

TOWN OF MARION, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2015

**TOWN OF MARION, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

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TOWN OF MARION, VIRGINIA

TOWN COUNCIL

David P. Helms, Mayor

James Gates

Larry Carter

Bill Weaver

Tricia Spencer

Jim Barker

Suzanne Jennings

OTHER OFFICIALS

Bill Rush..... Town Manager
Cindy Stanley.....Town Clerk/Director of Finance
Anita Catron.....Deputy Clerk/Deputy Director of Finance
Mark Fenyk..... Town Attorney



**RONALD C. BOSTIC, CPA
GREGORY D. TUCKER, CPA**

**P.O. Box 505, Lebanon, VA 24266
(276) 889-3103 Fax: (276) 889-0229
www.bthcpa.com**

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Marion, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Town of Marion, Virginia, as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Notes 1 and 11 to the financial statements, the Town adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. As a result, net position as of June 30, 2014 has been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, the budgetary comparison information on pages 53-58, the schedule of funding progress on page 59, and the schedule of changes in net pension liability and related ratios on pages 60-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Marion, Virginia's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Marion, Virginia's internal control over financial reporting and compliance.

Bostic, Tucker and Company PC

Lebanon, Virginia
January 15, 2016

**MANAGEMENT
DISCUSSION AND
ANALYSIS**

TOWN OF MARION, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. Please read it in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights

The general fund is the chief operating fund of the Town. At the end of the 2014 fiscal year, the unassigned fund balance of the general fund was (\$243,139) and the non-spendable for prepaid expenses of \$113,174. For the current fiscal year, 2015, the unassigned fund balance of the general fund was (\$512,997) and nonspendable for prepaid expenses of \$110,423.

The total net position of the Town of Marion's governmental activities was \$6,302,398 as of June 30, 2014. The total net position for 2015 is \$3,437,895. A decrease occurred due largely to pension liability being recorded as a long-term liability under the new standard, GASB 68.

The total net position of the business-type activities were \$9,658,893 for fiscal year end 2014 and \$8,551,799 for the fiscal year end 2015 resulting in a decrease of \$1,107,094. The water, sewer and swimming pool funds reported operating revenues of \$3,020,780. A decrease in operating revenues of \$38,310 occurred from fiscal year 2014.

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 consists of 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to the Financial Statement.

The government-wide financial statement includes 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. This approach has been modified accrual basis in the basic financial statements presented. This year the report also presents the full accrual method.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its 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 of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. You can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town 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 public safety, public works, parks and recreation, cultural, community development, garbage and general government. Property and other local taxes, state and federal funding, and transfers from the Water and Sewer Fund finance these activities.

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

Fund Financial Statements

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of government's financial position. In the case of the Town of Marion, assets exceeded liabilities by \$6,302,398 as of June 30, 2014. As of June 30, 2015, the Town of Marion assets exceeded liabilities by \$3,437,895.

The largest portion of the Town's net position of \$7,969,363 reflects its net investment in capital assets (e.g. land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

An additional portion of the Town's net position of \$219,941 represents resources that are subject to external restriction on how they may be used. The remaining balance of unreserved net position is (\$4,751,409).

General revenues and transfers were \$4,725,360 for governmental activities. General revenues include property taxes, other local taxes, interest income, miscellaneous income, and transfers from other funds. Program revenues were \$3,659,088 for governmental activities. The source of the program revenues is from charges for services, operating grants and contributions, and capital grants and contributions. Total expenses for governmental activities were \$7,790,360, which included expense for general government, public safety, public works, culture and recreation, community development, and interest expense. The governmental activities exhibited a change in net position of \$594,088.

Business-type activities

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

The total net position for business-type activities was \$8,551,799 which includes net investment in capital assets of \$7,828,856, reserved for debt service and bond covenants of \$281,408, and unreserved net position of \$441,535.

Program revenues for business-type activities for the Town were \$3,020,780 for charges for services and \$65,745 for capital grants and contributions. Program revenues include charges for water and sewer usage, tap and connection fees, pool fees, and grants. The expenses incurred to provide these services were \$2,171,556. General revenues and transfers include interest income of \$4,639, recovered costs of \$4,459, and a transfer to other funds of \$(1,302,097). The change in net position for business-type activities resulted in a decrease to net position of \$378,030.

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TOWN OF MARION, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The table below focuses on the net position of the Town's governmental and business-type activities as of the years ended June 30, 2015 and 2014.

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Current Assets	2,031,953	2,076,876	2,058,243	1,948,634	4,090,196	4,025,510
Capital Assets	9,203,574	10,749,501	13,098,673	12,660,601	22,302,247	23,410,102
Total Assets	11,235,527	12,826,377	15,156,916	14,609,235	26,392,443	27,435,612
Deferred Outflows of Resources	-	440,084	-	87,739	-	527,823
Current Liabilities	1,014,372	1,357,397	193,099	304,233	1,207,471	1,661,630
Long-Term Liabilities	3,218,647	7,099,050	5,304,924	5,727,719	8,523,571	12,826,769
Total Liabilities	4,233,019	8,456,447	5,498,023	6,031,952	9,731,042	14,488,399
Deferred Inflows of Resources	700,110	1,372,119	-	113,223	700,110	1,485,342
Net Position:						
Net Investment in Capital Assets	6,634,300	7,969,363	7,991,802	7,828,856	14,626,102	15,798,219
Restricted	208,814	219,941	378,873	281,408	587,687	501,349
Unrestricted	(540,716)	(4,751,409)	1,288,218	441,535	747,502	(4,309,874)
Total Net Position	6,302,398	3,437,895	9,658,893	8,551,799	15,961,291	11,989,694

TOWN OF MARION, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The revenues and expenses for governmental activities and business-type activities are shown in Table 2.

Table 2

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Charges for Services	889,334	1,171,451	3,059,090	3,020,780	3,948,424	4,192,231
Operating Grants/Contributions	1,440,293	1,721,986	-	-	1,440,293	1,721,986
Capital Grants/Contributions	306,586	765,651	132,093	65,745	438,679	831,396
Program Revenues	2,636,213	3,659,088	3,191,183	3,086,525	5,827,396	6,745,613
Taxes	3,266,264	3,269,680	-	-	3,266,264	3,269,680
Interest Income	16,557	13,604	3,110	4,639	19,667	18,243
Miscellaneous	78,538	54,199	-	-	78,538	54,199
Fines, forfeitures, permits	17,324	17,132	-	-	17,324	17,132
Recovered costs	-	-	8,916	4,459	8,916	4,459
Grants not restricted to program	69,603	68,648	-	-	69,603	68,648
General Revenues	3,448,286	3,423,263	12,026	9,098	3,460,312	3,432,361
Total Revenues	6,084,499	7,082,351	3,203,209	3,095,623	9,287,708	10,177,974
General Government	1,327,851	1,412,681	-	-	1,327,851	1,412,681
Public Safety	1,524,561	1,568,289	-	-	1,524,561	1,568,289
Public Works	2,003,788	2,325,699	-	-	2,003,788	2,325,699
Parks, Recreation, Cultural	1,315,327	1,194,373	-	-	1,315,327	1,194,373
Community Development	830,257	1,196,299	-	-	830,257	1,196,299
Interest expense	81,742	93,019	-	-	81,742	93,019
Swimming pool	-	-	39,708	44,461	39,708	44,461
Water and Sewer	-	-	2,066,723	2,127,095	2,066,723	2,127,095
Total Expenses	7,083,526	7,790,360	2,106,431	2,171,556	9,189,957	9,961,916
Transfers	1,206,784	1,302,097	(1,206,784)	(1,302,097)	-	-
Change in Net Position	207,757	594,088	(110,006)	(378,030)	97,751	216,058
Beginning Net Position	6,094,641	2,843,807	9,768,899	8,929,829	15,863,540	11,773,636
Ending Net Position	6,302,398	3,437,895	9,658,893	8,551,799	15,961,291	11,989,694

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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. In particular, unreserved or unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town of Marion's governmental funds reported combined ending fund balance of (\$137,920). Fund balance includes \$139,959 nonspendable for prepaid expenses and inventory, \$223,752 restricted for specific purposes, \$168,868 assigned to golf course and (\$670,499) unassigned.

Total revenues were \$7,269,565 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 expenses for governmental funds were \$15,409,239. These expenses are for general government, public safety, public works, culture and recreation, community development, debt service principal retirements and interest expense. This resulted in a deficiency before other financing sources of \$8,139,674 in the governmental funds. The governmental funds obtained other financing sources of \$7,731,149, which included operating transfer from the Water and Sewer Fund of \$1,309,142, operating transfer to the Swimming Pool Fund of \$7,045, proceeds of capital lease of \$84,552, and proceeds of indebtedness of \$6,344,500. After the other financing sources were received by the governmental funds, there was a change in fund balance of (\$408,525) at June 30, 2015.

Proprietary Funds

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

Net position for the water and sewer fund decreased from \$9,458,474 to \$8,358,562. The balance is made up of \$7,629,957 in net investment in capital assets, \$281,408 restricted for debt service and bond covenants, and \$447,197 unreserved.

Swimming pool fund net position in the amount of \$193,237 is down from 2014. Operating expenses were \$39,708 for fiscal year 2014 and \$44,461 in fiscal year 2015. The net position balance includes \$198,899 net investment in capital assets and deficit unreserved net position balance of \$5,662.

Proprietary funds total operating revenues were \$3,020,780. Operating expenses for the proprietary funds was \$2,014,661. This resulted in an operating income of \$1,006,119. The proprietary funds had total non-operating expense of \$147,797, capital contributions of \$65,745, and net operating transfer out of \$1,302,097. This resulted in a change in net position of (\$378,030).

TOWN OF MARION, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

General Fund Budgetary Highlights

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

Budgetary Highlights for 2014-2015

	GENERAL FUND BUDGET	GENERAL FUND ACTUAL	VARIANCE
Revenues	\$5,722,180	\$6,711,858	\$ 989,678
Expenditures	6,791,277	14,562,047	(7,770,770)

Significant variances in the adopted budget and actual expenditures are reflected in the areas of community development, debt principal retirement, and capital outlays. The variance in the budget revenues and actual revenues is attributed to intergovernmental revenues received for funding projects of the Town. These amounts are variable upon the receipt of grant and loan funding.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2015 the Town had capital assets including land, buildings, construction in progress, land improvements, equipment, and infrastructure.

Major asset events during the fiscal year included the following:

STP Digester upgrade—Capital expenditures for the STP Digester upgrade were \$71,002 for the fiscal year ending June 30, 2015. The project was completed by the end of the fiscal year and will be included as a depreciable capital asset at June 30, 2015.

Wayne C. Henderson School Project—Capital expenditures for the Wayne C. Henderson School Project were \$1,061,196 for the fiscal year ending June 30, 2015. The project was not completed by the end of the fiscal year and will be included in construction in progress at June 30, 2015.

The Life Saving Crew merged with the Town. The Town received capital assets totaling \$534,872 net of accumulated depreciation.

TOWN OF MARION, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Long-term Debt

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

	Balance July 1, 2014	Issuances	Retirements	Balance June 30, 2015
General obligation bonds	\$ 5,106,870	\$ 49,113	\$ (324,238)	\$ 4,831,745
Pension liability as restated	729,065	-	(61,176)	\$ 667,889
OPEB liability	154,564	26,557	-	181,121
Compensated absences	43,489	3,475	-	46,964
Total	<u>\$ 6,033,988</u>	<u>\$ 79,145</u>	<u>\$ (385,414)</u>	<u>\$ 5,727,719</u>

The outstanding debt for governmental activities at June 30, 2015 is as follows:

	Balance July 1, 2014	Issuances	Retirements	Balance June 30, 2015
General obligation bonds	\$ 335,000	\$ -	\$ (70,000)	\$ 265,000
Premium on bond	5,611	-	(1,294)	4,317
Loans payable as restated	2,388,598	-	(54,877)	2,333,721
Line of credit	11,398	6,344,500	(6,195,357)	160,541
Capital leases	-	84,552	(67,993)	16,559
OPEB liability	459,859	125,143	-	585,002
Pension liability as restated	3,856,250	-	(323,582)	3,532,668
Compensated absences	189,514	11,728	-	201,242
Total	<u>\$ 7,246,230</u>	<u>\$ 6,565,923</u>	<u>\$ (6,713,103)</u>	<u>\$ 7,099,050</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

Scheduled Major Projects

Downtown Streetscape – The fourth phase of this ongoing project, started in 1999, is anticipated to begin construction in the spring of 2016. The downtown streetscape design will continue westward from the Main/Sheffey intersection to the South Main/West Main split. Private construction at the Blue Ridge Job Corps and Ebenezer Lutheran Church on their adjoining walls will be coordinated with the project construction. Brick detail, street trees, pedestrian scaled lighting, and a new lighting feature at the Blue Ridge Job Corps stone wall will complete the most visible portion of the downtown streetscape.

Wayne C. Henderson School of Appalachian Arts – This \$2.7 million rehab project has been completed, with ribbon cuttings at the Henderson School and the Summit Center celebrating the events. Catherine Poole, Executive Director for the Henderson School, continues to coordinate project meetings, develop curriculum and an array of classes. She started Smyth County's first JAM (Junior Appalachian Musician) program, and has set up the Burke Letterpress Shop, even hosting her inaugural class of 12 for Letterpress. Wayne Henderson is set to teach his first guitar making class in the spring, a maximum of four students at \$2,500 each, and the class is sold out. Staff is working to finalize the list for luthery and kitchen equipment and marketing materials. The Summit, a joint local/distance learning center between Virginia Highlands Community College and Wytheville Community College is housed upstairs in the Henderson School and is fully operational, offering 27 classes in its inaugural session. The colleges have provided one work study to assist with the greeting desk at the Henderson School, and local artist Jack Taylor continues to be instrumental as a volunteer.

Marion Community Gateway Project – Funded by DHCD, the primary corridor extending from an area around Exit 45 of Interstate 81 into town is being studied to maximize opportunities for economic development. Building facades, landscaping, gateway signage, and relocation of the state shop are priorities being addressed by this Planning Grant. Town staff has begun the legislative process to relocate the VDOT maintenance facility, and has submitted a preliminary grant application for a \$2.3 million Vibrant Communities Grant through DHCD, anticipating an early 2016 announcement.

Emory & Henry College – School of Health Sciences --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, including spearheading a CDBG planning grant to study the feasibility of redeveloping the Centre Square Building as a multipurpose facility to include student housing and updated retail/restaurant space, to encourage local merchandise in their stores, and assisted with a potential \$600,000 CDBG grant for renovations.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

Scheduled Major Projects (Continued)

Appalachian Spring/Mountain of Music Homecoming – in partnership with The Southwest Virginia Cultural Heritage Foundation, Marion is serving as a lead for this new natural asset tourism initiative, with the Lincoln Theatre serving as an anchor for the historic theatre trail and Hungry Mother State Park serving as a leading venue for the outdoor recreation trail. Marion's "Song of the Mountains" is an anchor program for the new nine-day music festival across the region.

"Back of the Dragon" Trail – Marion will continue to position ourselves as the gateway, and is working with local partners to develop a comprehensive plan to attract more group riders that will provide lodging and meals revenues.

Housing Rehabilitation of Crescent and Palmer Avenue – This project was started in fiscal year 2014 and will continue into fiscal year 2016.

South Church Street Drainage Project – This project is to address inadequate storm water facilities on South Church Street. This project includes a comprehensive drainage system to handle most of the high intensity storm events and to prevent flooding on South Church Street. The projected starting date is still to be determined and the current estimated cost is \$600,000.

Water Leak Analysis Repairs – This project involves the installation of boundary valves on the water system in strategic locations in order to identify significant water losses in both pressure systems of the Town. The Town is also involved with meter replacement of all commercial and residential connections to the Town of Marion's water system. The Town acquired a grant from the Virginia Department of Health in 2014 to help with this project. This project will be done in conjunction with the capital infrastructure replacement plan below and is currently under way.

Capital Infrastructure Replacement Plan (CIRP) – This project is a comprehensive, multiyear plan to replace our aging water, sewer, paving, and storm water facilities. It will serve as a framework to coordinate future facility installations by intersections, and will incorporate all exterior utilities such as natural gas, cable, and phone. We are in the final stages of planning currently, and have incorporated the first projects into the 2015-2016 budget cycle.

Fire/EMS Operations – The Town has successfully transformed from a fully volunteer Fire Department to a quasi-volunteer, partially paid Fire Department with Emergency Rescue Services. Currently, 100% of fire and 75% of EMS calls are answered on first alert, an improvement of 40%.

TOWN OF MARION, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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
For the Year Ended June 30, 2015

	Primary Government			Component Unit
	Governmental	Business-type	Total	Economic Development
	Activities	Activities		Authority
ASSETS				
Cash and cash equivalents	\$ 227,570	\$ 714,707	\$ 942,277	\$ 25
Receivables (net of allowance for uncollectibles):				
Taxes receivable	804,597	-	804,597	-
Accounts receivable	434,808	341,316	776,124	-
Other receivables	178,357	-	178,357	-
Due from other funds	152,320	556,121	708,441	-
Due from other governmental units	139,265	45,781	185,046	-
Inventories	22,217	-	22,217	-
Prepaid expenses	117,742	9,301	127,043	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	116,713	116,713	-
Investments	-	164,695	164,695	-
Capital assets (net of accumulated depreciation):				
Land	1,880,169	707,377	2,587,546	-
Buildings and system	4,809,502	-	4,809,502	-
Improvements other than buildings	-	19,774	19,774	-
Machinery and equipment	486,201	371,492	857,693	-
Plant and lines in service	-	11,493,759	11,493,759	-
Infrastructure	2,242,345	-	2,242,345	-
Construction in progress	1,331,284	68,199	1,399,483	-
Total assets	\$ 12,826,377	\$ 14,609,235	\$ 27,435,612	\$ 25
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	\$ 440,084	\$ 87,739	\$ 527,823	\$ -
Total deferred outflows of resources	\$ 440,084	\$ 87,739	\$ 527,823	\$ -
LIABILITIES				
Accounts payable	\$ 314,127	\$ 185,670	\$ 499,797	\$ -
Cash overdraft	133,228	-	133,228	-
Accrued liabilities	198,199	38,099	236,298	-
Customers' deposits	-	47,950	47,950	-
Accrued interest payable	3,402	32,514	35,916	-
Due to other funds	708,441	-	708,441	-
Long-term liabilities:				
Due within one year	761,483	432,269	1,193,752	-
Due in more than one year	6,337,567	5,295,450	11,633,017	-
Total liabilities	\$ 8,456,447	\$ 6,031,952	\$ 14,488,399	\$ -
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	\$ 773,247	-	773,247	\$ -
Deferred pensions	598,872	113,223	712,095	-
Total deferred inflows of resources	\$ 1,372,119	\$ 113,223	\$ 1,485,342	\$ -
NET POSITION				
Net Investment in capital assets	\$ 7,969,363	\$ 7,828,856	\$ 15,798,219	\$ -
Restricted for:				
Debt service and bond covenants	-	281,408	281,408	-
Downtown housing project	219,941	-	219,941	-
Unrestricted (deficit)	(4,751,409)	441,535	(4,309,874)	25
Total net position	\$ 3,437,895	\$ 8,551,799	\$ 11,989,694	\$ 25

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

Town of Marion, Virginia
Statement of Activities
For the Year Ended June 30, 2015

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	\$ 1,412,681	\$ 2,198	\$ -	\$ -	\$ (1,410,483)	\$ -	\$ (1,410,483)	\$ -
Public safety	1,568,289	212,703	189,257	-	(1,166,329)	-	(1,166,329)	-
Public works	2,325,699	410,120	1,160,842	-	(754,737)	-	(754,737)	-
Parks, recreation, and cultural	1,194,373	542,318	-	-	(652,055)	-	(652,055)	-
Community development	1,196,299	4,112	371,887	765,651	(54,649)	-	(54,649)	-
Interest on long-term debt	93,019	-	-	-	(93,019)	-	(93,019)	-
Total government activities	\$ 7,790,360	\$ 1,171,451	\$ 1,721,986	\$ 765,651	\$ (4,131,272)	\$ -	\$ (4,131,272)	\$ -
Business-type activities:								
Water and Sewer	\$ 2,127,095	\$ 2,990,546	\$ -	\$ 65,745	\$ -	\$ 929,196	\$ 929,196	\$ -
Swimming Pool	44,461	30,234	-	-	-	(14,227)	(14,227)	-
Total business-type activities	\$ 2,171,556	\$ 3,020,780	\$ -	\$ 65,745	\$ -	\$ 914,969	\$ 914,969	\$ -
Total primary government	\$ 9,961,916	\$ 4,192,231	\$ 1,721,986	\$ 831,396	\$ (4,131,272)	\$ 914,969	\$ (3,216,303)	\$ -
General revenues:								
General property taxes					\$ 593,460	\$ -	\$ 593,460	-
Other local taxes:								
Local sales and use taxes					187,775	-	187,775	-
Consumers' utility taxes					111,984	-	111,984	-
Business license taxes					545,833	-	545,833	-
Communication tax					129,924	-	129,924	-
Motor vehicle licenses					45,441	-	45,441	-
Bank stock tax					177,164	-	177,164	-
Meals taxes					1,187,694	-	1,187,694	-
Other local taxes					290,405	-	290,405	-
Permits, privilege fees, and regulatory licenses					105	-	105	-
Fines and forfeitures					17,027	-	17,027	-
Unrestricted revenues from use of money and property					13,604	4,639	18,243	-
Miscellaneous					54,199	-	54,199	25
Recovered costs					-	4,459	4,459	-
Grants and contributions not restricted to specific programs					68,648	-	68,648	-
Transfers					1,302,097	(1,302,097)	-	-
Total general revenues					\$ 4,725,360	\$ (1,292,999)	\$ 3,432,361	\$ 25
Change in net position					\$ 594,088	\$ (378,030)	\$ 216,058	\$ 25
Net position - beginning as restated					2,843,807	8,929,829	11,773,636	-
Net position - ending					\$ 3,437,895	\$ 8,551,799	\$ 11,989,694	\$ 25

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

Town of Marion, Virginia
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 227,570	\$ 227,570
Receivables (net of allowance for uncollectibles):			
Taxes receivable	804,597	-	804,597
Accounts receivable	348,868	85,940	434,808
Other receivables	178,357		178,357
Due from other funds	33,951	118,369	152,320
Due from other governmental units	139,265	-	139,265
Inventories	-	22,217	22,217
Prepaid expenses	110,423	7,319	117,742
Restricted assets:			
Investments	-	-	-
Total assets	<u>\$ 1,615,461</u>	<u>\$ 461,415</u>	<u>\$ 2,076,876</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 288,303	\$ 25,824	\$ 314,127
Cash overdraft	133,228	-	133,228
Accrued liabilities	179,582	18,617	198,199
Due to other funds	556,121	152,320	708,441
Total liabilities	<u>\$ 1,157,234</u>	<u>\$ 196,761</u>	<u>\$ 1,353,995</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	<u>860,801</u>	<u>\$ -</u>	<u>\$ 860,801</u>
FUND BALANCE			
Fund balances:			
Nonspendable			
Prepaid expense	\$ 110,423	\$ 7,319	\$ 117,742
Inventory	-	22,217	22,217
Restricted for:			
Debt service and bond covenants	-	-	-
DARE	-	1,311	1,311
Downtown housing	-	219,941	219,941
Master redevelopment	-	2,500	2,500
Committed to:	-	-	-
Parking garage	-	-	-
Assigned to:	-	-	-
Golf Course	-	168,868	168,868
Unassigned	(512,997)	(157,502)	(670,499)
Total fund balances	<u>\$ (402,574)</u>	<u>\$ 264,654</u>	<u>\$ (137,920)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,615,461</u>	<u>\$ 461,415</u>	<u>\$ 2,076,876</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
For the Year Ended June 30, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ (137,920)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,749,501
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	87,554
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(7,102,452)
Deferred inflows of resources reported in the Statement of Net Position	440,084
Deferred outflows of resources reported in the Statement of Net Position	(598,872)
Net position of governmental activities	<u>\$ 3,437,895</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, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
General property taxes	\$ 590,482	\$ -	\$ 590,482
Other local taxes	2,676,220	-	2,676,220
Permits, privilege fees, and regulatory licenses	105	-	105
Fines and forfeitures	17,027	-	17,027
Revenue from the use of money and property	13,604	-	13,604
Charges for services	654,370	517,081	1,171,451
Miscellaneous	49,297	4,902	54,199
Recovered costs	179,065	11,127	190,192
Intergovernmental revenues:			
Commonwealth	1,863,173	-	1,863,173
Federal	668,515	24,597	693,112
Total revenues	<u>\$ 6,711,858</u>	<u>\$ 557,707</u>	<u>\$ 7,269,565</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,331,669	\$ -	\$ 1,331,669
Public safety	1,620,227	-	1,620,227
Public works	2,241,570	-	2,241,570
Parks, recreation, and cultural	409,197	824,203	1,233,400
Community development	1,105,246	22,989	1,128,235
Capital projects	1,371,408	-	1,371,408
Debt service:			
Principal retirement	6,388,228	-	6,388,228
Interest and other fiscal charges	94,502	-	94,502
Total expenditures	<u>\$ 14,562,047</u>	<u>\$ 847,192</u>	<u>\$ 15,409,239</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (7,850,189)</u>	<u>\$ (289,485)</u>	<u>\$ (8,139,674)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 1,114,408	\$ 187,689	1,302,097
Proceeds of capital leases	84,552	-	84,552
Proceeds of indebtedness	6,344,500	-	6,344,500
Total other financing sources (uses)	<u>\$ 7,543,460</u>	<u>\$ 187,689</u>	<u>\$ 7,731,149</u>
Net change in fund balances	\$ (306,729)	\$ (101,796)	\$ (408,525)
Fund balances - beginning as restated	(95,845)	366,450	270,605
Fund balances - ending	<u>\$ (402,574)</u>	<u>\$ 264,654</u>	<u>\$ (137,920)</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, 2015

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

Net change in fund balances - total governmental funds	\$ (408,525)
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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.	1,011,054
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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.	2,978
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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.	(39,529)
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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.	28,110
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Change in net position of governmental activities	<u>\$ 594,088</u>
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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
For the Year Ended June 30, 2015

	Enterprise Funds		
	Water and Sewer Fund	Swimming Pool Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 714,507	\$ 200	\$ 714,707
Accounts receivables, net of allowances for uncollectibles	341,316	-	341,316
Due from other funds	556,121	-	556,121
Due from other governmental units	45,781	-	45,781
Prepaid expenses	9,301	-	9,301
Total current assets	\$ 1,667,026	\$ 200	\$ 1,667,226
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents	\$ 116,713	\$ -	\$ 116,713
Investments	164,695	-	164,695
Total restricted current assets	\$ 281,408	\$ -	\$ 281,408
Capital assets:			
Utility plant in service	21,620,161	-	21,620,161
Machinery and equipment	2,811,657	29,151	2,840,808
Land	528,252	179,125	707,377
Pool	-	974,651	974,651
Less accumulated depreciation	(12,566,567)	(984,028)	(13,550,595)
Construction in progress	68,199	-	68,199
Total capital assets	\$ 12,461,702	\$ 198,899	\$ 12,660,601
Total noncurrent assets	\$ 12,743,110	\$ 198,899	\$ 12,942,009
Total assets	\$ 14,410,136	\$ 199,099	\$ 14,609,235
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	\$ 87,739	\$ -	\$ 87,739
Total deferred outflows of resources	\$ 87,739	\$ -	\$ 87,739

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

Town of Marion, Virginia
Statement of Net Position
Proprietary Funds
January 0, 1900

	Enterprise Funds		
	Water and Sewer Fund	Swimming Pool Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 184,758	\$ 912	\$ 185,670
Accrued liabilities	33,149	4,950	38,099
Customers' deposits	47,950	-	47,950
Accrued interest payable	32,514	-	32,514
Compensated absences	35,223	-	35,223
Pension liability	62,000	-	62,000
General obligation bonds payable - current portion	335,046	-	335,046
Total current liabilities	<u>\$ 730,640</u>	<u>\$ 5,862</u>	<u>\$ 736,502</u>
Noncurrent liabilities:			
General obligation bonds payable - net of current portion	\$ 4,496,699	\$ -	\$ 4,496,699
Compensated absences	11,741	-	11,741
Pension liability	\$ 605,889	\$ -	605,889
OPEB liability	181,121	-	181,121
Total noncurrent liabilities	<u>\$ 5,295,450</u>	<u>\$ -</u>	<u>\$ 5,295,450</u>
Total liabilities	<u>\$ 6,026,090</u>	<u>\$ 5,862</u>	<u>\$ 6,031,952</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	\$ 113,223	\$ -	\$ 113,223
Total deferred inflows of resources	<u>\$ 113,223</u>	<u>\$ -</u>	<u>\$ 113,223</u>
NET POSITION			
Net Investment in capital assets	\$ 7,629,957	\$ 198,899	\$ 7,828,856
Restricted for debt service and bond covenants	281,408	-	281,408
Unrestricted	447,197	(5,662)	441,535
Total net position	<u>\$ 8,358,562</u>	<u>\$ 193,237</u>	<u>\$ 8,551,799</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, 2015

	Enterprise Fund	Enterprise Fund	
	Water and Sewer Fund	Swimming Pool Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services	\$ 2,990,546	\$ 26,349	\$ 3,016,895
Other revenues	-	3,885	3,885
Total operating revenues	<u>\$ 2,990,546</u>	<u>\$ 30,234</u>	<u>\$ 3,020,780</u>
OPERATING EXPENSES			
Personal services	\$ 542,795	\$ 23,659	\$ 566,454
Fringe benefits	238,406	2,655	241,061
Contractual services	77,429	1,119	78,548
Materials and supplies	199,423	9,820	209,243
Other charges	295,927	3,031	298,958
Depreciation	616,220	4,177	620,397
Total operating expenses	<u>\$ 1,970,200</u>	<u>\$ 44,461</u>	<u>\$ 2,014,661</u>
Operating income (loss)	<u>\$ 1,020,346</u>	<u>\$ (14,227)</u>	<u>\$ 1,006,119</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 4,459	\$ -	\$ 4,459
Investment earnings	4,639	-	4,639
Interest expense	(156,895)	-	(156,895)
Total nonoperating revenues (expenses)	<u>\$ (147,797)</u>	<u>\$ -</u>	<u>\$ (147,797)</u>
Income before contributions and transfers	<u>\$ 872,549</u>	<u>\$ (14,227)</u>	<u>\$ 858,322</u>
Capital contributions	\$ 65,745	\$ -	\$ 65,745
Transfers in	-	7,045	7,045
Transfers out	(1,309,142)	-	(1,309,142)
Change in net position	<u>\$ (370,848)</u>	<u>\$ (7,182)</u>	<u>\$ (378,030)</u>
Total net position - beginning as restated	<u>\$ 8,729,410</u>	<u>\$ 200,419</u>	<u>\$ 8,929,829</u>
Total net position - ending	<u><u>\$ 8,358,562</u></u>	<u><u>\$ 193,237</u></u>	<u><u>\$ 8,551,799</u></u>

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

Town of Marion, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Fund	Enterprise Fund	
	Water and Sewer Fund	Swimming Pool Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,055,742	\$ 30,234	\$ 3,085,976
Payments to suppliers	(726,631)	(16,070)	(742,701)
Payments to and for employees	(526,882)	(21,209)	(548,091)
Net cash provided (used by) operating activities	<u>\$ 1,802,229</u>	<u>\$ (7,045)</u>	<u>\$ 1,795,184</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (1,309,142)	\$ -	\$ (1,309,142)
Transfers from other funds	-	7,045	7,045
Net cash provided (used) by noncapital financing activities	<u>\$ (1,309,142)</u>	<u>\$ 7,045</u>	<u>\$ (1,302,097)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (182,325)	\$ -	\$ (182,325)
Principal payments on bonds	(324,238)	-	(324,238)
Capital contributions	19,964	-	19,964
Intergovernmental contributions	4,459	-	4,459
Proceeds from indebtedness	49,113	-	49,113
Interest payments	(157,558)	-	(157,558)
Net cash provided (used) by capital and related financing activities	<u>\$ (590,585)</u>	<u>\$ -</u>	<u>\$ (590,585)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 4,639	\$ -	\$ 4,639
Net cash provided (used) by investing activities	<u>\$ 4,639</u>	<u>\$ -</u>	<u>\$ 4,639</u>
Net increase (decrease) in cash and cash equivalents	\$ (92,859)	\$ -	\$ (92,859)
Cash and cash equivalents - beginning	\$ 1,088,774	\$ 200	\$ 1,088,974
Cash and cash equivalents - ending	<u><u>\$ 995,915</u></u>	<u><u>\$ 200</u></u>	<u><u>\$ 996,115</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 1,020,346	\$ (14,227)	\$ 1,006,119
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ 616,220	\$ 4,177	\$ 620,397
(Increase) decrease in accounts receivable	64,156	-	64,156
(Increase) decrease in prepaid expenses	(1,625)	-	(1,625)
Increase (decrease) in customer deposits	1,040	-	1,040
Increase (decrease) in operating accounts payable	107,752	3,005	110,757
Increase (decrease) in OPEB liability	26,557	-	26,557
Increase (decrease) in pension liability	(61,176)	-	(61,176)
Increase (decrease) in deferred pensions	25,484	-	25,484
Increase (decrease) in compensated absences	3,475	-	3,475
Total adjustments	<u>\$ 781,883</u>	<u>\$ 7,182</u>	<u>\$ 789,065</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,802,229</u></u>	<u><u>\$ (7,045)</u></u>	<u><u>\$ 1,795,184</u></u>

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

Town of Marion, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	Cemetery Fund
ASSETS	
Cash and cash equivalents	\$ 5,472
Investments, at fair value	121,991
Total assets	<u>\$ 127,463</u>
NET POSITION	
Amounts held for cemetery maintenance	127,463
Total liabilities	<u>\$ 127,463</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, 2015

	<u>Cemetery Fund</u>
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 3,494
Realized gain on investment	<u>1,092</u>
Total additions	<u>\$ 4,586</u>
DEDUCTIONS	
Distribution	\$ 2,118
Fiduciary fees	158
Unrealized loss on investment	<u>4,809</u>
Total deductions	<u>\$ 7,085</u>
Change in net position	\$ (2,499)
Net position - beginning	<u>129,962</u>
Net position - ending	<u><u>\$ 127,463</u></u>

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

**NOTES TO
FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

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 (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 (i.e., the statement of net position and the statement of activities) report information on all of 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*.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1-Summary of Significant Accounting Policies: (continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund. 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 and judgments, are recorded only when payment is due.

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

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

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

The government reports the following major governmental funds:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1-Summary of Significant Accounting Policies: (continued)

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

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

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

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

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

Fiduciary funds consist of a cemetery fund for perpetual care.

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

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

1. Deposits and Investments

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

2. Property Taxes

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1-Summary of Significant Accounting Policies: (continued)

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

3. Allowance for Un-collectible Accounts

The Town calculates its allowance for un-collectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for governmental activities amounted to approximately \$102,378 for property taxes and \$20,201 for garbage billings at June 30, 2015. The allowance for business-type activities amounted to approximately \$159,452 for water and sewer billings at June 30, 2015.

4. Use of Estimates

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

5. Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

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. Governmental Accounting Standards Board Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

The Town implemented the financial reporting provisions of GASB Statement No. 63 for the fiscal year ended June 30, 2014. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirement of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position". The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

13. Governmental Accounting Standards Board Statement No. 65 Items Previously Reported as Assets and Liabilities

The Town implemented the financial reporting provisions of GASB Statement No. 65 for the fiscal year ended June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

14. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1-Summary of Significant Accounting Policies: (continued)

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

15. 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. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*—the provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Statement No. 69, *Governmental Combinations and Disposals of Government Operations*—the provisions of this statement are effective for financial statements for periods beginning after December 15, 2013.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*—the provisions of this statement are effective for financial statements for fiscal years beginning after June 30, 2014.

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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

F. Plan Description (continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for 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>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

F. Plan Description (continued)

<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>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 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

F. Plan Description (continued)

<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>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 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

F. Plan Description (continued)

<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</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>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

F. Plan Description (continued)

<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> 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>Distribution is not required by law until age 70½.</p>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

F. Plan Description (continued)

<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

F. Plan Description (continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

F. Plan Description (continued)

Earliest Eligibility	Reduced	Retirement	Earliest Eligibility	Reduced	Retirement	Earliest Eligibility	Reduced	Retirement
VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.			VRS: Age 60 with at least five years (60 months) of creditable service.			<u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.		
Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.			Political subdivisions hazardous duty employees: Same as Plan 1.			Political subdivisions hazardous duty employees: Not applicable.		
						<u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.		

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

F. Plan Description (continued)

<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>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><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

F. Plan Description (continued)

<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivision (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and 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 purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported services • The cost of purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2015

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 \$(7,102,452) difference for the primary government is as follows:

	Primary Government
General obligation bonds and loans payable	\$ (2,780,138)
Accrued interest	(3,402)
OPEB liability	(585,002)
Pension liability	(3,532,668)
Compensated absences	(201,242)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u><u>\$ (7,102,452)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "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 \$1,011,054 difference for the primary government is as follows:

	Primary Government
Capital outlays	\$ 1,405,668
Depreciation expense	(394,614)
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 1,011,054</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

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

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

Another element of that reconciliation states, "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 \$28,110 difference for the primary government is as follows:

	<u>Government</u>
(Increase) Decrease in Compensated absences	\$ (11,728)
(Increase) Decrease in OPEB liability	(125,143)
(Increase) Decrease in Pension expense	164,794
(Increase) Decrease in Accrued interest	<u>187</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 28,110</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

B. Deficit fund equity

At June 30, 2015, the CDBG Gilman Street Fund had a deficit fund equity of \$(32,951) and the Streetscape Fund had a deficit fund equity of \$(95,015). These funds are combined with non- major funds and reflected as an other governmental fund in the financial statement. The General Fund had a deficit fund equity of \$(402,574) at June 30, 2015.

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.

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 4-Deposits and Investments: (continued)

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). The Town has two bond sinking accounts that are invested in U.S. Bank. The Town escrows the amounts monthly that are paid to the lender on a yearly basis.

Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Primary Government
<u>Commonwealth of Virginia:</u>	
Local sales tax	\$ 32,725
Communication tax	21,327
Non-categorical aid	9,152
Categorical aid	<u>76,061</u>
Total	<u><u>\$ 139,265</u></u>

Note 6-Interfund Transfers:

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,114,408	\$ -
Other Governmental Funds	187,689	-
Water and Sewer Fund	-	1,309,142
Swimming Pool Fund	7,045	-
Total	<u><u>\$ 1,309,142</u></u>	<u><u>\$ 1,309,142</u></u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 7-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

Details of long-term indebtedness:

Year Ending June 30,	General Obligation Bonds		Loan Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 80,000	\$ 12,603	\$ 42,158	\$ 70,086	\$ 122,158	\$ 82,689
2017	80,000	8,847	1,535,880	62,810	1,615,880	71,657
2018	85,000	4,905	37,264	30,076	122,264	34,981
2019	20,000	970	38,704	28,636	58,704	29,606
2020	-	-	40,203	27,137	40,203	27,137
2021-2025	-	-	225,757	110,943	225,757	110,943
2026-2030	-	-	265,713	63,051	265,713	63,051
2031-2035	-	-	123,966	21,621	123,966	21,621
2036-2040	-	-	24,076	2,642	24,076	2,642
2041-2045	-	-	-	-	-	-
Totals	<u>\$ 265,000</u>	<u>\$ 27,325</u>	<u>\$ 2,333,721</u>	<u>\$ 417,002</u>	<u>\$ 2,598,721</u>	<u>\$ 444,327</u>

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2015.

	Balance July 1, 2014	Issuances	Retirements	Balance June 30, 2015
General obligation bonds	\$ 335,000	\$ -	\$ (70,000)	\$ 265,000
Premium on bond	5,611	-	(1,294)	4,317
Loans payable as restated	2,388,598	-	(54,877)	2,333,721
Line of credit	11,398	6,344,500	(6,195,357)	160,541
Capital leases	-	84,552	(67,993)	16,559
OPEB liability	459,859	125,143	-	585,002
Pension liability as restated	3,856,250	-	(323,582)	3,532,668
Compensated absences	189,514	11,728	-	201,242
Total	<u>\$ 7,246,230</u>	<u>\$ 6,565,923</u>	<u>\$ (6,713,103)</u>	<u>\$ 7,099,050</u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness (Continued):

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Loan Payable</u>		
National Bank, issued November 28, 2011, monthly installments of principal and interest in the amount of \$1,938. Interest computed at a rate of 3.92%, secured by equipment.	\$ 7,351	\$ 7,351
Bank of Marion, issued January 5, 2012, monthly installments of principal and interest in the amount of \$2,647. Interest computed at a rate of 3%.	\$ 412,666	\$ 19,688
Smyth County Community Foundation, issued November 11, 2011, monthly installments of interest in the amount of \$3,125 for five years with a balloon payment at the end of the five years. Interest computed at a rate of 2.5%.	\$ 1,500,000	\$ -
Bank of Marion, issued 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.	\$ 167,519	\$ 8,629
Bank of Marion, issued June 26, 2007, total issuance price of \$315,000. Interest computed at a rate of 4.5% for five years. For next 25 years, the interest rate is 5.2%.	\$ 246,185	\$ 6,489
Total Loans Payable	<u>\$ 2,333,721</u>	<u>\$ 42,157</u>

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TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness (Continued):

Details of long-term indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds</u>		
Virginia Resource Authority bond, issued May 8, 2005, variable semi-annual installments of principal and interest. Interest computed at a variable rate of 3.28% to 4.85%, unsecured.	\$ 265,000	\$ 80,000
Total General Obligation Bonds	<u>\$ 265,000</u>	<u>\$ 80,000</u>
<u>Line of Credit</u>		
Line of credit with Bank of Marion dated May 1, 2013 for an amount up to \$500,000. Interest computed at a rate of 2.75%. The initial draw on line of credit was made in August 2013.	\$ 160,541	\$ 160,541
Total Line of Credit	<u>\$ 160,541</u>	<u>\$ 160,541</u>
<u>Other Obligations:</u>		
Premium on bond	\$ 4,317	\$ 1,294
Capital lease-CAT Financial for Skid Steer	4,739	4,739
Capital lease-IBM Credit for AS 400	11,820	11,820
Compensated absences	201,242	150,932
Pension liability	3,532,668	310,000
OPEB liability	585,002	-
Total Other Obligations	<u>\$ 4,339,788</u>	<u>\$ 478,785</u>
Total Long-Term Obligations	<u>\$ 7,099,050</u>	<u>\$ 761,483</u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 7-Long-Term Debt: (continued)

Primary Government-Enterprise Activity Indebtedness: (continued)

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2016	\$ 335,046	\$ 149,147
2017	332,851	135,607
2018	345,593	124,395
2019	358,416	112,442
2020	366,323	99,348
2021-2025	2,068,352	279,792
2026-2030	535,722	58,583
2031-2035	171,505	42,494
2036-2040	86,457	32,823
2041-2045	97,347	21,933
2046-2050	109,609	9,671
2051-2055	24,524	331
Totals	<u>\$ 4,831,745</u>	<u>\$ 1,066,566</u>

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2015.

	Balance July 1, 2014	Issuances	Retirements	Balance June 30, 2015
General obligation bonds	\$ 5,106,870	\$ 49,113	\$ (324,238)	\$ 4,831,745
Compensated absences	43,489	3,475	-	46,964
Pension liability as restated	729,065	-	(61,176)	667,889
OPEB liability	154,564	26,557	-	181,121
Total	<u>\$ 6,033,988</u>	<u>\$ 79,145</u>	<u>\$ (385,414)</u>	<u>\$ 5,727,719</u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 7-Long-Term Debt: (continued)

Primary Government-Enterprise Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
Virginia Resource Authority, issued on July 7, 1992, semi-annual principal and interest payments computed at a rate of 2.5%.	\$ 2,265,000	\$ 185,000
Virginia Resource Authority, issued on March 24, 2006, total issuance price of \$1,684,600. Semi-annual principal and interest payments computed at a rate of 3%.	\$ 1,127,178	\$ 79,421
Virginia Resource Authority, issued December 15, 2011, semi-annual principal reductions of \$25,257. There is no interest rate on this note.	\$ 852,434	\$ 50,514
Rural Development, issued a \$606,000 loan on July 14, 2011. Monthly payments of principal and interest of \$1,988 at a rate of 2.375%.	\$ 577,277	\$ 10,254
Rural Development, issued a \$225,800 loan on June 9, 1997. Monthly payments of principal and interest of \$1,037 at a rate of 4.5%.	\$ 9,856	\$ 9,857
Total General Obligation Bonds	<u>\$ 4,831,745</u>	<u>\$ 335,046</u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 7-Long-Term Debt: (continued)

Primary Government-Enterprise Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Amount</u>	<u>Within One Year</u>
<u>Other Obligations:</u>		
Compensated absences	\$ 46,964	\$ 35,223
Pension liability	667,889	62,000
OPEB liability	181,121	-
	<u> </u>	<u> </u>
Total other obligations	\$ 895,974	\$ 97,223
	<u> </u>	<u> </u>
Total Long Term Obligations	\$ 5,727,719	\$ 432,269
	<u> </u>	<u> </u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 8-Pension Plans

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 a different eligibility criteria.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>48</u>
Inactive members:	
Vested inactive members	6
Non-vested Inactive members	14
Inactive members active elsewhere in VRS	<u>19</u>
Total inactive members	39
Active members	<u>82</u>
Total covered employees	<u><u>169</u></u>

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 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 8-Pension Plans (continued)

If the employer used less than the certified rate: The Town's contractually required contribution rate for the year ended June 30, 2015 was 15.92 % of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Town's plan was 15.92%.

If the employer used the certified rate: The Town's contractually required contribution rate for the year ended June 30, 2015 was 15.92 % of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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. Contributions to the pension plan from the Town were \$ 627,397 and \$ 629,133 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 8-Pension Plans (continued)

Actuarial Assumptions – General Employees (continued)

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 8-Pension Plans (continued)

Actuarial Assumptions – General Employees (continued)

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 8-Pension Plans (continued)

Actuarial Assumptions – Public Safety Employees (continued)

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
* Expected arithmetic nominal return			<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 8-Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 8-Pension Plans (continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2013	\$ 15,382,101	\$ 10,307,593	\$ 5,074,508
Changes for the year:			
Service Cost	309,838	-	309,838
Interest	1,047,788	-	1,047,788
Differences between expected and actual experience	-	-	-
Contributions - employer	-	489,193	(489,193)
Contributions - employee	-	146,395	(146,395)
Net investment income	-	1,604,633	(1,604,633)
Benefit payments, including refunds of employee contributions	(827,402)	(827,402)	-
Administrative expenses	-	(8,728)	8,728
Other changes	-	84	(84)
Net changes	530,224	1,404,175	(873,951)
Balance at June 30, 2014	\$ 15,912,325	\$ 11,711,768	\$ 4,200,557

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

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	(6.00%)	Rate (7.00%)	(8.00%)
Net Pension Liability	\$ 6,280,256	\$ 4,200,557	\$ 2,464,992

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 8-Pension Plans (continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the Town recognized pension expense of \$327,336. At June 30, 2015, the Town 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	\$ -	\$ -
Change in assumptions	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 712,094
Employer contributions subsequent to the measurement date	\$ 527,823	\$ -
Total	<u>\$ 527,823</u>	<u>\$ 712,094</u>

\$527,823 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. 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

2016	\$ (178,023)
2017	(178,023)
2018	(178,023)
2019	(178,025)
Thereafter	-
	<u>\$ (712,094)</u>

Payables to the Pension Plan

At June 30, 2015, the Town reported a payable of \$53,731 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 8-Pension Plans (continued)**Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios**

	2014
Total pension liability	
Service cost	\$ 309,838
Interest	1,047,788
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit Payments, including refunds of employee contributions	(827,402)
Net change in total pension liability	530,224
Total pension liability - beginning	15,382,101
Total pension liability - ending (a)	\$ 15,912,325
 Plan fiduciary net position	
Contributions - employer	\$ 489,193
Contributions - employee	146,395
Net investment income	1,604,633
Benefit Payments, including refunds of employee contributions	(827,402)
Administrative expense	(8,728)
Other	84
Net change in plan fiduciary net position	1,404,175
Plan fiduciary net position - beginning	10,307,593
Plan fiduciary net position - ending (b)	\$ 11,711,768
 Political subdivision's net pension liability - ending (a) - (b)	\$ 4,200,557
 Plan fiduciary net position as a percentage of the total Pension liability	 73.60%
 Covered-employee payroll	 \$ 2,733,750
 Political subdivision's net pension liability as a percentage of covered-employee payroll	 153.66%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 8-Pension Plans (continued)

Schedule of Employer Contributions
For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	\$ 527,823	\$ 527,823	\$ -	\$ 3,020,037	17.48%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, 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 3 – Employer's covered employee payroll amount for the fiscal year ended June 30, 2015.

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 8-Pension Plans (continued)

Changes of assumptions (continued)

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 9-Capital Assets:

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land as restated	\$ 1,880,169	\$ -	\$ -	\$ 1,880,169
Construction in progress	334,436	1,100,886	(104,038)	1,331,284
Total capital assets not being depreciated	<u>\$ 2,214,605</u>	<u>\$ 1,100,886</u>	<u>\$ (104,038)</u>	<u>\$ 3,211,453</u>
Capital assets, being depreciated:				
Buildings as restated	\$ 8,218,542	\$ -	\$ -	\$ 8,218,542
Improvements other than buildings	2,568,844	194,071	-	2,762,915
Machinery and equipment as restated	6,092,889	214,749	(7,500)	6,300,138
Total capital assets being depreciated	<u>\$ 16,880,275</u>	<u>\$ 408,820</u>	<u>\$ (7,500)</u>	<u>\$ 17,281,595</u>
Less: accumulated depreciation for:				
Buildings as restated	\$ (3,227,678)	\$ (181,362)	\$ -	\$ (3,409,040)
Improvements other than buildings	(445,548)	(75,022)	-	(520,570)
Machinery and equipment as restated	(5,683,208)	(138,229)	7,500	(5,813,937)
Total accumulated depreciation	<u>\$ (9,356,434)</u>	<u>\$ (394,613)</u>	<u>\$ 7,500</u>	<u>\$ (9,743,547)</u>
Total capital assets being depreciated, net	<u>\$ 7,523,841</u>	<u>\$ 14,207</u>	<u>\$ -</u>	<u>\$ 7,538,048</u>
Governmental activities capital assets, net	<u><u>\$ 9,738,446</u></u>	<u><u>\$ 1,115,093</u></u>	<u><u>\$ (104,038)</u></u>	<u><u>\$ 10,749,501</u></u>

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

Governmental activities:

General government	\$ 83,625
Public safety	62,500
Public works	123,751
Parks, recreation, and culture	<u>124,737</u>
Total depreciation expense - governmental activities	<u><u>\$ 394,613</u></u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 9-Capital Assets: (continued)

Business-type activities:

Water and Sewer Fund:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 528,252	\$ -	\$ -	\$ 528,252
Construction in progress	1,289,306	139,201	(1,360,308)	68,199
Total capital assets not being depreciated	<u>\$ 1,817,558</u>	<u>\$ 139,201</u>	<u>(1,360,308)</u>	<u>\$ 596,451</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 20,259,853	\$ 1,360,308	\$ -	\$ 21,620,161
Machinery and equipment	2,768,532	43,125	-	2,811,657
Total capital assets being depreciated	<u>\$ 23,028,385</u>	<u>\$ 1,403,433</u>	<u>\$ -</u>	<u>\$ 24,431,818</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (9,578,057)	\$ (548,345)	\$ -	\$ (10,126,402)
Machinery and equipment	(2,372,289)	(67,876)	-	(2,440,165)
Total accumulated depreciation	<u>\$ (11,950,346)</u>	<u>\$ (616,221)</u>	<u>\$ -</u>	<u>\$ (12,566,567)</u>
Total capital assets being depreciated, net	<u>\$ 11,078,039</u>	<u>\$ 787,212</u>	<u>\$ -</u>	<u>\$ 11,865,251</u>
Business-type activities capital assets, net	<u><u>\$ 12,895,597</u></u>	<u><u>\$ 926,413</u></u>	<u><u>\$ (1,360,308)</u></u>	<u><u>\$ 12,461,702</u></u>

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TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 9-Capital Assets: (continued)

Business-type activities:

Swimming Pool Fund:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 179,125	\$ -	\$ -	\$ 179,125
Total capital assets not being depreciated	<u>\$ 179,125</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 179,125</u>
Capital assets, being depreciated:				
Pool	\$ 974,651	\$ -	\$ -	\$ 974,651
Equipment	29,151	-	-	29,151
Total capital assets being depreciated	<u>\$ 1,003,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,003,802</u>
Less: accumulated depreciation for:				
Pool	\$ (950,700)	\$ (4,177)	\$ -	\$ (954,877)
Equipment	(29,151)	-	-	(29,151)
Total accumulated depreciation	<u>\$ (979,851)</u>	<u>\$ (4,177)</u>	<u>\$ -</u>	<u>\$ (984,028)</u>
Total capital assets being depreciated, net	<u>\$ 23,951</u>	<u>\$ (4,177)</u>	<u>\$ -</u>	<u>\$ 19,774</u>
Business-type activities capital assets, net	<u><u>\$ 203,076</u></u>	<u><u>\$ (4,177)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 198,899</u></u>

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

Business-type activities:

Water and Sewer	\$ 616,221
Swimming Pool	<u>4,177</u>
Total depreciation expense - business type activities	<u><u>\$ 620,398</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 10-Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$860,801 is comprised of the following:

Property Taxes - Property tax revenue of \$800,625 representing uncollected tax billings not available for funding current expenditures.

RBEG Loan – Small business loan of \$60,176 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 13 – Restricted Net Position:

<i>Governmental Activities</i>	<i>Balance</i>
Restricted for debt service and bond covenants	\$ -
Restricted for downtown housing project	219,941
	<hr/>
Total	\$ 219,941
	<hr/>
<i>Business-type Activities</i>	<i>Balance</i>
Restricted for debt service and bond covenants	\$ 281,408
	<hr/>
Total	\$ 281,408
	<hr/>

Note 14 – Restricted Cash and Cash Equivalents

Restricted cash of \$116,713 is reflected in the financial statements for the business-type activities. The \$116,713 represents the amount set aside for debt service in the water and sewer fund.

Note 15 – Restricted Investments

Restricted investment of \$164,695 is reflected in the financial statements for the business-type activities. The \$164,695 represents the amount set aside to cover the requirements set forth by Virginia Resource Authority in connection with the general obligation bond.

Note 16 – Contingencies

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

Note 17 – Compensated Absences

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. Town employees with up to five years of service earn vacation at the rate of one day for each month. After five years, thirteen vacation days are earned annually; after ten years, fourteen days vacation is earned; after fifteen years an employee earns fifteen days vacation; after twenty years, sixteen days vacation are earned. The employees also earn an additional one-half day vacation time when employees go 90 days and are accident free. No benefits or pay is received for unused sick leave upon termination. However, upon retirement with 30 years of VRS service, the Town will pay 25% of all accumulated and unused sick pay up to \$2,500. No sick leave will be accrued at June 30, 2015 due to the difficulty in estimating the number of employees who may retire with 30 years of VRS service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 18 – Fund Balance-Restricted for:

<i>Other Governmental Funds</i>	<i>Balance</i>
Dare Fund	\$ 1,311
Downtown Housing Fund	219,941
Master Redevelopment	2,500
Total	<u>\$ 223,752</u>

Note 19 – Interfund Balances

Interfund balances consisted of the following at June 30, 2015:

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

Note 20 – Other Post-Employment Benefits

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefit Plans Other Than Pensions*. The Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the period in which the cost occurs, rather than in the future years when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010. Recognition of the liability accumulated from prior years will be phased in over 30 years commencing with the 2010 liability.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 20 – Other Post-Employment Benefits (continued)**Annual Other Post-Employment Benefit Cost and Net OPEB Obligation**

For the fiscal year ended June 30, 2015, the Town's annual OPEB costs of \$168,412 for governmental activities and \$26,557 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Annual required contribution	\$ 167,645	\$ 26,300
Interest on net OPEB obligation	16,095	5,410
Adjustment to annual required contribution	<u>(15,328)</u>	<u>(5,153)</u>
Annual OPEB cost	168,412	26,557
Contributions made	<u>(43,269)</u>	<u>-</u>
Increase in net OPEB obligation	125,143	26,557
Net OPEB obligation-beginning of year	<u>459,859</u>	<u>154,564</u>
Net OPEB obligation-end of year	<u><u>\$ 585,002</u></u>	<u><u>\$ 181,121</u></u>

The Town's annual OPEB cost for governmental activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year for implementing GASB No. 45 was June 30, 2010.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	168,412	0%	585,002
June 30, 2014	168,204	0%	459,859
June 30, 2013	104,498	0%	334,924

The Town's annual OPEB cost for business-type activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year for implementing GASB No. 45 was June 30, 2010.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	26,557	0%	181,121
June 30, 2014	26,513	0%	154,564
June 30, 2013	26,470	0%	128,051

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 20 – Other Post-Employment Benefits (continued)**Funding Status and Funding Progress**

The funding status of the plan as of June 30, 2015 was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Actuarial Accrued Liability (AAL)	\$ 1,484,584	\$ 319,624
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	1,484,584	319,624
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%
Covered Payroll (Active Plan Members)	2,875,685	518,947
UAAL as a Percentage of Covered Payroll	51.63%	61.59%

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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 20 – Other Post-Employment Benefits (continued)

Actuarial Methods and Assumptions (continued)

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 62 which is the historical average age of retirement for employees of the Town. Active employees age 62 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the Town included: inflation at 1.80% and an investment rate of return of 3.5%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2015 is 24 years.

Plan Description

The Town provides post-employment 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 at the Town are allowed to stay on the plan until death of the employee or eligibility for Medicare coverage. The employee pays 50% of the required premium for single coverage. The employee pays 100% for spouse or dependent health care insurance premiums.

Funding Policy

The Town currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2015, the Town had not designated any funding for the OPEB liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

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;
- 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

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

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.

<i>Nonspendable Fund Balance</i>	<i>Balance</i>
Prepaid expense	117,742
Inventory	22,217
	<hr/>
Total	<u><u>\$ 139,959</u></u>

<i>Restricted Fund Balance</i>	<i>Balance</i>
Debt service and bond covenants	-
DARE	1,311
Downtown Housing	219,941
Master Redevelopment	2,500
	<hr/>
Total	<u><u>\$ 223,752</u></u>

<i>Committed Fund Balance</i>	<i>Balance</i>
Parking Garage	-
	<hr/>
Total	<u><u>\$ -</u></u>

<i>Assigned Fund Balance</i>	<i>Balance</i>
Golf Course	168,868
	<hr/>
Total	<u><u>\$ 168,868</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 22 – New Accounting Standard:

The Governmental Accounting Standards Board (GASB) has issued the following statement which is not yet effective.

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The provisions of Statement No. 72 are effective for financial statements for reporting beginning after June 15, 2015.

Management has not yet evaluated the effects, if any, of adopting the standard above, but does not expect it to be material.

Note 23 – Subsequent Events

The Town held a public hearing on the issuance of general obligation bonds for \$127,300 for approximately 112 acres located on highway 16 to protect the Currin Valley Spring Watershed Project. The best option is to finance through the Department of Environmental Quality for one quarter of 1%.

Note 24 –Life Saving Crew Transfer

The Town took over operations for the Life Saving Crew, a nonprofit organization, as of March 1, 2015. Under GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, this is considered a transfer of operations to the Town. The effective date of the transfer is the date the Town obtains control of the assets and becomes obligated for the liabilities of the operations transferred. The Town recognizes assets and liabilities transferred from the Life Saving Crew at their carrying value as of March 1, 2015.

The following were transferred in to the General Fund:

Cash and cash equivalents	\$ 7,199
Accounts receivable	35,875
Accounts payable	(7,580)
Accrued liabilities	<u>(1,374)</u>
Change in Fund Balance	<u><u>\$ 34,120</u></u>
Fund balance - beginning	\$ 129,965
Restatement of fund balance to record Life Saving Crew Transfer	<u>(34,120)</u>
Fund balance - beginning as restated	<u><u>\$ 95,845</u></u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 24 –Life Saving Crew Transfer (continued)

The following were transferred in to the Governmental Activities:

Cash and cash equivalents	\$ 7,199
Accounts receivable	35,875
Capital assets (net of accumulated depreciation)	534,872
Accounts payable	(7,580)
Accrued liabilities	(1,374)
Note payable	(171,334)

Change in net position	<u>\$ 397,658</u>
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Net position - beginning	\$ 6,302,398
Restatement of net position to record Life Saving Crew Transfer	<u>397,658</u>

Net position - beginning as restated	<u>\$ 6,700,056</u>
--------------------------------------	---------------------

	Land	Buildings	Machinery & Equipment
Capital assets - beginning	\$ 1,831,018	\$ 7,511,112	\$ 5,104,060
Restatement of capital assets to record Life Saving Crew Transfer	<u>49,151</u>	<u>707,430</u>	<u>988,829</u>
Capital assets - as restated	<u>\$ 1,880,169</u>	<u>\$ 8,218,542</u>	<u>\$ 6,092,889</u>

Loan payable - beginning	\$ 2,217,264
Restatement of loan payable to record Life Saving Crew Transfer	<u>171,334</u>
Loan payable as restated	<u>\$ 2,388,598</u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Note 25 – Restatement of Net Position

There was a restatement of net position for the Governmental Activities for the Life Saving Crew Transfer and the recognition of the pension liability under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Net position - beginning	\$ 6,302,398
Restatement of net position to record	
Life Saving Crew Transfer	397,658
Restatement for the beginning pension liability	<u>(3,856,249)</u>
Net position - beginning as restated	<u><u>\$ 2,843,807</u></u>

There was a restatement of net position for the Business-type Activities for the recognition of the pension liability under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Net position - beginning	\$ 9,458,475
Restatement for the beginning pension liability	<u>(729,065)</u>
Net position - beginning as restated	<u><u>\$ 8,729,410</u></u>

REQUIRED
SUPPLEMENTARY
INFORMATION

Town of Marion, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 658,150	\$ 658,150	\$ 590,482	\$ (67,668)
Other local taxes	2,648,000	2,648,000	2,676,220	28,220
Permits, privilege fees, and regulatory licenses	200	200	105	(95)
Fines and forfeitures	25,600	25,600	17,027	(8,573)
Revenue from the use of money and property	19,201	19,201	13,604	(5,597)
Charges for services	843,380	843,380	654,370	(189,010)
Miscellaneous	34,500	34,500	49,297	14,797
Recovered costs	79,375	79,375	179,065	99,690
Intergovernmental revenues:				
Commonwealth	1,399,714	1,399,714	1,863,173	463,459
Federal	14,060	14,060	668,515	654,455
Total revenues	<u>\$ 5,722,180</u>	<u>\$ 5,722,180</u>	<u>\$ 6,711,858</u>	<u>\$ 989,678</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,254,647	\$ 1,254,647	\$ 1,331,669	\$ (77,022)
Public safety	1,861,073	1,861,073	1,620,227	240,846
Public works	2,122,004	2,122,004	2,241,570	(119,566)
Parks, recreation, and cultural	494,513	494,513	409,197	85,316
Community development	524,531	524,531	1,105,246	(580,715)
Capital projects	137,500	137,500	1,371,408	(1,233,908)
Debt service:				
Principal retirement	280,711	280,711	6,388,228	(6,107,517)
Interest and other fiscal charges	116,298	116,298	94,502	21,796
Total expenditures	<u>\$ 6,791,277</u>	<u>\$ 6,791,277</u>	<u>\$ 14,562,047</u>	<u>\$ (7,770,770)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,069,097)</u>	<u>\$ (1,069,097)</u>	<u>\$ (7,850,189)</u>	<u>\$ (6,781,092)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 1,114,408	\$ 1,114,408
Proceeds from a line of credit	-	-	6,344,500	6,344,500
Proceeds of capital leases	-	-	84,552	84,552
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,543,460</u>	<u>\$ 7,543,460</u>
Net change in fund balances	\$ (1,069,097)	\$ (1,069,097)	\$ (306,729)	\$ 762,368
Fund balances - beginning as restated	-	-	(95,845)	(95,845)
Fund balances - ending	<u>\$ (1,069,097)</u>	<u>\$ (1,069,097)</u>	<u>\$ (402,574)</u>	<u>\$ 666,523</u>

Town of Marion, Virginia
Schedule of Funding Progress
For the Year Ended June 30, 2015

Primary Government:

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2014	\$ 10,770,916	\$ 15,624,203	4,853,287	68.94%	\$ 2,733,750	177.53%
6/30/2013	9,800,267	15,382,101	5,581,834	63.71%	2,884,697	193.50%
6/30/2012	9,441,903	15,124,048	5,682,145	62.43%	2,762,869	205.66%

Post-Employment Benefit Plan-Governmental Activities

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
7/1/2014	\$ -	\$ 1,484,584	\$ 1,484,584	0.00%	\$ 2,875,685	51.63%
7/1/2013	-	1,484,584	1,484,584	0.00%	2,672,357	55.55%
7/1/2012	-	1,484,584	1,484,584	0.00%	2,713,057	54.72%

Post-Employment Benefit Plan-Business-type Activities

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
7/1/2014	\$ -	\$ 319,624	\$ 319,624	0.00%	\$ 518,947	61.59%
7/1/2013	-	319,624	319,624	0.00%	511,739	62.46%
7/1/2012	-	319,624	319,624	0.00%	529,569	60.36%

**OTHER SUPPLEMENTARY
INFORMATION**

Town of Marion, Virginia
Combining Balance Sheet
Other Governmental Funds
For the Year Ended June 30, 2015

	<u>Dare Program</u>	<u>Streetscape Program</u>	<u>Downtown Housing Project</u>	<u>CDBG Gilman Street</u>	<u>Master Redevelopment</u>	<u>Golf Course</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 1,311	\$ 23,354	\$ 101,572	\$ -	\$ 3,500	\$ 97,833	\$ 227,570
Receivables (net of allowance for uncollectibles):							
Accounts receivable	-	-	-	-	-	85,940	85,940
Due from other funds	-	-	118,369	-	-	-	118,369
Inventories	-	-	-	-	-	22,217	22,217
Prepaid expense	-	-	-	-	-	7,319	7,319
Total assets	<u>\$ 1,311</u>	<u>\$ 23,354</u>	<u>\$ 219,941</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 213,309</u>	<u>\$ 461,415</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	-	-	\$ 25,824	\$ 25,824
Accrued liabilities	-	-	-	-	-	18,617	18,617
Due to other funds	-	118,369	-	32,951	1,000	-	152,320
Total liabilities	<u>\$ -</u>	<u>\$ 118,369</u>	<u>\$ -</u>	<u>\$ 32,951</u>	<u>\$ 1,000</u>	<u>\$ 44,441</u>	<u>\$ 196,761</u>
Fund balances:							
Unreserved:							
Designated for subsequent expenditure	\$ 1,311	\$ (95,015)	\$ 219,941	\$ (32,951)	\$ 2,500	\$ 168,868	\$ 264,654
Total fund balances	<u>\$ 1,311</u>	<u>\$ (95,015)</u>	<u>\$ 219,941</u>	<u>\$ (32,951)</u>	<u>\$ 2,500</u>	<u>\$ 168,868</u>	<u>\$ 264,654</u>
Total liabilities and fund balances	<u>\$ 1,311</u>	<u>\$ 23,354</u>	<u>\$ 219,941</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 213,309</u>	<u>\$ 461,415</u>

Town of Marion, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2015

	<u>Dare Program</u>	<u>Streetscape Program</u>	<u>Downtown Housing Project</u>	<u>CDBG Gilman Street</u>	<u>Master Redevelopment</u>	<u>Golf Course</u>	<u>Total</u>
REVENUES							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 517,081	\$ 517,081
Miscellaneous	-	-	-	-	-	4,902	4,902
Recovered costs	-	-	11,127	-	-	-	11,127
Intergovernmental revenues:							
Commonwealth	-	-	-	-	-	-	-
Federal	-	24,597	-	-	-	-	24,597
Total revenues	\$ -	\$ 24,597	\$ 11,127	\$ -	\$ -	\$ 521,983	\$ 557,707
EXPENDITURES							
Current:							
Parks, recreation, and cultural	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 824,203	\$ 824,203
Community development	-	22,989	-	-	-	-	22,989
Capital projects	-	-	-	-	-	-	-
Debt service:							
Interest and other fiscal charges	-	-	-	-	-	-	-
Total expenditures	\$ -	\$ 22,989	\$ -	\$ -	\$ -	\$ 824,203	\$ 847,192
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 1,608	\$ 11,127	\$ -	\$ -	\$ (302,220)	\$ (289,485)
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ -	\$ (9,181)	\$ -	\$ -	\$ -	\$ 196,870	\$ 187,689
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	\$ -	\$ (9,181)	\$ -	\$ -	\$ -	\$ 196,870	\$ 187,689
Net change in fund balances	\$ -	\$ (7,573)	\$ 11,127	\$ -	\$ -	\$ (105,350)	\$ (101,796)
Fund balances - beginning	1,311	(87,442)	208,814	(32,951)	2,500	274,218	366,450
Fund balances - ending	\$ 1,311	\$ (95,015)	\$ 219,941	\$ (32,951)	\$ 2,500	\$ 168,868	\$ 264,654

**DISCRETELY PRESENTED
COMPONENT UNIT**

Town of Marion, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Net Position-Proprietary Fund
For the Year Ended June 30, 2015

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 25
Total current assets/Total assets	<u>\$ 25</u>
 NET POSITION	
Unrestricted	\$ 25
Total net position	<u>\$ 25</u>

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, 2015

	Enterprise Fund
REVENUES	
Charges for services	\$ 40
Miscellaneous	25
Total revenues	<u>\$ 65</u>
EXPENDITURES	
Current:	
Community development	\$ 40
Total expenditures	<u>\$ 40</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 25</u>
Net change in net position	\$ 25
Total net position - beginning	-
Total net position - ending	<u><u>\$ 25</u></u>

Town of Marion, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Cash Flows-Proprietary Fund
For the Year Ended June 30, 2015

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 65
Payments to suppliers	(40)
Net cash provided (used by) operating activities	<u>\$ 25</u>
Net increase (decrease) in cash and cash equivalents	\$ 25
Cash and cash equivalents - beginning	\$ -
Cash and cash equivalents - ending	<u><u>\$ 25</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 25
Net cash provided (used) by operating activities	<u><u>\$ 25</u></u>

SUPPORTING SCHEDULES

Town of Marion, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 465,000	\$ 465,000	\$ 437,456	\$ (27,544)
Real and personal public service corporation taxes	27,000	27,000	24,468	(2,532)
Personal property taxes	157,150	157,150	115,235	(41,915)
Penalties and Interest	9,000	9,000	13,323	4,323
Total general property taxes	<u>\$ 658,150</u>	<u>\$ 658,150</u>	<u>\$ 590,482</u>	<u>\$ (67,668)</u>
Other local taxes:				
Local sales and use taxes	\$ 180,000	\$ 180,000	\$ 187,775	\$ 7,775
Consumers' utility taxes	108,000	108,000	111,984	3,984
Communications taxes	135,000	135,000	129,924	(5,076)
Lodging taxes	135,000	135,000	135,682	682
Business license taxes	555,000	555,000	545,833	(9,167)
Utility license taxes	30,000	30,000	29,834	(166)
Motor vehicle licenses	45,000	45,000	45,441	441
Bank stock taxes	182,000	182,000	177,164	(4,836)
Tobacco taxes	145,000	145,000	117,914	(27,086)
Meals taxes	1,125,000	1,125,000	1,187,694	62,694
Comcast PEG capital fees	8,000	8,000	6,975	(1,025)
Total other local taxes	<u>\$ 2,648,000</u>	<u>\$ 2,648,000</u>	<u>\$ 2,676,220</u>	<u>\$ 28,220</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 200	\$ 200	\$ 105	\$ (95)
Total permits, privilege fees, and regulatory licenses	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 105</u>	<u>\$ (95)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 25,000	\$ 25,000	\$ 16,787	\$ (8,213)
Parking Fines	600	600	240	(360)
Total fines and forfeitures	<u>\$ 25,600</u>	<u>\$ 25,600</u>	<u>\$ 17,027</u>	<u>\$ (8,573)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 5,000	\$ 5,000	\$ 334	\$ (4,666)
Revenue from use of property	14,201	14,201	13,270	(931)
Total revenue from use of money and property	<u>\$ 19,201</u>	<u>\$ 19,201</u>	<u>\$ 13,604</u>	<u>\$ (5,597)</u>
Charges for services:				
Parking lot charges	\$ 480	\$ 480	\$ 480	\$ -
Charges for sanitation and waste removal	425,200	425,200	409,640	(15,560)
Charges for parks and recreation	7,000	7,000	20,727	13,727
Farmers market	1,000	1,000	1,135	135
Fire calls	-	-	11,085	11,085
Fire/EMS	400,000	400,000	201,618	(198,382)
Credit card fees	2,000	2,000	2,198	198
Senior center-District III	2,700	2,700	3,375	675
Cemetery maintenance fees	5,000	5,000	4,112	(888)
Total charges for services	<u>\$ 843,380</u>	<u>\$ 843,380</u>	<u>\$ 654,370</u>	<u>\$ (189,010)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 24,500	\$ 24,500	\$ 41,901	\$ 17,401
Sale of property and equipment	10,000	10,000	96	(9,904)
Donations	-	-	7,300	7,300
Total miscellaneous revenue	<u>\$ 34,500</u>	<u>\$ 34,500</u>	<u>\$ 49,297</u>	<u>\$ 14,797</u>

Town of Marion, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
County of Smyth - Recreation facilities	\$ 19,250	\$ 19,250	\$ 19,250	\$ -
County of Smyth - Fire and rescue	45,000	45,000	29,715	(15,285)
County of Smyth - Police	-	-	121,687	121,687
Other recovered costs	15,125	15,125	8,413	(6,712)
Total recovered costs	<u>\$ 79,375</u>	<u>\$ 79,375</u>	<u>\$ 179,065</u>	<u>\$ 99,690</u>
Total revenue from local sources	<u>\$ 4,308,406</u>	<u>\$ 4,308,406</u>	<u>\$ 4,180,170</u>	<u>\$ (128,236)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 6,000	\$ 6,000	\$ 6,039	\$ 39
Rental tax	14,500	14,500	16,824	2,324
Personal property tax relief funds	-	-	45,785	45,785
Total noncategorical aid	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 68,648</u>	<u>\$ 48,148</u>
Categorical aid:				
Other categorical aid:				
Litter control grant	\$ 3,000	\$ 3,000	\$ 3,123	\$ 123
Fire programs	15,000	15,000	18,907	3,907
Street and highway maintenance	1,200,000	1,200,000	1,157,719	(42,281)
Law enforcement grant	146,864	146,864	146,864	-
Police block grant	9,000	9,000	-	(9,000)
Fire grant	-	-	1,000	1,000
Commission of the arts	5,000	5,000	5,000	-
Tobacco Commission Grant	-	-	47,511	47,511
Industrial Revitalization Fund Grant	-	-	355,543	355,543
Asset forfeiture funds	350	350	1,039	689
Small business USDA grant	-	-	42,000	42,000
Other state aid	-	-	15,819	15,819
Total other categorical aid	<u>\$ 1,379,214</u>	<u>\$ 1,379,214</u>	<u>\$ 1,794,525</u>	<u>\$ 415,311</u>
Total categorical aid	<u>\$ 1,379,214</u>	<u>\$ 1,379,214</u>	<u>\$ 1,794,525</u>	<u>\$ 415,311</u>
Total revenue from the Commonwealth	<u>\$ 1,399,714</u>	<u>\$ 1,399,714</u>	<u>\$ 1,863,173</u>	<u>\$ 463,459</u>
Revenue from the federal government:				
Categorical aid:				
Community Development Block Grant	\$ -	\$ -	\$ 318,187	\$ 318,187
Emergency preparedness grant	-	-	1,845	1,845
Appalachian Regional Commission Grant	-	-	338,000	338,000
Police Grant-DMV	14,000	14,000	10,418	(3,582)
Asset forfeiture funds	60	60	65	5
Total categorical aid	<u>\$ 14,060</u>	<u>\$ 14,060</u>	<u>\$ 668,515</u>	<u>\$ 654,455</u>
Total revenue from the federal government	<u>\$ 14,060</u>	<u>\$ 14,060</u>	<u>\$ 668,515</u>	<u>\$ 654,455</u>
Total General Fund	<u>\$ 5,722,180</u>	<u>\$ 5,722,180</u>	<u>\$ 6,711,858</u>	<u>\$ 989,678</u>
Total Primary Government	<u>\$ 5,722,180</u>	<u>\$ 5,722,180</u>	<u>\$ 6,711,858</u>	<u>\$ 989,678</u>

Town of Marion, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 94,601	\$ 94,601	\$ 125,594	\$ (30,993)
Town clerk	218,543	218,543	238,557	(20,014)
Legislative	\$ 313,144	\$ 313,144	\$ 364,151	\$ (51,007)
General and financial administration:				
Town manager	\$ 162,436	\$ 162,436	\$ 168,414	\$ (5,978)
Legal services	23,934	23,934	26,543	(2,609)
Independent auditor	28,000	28,000	28,950	(950)
Finance	297,382	297,382	301,277	(3,895)
Information technology	51,650	51,650	52,550	(900)
Risk management	115,100	115,100	107,520	7,580
Motor pool	122,652	122,652	136,159	(13,507)
Central purchasing	140,349	140,349	146,105	(5,756)
Total general and financial administration	\$ 941,503	\$ 941,503	\$ 967,518	\$ (26,015)
Total general government administration	\$ 1,254,647	\$ 1,254,647	\$ 1,331,669	\$ (77,022)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,502,895	\$ 1,502,895	\$ 1,438,315	\$ 64,580
Fire and rescue services:				
Fire and rescue services	\$ 358,178	\$ 358,178	\$ 181,912	\$ 176,266
Total fire and rescue services	\$ 358,178	\$ 358,178	\$ 181,912	\$ 176,266
Total public safety	\$ 1,861,073	\$ 1,861,073	\$ 1,620,227	\$ 240,846
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,752,597	\$ 1,752,597	\$ 1,844,336	\$ (91,739)
General engineering and administration	170,863	170,863	176,713	(5,850)
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,923,460	\$ 1,923,460	\$ 2,021,049	\$ (97,589)
Sanitation and waste removal:				
Refuse collection and disposal	\$ 198,544	\$ 198,544	\$ 220,521	\$ (21,977)
Total sanitation and waste removal	\$ 198,544	\$ 198,544	\$ 220,521	\$ (21,977)
Total public works	\$ 2,122,004	\$ 2,122,004	\$ 2,241,570	\$ (119,566)
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 317,303	\$ 317,303	\$ 293,130	\$ 24,173
Senior Citizens Center	177,210	177,210	116,067	61,143
Total parks, recreation, and cultural	\$ 494,513	\$ 494,513	\$ 409,197	\$ 85,316

Town of Marion, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning	\$ 5,850	\$ 5,850	\$ 7,750	\$ (1,900)
Community development	325,703	325,703	824,999	(499,296)
Cable TV	191,478	191,478	272,497	(81,019)
Transport services	1,500	1,500	-	1,500
Total planning and community development	<u>\$ 524,531</u>	<u>\$ 524,531</u>	<u>\$ 1,105,246</u>	<u>\$ (580,715)</u>
Total community development	<u>\$ 524,531</u>	<u>\$ 524,531</u>	<u>\$ 1,105,246</u>	<u>\$ (580,715)</u>
Capital projects:				
Capital outlays	\$ 137,500	\$ 137,500	\$ 1,371,408	\$ (1,233,908)
Total capital projects	<u>\$ 137,500</u>	<u>\$ 137,500</u>	<u>\$ 1,371,408</u>	<u>\$ (1,233,908)</u>
Debt service:				
Principal retirement	\$ 280,711	\$ 280,711	\$ 6,388,228	\$ (6,107,517)
Interest and other fiscal charges	116,298	116,298	94,502	21,796
Total debt service	<u>\$ 397,009</u>	<u>\$ 397,009</u>	<u>\$ 6,482,730</u>	<u>\$ (6,085,721)</u>
Total General Fund	<u>\$ 6,791,277</u>	<u>\$ 6,791,277</u>	<u>\$ 14,562,047</u>	<u>\$ (7,770,770)</u>
Total Primary Government	<u>\$ 6,791,277</u>	<u>\$ 6,791,277</u>	<u>\$ 14,562,047</u>	<u>\$ (7,770,770)</u>

STATISTICAL INFORMATION

Table 1

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

Fiscal Year	General Fund Reserved	General Fund Unreserved	Total General Fund Balance	Other Governmental Fund Reserved	Other Governmental Fund Unreserved	Total Other Governmental Fund Balance
2005-06	\$ -	\$ 688,423	\$ 688,423	\$ 107,867	\$ 3,786	\$ 111,653
2006-07	-	642,694	642,694	120,327	621,369	741,696
2007-08	67,903	654,193	722,096	19,984	119,157	139,141
2008-09	184,108	265,491	449,599	-	120,145	120,145
2009-10	187,375	(52,282)	135,093	-	124,363	124,363

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total Fund Balance
2010-11	\$ 108,273	\$ 226,767	\$ -	\$ -	\$ 264,827	\$ 599,867
2011-12	110,678	230,442	161,590	327,029	(194,092)	635,647
2012-13	73,598	275,289	-	236,032	(469,308)	115,611
2013-14	139,398	212,625	-	247,993	(363,531)	236,485
2014-15	139,959	223,752	-	168,868	(670,499)	(137,920)

Table 2

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

Fiscal Year	Governmental Activities			Business-type Activities		
	Net Investment in Capital Assets	Restricted	Unrestricted	Net Investment in Capital Assets	Restricted	Unrestricted
2005-06	\$ 3,130,941	\$ 107,867	\$ 526,705	\$ 8,697,111	\$ -	\$ 2,358,346
2006-07	2,900,510	120,327	823,938	8,622,377	-	2,272,068
2007-08	2,985,101	199,114	473,725	8,488,274	163,931	1,838,254
2008-09	3,065,181	229,430	190,182	8,193,951	275,057	1,631,342
2009-10	3,824,940	234,526	(216,688)	8,174,417	342,085	1,564,811
2010-11	4,349,974	222,444	55,230	8,047,842	385,220	1,266,768
2011-12	6,267,452	226,631	1,632	8,061,600	429,406	1,249,735
2012-13	6,437,280	271,478	(614,117)	8,037,542	480,695	1,250,662
2013-14	6,634,300	208,814	(540,716)	7,991,802	378,873	1,288,218
2014-15	7,969,363	219,941	(4,751,409)	7,828,856	281,408	441,535

Table 3

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

Fiscal Year	General Government Revenue	General Government Expenditures	Capital Outlay	Excess of Revenues over (under) Expenditures	Debt issued	Grant Proceeds/ Contributions	Transfers In	Transfers Out	Total Other Financing Sources (Uses)	Net Change In Fund Balance
2005-06	\$ 4,614,866	\$ 4,762,754	\$ 867,117	\$ (1,015,005)	\$ -	\$ -	\$ 1,244,747	\$ (27,500)	\$ 1,217,247	\$ 202,242
2006-07	4,886,010	5,370,581	537,259	(1,021,830)	-	-	1,291,146	-	1,291,146	269,316
2007-08	4,713,209	5,865,689	504,300	(1,656,780)	-	-	1,743,643	(315,000)	1,428,643	(228,137)
2008-09	4,470,393	5,632,006	401,721	(1,563,334)	146,660	-	1,145,165	-	1,291,825	(271,509)
2009-10	5,659,073	6,048,558	882,088	(1,271,573)	89,785	-	871,500	-	961,285	(310,288)
2010-11	6,127,734	6,536,191	493,270	(901,727)	-	-	1,301,613	(59,475)	1,242,138	340,411
2011-12	5,880,811	7,788,793	3,523,572	(5,431,554)	2,063,234	2,294,760	1,109,340	-	5,467,334	35,780
2012-13	5,857,494	6,998,746	263,278	(1,404,530)	-	-	884,494	-	884,494	(520,036)
2013-14	6,173,258	9,574,435	166,733	(3,567,910)	2,482,000	-	1,212,185	(5,401)	3,688,784	120,874
2014-15	7,269,565	14,037,831	1,371,408	(8,139,674)	6,429,052	-	1,302,097	-	7,731,149	(408,525)

Table 4

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

Fiscal Year	Government Wide Expense	Government Wide Program Revenues	Net (Expense) Revenue	Government Wide General Revenues	Transfers	Change in Net Position
2005-06	\$ 6,861,005	\$ 5,365,644	\$ (1,495,361)	\$ 2,711,270	\$ 3,093	\$ 1,219,002
2006-07	7,589,145	4,603,722	(2,985,423)	2,908,740	(5,068)	(81,751)
2007-08	8,153,835	4,458,306	(3,695,529)	3,011,542	-	(683,987)
2008-09	7,735,648	4,352,280	(3,383,368)	2,820,112	-	(563,256)
2009-10	7,885,684	5,360,558	(2,525,126)	2,864,074	-	338,948
2010-11	8,485,666	5,450,272	(3,035,394)	3,438,781	-	403,387
2011-12	9,412,903	5,556,202	(3,856,701)	5,765,679	-	1,908,978
2012-13	9,204,664	5,530,338	(3,674,326)	3,301,410	-	(372,916)
2013-14	9,189,957	5,827,396	(3,362,561)	3,460,312	-	97,751
2014-15	9,961,916	6,745,613	(3,216,303)	3,432,361	-	216,058

Table 5

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Swimming Pool	Water and Sewer	Total
2005-06	\$ 1,029,902	\$ 1,617,197	\$ 1,728,400	\$ 451,456	\$ 245,360	\$ 69,579	\$ 86,260	\$ 58,438	\$ 1,574,413	\$ 6,861,005
2006-07	2,456,617	530,880	2,041,691	465,949	248,302	25,038	72,055	60,030	1,688,583	7,589,145
2007-08	1,179,021	1,766,948	2,345,736	472,177	388,637	-	104,548	65,565	1,831,203	8,153,835
2008-09	1,214,519	1,521,445	2,096,432	487,930	346,523	-	67,536	58,670	1,942,593	7,735,648
2009-10	1,195,607	1,569,854	1,925,453	520,707	719,609	-	75,705	50,272	1,828,477	7,885,684
2010-11	1,205,746	1,572,373	2,091,079	503,161	1,085,854	-	62,126	57,057	1,908,270	8,485,666
2011-12	1,213,894	1,576,032	2,189,344	901,040	1,392,000	-	104,691	55,388	1,980,514	9,412,903
2012-13	1,309,870	1,583,513	2,173,422	1,141,233	732,440	-	87,659	50,034	2,126,493	9,204,664
2013-14	1,327,851	1,524,561	2,003,788	1,315,327	830,257	-	81,742	39,708	2,066,723	9,189,957
2014-15	1,412,681	1,568,289	2,325,699	1,194,373	1,196,299	-	93,019	44,461	2,127,095	9,961,916

Table 6

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

GENERAL REVENUES														
PROGRAM REVENUES				GENERAL REVENUES										
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Recovered Costs	Grants and Contributions Not Restricted to Specific Programs	Gain (Loss) on Disposal of Capital Assets	Contribution from Nonprofit	Total
2005-06	\$ 3,237,203	\$ 1,355,338	\$ 773,103	\$ 436,669	\$ 2,041,365	\$ -	\$ -	\$ 78,015	\$ 155,221	\$ -	\$ -	\$ -		\$ 8,076,914
2006-07	3,257,417	1,346,305	-	542,400	2,229,086	-	-	93,123	44,131	-	-	-		7,512,462
2007-08	2,981,905	1,354,904	121,497	479,784	2,223,859	180	25,138	112,312	62,301	40,370	67,598	-		7,469,848
2008-09	2,961,251	1,343,479	47,550	522,114	2,066,362	75	24,933	66,100	11,911	61,377	67,240	-		7,172,392
2009-10	2,810,773	1,554,489	995,296	527,199	2,182,865	165	38,511	36,194	10,576	-	69,823	(1,259)		8,224,632
2010-11	3,052,405	1,920,520	477,347	603,623	2,607,956	165	24,309	36,872	48,293	44,231	73,332	-		8,889,053
2011-12	3,351,463	1,689,299	515,440	593,748	2,592,961	225	31,812	26,077	32,279	130,179	63,638	-	2,294,760	11,321,881
2012-13	3,668,212	1,511,125	351,001	614,219	2,521,376	280	26,140	26,317	92,347	4,458	75,878	(59,605)	-	8,831,748
2013-14	3,948,424	1,440,293	438,679	598,997	2,667,267	150	17,174	19,667	78,538	8,916	69,603	-	-	9,287,708
2014-15	4,192,231	1,721,986	831,396	593,460	2,676,220	105	17,027	18,243	54,199	4,459	68,648	-	-	10,177,974

Table 7

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

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total (1)
2005-06	\$ 959,534	\$ 1,177,188	\$ 1,589,421	\$ 432,505	\$ 245,360	\$ 69,579	\$ 289,167	\$ 4,762,754
2006-07	827,517	1,277,511	2,015,502	302,772	643,473	12,683	291,123	5,370,581
2007-08	1,098,443	1,376,190	2,210,059	473,022	399,521	-	308,454	5,865,689
2008-09	1,112,726	1,382,225	1,966,409	491,837	366,508	-	312,301	5,632,006
2009-10	1,145,845	1,359,099	1,846,756	521,547	734,600	-	440,711	6,048,558
2010-11	1,110,440	1,444,987	1,998,486	500,548	1,131,811	-	349,919	6,536,191
2011-12	1,178,902	1,511,479	2,018,829	891,010	1,754,238	-	434,335	7,788,793
2012-13	1,225,012	1,538,451	2,014,875	1,114,091	697,402	-	408,915	6,998,746
2013-14	1,247,119	1,450,222	2,043,903	1,243,183	847,182	-	2,742,826	9,574,435
2014-15	1,331,669	1,620,227	2,241,570	1,233,400	1,128,235	-	6,482,730	14,037,831

(1) Excludes capital projects

Table 8

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2005-06	\$ 464,984	\$ 2,032,056	\$ 195	\$ 24,992	\$ 26,916	\$ 251,383	\$ 147,065	\$ 55,010	\$ 1,612,265	\$ 4,614,866
2006-07	538,460	2,210,211	210	25,774	32,669	234,918	32,988	29,710	1,781,070	4,886,010
2007-08	485,251	2,258,281	180	25,138	26,642	308,018	62,474	50,634	1,496,591	4,713,209
2008-09	514,629	2,066,362	75	24,933	34,208	308,251	11,910	61,806	1,448,219	4,470,393
2009-10	525,667	2,182,865	165	38,511	24,496	329,010	10,576	166,640	2,381,143	5,659,073
2010-11	600,862	2,607,956	165	24,309	28,859	327,667	48,293	67,424	2,422,199	6,127,734
2011-12	568,140	2,592,961	225	31,812	22,459	525,359	32,279	65,451	2,042,125	5,880,811
2012-13	587,353	2,521,376	280	26,140	23,893	792,501	92,347	82,186	1,731,418	5,857,494
2013-14	584,811	2,667,267	150	17,174	16,557	889,334	78,538	102,945	1,816,482	6,173,258
2014-15	590,482	2,676,220	105	17,027	13,604	1,171,451	54,199	190,192	2,556,285	7,269,565

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
2005-06	\$ 424,351	\$ 405,851	95.64%	\$ 23,177	\$ 429,028	101.10%	\$ 18,500	4.36%
2006-07	503,090	486,666	96.74%	43,252	529,918	105.33%	16,424	3.26%
2007-08	542,246	520,156	95.93%	6,145	526,301	97.06%	18,717	3.45%
2008-09	558,935	544,770	97.47%	8,407	553,177	98.97%	39,505	7.07%
2009-10	586,857	545,797	93.00%	10,709	556,506	94.83%	46,734	7.96%
2010-11	665,404	628,847	94.51%	10,362	639,209	96.06%	66,206	9.95%
2011-12	697,358	641,482	91.99%	9,653	651,135	93.37%	109,302	15.67%
2012-13	726,614	599,405	82.49%	6,611	606,016	83.40%	141,343	19.45%
2013-14	711,022	613,045	86.22%	10,104	623,149	87.64%	160,495	22.57%
2014-15	697,201	609,855	87.47%	13,089	622,944	89.35%	167,485	24.02%

(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

2004-2015												
Fiscal Year	Real Estate		Personal Property		Machinery and Tools	Public Utility		Total				
						Real Estate	Personal Property					
2004-05	\$	250,859,573	\$	33,917,951	\$	9,971,430	\$	15,220,925	\$	90,227	\$	310,060,106
2005-06		255,641,963		33,684,964		9,958,650		14,972,639		37,344		314,295,560
2006-07		260,381,223		24,067,490		8,329,703		12,308,782		35,735		305,122,933
2007-08		261,783,380		35,859,020		7,893,263		12,015,017		-		317,550,680
2008-09		261,564,133		36,670,016		14,705,050		11,811,371		-		324,750,570
2009-10		261,863,888		34,387,058		13,770,663		11,811,371		-		321,832,980
2010-11		306,380,374		35,162,885		14,324,067		15,169,863		1,017,351		372,054,540
2011-12		308,609,739		35,407,906		14,350,698		14,616,120		944,230		373,928,693
2012-13		306,933,800		36,527,508		13,869,828		14,447,803		-		371,778,939
2013-14		318,076,000		38,286,103		12,132,811		13,973,609		1,189,143		383,657,666
2014-15		302,902,413		38,877,153		9,952,565		15,906,298		-		367,638,429

Fiscal Year	Residential Property		Commercial Property		Industrial Property		Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2004-05	\$	154,129,400	\$	85,134,700	\$	1,431,700	\$ -	\$ 240,695,800	0.40
2005-06		156,279,800		86,745,600		1,167,500	-	244,192,900	0.40
2006-07		147,680,200		91,382,100		9,795,125	-	248,857,425	0.40
2007-08		149,375,700		100,419,600		1,431,700	-	251,227,000	0.40
2008-09		148,421,900		90,104,900		1,167,500	-	239,694,300	0.40
2009-10		179,585,000		110,217,500		1,790,700	-	291,593,200	0.40
2010-11		180,320,600		110,532,800		1,882,900	-	292,736,300	0.40
2011-12		181,077,900		110,532,800		1,125,600	-	292,736,300	0.40
2012-13		190,265,800		99,837,400		1,125,600	-	291,228,800	0.40
2013-14		189,967,600		111,501,600		1,010,600	-	302,479,800	0.40
2014-15		188,863,800		98,733,000		1,010,600	-	288,607,400	0.40

Table 11

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

Fiscal Year		Real Estate		Personal Property		Machinery and Tools
2005-06	\$	0.11	\$	0.29	\$	0.29
2006-07		0.15		0.29		0.29
2007-08		0.15		0.29		0.29
2008-09		0.15		0.29		0.29
2009-10		0.15		0.35		0.35
2010-11		0.15		0.35		0.35
2011-12		0.15		0.35		0.35
2012-13		0.15		0.35		0.35
2013-14		0.15		0.35		0.35
2014-15		0.15		0.35		0.35

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
2005-06	\$ 6,349	\$ 314,296	\$ 6,479,289	2.06%	1,021
2006-07	6,048	305,123	7,443,990	2.44%	1,231
2007-08	6,048	317,551	7,271,901	2.29%	1,202
2008-09	6,048	324,751	6,981,457	2.15%	1,154
2009-10	6,048	321,833	6,432,170	2.00%	1,064
2010-11	5,968	372,055	5,865,423	1.58%	983
2011-12	5,968	373,929	8,182,104	2.19%	1,371
2012-13	5,968	371,779	7,973,268	2.14%	1,336
2013-14	5,968	383,658	7,670,533	2.00%	1,285
2014-15	5,968	367,638	7,607,567	2.07%	1,275

(1) U.S. Census Bureau.

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

Table 13

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2005-06	\$ 202,908	\$ 86,259	\$ 289,167	\$ 4,762,754	6.07%
2006-07	219,068	72,055	291,123	5,370,581	5.42%
2007-08	220,060	88,394	308,454	5,865,689	5.26%
2008-09	234,568	77,733	312,301	5,632,006	5.55%
2009-10	363,156	77,555	440,711	6,888,134	6.40%
2010-11	285,114	64,805	349,919	7,029,461	4.98%
2011-12	329,991	104,344	434,335	11,312,365	3.84%
2012-13	319,961	88,954	408,915	7,262,024	5.63%
2013-14	2,659,341	83,485	2,742,826	9,741,168	28.16%
2014-15	6,388,228	94,502	6,482,730	15,409,239	42.07%

Table 14

Town of Marion, Virginia
Principal Taxpayers (1)
For Fiscal Year Ended June 30, 2015

Company	2013-2014 Assessed Value	Rank	2014-2015 Assessed Value	Rank
Marion Properties	\$ 11,814,900	2	\$ 11,814,900	1
Regency Marion/Walmart	8,505,200	3	8,505,200	2
Smyth County Foundation	6,711,300	4	6,712,800	3
Highland Development	4,432,600	5	4,525,600	4
Marion Plaza	3,559,300	6	3,931,100	5
Mack Trammell	3,048,000	7	3,048,000	6
Jane Sheffey et al	2,768,000	9	2,769,500	7
JAI Gopal	-		2,123,100	8
Susan Keene/SCEA	-		1,966,500	9
Smyth County Community Hospital	13,398,400	1	1,828,300	10
81-Motel	2,791,100	8	-	
Grey Rock S/C	2,766,500	10	-	

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

Table 15

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed valuations:										
Assessed value	\$ 314,413,110	\$ 314,881,507	\$ 317,550,680	\$ 324,750,570	\$ 321,832,980	\$ 372,054,540	\$ 373,928,693	\$ 371,778,939	\$ 383,657,666	\$ 367,638,429
Legal debt margin										
Debt limitation - 10 percent of total assessed value	31,441,311	31,488,151	31,755,068	32,475,057	32,183,298	37,205,454	37,392,869	37,177,894	38,365,767	36,763,843
Debt applicable to limitation:										
General obligation bonds	6,479,289	7,443,900	7,285,280	6,993,542	6,442,960	5,874,919	8,190,305	7,980,174	7,676,145	7,611,885
Less: Amount set aside for repayment	11,196	11,662	231,834	358,387	423,918	470,425	497,807	555,385	378,873	344,559
Total debt applicable to limitation	6,468,093	7,432,238	7,053,446	6,635,155	6,019,042	5,404,494	7,692,498	7,424,789	7,297,272	7,267,326
Legal debt margin	24,973,218	24,055,913	24,701,622	25,839,902	26,164,256	31,800,960	29,700,371	29,753,105	31,068,495	29,496,517
Total net debt applicable to the limit as a percentage of debt limit	20.57%	23.60%	22.21%	20.43%	18.70%	14.53%	20.57%	19.97%	19.02%	19.77%

Table 16

Town of Marion, Virginia
Miscellaneous Statistics
For the Year Ended June 30, 2015

Date of incorporation	1832
Form of government	Council-Manager
Number of employees:	
General government administration	13
Public safety	21
Public works	24
Parks, recreation, and cultural	7
Community development	4
Water and sewer	11
Swimming pool	12
Golf course	34

COMPLIANCE SECTION



RONALD C. BOSTIC, CPA
GREGORY D. TUCKER, CPA

P.O. Box 505, Lebanon, VA 24266
(276) 889-3103 Fax: (276) 889-0229
www.bthcpa.com

**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 of the
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 unit, each major fund, and the aggregate remaining fund information of the Town of Marion, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bostic, Tucker and Company, PC

Lebanon, Virginia
January 15, 2016



RONALD C. BOSTIC, CPA
GREGORY D. TUCKER, CPA

P.O. Box 505, Lebanon, VA 24266
(276) 889-3103 Fax: (276) 889-0229
www.bthcpa.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Town of Marion's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2015. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2015.

Report on Internal Control Over Compliance

Management of the Town of Marion, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bostic, Tucker and Company, PC

Lebanon, Virginia
January 15, 2016

Town of Marion, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Justice:		
Direct payments:		
Asset forfeiture proceeds	16.000	65
Total Department of Justice		65
Department of Homeland Security:		
Pass-through Payments:		
Department of Emergency Services:		
Emergency Management Preparedness Grant	97.042	1,845
Total Department of Homeland Security		1,845
Department of Housing and Urban Development:		
Direct Payments:		
Appalachian Regional Commission Grant	23.002	(2) 338,000
Community Development Block Grants/Entitlement Grants	14.228	(2) 318,187
Total Department of Housing and Urban Development		\$ 656,187
Department of Transportation		
Pass Through Payments:		
Virginia Department of Transportation:		
Highway Planning and Construction (2)	20.205	24,597
Department of Motor Vehicles:		
Open Container/Alcohol Impaired	20.607	10,418
Total Department of Transportation		35,015
Total Federal Assistance		\$ 693,112
Note 1 - Basis of Presentation:		
The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Marion, Virginia		
Note 2 - Major Federal Program		
Note 3 - Relationship to the Financial Statements:		
Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:		
Intergovernmental federal revenues per the basic financial statements:		
Primary government:		
General Fund		\$ 668,515
Streetscape Fund		24,597
Total primary government		\$ 693,112
Total federal expenditures per the Schedule of Expenditures of Federal Awards		\$ 693,112

**TOWN OF MARION, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's opinion issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies in internal control were disclosed by the audit of the financial statements:	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies in internal control were disclosed by the audit of the financial statements:	No
Type of auditor's opinion issued on compliance for major programs:	Unmodified
Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Major programs identified:

	<u>CFDA</u>
Community Development Block Grant	14.228
Appalachian Regional Commission Grant	23.002

Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 300,000
Auditee qualified as low risk?	No

Section II - Financial Statement Findings:

None Reported

Section III - Federal Awards Findings and Questioned Costs

None Reported

Prior Year Findings

None Reported