

TOWN OF MARION, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2023

TOWN OF MARION, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2023

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TOWN OF MARION, VIRGINIA

TOWN COUNCIL

David P. Helms, Mayor

Dr. James Gates, Vice-Mayor

Jim Barker

Larry Carter

Avery Cornett

Suzanne Jennings

Tricia Spencer

Bill Weaver

OTHER OFFICIALS

Bill Rush Town Manager
Cynthia Stanley Town Clerk/Director of Finance
Mark Fenyk Town Attorney
John Clair Police Chief
Ken Heath Director of Economic Development
Billy Hamm Town Purchasing Agent/Assistant Town Manager
Todd Long Town Information Technology/Town Engineer
Richard Keesling Fire Chief



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Town Council
Town of Marion, Virginia

Report on the Audit of the Financial Statements

Opinions

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, 2023, 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.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Marion, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Marion, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Marion, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Marion, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–14 and 83–87 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, 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 Town of Marion, Virginia's internal control over financial reporting and compliance.

Bostic, Tucker & Company, P.C.

Lebanon, Virginia
December 7, 2023

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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, 2023. 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 June 30, 2022, the unassigned fund balance of the general fund was \$1,447,792 and the nonspendable fund balance was \$137,504 for prepaid expenses. At June 30, 2023, the unassigned fund balance was \$5,364,600 and the nonspendable fund balance was \$163,882.

At June 30, 2022 the net position of governmental activities was \$3,747,663. At June 30, 2023 the net position was \$8,002,302.

At June 30, 2022 the net position of business-type activities was \$12,421,386. At June 30, 2023 the net position was \$13,658,393. The water, sewer, CIRP, and swimming pool funds reported operating revenues of \$5,226,417, an increase of \$355,769 compared to 2022.

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 proprietary funds.

The business-type financial statements represent the water, sewer, and CIRP fund and the swimming pool fund. These funds charge customers for services. Transfers are made from the water, sewer, and CIRP 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 must be established in accordance with State law or bond covenants. The Town Council may establish other funds to help it control and manage money for specific 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—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 within the next year 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 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. 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. At June 30, 202 the Town's assets exceeded liabilities by \$3,747,663. At June 30, 2023, assets exceeded liabilities by \$8,002,302.

The largest portion of the Town's net position reflects its \$7,170,994 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.

A portion of the Town's net position is \$118,893 in resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$712,415.

General revenues and transfers were \$11,320,814 for governmental activities. General revenues include property taxes, other local taxes, interest income, miscellaneous income, and transfers from other funds. Program revenues were \$3,385,223 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 \$10,451,398, which included expenses for general government, public safety, public works, culture and recreation, community development, and interest on debt. Governmental activities exhibited a change in net position of \$4,254,639.

Government-wide Financial Analysis – Business-type Activities

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

At June 30, 2023, the net position for business-type activities was \$13,658,393 which includes net investment in capital assets of \$13,521,362, restricted for debt service and bond covenants of \$255,426, and unreserved net position of \$(118,395).

Operating revenues for business-type activities were \$5,226,417 for charges for services. Operating revenues include charges for water and sewer usage, tap and connection fees, pool fees, and grants. Operating expenses incurred to provide these services were \$2,388,333. Nonoperating interest income was \$154 and nonoperating interest expense was \$190,201. Capital grants and contributions were \$289,536. Net transfers to other funds were \$1,700,566. Total change in net position was \$1,237,007.

Primary Government Comparative Statements

Table 1 compares the net assets of the Town's governmental and business-type activities at June 30, 2022 and 2023.

Table 1. Comparative Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2023	2022	2023	2022	2023
Assets:						
Current Assets	\$ 5,041,698	\$ 7,855,809	\$ 1,612,589	\$ 1,478,246	\$ 6,654,287	\$ 9,334,055
Capital Assets	8,460,767	9,142,890	18,458,291	20,170,326	26,919,058	29,313,216
Total Assets	13,502,465	16,998,699	20,070,880	21,648,572	33,573,345	38,647,271
Deferred Outflows of Resources	1,137,192	780,997	292,549	182,364	1,429,741	963,361
Liabilities:						
Current Liabilities	295,972	2,088,818	168,296	1,017,045	464,268	3,105,863
Long-term Liabilities	5,751,369	5,326,353	7,285,058	6,908,069	13,036,427	12,234,422
Total Liabilities	6,047,341	7,415,171	7,453,354	7,925,114	13,500,695	15,340,285
Deferred Inflows of Resources	4,844,653	2,362,223	488,689	247,429	5,333,342	2,609,652
Net Position:						
Net Investment in Capital Assets	6,954,203	7,170,994	12,265,338	13,521,362	19,219,541	20,692,356
Restricted	248,893	118,893	309,605	255,426	558,498	374,319
Unrestricted	(3,455,433)	712,415	(153,557)	(118,395)	(3,608,990)	594,020
Total Net Position	\$ 3,747,663	\$ 8,002,302	\$ 12,421,386	\$ 13,658,393	\$ 16,169,049	\$ 21,660,695

TOWN OF MARION, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Primary Government Comparative Statements (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, 2022 and 2023.

Table 2. Comparative Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2023	2022	2023	2022	2023
Revenues:						
Charges for Services	\$ 937,706	\$ 966,385	\$ 4,870,648	\$ 5,226,417	\$ 5,808,354	\$ 6,192,802
Operating Grants/Contributions	1,938,011	2,418,838	-	-	1,938,011	2,418,838
Capital Grants/Contributions	-	-	1,090,922	289,536	1,090,922	289,536
Program Revenues	2,875,717	3,385,223	5,961,570	5,515,953	8,837,287	8,901,176
Taxes	4,130,917	4,579,222	-	-	4,130,917	4,579,222
Interest Income	6,050	115,983	148	154	6,198	116,137
Miscellaneous	75,285	58,506	-	-	75,285	58,506
Fines, forfeitures, permits	9,036	13,413	-	-	9,036	13,413
Recovered costs	123,187	129,690	-	-	123,187	129,690
Grants not restricted to program	624,558	4,683,448	-	-	624,558	4,683,448
Gain (loss) on disposal of assets	4,101	39,986	-	-	4,101	39,986
General Revenues	4,973,134	9,620,248	148	154	4,973,282	9,620,402
Total Revenues	7,848,851	13,005,471	5,961,718	5,516,107	13,810,569	18,521,578
Expenses:						
General Government	1,683,623	1,906,288	-	-	1,683,623	1,906,288
Public Safety	2,430,541	3,068,389	-	-	2,430,541	3,068,389
Public Works	2,242,621	3,694,899	-	-	2,242,621	3,694,899
Parks, Recreation, and Cultural	73,226	141,948	-	-	73,226	141,948
Community Development	922,621	1,628,857	-	-	922,621	1,628,857
Interest expense	138,720	11,017	-	-	138,720	11,017
Swimming pool	-	-	61,381	130,292	61,381	130,292
Water and Sewer	-	-	2,263,858	2,448,242	2,263,858	2,448,242
Total Expenses	7,491,352	10,451,398	2,325,239	2,578,534	9,816,591	13,029,932
Transfers	2,118,913	1,700,566	(2,118,913)	(1,700,566)	-	-
Change in Net Position	2,476,412	4,254,639	1,517,566	1,237,007	3,993,978	5,491,646
Beginning Net Position	1,271,251	3,747,663	10,903,820	12,421,386	12,175,071	16,169,049
Ending Net Position	\$ 3,747,663	\$ 8,002,302	\$ 12,421,386	\$ 13,658,393	\$ 16,169,049	\$ 21,660,695

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 June 30, 2023, governmental funds reported a combined ending fund balance of \$5,647,375. Fund balance includes \$163,882 nonspendable for prepaid expenses, \$118,893 restricted for specific purposes, and \$5,364,600 unassigned.

Total revenues were \$13,315,734 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 \$19,910,794. 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 \$(6,595,060). Net transfers from proprietary funds were \$1,700,566. Proceeds from a line of credit were \$8,859,000. Net change in fund balance was \$3,964,506.

Financial Analysis of the Town's Funds – Proprietary Funds

The Town's proprietary funds statements provide more detail for the information found in the government-wide financial statements.

At June 30, 2023, the net position for the water, sewer, and CIRP fund was \$12,969,819. Net position includes \$12,832,988 of net investment in capital assets, \$255,426 restricted for debt service and bond covenants, and \$(118,595) unrestricted.

Operating revenues for the water, sewer, and CIRP fund were \$5,167,766 for charges for services. Operating expenses incurred to provide services were \$2,258,041. Nonoperating interest income was \$154 and nonoperating interest expense was \$190,201. Capital grants and contributions were \$289,536. Net transfers to other funds were \$1,737,108. Total change in net position was \$1,272,106.

At June 30, 2023 the net position for the swimming pool fund was \$688,574. Net position includes \$688,374 of net investment in capital assets and \$200 unrestricted.

Operating revenues for the swimming pool fund were \$46,779 for charges for services and \$11,872 for other revenues. Operating expenses incurred to provide services were \$130,292. Net transfers to other funds were \$(36,542). Total change in net position was \$(35,099).

General Fund Budgetary Highlights

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

Budgetary Highlights for Fiscal 2022-2023:

	General Fund Budget	General Fund Actual	Variance
Revenues	\$ 7,926,901	\$ 13,315,734	\$ 5,388,833
Expenditures	(11,116,070)	(19,910,794)	(8,794,724)
Other Financing Sources (Uses)	3,189,169	10,689,566	7,500,397
Total	\$ -	\$ 4,094,506	\$ 4,094,506

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 Activity

As of June 30, 2023, the Town had capital assets including land, buildings, construction in progress, land improvements, equipment, and infrastructure. See "Major Projects" section for narrative descriptions of projects.

Major asset events during the fiscal year included the following:

Capital expenditures for governmental projects totaled \$175,655 for the year. Construction in progress asset of \$711,673 at June 30 is progress of \$547,972 on Callen Drive Recreational Park, \$58,524 on elevator upgrades for Town Hall, and \$105,177 on Park Boulevard Drainage.

The Comprehensive Infrastructure Replacement Program (CIRP) continues. Capital expenditures on CIRP phases totaled \$2,272,878 for the year. During fiscal 2023, the Town completed Phase VI Water, VII Water, and VI Sewer for a capitalized total of \$3,368,316.

TOWN OF MARION, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Long-Term Debt Activity

At June 30, 2023, governmental activities had the following outstanding debt:

Description	Balance July 1, 2022	Issuances	Retirements	Balance June 30, 2023
General obligation bonds	\$ 286,440	\$ -	\$ -	\$ 286,440
Loans payable	1,132,697	-	(121,900)	1,010,797
Line of credit	67,413	8,859,000	(8,266,606)	659,807
Lease liability	20,014	-	(5,162)	14,852
OPEB liability	2,011,222	77,901	-	2,089,123
Pension liability	1,892,128	296,462	-	2,188,590
Compensated absences	297,705	44,051	-	341,756
Deferred rebate	43,750	-	(6,250)	37,500
Total	<u>\$ 5,751,369</u>	<u>\$ 9,277,414</u>	<u>\$ (8,399,918)</u>	<u>\$ 6,628,865</u>

At June 30, 2023, business-type activities had the following outstanding debt:

Description	Balance July 1, 2022	Issuances	Retirements	Balance June 30, 2023
General obligation bonds	\$ 6,054,953	\$ 1,478,003	\$ (883,992)	\$ 6,648,964
Line of credit	138,000	2,180,000	(2,318,000)	-
OPEB liability	517,400	42	(29,628)	487,814
Pension liability	486,762	24,277	-	511,039
Compensated absences	87,943	2,019	(9,120)	80,842
Total	<u>\$ 7,285,058</u>	<u>\$ 3,684,341</u>	<u>\$ (3,240,740)</u>	<u>\$ 7,728,659</u>

Major Projects

Emory & Henry College

Ongoing. 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.

BAUD Project

Ongoing. Project BAUD (Blighted, Abandoned, Underutilized, Derelict) is a comprehensive, multiyear plan to replace aging housing stock, both homeowner and residential rental. The Town is currently implementing the third phase. The Town's component unit Marion Economic Development Authority (EDA) purchases blighted and distressed properties. The EDA redevelops the properties and maintains them in good condition. Properties may be rented out during redevelopment. Redeveloped properties will be transferred to the Town or sold to other entities. The EDA and the Marion Housing Authority continue to investigate options to address the shortage of mid-range affordable housing in town. They also intend to address anticipated rental shortages after Emory & Henry's north campus expansion. Town management are reviewing and revising town ordinances to improve enforcement for landowners to maintain their properties in good condition.

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 exterior utilities such as natural gas, cable, and phone. During fiscal 2023, the Town completed Phase VI Water, VII Water, and VI Sewer. Phase VIII Water and VII Sewer to begin Fall 2023. Phase VIII Sewer is anticipated to begin Spring 2024. Phase IX Water, X Water, XI Water and the Water Meter Radio Read projects have been funded by VDH and are anticipated for 2024-2026.

Callen Drive Recreational Park

Ongoing. This multi-year project will convert a portion of the quarry (approximately 80 acres in the center of Town) to a multi-use outdoor recreation facility using funds from DCR, DEQ, Town, and others. The Town received a 50/50 funding package for \$3.4 million from the National Park Service. Project is anticipated to complete by Spring 2026.

Community Development Block Grant – Church Street Rehabilitation

Ongoing. Study is underway with anticipated completion Winter 2023. Project is anticipated to continue 2025-2026.

Exit 47 Land

The Town purchased 209 acres of land at Exit 47 for future development. It may develop the property commercially or residentially pending a boundary adjustment. The Town currently leases out a section for grazing in exchange for maintenance.

ARPA Generational Investments

The Town received ARPA funds of approximately \$5.8 million. The Town intends to make generational investments in town facilities. Town management has prepared a targeted approach for such expenditures. Projects completed so far include the BAUD project, Marion Waterpark, backup generators for Town Hall and Fire Station, Chatham Hill drainage project, Town Hall elevator replacement project, Round Hill Cemetery project, and the Callen Drive Recreational Park.

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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents	\$ 382,465	\$ 215,385	\$ 597,850	\$ -
Investments	4,991,138	-	4,991,138	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,173,701	-	1,173,701	-
Accounts receivable	464,686	964,577	1,429,263	-
Other receivables	439,435	-	439,435	-
Lease receivable	22,115	-	22,115	-
Due from other funds	151,320	-	151,320	-
Due from other governmental units	67,067	14,979	82,046	-
Prepaid expenses	163,882	27,879	191,761	-
Restricted cash and cash equivalents	-	255,426	255,426	-
Capital assets (net of accumulated depreciation):				
Land	2,030,214	707,377	2,737,591	1,032,165
Buildings, system, and improvements	3,074,631	509,249	3,583,880	-
Machinery and equipment	885,808	1,030,310	1,916,118	-
Infrastructure and plant & lines in service	2,440,564	17,923,390	20,363,954	-
Construction in progress	711,673	-	711,673	-
Total assets	<u>16,998,699</u>	<u>21,648,572</u>	<u>38,647,271</u>	<u>1,032,165</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	734,640	171,540	906,180	-
Deferred other post employment benefits	46,357	10,824	57,181	-
Total deferred outflows of resources	<u>780,997</u>	<u>182,364</u>	<u>963,361</u>	<u>-</u>
Total assets & deferred outflows	<u>\$ 17,779,696</u>	<u>\$ 21,830,936</u>	<u>\$ 39,610,632</u>	<u>\$ 1,032,165</u>
LIABILITIES				
Accounts payable	\$ 583,757	\$ 86,962	\$ 670,719	\$ -
Accrued liabilities	42,270	8,241	50,511	-
Customers' deposits	-	48,520	48,520	-
Accrued interest payable	8,959	52,732	61,691	-
Due to other funds	151,320	-	151,320	-
Long-term liabilities due within one year	1,302,512	820,590	2,123,102	560,931
Long-term liabilities due in more than one year	5,326,353	6,908,069	12,234,422	-
Total liabilities	<u>7,415,171</u>	<u>7,925,114</u>	<u>15,340,285</u>	<u>560,931</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	1,275,220	-	1,275,220	-
Deferred lease receivable	27,357	-	27,357	-
Deferred pensions	1,011,471	236,180	1,247,651	-
Deferred other post employment benefits	48,175	11,249	59,424	-
Total deferred inflows of resources	<u>2,362,223</u>	<u>247,429</u>	<u>2,609,652</u>	<u>-</u>
NET POSITION				
Net Investment in capital assets	7,170,994	13,521,362	20,692,356	471,234
Restricted for:				
Debt service and bond covenants	-	255,426	255,426	-
Other purposes	118,893	-	118,893	-
Unrestricted (deficit)	712,415	(118,395)	594,020	-
Total net position	<u>8,002,302</u>	<u>13,658,393</u>	<u>21,660,695</u>	<u>471,234</u>
Total liabilities & deferred inflows & net position	<u>\$ 17,779,696</u>	<u>\$ 21,830,936</u>	<u>\$ 39,610,632</u>	<u>\$ 1,032,165</u>

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, 2023

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	\$ 1,906,288	\$ 28,746	\$ -	\$ -	\$ (1,877,542)	\$ -	\$ (1,877,542)	\$ -	
Public safety	3,068,389	465,332	583,195	-	(2,019,862)	-	(2,019,862)	-	
Public works	3,694,899	451,790	1,704,843	-	(1,538,266)	-	(1,538,266)	-	
Parks, recreation, and cultural	141,948	14,098	-	-	(127,850)	-	(127,850)	-	
Community development	1,628,857	6,419	130,800	-	(1,491,638)	-	(1,491,638)	-	
Interest on long-term debt	11,017	-	-	-	(11,017)	-	(11,017)	-	
Total government activities	10,451,398	966,385	2,418,838	-	(7,066,175)	-	(7,066,175)	-	
Business-type activities:									
Water, Sewer and CIRP	2,448,242	5,167,766	-	289,536	-	3,009,060	3,009,060	-	
Swimming Pool	130,292	58,651	-	-	-	(71,641)	(71,641)	-	
Total business-type activities	2,578,534	5,226,417	-	289,536	-	2,937,419	2,937,419	-	
Total primary government	\$ 13,029,932	\$ 6,192,802	\$ 2,418,838	\$ 289,536	\$ (7,066,175)	\$ 2,937,419	\$ (4,128,756)	\$ -	
COMPONENT UNITS:									
Economic Development Authority	\$ 97,858	\$ 63,567	\$ -	\$ 500,000	\$ -	\$ -	\$ -	465,709	
Total component units	\$ 97,858	\$ 63,567	\$ -	\$ 500,000	\$ -	\$ -	\$ -	465,709	
General revenues:									
General property taxes					\$ 859,666	\$ -	\$ 859,666	\$ -	
Other local taxes:									
Local sales and use taxes					274,167	-	274,167	-	
Consumers' utility taxes					112,171	-	112,171	-	
Business license taxes					588,720	-	588,720	-	
Communication tax					90,408	-	90,408	-	
Motor vehicle licenses					99,099	-	99,099	-	
Bank stock tax					222,634	-	222,634	-	
Meals taxes					1,792,733	-	1,792,733	-	
Other local taxes					539,624	-	539,624	-	
Permits, privilege fees, and regulatory licenses					1,282	-	1,282	-	
Fines and forfeitures					12,131	-	12,131	-	
Unrestricted revenues from use of money and property					115,983	154	116,137	-	
Miscellaneous					58,506	-	58,506	-	
Recovered costs					129,690	-	129,690	-	
Grants and contributions not restricted to specific programs					4,683,448	-	4,683,448	-	
Gain (loss) on disposal of capital assets					39,986	-	39,986	-	
Transfers					1,700,566	(1,700,566)	-	-	
Total general revenues and transfers					11,320,814	(1,700,412)	9,620,402	-	
Change in net position					4,254,639	1,237,007	5,491,646	465,709	
Net position - beginning					3,747,663	12,421,386	16,169,049	5,525	
Net position - ending					\$ 8,002,302	\$ 13,658,393	\$ 21,660,695	\$ 471,234	

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

Town of Marion, Virginia
Balance Sheet
Governmental Funds
June 30, 2023

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 381,941	\$ 524	\$ 382,465
Investments	4,991,138	-	4,991,138
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,173,701	-	1,173,701
Accounts receivable	464,686	-	464,686
Other receivables	439,435	-	439,435
Due from other funds	32,951	118,369	151,320
Due from other governmental units	67,067	-	67,067
Prepaid expenses	163,882	-	163,882
Total assets	<u>\$ 7,714,801</u>	<u>\$ 118,893</u>	<u>\$ 7,833,694</u>
LIABILITIES			
Accounts payable	\$ 583,757	\$ -	\$ 583,757
Accrued liabilities	42,270	-	42,270
Due to other funds	-	151,320	151,320
Total liabilities	<u>626,027</u>	<u>151,320</u>	<u>777,347</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	<u>1,408,972</u>	<u>-</u>	<u>1,408,972</u>
FUND BALANCE			
Fund balances:			
Nonspendable:			
Prepaid expense	163,882	-	163,882
Restricted for:			
Downtown housing project	-	118,893	118,893
Unassigned	5,515,920	(151,320)	5,364,600
Total fund balances	<u>5,679,802</u>	<u>(32,427)</u>	<u>5,647,375</u>
Total liabilities & deferred inflows & fund balances	<u>\$ 7,714,801</u>	<u>\$ 118,893</u>	<u>\$ 7,833,694</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, 2023

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 5,647,375
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,142,890
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	155,867
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,637,824)
Deferred outflows of resources reported in the Statement of Net Position.	780,997
Deferred inflows of resources reported in the Statement of Net Position.	<u>(1,087,003)</u>
Net position of governmental activities	<u>\$ 8,002,302</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, 2023

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	\$ 855,996	\$ -	\$ 855,996
Other local taxes	3,719,556	-	3,719,556
Permits, privilege fees, and regulatory licenses	1,282	-	1,282
Fines and forfeitures	12,131	-	12,131
Revenue from the use of money and property	113,904	-	113,904
Charges for services	966,385	-	966,385
Miscellaneous	98,492	-	98,492
Recovered costs	445,702	-	445,702
Intergovernmental revenues:			
Commonwealth	2,301,112	-	2,301,112
Federal	4,801,174	-	4,801,174
Total revenues	<u>13,315,734</u>	<u>-</u>	<u>13,315,734</u>
EXPENDITURES			
General government administration	1,831,212	-	1,831,212
Public safety	3,180,080	-	3,180,080
Public works	3,848,083	-	3,848,083
Parks, recreation, and cultural	184,536	-	184,536
Community development	1,661,023	-	1,661,023
Capital projects	810,510	-	810,510
Debt service:			
Principal retirement	8,388,506	-	8,388,506
Interest and other fiscal charges	6,844	-	6,844
Total expenditures	<u>19,910,794</u>	<u>-</u>	<u>19,910,794</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,595,060)</u>	<u>-</u>	<u>(6,595,060)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	1,830,566	(130,000)	1,700,566
Proceeds from a line of credit	8,859,000	-	8,859,000
Total other financing sources (uses)	<u>10,689,566</u>	<u>(130,000)</u>	<u>10,559,566</u>
Net change in fund balances	4,094,506	(130,000)	3,964,506
Fund balances - beginning	1,585,296	97,573	1,682,869
Fund balances - ending	<u>\$ 5,679,802</u>	<u>\$ (32,427)</u>	<u>\$ 5,647,375</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, 2023

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

Net change in fund balances - total governmental funds	\$	3,964,506
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		682,123
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(3,682)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(470,494)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		82,186
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Change in net position of governmental activities	\$	4,254,639
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The notes to the financial statements are an integral part of this statement.

Town of Marion, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 215,185	\$ 200	\$ 215,385
Accounts receivables, net of allowances for uncollectibles	964,577	-	964,577
Due from other funds	-	-	-
Due from other governmental units	14,979	-	14,979
Prepaid expenses	27,879	-	27,879
Total current assets	<u>1,222,620</u>	<u>200</u>	<u>1,222,820</u>
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents	255,426	-	255,426
Total restricted current assets	<u>255,426</u>	<u>-</u>	<u>255,426</u>
Capital assets:			
Utility plant in service	32,844,012	-	32,844,012
Machinery and equipment	4,495,305	29,151	4,524,456
Land	528,252	179,125	707,377
Pool	-	1,520,275	1,520,275
Less accumulated depreciation	(18,385,617)	(1,040,177)	(19,425,794)
Construction in progress	-	-	-
Total capital assets	<u>19,481,952</u>	<u>688,374</u>	<u>20,170,326</u>
Total noncurrent assets	<u>19,737,378</u>	<u>688,374</u>	<u>20,425,752</u>
Total assets	<u>20,959,998</u>	<u>688,574</u>	<u>21,648,572</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	171,540	-	171,540
Deferred other post employment benefits	10,824	-	10,824
Total deferred outflows of resources	<u>182,364</u>	<u>-</u>	<u>182,364</u>
Total assets & deferred outflows	<u>\$ 21,142,362</u>	<u>\$ 688,574</u>	<u>\$ 21,830,936</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, 2023

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 86,962	\$ -	\$ 86,962
Accrued liabilities	8,241	-	8,241
Customers' deposits	48,520	-	48,520
Accrued interest payable	52,732	-	52,732
Compensated absences	60,632	-	60,632
Pension liability	51,104	-	51,104
General obligation bonds payable - current portion	708,854	-	708,854
Line of credit	-	-	-
Total current liabilities	<u>1,017,045</u>	<u>-</u>	<u>1,017,045</u>
Noncurrent liabilities:			
General obligation bonds payable - net of current portion	5,940,110	-	5,940,110
Compensated absences	20,210	-	20,210
Pension liability	459,935	-	459,935
OPEB liability	487,814	-	487,814
Total noncurrent liabilities	<u>6,908,069</u>	<u>-</u>	<u>6,908,069</u>
Total liabilities	<u>7,925,114</u>	<u>-</u>	<u>7,925,114</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	236,180	-	236,180
Deferred other post employment benefits	11,249	-	11,249
Total deferred inflows of resources	<u>247,429</u>	<u>-</u>	<u>247,429</u>
NET POSITION			
Net Investment in capital assets	12,832,988	688,374	13,521,362
Restricted for debt service and bond covenants	255,426	-	255,426
Unrestricted	(118,595)	200	(118,395)
Total net position	<u>12,969,819</u>	<u>688,574</u>	<u>13,658,393</u>
Total liabilities & deferred inflows & net position	<u>\$ 21,142,362</u>	<u>\$ 688,574</u>	<u>\$ 21,830,936</u>

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, 2023

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
OPERATING REVENUES			
Charges for services	\$ 5,167,766	\$ 46,779	\$ 5,214,545
Other revenues	-	11,872	11,872
Total operating revenues	5,167,766	58,651	5,226,417
OPERATING EXPENSES			
Personal services	586,816	59,404	646,220
Fringe benefits	192,480	4,521	197,001
Contractual services	103,176	3,808	106,984
Materials and supplies	183,063	23,966	207,029
Other charges	317,437	2,218	319,655
Depreciation	875,069	36,375	911,444
Total operating expenses	2,258,041	130,292	2,388,333
Operating income (loss)	2,909,725	(71,641)	2,838,084
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	154	-	154
Interest expense	(190,201)	-	(190,201)
Total nonoperating revenues (expenses)	(190,047)	-	(190,047)
Income before contributions and transfers	2,719,678	(71,641)	2,648,037
Capital contributions	289,536	-	289,536
Transfers in (out)	(1,737,108)	36,542	(1,700,566)
Change in net position	1,272,106	(35,099)	1,237,007
Total net position - beginning	11,697,713	723,673	12,421,386
Total net position - ending	\$ 12,969,819	\$ 688,574	\$ 13,658,393

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, 2023

	Enterprise Funds		Total
	Water, Sewer and CIRP Fund	Swimming Pool Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 5,174,411	\$ 58,651	\$ 5,233,062
Payments to suppliers	(787,466)	(35,789)	(823,255)
Payments to and for employees	(731,025)	(59,404)	(790,429)
Net cash provided (used by) operating activities	3,655,920	(36,542)	3,619,378
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	(1,737,108)	36,542	(1,700,566)
Net cash provided (used) by noncapital financing activities	(1,737,108)	36,542	(1,700,566)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	(2,623,479)	-	(2,623,479)
Principal payments on debt	(3,201,991)	-	(3,201,991)
Proceeds from indebtedness	3,658,002	-	3,658,002
Capital contributions	287,370	-	287,370
Interest payments	(175,263)	-	(175,263)
Net cash provided (used) by capital and related financing activities	(2,055,361)	-	(2,055,361)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	154	-	154
Net cash provided (used) by investing activities	154	-	154
Net increase (decrease) in cash and cash equivalents	(136,395)	-	(136,395)
Cash and cash equivalents - beginning	607,006	200	607,206
Cash and cash equivalents - ending	\$ 470,611	\$ 200	\$ 470,811
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 2,909,725	\$ (71,641)	\$ 2,838,084
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	875,069	36,375	911,444
(Increase) decrease in accounts receivable	7,945	-	7,945
(Increase) decrease in prepaid expenses	(7,831)	-	(7,831)
Increase (decrease) in customer deposits	(1,300)	-	(1,300)
Increase (decrease) in operating accounts payable	15,797	(1,276)	14,521
Increase (decrease) in OPEB liability	(29,586)	-	(29,586)
Increase (decrease) in deferred OPEB	(7,510)	-	(7,510)
Increase (decrease) in pension liability	24,277	-	24,277
Increase (decrease) in deferred pensions	(123,565)	-	(123,565)
Increase (decrease) in compensated absences	(7,101)	-	(7,101)
Net cash provided (used) by operating activities	\$ 3,655,920	\$ (36,542)	\$ 3,619,378

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, 2023

	Cemetery Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 5,832
Investments, at fair value	140,322
Total assets	<u>\$ 146,154</u>
	<u> </u>
NET POSITION	
Amounts held for cemetery maintenance	\$ 146,154
Total liabilities	<u>\$ 146,154</u>
	<u> </u>

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

Town of Marion, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Cemetery Fund
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 6,179
Realized gain (loss) on investment	428
Unrealized gain (loss) on investment	1,503
Total additions	<u>8,110</u>
DEDUCTIONS	
Distributions	4,469
Fees	278
Total deductions	<u>4,747</u>
Change in net position	3,363
Net position - beginning	142,791
Net position - ending	<u><u>\$ 146,154</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 *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 other funds 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.

Other governmental funds are restricted for specific purposes. The Town has separate funds for Streetscape Program, Downtown Housing Project, and CDBG Gilman Street.

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.

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.

The Town has two proprietary funds. The water, sewer, and CIRP fund operates the Town's water and sewer systems and funds the Comprehensive Infrastructure Replacement Program (CIRP) to maintain and upgrade those systems. The pool fund operates the Town swimming pool.

The Town has a fiduciary fund for cemetery care in perpetuity.

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 \$59,358 for property taxes, \$42,669 for garbage billings, and \$38,722 for EMS billings at June 30, 2023. The allowance for business-type activities amounted to approximately \$336,202 for water and sewer billings at June 30, 2023.

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 is expensed as incurred.

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. 96, *Subscription-based Information Technology Arrangements*, defines a subscription-based information technology arrangement, establishes that the arrangements result in a right-to-use intangible asset and related liability, and provides the capitalization criteria for outlays related to the arrangements, as well as setting requirements for note disclosures regarding these arrangements. This statement was implemented for the year ended June 30, 2023.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

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

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. 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. 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>30, 2014; the plan's effective date for opt-in members was July 1, 2014</p> <p><i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. 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 funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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>Service Credit Same as Plan 1.</p>	<p>Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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><i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement</p>

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

<p>employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>
<p>Calculating the Benefit The basic benefit is determined using the average final</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1.</p>

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.		<i>Defined Contribution Component:</i> 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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%. 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.
<i>Sheriffs and regional jail superintendents:</i> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%	<i>Sheriffs and regional jail superintendents:</i> Same as Plan 1.	<i>Sheriffs and regional jail superintendents:</i> Not applicable.
<i>Political subdivision hazardous duty employees:</i> The retirement 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	<i>Political subdivision hazardous duty employees:</i> Same as Plan 1.	<i>Political subdivision hazardous duty employees:</i> Not applicable. <i>Defined Contribution Component:</i> Not applicable.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

employer.		
<p>Normal Retirement Age VRS: Age 65.</p> <p><i>Political subdivisions hazardous duty employees:</i> Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p><i>Political subdivisions hazardous duty employees:</i> Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p><i>Political subdivisions hazardous duty employees:</i> Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p><i>Political subdivisions hazardous duty employees:</i> Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p><i>Political subdivisions hazardous duty employees:</i> Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p><i>Political subdivisions hazardous duty employees:</i> Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p><i>Political subdivisions hazardous duty employees:</i> Age 50 with at least five years of</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p><i>Political subdivisions hazardous duty employees:</i> Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit.</p> <p><i>Political subdivision hazardous duty employees:</i> Not applicable.</p>

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

service credit.		<i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, 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 service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><i>Eligibility:</i> Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility:</i> Same as Plan 1 and Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

<p>as of January 1, 2013.</p> <ul style="list-style-type: none"> • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. • The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer- paid comparable program for its members.</p> <p>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.</p>
<p>Purchase of Prior Service Members may be eligible to</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <i>Defined Benefit Component:</i></p>

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

<p>purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>		<p>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><i>Defined Contribution Component:</i> Not applicable.</p>
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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 \$(6,637,824) difference for the primary government is as follows:

	Primary Government
Bonds, loans, lines of credit, and leases	\$ 1,971,896
Interest payable	8,959
OPEB liability	2,089,123
Pension liability	2,188,590
Compensated absences	341,756
Deferred rebate	37,500
	<hr/>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ 6,637,824
	<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 \$682,123 difference for the primary government is as follows:

	Primary Government
Capital outlays	\$ 1,128,225
Depreciation expense	(446,102)
Disposal of capital assets	-
	<hr/>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 682,123
	<hr/>

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

- C. 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 \$82,186 difference for the primary government is as follows:

	Primary Government
Change in lease payable and deferred inflow on receivable	\$ 14,593
Change in interest payable	(4,020)
Change OPEB and deferred items	(48,875)
Change in pension and deferred items	158,289
Change in compensated absences	(44,051)
Change in deferred rebate	6,250
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>\$ 82,186</u>

Note 3 - Stewardship, Compliance, and Accountability

- A. Budgetary information

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. Only the Town Council can revise the appropriation for each department or category.
5. Formal budgetary integration is employed as a management control device during 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, 2023, 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 presented as other governmental funds in the financial statement.

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	\$	48,382
Communication tax		14,355
Non-categorical aid		4,330
Total	\$	<u>67,067</u>

Note 6 - Interfund Transfers

Interfund transfers for the year ended June 30, 2023 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net In (Out)</u>
General Fund	\$ 1,830,566	\$ -	
Other Governmental Funds	-	130,000	
<i>Total Governmental Funds</i>			\$ 1,700,566
Water, Sewer and CIRP Fund	-	1,737,108	
Swimming Pool Fund	36,542	-	
<i>Total Proprietary Funds</i>			(1,700,566)
Total	<u>\$ 1,867,108</u>	<u>\$ 1,867,108</u>	<u>\$ -</u>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Note 7 - Long-Term Debt

Primary Government - Governmental Activity Indebtedness

The following is a summary of long-term debt transactions for governmental activities for the year ended June 30, 2023.

Description	Balance July 1, 2022	Issuances	Retirements	Balance June 30, 2023
General obligation bonds	\$ 286,440	\$ -	\$ -	\$ 286,440
Loans payable	1,132,697	-	(121,900)	1,010,797
Line of credit	67,413	8,859,000	(8,266,606)	659,807
Lease liability	20,014	-	(5,162)	14,852
OPEB liability	2,011,222	77,901	-	2,089,123
Pension liability	1,892,128	296,462	-	2,188,590
Compensated absences	297,705	44,051	-	341,756
Deferred rebate	43,750	-	(6,250)	37,500
Total	<u>\$ 5,751,369</u>	<u>\$ 9,277,414</u>	<u>\$ (8,399,918)</u>	<u>\$ 6,628,865</u>

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

Year Ending June 30,	General Obligation Bonds		Loan Payable		Line of Credit		Lease Liability	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 77,000	\$ 7,447	\$ 79,072	\$ 43,808	\$ 659,807	\$ 54,434	\$ 5,207	\$ 108
2025	40,000	5,445	82,314	40,566	-	-	5,252	63
2026	41,000	4,405	85,701	37,179	-	-	4,393	37
2027	43,000	3,339	76,380	33,603	-	-	-	-
2028	43,000	2,221	80,093	29,890	-	-	-	-
2029-2033	42,440	1,103	264,058	104,513	-	-	-	-
2034-2038	-	-	250,946	47,228	-	-	-	-
2039-2043	-	-	92,233	5,437	-	-	-	-
Totals	<u>\$ 286,440</u>	<u>\$ 23,960</u>	<u>\$ 1,010,797</u>	<u>\$ 342,224</u>	<u>\$ 659,807</u>	<u>\$ 54,434</u>	<u>\$ 14,852</u>	<u>\$ 208</u>

Note 7 - Long-Term Debt (continued)

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness at June 30, 2023:

	<u>Total Amount</u>	<u>Due Within One Year</u>
General Obligation Bonds		
Bank of Marion bond, issued June 29, 2016, annual installments of principal and semi-annual installments of interest. Interest computed at a rate of 2.6% for sixteen years.	\$ 286,440	\$ 77,000
Loan Payable		
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 twenty years.	\$ 279,064	\$ 12,641
Bank of Marion, issued August 28, 2019, monthly installments of principal and interest in the amount of \$2,651. Interest computed at a rate of 4.99% for ten years.	165,195	24,117
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.	88,763	11,994
Bank of Marion, issued May 6, 2021, monthly installments of principal and interest in the amount of \$2,120. Interest computed at a rate of 3.99% for twenty years.	323,660	12,682
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.	38,509	12,809
Bank of Marion, issued July 31, 2021, monthly installments of principal and interest in the amount of \$709. Interest computed at a rate of 3.25% for twenty years.	115,606	4,829
Total Loans Payable	<u>\$ 1,010,797</u>	<u>\$ 79,072</u>
Line of Credit		
Bank of Marion up to \$2,000,000. Variable interest. 8.25% at June 30, 2023.	\$ 659,807	\$ 659,807
Lease Liability		
Copier lease. Monthly payments of \$443 until April 2026. Interest computed at 0.87%.	\$ 14,852	\$ 5,207
Other Obligations		
OPEB liability	\$ 2,089,123	\$ -
Pension liability	2,188,590	218,859
Compensated absences	341,756	256,317
Deferred rebate	37,500	6,250
Total Other Obligations	<u>\$ 4,656,969</u>	<u>\$ 481,426</u>
Total Long-Term Obligations	<u>\$ 6,628,865</u>	<u>\$ 1,302,512</u>

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, 2023.

Description	Balance July 1, 2022	Issuances	Retirements	Balance June 30, 2023
General obligation bonds	\$ 6,054,953	\$ 1,478,003	\$ (883,992)	\$ 6,648,964
Line of credit	138,000	2,180,000	(2,318,000)	-
OPEB liability	517,400	42	(29,628)	487,814
Pension liability	486,762	24,277	-	511,039
Compensated absences	87,943	2,019	(9,120)	80,842
Total	<u>\$ 7,285,058</u>	<u>\$ 3,684,341</u>	<u>\$ (3,240,740)</u>	<u>\$ 7,728,659</u>

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

Year Ending June 30,	General Obligation Bonds		Line of Credit		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 708,854	\$ 121,007	\$ -	\$ -	\$ 708,854	\$ 121,007
2025	712,583	122,286	-	-	712,583	122,286
2026	452,247	108,824	-	-	452,247	108,824
2027	461,262	103,433	-	-	461,262	103,433
2028	359,333	94,227	-	-	359,333	94,227
2029-2033	1,426,999	392,997	-	-	1,426,999	392,997
2034-2038	882,941	283,662	-	-	882,941	283,662
2039-2043	834,785	166,242	-	-	834,785	166,242
2044-2048	576,851	71,475	-	-	576,851	71,475
2049-2053	233,109	12,764	-	-	233,109	12,764
Totals	<u>\$ 6,648,964</u>	<u>\$ 1,476,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,648,964</u>	<u>\$ 1,476,917</u>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Note 7 - Long-Term Debt (continued)

Primary Government - Business-type Activity Indebtedness

Details of long-term indebtedness at June 30, 2023:

<u>Lender</u>	<u>Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Amount</u>	<u>Due Within One Year</u>
General Obligation Bonds					
Virginia Resource Authority	7/27/2017	4/1/2038	1.700%	\$ 156,836	\$ 8,700
VRA	3/1/2018	1/1/2049	2.650%	230,260	7,741
VRA	2/26/2019	5/1/2050	2.500%	401,262	12,546
VRA	2/26/2019	6/1/2051	2.500%	491,979	13,313
VRA	12/1/2020	12/1/2021	2.500%	372,308	41,042
VRA	12/19/2018	5/1/2039	2.200%	189,143	13,706
VRA	5/28/2020	1/1/2046	0.500%	421,905	19,112
VRA	3/24/2006	4/1/2027	3.000%	421,258	100,933
VRA	12/15/2011	4/1/2032	0.000%	448,319	50,514
VRA	6/16/2016	7/1/2046	2.250%	46,071	7,436
VRA	4/20/2017	7/1/2047	2.650%	165,742	7,963
VRA	9/30/2016	5/1/2037	0.650%	124,859	18,323
VRA	12/22/2021	4/1/2048	0.500%	346,261	13,447
VRA	12/2/2022	1/1/2053	2.200%	595,086	20,480
VRA	6/9/2023	3/1/2044	2.950%	651,031	28,817
Rural Development	7/14/2011	6/14/2051	2.375%	487,990	12,397
Bank of Marion	6/29/2016	2/1/2025	2.160%	532,344	262,000
BOM	10/9/2020	10/9/2030	3.250%	566,310	70,384
Total General Obligation Bonds				<u>\$ 6,648,964</u>	<u>\$ 708,854</u>
Line of Credit					
Bank of Marion up to \$1,500,000. Variable interest. 8.25% at June 30, 2023.				<u>\$ -</u>	<u>\$ -</u>
Other Obligations					
OPEB liability				\$ 487,814	\$ -
Pension liability				511,039	51,104
Compensated absences				80,842	60,632
Total Other Obligations				<u>\$ 1,079,695</u>	<u>\$ 111,736</u>
Total Long Term Obligations				<u>\$ 7,728,659</u>	<u>\$ 820,590</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, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Status	Number
Active	79
Inactive, Non-Vested	33
Retirees and Beneficiaries	43
Retirees and Beneficiaries Elsewhere	15
Inactive, Vested	12
Inactive, Active Elsewhere in VRS	24
Total Participants	206

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.

The Town's contractually required contribution rate for the year ended June 30, 2023 was 14.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$486,475 and \$483,475 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Note 8 - Pension Plans (continued)

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, 2021, 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, 2022.

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

Participants with General Employees Benefit Coverage:

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

Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Participants with Enhanced Hazardous Duty Benefit Coverage:

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

Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Note 8 - Pension Plans (continued)

Actuarial Assumptions (continued)

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Changes in Actuarial Assumptions

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

<u>Assumption</u>	<u>Non-Hazardous Duty</u>	<u>Hazardous Duty</u>
Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service.	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
Disability Rates	No change	No change
Salary Scale	No change	No change
Line of Duty Disability	No change	No change
Discount Rate	No change	No change

Note 8 - Pension Plans (continued)

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.

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS	6.00%	3.73%	0.22%
PIP	3.00%	6.55%	0.20%
	<u>100.00%</u>		<u>5.33%</u>
	Inflation		<u>2.50%</u>
* Expected arithmetic nominal return			<u>7.83%</u>

* The above allocation provides a one-year return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

Note 8 - Pension Plans (continued)

Discount Rate (continued)

Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2022, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Fiscal 2023 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2021	\$ 20,668,968	\$ 18,290,078	\$ 2,378,890
Changes for the year:			
Service Cost	424,657	-	424,657
Interest	1,392,792	-	1,392,792
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	(865,342)	-	(865,342)
Contributions - employer	-	483,475	(483,475)
Contributions - employee	-	177,778	(177,778)
Net investment income	-	(18,953)	18,953
Benefit payments, including refunds of employee contributions	(919,338)	(919,338)	-
Administrative expenses	-	(11,355)	11,355
Other changes	-	423	(423)
Net changes	32,769	(287,970)	320,739
Balance at June 30, 2022	\$ 20,701,737	\$ 18,002,108	\$ 2,699,629

Payables to the Pension Plan

At June 30, 2023, the Town reported a payable of \$50,561 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

Note 8 - Pension Plans (continued)

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

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 5,457,283	\$ 2,699,629	\$ 444,706

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

For the year ended June 30, 2023, the Town recognized pension expense of \$(257,577). At June 30, 2023, 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	\$ 114,615	\$ 732,375
Change in assumptions	305,090	-
Net difference between projected and actual earnings on pension plan investments	-	515,276
Employer contributions subsequent to the measurement date	486,475	-
Total	\$ 906,180	\$ 1,247,651

\$486,475 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, 2024. 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
2024	\$ (228,597)
2025	(419,019)
2026	(429,220)
2027	248,890
2028	-
Thereafter	-
Total Deferred	\$ (827,946)

Note 8 - Pension Plans (continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 9 - Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2023 was as follows.

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,715,580	\$ 314,634	\$ -	\$ 2,030,214
Construction in progress	536,018	175,655	-	711,673
Total capital assets not being depreciated	<u>\$ 2,251,598</u>	<u>\$ 490,289</u>	<u>\$ -</u>	<u>\$ 2,741,887</u>
Capital assets, being depreciated:				
Buildings	\$ 7,372,460	\$ -	\$ -	\$ 7,372,460
Infrastructure	3,632,584	16,924	-	3,649,508
Machinery and equipment	7,263,478	621,012	(203,335)	7,681,155
Total capital assets being depreciated	<u>\$ 18,268,522</u>	<u>\$ 637,936</u>	<u>\$ (203,335)</u>	<u>\$ 18,703,123</u>
Less: accumulated depreciation for:				
Buildings	\$ (4,177,470)	\$ (143,360)	\$ -	\$ (4,320,830)
Infrastructure	(1,105,106)	(86,915)	-	(1,192,021)
Machinery and equipment	(6,776,777)	(215,827)	203,335	(6,789,269)
Total accumulated depreciation	<u>\$ (12,059,353)</u>	<u>\$ (446,102)</u>	<u>\$ 203,335</u>	<u>\$ (12,302,120)</u>
Total capital assets being depreciated, net	<u>\$ 6,209,169</u>	<u>\$ 191,834</u>	<u>\$ -</u>	<u>\$ 6,401,003</u>
Governmental activities capital assets, net	<u>\$ 8,460,767</u>	<u>\$ 682,123</u>	<u>\$ -</u>	<u>\$ 9,142,890</u>

Note 9 - Capital Assets (continued)

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

Governmental Activities:	
General government	\$ 111,957
Public safety	172,370
Public works	154,527
Parks, recreation, and culture	<u>7,248</u>
Total depreciation expense - governmental activities	<u>\$ 446,102</u>

Capital asset activity for business-type activities – Water, Sewer, and CIRP Fund for the year ended June 30, 2023 was as follows.

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Water, Sewer, and CIRP Fund				
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 528,252	\$ -	\$ -	\$ 528,252
Construction in progress	1,095,438	2,272,878	(3,368,316)	-
Total capital assets not being depreciated	<u>\$ 1,623,690</u>	<u>\$ 2,272,878</u>	<u>\$ (3,368,316)</u>	<u>\$ 528,252</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 29,475,696	\$ 3,368,316	\$ -	\$ 32,844,012
Machinery and equipment	4,144,704	350,601	-	4,495,305
Total capital assets being depreciated	<u>\$ 33,620,400</u>	<u>\$ 3,718,917</u>	<u>\$ -</u>	<u>\$ 37,339,317</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (14,257,996)	\$ (662,627)	\$ -	\$ (14,920,623)
Machinery and equipment	(3,252,552)	(212,442)	-	(3,464,994)
Total accumulated depreciation	<u>\$ (17,510,548)</u>	<u>\$ (875,069)</u>	<u>\$ -</u>	<u>\$ (18,385,617)</u>
Total capital assets being depreciated, net	<u>\$ 16,109,852</u>	<u>\$ 2,843,848</u>	<u>\$ -</u>	<u>\$ 18,953,700</u>
Water, Sewer and CIRP capital assets, net	<u>\$ 17,733,542</u>	<u>\$ 5,116,726</u>	<u>\$ (3,368,316)</u>	<u>\$ 19,481,952</u>

Depreciation expense for the Water, Sewer, and CIRP Fund was \$875,089 for the year ended June 30, 2023.

Note 9 - Capital Assets (continued)

Capital asset activity for business-type activities – Swimming Pool Fund for the year ended June 30, 2023 was as follows.

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
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	\$ 1,520,275	\$ -	\$ -	\$ 1,520,275
Equipment	29,151	-	-	29,151
Total capital assets being depreciated	<u>\$ 1,549,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,549,426</u>
Less: accumulated depreciation for:				
Pool	\$ (974,651)	\$ (36,375)	\$ -	\$ (1,011,026)
Equipment	(29,151)	-	-	(29,151)
Total accumulated depreciation	<u>\$ (1,003,802)</u>	<u>\$ (36,375)</u>	<u>\$ -</u>	<u>\$ (1,040,177)</u>
Total capital assets being depreciated, net	<u>\$ 545,624</u>	<u>\$ (36,375)</u>	<u>\$ -</u>	<u>\$ 509,249</u>
Swimming Pool capital assets, net	<u><u>\$ 724,749</u></u>	<u><u>\$ (36,375)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 688,374</u></u>

Depreciation expense for the Swimming Pool Fund was \$36,375 for the year ended June 30, 2023.

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. Governmental deferred revenue totaling \$1,408,972 is comprised of the following:

Property Taxes - \$1,168,827 representing uncollected tax billings not available for funding current expenditures.

RBEG Loans - \$240,145 representing uncollected loan payments not available for funding current expenditures.

Note 11 - Risk Management

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

Note 12 - Surety Bonds

Primary Government

Virginia Municipal Liability Pool

Public Employees Dishonesty Coverage	\$ 200,000
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Note 13 - Restricted Net Position

Governmental Activities

Restricted for downtown housing project	\$ 118,893
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Business-type Activities

Restricted for debt service and bond covenants	\$ 255,426
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Note 14 - Restricted Fund Balances

Other Governmental Funds

Downtown Housing Fund	\$ 118,893
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Note 15 - Restricted Cash and Cash Equivalents

Business-type activities restricted cash of \$255,426 at June 30, 2023 is set aside for debt service in the water, sewer, and CIRP fund.

Note 16 - Interfund Balances

Interfund balances consisted of the following at June 30, 2023:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
Primary Government:		
General Fund	\$ 32,951	\$ -
Water and Sewer Fund	-	-
Downtown Housing Fund	118,369	-
CDBG Gilman Street Fund	-	32,951
Streetscape Fund	-	118,369
Total	<u>\$ 151,320</u>	<u>\$ 151,320</u>

Note 17 - Contingencies

The Town participates in certain federal and state grant programs. Grant funds are subject to audit by funding agencies to determine compliance with various grant requirements. Should any expenditure be disallowed, they must be returned to the grantor. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 18 - Compensated Absences

Employees accumulate earned but unused vacation leave for carryover and payout at termination. Maximum accumulated vacation leave hours are three times annual vacation hours earned. Annual hours earned varies with length of service. Full-time employees earn twelve days and an additional day with each additional five years of service.

<u>Years of Service</u>	<u>Days Earned Annually</u>	<u>Hours Earned</u>	<u>Maximum Accumulated</u>
0	12	96	288
5	13	104	312
10	14	112	336
15	15	120	360
20	16	128	384
25	17	136	408

Payout at termination is at the employee's hourly rate at termination. Vacation leave is accrued at the employee's hourly rate at year-end. At June 30, 2023, accrued vacation was \$341,756 and \$80,842 for governmental and business-type activities, respectively. Employees do not receive similar payouts for unused personal or sick leave.

However, upon retirement with 30 years of VRS service, the Town pays 25% of accumulated and unused sick pay up to \$2,500. Sick leave is not accrued due to the difficulty in estimating the number of employees who may retire with 30 years of VRS service.

Note 19 - 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 accounting and financial reporting requirements for OPEB plans and standardize the valuation methodology. The cost of postemployment healthcare benefits are associated with the periods in which the cost occurs, rather than in the future years when it will be paid.

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

Employees Covered by Benefit Terms

	Primary Government
Active participants	81
Retired participants	4
Total covered employees	85

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 2023, the Town made OPEB benefit payments of \$23,220.

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2023. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2023.

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, 2023, 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.

Note 19 - Other Post-Employment Benefits – Health Insurance (continued)

Actuarial Methods and Assumptions (continued)

Mortality rates are the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years. 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	1.50 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.

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

For the year ended June 30, 2023, the Town's primary government recognized OPEB expense of \$32,833. At June 30, 2023, 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.

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 3.650% was used for the valuation.

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

The following presents the total OPEB liability using the discount rate of 3.65%, 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.

	1% Decrease 2.65%	Discount Rate 3.65%	1% Increase 4.65%
Total OPEB Liability	\$ 2,615,461	\$ 2,372,843	\$ 2,164,271

Note 19 - Other Post-Employment Benefits – Health Insurance (continued)

Healthcare Trend Rates

Year	Medical	Pharmacy	Dental	Vision
Year 1	4.70%	5.20%	3.50%	3.00%
Year 2	4.80%	4.80%	3.50%	3.00%
Year 3	4.70%	4.70%	3.00%	3.00%
Year 4	4.60%	4.60%	3.00%	3.00%
Year 5	4.50%	4.50%	3.00%	3.00%
Year 6	4.40%	4.40%	3.00%	3.00%
Year 7	4.30%	4.30%	3.00%	3.00%
Year 8	4.20%	4.20%	3.00%	3.00%
Year 9	4.20%	4.20%	3.00%	3.00%
Thereafter	4.20%	4.20%	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	\$ 2,034,794	\$ 2,372,843	\$ 2,781,212

Note 20 - 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 subdivisions. 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. 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.

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

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 will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for COLA was \$8,984 as of June 30, 2023.

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 1.34% of covered employee compensation. This was allocated into an employee and employer component using a 60/40 split. The employee component was 0.80% ($1.34\% \times 60\%$) and the employer component was 0.54% ($1.34\% \times 40\%$). 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, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$21,860 and \$19,905 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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 in Note 8.

Discount Rate

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

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, 2023, the Town reported a liability of \$204,094 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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 Town's proportion of the Net GLI OPEB Liability was based on the Town's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Town's proportion was 0.01695% as compared to 0.01620% at June 30, 2021.

For the year ended June 30, 2023, the Town recognized GLI OPEB expense of \$(21,054). 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, 2023, the Town 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	\$ 16,162	\$ 8,188
Net difference between projected and actual investment earnings on OPEB plan investments	-	12,753
Change in assumptions	7,612	19,880
Changes in proportion	11,547	18,603
Employer contributions subsequent to the measurement date	21,860	-
Total	<u>\$ 57,181</u>	<u>\$ 59,424</u>

Note 20 - 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)

\$21,860 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, 2024. 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>
2024	\$ (5,240)
2025	(5,707)
2026	(12,981)
2027	(386)
2028	211
Thereafter	-
Total Deferred	<u>\$ (24,103)</u>

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, 2022, NOL amounts for the entire GLI Program is as follows:

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$ 3,672,085,000
Plan Fiduciary Net Position	2,467,989,000
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,204,096,000</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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.

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

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

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	<u>\$ 296,981</u>	<u>\$ 204,094</u>	<u>\$ 129,029</u>

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 21 - 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;

Note 21 - GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions (continued)

- 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.

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, 2023 were as follows:

<i>Nonspendable Fund Balance</i>	
Prepaid expense	<u>\$ 163,882</u>
 <i>Restricted Fund Balance</i>	
Downtown Housing	<u>\$ 118,893</u>

Note 22 - Upcoming Accounting Pronouncements

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

Statement No. 99, *Omnibus 2022*, addresses practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The effective dates differ by topic, ranging from April 2022 to periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, aims to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Note 23 - Subsequent Events

Subsequent events have been evaluated as of December 7, 2023, which is the date the financial statements were available to be issued.

Note 24 - 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 founded 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.

Marion Schoolhouse Project

The Board of Directors of the EDA determined that the Town had 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 was presented a plan for financing the rehabilitation of the Property (the Project).

Note 24 - Economic Development Authority (continued)

Marion Schoolhouse Project (continued)

Pursuant to such financing, the EDA entered into a forty-year long term lease, leasing the Property to Marion Schoolhouse Building LLC (Building LLC), a for-profit Virginia limited liability company formed to undertake the Project. To facilitate the rehabilitation of the Project, the EDA 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 agreed to assume the costs and expenditures of the Town for the Town's efforts in managing the Project (management costs) prior to foundation of the EDA. The EDA reimburses management costs in part through the efforts of Development LLC.

The Town contributed to the EDA approximately \$2,500,000. The EDA loaned the funds to Building LLC. Building LLC assumed all costs and responsibility for the Project including management costs.

Building LLC investor members each made a substantial capital contribution. Building LLC will use the Funds and the capital contributions 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 LLCs were established to obtain 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.

This project was completed in fiscal year ended June 30, 2023.

BAUD Project

Project BAUD (Blighted, Abandoned, Underutilized, Derelict) is a comprehensive, multiyear plan to replace aging housing stock, both homeowner and residential rental. The EDA purchases blighted properties, redevelops them, and maintains them in good condition. Properties may be rented out during redevelopment to offset costs. Demolition and maintenance costs are expensed as incurred.

As of June 30, 2023, the Town has contributed approximately \$500,000.

Redeveloped properties will be transferred to the Town or sold to other entities. Therefore properties are reported in the financial statements as land held for resale. At June 30, 2023, land held for resale was \$1,032,165.

The EDA also has a line of credit to fund activity in the short term. From the Bank of Marion with variable interest currently 8.25%. At June 30, 2023, line of credit liability was \$551,811.

Note 25 – Coronavirus Economic Relief Funds

As of June 30, 2023, the Town received American Rescue Plan Act (ARPA) funds of \$5,767,554. For grant purposes all funds were expended and earned as loss of revenue by June 30, 2023.

Note 26 - Lease Receivable

The Town leases out acreage near Exit 47 for grazing in exchange for maintenance. Lease term is 5 years beginning May 20, 2022. Annual rent payments of \$8,383 are due every May. The Town may terminate with 180 days' notice. The Town does not expect to terminate as of June 30, 2023. Lease receivable is discounted at a rate of 3.5% based on comparable debt rates at inception. The present value of lease payments at inception was \$37,850. Deferred revenue is amortized at a daily rate of \$25.91 rounded to \$9,430 annually.

Annual requirements to amortize lease receivable and the deferred revenue are as follows:

Year Ending June 30,	Lease Receivable		Deferred
	Receivable	Interest	Amortization
2024	\$ 7,609	\$ 774	\$ (9,430)
2025	7,875	508	(9,430)
2026	6,631	1,752	(8,497)
Totals	<u>\$ 22,115</u>	<u>\$ 3,034</u>	<u>\$ (27,357)</u>

**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, 2023

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 860,300	\$ 860,300	\$ 855,996	\$ (4,304)
Other local taxes	3,335,000	3,335,000	3,719,556	384,556
Permits, privilege fees, and regulatory licenses	1,600	1,600	1,282	(318)
Fines and forfeitures	22,100	22,100	12,131	(9,969)
Revenue from the use of money and property	7,424	7,424	113,904	106,480
Charges for services	939,000	939,000	966,385	27,385
Miscellaneous	19,541	19,541	98,492	78,951
Recovered costs	511,500	511,500	445,702	(65,798)
Intergovernmental revenues:				
Commonwealth	2,204,936	2,204,936	2,301,112	96,176
Federal	25,500	25,500	4,801,174	4,775,674
Total revenues	7,926,901	7,926,901	13,315,734	5,388,833
EXPENDITURES				
Current:				
General government administration	1,748,280	1,748,280	1,831,212	(82,932)
Public safety	2,803,660	2,803,660	3,180,080	(376,420)
Public works	3,706,572	3,706,572	3,848,083	(141,511)
Parks, recreation, and cultural	156,986	156,986	184,536	(27,550)
Community development	798,408	798,408	1,661,023	(862,615)
Capital projects	485,000	485,000	810,510	(325,510)
Debt service:				
Principal retirement	1,416,009	1,416,009	8,388,506	(6,972,497)
Interest and other fiscal charges	1,155	1,155	6,844	(5,689)
Total expenditures	11,116,070	11,116,070	19,910,794	(8,794,724)
Excess (deficiency) of revenues over (under) expenditures	(3,189,169)	(3,189,169)	(6,595,060)	(3,405,891)
OTHER FINANCING SOURCES (USES)				
Net transfers in (out)	2,739,169	2,739,169	1,830,566	(908,603)
Proceeds from a line of credit	450,000	450,000	8,859,000	8,409,000
Proceeds from long-term debt	-	-	-	-
Total other financing sources and uses	3,189,169	3,189,169	10,689,566	7,500,397
Net change in fund balances	-	-	4,094,506	4,094,506
Fund balances - beginning	-	-	1,585,296	1,585,296
Fund balances - ending	\$ -	\$ -	\$ 5,679,802	\$ 5,679,802

Town of Marion, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Plan Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 424,657	\$ 414,875	\$ 410,322	\$ 346,558	\$ 334,311	\$ 336,131	\$ 300,090	\$ 280,978	\$ 309,838
Interest	1,392,792	1,288,104	1,211,257	1,211,524	1,170,293	1,154,105	1,106,559	1,086,547	1,047,788
Changes of benefit terms	-	65,364	-	-	-	-	-	-	-
Changes of assumptions	-	725,904	-	525,302	-	(150,313)	-	-	-
Differences between expected and actual experience	(865,342)	(309,443)	579,267	(508,337)	(68,621)	(392,828)	(945)	(308,291)	-
Benefit Payments, including refunds of employee contributions	(919,338)	(1,197,722)	(927,023)	(948,928)	(745,014)	(686,676)	(766,265)	(780,442)	(827,402)
Net change in total pension liability	32,769	987,082	1,273,823	626,119	690,969	260,419	639,439	278,792	530,224
Total pension liability - beginning	20,668,968	19,681,886	18,408,063	17,781,944	17,090,975	16,830,556	16,191,117	15,912,325	15,382,101
Total pension liability - ending (a)	<u>\$ 20,701,737</u>	<u>\$ 20,668,968</u>	<u>\$ 19,681,886</u>	<u>\$ 18,408,063</u>	<u>\$ 17,781,944</u>	<u>\$ 17,090,975</u>	<u>\$ 16,830,556</u>	<u>\$ 16,191,117</u>	<u>\$ 15,912,325</u>
Plan fiduciary net position									
Contributions - employer	\$ 483,475	\$ 440,501	\$ 407,335	\$ 405,287	\$ 434,259	\$ 440,467	\$ 491,344	\$ 477,291	\$ 489,193
Contributions - employee	177,778	160,788	172,294	170,323	163,869	162,871	164,306	150,330	146,395
Net investment income	(18,953)	3,994,579	285,535	948,150	1,000,242	1,482,890	209,114	532,938	1,604,633
Benefit Payments, including refunds of employee contributions	(919,338)	(1,197,722)	(927,023)	(948,928)	(745,014)	(686,676)	(766,265)	(780,442)	(827,402)
Administrative expense	(11,355)	(10,222)	(9,793)	(9,487)	(8,575)	(8,464)	(7,475)	(7,338)	(8,728)
Other	423	375	(336)	(598)	(894)	(1,326)	(89)	(111)	84
Net change in plan fiduciary net position	(287,970)	3,388,299	(71,988)	564,747	843,887	1,389,762	90,935	372,668	1,404,175
Plan fiduciary net position - beginning	18,290,078	14,901,779	14,973,767	14,409,020	13,565,133	12,175,371	12,084,436	11,711,768	10,307,593
Plan fiduciary net position - ending (b)	<u>\$ 18,002,108</u>	<u>\$ 18,290,078</u>	<u>\$ 14,901,779</u>	<u>\$ 14,973,767</u>	<u>\$ 14,409,020</u>	<u>\$ 13,565,133</u>	<u>\$ 12,175,371</u>	<u>\$ 12,084,436</u>	<u>\$ 11,711,768</u>
Net pension liability - ending (a - b)	<u>\$ 2,699,629</u>	<u>\$ 2,378,890</u>	<u>\$ 4,780,107</u>	<u>\$ 3,434,296</u>	<u>\$ 3,372,924</u>	<u>\$ 3,525,842</u>	<u>\$ 4,655,185</u>	<u>\$ 4,106,681</u>	<u>\$ 4,200,557</u>
Plan fiduciary net position as a percentage of the total pension liability	86.96%	88.49%	75.71%	81.34%	81.03%	79.37%	72.34%	74.64%	73.60%
Covered-employee payroll	\$ 3,807,804	\$ 3,429,792	\$ 3,471,010	\$ 3,619,993	\$ 3,609,997	\$ 3,348,354	\$ 3,185,403	\$ 2,985,915	\$ 2,733,750
Net pension liability as a percentage of covered-employee payroll	70.90%	69.36%	137.72%	94.87%	93.43%	105.30%	146.14%	137.54%	153.66%

*Schedule is intended to show information for ten years.

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

Additional years will be included as they become available.

Town of Marion, Virginia
Schedule of Changes in Net Health Insurance OPEB Liability and Related Ratios
Last Ten Plan Years*

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 175,880	\$ 229,396	\$ 190,142	\$ 141,858	\$ 130,672	\$ 103,811
Interest	84,397	67,556	67,675	93,591	103,656	50,397
Effect of economic/demographic gains or loss	(140,031)	(694,379)	(62,660)	(231,892)	(125,418)	973,592
Effect of assumptions changes or inputs	(64,193)	(331,403)	54,182	347,528	201,930	(194,880)
Benefit payments	(23,220)	(25,739)	(25,920)	(24,010)	(26,754)	(26,082)
Net change in total OPEB liability	32,833	(754,569)	223,419	327,075	284,086	906,838
Total OPEB liability - beginning	2,340,010	3,094,579	2,871,160	2,544,085	2,259,999	1,353,161
Total OPEB liability - ending (a)	<u>\$ 2,372,843</u>	<u>\$ 2,340,010</u>	<u>\$ 3,094,579</u>	<u>\$ 2,871,160</u>	<u>\$ 2,544,085</u>	<u>\$ 2,259,999</u>
Plan fiduciary net position						
Benefit payments	\$ (23,220)	\$ (25,739)	\$ (927,023)	\$ (948,928)	\$ (26,754)	\$ (26,082)
Employer contributions	23,220	25,739	927,023	948,928	26,754	26,082
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending (a - b)	<u>\$ 2,372,843</u>	<u>\$ 2,340,010</u>	<u>\$ 3,094,579</u>	<u>\$ 2,871,160</u>	<u>\$ 2,544,085</u>	<u>\$ 2,259,999</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll (GLI)	\$ 4,048,192	\$ 3,686,036	\$ 3,345,171	\$ 3,661,920	\$ 3,386,499	\$ 3,331,367
Net pension liability as a percentage of covered-employee payroll	58.61%	63.48%	92.51%	78.41%	75.12%	67.84%

*Schedule is intended to show information for ten years.

Since fiscal year 2018 (plan year 2018) is the first year for this presentation, no other data is available.

Additional years will be included as they become available.

Town of Marion, Virginia
Schedule of Employer's Share of Net GLI OPEB Liability and Related Ratios
Last Ten Plan Years*

	2022	2021	2020	2019	2018	2017
Employer's Proportion of Net GLI OPEB Liability	0.01695%	0.01620%	0.01756%	0.01812%	0.01806%	0.01781%
Employer's Proportionate Share of Net GLI OPEB Liability (Asset)	\$ 204,094	\$ 188,612	\$ 293,048	\$ 295,000	\$ 271,000	\$ 271,000
Employer's Covered Payroll	\$ 4,048,192	\$ 3,686,036	\$ 3,345,171	\$ 3,661,920	\$ 3,386,499	\$ 3,331,367
Employer's Proportionate Share of Net GLI OPEB Liability (Asset) as a % of Covered Payroll	5.04161%	5.11693%	8.76033%	8.05588%	8.00236%	8.13480%
Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for ten years.

Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no other data is available.

Additional years will be included as they become available.

Town of Marion, Virginia
Schedule of Funding Progress and Related Ratios
Last Ten Plan Years*

Town Retirement Plan						
Plan Year Ended June 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (3) - (2)	(4) Funded Ratio Assets as % of AAL (2) / (3)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (4) / (6)
2022	\$ 18,002,108	\$ 20,701,737	\$ 2,699,629	86.96%	\$ 3,807,804	70.90%
2021	18,290,078	20,668,968	2,378,890	88.49%	3,429,792	69.36%
2020	14,901,779	19,681,886	4,780,107	75.71%	3,471,010	137.72%
2019	14,973,767	18,408,063	3,434,296	81.34%	3,619,993	94.87%
2018	14,291,976	17,306,863	3,014,887	82.58%	3,609,997	83.51%
2017	13,375,838	17,026,843	3,651,005	78.56%	3,348,354	109.04%
2016	12,416,233	16,463,427	4,047,194	75.42%	3,185,403	127.05%
2015	11,719,097	16,190,234	4,471,137	72.38%	2,985,915	149.74%

Town OPEB Health Insurance Plan						
Plan Year Ended June 30,	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)
2023	\$ -	\$ 2,372,843	\$ 2,372,843	0.00%	\$ 4,048,192	58.61%
2022	-	2,340,010	2,340,010	0.00%	3,686,036	63.48%
2021	-	3,094,579	3,094,579	0.00%	3,345,171	92.50%
2020	-	2,871,160	2,871,160	0.00%	3,661,920	86.46%
2019	-	2,544,085	2,544,085	0.00%	3,386,499	83.12%
2018	-	2,259,999	2,259,999	0.00%	3,331,367	75.97%
2017	-	1,159,350	1,159,350	0.00%	3,110,627	34.18%
2016	-	1,919,820	1,919,820	0.00%	3,020,125	54.93%

*Schedule is intended to show information for ten years.

Since fiscal year 2016 is the first year for this presentation, no other data is available.

Additional years will be included as they become available.

Town of Marion, Virginia
Schedule of Employer Contributions and Related Ratios
Last Ten Plan Years*

Town Retirement Plan					
Plan Year Ended June 30,	(1) Contractually Required Contribution	(2) Contributions in Relation to Required Contr.	(3) Contribution Deficiency (Excess)	(4) Employer's Covered Employee Payroll	(5) Contributions as a % of Covered Payroll
2022	\$ 545,278	\$ 483,475	\$ (61,803)	\$ 3,807,804	12.70%
2021	440,385	440,501	116	3,429,792	12.84%
2020	445,678	407,335	(38,343)	3,471,010	11.74%
2019	426,073	405,287	(20,786)	3,619,993	11.20%
2018	424,897	434,259	9,362	3,609,997	12.03%
2017	434,951	440,467	5,516	3,348,354	13.15%
2016	416,969	491,344	74,375	3,185,403	15.42%
2015	516,881	477,291	(39,590)	2,985,915	15.98%
2014	527,823	489,193	(38,630)	2,733,750	17.89%

Town OPEB Group Life Insurance Plan					
Fiscal Year Ended June 30,	(1) Contractually Required Contribution	(2) Contributions in Relation to Required Contr.	(3) Contribution Deficiency (Excess)	(4) Employer's Covered Employee Payroll	(5) Contributions as a % of Covered Payroll
2022	\$ 21,860	\$ 21,860	\$ -	\$ 4,048,192	0.54%
2021	19,905	19,905	-	3,686,036	0.54%
2020	18,064	18,064	-	3,345,171	0.54%
2019	18,792	18,792	-	3,661,920	0.51%
2018	18,411	18,411	-	3,386,499	0.54%
2017	17,610	17,610	-	3,331,367	0.53%
2016	17,323	17,323	-	3,110,627	0.56%
2015	16,486	14,931	(1,555)	3,020,125	0.49%
2014	16,001	14,497	(1,504)	2,811,966	0.52%

*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.

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 plan year ended June 30

OTHER
SUPPLEMENTARY
INFORMATION

Town of Marion, Virginia
Combining Balance Sheet
Other Governmental Funds
June 30, 2023

	Streetscape Program	Downtown Housing Project	CDBG Gilman Street	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 524	\$ -	\$ 524
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	-	-	-
Due from other funds	-	118,369	-	118,369
Total assets	<u>\$ -</u>	<u>\$ 118,893</u>	<u>\$ -</u>	<u>\$ 118,893</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 118,369	\$ -	\$ 32,951	\$ 151,320
Total liabilities	<u>118,369</u>	<u>-</u>	<u>32,951</u>	<u>151,320</u>
Fund balances:				
Unreserved:				
Designated for subsequent expenditure	(118,369)	118,893	(32,951)	(32,427)
Total fund balances	<u>(118,369)</u>	<u>118,893</u>	<u>(32,951)</u>	<u>(32,427)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 118,893</u>	<u>\$ -</u>	<u>\$ 118,893</u>

Town of Marion, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2023

	Streetscape Program	Downtown Housing Project	CDBG Gilman Street	Total
OTHER FINANCING SOURCES (USES)				
Net transfers in (out)	\$ -	\$ (130,000)	\$ -	\$ (130,000)
Proceeds from long-term debt	-	-	-	-
Total other financing sources and uses	-	(130,000)	-	(130,000)
Net change in fund balances	-	(130,000)	-	(130,000)
Fund balances - beginning	(118,369)	248,893	(32,951)	97,573
Fund balances - ending	\$ (118,369)	\$ 118,893	\$ (32,951)	\$ (32,427)

DISCRETELY PRESENTED
COMPONENT UNIT

Town of Marion, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Net Position - Proprietary Fund
June 30, 2023

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ -
Noncurrent assets:	
Land held for resale	<u>1,032,165</u>
Total assets	<u><u>\$ 1,032,165</u></u>
LIABILITIES	
Current liabilities:	
Cash and cash equivalents overdraft	\$ 9,120
Line of credit	551,811
NET POSITION	
Unrestricted	<u>471,234</u>
Total liabilities & deferred inflows & net position	<u><u>\$ 1,032,165</u></u>

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

Town of Marion, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2023

	Enterprise Fund
	<u> </u>
REVENUES	
Charges for services	\$ 63,567
Total revenues	<u>63,567</u>
 EXPENDITURES	
Current:	
Community development	<u>97,858</u>
Total expenditures	<u>97,858</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(34,291)</u>
 OTHER FINANCING SOURCES (USES)	
Capital contributions from Town	<u>500,000</u>
 Net change in net position	 465,709
 Total net position - beginning	 5,525
Total net position - ending	<u><u>\$ 471,234</u></u>

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

Town of Marion, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2023

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 63,567
Payments to suppliers	(97,858)
Net cash provided (used by) operating activities	<u>(34,291)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions from Town	500,000
Capital assets purchased	(1,032,165)
Line of credit proceeds	1,020,734
Line of credit payments	(468,923)
Net cash provided (used by) capital and related financing activities	<u>19,646</u>
Net increase (decrease) in cash and cash equivalents	(14,645)
Cash and cash equivalents - beginning	5,525
Cash and cash equivalents - ending	<u>\$ (9,120)</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (34,291)
Net cash provided (used) by operating activities	<u>\$ (34,291)</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, 2023

Schedule 1
Page 1 of 3

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	\$ 572,500	\$ 572,500	\$ 564,376	\$ (8,124)
Public service corporation taxes	28,000	28,000	27,682	(318)
Personal property taxes	237,800	237,800	247,748	9,948
Penalties and Interest	22,000	22,000	16,190	(5,810)
Total general property taxes	860,300	860,300	855,996	(4,304)
Other local taxes:				
Local sales and use taxes	250,000	250,000	274,167	24,167
Consumers' utility taxes	115,000	115,000	112,171	(2,829)
Communications taxes	110,000	110,000	90,408	(19,592)
Lodging taxes	140,000	140,000	146,175	6,175
Business license taxes	600,000	600,000	588,720	(11,280)
Consumer license taxes	30,000	30,000	28,239	(1,761)
Motor vehicle licenses	100,000	100,000	99,099	(901)
Bank stock taxes	180,000	180,000	222,634	42,634
Tobacco taxes	300,000	300,000	360,858	60,858
Meals taxes	1,500,000	1,500,000	1,792,733	292,733
Comcast PEG capital fees	5,000	5,000	4,352	(648)
Games of skill	5,000	5,000	-	(5,000)
Total other local taxes	3,335,000	3,335,000	3,719,556	384,556
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	1,600	1,600	1,282	(318)
Total permits, privilege fees, and regulatory licenses	1,600	1,600	1,282	(318)
Fines and forfeitures:				
Court fines and forfeitures	20,000	20,000	11,241	(8,759)
Parking Fines	100	100	10	(90)
E-Summons	2,000	2,000	880	(1,120)
Total fines and forfeitures	22,100	22,100	12,131	(9,969)
Revenue from use of money and property:				
Revenue from use of money	600	600	98,263	97,663
Revenue from use of property	6,824	6,824	15,641	8,817
Total revenue from use of money and property	7,424	7,424	113,904	106,480
Charges for services:				
Parking lot charges	500	500	(240)	(740)
Charges for sanitation and waste removal	464,500	464,500	452,030	(12,470)
Charges for parks and recreation	8,000	8,000	6,880	(1,120)
Farmers market	4,000	4,000	5,948	1,948
Fire/EMS	426,000	426,000	465,311	39,311
Police patrol	2,500	2,500	21	(2,479)
Credit card fees	25,000	25,000	28,746	3,746
Senior center-District III	1,000	1,000	1,270	270
Cemetery maintenance fees	7,500	7,500	6,419	(1,081)
Total charges for services	939,000	939,000	966,385	27,385

Town of Marion, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2023

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	\$ 15,541	\$ 15,541	\$ 25,110	\$ 9,569
Insurance proceeds	-	-	26,743	26,743
Sale of property and equipment	4,000	4,000	39,986	35,986
Donations	-	-	6,653	6,653
<i>Total miscellaneous revenue</i>	<u>19,541</u>	<u>19,541</u>	<u>98,492</u>	<u>78,951</u>
Recovered costs:				
County of Smyth - Recreation facilities	50,000	50,000	50,000	-
County of Smyth - Fire and rescue	250,000	250,000	250,000	-
Other recovered costs	211,500	211,500	145,702	(65,798)
<i>Total recovered costs</i>	<u>511,500</u>	<u>511,500</u>	<u>445,702</u>	<u>(65,798)</u>
Total revenue from local sources	5,696,465	5,696,465	6,213,448	516,983
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	6,000	6,000	5,088	(912)
Rental tax	20,000	20,000	23,755	3,755
Personal property tax relief funds	-	-	45,785	45,785
<i>Total noncategorical aid</i>	<u>26,000</u>	<u>26,000</u>	<u>74,628</u>	<u>48,628</u>
Categorical aid:				
Litter control grant	4,000	4,000	4,608	608
Fire programs	25,000	25,000	23,074	(1,926)
Street and highway maintenance	1,360,500	1,360,500	1,570,461	209,961
Law enforcement grants	163,336	163,336	207,968	44,632
Commission of the Arts	4,500	4,500	4,500	-
Asset forfeiture funds	1,500	1,500	-	(1,500)
VDOT Park Blvd Drainage Project	612,000	612,000	129,774	(482,226)
Other state aid	8,100	8,100	286,099	277,999
<i>Total categorical aid</i>	<u>2,178,936</u>	<u>2,178,936</u>	<u>2,226,484</u>	<u>47,548</u>
Total revenue from the Commonwealth	2,204,936	2,204,936	2,301,112	96,176
Revenue from the federal government:				
Categorical aid:				
State and Community Highway Safety	25,000	25,000	14,359	(10,641)
Disaster Grants - Public Assistance	-	-	36,990	36,990
Community Development Block Grant	-	-	126,300	126,300
Rural Development Police Grant	-	-	50,000	50,000
American Rescue Plan Act (ARPA)	-	-	4,571,830	4,571,830
Asset forfeiture funds	500	500	-	(500)
Cooperative Forestry Assistance	-	-	1,695	1,695
<i>Total categorical aid</i>	<u>25,500</u>	<u>25,500</u>	<u>4,801,174</u>	<u>4,775,674</u>
Total revenue from the federal government	25,500	25,500	4,801,174	4,775,674

Town of Marion, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2023

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund: (Continued)				
Other financing sources:				
Net transfers in (out)	\$ 2,739,169	\$ 2,739,169	\$ 1,830,566	\$ (908,603)
Proceeds from a line of credit	450,000	450,000	8,859,000	8,409,000
Proceeds from long-term debt	-	-	-	-
<i>Total other financing sources</i>	<u>3,189,169</u>	<u>3,189,169</u>	<u>10,689,566</u>	<u>7,500,397</u>
Total other financing sources	<u>3,189,169</u>	<u>3,189,169</u>	<u>10,689,566</u>	<u>7,500,397</u>
 Total General Fund	 <u>\$ 11,116,070</u>	 <u>\$ 11,116,070</u>	 <u>\$ 24,005,300</u>	 <u>\$ 12,889,230</u>
 Total Primary Government	 <u>\$ 11,116,070</u>	 <u>\$ 11,116,070</u>	 <u>\$ 24,005,300</u>	 <u>\$ 12,889,230</u>

Town of Marion, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2023

Fund, Function and Department Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 95,029	\$ 95,029	\$ 152,167	\$ (57,138)
Town clerk	410,794	410,794	392,250	18,544
<i>Total legislative</i>	<u>\$ 505,823</u>	<u>\$ 505,823</u>	<u>\$ 544,417</u>	<u>\$ (38,594)</u>
General and financial administration:				
Town manager	\$ 200,752	\$ 200,752	\$ 213,053	\$ (12,301)
Legal services	29,450	29,450	31,835	(2,385)
Independent auditor	36,158	36,158	42,250	(6,092)
Finance	375,127	375,127	402,131	(27,004)
Information technology	119,270	119,270	92,407	26,863
Risk management	135,480	135,480	127,978	7,502
Motor pool	151,498	151,498	181,116	(29,618)
Central purchasing	194,722	194,722	196,025	(1,303)
<i>Total general and financial administration</i>	<u>\$ 1,242,457</u>	<u>\$ 1,242,457</u>	<u>\$ 1,286,795</u>	<u>\$ (44,338)</u>
Total general government administration	<u>\$ 1,748,280</u>	<u>\$ 1,748,280</u>	<u>\$ 1,831,212</u>	<u>\$ (82,932)</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,984,484	\$ 1,984,484	\$ 2,242,448	\$ (257,964)
<i>Total law enforcement and traffic control</i>	<u>\$ 1,984,484</u>	<u>\$ 1,984,484</u>	<u>\$ 2,242,448</u>	<u>\$ (257,964)</u>
Fire and rescue services:				
Fire and rescue services	\$ 819,176	\$ 819,176	\$ 937,632	\$ (118,456)
<i>Total fire and rescue services</i>	<u>\$ 819,176</u>	<u>\$ 819,176</u>	<u>\$ 937,632</u>	<u>\$ (118,456)</u>
Total public safety	<u>\$ 2,803,660</u>	<u>\$ 2,803,660</u>	<u>\$ 3,180,080</u>	<u>\$ (376,420)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 2,959,452	\$ 2,959,452	\$ 3,141,683	\$ (182,231)
General engineering and administration	172,574	172,574	188,485	(15,911)
<i>Total maintenance of highways, streets, bridges & sidewalks</i>	<u>\$ 3,132,026</u>	<u>\$ 3,132,026</u>	<u>\$ 3,330,168</u>	<u>\$ (198,142)</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 574,546	\$ 574,546	\$ 517,915	\$ 56,631
<i>Total sanitation and waste removal</i>	<u>\$ 574,546</u>	<u>\$ 574,546</u>	<u>\$ 517,915</u>	<u>\$ 56,631</u>
Total public works	<u>\$ 3,706,572</u>	<u>\$ 3,706,572</u>	<u>\$ 3,848,083</u>	<u>\$ (141,511)</u>

Town of Marion, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2023

Fund, Function and Department Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 156,986	\$ 156,986	\$ 184,536	\$ (27,550)
<i>Total parks and recreation</i>	<u>\$ 156,986</u>	<u>\$ 156,986</u>	<u>\$ 184,536</u>	<u>\$ (27,550)</u>
<i>Total parks, recreation, and cultural</i>	<u>\$ 156,986</u>	<u>\$ 156,986</u>	<u>\$ 184,536</u>	<u>\$ (27,550)</u>
Community development:				
Planning and community development:				
Planning	\$ 51,259	\$ 51,259	\$ 81,607	\$ (30,348)
Community development	399,020	399,020	684,660	(285,640)
Economic development	348,129	348,129	394,756	(46,627)
<i>Total planning and community development</i>	<u>\$ 798,408</u>	<u>\$ 798,408</u>	<u>\$ 1,161,023</u>	<u>\$ (362,615)</u>
<i>Capital contributions to component unit EDA</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</u>
<i>Total community development</i>	<u>\$ 798,408</u>	<u>\$ 798,408</u>	<u>\$ 1,661,023</u>	<u>\$ (362,615)</u>
Capital projects:				
Capital outlays	\$ 485,000	\$ 485,000	\$ 249,451	\$ 235,549
American Rescue Plan Act (ARPA)	-	-	561,059	(561,059)
<i>Total capital projects</i>	<u>\$ 485,000</u>	<u>\$ 485,000</u>	<u>\$ 810,510</u>	<u>\$ (325,510)</u>
Debt service:				
Principal retirement	\$ 1,416,009	\$ 1,416,009	\$ 8,388,506	\$ (6,972,497)
Interest and other fiscal charges	1,155	1,155	6,844	(5,689)
<i>Total debt service</i>	<u>\$ 1,417,164</u>	<u>\$ 1,417,164</u>	<u>\$ 8,395,350</u>	<u>\$ (6,978,186)</u>
 Total General Fund	 <u>\$ 11,116,070</u>	 <u>\$ 11,116,070</u>	 <u>\$ 19,910,794</u>	 <u>\$ (8,294,724)</u>
 Total Primary Government	 <u>\$ 11,116,070</u>	 <u>\$ 11,116,070</u>	 <u>\$ 19,910,794</u>	 <u>\$ (8,294,724)</u>

Town of Marion, Virginia
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2023

Federal Grantor/Program or Cluster Title	Federal Assistance No.	Grant ID No.	Federal Expenditures
Highway Safety Cluster			
Department of Transportation			
Passed through VA Department of Criminal Justice			
State and Community Highway Safety	20.600	01-01-2020-9-30-2020	\$ 14,359
Total Highway Safety Cluster			<u>14,359</u>
Other Programs			
Department of Homeland Security			
Passed through VA Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared)	97.036		36,990
Hazard Mitigation Grant	97.039	HMGP-DR-03 VA-4411-003	-
<i>Total Department of Homeland Security</i>			<u>36,990</u>
Department of Housing and Urban Development			
Passed through VA Dept of Housing and Community Dev			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		126,300
Department of Agriculture			
Cooperative Forestry Assistance	10.664	WR-71-22	1,695
Rural Development Police Grant	10.766		50,000
<i>Total Department of Agriculture</i>			<u>51,695</u>
Department of the Treasury			
Passed through County of Smyth, Virginia			
ARPA Coronavirus State and Local Fiscal Recovery Fund	21.027		4,671,830
<i>Total Department of the Treasury</i>			<u>4,671,830</u>
Total Other Programs			<u>4,886,815</u>
Total Expenditures of Federal Awards			<u>\$ 4,901,174</u>

The accompanying notes are an integral part of this schedule.

* Denotes major program

Town of Marion, Virginia
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Basis of Presentation

The schedule of expenditures of federal awards includes the federal award activity of the Town of Marion under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200 Uniform Administrative Requirement, Cost Principle and Audit Requirement for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

Summary of Significant Accounting Policies

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

Federal funds received in advance (such as Coronavirus Relief funds) and unexpended at year-end are included in deferred revenue as detailed in the notes to the financial statements.

Pass through entity identifying numbers are presented where available.

Subrecipients

The Town did not have any subrecipients for the year ended June 30, 2023.

STATISTICAL INFORMATION

Table 1

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

Fiscal Year	Nonspendable		Restricted		Assigned		Unassigned		Total
2013-14	\$	139,398	\$	212,625	\$	247,993	\$	(363,531)	\$ 236,485
2014-15		139,959		223,752		168,868		(670,499)	(137,920)
2015-16		147,688		223,752		198,279		(56,557)	513,162
2016-17		144,403		223,752		211,180		(274,813)	304,522
2017-18		147,100		223,752		126,762		(908,596)	(410,982)
2018-19		84,408		244,393		125,144		147,841	601,786
2019-20		157,702		244,393		140,083		(346,023)	196,155
2020-21		165,201		248,893		-		(253,463)	160,631
2021-22		137,504		248,893		-		1,296,472	1,682,869
2022-23		163,882		118,893		-		5,364,600	5,647,375

Table 2

Town of Marion, Virginia
Net Position
Primary Government
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
2013-14	\$ 6,634,300	\$ 208,814	\$ (540,716)	\$ 7,991,802	\$ 378,873	\$ 1,288,218
2014-15	7,969,363	219,941	(4,751,409)	7,828,856	281,408	441,535
2015-16	7,919,083	219,941	(3,848,874)	7,626,911	287,799	758,156
2016-17	8,225,246	219,941	(3,930,253)	7,936,517	403,974	290,518
2017-18	7,880,197	219,941	(5,687,135)	8,599,747	272,229	(96,037)
2018-19	7,791,284	240,582	(4,754,890)	8,388,122	214,746	75,617
2019-20	7,556,411	244,393	(5,432,634)	9,111,023	244,258	289,554
2020-21	6,859,399	248,893	(5,837,041)	10,253,546	267,271	383,003
2021-22	6,954,203	248,893	(3,455,433)	12,265,338	309,605	(153,557)
2022-23	7,170,994	118,893	712,415	13,521,362	255,426	(118,395)

Table 3

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

Fiscal Year	Revenues	Expenditures	Capital Projects	Excess (deficit) of Revenues over (under) Expenditures
2013-14	\$ 6,173,258	\$ 9,574,435	\$ 166,733	\$ (3,567,910)
2014-15	7,269,565	14,037,831	1,371,408	(8,139,674)
2015-16	7,951,804	13,487,442	320,259	(5,855,897)
2016-17	6,991,146	13,178,868	406,044	(6,593,766)
2017-18	6,984,219	16,728,796	524,397	(10,268,974)
2018-19	8,250,669	17,395,178	384,628	(9,529,137)
2019-20	7,847,519	17,587,021	12,104	(9,751,606)
2020-21	8,594,046	16,065,552	117,007	(7,588,513)
2021-22	7,971,531	17,355,179	625,527	(10,009,175)
2022-23	13,315,734	19,100,284	810,510	(6,595,060)

Fiscal Year	Proceeds from Debt	Transfers In (Out)	Total Other Financing Sources (Uses)	Net Change in Fund Balance
2013-14	\$ 2,482,000	\$ 1,206,784	\$ 3,688,784	\$ 120,874
2014-15	6,429,052	1,302,097	7,731,149	(408,525)
2015-16	5,134,244	1,372,735	6,506,979	651,082
2016-17	5,302,760	1,082,367	6,385,127	(208,639)
2017-18	8,367,347	1,186,123	9,553,470	(715,504)
2018-19	8,680,000	1,861,905	10,541,905	1,012,768
2019-20	8,418,500	927,475	9,345,975	(405,631)
2020-21	6,580,000	972,989	7,552,989	(35,524)
2021-22	9,412,500	2,118,913	11,531,413	1,522,238
2022-23	8,859,000	1,700,566	10,559,566	3,964,506

Table 4

Town of Marion, Virginia
Changes in Net Position
Primary Government
Last Ten Fiscal Years

Fiscal Year	Expenses	Program Revenues	Net (Expense)	General Revenues	Transfers	Change in Net Position
2013-14	\$ 9,189,957	\$ 5,827,396	\$ (3,362,561)	\$ 3,460,312	\$ -	\$ 97,751
2014-15	9,961,916	6,745,613	(3,216,303)	3,432,361	-	216,058
2015-16	10,532,808	7,088,849	(3,443,959)	4,417,281	-	973,322
2016-17	10,006,005	6,554,713	(3,451,292)	3,634,219	-	182,927
2017-18	11,737,767	6,598,463	(5,139,304)	3,990,626	-	(1,148,678)
2018-19	10,690,927	7,430,200	(3,260,727)	4,027,246	-	766,519
2019-20	11,884,191	8,080,452	(3,803,739)	3,861,283	-	57,544
2020-21	11,503,043	7,321,302	(4,181,741)	4,343,807	-	162,066
2021-22	9,816,591	8,837,287	(979,304)	4,973,282	-	3,993,978
2022-23	13,029,932	8,901,176	(4,128,756)	9,620,402	-	5,491,646

Table 5

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development
2013-14	\$ 1,327,851	\$ 1,524,561	\$ 2,003,788	\$ 1,315,327	\$ 830,257
2014-15	1,412,681	1,568,289	2,325,699	1,194,373	1,196,299
2015-16	1,326,908	1,875,229	2,871,732	1,062,583	1,002,968
2016-17	1,367,052	2,100,570	2,128,625	1,091,145	973,886
2017-18	1,592,878	2,605,326	2,850,070	1,372,153	975,852
2018-19	1,613,462	2,417,178	2,808,194	933,385	805,158
2019-20	1,678,914	2,616,381	3,329,208	862,124	962,468
2020-21	2,130,256	3,027,956	2,877,353	386,720	890,537
2021-22	1,683,623	2,430,541	2,242,621	73,226	922,621
2022-23	1,906,288	3,068,389	3,694,899	141,948	1,628,857

Fiscal Year	Interest on Long-term Debt	Water, Sewer and CIRP	Swimming Pool	Total
2013-14	\$ 81,742	\$ 2,066,723	\$ 39,708	\$ 9,189,957
2014-15	93,019	2,127,095	44,461	9,961,916
2015-16	116,184	2,233,194	44,010	10,532,808
2016-17	34,523	2,220,782	89,422	10,006,005
2017-18	129,029	2,169,160	43,299	11,737,767
2018-19	114,692	1,960,102	38,756	10,690,927
2019-20	105,288	2,294,588	35,220	11,884,191
2020-21	119,711	2,042,524	27,986	11,503,043
2021-22	138,720	2,263,858	61,381	9,816,591
2022-23	11,017	2,448,242	130,292	13,029,932

Table 6

Town of Marion, Virginia
Revenues
Primary Government
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	General Property Taxes	Other Local Taxes	Permits, Fees & Licenses	Fines & Forfeitures
2013-14	\$ 3,948,424	\$ 1,440,293	\$ 438,679	\$ 598,997	\$ 2,667,267	\$ 150	\$ 17,174
2014-15	4,192,231	1,721,986	831,396	593,460	2,676,220	105	17,027
2015-16	4,802,192	1,942,168	344,489	603,510	2,839,312	370	17,007
2016-17	4,473,292	1,880,265	201,156	553,350	2,728,276	655	19,589
2017-18	4,632,913	1,750,013	215,537	666,766	2,849,725	345	30,430
2018-19	5,034,506	2,231,719	163,975	688,058	2,907,998	806	27,205
2019-20	5,173,854	2,638,324	268,274	739,068	2,878,585	626	17,832
2020-21	5,023,129	1,910,936	387,237	785,024	3,009,533	635	20,184
2021-22	5,808,354	1,938,011	1,090,922	933,197	3,197,720	750	8,286
2022-23	6,192,802	2,418,838	289,536	859,666	3,719,556	1,282	12,131

GENERAL REVENUES continued

Fiscal Year	Unrestricted Investment Earnings	Miscellaneous	Recovered Costs	Not Restricted Grants & Contributions	Gain (Loss) on Disposal of Capital Assets	Total
2013-14	\$ 19,667	\$ 78,538	\$ 8,916	\$ 69,603	\$ -	\$ 9,287,708
2014-15	18,243	54,199	4,459	68,648	-	10,177,974
2015-16	14,117	51,429	819,333	72,203	-	11,506,130
2016-17	13,728	154,184	98,263	66,174	-	10,188,932
2017-18	14,228	208,413	137,867	71,952	10,900	10,589,089
2018-19	13,503	55,684	84,495	74,136	175,361	11,457,446
2019-20	11,712	32,370	89,488	89,320	2,282	11,941,735
2020-21	3,553	47,283	363,922	1,021,466	(907,793)	11,665,109
2021-22	6,198	75,285	123,187	624,558	4,101	13,810,569
2022-23	116,137	58,506	129,690	4,683,448	39,986	18,521,578

Table 7

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

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total (1)
2013-14	\$ 1,247,119	\$ 1,450,222	\$ 2,043,903	\$ 1,243,183	\$ 847,182	\$ 2,742,826	\$ 9,574,435
2014-15	1,331,669	1,620,227	2,241,570	1,233,400	1,128,235	6,482,730	14,037,831
2015-16	1,311,957	1,917,880	2,839,192	967,524	1,018,176	5,432,713	13,487,442
2016-17	1,290,385	2,112,993	2,213,453	1,062,512	953,939	5,545,586	13,178,868
2017-18	1,401,842	2,268,517	2,611,775	1,687,284	934,742	7,824,636	16,728,796
2018-19	1,498,311	2,315,792	3,012,536	845,947	816,620	8,905,972	17,395,178
2019-20	1,529,100	2,390,236	3,512,760	757,629	938,806	8,458,490	17,587,021
2020-21	2,214,745	2,648,149	2,628,637	934,486	865,271	6,774,264	16,065,552
2021-22	1,745,361	2,727,263	2,307,903	114,726	960,617	9,499,309	17,355,179
2022-23	1,831,212	3,180,080	3,848,083	184,536	1,661,023	8,395,350	19,100,284

(1) Excludes capital projects

Table 8

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Fees & Licenses	Fines & Forfeitures	Revenue from Money & Property
2013-14	\$ 584,811	\$ 2,667,267	\$ 150	\$ 17,174	\$ 16,557
2014-15	590,482	2,676,220	105	17,027	13,604
2015-16	592,351	2,839,312	370	17,007	14,057
2016-17	640,192	2,728,276	655	19,589	13,520
2017-18	675,388	2,849,725	345	30,430	14,088
2018-19	684,666	2,907,040	806	27,205	13,368
2019-20	746,348	2,877,242	626	17,832	11,573
2020-21	786,684	3,009,533	635	20,184	3,407
2021-22	803,114	3,197,720	750	8,286	13,371
2022-23	855,996	3,719,556	1,282	12,131	113,904

Fiscal Year	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2013-14	\$ 889,334	\$ 78,538	\$ 102,945	\$ 1,816,482	\$ 6,173,258
2014-15	1,171,451	54,199	190,192	2,556,285	7,269,565
2015-16	1,230,480	51,429	919,872	2,286,926	7,269,565
2016-17	1,323,523	145,603	173,349	1,946,439	6,991,146
2017-18	1,121,616	221,741	248,921	1,821,965	6,984,219
2018-19	1,435,187	691,465	185,077	2,305,855	8,250,669
2019-20	1,218,634	34,652	212,968	2,727,644	7,847,519
2020-21	1,107,434	369,845	363,922	2,932,402	8,594,046
2021-22	937,706	79,386	368,629	2,562,569	7,971,531
2022-23	966,385	98,492	445,702	7,102,286	13,315,734

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
2013-14	\$ 711,022	\$ 613,045	86.22%	\$ 10,104	\$ 623,149	87.64%	\$ 160,495	22.57%
2014-15	697,201	609,855	87.47%	13,089	622,944	89.35%	167,485	24.02%
2015-16	744,991	605,140	81.23%	21,192	626,332	84.07%	211,002	28.32%
2016-17	840,980	629,306	74.83%	33,926	663,232	78.86%	177,608	21.12%
2017-18	850,426	690,881	81.24%	17,793	708,674	83.33%	215,424	25.33%
2018-19	895,372	702,530	78.46%	14,701	717,231	80.10%	202,779	22.65%
2019-20	934,624	743,714	79.57%	26,615	770,329	82.42%	182,161	19.49%
2020-21	948,374	794,555	83.78%	18,716	813,271	85.75%	176,830	18.65%
2021-22	1,015,978	858,648	84.51%	26,943	885,591	87.17%	183,296	18.04%
2022-23	1,043,349	858,648	82.30%	26,943	885,591	84.88%	193,111	18.51%

(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	
2013-14	\$ 318,076,000	\$ 38,286,103	\$ 12,132,811	\$ 13,973,609	\$ 1,189,143	\$ 383,657,666
2014-15	302,902,413	38,877,153	9,952,565	15,906,298	-	367,638,429
2015-16	302,063,200	39,192,439	9,554,009	16,278,252	-	367,087,900
2016-17	310,460,800	44,487,803	10,844,869	15,860,430	-	381,653,902
2017-18	312,477,300	44,825,654	11,206,414	14,424,559	-	382,933,927
2018-19	314,979,300	47,439,982	11,859,995	15,136,716	-	389,415,993
2019-20	336,427,400	46,489,542	11,622,385	18,284,088	-	412,823,415
2020-21	337,488,700	48,907,135	12,226,784	15,959,684	-	414,582,303
2021-22	339,019,273	62,536,379	15,634,095	16,283,825	-	433,473,572
2022-23	340,488,300	65,502,982	16,375,745	21,535,055	-	443,902,082

Table 11

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2013-14	0.15	0.35	0.35
2014-15	0.15	0.35	0.35
2015-16	0.15	0.35	0.35
2016-17	0.15	0.35	0.35
2017-18	0.15	0.35	0.35
2018-19	0.17	0.35	0.35
2019-20	0.17	0.40	0.40
2020-21	0.17	0.40	0.40
2021-22	0.17	0.40	0.40
2022-23	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
2013-14	5,968	\$ 367,638	\$ 7,670,533	2.09%	\$ 1,285
2014-15	5,968	367,088	7,607,567	2.07%	1,275
2015-16	5,968	381,654	7,425,172	1.95%	1,244
2016-17	5,968	382,934	7,434,278	1.94%	1,246
2017-18	5,968	389,416	8,408,072	2.16%	1,409
2018-19	5,968	412,823	8,427,305	2.04%	1,412
2019-20	5,968	412,823	8,212,518	1.99%	1,376
2020-21	5,751	414,582	7,702,524	1.86%	1,339
2021-22	5,762	433,474	7,699,517	1.78%	1,336
2022-23	5,666	443,902	8,620,860	1.94%	1,522

(1) U.S. Census Bureau.

(2) Includes all long-term general obligation bonds, anticipation notes, and lines of credit.
Excludes line of credit.

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
2013-14	\$ 2,659,341	\$ 83,485	\$ 2,742,826	\$ 9,741,168	28.16%
2014-15	6,388,228	94,502	6,482,730	15,409,239	42.07%
2015-16	5,311,758	120,955	5,432,713	13,807,701	39.35%
2016-17	5,476,978	68,608	5,545,586	13,584,912	40.82%
2017-18	7,700,735	123,901	7,824,636	17,253,193	45.35%
2018-19	8,785,727	120,245	8,905,972	17,779,806	50.09%
2019-20	8,349,762	108,728	8,458,490	17,599,125	48.06%
2020-21	6,658,193	116,071	6,774,264	16,182,559	41.86%
2021-22	9,357,763	141,546	9,499,309	17,980,706	52.83%
2022-23	8,388,506	6,844	8,395,350	19,910,794	42.16%

Table 14

Town of Marion, Virginia
Principal Taxpayers
June 30, 2023

Company	2021-22		2022-23	
	Assessed Value	Rank	Assessed Value	Rank
General Dynamics	\$ 12,094,400	1	\$ 12,094,400	1
Regency Marion/Walmart	8,244,300	2	8,244,300	2
Smyth County Foundation	6,629,300	3	6,629,300	3
Marion Plaza	4,639,100	4	4,639,100	4
Highland Development	4,000,300	5	4,000,300	5
Marion Manor	3,615,400	6	3,615,400	6
Callan Drive Investments	2,975,747	7	3,198,600	7
Holston Hills Golf Course			3,024,200	8
Park Terrace Apartments	2,769,500	8	2,769,500	9
Bank of Marion	2,321,200	9	2,321,200	10
Marion Main Street LLC	2,107,000	10		

Information provided from the real estate tax book.

Table 15

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

	2014	2015	2016	2017	2018
Assessed valuations:					
Assessed value	<u>\$ 383,657,666</u>	<u>\$ 367,638,429</u>	<u>\$ 367,087,900</u>	<u>\$ 381,653,902</u>	<u>\$ 382,933,927</u>
Legal debt margin					
Debt limitation - 10% of assessed value	38,365,767	36,763,843	36,708,790	38,165,390	38,293,393
Debt applicable to limitation:					
General obligation bonds	7,676,145	7,611,885	7,430,784	7,434,278	8,408,072
Less: Amount set aside for repayment	378,873	344,559	352,828	403,974	272,229
Total debt applicable to limitation	<u>7,297,272</u>	<u>7,267,326</u>	<u>7,077,956</u>	<u>7,030,304</u>	<u>8,135,843</u>
Legal debt margin	<u>\$ 31,068,495</u>	<u>\$ 29,496,517</u>	<u>\$ 29,630,834</u>	<u>\$ 31,135,086</u>	<u>\$ 30,157,550</u>
Applicable debt as a % of debt limitation	19.02%	19.77%	19.28%	18.42%	21.25%
	2019	2020	2021	2022	2023
Assessed valuations:					
Assessed value	<u>\$ 412,823,415</u>	<u>\$ 412,823,415</u>	<u>\$ 414,582,303</u>	<u>\$ 433,473,572</u>	<u>\$ 443,902,082</u>
Legal debt margin					
Debt limitation - 10% of assessed value	41,282,342	41,282,342	41,458,230	43,347,357	44,390,208
Debt applicable to limitation:					
General obligation bonds	8,427,305	8,212,518	7,702,524	7,699,517	8,620,860
Less: Amount set aside for repayment	214,746	244,258	267,271	309,605	255,426
Total debt applicable to limitation	<u>8,212,559</u>	<u>7,968,260</u>	<u>7,435,253</u>	<u>7,389,912</u>	<u>8,365,434</u>
Legal debt margin	<u>\$ 33,069,783</u>	<u>\$ 33,314,082</u>	<u>\$ 34,022,977</u>	<u>\$ 35,957,445</u>	<u>\$ 36,024,774</u>
Applicable debt as a % of debt limitation	19.89%	19.30%	17.93%	17.05%	18.85%

Table 16

Town of Marion, Virginia
Miscellaneous Statistics
June 30, 2023

Date of incorporation	1832
Form of government	Council-Manager
Number of full-time employees:	
General government administration	15
Public safety	26
Public works	25
Parks, recreation, and cultural	1
Community development	3
Water, sewer and CIRP	15

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 Honorable Members of the Town Council
Town of Marion, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Marion, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Marion, Virginia's basic financial statements, and have issued our report thereon dated December 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Marion, Virginia's internal control over financial reporting (internal control) as a basis for designing 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 Town of Marion, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. 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.

Sostie, Tucker & Company, P.C.

Lebanon, Virginia
December 7, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Members of the Town Council
Town of Marion, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Marion, Virginia's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Town of Marion, Virginia's major federal programs for the year ended June 30, 2023. Town of Marion, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Marion, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Marion, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Marion, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Marion, Virginia's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Marion, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Marion, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Marion, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Marion, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Marion, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bostic, Tucker & Company, P.C.

Lebanon, Virginia
December 7, 2023

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's opinion issued:	Unmodified
Internal control over financial reporting:	
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No

Federal Awards

Internal control over major programs:	
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any significant deficiencies in internal control reported for major federal programs?	No
Type of auditor's opinion issued on compliance for major programs:	Unmodified
Are there any reportable findings under 2 CFR § 200.516(a)	No

Major programs identified:

	CFDA	
ARPA Coronavirus State and Local Fiscal Recovery Fund	21.027	
Dollar threshold used to distinguish between Type A and Type B Programs:	\$	750,000
Auditee qualified as low risk?		Yes

Section II - Financial Statement Findings:

None Reported

Section III - Federal Awards Findings and Questioned Costs

None Reported

Prior Year Findings

None Reported