

TOWN OF MARION, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2019

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TOWN OF MARION, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2019

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TOWN OF MARION, VIRGINIA  
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## TOWN OF MARION, VIRGINIA

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### TOWN COUNCIL

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David P. Helms, Mayor

James Gates

Larry Carter

Bill Weaver

Tricia Spencer

Jim Barker

Suzanne Jennings

Avery Cornett

### OTHER OFFICIALS

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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, 2019, 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, 2019, 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 schedules related to pension and OPEB funding on pages 4–13 and 74-76 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 November 25, 2019, 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.

*Bostic, Tucker & Company, P.C.*

Lebanon, Virginia  
November 25, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019. 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 2018 fiscal year, the unassigned fund balance of the general fund was \$(761,630) and there were nonspendable prepaid expenses of \$130,813. For the current fiscal year, 2019, the unassigned fund balance of the general fund was \$311,111 and there were nonspendable prepaid expenses of \$72,458.

The total net position of the Town of Marion's governmental activities was \$2,413,003 as of June 30, 2018. The total net position for 2019 is \$3,276,976.

The total net position of the business-type activities was \$8,775,939 as of June 30, 2018. The total net position for 2019 is \$8,678,485. The water, sewer, CIRP, and swimming pool funds reported operating revenues of \$3,599,199, an increase of \$90,330 compared to 2018 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 \$2,413,003 as of June 30, 2018. As of June 30, 2019, assets exceeded liabilities by \$3,276,976.

The largest portion of the Town's net position reflects its \$7,791,284 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 \$(4,754,890).

General revenues and transfers were \$5,889,016 for governmental activities. General revenues include property taxes, other local taxes, interest income, miscellaneous income, and transfers from other funds. Program revenues were \$3,667,026 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 \$8,692,069, 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 \$863,973.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

### 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 \$8,678,485 which includes net investment in capital assets of \$8,388,122, restricted for debt service and bond covenants of \$214,746, and unreserved net position of \$75,617.

Program revenues for business-type activities for the Town were \$3,599,199 for charges for services and \$163,975 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 \$1,998,858. General revenues and transfers include interest income of \$135 and transfers to other funds of \$(1,861,905). Business-type activities exhibited a change in net position of \$(97,454).

Table 1 compares the net assets of the Town's governmental and business-type activities at June 30, 2018 and 2019.

Table 1. Comparative Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2019	2018	2019	2018	2019
Assets:						
Current Assets	\$ 2,024,968	\$ 2,708,768	\$ 2,338,061	\$ 2,001,249	\$ 4,363,029	\$ 4,710,017
Capital Assets	11,099,926	10,904,853	14,174,590	14,853,358	25,274,516	25,758,211
Total Assets	13,124,894	13,613,621	16,512,651	16,854,607	29,637,545	30,468,228
Deferred Outflows of Resources	359,020	348,480	103,613	97,218	462,633	445,698
Liabilities:						
Current Liabilities	1,426,938	1,014,984	449,798	299,760	1,876,736	1,314,744
Long-term Liabilities	8,082,827	8,226,487	7,023,965	7,875,524	15,106,792	16,102,011
Total Liabilities	9,509,765	9,241,471	7,473,763	8,175,284	16,983,528	17,416,755
Deferred Inflows of Resources	1,561,146	1,443,654	366,562	98,056	1,927,708	1,541,710
Net Position:						
Net Investment in Capital Assets	7,880,197	7,791,284	8,599,747	8,388,122	16,479,944	16,179,406
Restricted	219,941	240,582	272,229	214,746	492,170	455,328
Unrestricted	(5,687,135)	(4,754,890)	(96,037)	75,617	(5,783,172)	(4,679,273)
Total Net Position	\$ 2,413,003	\$ 3,276,976	\$ 8,775,939	\$ 8,678,485	\$ 11,188,942	\$ 11,955,461

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

## 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, 2018 and 2019.

Table 2. Comparative Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2019	2018	2019	2018	2019
Revenues:						
Charges for Services	\$ 1,124,044	\$ 1,435,307	\$ 3,508,869	\$ 3,599,199	\$ 4,632,913	\$ 5,034,506
Operating Grants/Contributions	1,750,013	2,231,719	-	-	1,750,013	2,231,719
Capital Grants/Contributions	-	-	215,537	163,975	215,537	163,975
Program Revenues	2,874,057	3,667,026	3,724,406	3,763,174	6,598,463	7,430,200
Taxes	3,516,491	3,596,056	-	-	3,516,491	3,596,056
Interest Income	14,088	13,368	140	135	14,228	13,503
Miscellaneous	208,413	55,684	-	-	208,413	55,684
Fines, forfeitures, permits	30,775	28,011	-	-	30,775	28,011
Recovered costs	137,867	84,495	-	-	137,867	84,495
Grants not restricted to program	71,952	74,136	-	-	71,952	74,136
Gain (loss) on disposal of assets	10,900	175,361	-	-	-	-
General Revenues	3,990,486	4,027,111	140	135	3,979,726	3,851,885
Total Revenues	6,864,543	7,694,137	3,724,546	3,763,309	10,578,189	11,282,085
Expenses:						
General Government	1,592,878	1,613,462	-	-	1,592,878	1,613,462
Public Safety	2,605,326	2,417,178	-	-	2,605,326	2,417,178
Public Works	2,850,070	2,808,194	-	-	2,850,070	2,808,194
Parks, Recreation, and Cultural	1,372,153	933,385	-	-	1,372,153	933,385
Community Development	975,852	805,158	-	-	975,852	805,158
Interest expense	129,029	114,692	-	-	129,029	114,692
Swimming pool	-	-	43,299	38,756	43,299	38,756
Water and Sewer	-	-	2,169,160	1,960,102	2,169,160	1,960,102
Total Expenses	9,525,308	8,692,069	2,212,459	1,998,858	11,737,767	10,690,927
Transfers	1,186,123	1,861,905	(1,186,123)	(1,861,905)	-	-
Change in Net Position	(1,474,642)	863,973	325,964	(97,454)	(1,148,678)	766,519
Beginning Net Position	4,514,934	2,413,003	8,631,009	8,775,939	13,145,943	11,188,942
Ending Net Position	\$ 2,413,003	\$ 3,276,976	\$ 8,775,939	\$ 8,678,485	\$ 11,997,265	\$ 11,955,461

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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### 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 \$601,786. Fund balance includes \$84,408 nonspendable for prepaid expenses and inventory, \$244,393 restricted for specific purposes, \$125,144 assigned to golf course and \$147,841 unassigned.

Total revenues were \$8,250,669 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 \$17,779,806. 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 \$(9,529,137) in the governmental funds. The governmental funds obtained other financing sources of \$10,541,905, which included net operating transfers from proprietary funds of \$1,861,905, proceeds from a line of credit of \$8,090,000, and proceeds from indebtedness of \$590,000. After the other financing sources were received by the governmental funds, there was a change in fund balance of \$1,012,768 at June 30, 2019.

### 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 \$8,591,969 to \$8,496,289. Net position includes \$8,205,588 of net investment in capital assets, \$214,746 restricted for debt service and bond covenants, and \$75,955 unreserved.

Swimming pool fund net position decreased from \$183,970 to \$182,196. The net position balance includes net investment in capital assets of \$182,534 and unreserved of \$(338).

Total operating revenues for proprietary funds were \$3,599,199. Operating expenses were \$1,914,139. This resulted in an operating income of \$1,685,060. The proprietary funds had total non-operating expenses of \$84,584, capital contributions of \$163,975, and net operating transfers out of \$1,861,905. The change in net position was \$(97,454).

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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### General Fund Budgetary Highlights

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

Budgetary Highlights for 2018-2019:

	General Fund Budget	General Fund Actual	Variance
Revenues	\$ 6,652,084	\$ 7,751,781	\$ 1,099,697
Expenditures	(8,764,620)	(17,055,229)	(8,290,609)
Other Financing Sources (Uses)	2,112,536	10,317,834	8,205,298
Total	<u>\$ -</u>	<u>\$ 1,014,386</u>	<u>\$ 1,014,386</u>

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, 2019, 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 \$60,062 for the fiscal year ending June 30, 2019. The Town completed several projects during the year. Completed projects totaled \$301,679. Construction in progress of \$49,388 at June 30 includes preliminary for the South Church Street Drainage project, expected to begin in earnest in fiscal 2020.

Waterline and sewerline replacements and improvements—Capital expenditures on water and sewer lines were \$1,110,666 for the fiscal year ending June 30, 2019. The Comprehensive Infrastructure Replacement Program (CIRP) continues. CIRP completed Phase II Water, Phase III Sewer, and Phase IV Sewer for a total of \$1,289,958. Construction in progress of \$555,333 at June 30 includes ongoing CIRP phases.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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### 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, 2018	Issuances	Retirements	Balance June 30, 2019
General obligation bonds	\$ 591,000	\$ -	\$ (55,000)	\$ 536,000
Premium on bond	432	-	(432)	-
Loans payable	2,476,066	590,000	(488,497)	2,577,569
Line of credit	152,231	8,090,000	(8,242,231)	-
OPEB liability	1,947,683	253,363	-	2,201,046
Pension liability	2,736,186	-	(98,979)	2,637,207
Compensated absences	179,229	32,936	-	212,165
Deferred rebate	-	62,500	-	62,500
Total	<u>\$ 8,082,827</u>	<u>\$ 9,028,799</u>	<u>\$ (8,885,139)</u>	<u>\$ 8,226,487</u>

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

Description	Balance July 1, 2018	Issuances	Retirements	Balance June 30, 2019
General obligation bonds	\$ 5,188,343	\$ 651,160	\$ (525,767)	\$ 5,313,736
Line of credit	386,500	1,421,000	(656,000)	1,151,500
OPEB liability	583,316	30,723	-	614,039
Pension liability	789,656	-	(53,939)	735,717
Compensated absences	76,150	-	(15,618)	60,532
Total	<u>\$ 7,023,965</u>	<u>\$ 2,102,883</u>	<u>\$ (1,251,324)</u>	<u>\$ 7,875,524</u>

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

### Scheduled Major Projects

**Downtown Streetscape – Completed.** The streetscape design continues from the Main/Shelley intersection to the South Main/West Main split. VDOT funded the project. The Town completed the project with town employees as the Town's grant match.

**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 2019-2020 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.

**"Back of the Dragon" Trail –** The Town will continue to position itself as the gateway, to include erecting interstate signage (upon securing logo rights).

**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.

**Holston Hill Community Golf Course Projects – Completed.** Funded by Smyth County Community Foundation renewable loan with interest payments only at 2.5% annual rate. In the current fiscal year, the golf course completed the driving range. No ongoing projects.

**South Church Street Drainage Project –** This project addresses inadequate storm water facilities on South Church Street. This project includes a comprehensive drainage system to handle most of the high intensity storm events and to prevent flooding on South Church Street. The design portion is under review at VDOT. Projected to begin in fiscal 2020. The Town anticipates a cost of \$500,000 funded by VDOT.

**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 II Water, Phase III Sewer, and Phase IV Sewer in the current year. The Town anticipates completion of Phase III Water and Phase IV Water in fiscal 2020. The Town expects to begin Phase V Sewer in spring of 2020.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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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 is acquiring 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. The Town purchased certain quarry land in fiscal 2019 for \$365,545.

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 2020. The Town expects to receive grant funds of \$250,000 in fiscal 2020.

**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, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 732,372	\$ 729,267	\$ 1,461,639	\$ 25
Receivables (net of allowance for uncollectibles):				
Taxes receivable	994,916	-	994,916	-
Accounts receivable	522,761	476,219	998,980	-
Other receivables	162,444	-	162,444	-
Due from other funds	152,320	556,121	708,441	-
Due from other governmental units	59,547	24,433	83,980	-
Inventories	11,950	-	11,950	-
Prepaid expenses	72,458	463	72,921	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	214,746	214,746	-
Capital assets (net of accumulated depreciation):				
Land	1,866,030	707,377	2,573,407	-
Buildings, system, and improvements	5,601,712	3,409	5,605,121	-
Machinery and equipment	971,253	673,099	1,644,352	-
Infrastructure and plant & lines in service	2,416,470	12,914,140	15,330,610	-
Construction in progress	49,388	555,333	604,721	-
Total assets	13,613,621	16,854,607	30,468,228	25
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pensions	316,884	88,403	405,287	-
Deferred other post employment benefits	31,596	8,815	40,411	-
Total deferred outflows of resources	348,480	97,218	445,698	-
Total assets & deferred outflows	\$ 13,962,101	\$ 16,951,825	\$ 30,913,926	\$ 25
<b>LIABILITIES</b>				
Accounts payable	\$ 253,717	\$ 203,505	\$ 457,222	\$ -
Accrued liabilities	45,059	11,583	56,642	-
Customers' deposits	-	46,890	46,890	-
Accrued interest payable	7,767	37,782	45,549	-
Due to other funds	708,441	-	708,441	-
Long-term liabilities due within one year	645,682	1,719,167	2,364,849	-
Long-term liabilities due in more than one year	7,580,805	6,156,357	13,737,162	-
Total liabilities	9,241,471	8,175,284	17,416,755	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue	1,092,168	-	1,092,168	-
Deferred pensions	329,593	91,949	421,542	-
Deferred other post employment benefits	21,893	6,107	28,000	-
Total deferred inflows of resources	1,443,654	98,056	1,541,710	-
<b>NET POSITION</b>				
Net Investment in capital assets	7,791,284	8,388,122	16,179,406	-
Restricted for:				
Debt service and bond covenants	-	214,746	214,746	-
Downtown housing project	240,582	-	240,582	-
Unrestricted (deficit)	(4,754,890)	75,617	(4,679,273)	25
Total net position	3,276,976	8,678,485	11,955,461	25
Total liabilities & deferred inflows & net position	\$ 13,962,101	\$ 16,951,825	\$ 30,913,926	\$ 25

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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit	
					Governmental Activities	Business-type Activities	Total	Economic Development Authority	
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 1,613,462	\$ 9,402	\$ -	\$ -	\$ (1,604,060)	\$ -	\$ (1,604,060)	\$ -	
Public safety	2,417,178	482,932	280,578	-	(1,653,668)	-	(1,653,668)	-	
Public works	2,808,194	424,643	1,912,427	-	(471,124)	-	(471,124)	-	
Parks, recreation, and cultural	933,385	514,146	-	-	(419,239)	-	(419,239)	-	
Community development	805,158	4,184	38,714	-	(762,260)	-	(762,260)	-	
Interest on long-term debt	114,692	-	-	-	(114,692)	-	(114,692)	-	
Total government activities	<u>\$ 8,692,069</u>	<u>\$ 1,435,307</u>	<u>\$ 2,231,719</u>	<u>\$ -</u>	<u>\$ (5,025,043)</u>	<u>\$ -</u>	<u>\$ (5,025,043)</u>	<u>\$ -</u>	
Business-type activities:									
Water, Sewer and CIRP	\$ 1,960,102	\$ 3,573,514	\$ -	\$ 163,975	\$ -	\$ 1,777,387	\$ 1,777,387	\$ -	
Swimming Pool	38,756	25,685	-	-	-	(13,071)	(13,071)	-	
Total business-type activities	<u>\$ 1,998,858</u>	<u>\$ 3,599,199</u>	<u>\$ -</u>	<u>\$ 163,975</u>	<u>\$ -</u>	<u>\$ 1,764,316</u>	<u>\$ 1,764,316</u>	<u>\$ -</u>	
Total primary government	<u>\$ 10,690,927</u>	<u>\$ 5,034,506</u>	<u>\$ 2,231,719</u>	<u>\$ 163,975</u>	<u>\$ (5,025,043)</u>	<u>\$ 1,764,316</u>	<u>\$ (3,260,727)</u>	<u>\$ -</u>	
COMPONENT UNITS:									
Economic Development Authority	\$ 55,000	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total component units	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
General revenues:									
General property taxes					\$ 688,058	\$ -	\$ 688,058	-	
Other local taxes:									
Local sales and use taxes					207,433	-	207,433	-	
Consumers' utility taxes					111,331	-	111,331	-	
Business license taxes					595,404	-	595,404	-	
Communication tax					110,522	-	110,522	-	
Motor vehicle licenses					83,439	-	83,439	-	
Bank stock tax					181,215	-	181,215	-	
Meals taxes					1,358,010	-	1,358,010	-	
Other local taxes					260,644	-	260,644	-	
Permits, privilege fees, and regulatory licenses					806	-	806	-	
Fines and forfeitures					27,205	-	27,205	-	
Unrestricted revenues from use of money and property					13,368	135	13,503	-	
Miscellaneous					55,684	-	55,684	-	
Recovered costs					84,495	-	84,495	-	
Grants and contributions not restricted to specific programs					74,136	-	74,136	-	
Gain (loss) on disposal of capital assets					175,361	-	175,361	-	
Transfers					1,861,905	(1,861,905)	-	-	
Total general revenues and transfers					<u>\$ 5,889,016</u>	<u>\$ (1,861,770)</u>	<u>\$ 4,027,246</u>	<u>\$ -</u>	
Change in net position					\$ 863,973	\$ (97,454)	\$ 766,519	\$ -	
Net position - beginning					\$ 2,413,003	\$ 8,775,939	\$ 11,188,942	\$ -	
Net position - ending					\$ 3,276,976	\$ 8,678,485	\$ 11,955,461	\$ -	

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

Town of Marion, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 605,348	\$ 127,024	\$ 732,372
Receivables (net of allowance for uncollectibles):			
Taxes receivable	994,916	-	994,916
Accounts receivable	386,479	136,282	522,761
Other receivables	162,444	-	162,444
Due from other funds	33,951	118,369	152,320
Due from other governmental units	59,547	-	59,547
Inventories	-	11,950	11,950
Prepaid expenses	72,458	-	72,458
Restricted assets:			
Investments	-	-	-
Total assets	<u>\$ 2,315,143</u>	<u>\$ 393,625</u>	<u>\$ 2,708,768</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable	\$ 232,989	\$ 20,728	\$ 253,717
Accrued liabilities	42,699	2,360	45,059
Due to other funds	556,121	152,320	708,441
Total liabilities	<u>831,809</u>	<u>175,408</u>	<u>1,007,217</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	<u>1,099,765</u>	<u>-</u>	<u>1,099,765</u>
<b>FUND BALANCE</b>			
Fund balances:			
Nonspendable			
Prepaid expense	72,458	-	72,458
Inventory	-	11,950	11,950
Restricted for:			
Debt service and bond covenants	-	-	-
DARE	-	1,311	1,311
Downtown housing	-	240,582	240,582
Master redevelopment	-	2,500	2,500
Assigned to:			
Golf Course	-	125,144	125,144
Unassigned	311,111	(163,270)	147,841
Total fund balances	<u>383,569</u>	<u>218,217</u>	<u>601,786</u>
Total liabilities & deferred inflows & fund balances	<u>\$ 2,315,143</u>	<u>\$ 393,625</u>	<u>\$ 2,708,768</u>

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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 601,786
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,904,853
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	7,597
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(8,234,254)
Deferred outflows of resources reported in the Statement of Net Position	348,480
Deferred inflows of resources reported in the Statement of Net Position	<u>(351,486)</u>
Net position of governmental activities	<u><u>\$ 3,276,976</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, 2019

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>REVENUES</b>			
General property taxes	\$ 684,666	\$ -	\$ 684,666
Other local taxes	2,907,040	-	2,907,040
Permits, privilege fees, and regulatory licenses	806	-	806
Fines and forfeitures	27,205	-	27,205
Revenue from the use of money and property	13,368	-	13,368
Charges for services	936,419	498,768	1,435,187
Miscellaneous	691,345	120	691,465
Recovered costs	185,077	-	185,077
Intergovernmental revenues:			
Commonwealth	2,291,451	-	2,291,451
Federal	14,404	-	14,404
Total revenues	<u>\$ 7,751,781</u>	<u>\$ 498,888</u>	<u>\$ 8,250,669</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,498,311	\$ -	\$ 1,498,311
Public safety	2,315,792	-	2,315,792
Public works	3,012,536	-	3,012,536
Parks, recreation, and cultural	260,883	585,064	845,947
Community development	816,620	-	816,620
Capital projects	384,628	-	384,628
Debt service:			
Principal retirement	8,706,285	79,442	8,785,727
Interest and other fiscal charges	60,174	60,071	120,245
Total expenditures	<u>\$ 17,055,229</u>	<u>\$ 724,577</u>	<u>\$ 17,779,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,303,448)</u>	<u>\$ (225,689)</u>	<u>\$ (9,529,137)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	\$ 1,637,834	\$ 224,071	1,861,905
Proceeds from a line of credit	8,090,000	-	8,090,000
Proceeds of loans payable	590,000	-	590,000
Total other financing sources (uses)	<u>\$ 10,317,834</u>	<u>\$ 224,071</u>	<u>\$ 10,541,905</u>
Net change in fund balances	\$ 1,014,386	\$ (1,618)	\$ 1,012,768
Fund balances - beginning	(630,817)	219,835	(410,982)
Fund balances - ending	<u>\$ 383,569</u>	<u>\$ 218,217</u>	<u>\$ 601,786</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, 2019

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

Net change in fund balances - total governmental funds	\$ 1,012,768
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.	(195,073)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,350
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.	106,160
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.	<u>(64,232)</u>
Change in net position of governmental activities	<u><u>\$ 863,973</u></u>

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, 2019

Exhibit 7  
Page 1 of 2

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 729,067	\$ 200	\$ 729,267
Accounts receivables, net of allowances for uncollectibles	476,219	-	476,219
Due from other funds	556,121	-	556,121
Due from other governmental units	24,433	-	24,433
Prepaid expenses	463	-	463
Total current assets	<u>1,786,303</u>	<u>200</u>	<u>1,786,503</u>
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents	214,746	-	214,746
Investments	-	-	-
Total restricted current assets	<u>214,746</u>	<u>-</u>	<u>214,746</u>
Capital assets:			
Utility plant in service	25,402,913	-	25,402,913
Machinery and equipment	3,440,553	29,151	3,469,704
Land	528,252	179,125	707,377
Pool	-	974,651	974,651
Less accumulated depreciation	(15,256,227)	(1,000,393)	(16,256,620)
Construction in progress	555,333	-	555,333
Total capital assets	<u>14,670,824</u>	<u>182,534</u>	<u>14,853,358</u>
Total noncurrent assets	<u>14,885,570</u>	<u>182,534</u>	<u>15,068,104</u>
Total assets	<u>16,671,873</u>	<u>182,734</u>	<u>16,854,607</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pensions	88,403	-	88,403
Deferred other post employment benefits	8,815	-	8,815
Total deferred outflows of resources	<u>97,218</u>	<u>-</u>	<u>97,218</u>
Total assets & deferred outflows	<u>\$ 16,769,091</u>	<u>\$ 182,734</u>	<u>\$ 16,951,825</u>

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, 2019

Exhibit 7  
Page 2 of 2

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 202,967	\$ 538	\$ 203,505
Accrued liabilities	11,583	-	11,583
Customers' deposits	46,890	-	46,890
Accrued interest payable	37,782	-	37,782
Compensated absences	45,399	-	45,399
Pension liability	73,572	-	73,572
General obligation bonds payable - current portion	448,696	-	448,696
Line of credit	1,151,500	-	1,151,500
Total current liabilities	2,018,389	538	2,018,927
Noncurrent liabilities:			
General obligation bonds payable - net of current portion	4,865,040	-	4,865,040
Compensated absences	15,133	-	15,133
Pension liability	662,145	-	662,145
OPEB liability	614,039	-	614,039
Total noncurrent liabilities	6,156,357	-	6,156,357
Total liabilities	8,174,746	538	8,175,284
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	-	-	-
Deferred pensions	91,949	-	91,949
Deferred other post employment benefits	6,107	-	6,107
Total deferred inflows of resources	98,056	-	91,949
<b>NET POSITION</b>			
Net Investment in capital assets	8,205,588	182,534	8,388,122
Restricted for debt service and bond covenants	214,746	-	214,746
Unrestricted	75,955	(338)	75,617
Total net position	8,496,289	182,196	8,678,485
Total liabilities & deferred inflows & net position	\$ 16,769,091	\$ 182,734	\$ 16,951,825

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, 2019

	Enterprise Funds		<u>Total</u>
	<u>Water, Sewer and CIRP Fund</u>	<u>Swimming Pool Fund</u>	
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services	\$ 3,573,514	\$ 22,355	\$ 3,595,869
Other revenues	-	3,330	3,330
Total operating revenues	<u>\$ 3,573,514</u>	<u>\$ 25,685</u>	<u>\$ 3,599,199</u>
<b>OPERATING EXPENSES</b>			
Personal services	\$ 570,819	\$ 20,706	\$ 591,525
Fringe benefits	157,754	1,584	159,338
Contractual services	36,960	1,579	38,539
Materials and supplies	129,668	7,848	137,516
Other charges	243,905	2,948	246,853
Depreciation	736,277	4,091	740,368
Total operating expenses	<u>\$ 1,875,383</u>	<u>\$ 38,756</u>	<u>\$ 1,914,139</u>
Operating income (loss)	<u>\$ 1,698,131</u>	<u>\$ (13,071)</u>	<u>\$ 1,685,060</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	\$ 135	\$ -	\$ 135
Interest expense	(84,719)	-	(84,719)
Total nonoperating revenues (expenses)	<u>\$ (84,584)</u>	<u>\$ -</u>	<u>\$ (84,584)</u>
Income before contributions and transfers	<u>\$ 1,613,547</u>	<u>\$ (13,071)</u>	<u>\$ 1,600,476</u>
Capital contributions	\$ 163,975	\$ -	\$ 163,975
Transfers in (out)	<u>(1,873,202)</u>	<u>11,297</u>	<u>(1,861,905)</u>
Change in net position	\$ (95,680)	\$ (1,774)	\$ (97,454)
Total net position - beginning	<u>\$ 8,591,969</u>	<u>\$ 183,970</u>	<u>\$ 8,775,939</u>
Total net position - ending	<u><u>\$ 8,496,289</u></u>	<u><u>\$ 182,196</u></u>	<u><u>\$ 8,678,485</u></u>

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, 2019

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 3,632,070	\$ 25,685	\$ 3,657,755
Payments to suppliers	(700,788)	(16,276)	(717,064)
Payments to and for employees	(662,369)	(20,706)	(683,075)
Net cash provided (used by) operating activities	\$ 2,268,913	\$ (11,297)	\$ 2,257,616
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	\$ (1,873,202)	\$ -	\$ (1,873,202)
Transfers from other funds	-	11,297	11,297
Net cash provided (used) by noncapital financing activities	\$ (1,873,202)	\$ 11,297	\$ (1,861,905)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Additions to capital assets	\$ (2,709,094)	\$ -	\$ (2,709,094)
Deletions of capital assets	1,289,958	-	1,289,958
Principal payments on bonds	(1,181,767)	-	(1,181,767)
Proceeds from indebtedness	2,072,160	-	2,072,160
Capital contributions	158,146	-	158,146
Interest payments	(78,955)	-	(78,955)
Net cash provided (used) by capital and related financing activities	\$ (449,552)	\$ -	\$ (449,552)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	\$ 135	\$ -	\$ 135
Net cash provided (used) by investing activities	\$ 135	\$ -	\$ 135
Net increase (decrease) in cash and cash equivalents	\$ (53,706)	\$ -	\$ (53,706)
Cash and cash equivalents - beginning	\$ 997,519	\$ 200	\$ 997,719
Cash and cash equivalents - ending	\$ 943,813	\$ 200	\$ 944,013
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 1,698,131	\$ (13,071)	\$ 1,685,060
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ 736,277	\$ 4,091	\$ 740,368
(Increase) decrease in accounts receivable	61,296	-	61,296
(Increase) decrease in prepaid expenses	17,639	-	17,639
Increase (decrease) in customer deposits	(2,740)	-	(2,740)
Increase (decrease) in operating accounts payable	(150,745)	(2,317)	(153,062)
Increase (decrease) in OPEB liability	30,723	-	30,723
Increase (decrease) in deferred OPEB	(3,019)	-	(3,019)
Increase (decrease) in pension liability	(53,939)	-	(53,939)
Increase (decrease) in deferred pensions	(49,092)	-	(49,092)
Increase (decrease) in compensated absences	(15,618)	-	(15,618)
Total adjustments	\$ 570,782	\$ 1,774	\$ 575,575
Net cash provided (used) by operating activities	\$ 2,268,913	\$ (11,297)	\$ 2,260,635

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, 2019

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Cemetery  
Fund

**ASSETS**

Cash and cash equivalents

\$ 9,314

Investments, at fair value

131,186

Total assets

\$ 140,500

**NET POSITION**

Amounts held for cemetery maintenance

\$ 140,500

Total liabilities

\$ 140,500

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, 2019

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	Cemetery <u>Fund</u>
<b>ADDITIONS</b>	
Investment earnings:	
Interest and dividends	\$ 6,582
Realized gain on investment	2,634
Unrealized gain on investment	587
Total additions	<u>\$ 9,803</u>
 <b>DEDUCTIONS</b>	
Distributions	\$ 3,139
Fees	151
Total deductions	<u>\$ 3,290</u>
 Change in net position	\$ 6,513
Net position - beginning	133,987
Net position - ending	<u><u>\$ 140,500</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 \$100,637 for property taxes, \$17,700 for garbage billings, and \$30,515 for EMS billings at June 30, 2019. The allowance for business-type activities amounted to approximately \$230,760 for water and sewer billings at June 30, 2019.

## 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. \$52,841 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. 83, *Certain Asset Retirement Obligations*, establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 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, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> 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><b>About Plan 2</b> 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><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to</p>	<p><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable</p>	<p><b>Eligible Members</b> 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"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held</li> </ul>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> <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><b>Retirement Contributions</b> 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><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p><b>Retirement Contributions</b> 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, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

funding for the future benefit payment.		contributions according to specified percentages.
<p><b>Creditable Service</b> 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><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <u><b>Defined Benefit Component:</b></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><b>Defined Contributions Component:</b></u> Under the defined contributions component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b> 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><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <u><b>Defined Benefit Component:</b></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, 2019

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><b><u>Defined Contributions Component:</u></b></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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component:</u></b></p>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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. <b><u>Defined Contribution Component:</u></b> 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><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%</p>	<p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p>	<p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p>
<p><b>Political subdivision hazardous duty employees:</b> The retirement</p>	<p><b>Political subdivision hazardous duty employees:</b> Same as Plan</p>	<p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

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><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <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, 2019

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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<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><b>Disability Coverage</b> 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><b>Disability Coverage</b> 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><b>Disability Coverage</b> 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, 2019

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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.
<b>Purchase of Prior Service</b> 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.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <u><b>Defined Contribution Component:</b></u> Not applicable.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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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 \$(8,234,254) difference for the primary government is as follows:

	Primary Government
General obligation bonds and loans payable	\$ 3,113,569
Line of credit	-
Interest payable	7,767
OPEB liability	2,201,046
Pension liability	2,637,207
Compensated absences	212,165
Deferred rebate	62,500
	<hr/>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ 8,234,254
	<hr/>

- 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 \$(195,073) difference for the primary government is as follows:

	Primary Government
Capital outlays	\$ 1,087,587
Depreciation expense	(583,181)
Disposal of capital assets	(699,479)
	<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>	\$ (195,073)
	<hr/>



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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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 \$(64,232) difference for the primary government is as follows:

	Primary Government
Change in compensated absences	\$ (32,936)
Change in interest payable	5,120
OPEB expense	(242,581)
Pension expense	268,665
Change in deferred rebate	<u>(62,500)</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>\$ (64,232)</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 1<sup>st</sup>. 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, 2019, 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, 2019

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#### 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	\$ 37,630
Communication tax	17,640
Non-categorical aid	4,277
Total	<u>\$ 59,547</u>

#### Note 6 - Interfund Transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,639,379	\$ 1,545
Other Governmental Funds	224,071	-
Water, Sewer and CIRP Fund	-	1,873,202
Swimming Pool Fund	11,297	-
Total	<u>\$ 1,874,747</u>	<u>\$ 1,874,747</u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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
2020	\$ 36,000	\$ 13,936	\$ 180,587	\$ 72,150	\$ 216,587	\$ 86,086
2021	38,000	13,000	180,497	65,719	218,497	78,719
2022	38,000	12,012	1,673,597	53,223	1,711,597	65,235
2023	39,000	11,024	406,161	12,355	445,161	23,379
2024	40,000	11,010	34,402	3,884	74,402	14,894
2025-2029	217,000	33,852	94,461	9,981	311,461	43,833
2030-2034	128,000	6,292	7,864	96	135,864	6,388
2035-2039	-	-	-	-	-	-
Totals	<u>\$ 536,000</u>	<u>\$ 101,126</u>	<u>\$ 2,577,569</u>	<u>\$ 217,408</u>	<u>\$ 3,113,569</u>	<u>\$ 318,534</u>

The following is a summary of long-term debt transactions for governmental activities for the year ended June 30, 2019.

	Balance July 1, 2018	Issuances	Retirements	Balance June 30, 2019
General obligation bonds	\$ 591,000	\$ -	\$ (55,000)	\$ 536,000
Premium on bond	432	-	(432)	-
Loans payable	2,476,066	590,000	(488,497)	2,577,569
Line of credit	152,231	8,090,000	(8,242,231)	-
OPEB liability	1,947,683	253,363	-	2,201,046
Pension liability	2,736,186	-	(98,979)	2,637,207
Compensated absences	179,229	32,936	-	212,165
Deferred rebate	-	62,500	-	62,500
Total	<u>\$ 8,082,827</u>	<u>\$ 9,028,799</u>	<u>\$ (8,885,139)</u>	<u>\$ 8,226,487</u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 7 - Long-Term Debt (continued)

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness:

	Total Amount	Due Within One Year
<b>General Obligation Bonds</b>		
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.	\$ 536,000	\$ 36,000
Total General Obligation Bonds	<u>\$ 536,000</u>	<u>\$ 36,000</u>
<b>Loan Payable</b>		
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.	107,828	32,864
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.	163,426	36,465
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.	332,130	12,944
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.	131,555	10,022
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.	31,743	18,828
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.	45,000	14,435
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.	176,459	42,347
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.	89,428	12,682
Total Loans Payable	<u>\$ 2,577,569</u>	<u>\$ 180,587</u>
<b>Line of Credit</b>		
Line of credit with Bank of Marion dated May 1, 2013 for an amount up to \$1,000,000. Interest is variable.	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 7 - Long-Term Debt (continued)

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness (continued):

	Total Amount	Due Within One Year
Other Obligations		
OPEB liability	2,201,046	-
Pension liability	2,637,207	263,721
Compensated absences	212,165	159,124
Deferred rebate	62,500	6,250
Total Other Obligations	<u>\$ 5,112,918</u>	<u>\$ 429,095</u>
Total Long-Term Obligations	<u>\$ 8,226,487</u>	<u>\$ 645,682</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,	General Obligation Bonds	
	Principal	Interest
2020	\$ 448,696	\$ 112,955
2021	465,520	100,012
2022	473,882	90,336
2023	481,366	80,452
2024	494,975	70,378
2025-2029	1,275,828	234,775
2030-2034	605,261	163,192
2035-2039	421,341	113,561
2040-2044	327,567	68,364
2045-2049	257,521	26,023
2050-2054	61,779	1,840
2055-2059	-	-
Totals	<u>\$ 5,313,736</u>	<u>\$ 1,061,888</u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 7 - Long-Term Debt (continued)

Primary Government - Business-type Activity Indebtedness

The following is a summary of long-term debt transactions for business-type activities for the year ended June 30, 2019.

	Balance July 1, 2018	Issuances	Retirements	Balance June 30, 2019
General obligation bonds	\$ 5,188,343	\$ 651,160	\$ (525,767)	\$ 5,313,736
Line of credit	386,500	1,421,000	(656,000)	1,151,500
OPEB liability	583,316	30,723	-	614,039
Pension liability	789,656	-	(53,939)	735,717
Compensated absences	76,150	-	(15,618)	60,532
Total	<u>\$ 7,023,965</u>	<u>\$ 2,102,883</u>	<u>\$ (1,251,324)</u>	<u>\$ 7,875,524</u>

Details of long-term indebtedness:

**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.

Total Amount	Due Within One Year
\$ 268,529	\$ 7,835

Virginia Resource Authority, issued March 1, 2018, semi-annual principal and interest payments computed at a rate of 2.65% for thirty years.

314,195	6,968
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Virginia Resource Authority, issued February 26, 2019, semi-annual principal and interest payments computed at a rate of 2.50% for thirty years.

128,371	2,233
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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	1,354
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Virginia Resource Authority, issued December 19, 2018, semi-annual principal and interest payments computed at a rate of 2.20% for thirty years.

299,667	10,155
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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.

1,518,345	237,000
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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%.

795,214	89,533
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Virginia Resource Authority, issued December 15, 2011, semi-annual principal reductions of \$25,257. There is no interest rate on this note.

650,376	50,514
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Rural Development, issued July 14, 2011, monthly payments of principal and interest of \$1,988 at a rate of 2.375%.

534,750	11,275
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Virginia Resource Authority, issued June 16, 2016, semi-annual principal and interest payments computed at a rate of 2.25% for thirty years.

99,521	6,803
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Virginia Resource Authority, issued April 20, 2017, semi-annual principal and interest payments computed at a rate of 2.65% for thirty years.

282,687	7,172
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Virginia Resource Authority, issued September 30, 2016, semi-annual principal and interest payments computed at a rate of .65% for twenty years.

327,672	17,854
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Total General Obligation Bonds

<u>\$ 5,313,736</u>	<u>\$ 448,696</u>
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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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, computed at June 30, 2017 at a rate of 3.50%.	<u>\$ 1,151,500</u>	<u>\$ 1,151,500</u>
Other Obligations		
OPEB liability	\$ 614,039	\$ -
Pension liability	735,717	73,572
Compensated absences	60,532	45,399
Total Other Obligations	<u>\$ 1,410,288</u>	<u>\$ 118,971</u>
Total Long Term Obligations	<u>\$ 7,875,524</u>	<u>\$ 1,719,167</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, 2017 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	20
Total inactive members	<u>49</u>
Active members	<u>87</u>
Total covered employees	<u>187</u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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## 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, 2019 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 \$405,287 and \$434,023 for the years ended June 30, 2019 and June 30, 2018, respectively.

### Net Pension Liability

The Town's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

### 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, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% 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, 2017 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, 2019

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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	<u>100.00%</u>		<u>4.80%</u>
	Inflation		2.50%
* Expected arithmetic nominal return			<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 8 - Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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

	2019 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017	\$ 17,090,975	\$ 13,565,133	\$ 3,525,842
Changes for the year:			
Service Cost	334,311	-	334,311
Interest	1,170,293	-	1,170,293
Changes of assumptions	-		
Differences between expected and actual experience	(68,621)	-	(68,621)
Contributions - employer	-	434,259	(434,259)
Contributions - employee	-	163,869	(163,869)
Net investment income	-	1,000,242	(1,000,242)
Benefit payments, including refunds of employee contributions	(745,014)	(745,014)	-
Administrative expenses	-	(8,575)	8,575
Other changes	-	(894)	894
Net changes	690,969	843,887	(152,918)
Balance at June 30, 2018	\$ 17,781,944	\$ 14,409,020	\$ 3,372,924

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 5,601,210	\$ 3,372,924	\$ 1,509,641

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 \$(371,696). At June 30, 2019, 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	\$ -	\$ 235,046
Change in assumptions	-	70,571
Net difference between projected and actual earnings on pension plan investments	-	115,925
Employer contributions subsequent to the measurement date	405,287	-
Total	\$ 405,287	\$ 421,542

\$405,287 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, 2020. 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
2020	\$ (117,770)
2021	(140,666)
2022	(151,875)
2023	(11,231)
2024	-
Thereafter	-
Total Deferred	\$ (421,542)

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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Note 8 - Pension Plans (continued)

Payables to the Pension Plan

At June 30, 2019, the Town reported a payable of \$54,408 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

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)
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, 2019

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 9 - Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2019 was as follows.

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,880,169	\$ 365,545	\$ (379,684)	\$ 1,866,030
Construction in progress	291,005	60,062	(301,679)	49,388
Total capital assets not being depreciated	<u>\$ 2,171,174</u>	<u>\$ 425,607</u>	<u>\$ (681,363)</u>	<u>\$ 1,915,418</u>
Capital assets, being depreciated:				
Buildings	\$ 9,655,613	\$ 211,595	\$ (20,460)	\$ 9,846,748
Infrastructure	3,182,408	90,085	-	3,272,493
Machinery and equipment	6,965,134	360,300	(60,339)	7,265,095
Total capital assets being depreciated	<u>\$ 19,803,155</u>	<u>\$ 661,980</u>	<u>\$ (80,799)</u>	<u>\$ 20,384,336</u>
Less: accumulated depreciation for:				
Buildings	\$ (4,038,577)	\$ (208,803)	\$ 2,344	\$ (4,245,036)
Infrastructure	(766,211)	(89,812)	-	(856,023)
Machinery and equipment	(6,069,615)	(284,566)	60,339	(6,293,842)
Total accumulated depreciation	<u>\$ (10,874,403)</u>	<u>\$ (583,181)</u>	<u>\$ 62,683</u>	<u>\$ (11,394,901)</u>
Total capital assets being depreciated, net	<u>\$ 8,928,752</u>	<u>\$ 78,799</u>	<u>\$ (18,116)</u>	<u>\$ 8,989,435</u>
Governmental activities capital assets, net	<u><u>\$ 11,099,926</u></u>	<u><u>\$ 504,406</u></u>	<u><u>\$ (699,479)</u></u>	<u><u>\$ 10,904,853</u></u>

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

<b>Governmental Activities:</b>	
General government	\$ 112,115
Public safety	180,990
Public works	171,355
Parks, recreation, and culture	118,721
	<u>118,721</u>
Total depreciation expense - governmental activities	<u><u>\$ 583,181</u></u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 9 - Capital Assets (continued)

Capital asset activity for business-type activities – Water, Sewer and CIRP Fund for the year ended June 30, 2019 was as follows.

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Water, Sewer and CIRP Fund				
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 528,252	\$ -	\$ -	\$ 528,252
Construction in progress	734,625	1,110,666	(1,289,958)	555,333
Total capital assets not being depreciated	<u>\$ 1,262,877</u>	<u>\$ 1,110,666</u>	<u>\$ (1,289,958)</u>	<u>\$ 1,083,585</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 24,112,956	\$ 1,289,957	\$ -	\$ 25,402,913
Machinery and equipment	3,132,082	308,471	-	3,440,553
Total capital assets being depreciated	<u>\$ 27,245,038</u>	<u>\$ 1,598,428</u>	<u>\$ -</u>	<u>\$ 28,843,466</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (11,864,603)	\$ (624,171)	\$ -	\$ (12,488,774)
Machinery and equipment	(2,655,347)	(112,106)	-	(2,767,453)
Total accumulated depreciation	<u>\$ (14,519,950)</u>	<u>\$ (736,277)</u>	<u>\$ -</u>	<u>\$ (15,256,227)</u>
Total capital assets being depreciated, net	<u>\$ 12,725,088</u>	<u>\$ 862,151</u>	<u>\$ -</u>	<u>\$ 13,587,239</u>
Water, Sewer and CIRP capital assets, net	<u>\$ 13,987,965</u>	<u>\$ 1,972,817</u>	<u>\$ (1,289,958)</u>	<u>\$ 14,670,824</u>

Depreciation expense for the Water, Sewer and CIRP Fund was \$736,277 for the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 9 - Capital Assets (continued)

Capital asset activity for business-type activities – Swimming Pool Fund for the year ended June 30, 2019 was as follows.

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
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	\$ (967,151)	\$ (4,091)	\$ -	\$ (971,242)
Equipment	(29,151)	-	-	(29,151)
Total accumulated depreciation	<u>\$ (996,302)</u>	<u>\$ (4,091)</u>	<u>\$ -</u>	<u>\$ (1,000,393)</u>
Total capital assets being depreciated, net	<u>\$ 7,500</u>	<u>\$ (4,091)</u>	<u>\$ -</u>	<u>\$ 3,409</u>
Swimming Pool capital assets, net	<u><u>\$ 186,625</u></u>	<u><u>\$ (4,091)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 182,534</u></u>

Depreciation expense for the Swimming Pool Fund was \$4,091 for the year ended June 30, 2019.

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 \$1,099,765 is comprised of the following:

Property Taxes - \$997,514 representing uncollected tax billings not available for funding current expenditures.

RBEG Loan - \$102,251 representing uncollected loan payments not available for funding current expenditures.



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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**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

**Note 13 - Restricted Net Position****Governmental Activities:**

Restricted for debt service and bond covenants	\$ -
Restricted for downtown housing project	240,582
	<hr/>
Total	<u>\$ 240,582</u>

**Business-type Activities:**

Restricted for debt service and bond covenants	\$ 214,746
	<hr/>
Total	<u>\$ 214,746</u>

**Note 14 - Restricted Cash and Cash Equivalents**

Restricted cash of \$214,746 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 audits, is not believed to be material.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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**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, 2019 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, 2019:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
<b>Primary Government:</b>		
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>

**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	86
Retired participants	7
Total covered employees	93

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 2019, the Town made OPEB benefit payments of \$26,754.

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2019.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, 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 3.50% was used for the valuation.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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

Changes in Total OPEB Obligation

	2019 Increase (Decrease)		2018
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
June 30, 2018	\$ 2,259,999	\$ -	\$ 1,353,161
Changes for the year:			
Service Cost	130,672	-	103,811
Interest	103,656	-	50,397
Effect of plan changes	-	-	-
Effect of economic/demographic gains or loss	(125,418)	-	973,592
Effect of assumptions changes or inputs	201,930	-	(194,880)
Benefit payments	(26,754)	(26,754)	-
Employer contributions	-	26,754	(26,082)
Employee contributions	-	-	-
Net investment income	-	-	-
Administrative expenses	-	-	-
Net changes	284,086	-	906,838
June 30, 2019	\$ 2,544,085	\$ -	\$ 2,259,999
Fiduciary Net Position as a percentage of Total OPEB Liability		0.00%	0.00%
Covered payroll for year ended June 30, 2019		\$ 3,611,920	\$ 3,383,121
Political subdivision's total OPEB liability as a percentage of covered payroll		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 3.50%, 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, 2019

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

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

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	<u>\$ 2,640,493</u>	<u>\$ 2,544,085</u>	<u>\$ 2,311,726</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>\$ 2,256,715</u>	<u>\$ 2,544,085</u>	<u>\$ 2,886,901</u>

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

For the year ended June 30, 2019, the Town's primary government recognized OPEB expense of \$284,086. At June 30, 2019, 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 \$8,297 effective July 1, 2018.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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 \$18,411 and \$17,610 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, the Town reported a liability of \$271,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.01781% as compared to 0.01806% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$(13,801). 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, 2019, 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	\$ 13,000	\$ (5,000)
Net difference between projected and actual investment earnings	-	(9,000)
Change in assumptions	-	(11,000)
Changes in proportion	9,000	(3,000)
Employer contributions subsequent to the measurement date	18,411	-
Total	<u>\$ 40,411</u>	<u>\$ (28,000)</u>



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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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)

\$18,411 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, 2020. 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>
2020	(3,000)
2021	(3,000)
2022	(3,000)
2023	1,000
2024	2,000
Thereafter	-
Total Deferred	<u>\$ (6,000)</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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, 2018, NOL amounts for the entire GLI Program is as follows:

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$ 3,113,508,000
Plan Fiduciary Net Position	1,594,773,000
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,518,735,000</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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## 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 7.00%, 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 7.00%, 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 (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 354,000	\$ 271,000	\$ 203,000

### Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, 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, 2019

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

Schedule of Employer's Share of Net GLI OPEB Liability

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

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.

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)
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%
2010	8,840	4,958	3,882	1,836,464	0.27%

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, 2019

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## 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, 2019 were as follows:

<b>Nonspendable Fund Balance:</b>	
Prepaid expense	\$ 72,458
Inventory	11,950
	<hr/>
Total	<u><u>\$ 84,408</u></u>
 <b>Restricted Fund Balance:</b>	
Debt service and bond covenants	\$ -
DARE	1,311
Downtown Housing	240,582
Master Redevelopment	2,500
	<hr/>
Total	<u><u>\$ 244,393</u></u>
 <b>Assigned Fund Balance:</b>	
Golf Course	125,144
	<hr/>
Total	<u><u>\$ 125,144</u></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. 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.

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 5, 2020**, which is the date the financial statements were issued.

The Town is acquiring 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 2020. The Town expects to receive grant funds of \$250,000 in fiscal 2020.

#### 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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 780,300	\$ 780,300	\$ 684,666	\$ (95,634)
Other local taxes	2,937,000	2,937,000	2,907,040	(29,960)
Permits, privilege fees, and regulatory licenses	800	800	806	6
Fines and forfeitures	33,000	33,000	27,205	(5,795)
Revenue from the use of money and property	60,524	60,524	13,368	(47,156)
Charges for services	778,040	778,040	936,419	158,379
Miscellaneous	33,000	33,000	691,345	658,345
Recovered costs	243,920	243,920	185,077	(58,843)
Intergovernmental revenues:				
Commonwealth	1,774,000	1,774,000	2,291,451	517,451
Federal	11,500	11,500	14,404	2,904
Total revenues	<u>\$ 6,652,084</u>	<u>\$ 6,652,084</u>	<u>\$ 7,751,781</u>	<u>\$ 1,099,697</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,452,490	\$ 1,452,490	\$ 1,498,311	\$ (45,821)
Public safety	2,321,058	2,321,058	2,315,792	5,266
Public works	2,523,810	2,523,810	3,012,536	(488,726)
Parks, recreation, and cultural	347,291	347,291	260,883	86,408
Community development	794,874	794,874	816,620	(21,746)
Capital projects	400,000	400,000	384,628	15,372
Debt service:				
Principal retirement	856,997	856,997	8,706,285	(7,849,288)
Interest and other fiscal charges	68,100	68,100	60,174	7,926
Total expenditures	<u>\$ 8,764,620</u>	<u>\$ 8,764,620</u>	<u>\$ 17,055,229</u>	<u>\$ (8,290,609)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,112,536)</u>	<u>\$ (2,112,536)</u>	<u>\$ (9,303,448)</u>	<u>\$ (7,190,912)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Net transfers in (out)	\$ 3,000	\$ 3,000	\$ 1,637,834	\$ 1,634,834
Proceeds from a line of credit	-	-	8,090,000	8,090,000
Proceeds from long-term debt	-	-	590,000	590,000
Total other financing sources and uses	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 10,317,834</u>	<u>\$ 10,314,834</u>
Net change in fund balances	<u>\$ (2,109,536)</u>	<u>\$ (2,109,536)</u>	<u>\$ 1,014,386</u>	<u>\$ 3,123,922</u>
Fund balances - beginning	2,109,536	2,109,536	(630,817)	(2,740,353)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 383,569</u>	<u>\$ 383,569</u>

Town of Marion, Virginia  
Schedule of Funding Progress  
June 30, 2019

## 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)
6/30/2018	\$ 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)
7/1/2018	\$ -	\$ 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)
7/1/2018	\$ -	\$ 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 Net Pension Liability and Related Ratios  
Last Ten Plan Years\*

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

	<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>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,311	\$ -	\$ 122,213	\$ -	\$ 3,500	\$ -	\$ 127,024
Receivables (net of allowance for uncollectibles):							
Accounts receivable	-	-	-	-	-	136,282	136,282
Due from other funds	-	-	118,369	-	-	-	118,369
Inventories	-	-	-	-	-	11,950	11,950
Prepaid expense	-	-	-	-	-	-	-
Total assets	<u>\$ 1,311</u>	<u>\$ -</u>	<u>\$ 240,582</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 148,232</u>	<u>\$ 393,625</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,728	\$ 20,728
Accrued liabilities	-	-	-	-	-	2,360	2,360
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>\$ 23,088</u>	<u>\$ 175,408</u>
Fund balances:							
Unreserved:							
Designated for subsequent expenditure	\$ 1,311	\$ (118,369)	\$ 240,582	\$ (32,951)	\$ 2,500	\$ 125,144	\$ 218,217
Total fund balances	<u>\$ 1,311</u>	<u>\$ (118,369)</u>	<u>\$ 240,582</u>	<u>\$ (32,951)</u>	<u>\$ 2,500</u>	<u>\$ 125,144</u>	<u>\$ 218,217</u>
Total liabilities and fund balances	<u>\$ 1,311</u>	<u>\$ -</u>	<u>\$ 240,582</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 148,232</u>	<u>\$ 393,625</u>

Town of Marion, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Other Governmental Funds  
For the Year Ended June 30, 2019

	<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>
<b>REVENUES</b>							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498,768	\$ 498,768
Miscellaneous	-	-	-	-	-	120	120
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498,888	\$ 498,888
<b>EXPENDITURES</b>							
Current:							
Parks, recreation, and cultural	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 585,064	\$ 585,064
Debt service:							
Principal retirement	-	-	-	-	-	79,442	79,442
Interest and other fiscal charges	-	-	-	-	-	60,071	60,071
Total expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 724,577	\$ 724,577
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (225,689)	\$ (225,689)
<b>OTHER FINANCING SOURCES (USES)</b>							
Net transfers in (out)	\$ -	\$ (20,641)	\$ 20,641	\$ -	\$ -	\$ 224,071	\$ 224,071
Proceeds from long-term debt	-	-	-	-	-	-	-
Total other financing sources and uses	\$ -	\$ (20,641)	\$ 20,641	\$ -	\$ -	\$ 224,071	\$ 224,071
Net change in fund balances	\$ -	\$ (20,641)	\$ 20,641	\$ -	\$ -	\$ (1,618)	\$ (1,618)
Fund balances - beginning	1,311	(97,728)	219,941	(32,951)	2,500	126,762	219,835
Fund balances - ending	\$ 1,311	\$ (118,369)	\$ 240,582	\$ (32,951)	\$ 2,500	\$ 125,144	\$ 218,217

DISCRETELY PRESENTED  
COMPONENT UNIT

Town of Marion, Virginia  
Discretely Presented Component Unit  
Economic Development Authority  
Statement of Net Position - Proprietary Fund  
June 30, 2019

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 25
Noncurrent assets:	
Capital assets:	
Land	500,000
Total assets	<u>\$ 500,025</u>
<b>LIABILITIES</b>	
Current liabilities:	
General obligation bonds payable - current portion	\$ 500,000
Total liabilities	<u>500,000</u>
<b>NET POSITION</b>	
Unrestricted	25
Total net position	<u>25</u>
Total liabilities & net position	<u>\$ 500,025</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, 2019

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	Enterprise Fund
	<hr/>
<b>REVENUES</b>	
Charges for services	\$ 55,000
Total revenues	<hr/> \$ 55,000 <hr/>
<b>EXPENDITURES</b>	
Current:	
Community development	\$ 55,000
Total expenditures	<hr/> \$ 55,000 <hr/>
Excess (deficiency) of revenues over (under) expenditures	<hr/> - <hr/>
Net change in net position	-
Total net position - beginning	\$ 25
Total net position - ending	<hr/> \$ 25 <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, 2019

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	Enterprise Fund
	<u>          </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 55,000
Payments to suppliers	(55,000)
Net cash provided (used by) operating activities	<u>\$ -</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to capital assets	(500,000)
Proceeds from indebtedness	500,000
Net cash provided (used by) capital and related financing activities	<u>\$ -</u>
 Net increase (decrease) in cash and cash equivalents	\$ -
 Cash and cash equivalents - beginning	\$ 25
Cash and cash equivalents - ending	<u><u>\$ 25</u></u>
 <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ -
Net cash provided (used) by operating activities	<u><u>\$ -</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, 2019

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	\$ 500,343	\$ (34,657)
Real and personal public service corporation taxes	27,000	27,000	24,994	(2,006)
Personal property taxes	200,300	200,300	146,109	(54,191)
Penalties and Interest	18,000	18,000	13,220	(4,780)
Total general property taxes	\$ 780,300	\$ 780,300	\$ 684,666	\$ (95,634)
Other local taxes:				
Local sales and use taxes	\$ 210,000	\$ 210,000	\$ 207,433	\$ (2,567)
Consumers' utility taxes	115,000	115,000	111,331	(3,669)
Communications taxes	130,000	130,000	110,522	(19,478)
Lodging taxes	160,000	160,000	128,529	(31,471)
Business license taxes	575,000	575,000	595,404	20,404
Consumer license taxes	30,000	30,000	29,612	(388)
Motor vehicle licenses	100,000	100,000	82,481	(17,519)
Bank stock taxes	184,000	184,000	181,215	(2,785)
Tobacco taxes	140,000	140,000	96,140	(43,860)
Meals taxes	1,285,000	1,285,000	1,358,010	73,010
Comcast PEG capital fees	8,000	8,000	6,363	(1,637)
Total other local taxes	\$ 2,937,000	\$ 2,937,000	\$ 2,907,040	\$ (29,960)
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 800	\$ 800	\$ 806	\$ 6
Total permits, privilege fees, and regulatory licenses	\$ 800	\$ 800	\$ 806	\$ 6
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 25,125	\$ (4,875)
Parking Fines	1,000	1,000	150	(850)
E-Summons	2,000	2,000	1,930	(70)
Total fines and forfeitures	\$ 33,000	\$ 33,000	\$ 27,205	\$ (5,795)
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 1,069	\$ (431)
Revenue from use of property	59,024	59,024	12,299	(46,725)
Total revenue from use of money and property	\$ 60,524	\$ 60,524	\$ 13,368	\$ (47,156)
Charges for services:				
Parking lot charges	\$ 240	\$ 240	\$ -	\$ (240)
Charges for sanitation and waste removal	420,500	420,500	424,643	4,143
Charges for parks and recreation	13,000	13,000	11,495	(1,505)
Farmers market	3,000	3,000	2,936	(64)
Fire calls	-	-	500	500
Fire/EMS	325,000	325,000	479,432	154,432
DMV stop charges	3,000	3,000	500	(2,500)
Police patrol	2,500	2,500	2,500	-
Credit card fees	5,000	5,000	9,402	4,402
Senior center-District III	800	800	827	27
Cemetery maintenance fees	5,000	5,000	4,184	(816)
Total charges for services	\$ 778,040	\$ 778,040	\$ 936,419	\$ 158,379

Town of Marion, Virginia  
Schedule of Revenues - Budget and Actual  
General Fund  
For the Year Ended June 30, 2019

Schedule 1  
Page 2 of 2

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	\$ 12,500	\$ 12,500	\$ 27,656	\$ 15,156
Insurance proceeds	-	-	26,048	26,048
Sale of property and equipment	17,500	17,500	635,661	618,161
Donations	3,000	3,000	1,980	(1,020)
Total miscellaneous revenue	\$ 33,000	\$ 33,000	\$ 691,345	\$ 658,345
Recovered costs:				
County of Smyth - Recreation facilities	\$ 19,250	\$ 19,250	\$ 19,250	\$ -
County of Smyth - Fire and rescue	55,000	55,000	70,000	15,000
Other recovered costs	169,670	169,670	95,827	(73,843)
Total recovered costs	\$ 243,920	\$ 243,920	\$ 185,077	\$ (58,843)
Total revenue from local sources	\$ 4,866,584	\$ 4,866,584	\$ 5,445,926	\$ 579,342
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 6,000	\$ 6,000	\$ 5,372	\$ (628)
Rental tax	23,000	23,000	22,835	(165)
Setoff debt	-	-	144	144
Personal property tax relief funds	-	-	45,785	45,785
Total noncategorical aid	\$ 29,000	\$ 29,000	\$ 74,136	\$ 45,136
Categorical aid:				
Litter control grant	\$ 3,000	\$ 3,000	\$ 3,006	\$ 6
Fire programs	20,000	20,000	20,657	657
Street and highway maintenance	1,500,000	1,500,000	1,828,318	328,318
Law enforcement grants	155,000	155,000	182,204	27,204
Commission of the Arts	5,000	5,000	4,500	(500)
Small Business Loan Pool	30,000	30,000	30,000	-
Asset forfeiture funds	1,500	1,500	2,174	674
EMS grant	25,000	25,000	50,000	25,000
Streetscape project grants	-	-	81,103	81,103
Other state aid	5,500	5,500	15,353	9,853
Total categorical aid	\$ 1,745,000	\$ 1,745,000	\$ 2,217,315	\$ 472,315
Total revenue from the Commonwealth	\$ 1,774,000	\$ 1,774,000	\$ 2,291,451	\$ 517,451
Revenue from the federal government:				
Categorical aid:				
Community Development Block Grant	\$ -	\$ -	\$ 4,214	\$ 4,214
Police grants	11,000	11,000	10,116	(884)
Asset forfeiture funds	500	500	74	(426)
Total categorical aid	\$ 11,500	\$ 11,500	\$ 14,404	\$ 2,904
Total revenue from the federal government	\$ 11,500	\$ 11,500	\$ 14,404	\$ 2,904
Total General Fund	\$ 6,652,084	\$ 6,652,084	\$ 7,751,781	\$ 1,099,697
Total Primary Government	\$ 6,652,084	\$ 6,652,084	\$ 7,751,781	\$ 1,099,697

Town of Marion, Virginia  
Schedule of Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2019

Schedule 2  
Page 1 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:				
General government administration:				
Legislative:				
Town council	\$ 91,391	\$ 91,391	\$ 97,308	\$ (5,917)
Town clerk	282,510	282,510	321,447	(38,937)
Total legislative	<u>\$ 373,901</u>	<u>\$ 373,901</u>	<u>\$ 418,755</u>	<u>\$ (44,854)</u>
General and financial administration:				
Town manager	\$ 234,495	\$ 234,495	\$ 217,019	\$ 17,476
Legal services	25,407	25,407	26,352	(945)
Independent auditor	31,014	31,014	33,400	(2,386)
Finance	354,954	354,954	351,999	2,955
Information technology	64,812	64,812	82,283	(17,471)
Risk management	125,235	125,235	128,183	(2,948)
Motor pool	83,244	83,244	77,744	5,500
Central purchasing	159,428	159,428	162,576	(3,148)
Total general and financial administration	<u>\$ 1,078,589</u>	<u>\$ 1,078,589</u>	<u>\$ 1,079,556</u>	<u>\$ (967)</u>
Total general government administration	<u>\$ 1,452,490</u>	<u>\$ 1,452,490</u>	<u>\$ 1,498,311</u>	<u>\$ (45,821)</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,675,842	\$ 1,675,842	\$ 1,761,426	\$ (85,584)
Total law enforcement and traffic control	<u>\$ 1,675,842</u>	<u>\$ 1,675,842</u>	<u>\$ 1,761,426</u>	<u>\$ (85,584)</u>
Fire and rescue services:				
Fire and rescue services	\$ 645,216	\$ 645,216	\$ 554,366	\$ 90,850
Total fire and rescue services	<u>\$ 645,216</u>	<u>\$ 645,216</u>	<u>\$ 554,366</u>	<u>\$ 90,850</u>
Total public safety	<u>\$ 2,321,058</u>	<u>\$ 2,321,058</u>	<u>\$ 2,315,792</u>	<u>\$ 5,266</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 2,103,988	\$ 2,103,988	\$ 2,571,391	\$ (467,403)
General engineering and administration	192,691	192,691	197,346	(4,655)
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 2,296,679</u>	<u>\$ 2,296,679</u>	<u>\$ 2,768,737</u>	<u>\$ (472,058)</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 227,131	\$ 227,131	\$ 243,799	\$ (16,668)
Total sanitation and waste removal	<u>\$ 227,131</u>	<u>\$ 227,131</u>	<u>\$ 243,799</u>	<u>\$ (16,668)</u>
Total public works	<u>\$ 2,523,810</u>	<u>\$ 2,523,810</u>	<u>\$ 3,012,536</u>	<u>\$ (488,726)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 347,291	\$ 347,291	\$ 260,802	\$ 86,489
Senior Citizens Center	-	-	81	(81)
Total parks and recreation	<u>\$ 347,291</u>	<u>\$ 347,291</u>	<u>\$ 260,883</u>	<u>\$ 86,408</u>
Total parks, recreation, and cultural	<u>\$ 347,291</u>	<u>\$ 347,291</u>	<u>\$ 260,883</u>	<u>\$ 86,408</u>

Town of Marion, Virginia  
Schedule of Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2019

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	\$ 6,069	\$ 6,069	\$ 5,788	\$ 281
Community development	379,396	379,396	441,729	(62,333)
Economic development	409,409	409,409	369,103	40,306
Total planning and community development	<u>\$ 794,874</u>	<u>\$ 794,874</u>	<u>\$ 816,620</u>	<u>\$ (21,746)</u>
Total community development	<u>\$ 794,874</u>	<u>\$ 794,874</u>	<u>\$ 816,620</u>	<u>\$ (21,746)</u>
Capital projects:				
Capital outlays	\$ 400,000	\$ 400,000	\$ 384,628	\$ 15,372
Total capital projects	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 384,628</u>	<u>\$ 15,372</u>
Debt service:				
Principal retirement	\$ 856,997	\$ 856,997	\$ 8,706,285	\$ (7,849,288)
Interest and other fiscal charges	68,100	68,100	60,174	7,926
Total debt service	<u>\$ 925,097</u>	<u>\$ 925,097</u>	<u>\$ 8,766,459</u>	<u>\$ (7,841,362)</u>
Total General Fund	<u>\$ 8,764,620</u>	<u>\$ 8,764,620</u>	<u>\$ 17,055,229</u>	<u>\$ (8,290,609)</u>
Total Primary Government	<u>\$ 8,764,620</u>	<u>\$ 8,764,620</u>	<u>\$ 17,055,229</u>	<u>\$ (8,290,609)</u>

## STATISTICAL INFORMATION



Table 1

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

Fiscal Year	General Fund Reserved	General Fund Unreserved	Total General Fund Balance	Other Governmental Fund Reserved	Other Governmental Fund Unreserved	Total Other Governmental Fund Balance
2009-10	187,375	(52,282)	135,093	-	124,363	124,363

  

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

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
2009-10	3,824,940	234,526	(216,688)	8,174,417	342,085	1,564,811
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

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
2009-10	5,659,073	6,048,558	882,088	(1,271,573)	89,785	-	871,500	-	961,285	(310,288)
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

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
2009-10	7,885,684	5,360,558	(2,525,126)	2,864,074	-	338,948
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
2013-15			-		-	-
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

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 CIP	Total
2009-10	1,195,607	1,569,854	1,925,453	520,707	719,609	75,705	50,272	1,828,477	7,885,684
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

Table 6

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

PROGRAM REVENUES				GENERAL REVENUES										Total
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 Not Restricted to Specific Programs	Gain (Loss) on Disposal of Capital Assets	Contribution from Nonprofit	
2009-10	2,810,773	1,554,489	995,296	527,199	2,182,865	165	38,511	36,194	10,576	-	69,823	(1,259.00)	-	8,224,632
2010-11	3,052,405	1,920,520	477,347	603,623	2,607,956	165	24,309	36,872	48,293	44,231.00	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	-	2,294,760.00	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

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)
2009-10	1,145,845	1,359,099	1,846,756	521,547	734,600	440,711	6,048,558
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

(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
2009-10	525,667	2,182,865	165	38,511	24,496	329,010	10,576	166,640	2,381,143	5,659,073
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



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
2009-10	586,857	545,797	93.00%	10,709	556,506	94.83%	46,734	7.96%
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%

(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	
2009-10	261,863,888	34,387,058	13,770,663	11,811,371	-	321,832,980
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	309,604,030	44,487,803	10,844,869	16,717,200	-	381,653,902
2017-18	310,472,859	44,825,654	11,206,414	16,429,000	-	382,933,927
2018-19	311,259,216	47,439,982	11,859,995	18,856,800	-	389,415,993

  

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2009-10	179,585,000	110,217,500	1,790,700	-	291,593,200	0.40
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

Table 11

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2009-10	0.15	0.35	0.35
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	0.17	0.35	0.35
2018-19	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
2009-10	6,048	321,833	6,432,170	2.00%	\$ 1,064
2010-11	5,968	372,055	5,865,423	1.58%	\$ 983
2011-12	5,968	373,929	8,182,104	2.19%	\$ 1,371
2012-13	5,968	371,779	7,973,268	2.14%	\$ 1,336
2013-14	5,968	383,658	7,670,533	2.00%	\$ 1,285
2014-15	5,968	367,638	7,607,567	2.07%	\$ 1,275
2015-16	5,968	367,088	7,425,172	2.02%	\$ 1,244
2016-17	5,968	381,654	7,434,278	1.95%	\$ 1,246
2017-18	5,968	382,934	8,408,072	2.20%	\$ 1,409
2018-19	5,968	389,416	8,427,305	2.16%	\$ 1,412

(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
2009-10	363,156	77,555	440,711	6,888,134	6.40%
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%

Table 14

Town of Marion, Virginia  
Principal Taxpayers (1)  
June 30, 2019

Company	2017-18		2017-18	
	Assessed Value	Rank	Assessed Value	Rank
General Dynamics	12,067,400	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	3,974,300	5	4,172,300	5
AGNL Coffman	2,977,700	6		
Trammell Loft Enterprises	2,848,600	7	2,848,600	6
Jane Sheffey etal	2,769,500	8	2,769,500	7
SAI Hospitality (previously JAI Gopal)	2,123,100	9	2,123,100	8
Marion I Realty/Walgreens	1,993,400	10	1,993,400	9
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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed valuations:										
Assessed value	\$ 321,832,980	\$ 372,054,540	\$ 373,928,693	\$ 371,778,939	\$ 383,657,666	\$ 367,638,429	\$ 367,087,900	\$ 381,653,902	\$ 382,933,927	\$ 389,415,993
Legal debt margin										
Debt limitation - 10 percent of total assessed value	32,183,298	37,205,454	37,392,869	37,177,894	38,365,767	36,763,843	36,708,790	38,165,390	38,293,393	38,941,599
Debt applicable to limitation:										
General obligation bonds	6,442,960	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
Less: Amount set aside for repayment	423,918	470,425	497,807	555,385	378,873	344,559	352,828	403,974	272,229	214,746
Total debt applicable to limitation	6,019,042	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
Legal debt margin	26,164,256	31,800,960	29,700,371	29,753,105	31,068,495	29,496,517	29,630,834	31,135,086	30,157,550	30,729,040
Total net debt applicable to the limit as a percentage of debt limit	18.70%	14.53%	20.57%	19.97%	19.02%	19.77%	19.28%	18.42%	21.25%	21.09%

Table 16

Town of Marion, Virginia  
Miscellaneous Statistics  
June 30, 2019

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Date of incorporation	1832
Form of government	Council-Manager
Number of employees:	
General government administration	14
Public safety	22
Public works	22
Parks, recreation, and cultural	3
Community development	4
Water, sewer and CIRP	18
Swimming pool	6
Golf course	10



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, 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, 2019, 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 November 25, 2019.

**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  
November 25, 2019