI OPEB was 6.75%, the same as the VRS pension plan, as described in Note 8.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	<u>\$ 387,365</u>	<u>\$ 295,000</u>	<u>\$ 219,842</u>

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 21 - Other Post-Employment Benefits – Group Life Insurance (continued)

Schedule of Employer's Share of Net GLI OPEB Liability

	Plan Year 2019	Plan Year 2018	Plan Year 2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.01812%	0.01806%	0.01781%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 295,000	\$ 271,000	\$ 271,000
Employer's Covered Payroll	\$ 3,661,920	\$ 3,386,499	\$ 3,331,367
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.05588%	8.00236%	8.13480%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00000%	51.22000%	48.86000%

1) This schedule is intended to show information for ten years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

Schedule of Employer Contributions for the Last Ten Fiscal Years

Year Ended June 30,	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as of % of Covered Employee Payroll (5)
2020	\$ 18,792	\$ 18,792	-	\$ 3,638,809	0.52%
2019	18,411	18,411	-	3,661,920	0.50%
2018	17,610	17,610	-	3,386,499	0.52%
2017	17,323	17,323	-	3,331,367	0.52%
2016	16,486	14,931	1,555	3,110,627	0.48%
2015	16,007	14,497	1,510	3,020,125	0.48%
2014	14,903	13,497	1,406	2,811,966	0.48%
2013	14,797	13,401	1,396	2,791,925	0.48%
2012	11,343	7,218	4,125	2,577,887	0.28%
2011	10,953	6,970	3,983	2,489,240	0.28%

Note 21 - Other Post-Employment Benefits – Group Life Insurance (continued)

Schedule of Employer Contributions for the Last Ten Fiscal Years (continued)

For Reference Only:

Column (1) – Employer contribution rate multiplied by the employer's covered employee payroll

Column (2) – Actual employer contribution remitted to VRS

Column (4) – Employer's covered employee payroll amount for the fiscal year

Note 22 - GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions

Purpose

The Town Council of the Town of Marion is dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates; and, therefore, formally establishes this policy for the Town's Fund Balance. This policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Components of Fund Balance

Fund balance is the difference between the assets and liabilities reported in a governmental fund. The following five fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; for all funds except the general fund, assigned fund balance is the residual fund balance classification;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 22 - GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions (continued)

Committed Fund Balance Policy

The Town Council is the Town's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Town Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance Policy

The Town Council has authorized the Town's Finance Director as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance Policy

The Town does not maintain an unassigned fund balance policy.

Resource Flow Policy

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Fund balances of the governmental funds at June 30, 2020 were as follows:

Nonspendable Fund Balance:	
Prepaid expense	\$ 147,541
Inventory	10,161
Total	<u>\$ 157,702</u>
Restricted Fund Balance:	
Debt service and bond covenants	\$ -
DARE	1,311
Downtown Housing	240,582
Master Redevelopment	2,500
Total	<u>\$ 244,393</u>
Assigned Fund Balance:	
Golf Course	<u>140,083</u>
Total	<u>\$ 140,083</u>

Note 23 - New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements. Management has not yet estimated the effects, if any, of adopting the standards below, but does not expect them to be material.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The requirements of this statement should be applied prospectively.

Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*, defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method.

This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Note 24 - Subsequent Events

Subsequent events have been evaluated as of January 8, 2021 which is the date the financial statements were available to be issued.

The Town acquired quarry land as described in the management discussion and analysis *Scheduled Major Projects*. In order to qualify for grant funds from the Virginia Department of Conservation and Recreation, the Town sold a portion of quarry land to its Economic Development Authority for \$500,000. The Town will repurchase the land for \$500,000 in fiscal 2021. The Town expects to receive grant funds of \$250,000 in fiscal 2021.

Note 25 - Economic Development Authority

The Town Council issued an ordinance to create an Economic Development Authority (EDA) pursuant to the Industrial Development and Revenue Bond Act which Authority shall be a political subdivision of the Commonwealth.

The Town desires to create an Economic Development Authority to benefit the inhabitants of the Commonwealth and the Town through the increase of their commerce and through the promotion of their safety, health, welfare, convenience, and prosperity.

The Economic Development Authority of the Town of Marion, Virginia, a political subdivision of the Commonwealth of Virginia, is empowered by Section 15.2-4901 of the Code to acquire, own, lease, and dispose of properties and make loans for the benefit of the inhabitants of the Commonwealth through the promotion of their safety, health, welfare, convenience, and prosperity.

The Board of Directors of the EDA has determined that the Town has immediate need for the rehabilitation of the property commonly known as the location of the future Wayne C. Henderson School of Appalachian Music and Arts located in the former Marion Schoolhouse Building (the Property). The Board has been presented a plan for financing the rehabilitation of the Property (the Project). Pursuant to such financing, the EDA will enter into a forty-year long term lease, leasing the Property to Marion Schoolhouse Building, LLC, a for-profit Virginia limited liability company (Building, LLC) formed to undertake the Project. To facilitate the rehabilitation of the Project, the EDA has formed Marion Schoolhouse Manager, LLC (Manager, LLC) and Marion Schoolhouse Development, LLC (Development, LLC), both Virginia limited liability companies, of which the EDA is the sole member. The EDA has agreed or will agree to assume the costs and expenditures of the Town for the Town's efforts in managing the Project prior to the date hereof (the management costs) and the EDA plans to reimburse the Town in part through the efforts of Development, LLC.

The Town will contribute to the EDA approximately \$2,500,000. The EDA will then loan the funds to Building, LLC and Building, LLC will assume all costs and responsibility for the Project from the EDA, including the management costs.

Building, LLC investor members will each make a substantial capital contribution to Building, LLC. Building, LLC will use the Funds and the substantial capital contributions of Building, LLC's investor members to undertake the Project. The EDA will contribute to the Town all money, money's worth, or value received in connection with the Project (minus its reasonable expenses, including expenses involved in outsourcing the EDA's responsibilities). The EDA has entered into agreements with all entities involved in the Project. The LLC's were established to obtain the federal and state historic tax credits on the Project. The EDA believes the Project will benefit the inhabitants of the Commonwealth through the promotion of their health, safety, and welfare.

REQUIRED
SUPPLEMENTARY
INFORMATION

Town of Marion, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 801,316	\$ 801,316	\$ 746,348	\$ (54,968)
Other local taxes	2,963,000	2,963,000	2,877,242	(85,758)
Permits, privilege fees, and regulatory licenses	800	800	626	(174)
Fines and forfeitures	33,500	33,500	17,832	(15,668)
Revenue from the use of money and property	9,424	9,424	11,573	2,149
Charges for services	957,280	957,280	824,187	(133,093)
Miscellaneous	32,541	32,541	34,652	2,111
Recovered costs	250,450	250,450	212,968	(37,482)
Intergovernmental revenues:				
Commonwealth	2,881,500	2,881,500	2,494,064	(387,436)
Federal	647,900	647,900	321,028	(326,872)
Total revenues	<u>\$ 8,577,711</u>	<u>\$ 8,577,711</u>	<u>\$ 7,540,520</u>	<u>\$ (1,037,191)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,548,003	\$ 1,548,003	\$ 1,529,100	\$ 18,903
Public safety	2,450,233	2,450,233	2,390,236	59,997
Public works	3,803,825	3,803,825	3,512,760	291,065
Parks, recreation, and cultural	293,435	293,435	229,050	64,385
Community development	1,490,555	1,490,555	1,026,254	464,301
Capital projects	146,272	146,272	12,104	134,168
Debt service:				
Principal retirement	952,788	952,788	8,267,630	(7,314,842)
Interest and other fiscal charges	12,000	12,000	51,347	(39,347)
Total expenditures	<u>\$ 10,697,111</u>	<u>\$ 10,697,111</u>	<u>\$ 17,018,481</u>	<u>\$ (6,321,370)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,119,400)</u>	<u>\$ (2,119,400)</u>	<u>\$ (9,477,961)</u>	<u>\$ (7,358,561)</u>
OTHER FINANCING SOURCES (USES)				
Net transfers in (out)	\$ 1,500	\$ 1,500	\$ 638,891	\$ 637,391
Proceeds from a line of credit	-	-	8,418,500	8,418,500
Proceeds from long-term debt	-	-	-	-
Total other financing sources and uses	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 9,057,391</u>	<u>\$ 9,055,891</u>
Net change in fund balances	<u>\$ (2,117,900)</u>	<u>\$ (2,117,900)</u>	<u>\$ (420,570)</u>	<u>\$ 1,697,330</u>
Fund balances - beginning	2,117,900	2,117,900	383,569	(1,734,331)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,001)</u>	<u>\$ (37,001)</u>

Town of Marion, Virginia
Schedule of Funding Progress
June 30, 2020

Primary Government:

Town Retirement Plan

(1) Actuarial Valuation Date	(2) Actuarial Value of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Unfunded AAL (UAAL) (3) - (2)	(5) Funded Ratio Assets as % of AAL (2) / (3)	(6) Annual Covered Payroll	(7) UAAL as a % of Covered Payroll (4) / (6)
6/30/2019	\$ 14,973,767	\$ 18,408,063	\$ 3,434,296	81.34%	\$ 3,619,993	94.87%
6/30/2018	14,291,976	17,306,863	3,014,887	82.58%	3,609,997	83.51%
6/30/2017	13,375,838	17,026,843	3,651,005	78.56%	3,348,354	109.04%
6/30/2016	12,416,233	16,463,427	4,047,194	75.42%	3,185,403	127.05%
6/30/2015	11,719,097	16,190,234	4,471,137	72.38%	2,985,915	149.74%

Post-Employment Benefit Plan-Governmental Activities

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
7/1/2019	\$ -	\$ 2,515,532	\$ 2,515,532	0.00%	\$ 2,891,034	87.01%
7/1/2018	-	2,201,046	2,201,046	0.00%	2,824,160	77.94%
7/1/2017	-	1,947,683	1,947,683	0.00%	2,869,160	67.88%
7/1/2016	-	1,028,022	1,028,022	0.00%	3,007,378	34.18%
7/1/2015	-	1,579,715	1,579,715	0.00%	2,875,685	54.93%

Post-Employment Benefit Plan-Business-type Activities

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
7/1/2019	\$ -	\$ 650,628	\$ 650,628	0.00%	\$ 747,775	87.01%
7/1/2018	-	614,039	614,039	0.00%	787,760	77.95%
7/1/2017	-	583,316	583,316	0.00%	828,032	70.45%
7/1/2016	-	221,328	221,328	0.00%	831,569	26.62%
7/1/2015	-	340,105	340,105	0.00%	518,947	65.54%

Town of Marion, Virginia
Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios
Last Ten Plan Years*

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 346,558	\$ 334,311	\$ 336,131	\$ 300,090	\$ 280,978	\$ 309,838
Interest	1,211,524	1,170,293	1,154,105	1,106,559	1,086,547	1,047,788
Changes of benefit terms	-	-	-	-	-	-
Changes of assumptions	525,302	-	(150,313)	-	-	-
Differences between expected and actual experience	(508,337)	(68,621)	(392,828)	(945)	(308,291)	-
Benefit Payments, including refunds						
of employee contributions	(948,928)	(745,014)	(686,676)	(766,265)	(780,442)	(827,402)
Net change in total pension liability	626,119	690,969	260,419	639,439	278,792	530,224
Total pension liability - beginning	17,781,944	17,090,975	16,830,556	16,191,117	15,912,325	15,382,101
Total pension liability - ending (a)	\$ 18,408,063	\$ 17,781,944	\$ 17,090,975	\$ 16,830,556	\$ 16,191,117	\$ 15,912,325
Plan fiduciary net position						
Contributions - employer	\$ 405,287	\$ 434,259	\$ 440,467	\$ 491,344	\$ 477,291	\$ 489,193
Contributions - employee	170,323	163,869	162,871	164,306	150,330	146,395
Net investment income	948,150	1,000,242	1,482,890	209,114	532,938	1,604,633
Benefit Payments, including refunds						
of employee contributions	(948,928)	(745,014)	(686,676)	(766,265)	(780,442)	(827,402)
Administrative expense	(9,487)	(8,575)	(8,464)	(7,475)	(7,338)	(8,728)
Other	(598)	(894)	(1,326)	(89)	(111)	84
Net change in plan fiduciary net position	564,747	843,887	1,389,762	90,935	372,668	1,404,175
Plan fiduciary net position - beginning	14,409,020	13,565,133	12,175,371	12,084,436	11,711,768	10,307,593
Plan fiduciary net position - ending (b)	\$ 14,973,767	\$ 14,409,020	\$ 13,565,133	\$ 12,175,371	\$ 12,084,436	\$ 11,711,768
Political subdivision's net pension liability - ending (a - b)	\$ 3,434,296	\$ 3,372,924	\$ 3,525,842	\$ 4,655,185	\$ 4,106,681	\$ 4,200,557
 Plan fiduciary net position as a percentage of the total pension liability	 81.34%	 81.03%	 79.37%	 72.34%	 74.64%	 73.60%
 Covered-employee payroll	 3,619,993	 3,609,997	 3,348,354	 3,185,403	 2,985,915	 2,733,750
 Political subdivision's net pension liability as a percentage of covered-employee payroll	 94.87%	 93.43%	 105.30%	 146.14%	 137.54%	 153.66%

*Schedule is intended to show information for ten years.

Since fiscal year 2015 (plan year 2014) is the first year for this presentation, no other data is available.

Additional years will be included as they become available.

OTHER
SUPPLEMENTARY
INFORMATION

Town of Marion, Virginia
Combining Balance Sheet
Other Governmental Funds
June 30, 2020

	<u>Dare Program</u>	<u>Streetscape Program</u>	<u>Downtown Housing Project</u>	<u>CDBG Gilman Street</u>	<u>Master Re- Development</u>	<u>Golf Course</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 1,311	\$ -	\$ 122,213	\$ -	\$ 3,500	\$ -	\$ 127,024
Receivables (net of allowance for uncollectibles):							
Accounts receivable	-	-	-	-	-	140,715	140,715
Due from other funds	-	-	118,369	-	-	-	118,369
Inventories	-	-	-	-	-	10,161	10,161
Prepaid expense	-	-	-	-	-	3,550	3,550
Total assets	<u>\$ 1,311</u>	<u>\$ -</u>	<u>\$ 240,582</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 154,426</u>	<u>\$ 399,819</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,261	\$ 12,261
Accrued liabilities	-	-	-	-	-	2,082	2,082
Due to other funds	-	118,369	-	32,951	1,000	-	152,320
Total liabilities	<u>\$ -</u>	<u>\$ 118,369</u>	<u>\$ -</u>	<u>\$ 32,951</u>	<u>\$ 1,000</u>	<u>\$ 14,343</u>	<u>\$ 166,663</u>
Fund balances:							
Unreserved:							
Designated for subsequent expenditure	\$ 1,311	\$ (118,369)	\$ 240,582	\$ (32,951)	\$ 2,500	\$ 140,083	\$ 233,156
Total fund balances	<u>\$ 1,311</u>	<u>\$ (118,369)</u>	<u>\$ 240,582</u>	<u>\$ (32,951)</u>	<u>\$ 2,500</u>	<u>\$ 140,083</u>	<u>\$ 233,156</u>
Total liabilities and fund balances	<u>\$ 1,311</u>	<u>\$ -</u>	<u>\$ 240,582</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 154,426</u>	<u>\$ 399,819</u>

Town of Marion, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2020

	<u>Dare Program</u>	<u>Streetscape Program</u>	<u>Downtown Housing Project</u>	<u>CDBG Gilman Street</u>	<u>Master Re- Development</u>	<u>Golf Course</u>	<u>Total</u>
REVENUES							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 394,447	\$ 394,447
Miscellaneous	-	-	-	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 394,447	\$ 394,447
EXPENDITURES							
Current:							
Parks, recreation, and cultural	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 528,579	\$ 528,579
Debt service:							
Principal retirement	-	-	-	-	-	82,132	82,132
Interest and other fiscal charges	-	-	-	-	-	57,381	57,381
Total expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 668,092	\$ 668,092
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (273,645)	\$ (273,645)
OTHER FINANCING SOURCES (USES)							
Net transfers in (out)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 288,584	\$ 288,584
Proceeds from long-term debt	-	-	-	-	-	-	-
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 288,584	\$ 288,584
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,939	\$ 14,939
Fund balances - beginning	1,311	(118,369)	240,582	(32,951)	2,500	125,144	218,217
Fund balances - ending	\$ 1,311	\$ (118,369)	\$ 240,582	\$ (32,951)	\$ 2,500	\$ 140,083	\$ 233,156

DISCRETELY PRESENTED
COMPONENT UNIT

Town of Marion, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Net Position - Proprietary Fund
June 30, 2020

	Enterprise Fund
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 525
Noncurrent assets:	
Capital assets:	
Land	500,000
Total assets	<u>\$ 500,525</u>
LIABILITIES	
Current liabilities:	
General obligation bonds payable - current portion	\$ 500,000
Total liabilities	<u>500,000</u>
NET POSITION	
Unrestricted	<u>525</u>
Total net position	<u>525</u>
Total liabilities & net position	<u><u>\$ 500,525</u></u>

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

Town of Marion, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2020

	Enterprise Fund
	<hr/>
REVENUES	
Charges for services	\$ 55,500
Total revenues	<hr/> \$ 55,500 <hr/>
EXPENDITURES	
Current:	
Community development	\$ 55,000
Total expenditures	<hr/> \$ 55,000 <hr/>
Excess (deficiency) of revenues over (under) expenditures	<hr/> 500 <hr/>
Net change in net position	500
Total net position - beginning	\$ 25
Total net position - ending	<hr/> \$ 525 <hr/>

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

Town of Marion, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2020

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 55,500
Payments to suppliers	(55,000)
Net cash provided (used by) operating activities	<u>\$ 500</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to capital assets	-
Proceeds from indebtedness	-
Net cash provided (used by) capital and related financing activities	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 500
Cash and cash equivalents - beginning	\$ 25
Cash and cash equivalents - ending	<u><u>\$ 525</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 500
Net cash provided (used) by operating activities	<u><u>\$ 500</u></u>

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

SUPPORTING SCHEDULES

Town of Marion, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2020

Schedule 1
Page 1 of 2

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 535,000	\$ 535,000	\$ 514,560	\$ (20,440)
Real and personal public service corporation taxes	25,000	25,000	26,179	1,179
Personal property taxes	223,316	223,316	183,805	(39,511)
Penalties and Interest	18,000	18,000	21,804	3,804
Total general property taxes	\$ 801,316	\$ 801,316	\$ 746,348	\$ (54,968)
Other local taxes:				
Local sales and use taxes	\$ 210,000	\$ 210,000	\$ 219,327	\$ 9,327
Consumers' utility taxes	115,000	115,000	112,521	(2,479)
Communications taxes	125,000	125,000	108,002	(16,998)
Lodging taxes	155,000	155,000	107,869	(47,131)
Business license taxes	575,000	575,000	556,354	(18,646)
Consumer license taxes	30,000	30,000	29,128	(872)
Motor vehicle licenses	100,000	100,000	94,621	(5,379)
Bank stock taxes	180,000	180,000	186,173	6,173
Tobacco taxes	120,000	120,000	136,218	16,218
Meals taxes	1,345,000	1,345,000	1,321,074	(23,926)
Comcast PEG capital fees	8,000	8,000	5,955	(2,045)
Total other local taxes	\$ 2,963,000	\$ 2,963,000	\$ 2,877,242	\$ (85,758)
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 800	\$ 800	\$ 626	\$ (174)
Total permits, privilege fees, and regulatory licenses	\$ 800	\$ 800	\$ 626	\$ (174)
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 16,577	\$ (13,423)
Parking Fines	1,000	1,000	20	(980)
E-Summons	2,500	2,500	1,235	(1,265)
Total fines and forfeitures	\$ 33,500	\$ 33,500	\$ 17,832	\$ (15,668)
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 647	\$ (853)
Revenue from use of property	7,924	7,924	10,926	3,002
Total revenue from use of money and property	\$ 9,424	\$ 9,424	\$ 11,573	\$ 2,149
Charges for services:				
Parking lot charges	\$ 480	\$ 480	\$ 960	\$ 480
Charges for sanitation and waste removal	475,500	475,500	468,390	(7,110)
Charges for parks and recreation	13,000	13,000	5,816	(7,184)
Farmers market	3,000	3,000	2,346	(654)
Fire calls	1,000	1,000	5	(995)
Fire/EMS	445,000	445,000	323,289	(121,711)
DMV stop charges	3,000	3,000	295	(2,705)
Police patrol	2,500	2,500	2,500	-
Credit card fees	8,000	8,000	15,691	7,691
Senior center-District III	800	800	840	40
Cemetery maintenance fees	5,000	5,000	4,055	(945)
Total charges for services	\$ 957,280	\$ 957,280	\$ 824,187	\$ (133,093)

Town of Marion, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2020

Schedule 1
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Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 22,541	\$ 22,541	\$ 23,355	\$ 814
Insurance proceeds	-	-	2,532	2,532
Sale of property and equipment	10,000	10,000	2,282	(7,718)
Donations	-	-	6,483	6,483
Total miscellaneous revenue	\$ 32,541	\$ 32,541	\$ 34,652	\$ 2,111
Recovered costs:				
County of Smyth - Recreation facilities	\$ 19,250	\$ 19,250	\$ -	\$ (19,250)
County of Smyth - Fire and rescue	70,000	70,000	91,667	21,667
Other recovered costs	161,200	161,200	121,301	(39,899)
Total recovered costs	\$ 250,450	\$ 250,450	\$ 212,968	\$ (37,482)
Total revenue from local sources	\$ 5,048,311	\$ 5,048,311	\$ 4,725,428	\$ (322,883)
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 6,000	\$ 6,000	\$ 5,344	\$ (656)
Rental tax	23,000	23,000	23,252	252
Setoff debt	-	-	-	-
Personal property tax relief funds	-	-	45,785	45,785
Total noncategorical aid	\$ 29,000	\$ 29,000	\$ 74,381	\$ 45,381
Categorical aid:				
Litter control grant	\$ 3,000	\$ 3,000	\$ 2,361	\$ (639)
Fire programs	20,000	20,000	21,736	1,736
Street and highway maintenance	2,257,000	2,257,000	1,874,947	(382,053)
Law enforcement grants	161,000	161,000	171,184	10,184
Commission of the Arts	4,500	4,500	4,500	-
Small Business Loan Pool	-	-	16,000	16,000
Asset forfeiture funds	1,500	1,500	920	(580)
EMS grant	-	-	-	-
Streetscape project grants	-	-	-	-
South Church Street Drainage Project	400,000	400,000	325,590	(74,410)
Other state aid	5,500	5,500	2,445	(3,055)
Total categorical aid	\$ 2,852,500	\$ 2,852,500	\$ 2,419,683	\$ (432,817)
Total revenue from the Commonwealth	\$ 2,881,500	\$ 2,881,500	\$ 2,494,064	\$ (387,436)
Revenue from the federal government:				
Categorical aid:				
Community Development Block Grant	\$ 637,400	\$ 637,400	\$ 286,135	\$ (351,265)
Police grants	10,000	10,000	18,106	8,106
Asset forfeiture funds	500	500	1,848	1,348
Stimulus Grants	-	-	14,939	14,939
Total categorical aid	\$ 647,900	\$ 647,900	\$ 321,028	\$ (326,872)
Total revenue from the federal government	\$ 647,900	\$ 647,900	\$ 321,028	\$ (326,872)
Total General Fund	\$ 8,577,711	\$ 8,577,711	\$ 7,540,520	\$ (1,037,191)
Total Primary Government	\$ 8,577,711	\$ 8,577,711	\$ 7,540,520	\$ (1,037,191)

Town of Marion, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2020

Fund, Function and Department Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 118,642	\$ 118,642	\$ 80,264	\$ 38,378
Town clerk	355,552	355,552	353,888	1,664
Total legislative	\$ 474,194	\$ 474,194	\$ 434,152	\$ 40,042
General and financial administration:				
Town manager	\$ 189,629	\$ 189,629	\$ 184,361	\$ 5,268
Legal services	25,688	25,688	24,125	1,563
Independent auditor	31,111	31,111	35,050	(3,939)
Finance	344,120	344,120	390,856	(46,736)
Information technology	66,483	66,483	65,450	1,033
Risk management	146,236	146,236	145,938	298
Motor pool	103,110	103,110	81,946	21,164
Central purchasing	167,432	167,432	167,222	210
Total general and financial administration	\$ 1,073,809	\$ 1,073,809	\$ 1,094,948	\$ (21,139)
Total general government administration	\$ 1,548,003	\$ 1,548,003	\$ 1,529,100	\$ 18,903
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,802,397	\$ 1,802,397	\$ 1,842,229	\$ (39,832)
Total law enforcement and traffic control	\$ 1,802,397	\$ 1,802,397	\$ 1,842,229	\$ (39,832)
Fire and rescue services:				
Fire and rescue services	\$ 647,836	\$ 647,836	\$ 548,007	\$ 99,829
Total fire and rescue services	\$ 647,836	\$ 647,836	\$ 548,007	\$ 99,829
Total public safety	\$ 2,450,233	\$ 2,450,233	\$ 2,390,236	\$ 59,997
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 3,337,102	\$ 3,337,102	\$ 3,043,006	\$ 294,096
General engineering and administration	201,637	201,637	207,345	(5,708)
Total maintenance of highways, streets, bridges & sidewalks	\$ 3,538,739	\$ 3,538,739	\$ 3,250,351	\$ 288,388
Sanitation and waste removal:				
Refuse collection and disposal	\$ 265,086	\$ 265,086	\$ 262,409	\$ 2,677
Total sanitation and waste removal	\$ 265,086	\$ 265,086	\$ 262,409	\$ 2,677
Total public works	\$ 3,803,825	\$ 3,803,825	\$ 3,512,760	\$ 291,065
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 293,435	\$ 293,435	\$ 229,050	\$ 64,385
Senior Citizens Center	-	-	-	-
Total parks and recreation	\$ 293,435	\$ 293,435	\$ 229,050	\$ 64,385
Total parks, recreation, and cultural	\$ 293,435	\$ 293,435	\$ 229,050	\$ 64,385

Town of Marion, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2020

Schedule 2
Page 2 of 2

<u>Fund, Function and Department Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning	\$ 9,983	\$ 9,983	\$ 2,877	\$ 7,106
Community development	1,086,404	1,086,404	648,925	437,479
Economic development	394,168	394,168	374,452	19,716
Total planning and community development	<u>\$ 1,490,555</u>	<u>\$ 1,490,555</u>	<u>\$ 1,026,254</u>	<u>\$ 464,301</u>
Total community development	<u>\$ 1,490,555</u>	<u>\$ 1,490,555</u>	<u>\$ 1,026,254</u>	<u>\$ 464,301</u>
Capital projects:				
Capital outlays	\$ 146,272	\$ 146,272	\$ 12,104	\$ 134,168
Total capital projects	<u>\$ 146,272</u>	<u>\$ 146,272</u>	<u>\$ 12,104</u>	<u>\$ 134,168</u>
Debt service:				
Principal retirement	\$ 952,788	\$ 952,788	\$ 8,267,630	\$ (7,314,842)
Interest and other fiscal charges	12,000	12,000	51,347	(39,347)
Total debt service	<u>\$ 964,788</u>	<u>\$ 964,788</u>	<u>\$ 8,318,977</u>	<u>\$ (7,354,189)</u>
Total General Fund	<u>\$ 10,697,111</u>	<u>\$ 10,697,111</u>	<u>\$ 17,018,481</u>	<u>\$ (6,321,370)</u>
Total Primary Government	<u>\$ 10,697,111</u>	<u>\$ 10,697,111</u>	<u>\$ 17,018,481</u>	<u>\$ (6,321,370)</u>

STATISTICAL INFORMATION

Table 1

Town of Marion, Virginia
Fund Balances - Governmental Funds
Last Ten Fiscal Years

Fiscal Year	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total Fund Balance
2010-11	108,273	226,767	-	-	264,827	599,867
2011-12	110,678	230,442	161,590	327,029	(194,092)	635,647
2012-13	73,598	275,289	-	236,032	(469,308)	115,611
2013-14	139,398	212,625	-	247,993	(363,531)	236,485
2014-15	139,959	223,752	-	168,868	(670,499)	(137,920)
2015-16	147,688	223,752	-	198,279	(56,557)	513,162
2016-17	144,403	223,752	-	211,180	(274,813)	304,522
2017-18	147,100	223,752	-	126,762	(908,596)	(410,982)
2018-19	84,408	244,393	-	125,144	147,841	601,786
2019-20	157,702	244,393	-	140,083	(346,023)	196,155

Table 2

Town of Marion, Virginia
Net Position - Governmental and Business-type Activities
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities		
	Net Investment in Capital Assets	Restricted	Unrestricted	Net Investment in Capital Assets	Restricted	Unrestricted
2010-11	4,349,974	222,444	55,230	8,047,842	385,220	1,266,768
2011-12	6,267,452	226,631	1,632	8,061,600	429,406	1,249,735
2012-13	6,437,280	271,478	(614,117)	8,037,542	480,695	1,250,662
2013-14	6,634,300	208,814	(540,716)	7,991,802	378,873	1,288,218
2014-15	7,969,363	219,941	(4,751,409)	7,828,856	281,408	441,535
2015-16	7,919,083	219,941	(3,848,874)	7,626,911	287,799	758,156
2016-17	8,225,246	219,941	(3,930,253)	7,936,517	403,974	290,518
2017-18	7,880,197	219,941	(5,687,135)	8,599,747	272,229	(96,037)
2018-19	7,791,284	240,582	(4,754,890)	8,388,122	214,746	75,617
2019-20	7,556,411	244,393	(5,432,634)	9,111,023	244,258	289,554

Table 3

Town of Marion, Virginia
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

Fiscal Year	General Government Revenue	General Government Expenditures	Capital Outlay	Excess of Revenues over (under) Expenditures	Debt issued	Grant Proceeds/ Contributions	Transfers In	Transfers Out	Total Other Financing Sources (Uses)	Net Change In Fund Balance
2010-11	6,127,734	6,536,191	493,270	(901,727)	-	-	1,301,613	(59,475)	1,242,138	340,411
2011-12	5,880,811	7,788,793	3,523,572	(5,431,554)	2,063,234	2,294,760	1,109,340	-	5,467,334	35,780
2012-13	5,857,494	6,998,746	263,278	(1,404,530)	-	-	884,494	-	884,494	(520,036)
2013-14	6,173,258	9,574,435	166,733	(3,567,910)	2,482,000	-	1,212,185	(5,401)	3,688,784	120,874
2014-15	7,269,565	14,037,831	1,371,408	(8,139,674)	6,429,052	-	1,302,097	-	7,731,149	(408,525)
2015-16	7,951,804	13,487,442	320,259	(5,855,897)	5,134,244	-	1,372,735	-	6,506,979	651,082
2016-17	6,991,146	13,178,868	406,044	(6,593,766)	5,302,760	-	1,082,367	-	6,385,127	(208,639)
2017-18	6,984,219	16,728,796	524,397	(10,268,974)	8,367,347	-	1,186,123	-	9,553,470	(715,504)
2018-19	8,250,669	17,395,178	384,628	(9,529,137)	8,680,000	-	1,861,905	-	10,541,905	1,012,768
2019-20	7,934,967	17,674,469	12,104	(9,751,606)	8,418,500	-	927,475	-	9,345,975	(405,631)

Table 4

Town of Marion, Virginia
Changes in Net Position - Governmental and Business-type Activities
Last Ten Fiscal Years

Fiscal Year	Government Wide Expense	Government Wide Program Revenues	Net (Expense) Revenue	Government Wide General Revenues	Transfers	Change in Net Position
2010-11	8,485,666	5,450,272	(3,035,394)	3,438,781	-	403,387
2011-12	9,412,903	5,556,202	(3,856,701)	5,765,679	-	1,908,978
2012-13	9,204,664	5,530,338	(3,674,326)	3,301,410	-	(372,916)
2013-14	9,189,957	5,827,396	(3,362,561)	3,460,312	-	97,751
2014-15	9,961,916	6,745,613	(3,216,303)	3,432,361	-	216,058
2015-16	10,532,808	7,088,849	(3,443,959)	4,417,281	-	973,322
2016-17	10,006,005	6,554,713	(3,451,292)	3,634,219	-	182,927
2017-18	11,737,767	6,598,463	(5,139,304)	3,990,626	-	(1,148,678)
2018-19	10,690,927	7,430,200	(3,260,727)	4,027,246	-	766,519
2019-20	11,971,639	8,167,900	(3,803,739)	3,861,283	-	57,544

Table 5

Town of Marion, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Swimming Pool	Water, Sewer and CIRP	Total
2010-11	1,205,746	1,572,373	2,091,079	503,161	1,085,854	62,126	57,057	1,908,270	8,485,666
2011-12	1,213,894	1,576,032	2,189,344	901,040	1,392,000	104,691	55,388	1,980,514	9,412,903
2012-13	1,309,870	1,583,513	2,173,422	1,141,233	732,440	87,659	50,034	2,126,493	9,204,664
2013-14	1,327,851	1,524,561	2,003,788	1,315,327	830,257	81,742	39,708	2,066,723	9,189,957
2014-15	1,412,681	1,568,289	2,325,699	1,194,373	1,196,299	93,019	44,461	2,127,095	9,961,916
2015-16	1,326,908	1,875,229	2,871,732	1,062,583	1,002,968	116,184	44,010	2,233,194	10,532,808
2016-17	1,367,052	2,100,570	2,128,625	1,091,145	973,886	34,523	89,422	2,220,782	10,006,005
2017-18	1,592,878	2,605,326	2,850,070	1,372,153	975,852	129,029	43,299	2,169,160	11,737,767
2018-19	1,613,462	2,417,178	2,808,194	933,385	805,158	114,692	38,756	1,960,102	10,690,927
2019-20	1,678,914	2,616,381	3,329,208	862,124	1,049,916	105,288	35,220	2,294,588	11,971,639

Table 6

Town of Marion, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

GENERAL REVENUES														
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Recovered Costs	Grants and Contributions	Gain (Loss)	Contribution	Total
											Not Restricted to Specific Programs	on Disposal of Capital Assets	from Nonprofit	
2010-11	3,052,405	1,920,520	477,347	603,623	2,607,956	165	24,309	36,872	48,293	44,231	73,332	-	-	8,889,053
2011-12	3,351,463	1,689,299	515,440	593,748	2,592,961	225	31,812	26,077	32,279	130,179	63,638	-	2,294,760	11,321,881
2012-13	3,668,212	1,511,125	351,001	614,219	2,521,376	280	26,140	26,317	92,347	4,458	75,878	(59,605)	-	8,831,748
2013-14	3,948,424	1,440,293	438,679	598,997	2,667,267	150	17,174	19,667	78,538	8,916	69,603	-	-	9,287,708
2014-15	4,192,231	1,721,986	831,396	593,460	2,676,220	105	17,027	18,243	54,199	4,459	68,648	-	-	10,177,974
2015-16	4,802,192	1,942,168	344,489	603,510	2,839,312	370	17,007	14,117	51,429	819,333	72,203	-	-	11,506,130
2016-17	4,473,292	1,880,265	201,156	553,350	2,728,276	655	19,589	13,728	154,184	98,263	66,174	-	-	10,188,932
2017-18	4,632,913	1,750,013	215,537	666,766	2,849,725	345	30,430	14,228	208,413	137,867	71,952	10,900	-	10,589,089
2018-19	5,034,506	2,231,719	163,975	688,058	2,907,998	806	27,205	13,503	55,684	84,495	74,136	175,361	-	11,457,446
2019-20	5,173,854	2,725,772	268,274	739,068	2,878,585	626	17,832	11,712	32,370	89,488	89,320	2,282	-	12,029,183

Table 7

Town of Marion, Virginia
General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total (1)
2010-11	1,110,440	1,444,987	1,998,486	500,548	1,131,811	349,919	6,536,191
2011-12	1,178,902	1,511,479	2,018,829	891,010	1,754,238	434,335	7,788,793
2012-13	1,225,012	1,538,451	2,014,875	1,114,091	697,402	408,915	6,998,746
2013-14	1,247,119	1,450,222	2,043,903	1,243,183	847,182	2,742,826	9,574,435
2014-15	1,331,669	1,620,227	2,241,570	1,233,400	1,128,235	6,482,730	14,037,831
2015-16	1,311,957	1,917,880	2,839,192	967,524	1,018,176	5,432,713	13,487,442
2016-17	1,290,385	2,112,993	2,213,453	1,062,512	953,939	5,545,586	13,178,868
2017-18	1,401,842	2,268,517	2,611,775	1,687,284	934,742	7,824,636	16,728,796
2018-19	1,498,311	2,315,792	3,012,536	845,947	816,620	8,905,972	17,395,178
2019-20	1,529,100	2,390,236	3,512,760	757,629	1,026,254	8,458,490	17,674,469

(1) Excludes capital projects

Table 8

Town of Marion, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total
2010-11	600,862	2,607,956	165	24,309	28,859	327,667	48,293	67,424	2,422,199	6,127,734
2011-12	568,140	2,592,961	225	31,812	22,459	525,359	32,279	65,451	2,042,125	5,880,811
2012-13	587,353	2,521,376	280	26,140	23,893	792,501	92,347	82,186	1,731,418	5,857,494
2013-14	584,811	2,667,267	150	17,174	16,557	889,334	78,538	102,945	1,816,482	6,173,258
2014-15	590,482	2,676,220	105	17,027	13,604	1,171,451	54,199	190,192	2,556,285	7,269,565
2015-16	592,351	2,839,312	370	17,007	14,057	1,230,480	51,429	919,872	2,286,926	7,269,565
2016-17	640,192	2,728,276	655	19,589	13,520	1,323,523	145,603	173,349	1,946,439	6,991,146
2017-18	675,388	2,849,725	345	30,430	14,088	1,121,616	221,741	248,921	1,821,965	6,984,219
2018-19	684,666	2,907,040	806	27,205	13,368	1,435,187	691,465	185,077	2,305,855	8,250,669
2019-20	746,348	2,877,242	626	17,832	11,573	1,218,634	34,652	212,968	2,815,092	7,934,967

Table 9

Town of Marion, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2)	Percent of Delinquent Taxes to Tax Levy
2010-11	665,404	628,847	94.51%	10,362	639,209	96.06%	66,206	9.95%
2011-12	697,358	641,482	91.99%	9,653	651,135	93.37%	109,302	15.67%
2012-13	726,614	599,405	82.49%	6,611	606,016	83.40%	141,343	19.45%
2013-14	711,022	613,045	86.22%	10,104	623,149	87.64%	160,495	22.57%
2014-15	697,201	609,855	87.47%	13,089	622,944	89.35%	167,485	24.02%
2015-16	744,991	605,140	81.23%	21,192	626,332	84.07%	211,002	28.32%
2016-17	840,980	629,306	74.83%	33,926	663,232	78.86%	177,608	21.12%
2017-18	850,426	690,881	81.24%	17,793	708,674	83.33%	215,424	25.33%
2018-19	895,372	702,530	78.46%	14,701	717,231	80.10%	202,779	22.65%
2019-20	934,624	743,714	79.57%	26,615	770,329	82.42%	182,161	19.49%

(1) Exclusive of penalties and interest. Includes amounts remitted under the State's personal property tax relief program.

(2) Delinquent taxes are exclusive of penalties and interest and do not include amounts due under the State's personal property tax relief program.

Table 10

Town of Marion, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Utility		Total
				Real Estate	Personal Property	
2010-11	306,380,374	35,162,885	14,324,067	15,169,863	1,017,351	372,054,540
2011-12	308,609,739	35,407,906	14,350,698	14,616,120	944,230	373,928,693
2012-13	306,933,800	36,527,508	13,869,828	14,447,803	-	371,778,939
2013-14	318,076,000	38,286,103	12,132,811	13,973,609	1,189,143	383,657,666
2014-15	302,902,413	38,877,153	9,952,565	15,906,298	-	367,638,429
2015-16	302,063,200	39,192,439	9,554,009	16,278,252	-	367,087,900
2016-17	310,460,800	44,487,803	10,844,869	15,860,430	-	381,653,902
2017-18	312,477,300	44,825,654	11,206,414	14,424,559	-	382,933,927
2018-19	314,979,300	47,439,982	11,859,995	15,136,716	-	389,415,993
2019-20	336,427,400	46,489,542	11,622,385	18,284,088	-	412,823,415

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2010-11	180,320,600	110,532,800	1,882,900	-	292,736,300	0.40
2011-12	181,077,900	110,532,800	1,125,600	-	292,736,300	0.40
2012-13	190,265,800	99,837,400	1,125,600	-	291,228,800	0.40
2013-14	189,967,600	111,501,600	1,010,600	-	302,479,800	0.40
2014-15	188,863,800	98,733,000	1,010,600	-	288,607,400	0.40
2015-16	188,972,400	96,026,000	1,010,600	-	286,009,000	0.40
2016-17	189,821,900	102,911,100	1,010,600	-	293,743,600	0.40
2017-18	190,529,500	104,508,200	1,010,600	-	296,048,300	0.40
2018-19	190,234,500	105,179,300	708,700	-	296,122,500	0.40
2019-20	211,085,900	105,179,300	708,700	-	316,973,900	0.40

Table 11

Town of Marion, Virginia
Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2010-11	0.15	0.35	0.35
2011-12	0.15	0.35	0.35
2012-13	0.15	0.35	0.35
2013-14	0.15	0.35	0.35
2014-15	0.15	0.35	0.35
2015-16	0.15	0.35	0.35
2016-17	0.15	0.35	0.35
2017-18	0.15	0.35	0.35
2018-19	0.17	0.35	0.35
2019-20	0.17	0.40	0.40

Table 12

Town of Marion, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2010-11	5,968	373,929	5,865,423	1.57%	\$ 983
2011-12	5,968	371,779	8,182,104	2.20%	\$ 1,371
2012-13	5,968	383,658	7,973,268	2.08%	\$ 1,336
2013-14	5,968	367,638	7,670,533	2.09%	\$ 1,285
2014-15	5,968	367,088	7,607,567	2.07%	\$ 1,275
2015-16	5,968	381,654	7,425,172	1.95%	\$ 1,244
2016-17	5,968	382,934	7,434,278	1.94%	\$ 1,246
2017-18	5,968	389,416	8,408,072	2.16%	\$ 1,409
2018-19	5,968	412,823	8,427,305	2.04%	\$ 1,412
2019-20	5,968	412,823	8,212,518	1.99%	\$ 1,376

(1) U.S. Census Bureau.

(2) Includes all long-term general obligation bonded debt and bonded anticipation notes.
Excludes capital leases, and compensated absences.

Table 13

Town of Marion, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2010-11	285,114	64,805	349,919	7,029,461	4.98%
2011-12	329,991	104,344	434,335	11,312,365	3.84%
2012-13	319,961	88,954	408,915	7,262,024	5.63%
2013-14	2,659,341	83,485	2,742,826	9,741,168	28.16%
2014-15	6,388,228	94,502	6,482,730	15,409,239	42.07%
2015-16	5,311,758	120,955	5,432,713	13,807,701	39.35%
2016-17	5,476,978	68,608	5,545,586	13,584,912	40.82%
2017-18	7,700,735	123,901	7,824,636	17,253,193	45.35%
2018-19	8,785,727	120,245	8,905,972	17,779,806	50.09%
2019-20	8,349,762	108,728	8,458,490	17,686,573	47.82%

Table 14

Town of Marion, Virginia
Principal Taxpayers (1)
June 30, 2020

Company	2018-19 Assessed Value	Rank	2019-20 Assessed Value	Rank
General Dynamics	12,062,400	1	12,062,400	1
Smyth County Foundation	6,712,800	2	6,712,800	2
Regency Marion/Walmart	5,800,000	3	5,800,000	3
Highland Development	4,525,600	4	4,525,600	4
Marion Plaza	4,172,300	5	4,172,300	5
Trammell Loft Enterprises	2,848,600	6		
Jane Sheffey etal	2,769,500	7	2,769,500	6
Marion Manor			2,605,500	7
SAI Hospitality (previously JAI Gopal)	2,123,100	8	2,123,100	8
Bank of Marion			2,014,800	9
Marion I Realty/Walgreens	1,993,400	9	1,993,400	10
SCEA	1,966,500	10		

(1) Information provided from the real estate tax book.

Table 15

Town of Marion, Virginia
Computation of Legal Debt Margin
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assessed valuations:										
Assessed value	\$ 372,054,540	\$ 373,928,693	\$ 371,778,939	\$ 383,657,666	\$ 367,638,429	\$ 367,087,900	\$ 381,653,902	\$ 382,933,927	\$ 412,823,415	\$ 412,823,415
Legal debt margin										
Debt limitation - 10 percent of total assessed value	37,205,454	37,392,869	37,177,894	38,365,767	36,763,843	36,708,790	38,165,390	38,293,393	41,282,342	41,282,342
Debt applicable to limitation:										
General obligation bonds	5,874,919	8,190,305	7,980,174	7,676,145	7,611,885	7,430,784	7,434,278	8,408,072	8,427,305	8,212,518
Less: Amount set aside for repayment	470,425	497,807	555,385	378,873	344,559	352,828	403,974	272,229	214,746	244,258
Total debt applicable to limitation	5,404,494	7,692,498	7,424,789	7,297,272	7,267,326	7,077,956	7,030,304	8,135,843	8,212,559	7,968,260
Legal debt margin	31,800,960	29,700,371	29,753,105	31,068,495	29,496,517	29,630,834	31,135,086	30,157,550	33,069,783	33,314,082
Total net debt applicable to the limit as a percentage of debt limit	14.53%	20.57%	19.97%	19.02%	19.77%	19.28%	18.42%	21.25%	19.89%	19.30%

Table 16

Town of Marion, Virginia
Miscellaneous Statistics
June 30, 2020

Date of incorporation	1832
Form of government	Council-Manager
Number of employees:	
General government administration	14
Public safety	25
Public works	24
Parks, recreation, and cultural	2
Community development	4
Water, sewer and CIRP	17
Swimming pool	6
Golf course	11

COMPLIANCE
SECTION



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

To the Town Council
Town of Marion, Virginia

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; and the *Specification for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Marion, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Marion, Virginia's basic financial statements, and have issued our report thereon dated December 11, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Marion, Virginia'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*.

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.

Bostic, Tucker & Company, P.C.

Lebanon, Virginia
December 11, 2020