

TOWN OF MARION, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2022

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TOWN OF MARION, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2022

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## TOWN OF MARION, VIRGINIA

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### TOWN COUNCIL

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David P. Helms, Mayor

Dr. James Gates, Vice-Mayor

Jim Barker

Larry Carter

Avery Cornett

Suzanne Jennings

Tricia Spencer

Bill Weaver

### OTHER OFFICIALS

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



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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Marion, Virginia

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Marion, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Marion, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Marion, Virginia, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Marion, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Change in Accounting Principle***

As described in Notes 1, 9, and 26 to the financial statements, in 2022, the Town adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Marion, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Marion, Virginia's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–14 and 84–87 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Marion, Virginia's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of the Town of Marion, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Marion, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Marion, Virginia's internal control over financial reporting and compliance.

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

Lebanon, Virginia  
December 9, 2022



## MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

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Our discussion and analysis of the Town of Marion's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2022. 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 2021 fiscal year, the unassigned fund balance of the general fund was \$(102,143) and there were nonspendable prepaid expenses of \$165,201. For the current fiscal year, 2022, the unassigned fund balance of the general fund was \$1,447,792 and there were nonspendable prepaid expenses of \$137,504.

The total net position of the Town of Marion's governmental activities was \$1,271,251 as of June 30, 2021. The total net position for 2022 is \$3,747,663.

The total net position of the business-type activities was \$10,903,820 as of June 30, 2021. The total net position for 2022 is \$12,421,386. The water, sewer, CIRP, and swimming pool funds reported operating revenues of \$4,870,648, an increase of \$955,547 compared to 2021 operating revenues.

### Overview of the Basic Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

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### Government-wide Financial Statements

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

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

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

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

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

### Fund Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Fund Financial Statements (continued)**

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

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

**Notes to the Financial Statements**

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

**Government-wide Financial Analysis – Governmental Activities**

Net position may serve over time as a useful indicator of government's financial position. In the case of the Town of Marion, assets exceeded liabilities by \$1,271,251 as of June 30, 2021. As of June 30, 2022, assets exceeded liabilities by \$3,747,663.

The largest portion of the Town's net position reflects its \$6,954,203 net investment in capital assets. Net investment in capital assets includes assets such as land, buildings, equipment, improvements, infrastructure, and construction in progress, less any outstanding debt used to acquire those assets. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position is \$248,893 in resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$(3,455,433).

General revenues and transfers were \$7,092,047 for governmental activities. General revenues include property taxes, other local taxes, interest income, miscellaneous income, and transfers from other funds. Program revenues were \$2,875,717 for governmental activities. The source of the program revenues are charges for services, operating grants and contributions, and capital grants and contributions. Total expenses for governmental activities were \$7,491,352, which included expenses for general government, public safety, public works, culture and recreation, community development, and interest expense. Governmental activities exhibited a change in net position of \$2,476,412.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**
**Government-wide Financial Analysis – Business-type Activities**

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

The total net position for business-type activities was \$12,421,386 which includes net investment in capital assets of \$12,265,338, restricted for debt service and bond covenants of \$309,605, and unreserved net position of \$(153,557).

Program revenues for business-type activities for the Town were \$4,870,648 for charges for services and \$1,090,922 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 \$2,325,239. General revenues and transfers include interest income of \$148 and transfers to other funds of \$(2,118,913). Business-type activities exhibited a change in net position of \$1,517,566.

**Primary Government Comparative Statements**

Table 1 compares the net assets of the Town's governmental and business-type activities at June 30, 2021 and 2022.

**Table 1. Comparative Statement of Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
<b>Assets:</b>						
Current Assets	\$ 5,470,528	\$ 5,041,698	\$ 2,299,312	\$ 1,612,589	\$ 7,769,840	\$ 6,654,287
Capital Assets	8,291,212	8,460,767	16,524,257	18,458,291	24,815,469	26,919,058
Total Assets	13,761,740	13,502,465	18,823,569	20,070,880	32,585,309	33,573,345
Deferred Outflows of Resources	1,293,521	1,137,192	324,283	292,549	1,617,804	1,429,741
<b>Liabilities:</b>						
Current Liabilities	1,163,455	295,972	225,535	168,296	1,388,990	464,268
Long-term Liabilities	8,251,748	5,751,369	7,964,747	7,285,058	16,216,495	13,036,427
Total Liabilities	9,415,203	6,047,341	8,190,282	7,453,354	17,605,485	13,500,695
Deferred Inflows of Resources	4,368,807	4,844,653	53,750	488,689	4,422,557	5,333,342
<b>Net Position:</b>						
Net Investment in Capital Assets	6,859,399	6,954,203	10,253,546	12,265,338	17,112,945	19,219,541
Restricted	248,893	248,893	267,271	309,605	516,164	558,498
Unrestricted	(5,837,041)	(3,455,433)	383,003	(153,557)	(5,454,038)	(3,608,990)
Total Net Position	\$ 1,271,251	\$ 3,747,663	\$ 10,903,820	\$ 12,421,386	\$ 12,175,071	\$ 16,169,049

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2022**
**Primary Government Comparative Statements (continued)**

Table 2 compares the revenues and expenses for the Town's governmental activities and business-type activities as of the years ended June 30, 2021 and 2022.

**Table 2. Comparative Statement of Activities**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
Revenues:						
Charges for Services	\$ 1,108,028	\$ 937,706	\$ 3,915,101	\$ 4,870,648	\$ 5,023,129	\$ 5,808,354
Operating Grants/Contributions	1,910,936	1,938,011	-	-	1,910,936	1,938,011
Capital Grants/Contributions	-	-	387,237	1,090,922	387,237	1,090,922
Program Revenues	3,018,964	2,875,717	4,302,338	5,961,570	7,321,302	8,837,287
Taxes	3,794,557	4,130,917	-	-	3,794,557	4,130,917
Interest Income	3,407	6,050	146	148	3,553	6,198
Miscellaneous	47,283	75,285	-	-	47,283	75,285
Fines, forfeitures, permits	20,819	9,036	-	-	20,819	9,036
Recovered costs	363,922	123,187	-	-	363,922	123,187
Grants not restricted to program	1,021,466	624,558	-	-	1,021,466	624,558
Gain (loss) on disposal of assets	(907,793)	4,101	-	-	(907,793)	4,101
General Revenues	4,343,661	4,973,134	146	148	4,343,807	4,973,282
Total Revenues	7,362,625	7,848,851	4,302,484	5,961,718	11,665,109	13,810,569
Expenses:						
General Government	2,130,256	1,683,623	-	-	2,130,256	1,683,623
Public Safety	3,027,956	2,430,541	-	-	3,027,956	2,430,541
Public Works	2,877,353	2,242,621	-	-	2,877,353	2,242,621
Parks, Recreation, and Cultural	386,720	73,226	-	-	386,720	73,226
Community Development	890,537	922,621	-	-	890,537	922,621
Interest expense	119,711	138,720	-	-	119,711	138,720
Swimming pool	-	-	27,986	61,381	27,986	61,381
Water and Sewer	-	-	2,042,524	2,263,858	2,042,524	2,263,858
Total Expenses	9,432,533	7,491,352	2,070,510	2,325,239	11,503,043	9,816,591
Transfers	972,989	2,118,913	(972,989)	(2,118,913)	-	-
Change in Net Position	(1,096,919)	2,476,412	1,258,985	1,517,566	162,066	3,993,978
Beginning Net Position	2,368,170	1,271,251	9,644,835	10,903,820	12,013,005	12,175,071
Ending Net Position	\$ 1,271,251	\$ 3,747,663	\$ 10,903,820	\$ 12,421,386	\$ 12,175,071	\$ 16,169,049

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Financial Analysis of the Town's Funds – Governmental Funds**

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

At the end of the current fiscal year, the Town of Marion's governmental funds reported a combined ending fund balance of \$1,682,869. Fund balance includes \$137,504 nonspendable for prepaid expenses, \$248,893 restricted for specific purposes, and \$1,296,472 unassigned.

Total revenues were \$7,971,531 for governmental funds. The governmental funds revenues include property taxes, other local taxes, permits, fees and licenses, fines and forfeitures, revenue from the use of money and property, charges for services, recovered costs, intergovernmental, and miscellaneous income.

Total expenditures for governmental funds were \$17,980,706. These expenses are for general government, public safety, public works, culture and recreation, community development, debt service principal retirement and interest expense. This resulted in a deficiency before other financing sources of \$(10,009,175) in the governmental funds. The governmental funds obtained other financing sources of \$11,531,413, which included net operating transfers from proprietary funds of \$2,118,913, proceeds from a line of credit of \$9,287,500, and proceeds from indebtedness of \$125,000. After the other financing sources were received by the governmental funds, there was an increase in fund balance of \$1,522,238 at June 30, 2022.

**Financial Analysis of the Town's Funds – Proprietary Funds**

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

Net position for the water and sewer fund increased from \$10,725,010 to \$11,697,713. Net position includes \$11,540,589 of net investment in capital assets, \$309,605 restricted for debt service and bond covenants, and \$(152,481) unrestricted.

Swimming pool fund net position increased from \$178,810 to \$723,673. The net position balance includes net investment in capital assets of \$724,749 and unreserved of \$(1,076).

Total operating revenues for proprietary funds were \$4,870,648. Operating expenses were \$2,152,156. This resulted in an operating income of \$2,718,492. The proprietary funds had total non-operating expenses of \$172,935, capital contributions of \$1,090,922, and net operating transfers out of \$2,118,913. The change in net position was \$1,517,566.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**


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**General Fund Budgetary Highlights**

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

Budgetary Highlights for Fiscal 2021-2022:

	General Fund Budget	General Fund Actual	Variance
Revenues	\$ 7,715,094	\$ 7,971,531	\$ 256,437
Expenditures	(9,996,826)	(17,980,706)	(7,983,880)
Other Financing Sources (Uses)	2,281,732	11,531,413	9,249,681
Total	<u>\$ -</u>	<u>\$ 1,522,238</u>	<u>\$ 1,522,238</u>

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

**Capital Asset Activity**

As of June 30, 2022, the Town had capital assets including land, buildings, construction in progress, land improvements, equipment, and infrastructure. See "Major Projects" section for narrative descriptions of projects.

Major asset events during the fiscal year included the following:

Capital expenditures for governmental projects totaled \$2,000 for the fiscal year ending June 30, 2022. Construction in progress asset of \$536,018 at June 30 is progress on Callan Drive Recreational Park.

The Town acquired land near Exit 47. Approximately 147 acres with \$125,000 purchased in 2021 and \$550,000 purchased in 2022.

Capital expenditures on water and sewer projects totaled \$2,190,876 for the fiscal year ending June 30, 2022. The Comprehensive Infrastructure Replacement Program (CIRP) continues. CIRP completed Phase V Water for a phase total of \$1,749,948. Construction in progress asset of \$1,095,438 at June 30 includes ongoing phase(s).

Capital expenditures for pool projects totaled \$545,624 for the fiscal year ending June 30, 2022. The Town used ARPA funds to add waterpark attractions and other improvements to the Town pool.



TOWN OF MARION, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Long-Term Debt Activity**

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

Description	Balance July 1, 2021	Issuances	Retirements	Balance June 30, 2022
General obligation bonds	\$ 286,440	\$ -	\$ -	\$ 286,440
Loans payable	1,145,373	125,000	(137,676)	1,132,697
Line of credit	-	9,287,500	(9,220,087)	67,413
Lease liability	-	25,131	(5,117)	20,014
OPEB liability	2,708,589	-	(697,367)	2,011,222
Pension liability	3,821,951	-	(1,929,823)	1,892,128
Compensated absences	239,395	58,310	-	297,705
Deferred rebate	50,000	-	(6,250)	43,750
Total	<u>\$ 8,251,748</u>	<u>\$ 9,495,941</u>	<u>\$ (11,996,320)</u>	<u>\$ 5,751,369</u>

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

Description	Balance July 1, 2021	Issuances	Retirements	Balance June 30, 2022
General obligation bonds	\$ 6,270,711	\$ 592,782	\$ (808,540)	\$ 6,054,953
Line of credit	-	208,000	(70,000)	138,000
OPEB liability	679,038	-	(161,638)	517,400
Pension liability	958,156	-	(471,394)	486,762
Compensated absences	56,842	31,101	-	87,943
Total	<u>\$ 7,964,747</u>	<u>\$ 831,883</u>	<u>\$ (1,511,572)</u>	<u>\$ 7,285,058</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

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## Major Projects

### *Emory & Henry College*

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

### *BAUD Project*

Ongoing. Project BAUD (Blighted, Abandoned, Underutilized, Derelict) is a comprehensive, multiyear plan to replace aging housing stock, both homeowner and residential rental. The Town is currently implementing the second phase of the process. The Town is funding the Marion Economic Development Authority (EDA) to purchase and redevelop blighted and distressed properties. The EDA and the Marion Housing Authority are investigating options to address the shortage of mid-range affordable housing in town. They also intend to address anticipated rental shortages after Emory & Henry's north campus expansion. Town management are reviewing and revising town ordinances to improve enforcement for landowners to maintain their properties in good condition.

### *Capital Infrastructure Replacement Plan (CIRP)*

Ongoing. This project is a comprehensive, multiyear plan to replace the Town's aging water, sewer, paving, and storm water facilities. It will serve as a framework to coordinate future facility installations by intersections and will incorporate exterior utilities such as natural gas, cable, and phone. The Town completed Phase V Water in fiscal 2022. Phase VI Water and Phase VI Sewer began in Fall 2022.

### *Callan Drive Recreational Park*

Ongoing. This multi-year project will convert a portion of the quarry (approximately 80 acres in the center of Town) to a multi-use outdoor recreation facility using funds from DCR, DEQ, Town, and others.

### *Community Development Block Grant – Sheffy Street Rehabilitation*

Ongoing. Expected completion in fiscal 2023.

### *Exit 47 Land*

The Town purchased 147 acres of land at Exit 47 for future development. It may develop the property commercially or residentially pending a boundary adjustment. The Town currently leases out a section for grazing in exchange for maintenance.

### *ARPA Generational Investments*

The Town received ARPA funds of approximately \$5.8 million. The Town intends to make generational investments in town facilities. Town management has prepared a targeted approach for such expenditures.

In fiscal 2022, the Town made the following generational investments:

- \$545,624 to convert the town pool into a waterpark with features such as: zero entry, handicap accessible ramp, splash pad, two water slides, complete bathroom renovation, zoned music systems, and expanded pool deck for larger crowds.
- \$100,000 to fund the EDA BAUD project.
- \$550,000 to purchase additional land at Exit 47.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Requests for Information**

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

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

## FINANCIAL STATEMENTS

Town of Marion, Virginia  
Statement of Net Position  
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,101,570	\$ 297,601	\$ 1,399,171	\$ 5,525
Receivables (net of allowance for uncollectibles)				
Taxes receivable	1,144,022	-	1,144,022	-
Accounts receivable	491,377	972,522	1,463,899	-
Other receivables	226,379	-	226,379	-
Lease receivable	29,467	-	29,467	-
Due from other funds	151,320	-	151,320	-
Due from other governmental units	72,006	12,813	84,819	-
Prepaid expenses	137,504	20,048	157,552	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	1,688,053	309,605	1,997,658	100,000
Capital assets (net of accumulated depreciation)				
Land	1,715,580	707,377	2,422,957	-
Buildings, system, and improvements	3,194,990	545,624	3,740,614	-
Machinery and equipment	486,700	892,152	1,378,852	-
Infrastructure and plant & lines in service	2,527,479	15,217,700	17,745,179	-
Construction in progress	536,018	1,095,438	1,631,456	-
Total assets	13,502,465	20,070,880	33,573,345	105,525
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pensions	1,091,590	280,818	1,372,408	-
Deferred other post employment benefits	45,602	11,731	57,333	-
Total deferred outflows of resources	1,137,192	292,549	1,429,741	-
<b>Total assets &amp; deferred outflows</b>	<b>\$ 14,639,657</b>	<b>\$ 20,363,429</b>	<b>\$ 35,003,086</b>	<b>\$ 105,525</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 105,168	\$ 71,717	\$ 176,885	\$ -
Accrued liabilities	34,545	8,965	43,510	-
Customers' deposits	-	49,820	49,820	-
Accrued interest payable	4,939	37,794	42,733	-
Due to other funds	151,320	-	151,320	-
Long-term liabilities due within one year	930,378	857,416	1,787,794	-
Long-term liabilities due in more than one year	4,820,991	6,427,642	11,248,633	-
Total liabilities	6,047,341	7,453,354	13,500,695	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue	2,908,247	-	2,908,247	100,000
Deferred lease receivable	36,788	-	36,788	-
Deferred pensions	1,823,172	469,023	2,292,195	-
Deferred other post employment benefits	76,446	19,666	96,112	-
Total deferred inflows of resources	4,844,653	488,689	5,333,342	100,000
<b>NET POSITION</b>				
Net Investment in capital assets	6,954,203	12,265,338	19,219,541	-
Restricted for:				
Debt service and bond covenants	-	309,605	309,605	-
Other purposes	248,893	-	248,893	-
Unrestricted (deficit)	(3,455,433)	(153,557)	(3,608,990)	5,525
Total net position	3,747,663	12,421,386	16,169,049	5,525
<b>Total liabilities &amp; deferred inflows &amp; net position</b>	<b>\$ 14,639,657</b>	<b>\$ 20,363,429</b>	<b>\$ 35,003,086</b>	<b>\$ 105,525</b>

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, 2022

For the Year Ended June 30, 2022									
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	
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities:									
General government administration	\$ 1,683,623	\$ 25,562	\$ -	\$ -	\$ (1,658,061)	\$ -	\$ (1,658,061)	\$ -	
Public safety	2,430,541	463,834	405,686	-	(1,561,021)	-	(1,561,021)	-	
Public works	2,242,621	433,702	1,365,800	-	(443,119)	-	(443,119)	-	
Parks, recreation, and cultural	73,226	10,241	-	-	(62,985)	-	(62,985)	-	
Community development	922,621	4,367	166,525	-	(751,729)	-	(751,729)	-	
Interest on long-term debt	138,720	-	-	-	(138,720)	-	(138,720)	-	
Total government activities	<u>\$ 7,491,352</u>	<u>\$ 937,706</u>	<u>\$ 1,938,011</u>	<u>\$ -</u>	<u>\$ (4,615,635)</u>	<u>\$ -</u>	<u>\$ (4,615,635)</u>	<u>\$ -</u>	
Business-type activities:									
Water, Sewer and CIRP	\$ 2,263,858	\$ 4,812,675	\$ -	\$ 545,298	\$ -	\$ 3,094,115	\$ 3,094,115	\$ -	
Swimming Pool	61,381	57,973	-	545,624	-	542,216	542,216	-	
Total business-type activities	<u>\$ 2,325,239</u>	<u>\$ 4,870,648</u>	<u>\$ -</u>	<u>\$ 1,090,922</u>	<u>\$ -</u>	<u>\$ 3,636,331</u>	<u>\$ 3,636,331</u>	<u>\$ -</u>	
Total primary government	<u>\$ 9,816,591</u>	<u>\$ 5,808,354</u>	<u>\$ 1,938,011</u>	<u>\$ 1,090,922</u>	<u>\$ (4,615,635)</u>	<u>\$ 3,636,331</u>	<u>\$ (979,304)</u>	<u>\$ -</u>	
<b>COMPONENT UNITS:</b>									
Economic Development Authority	\$ 46,000	\$ 51,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	
Total component units	<u>\$ 46,000</u>	<u>\$ 51,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	
General revenues:									
General property taxes					\$ 933,197	\$ -	\$ 933,197	\$ -	
Other local taxes:									
Local sales and use taxes					248,142	-	248,142	-	
Consumers' utility taxes					112,327	-	112,327	-	
Business license taxes					602,087	-	602,087	-	
Communication tax					93,110	-	93,110	-	
Motor vehicle licenses					86,463	-	86,463	-	
Bank stock tax					200,786	-	200,786	-	
Meals taxes					1,551,447	-	1,551,447	-	
Other local taxes					303,358	-	303,358	-	
Permits, privilege fees, and regulatory licenses					750	-	750	-	
Fines and forfeitures					8,286	-	8,286	-	
Unrestricted revenues from use of money and property					6,050	148	6,198	-	
Miscellaneous					75,285	-	75,285	-	
Recovered costs					123,187	-	123,187	-	
Grants and contributions not restricted to specific programs					624,558	-	624,558	-	
Gain (loss) on disposal of capital assets					4,101	-	4,101	-	
Transfers					2,118,913	(2,118,913)	-	-	
Total general revenues and transfers					<u>\$ 7,092,047</u>	<u>\$ (2,118,765)</u>	<u>\$ 4,973,282</u>	<u>\$ -</u>	
Change in net position					\$ 2,476,412	\$ 1,517,566	\$ 3,993,978	\$ 5,000	
Net position - beginning					<u>\$ 1,271,251</u>	<u>\$ 10,903,820</u>	<u>\$ 12,175,071</u>	<u>\$ 525</u>	
Net position - ending					\$ 3,747,663	\$ 12,421,386	\$ 16,169,049	\$ 5,525	

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

Town of Marion, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2022

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 971,046	\$ 130,524	\$ 1,101,570
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,144,022	-	1,144,022
Accounts receivable	491,377	-	491,377
Other receivables	226,379	-	226,379
Due from other funds	32,951	118,369	151,320
Due from other governmental units	72,006	-	72,006
Prepaid expenses	137,504	-	137,504
Restricted assets:			
Cash and cash equivalents	1,688,053	-	1,688,053
<b>Total assets</b>	<b><u>\$ 4,763,338</u></b>	<b><u>\$ 248,893</u></b>	<b><u>\$ 5,012,231</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 105,168	\$ -	\$ 105,168
Accrued liabilities	34,545	-	34,545
Due to other funds	-	151,320	151,320
<b>Total liabilities</b>	<b><u>139,713</u></b>	<b><u>151,320</u></b>	<b><u>291,033</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	<u>3,038,329</u>	<u>-</u>	<u>3,038,329</u>
<b>FUND BALANCE</b>			
Fund balances:			
Nonspendable			
Prepaid expense	137,504	-	137,504
Restricted for:			
Downtown housing project	-	248,893	248,893
Unassigned	1,447,792	(151,320)	1,296,472
<b>Total fund balances</b>	<b><u>1,585,296</u></b>	<b><u>97,573</u></b>	<b><u>1,682,869</u></b>
<b>Total liabilities &amp; deferred inflows &amp; fund balances</b>	<b><u>\$ 4,763,338</u></b>	<b><u>\$ 248,893</u></b>	<b><u>\$ 5,012,231</u></b>

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

Town of Marion, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2022

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 1,682,869
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,460,767
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	159,549
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,756,308)
Deferred outflows of resources reported in the Statement of Net Position	1,137,192
Deferred inflows of resources reported in the Statement of Net Position	<u>(1,936,406)</u>
Net position of governmental activities	<u><u>\$ 3,747,663</u></u>

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



Town of Marion, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2022

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
General property taxes	\$ 803,114	\$ -	\$ 803,114
Other local taxes	3,197,720	-	3,197,720
Permits, privilege fees, and regulatory licenses	750	-	750
Fines and forfeitures	8,286	-	8,286
Revenue from the use of money and property	13,371	-	13,371
Charges for services	937,706	-	937,706
Miscellaneous	79,386	-	79,386
Recovered costs	368,629	-	368,629
Intergovernmental revenues:			
Commonwealth	1,783,358	-	1,783,358
Federal	779,211	-	779,211
Total revenues	<u>\$ 7,971,531</u>	<u>\$ -</u>	<u>\$ 7,971,531</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,745,361	\$ -	\$ 1,745,361
Public safety	2,727,263	-	2,727,263
Public works	2,307,903	-	2,307,903
Parks, recreation, and cultural	114,726	-	114,726
Community development	960,617	-	960,617
Capital projects	625,527	-	625,527
Debt service:			
Principal retirement	9,357,763	-	9,357,763
Interest and other fiscal charges	141,546	-	141,546
Total expenditures	<u>\$ 17,980,706</u>	<u>\$ -</u>	<u>\$ 17,980,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,009,175)</u>	<u>\$ -</u>	<u>\$ (10,009,175)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	\$ 2,118,913	\$ -	2,118,913
Proceeds from a line of credit	9,287,500	-	9,287,500
Proceeds of loans payable	125,000	-	125,000
Total other financing sources (uses)	<u>\$ 11,531,413</u>	<u>\$ -</u>	<u>\$ 11,531,413</u>
Net change in fund balances	\$ 1,522,238	\$ -	\$ 1,522,238
Fund balances - beginning	63,058	97,573	160,631
Fund balances - ending	<u>\$ 1,585,296</u>	<u>\$ 97,573</u>	<u>\$ 1,682,869</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, 2022

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

Net change in fund balances - total governmental funds	\$	1,522,238
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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.		169,554
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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.		159,550
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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.		(54,737)
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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.		679,807
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Change in net position of governmental activities	\$	2,476,412
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The notes to the financial statements are an integral part of this statement.

Town of Marion, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2022

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 297,401	\$ 200	\$ 297,601
Accounts receivables, net of allowances for uncollectibles	972,522	-	972,522
Due from other funds	-	-	-
Due from other governmental units	12,813	-	12,813
Prepaid expenses	20,048	-	20,048
Total current assets	<u>1,302,784</u>	<u>200</u>	<u>1,302,984</u>
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents	309,605	-	309,605
Total restricted current assets	<u>309,605</u>	<u>-</u>	<u>309,605</u>
Capital assets:			
Utility plant in service	29,475,696	-	29,475,696
Machinery and equipment	4,144,704	29,151	4,173,855
Land	528,252	179,125	707,377
Pool	-	1,520,275	1,520,275
Less accumulated depreciation	(17,510,548)	(1,003,802)	(18,514,350)
Construction in progress	1,095,438	-	1,095,438
Total capital assets	<u>17,733,542</u>	<u>724,749</u>	<u>18,458,291</u>
Total noncurrent assets	<u>18,043,147</u>	<u>724,749</u>	<u>18,767,896</u>
Total assets	<u>19,345,931</u>	<u>724,949</u>	<u>20,070,880</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pensions	280,818	-	280,818
Deferred other post employment benefits	11,731	-	11,731
Total deferred outflows of resources	<u>292,549</u>	<u>-</u>	<u>292,549</u>
Total assets & deferred outflows	<u>\$ 19,638,480</u>	<u>\$ 724,949</u>	<u>\$ 20,363,429</u>

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

Town of Marion, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2022

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 70,441	\$ 1,276	\$ 71,717
Accrued liabilities	8,965	-	8,965
Customers' deposits	49,820	-	49,820
Accrued interest payable	37,794	-	37,794
Compensated absences	65,957	-	65,957
Pension liability	48,676	-	48,676
General obligation bonds payable - current portion	604,783	-	604,783
Line of credit	138,000	-	138,000
Total current liabilities	<u>1,024,436</u>	<u>1,276</u>	<u>1,025,712</u>
Noncurrent liabilities:			
General obligation bonds payable - net of current portion	5,450,170	-	5,450,170
Compensated absences	21,986	-	21,986
Pension liability	438,086	-	438,086
OPEB liability	517,400	-	517,400
Total noncurrent liabilities	<u>6,427,642</u>	<u>-</u>	<u>6,427,642</u>
Total liabilities	<u>7,452,078</u>	<u>1,276</u>	<u>7,453,354</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pensions	469,023	-	469,023
Deferred other post employment benefits	19,666	-	19,666
Total deferred inflows of resources	<u>488,689</u>	<u>-</u>	<u>488,689</u>
<b>NET POSITION</b>			
Net Investment in capital assets	11,540,589	724,749	12,265,338
Restricted for debt service and bond covenants	309,605	-	309,605
Unrestricted	(152,481)	(1,076)	(153,557)
Total net position	<u>11,697,713</u>	<u>723,673</u>	<u>12,421,386</u>
<b>Total liabilities &amp; deferred inflows &amp; net position</b>	<u><u>\$ 19,638,480</u></u>	<u><u>\$ 724,949</u></u>	<u><u>\$ 20,363,429</u></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, 2022

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,812,675	\$ 41,378	\$ 4,854,053
Other revenues	-	16,595	16,595
Total operating revenues	<u>\$ 4,812,675</u>	<u>\$ 57,973</u>	<u>\$ 4,870,648</u>
<b>OPERATING EXPENSES</b>			
Personal services	\$ 549,700	\$ 39,649	\$ 589,349
Fringe benefits	88,194	2,950	91,144
Contractual services	154,452	3,369	157,821
Materials and supplies	150,160	13,171	163,331
Other charges	345,803	2,242	348,045
Depreciation	802,466	-	802,466
Total operating expenses	<u>\$ 2,090,775</u>	<u>\$ 61,381</u>	<u>\$ 2,152,156</u>
Operating income (loss)	<u>\$ 2,721,900</u>	<u>\$ (3,408)</u>	<u>\$ 2,718,492</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	\$ 148	\$ -	\$ 148
Interest expense	(173,083)	-	(173,083)
Total nonoperating revenues (expenses)	<u>\$ (172,935)</u>	<u>\$ -</u>	<u>\$ (172,935)</u>
Income before contributions and transfers	<u>\$ 2,548,965</u>	<u>\$ (3,408)</u>	<u>\$ 2,545,557</u>
Capital contributions	\$ 545,298	\$ 545,624	\$ 1,090,922
Transfers in (out)	<u>(2,121,560)</u>	<u>2,647</u>	<u>(2,118,913)</u>
Change in net position	\$ 972,703	\$ 544,863	\$ 1,517,566
Total net position - beginning	\$ 10,725,010	\$ 178,810	\$ 10,903,820
Total net position - ending	<u><u>\$ 11,697,713</u></u>	<u><u>\$ 723,673</u></u>	<u><u>\$ 12,421,386</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, 2022

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 4,290,786	\$ 57,973	\$ 4,348,759
Payments to suppliers	(799,355)	(20,971)	(820,326)
Payments to and for employees	(686,887)	(39,649)	(726,536)
Net cash provided (used by) operating activities	\$ 2,804,544	\$ (2,647)	\$ 2,801,897
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from (to) other funds	\$ (1,565,439)	\$ 2,647	\$ (1,562,792)
Net cash provided (used) by noncapital financing activities	\$ (1,565,439)	\$ 2,647	\$ (1,562,792)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Additions to capital assets	\$ (2,190,876)	\$ (545,624)	\$ (2,736,500)
Principal payments on bonds	(878,540)	-	(878,540)
Proceeds from indebtedness	800,782	-	800,782
Capital contributions	552,687	545,624	1,098,311
Interest payments	(169,923)	-	(169,923)
Net cash provided (used) by capital and related financing activities	\$ (1,885,870)	\$ -	\$ (1,885,870)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	\$ 148	\$ -	\$ 148
Net cash provided (used) by investing activities	\$ 148	\$ -	\$ 148
Net increase (decrease) in cash and cash equivalents	\$ (646,617)	\$ -	\$ (646,617)
Cash and cash equivalents - beginning	\$ 1,253,623	\$ 200	\$ 1,253,823
Cash and cash equivalents - ending	\$ 607,006	\$ 200	\$ 607,206
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 2,721,900	\$ (3,408)	\$ 2,718,492
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ 802,466	\$ -	\$ 802,466
(Increase) decrease in accounts receivable	(520,599)	-	(520,599)
(Increase) decrease in prepaid expenses	(2,805)	-	(2,805)
Increase (decrease) in customer deposits	(1,290)	-	(1,290)
Increase (decrease) in operating accounts payable	(59,870)	761	(59,109)
Increase (decrease) in OPEB liability	(161,638)	-	(161,638)
Increase (decrease) in deferred OPEB	18,129	-	18,129
Increase (decrease) in pension liability	(471,394)	-	(471,394)
Increase (decrease) in deferred pensions	448,544	-	448,544
Increase (decrease) in compensated absences	31,101	-	31,101
Net cash provided (used) by operating activities	\$ 2,804,544	\$ (2,647)	\$ 2,801,897

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

Town of Marion, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2022

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	Cemetery Fund
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,593
Investments, at fair value	<u>138,198</u>
Total assets	<u><u>\$ 142,791</u></u>
 <b>NET POSITION</b>	
Amounts held for cemetery maintenance	<u>\$ 142,791</u>
Total liabilities	<u><u>\$ 142,791</u></u>

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

Town of Marion, Virginia  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2022

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	Cemetery Fund
<b>ADDITIONS</b>	
Investment earnings:	
Interest and dividends	\$ 2,054
Realized gain (loss) on investment	4,802
Unrealized gain (loss) on investment	(26,734)
Total additions	<u>\$ (19,878)</u>
<b>DEDUCTIONS</b>	
Distributions	\$ 3,103
Fees	176
Total deductions	<u>\$ 3,279</u>
Change in net position	\$ (23,157)
Net position - beginning	165,948
Net position - ending	<u><u>\$ 142,791</u></u>

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



NOTES TO  
FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Note 1 - Summary of Significant Accounting Policies**

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

**A. Reporting Entity:**

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

Blended Component Units - None

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

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

Related Organizations - None

Jointly Governed Organizations - None

**B. Government-wide and fund financial statements:**

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

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

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

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

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

Fiduciary funds consist of a cemetery fund for perpetual care.

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

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

1. Deposits and Investments

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

2. Property Taxes

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

**Note 1 - Summary of Significant Accounting Policies (continued)****D. Assets, liabilities, and net position or equity: (continued)****3. Allowance for Uncollectible Accounts**

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for governmental activities amounted to approximately \$53,213 for property taxes, \$37,354 for garbage billings, and \$36,926 for EMS billings at June 30, 2022. The allowance for business-type activities amounted to approximately \$256,099 for water and sewer billings at June 30, 2022.

**4. Use of Estimates**

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

**5. Capital Assets**

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is expensed as incurred.

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

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

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

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

**6. Compensated Absences**

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

**7. Long-term Obligations**

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

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

**8. Fund Equity**

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

**9. Net Position**

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

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

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

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

**10. Concentration of Credit Risk**

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

**11. Prepaid Expenses**

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

**12. Net Position Flow Assumption**

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

**13. Inventory**

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

**E. New Accounting Pronouncements**

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

Statement No. 87, *Leases*, requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The Town reports lease assets (capital assets), lease liability (long-term liabilities), lease receivable, and deferred inflows on lease receivable in the government-wide statements.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this statement are applied prospectively. CIRP construction is funded by VRA loans which incur interest. Interest is expended beginning with fiscal 2022. Capitalized interest in prior years is unaffected.

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

**F. Pensions**

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

Plan Description

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

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



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

		contributions according to specified percentages.
<b>Service Credit</b> Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	<b>Service Credit</b> Same as Plan 1.	<b>Service Credit</b> <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.  <i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
<b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must	<b>Vesting</b> Same as Plan 1.	<b>Vesting</b> <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2

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

## F. Pensions (continued)

<p>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>members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distributions not required, except</p>
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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

		as governed by law.
<b>Calculating the Benefit</b> The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	<b>Calculating the Benefit</b> See definition under Plan 1.	<b>Calculating the Benefit</b> <i>Defined Benefit Component:</i> See definition under Plan 1.  <i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	<b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	<b>Service Retirement Multiplier</b> <i>Defined Benefit Component:</i> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.  For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
<i>Sheriffs and regional jail superintendents:</i> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%	<i>Sheriffs and regional jail superintendents:</i> Same as Plan 1.	<i>Sheriffs and regional jail superintendents:</i> Not applicable.
<i>Political subdivision hazardous duty employees:</i> The retirement	<i>Political subdivision hazardous duty employees:</i> Same as Plan	<i>Political subdivision hazardous duty employees:</i> Not applicable.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

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



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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Note 1 - Summary of Significant Accounting Policies (continued)

F. Pensions (continued)

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The detail of this \$(5,756,308) difference for the primary government is as follows:

	<u>Primary Government</u>
Bonds, loans, lines of credit, and leases	\$ 1,506,564
Interest payable	4,939
OPEB liability	2,011,222
Pension liability	1,892,128
Compensated absences	297,705
Deferred rebate	<u>43,750</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u><u>\$ 5,756,308</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The detail of this \$169,555 difference for the primary government is as follows:

	<u>Primary Government</u>
Capital outlays	\$ 653,426
Depreciation expense	(483,871)
Disposal of capital assets	<u>-</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>\$ 169,555</u></u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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

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

Another element of that reconciliation explains that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The detail of this \$679,807 difference for the primary government is as follows:

	<u>Primary Government</u>
Change in lease payable and deferred inflow on receivable	\$ (56,802)
Change in interest payable	3,025
Change OPEB and deferred items	625,863
Change in pension and deferred items	159,781
Change in compensated absences	(58,310)
Change in deferred rebate	<u>6,250</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 679,807</u></u>

**Note 3 - Stewardship, Compliance, and Accountability**

- A. Budgetary information

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. Only the Town Council can revise the appropriation for each department or category.
5. Formal budgetary integration is employed as a management control device during 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, 2022, the CDBG Gilman Street Fund had a deficit fund equity of \$(32,951) and the Streetscape Fund had a deficit fund equity of \$(118,369). These funds are combined with non-major funds and reflected as other governmental funds in the financial statement.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Note 4 - Deposits and Investments**Deposits

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

Investments

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

**Note 5 - Due from Other Governmental Units**

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

Local sales tax	\$ 40,635
Communication tax	14,894
Non-categorical aid	16,477
Total	<u>\$ 72,006</u>

**Note 6 - Interfund Transfers**

Interfund transfers for the year ended June 30, 2022 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net In (Out)</u>
General Fund	\$ 2,118,913	\$ -	
Other Governmental Funds	-	-	
<i>Total Governmental Funds</i>			<i>\$ 2,118,913</i>
Water, Sewer and CIRP Fund	-	2,121,560	
Swimming Pool Fund	2,647	-	
<i>Total Proprietary Funds</i>			<i>(2,118,913)</i>
Total	<u>\$ 2,121,560</u>	<u>\$ 2,121,560</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 7 - Long-Term Debt

Primary Government - Governmental Activity Indebtedness

The following is a summary of long-term debt transactions for governmental activities for the year ended June 30, 2022.

Description	Balance July 1, 2021	Issuances	Retirements	Balance June 30, 2022
General obligation bonds	\$ 286,440	\$ -	\$ -	\$ 286,440
Loans payable	1,145,373	125,000	(137,676)	1,132,697
Line of credit	-	9,287,500	(9,220,087)	67,413
Lease liability	-	25,131	(5,117)	20,014
OPEB liability	2,708,589	-	(697,367)	2,011,222
Pension liability	3,821,951	-	(1,929,823)	1,892,128
Compensated absences	239,395	58,310	-	297,705
Deferred rebate	50,000	-	(6,250)	43,750
Total	<u>\$ 8,251,748</u>	<u>\$ 9,495,941</u>	<u>\$ (11,996,320)</u>	<u>\$ 5,751,369</u>

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

Year Ending June 30,	General Obligation Bonds		Loan Payable		Line of Credit		Lease Liability	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 38,000	\$ 12,012	\$ 401,061	\$ 37,166	\$ 67,413	\$ 2,528	\$ 5,162	\$ 154
2024	39,000	11,024	66,431	27,955	-	-	5,207	108
2025	40,000	10,010	68,920	25,466	-	-	5,252	63
2026	41,000	8,970	71,509	22,877	-	-	4,393	37
2027	43,000	7,904	61,343	20,146	-	-	-	-
2028-2032	85,440	12,454	208,434	65,130	-	-	-	-
2033-2037	-	-	133,017	36,719	-	-	-	-
2038-2042	-	-	121,982	9,617	-	-	-	-
Totals	<u>\$ 286,440</u>	<u>\$ 62,374</u>	<u>\$ 1,132,697</u>	<u>\$ 245,076</u>	<u>\$ 67,413</u>	<u>\$ 2,528</u>	<u>\$ 20,014</u>	<u>\$ 362</u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 7 - Long-Term Debt (continued)

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Due Within One Year</u>
<b>General Obligation Bonds</b>		
Bank of Marion bond, issued June 29, 2016, annual installments of principal and semi-annual installments of interest. Interest computed at a rate of 2.6% for sixteen years.	\$ 286,440	\$ 38,000
<b>Loan Payable</b>		
Bank of Marion, issued February 1, 2018, monthly installments of principal and interest in the amount of \$2,030. Interest computed at a rate of 3.5% for five years.	\$ 293,186	\$ 293,185
Bank of Marion, issued August 28, 2019, monthly installments of principal and interest in the amount of \$2,651. Interest computed at a rate of 4.99% for ten years.	188,097	22,944
Bank of Marion, issued February 18, 2015, monthly installments of principal and interest in the amount of \$1,311. Interest computed at a rate of 4.5% for fifteen years.	100,196	11,468
Bank of Marion, issued May 6, 2021, monthly installments of principal and interest in the amount of \$2,120. Interest computed at a rate of 3.99% for twenty years.	335,849	12,187
Rural Development, issued May 15, 2019, monthly installments of principal and interest in the amount of \$4,086. Interest computed at a rate of 4.25% for four years.	43,825	43,825
VRA, issued March 18, 2016, semiannual installments of principal and interest in the amount of \$6,449. Interest computed at a rate of 0.25% for ten years.	51,287	12,777
Bank of Marion, issued July 31, 2021, monthly installments of principal and interest in the amount of \$709. Interest computed at a rate of 3.25% for twenty years.	120,257	4,675
Total Loans Payable	<u>\$ 1,132,697</u>	<u>\$ 401,061</u>
<b>Line of Credit</b>		
Bank of Marion up to \$2,000,000. Variable interest. 3.75% at June 30, 2022.	\$ 67,413	\$ 67,413
<b>Lease Liability</b>		
Copier lease. Monthly payments of \$443 until April 2026. Interest computed at 0.87%.	\$ 20,014	\$ 5,162
<b>Other Obligations</b>		
OPEB liability	\$ 2,011,222	\$ -
Pension liability	1,892,128	189,213
Compensated absences	297,705	223,279
Deferred rebate	43,750	6,250
Total Other Obligations	<u>\$ 4,244,805</u>	<u>\$ 418,742</u>
Total Long-Term Obligations	<u>\$ 5,751,369</u>	<u>\$ 930,378</u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 7 - Long-Term Debt (continued)

Primary Government - Business-type Activity Indebtedness

The following is a summary of long-term debt transactions for business-type activities for the year ended June 30, 2022.

Description	Balance July 1, 2021	Issuances	Retirements	Balance June 30, 2022
General obligation bonds	\$ 6,270,711	\$ 592,782	\$ (808,540)	\$ 6,054,953
Line of credit	-	208,000	(70,000)	138,000
OPEB liability	679,038	-	(161,638)	517,400
Pension liability	958,156	-	(471,394)	486,762
Compensated absences	56,842	31,101	-	87,943
Total	<u>\$ 7,964,747</u>	<u>\$ 831,883</u>	<u>\$ (1,511,572)</u>	<u>\$ 7,285,058</u>

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

Year Ending June 30,	General Obligation Bonds		Line of Credit		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 604,783	\$ 131,753	\$ 138,000	\$ 4,485	\$ 742,783	\$ 136,238
2024	617,432	122,354	-	-	617,432	122,354
2025	633,746	108,724	-	-	633,746	108,724
2026	371,602	94,670	-	-	371,602	94,670
2027	378,515	88,656	-	-	378,515	88,656
2028-2032	1,242,310	340,374	-	-	1,242,310	340,374
2033-2037	677,056	246,404	-	-	677,056	246,404
2038-2042	627,205	166,689	-	-	627,205	166,689
2043-2047	560,865	84,093	-	-	560,865	84,093
2048-2052	332,893	20,857	-	-	332,893	20,857
2053-2057	8,546	142	-	-	8,546	142
Totals	<u>\$ 6,054,953</u>	<u>\$ 1,404,716</u>	<u>\$ 138,000</u>	<u>\$ 4,485</u>	<u>\$ 6,192,953</u>	<u>\$ 1,409,201</u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 7 - Long-Term Debt (continued)

Primary Government - Business-type Activity Indebtedness

Details of long-term indebtedness:

Lender	Issued	Maturity Date	Interest Rate	Amount	One Year
<b>General Obligation Bonds</b>					
Virginia Resource Authority	7/27/2017	4/1/2038	1.700%	\$ 185,023	\$ 8,475
VRA	3/1/2018	1/1/2049	2.650%	264,308	7,540
VRA	2/26/2019	5/1/2050	2.500%	452,653	12,238
VRA	2/26/2019	6/1/2051	2.500%	545,913	14,039
VRA	12/1/2020	12/1/2021	2.500%	328,953	8,273
VRA	12/19/2018	5/1/2039	2.200%	230,570	13,409
VRA	5/28/2020	1/1/2046	0.500%	469,450	19,017
VRA	3/24/2006	4/1/2027	3.000%	518,964	97,955
VRA	12/15/2011	4/1/2032	0.000%	498,834	50,514
VRA	6/16/2016	7/1/2046	2.250%	61,772	7,272
VRA	4/20/2017	7/1/2047	2.650%	200,261	7,757
VRA	9/30/2016	5/1/2037	0.650%	176,057	18,204
VRA	12/22/2021	4/1/2048	0.500%	285	285
VRA	6/30/2022	1/1/2053	2.200%	196,640	6,561
Rural Development	7/14/2011	6/14/2051	2.375%	500,099	12,107
Bank of Marion	6/29/2016	2/1/2025	2.160%	785,344	253,000
BOM	10/9/2020	10/9/2030	3.250%	639,827	68,137
Total General Obligation Bonds				<u>\$ 6,054,953</u>	<u>\$ 604,783</u>
<b>Line of Credit</b>					
Bank of Marion up to \$1,500,000. Variable interest. 3.25% at June 30, 2022.				<u>\$ 138,000</u>	<u>\$ 138,000</u>
<b>Other Obligations</b>					
OPEB liability				\$ 517,400	\$ -
Pension liability				486,762	48,676
Compensated absences				87,943	65,957
Total Other Obligations				<u>\$ 1,092,105</u>	<u>\$ 114,633</u>
Total Long Term Obligations				<u>\$ 7,285,058</u>	<u>\$ 857,416</u>



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Note 8 - Pension Plans**

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

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	59
Inactive members:	
Vested inactive members	6
Non-vested Inactive members	32
Inactive members active elsewhere in VRS	21
Total inactive members	59
Active members	85
Total covered employees	203

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Note 8 - Pension Plans (continued)**

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2022 was 12.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The rate does not include the employer matching contribution to the defined contribution portion of the hybrid plan.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$483,475 and \$430,889 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total pension liability for General Employees and Public Safety Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

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

**Note 8 - Pension Plans (continued)**

Actuarial Assumptions (continued)

Participants with General Employees Benefit Coverage:

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

Pre-Retirement: Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement: Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors: Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally

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

Participants with Enhanced Hazardous Duty Benefit Coverage:

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Note 8 - Pension Plans (continued)**Changes in Actuarial Assumptions

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

*Non-Hazardous Duty Members*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

*Hazardous Duty Members*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS	6.00%	3.29%	0.20%
PIP	3.00%	6.84%	0.21%
	<u>100.00%</u>		<u>4.89%</u>
	Inflation		<u>2.50%</u>
* Expected arithmetic nominal return			<u>7.39%</u>

\* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 8 - Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Fiscal 2022 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2020	\$ 19,681,886	\$ 14,901,779	\$ 4,780,107
Changes for the year:			
Service Cost	414,875	-	414,875
Interest	1,288,104	-	1,288,104
Changes of benefit terms	65,364	-	65,364
Changes of assumptions	725,904	-	725,904
Differences between expected and actual experience	(309,443)	-	(309,443)
Contributions - employer	-	440,501	(440,501)
Contributions - employee	-	160,788	(160,788)
Net investment income	-	3,994,579	(3,994,579)
Benefit payments, including refunds of employee contributions	(1,197,222)	(1,197,222)	-
Administrative expenses	-	(10,222)	10,222
Other changes	-	375	(375)
Net changes	987,582	3,388,799	(2,401,217)
Balance at June 30, 2021	\$ 20,669,468	\$ 18,290,578	\$ 2,378,890

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**Note 8 - Pension Plans (continued)**

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

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 5,117,139	\$ 2,378,890	\$ 118,173

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

For the year ended June 30, 2022, the Town recognized pension expense of \$(182,631). At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 269,499	\$ 320,329
Change in assumptions	619,434	-
Net difference between projected and actual earnings on pension plan investments	-	1,971,866
Employer contributions subsequent to the measurement date	483,475	-
Total	\$ 1,372,408	\$ 2,292,195

\$483,475 reported as deferred outflows of resources related to pensions, resulting from the political subdivision's contributions subsequent to the measurement date, will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Amortization Amount
2023	\$ (182,073)
2024	(214,466)
2025	(404,888)
2026	(601,835)
2027	-
Thereafter	-
Total Deferred	\$ (1,403,262)

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Note 8 - Pension Plans (continued)**

Payables to the Pension Plan

At June 30, 2022, the Town reported a payable of \$43,559 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

Schedule of Employer Contributions and Related Ratios

Year Ended June 30,	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as of % of Covered Employee Payroll (5)
2022	440,385	\$ 483,475	(43,090)	\$ 3,429,792	14.10%
2021	445,678	430,889	14,789	3,471,010	12.41%
2020	426,073	407,335	18,738	3,619,993	11.25%
2019	424,897	405,287	19,610	3,609,997	11.23%
2018	434,951	434,023	928	3,348,354	12.96%
2017	416,969	429,323	(12,354)	3,185,403	13.48%
2016	516,881	516,881	-	2,985,915	17.31%
2015	527,823	527,823	-	2,733,750	19.31%

Schedule is intended to show information for ten years.

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

Additional years will be included as they become available.

For Reference Only:

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

Column (2) – Actual employer contribution remitted to VRS

Column (4) – Employer's covered employee payroll amount for the fiscal year ended June 30, 2022



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**Note 9 - Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2022 was as follows.

	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,165,580	\$ 550,000	\$ -	\$ 1,715,580
Construction in progress	534,018	2,000	-	536,018
Total capital assets not being depreciated	<u>\$ 1,699,598</u>	<u>\$ 552,000</u>	<u>\$ -</u>	<u>\$ 2,251,598</u>
Capital assets, being depreciated:				
Buildings	\$ 7,372,460	\$ -	\$ -	\$ 7,372,460
Infrastructure	3,632,584	-	-	3,632,584
Machinery and equipment	7,178,963	101,426	(16,911)	7,263,478
Total capital assets being depreciated	<u>\$ 18,184,007</u>	<u>\$ 101,426</u>	<u>\$ (16,911)</u>	<u>\$ 18,268,522</u>
Less: accumulated depreciation for:				
Buildings	\$ (4,033,113)	\$ (144,357)	\$ -	\$ (4,177,470)
Infrastructure	(1,012,389)	(92,717)	-	(1,105,106)
Machinery and equipment	(6,546,891)	(246,797)	16,911	(6,776,777)
Total accumulated depreciation	<u>\$ (11,592,393)</u>	<u>\$ (483,871)</u>	<u>\$ 16,911</u>	<u>\$ (12,059,353)</u>
Total capital assets being depreciated, net	<u>\$ 6,591,614</u>	<u>\$ (382,445)</u>	<u>\$ -</u>	<u>\$ 6,209,169</u>
Governmental activities capital assets, net	<u><u>\$ 8,291,212</u></u>	<u><u>\$ 169,555</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,460,767</u></u>

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

**Governmental Activities:**

General government	\$ 111,413
Public safety	203,500
Public works	162,130
Parks, recreation, and culture	6,828

Total depreciation expense - governmental activities	<u><u>\$ 483,871</u></u>
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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Note 9 - Capital Assets (continued)

Capital asset activity for business-type activities – Water, Sewer and CIRP Fund for the year ended June 30, 2022 was as follows.

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
<b>Water, Sewer and CIRP Fund</b>				
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 528,252	\$ -	\$ -	\$ 528,252
Construction in progress	654,510	2,190,876	(1,749,948)	1,095,438
Total capital assets not being depreciated	<u>\$ 1,182,762</u>	<u>\$ 2,190,876</u>	<u>\$ (1,749,948)</u>	<u>\$ 1,623,690</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 27,725,748	\$ 1,749,948	\$ -	\$ 29,475,696
Machinery and equipment	4,146,733	-	(2,029)	4,144,704
Total capital assets being depreciated	<u>\$ 31,872,481</u>	<u>\$ 1,749,948</u>	<u>\$ (2,029)</u>	<u>\$ 33,620,400</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (13,639,119)	\$ (618,877)	\$ -	\$ (14,257,996)
Machinery and equipment	(3,070,992)	(183,589)	2,029	(3,252,552)
Total accumulated depreciation	<u>\$ (16,710,111)</u>	<u>\$ (802,466)</u>	<u>\$ 2,029</u>	<u>\$ (17,510,548)</u>
Total capital assets being depreciated, net	<u>\$ 15,162,370</u>	<u>\$ 947,482</u>	<u>\$ -</u>	<u>\$ 16,109,852</u>
Water, Sewer and CIRP capital assets, net	<u>\$ 16,345,132</u>	<u>\$ 3,138,358</u>	<u>\$ (1,749,948)</u>	<u>\$ 17,733,542</u>

Depreciation expense for the Water, Sewer and CIRP Fund was \$802,466 for the year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**Note 9 - Capital Assets (continued)**

Capital asset activity for business-type activities – Swimming Pool Fund for the year ended June 30, 2022 was as follows.

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
<b>Swimming Pool Fund</b>				
<b>Business-type Activities:</b>				
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	\$ 545,624	\$ -	\$ 1,520,275
Equipment	29,151	-	-	29,151
Total capital assets being depreciated	<u>\$ 1,003,802</u>	<u>\$ 545,624</u>	<u>\$ -</u>	<u>\$ 1,549,426</u>
Less: accumulated depreciation for:				
Pool	\$ (974,651)	\$ -	\$ -	\$ (974,651)
Equipment	(29,151)	-	-	(29,151)
Total accumulated depreciation	<u>\$ (1,003,802)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,003,802)</u>
Total capital assets being depreciated, net	<u>\$ -</u>	<u>\$ 545,624</u>	<u>\$ -</u>	<u>\$ 545,624</u>
Swimming Pool capital assets, net	<u>\$ 179,125</u>	<u>\$ 545,624</u>	<u>\$ -</u>	<u>\$ 724,749</u>

Depreciation expense for the Swimming Pool Fund was \$0 for the year ended June 30, 2022.

**Note 10 - Deferred Revenue**

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Governmental deferred revenue totaling \$3,038,329 is comprised of the following:

Property Taxes - \$1,141,023 representing uncollected tax billings not available for funding current expenditures.

RBEG Loans - \$209,253 representing uncollected loan payments not available for funding current expenditures.

Grant Advances - \$1,688,053 representing unearned ARPA grant revenue received in advance and unexpended at year-end. EDA deferred revenue is comprised of separate unearned ARPA funds of \$100,000.

**Note 11 - Risk Management**

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

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

Virginia Municipal Liability Pool

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

Restricted for downtown housing project	<u>\$ 248,893</u>
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*Business-type Activities*

Restricted for debt service and bond covenants	<u>\$ 309,605</u>
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**Note 14 - Restricted Fund Balances***Other Governmental Funds*

Downtown Housing Fund	<u>\$ 248,893</u>
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**Note 15 - Restricted Cash and Cash Equivalents**

Restricted cash of \$1,688,053 is reflected in the financial statements for governmental funds and represents grant funds received in advance and unexpended at year-end. Consists of \$1,688,053 of unexpended ARPA funds at June 30, 2022. EDA restricted cash of \$100,000 consists of \$100,000 of unexpended ARPA funds at June 30, 2022.

Restricted cash of \$309,605 is reflected in the financial statements for business-type activities and represents the amount set aside for debt service in the water, sewer and CIRP fund.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Note 16 - Interfund Balances**

Interfund balances consisted of the following at June 30, 2022:

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

**Note 17 - Contingencies**

The Town participates in certain federal and state 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 18 - Compensated Absences**

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

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

Payout at termination is at the employee's hourly rate at termination. Vacation leave is accrued at the employee's hourly rate at year-end. At June 30, 2022, accrued vacation was \$297,705 and \$87,943 for governmental and business-type activities, respectively. Employees do not receive similar payouts for unused personal or sick leave.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Note 19 - Other Post-Employment Benefits – Health Insurance**

Plan Description

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

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* and GASB Statement No. 85, *Omnibus 2017* establish accounting and financial reporting requirements for OPEB plans and standardize the valuation methodology. The cost of postemployment healthcare benefits are associated with the periods in which the cost occurs, rather than in the future years when it will be paid.

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

Employees Covered by Benefit Terms

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

Funding Policy and Contributions

The Town currently funds postemployment health care benefits on a pay-as-you-go basis. The Town does not accumulate assets in a trust. During fiscal year 2022, the Town made OPEB benefit payments of \$25,739.

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2022.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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

Actuarial Methods and Assumptions

The Town uses the alternative measurement method in accordance with GASB methodology. In the valuation for the year ended June 30, 2022, the cost method used to determine OPEB liability was entry age normal level percentage of payroll. All active and former employees who are potentially eligible to receive healthcare benefits as a retiree were included in the calculations. All assumptions attempt to represent the best estimate of anticipated experience under the plan. Employer future premium contribution is assumed to remain a level percentage of the total cost over time. Mortality rates are the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years. Turnover rates are derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

Other assumptions are as follows.

Average retirement age	62 years
Salary increases	1.50 percent
Amortization period	20 years

Funding Status and Funding Progress

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

Discount Rate and Municipal Bond Rate

Pursuant to GASB 75, the discount rate for unfunded plans should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The Bond Buyer's 20 bond index is often cited as an appropriate benchmark. A discount rate of 3.370% was used for the valuation.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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

Changes in Total OPEB Obligation

	2022 Increase (Decrease)			2021	2020	2019	2018
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability	Net OPEB Liability	Net OPEB Liability	Net OPEB Liability	Net OPEB Liability
June 30, 2021	\$ 3,094,979	\$ -	\$ 3,094,979	\$ 2,871,160	\$ 2,544,085	\$ 2,259,999	\$ 1,353,161
Changes for the year:							
Service Cost	229,396	-	229,396	190,142	141,858	130,672	103,811
Interest	67,556	-	67,556	67,675	93,591	103,656	50,397
Effect of plan changes	-	-	-	-	-	-	-
Effect of economic/demographic gains or loss	(694,779)	-	(694,779)	(62,660)	(231,892)	(125,418)	973,592
Effect of assumptions changes or inputs	(331,403)	-	(331,403)	54,182	347,528	201,930	(194,880)
Benefit payments	(25,739)	(25,739)	-	-	-	-	-
Employer contributions	-	25,739	(25,739)	(25,920)	(24,010)	(26,754)	(26,082)
Employee contributions	-	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	-	-
Net changes	(754,969)	-	(754,969)	223,419	327,075	284,086	906,838
June 30, 2022	\$ 2,340,010	\$ -	\$ 2,340,010	\$ 3,094,579	\$ 2,871,160	\$ 2,544,085	\$ 2,259,999
Fiduciary Net Position as a percentage of Total OPEB Liability			0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll for year ended June 30, 2022			\$ 3,686,036	\$ 3,345,171	\$ 3,638,809	\$ 3,611,920	\$ 3,383,121
Political subdivision's total OPEB liability as a percentage of covered payroll			63.48%	92.51%	78.90%	70.44%	66.80%

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



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**Note 19 - Other Post-Employment Benefits – Health Insurance (continued)**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability using the discount rate of 3.37%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 2.37%	Discount Rate 3.37%	1% Increase 4.37%
Total OPEB Liability	\$ 2,582,604	\$ 2,340,010	\$ 2,131,400

Healthcare Trend Rates

Year	Medical	Pharmacy	Dental	Vision
Year 1	4.70%	5.20%	3.50%	3.00%
Year 2	4.80%	4.80%	3.50%	3.00%
Year 3	4.70%	4.70%	3.00%	3.00%
Year 4	4.60%	4.60%	3.00%	3.00%
Year 5	4.50%	4.50%	3.00%	3.00%
Year 6	4.40%	4.40%	3.00%	3.00%
Year 7	4.30%	4.30%	3.00%	3.00%
Year 8	4.20%	4.20%	3.00%	3.00%
Year 9	4.20%	4.20%	3.00%	3.00%
Thereafter	4.20%	4.20%	3.00%	3.00%

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

	1% Decrease (Baseline -1%)	Healthcare Trend Rate - Baseline	1% Increase (Baseline +1%)
Total OPEB Liability	\$ 2,023,532	\$ 2,340,010	\$ 2,719,286

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

For the year ended June 30, 2022, the Town's primary government recognized OPEB expense of \$(754,569). At June 30, 2022, the primary government did not report deferred outflows of resources or deferred inflows of resources related to OPEB because the Town is on a pay-as-you-go basis.

**Note 20 - Other Post-Employment Benefits – Group Life Insurance**

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

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

For purposes of measuring net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Plan Description

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

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

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

#### *Eligible Employees*

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

#### *Benefit Amounts*

The benefits payable under the GLI Program have several components.

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

#### *Reduction in Benefit Amounts*

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

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA and is currently \$8,722 effective June 30, 2022.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and employer component using a 60/40 split. The employee component was 0.80% (1.34% \* 60%) and the employer component was 0.54% (1.34% \* 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Town contributions to the GLI Program were \$19,905 and \$18,064 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the Town reported a liability of \$188,612 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net GLI OPEB Liability was based on the Town's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Town's proportion was 0.01620% as compared to 0.01756% at June 30, 2020.

For the year ended June 30, 2022, the Town recognized GLI OPEB expense of \$(14,803). Since there was a change in the proportionate share between measure dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,512	\$ 1,437
Net difference between projected and actual investment earnings	-	45,018
Change in assumptions	10,398	25,806
Changes in proportion	5,518	23,851
Employer contributions subsequent to the measurement date	19,905	-
Total	<u>\$ 57,333</u>	<u>\$ 96,112</u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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

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

\$19,905 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in the future reporting periods as follows:

<u>Year ended June 30</u>	<u>Amortization Amount</u>
2023	\$ (13,652)
2024	(10,608)
2025	(10,473)
2026	(20,153)
2027	(3,798)
Thereafter	-
Total Deferred	<u>\$ (58,684)</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the same assumptions as the VRS pension plan, as described in Note 8, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the programs' total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the entire GLI Program is as follows:

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$ 3,577,346,000
Plan Fiduciary Net Position	2,413,074,000
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,164,272,000</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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

Net GLI OPEB Liability (continued)

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

Long-Term Expected Rate of Return

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

Discount Rate

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

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

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 275,569	\$ 188,612	\$ 118,390

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (ACFR). A copy of the 2021 VRS ACFR may be downloaded from the VRS website or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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

Schedule of Employer's Share of Net GLI OPEB Liability

	Plan Year 2021	Plan Year 2020	Plan Year 2019	Plan Year 2018	Plan Year 2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.01620%	0.01756%	0.01812%	0.01806%	0.01781%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 188,612	\$ 293,048	\$ 295,000	\$ 271,000	\$ 271,000
Employer's Covered Payroll	\$ 3,686,036	\$ 3,345,171	\$ 3,661,920	\$ 3,386,499	\$ 3,331,367
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.11693%	8.76033%	8.05588%	8.00236%	8.13480%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45000%	52.64000%	52.00000%	51.22000%	48.86000%

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

Schedule of Employer Contributions for the Last Ten Fiscal Years

Fiscal Year Ended June 30,	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as of % of Covered Employee Payroll (5)
2022	\$ 19,905	\$ 19,905	-	\$ 3,686,036	0.54%
2021	18,064	18,064	-	3,345,171	0.54%
2020	18,792	18,792	-	3,661,920	0.51%
2019	18,411	18,411	-	3,386,499	0.54%
2018	17,610	17,610	-	3,331,367	0.53%
2017	17,323	17,323	-	3,110,627	0.56%
2016	16,486	14,931	1,555	3,020,125	0.49%
2015	16,007	14,497	1,510	2,811,966	0.52%
2014	14,903	13,497	1,406	2,791,925	0.48%
2013	14,797	13,401	1,396	2,577,887	0.52%

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

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

For Reference Only:

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

Column (2) – Actual employer contribution remitted to VRS

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

**Note 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.

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

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

Assigned Fund Balance Policy

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

Minimum Unassigned Fund Balance Policy

The Town does not maintain an unassigned fund balance policy.

Resource Flow Policy

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

Fund balances of the governmental funds at June 30, 2022 were as follows:

*Nonspendable Fund Balance*

Prepaid expense	\$ 137,504
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*Restricted Fund Balance*

Downtown Housing	\$ 248,893
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**Note 22 - Upcoming Accounting Pronouncements**

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

Statement No. 96, *Subscription-based Information Technology Arrangements*, defines a subscription-based information technology arrangement, establishes that the arrangements result in a right-to-use intangible asset and related liability, and provides the capitalization criteria for outlays related to the arrangements, as well as setting requirements for note disclosures regarding these arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The requirements of this statement should be applied prospectively.



### **Note 23 - Subsequent Events**

Subsequent events have been evaluated as of December 9, 2022, which is the date the financial statements were available to be issued.

The Town received its 2<sup>nd</sup> disbursement of ARPA funds of \$2,883,777 in fiscal 2023. The Town had subsequent fixed asset purchases of approximately \$1,400,000 after year end but before the subsequent events date above.

### **Note 24 - Economic Development Authority**

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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**Note 25 – Coronavirus Economic Relief Funds**

As of June 30, 2022, the Town received Coronavirus Relief (CARES) funds of \$1,000,194. All funds have been expended. The Town disbursed funds as follows:

- \$841,448 for grants and investments in capital assets
- \$158,746 to cover payroll and utilities

As of June 30, 2022, the Town received American Rescue Plan Act (ARPA) funds of \$2,883,777. Funds have been partially expended. The Town disbursed funds as follows:

- \$1,095,724 for investments in capital assets
- \$100,000 to Economic Development Authority (EDA) to fund BAUD project

Remaining funds of \$1,688,053 will be used to fund similar projects.

The EDA is a component unit of the Town. Funds of \$100,000 were transferred along with the corresponding deferred revenue. The Primary Government did not recognize revenue or expense for these funds to avoid duplicating ARPA activity. The EDA will recognize revenue as funds are expended.

As of June 30, 2022, the EDA received ARPA funds of \$100,000 as a transfer from the Town. The EDA has not yet disbursed funds. Remaining funds of \$100,000 will be used for the BAUD project.

**Note 26 - Lease Receivable**

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

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

Year Ending June 30,	Lease Receivable		Deferred
	Receivable	Interest	Amortization
2023	\$ 7,352	\$ 1,031	\$ (9,430)
2024	7,609	774	(9,430)
2025	7,875	508	(9,430)
2026	6,631	1,752	(8,498)
Totals	<u>\$ 29,467</u>	<u>\$ 4,065</u>	<u>\$ (36,788)</u>

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

Town of Marion, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund  
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 853,383	\$ 853,383	\$ 803,114	\$ (50,269)
Other local taxes	3,047,000	3,047,000	3,197,720	150,720
Permits, privilege fees, and regulatory licenses	1,000	1,000	750	(250)
Fines and forfeitures	22,000	22,000	8,286	(13,714)
Revenue from the use of money and property	9,574	9,574	13,371	3,797
Charges for services	922,500	922,500	937,706	15,206
Miscellaneous	19,541	19,541	79,386	59,845
Recovered costs	412,750	412,750	368,629	(44,121)
Intergovernmental revenues:				
Commonwealth	2,171,846	2,171,846	1,783,358	(388,488)
Federal	255,500	255,500	779,211	523,711
Total revenues	<u>\$ 7,715,094</u>	<u>\$ 7,715,094</u>	<u>\$ 7,971,531</u>	<u>\$ 256,437</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,655,802	\$ 1,655,802	\$ 1,745,361	\$ (89,559)
Public safety	2,593,061	2,593,061	2,727,263	(134,202)
Public works	3,229,020	3,229,020	2,307,903	921,117
Parks, recreation, and cultural	183,156	183,156	114,726	68,430
Community development	958,269	958,269	960,617	(2,348)
Capital projects	94,000	94,000	625,527	(531,527)
Debt service:				
Principal retirement	1,264,393	1,264,393	9,357,763	(8,093,370)
Interest and other fiscal charges	19,125	19,125	141,546	(122,421)
Total expenditures	<u>\$ 9,996,826</u>	<u>\$ 9,996,826</u>	<u>\$ 17,980,706</u>	<u>\$ (7,983,880)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,281,732)</u>	<u>\$ (2,281,732)</u>	<u>\$ (10,009,175)</u>	<u>\$ (7,727,443)</u>
OTHER FINANCING SOURCES (USES)				
Net transfers in (out)	\$ 2,281,732	\$ 2,281,732	\$ 2,118,913	\$ (162,819)
Proceeds from a line of credit	-	-	9,287,500	9,287,500
Proceeds from long-term debt	-	-	125,000	125,000
Total other financing sources and uses	<u>\$ 2,281,732</u>	<u>\$ 2,281,732</u>	<u>\$ 11,531,413</u>	<u>\$ 9,249,681</u>
Net change in fund balances	\$ -	\$ -	\$ 1,522,238	\$ 1,522,238
Fund balances - beginning	-	-	63,058	63,058
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,585,296</u>	<u>\$ 1,585,296</u>

Town of Marion, Virginia  
Schedule of Funding Progress  
Primary Government  
June 30, 2022

**Town Retirement Plan**

(1) Actuarial Valuation Date	(2) Actuarial Value of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Unfunded AAL (UAAL) (3) - (2)	(5) Funded Ratio Assets as % of AAL (2) / (3)	(6) Annual Covered Payroll	(7) UAAL as a % of Covered Payroll (4) / (6)
6/30/2021	\$ 18,290,078	\$ 20,668,968	2,378,890	88.49%	\$ 3,429,792	69.36%
6/30/2020	14,901,779	19,681,886	4,780,107	75.71%	3,471,010	137.72%
6/30/2019	14,973,767	18,408,063	3,434,296	81.34%	3,619,993	94.87%
6/30/2018	14,291,976	17,306,863	3,014,887	82.58%	3,609,997	83.51%
6/30/2017	13,375,838	17,026,843	3,651,005	78.56%	3,348,354	109.04%
6/30/2016	12,416,233	16,463,427	4,047,194	75.42%	3,185,403	127.05%
6/30/2015	11,719,097	16,190,234	4,471,137	72.38%	2,985,915	149.74%

**Post-Employment Benefit Plan**

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)
7/1/2021	\$ -	\$ 2,340,010	2,340,010	0.00%	3,686,036	63.48%
7/1/2020	-	3,094,579	3,094,579	0.00%	3,345,171	92.50%
7/1/2019	-	3,166,160	3,166,160	0.00%	3,661,920	86.46%
7/1/2018	-	2,815,085	2,815,085	0.00%	3,386,499	83.12%
7/1/2017	-	2,530,999	2,530,999	0.00%	3,331,367	75.97%
7/1/2016	-	1,249,350	1,249,350	0.00%	3,110,627	34.18%
7/1/2015	-	1,919,820	1,919,820	0.00%	2,811,966	54.93%

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

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

\*Schedule is intended to show information for ten years.

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

Additional years will be included as they become available.

OTHER  
SUPPLEMENTARY  
INFORMATION

Town of Marion, Virginia  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2022

	Streetscape Program	Downtown Housing Project	CDBG Gilman Street	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 130,524	\$ -	\$ 130,524
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	-	-	-
Due from other funds	-	118,369	-	118,369
Total assets	<u>\$ -</u>	<u>\$ 248,893</u>	<u>\$ -</u>	<u>\$ 248,893</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 118,369	\$ -	\$ 32,951	\$ 151,320
Total liabilities	<u>\$ 118,369</u>	<u>\$ -</u>	<u>\$ 32,951</u>	<u>\$ 151,320</u>
Fund balances:				
Unreserved:				
Designated for subsequent expenditure	\$ (118,369)	\$ 248,893	\$ (32,951)	\$ 97,573
Total fund balances	<u>\$ (118,369)</u>	<u>\$ 248,893</u>	<u>\$ (32,951)</u>	<u>\$ 97,573</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 248,893</u>	<u>\$ -</u>	<u>\$ 248,893</u>



Town of Marion, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Other Governmental Funds  
For the Year Ended June 30, 2022

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

DISCRETELY PRESENTED  
COMPONENT UNIT

Town of Marion, Virginia  
Discretely Presented Component Unit  
Economic Development Authority  
Statement of Net Position - Proprietary Fund  
June 30, 2022

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	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 5,525
Restricted assets:	
Cash and cash equivalents	<u>100,000</u>
<b>Total assets</b>	<u><u>\$ 105,525</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue	\$ 100,000
 <b>NET POSITION</b>	
Unrestricted	<u>5,525</u>
 <b>Total liabilities &amp; deferred inflows &amp; net position</b>	<u><u>\$ 105,525</u></u>

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

Town of Marion, Virginia  
Discretely Presented Component Unit  
Economic Development Authority  
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund  
For the Year Ended June 30, 2022

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	Enterprise Fund
	<u>                    </u>
<b>REVENUES</b>	
Charges for services	\$ 51,000
Total revenues	<u>\$ 51,000</u>
<b>EXPENDITURES</b>	
Current:	
Community development	\$ 46,000
Total expenditures	<u>\$ 46,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,000</u>
Net change in net position	5,000
Total net position - beginning	<u>\$ 525</u>
Total net position - ending	<u><u>\$ 5,525</u></u>

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

Town of Marion, Virginia  
Discretely Presented Component Unit  
Economic Development Authority  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended June 30, 2022

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	<u>Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 51,000
Payments to suppliers	<u>(46,000)</u>
Net cash provided (used by) operating activities	<u>\$ 5,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	<u>\$ 100,000</u>
Net cash provided (used by) capital and related financing activities	<u>\$ 100,000</u>
Net increase (decrease) in cash and cash equivalents	\$ 105,000
Cash and cash equivalents - beginning	<u>\$ 525</u>
Cash and cash equivalents - ending	<u><u>\$ 105,525</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	<u>\$ 5,000</u>
Net cash provided (used) by operating activities	<u><u>\$ 5,000</u></u>

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

## SUPPORTING SCHEDULES

Town of Marion, Virginia  
Schedule of Revenues - Budget and Actual  
General Fund  
For the Year Ended June 30, 2022

Schedule 1  
Page 1 of 2

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 570,000	\$ 570,000	\$ 567,797	\$ (2,203)
Real and personal public service corporation taxes	31,083	31,083	27,794	(3,289)
Personal property taxes	230,300	230,300	187,686	(42,614)
Penalties and Interest	22,000	22,000	19,837	(2,163)
Total general property taxes	<u>\$ 853,383</u>	<u>\$ 853,383</u>	<u>\$ 803,114</u>	<u>\$ (50,269)</u>
Other local taxes:				
Local sales and use taxes	\$ 230,000	\$ 230,000	\$ 248,142	\$ 18,142
Consumers' utility taxes	115,000	115,000	112,327	(2,673)
Communications taxes	110,000	110,000	93,110	(16,890)
Lodging taxes	110,000	110,000	149,975	39,975
Business license taxes	560,000	560,000	602,087	42,087
Consumer license taxes	30,000	30,000	29,241	(759)
Motor vehicle licenses	100,000	100,000	86,463	(13,537)
Bank stock taxes	185,000	185,000	200,786	15,786
Tobacco taxes	250,000	250,000	116,955	(133,045)
Meals taxes	1,350,000	1,350,000	1,551,447	201,447
Comcast PEG capital fees	7,000	7,000	4,883	(2,117)
Games of skill	-	-	2,304	2,304
Total other local taxes	<u>\$ 3,047,000</u>	<u>\$ 3,047,000</u>	<u>\$ 3,197,720</u>	<u>\$ 150,720</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 1,000	\$ 1,000	\$ 750	\$ (250)
Total permits, privilege fees, and regulatory licenses	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 750</u>	<u>\$ (250)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 7,704	\$ (12,296)
Parking Fines	-	-	10	10
E-Summons	2,000	2,000	572	(1,428)
Total fines and forfeitures	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ 8,286</u>	<u>\$ (13,714)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 250	\$ 250	\$ 564	\$ 314
Revenue from use of property	9,324	9,324	12,807	3,483
Total revenue from use of money and property	<u>\$ 9,574</u>	<u>\$ 9,574</u>	<u>\$ 13,371</u>	<u>\$ 3,797</u>
Charges for services:				
Parking lot charges	\$ 500	\$ 500	\$ 480	\$ (20)
Charges for sanitation and waste removal	462,500	462,500	433,222	(29,278)
Charges for parks and recreation	6,000	6,000	7,074	1,074
Farmers market	4,000	4,000	2,327	(1,673)
Fire calls	1,000	1,000	(600)	(1,600)
Fire/EMS	420,000	420,000	459,409	39,409
DMV stop charges	-	-	25	25
Police patrol	2,500	2,500	5,000	2,500
Credit card fees	20,000	20,000	25,562	5,562
Senior center-District III	1,000	1,000	840	(160)
Cemetery maintenance fees	5,000	5,000	4,367	(633)
Total charges for services	<u>\$ 922,500</u>	<u>\$ 922,500</u>	<u>\$ 937,706</u>	<u>\$ 15,206</u>

Town of Marion, Virginia  
Schedule of Revenues - Budget and Actual  
General Fund  
For the Year Ended June 30, 2022

Schedule 1  
Page 2 of 2

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 15,541	\$ 15,541	\$ 30,469	\$ 14,928
Insurance proceeds	-	-	38,156	38,156
Sale of property and equipment	4,000	4,000	4,101	101
Donations	-	-	6,660	6,660
Total miscellaneous revenue	\$ 19,541	\$ 19,541	\$ 79,386	\$ 59,845
Recovered costs:				
County of Smyth - Recreation facilities	\$ 31,250	\$ 31,250	\$ 31,200	\$ (50)
County of Smyth - Fire and rescue	200,000	200,000	195,000	(5,000)
Other recovered costs	181,500	181,500	142,429	(39,071)
Total recovered costs	\$ 412,750	\$ 412,750	\$ 368,629	\$ (44,121)
Total revenue from local sources	\$ 5,287,748	\$ 5,287,748	\$ 5,408,962	\$ 121,214
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 6,000	\$ 6,000	\$ 5,084	\$ (916)
Rental tax	20,000	20,000	17,329	(2,671)
Personal property tax relief funds	-	-	45,785	45,785
Games of skill	10,000	10,000	-	(10,000)
Total noncategorical aid	\$ 36,000	\$ 36,000	\$ 68,198	\$ 32,198
Categorical aid:				
Litter control grant	\$ 3,000	\$ 3,000	\$ 3,843	\$ 843
Fire programs	23,000	23,000	24,155	1,155
Street and highway maintenance	1,325,510	1,325,510	1,360,462	34,952
Law enforcement grants	168,336	168,336	185,281	16,945
Commission of the Arts	4,500	4,500	4,500	-
Asset forfeiture funds	1,500	1,500	6,736	5,236
VDOT Park Blvd Drainage Project	600,000	600,000	1,495	(598,505)
Other state aid	10,000	10,000	128,688	118,688
Total categorical aid	\$ 2,135,846	\$ 2,135,846	\$ 1,715,160	\$ (420,686)
Total revenue from the Commonwealth	\$ 2,171,846	\$ 2,171,846	\$ 1,783,358	\$ (388,488)
Revenue from the federal government:				
Categorical aid:				
State and Community Highway Safety	20,000	20,000	10,826	(9,174)
Disaster Grants - Public Assistance	-	-	6,260	6,260
Community Development Block Grant	200,000	200,000	72,025	(127,975)
Small Business Loan Pool	-	-	90,000	90,000
Rural Development Police Grant	35,000	35,000	50,000	15,000
American Rescue Plan Act (ARPA)	-	-	550,100	550,100
Asset forfeiture funds	500	500	-	(500)
Total categorical aid	\$ 255,500	\$ 255,500	\$ 779,211	\$ 523,711
Total revenue from the federal government	\$ 255,500	\$ 255,500	\$ 779,211	\$ 523,711
Total General Fund	\$ 7,715,094	\$ 7,715,094	\$ 7,971,531	\$ 256,437
Total Primary Government	\$ 7,715,094	\$ 7,715,094	\$ 7,971,531	\$ 256,437



Town of Marion, Virginia  
Schedule of Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2022

Schedule 2  
Page 1 of 2

Fund, Function and Department Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town council	\$ 112,835	\$ 112,835	\$ 159,217	\$ (46,382)
Town clerk	396,433	396,433	412,042	(15,609)
Total legislative	<u>\$ 509,268</u>	<u>\$ 509,268</u>	<u>\$ 571,259</u>	<u>\$ (61,991)</u>
General and financial administration:				
Town manager	\$ 194,723	\$ 194,723	\$ 193,772	\$ 951
Legal services	26,516	26,516	28,522	(2,006)
Independent auditor	36,518	36,518	41,250	(4,732)
Finance	358,414	358,414	354,359	4,055
Information technology	57,993	57,993	90,488	(32,495)
Risk management	138,872	138,872	136,900	1,972
Motor pool	148,654	148,654	141,074	7,580
Central purchasing	184,844	184,844	187,737	(2,893)
Total general and financial administration	<u>\$ 1,146,534</u>	<u>\$ 1,146,534</u>	<u>\$ 1,174,102</u>	<u>\$ (27,568)</u>
Total general government administration	<u>\$ 1,655,802</u>	<u>\$ 1,655,802</u>	<u>\$ 1,745,361</u>	<u>\$ (89,559)</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,936,403	\$ 1,936,403	\$ 2,012,673	\$ (76,270)
Total law enforcement and traffic control	<u>\$ 1,936,403</u>	<u>\$ 1,936,403</u>	<u>\$ 2,012,673</u>	<u>\$ (76,270)</u>
Fire and rescue services:				
Fire and rescue services	\$ 656,658	\$ 656,658	\$ 714,590	\$ (57,932)
Total fire and rescue services	<u>\$ 656,658</u>	<u>\$ 656,658</u>	<u>\$ 714,590</u>	<u>\$ (57,932)</u>
Total public safety	<u>\$ 2,593,061</u>	<u>\$ 2,593,061</u>	<u>\$ 2,727,263</u>	<u>\$ (134,202)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 2,784,651	\$ 2,784,651	\$ 1,899,087	\$ 885,564
General engineering and administration	147,188	147,188	116,171	31,017
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 2,931,839</u>	<u>\$ 2,931,839</u>	<u>\$ 2,015,258</u>	<u>\$ 916,581</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 297,181	\$ 297,181	\$ 292,645	\$ 4,536
Total sanitation and waste removal	<u>\$ 297,181</u>	<u>\$ 297,181</u>	<u>\$ 292,645</u>	<u>\$ 4,536</u>
Total public works	<u>\$ 3,229,020</u>	<u>\$ 3,229,020</u>	<u>\$ 2,307,903</u>	<u>\$ 921,117</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 183,156	\$ 183,156	\$ 114,726	\$ 68,430
Total parks and recreation	<u>\$ 183,156</u>	<u>\$ 183,156</u>	<u>\$ 114,726</u>	<u>\$ 68,430</u>
Total parks, recreation, and cultural	<u>\$ 183,156</u>	<u>\$ 183,156</u>	<u>\$ 114,726</u>	<u>\$ 68,430</u>

Town of Marion, Virginia  
Schedule of Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2022

Schedule 2  
Page 2 of 2

Fund, Function and Department Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning	\$          10,444	\$          10,444	\$          14,608	\$          (4,164)
Community development	611,484	611,484	613,197	(1,713)
Economic development	336,341	336,341	332,812	3,529
Total planning and community development	<u>\$      958,269</u>	<u>\$      958,269</u>	<u>\$      960,617</u>	<u>\$      (2,348)</u>
Total community development	<u>\$      958,269</u>	<u>\$      958,269</u>	<u>\$      960,617</u>	<u>\$      (2,348)</u>
Capital projects:				
Capital outlays	\$          94,000	\$          94,000	\$          75,427	\$          18,573
American Rescue Plan Act (ARPA)	-	-	550,100	(550,100)
Total capital projects	<u>\$      94,000</u>	<u>\$      94,000</u>	<u>\$      625,527</u>	<u>\$      (531,527)</u>
Debt service:				
Principal retirement	\$      1,264,393	\$      1,264,393	\$      9,357,763	\$      (8,093,370)
Interest and other fiscal charges	19,125	19,125	141,546	(122,421)
Total debt service	<u>\$      1,283,518</u>	<u>\$      1,283,518</u>	<u>\$      9,499,309</u>	<u>\$      (8,215,791)</u>
Total General Fund	<u>\$      9,996,826</u>	<u>\$      9,996,826</u>	<u>\$      17,980,706</u>	<u>\$      (7,983,880)</u>
Total Primary Government	<u>\$      9,996,826</u>	<u>\$      9,996,826</u>	<u>\$      17,980,706</u>	<u>\$      (7,983,880)</u>

Town of Marion, Virginia  
Schedule of Expenditures of Federal Awards By Grant  
For the Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title	Federal Assistance No.	Grant ID No.	Federal Expenditures
<b>Highway Safety Cluster</b>			
Department of Transportation			
Passed through VA Department of Criminal Justice			
State and Community Highway Safety	20.600	01-01-2020-9-30-2020	10,826
<b>Total Highway Safety Cluster</b>			<u>10,826</u>
<b>Other Programs</b>			
Department of Homeland Security			
Passed through VA Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared)	97.036		6,260
Hazard Mitigation Grant	97.039	HMGP-DR-03 VA-4411-003	-
<i>Total Department of Homeland Security</i>			<u>6,260</u>
Department of Housing and Urban Development			
Passed through VA Dept of Housing and Community Dev			
Community Development Block Grants/State's program and			
Non-Entitlement Grants in Hawaii	14.228		72,025
Department of Agriculture			
Small Business Loan Pool	10.351		90,000
Rural Development Police Grant	10.766		50,000
<i>Total Department of Agriculture</i>			<u>140,000</u>
Department of the Treasury			
Passed through County of Smyth, Virginia			
Coronavirus Relief Fund (CARES)	21.019		64,843
ARPA Coronavirus State and Local Fiscal Recovery Fund	21.027		1,095,724
<i>Total Department of the Treasury</i>			<u>1,160,567</u>
<b>Total Other Programs</b>			<u>1,378,852</u>
Total Expenditures of Federal Awards			<u>\$ 1,389,678</u>

The accompanying notes are an integral part of this schedule.

\* Denotes major program

Town of Marion, Virginia  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

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**Basis of Presentation**

The schedule of expenditures of federal awards includes the federal award activity of the Town of Marion under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200 Uniform Administrative Requirement, Cost Principle and Audit Requirement for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

**Summary of Significant Accounting Policies**

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

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

Pass through entity identifying numbers are presented where available.

**Subrecipients**

The Town did not have any subrecipients for the year ended June 30, 2022.

## STATISTICAL INFORMATION

Table 1

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

Fiscal Year	Nonspendable	Restricted	Assigned	Unassigned	Total
2012-13	73,598	275,289	236,032	(469,308)	115,611
2013-14	139,398	212,625	247,993	(363,531)	236,485
2014-15	139,959	223,752	168,868	(670,499)	(137,920)
2015-16	147,688	223,752	198,279	(56,557)	513,162
2016-17	144,403	223,752	211,180	(274,813)	304,522
2017-18	147,100	223,752	126,762	(908,596)	(410,982)
2018-19	84,408	244,393	125,144	147,841	601,786
2019-20	157,702	244,393	140,083	(346,023)	196,155
2020-21	165,201	248,893	-	(253,463)	160,631
2021-22	137,504	248,893	-	1,296,472	1,682,869

Table 2

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

Fiscal Year	Governmental Activities			Business-type Activities		
	Net Investment in Capital Assets	Restricted	Unrestricted	Net Investment in Capital Assets	Restricted	Unrestricted
2012-13	6,437,280	271,478	(614,117)	8,037,542	480,695	1,250,662
2013-14	6,634,300	208,814	(540,716)	7,991,802	378,873	1,288,218
2014-15	7,969,363	219,941	(4,751,409)	7,828,856	281,408	441,535
2015-16	7,919,083	219,941	(3,848,874)	7,626,911	287,799	758,156
2016-17	8,225,246	219,941	(3,930,253)	7,936,517	403,974	290,518
2017-18	7,880,197	219,941	(5,687,135)	8,599,747	272,229	(96,037)
2018-19	7,791,284	240,582	(4,754,890)	8,388,122	214,746	75,617
2019-20	7,556,411	244,393	(5,432,634)	9,111,023	244,258	289,554
2020-21	6,859,399	248,893	(5,837,041)	10,253,546	267,271	383,003
2021-22	6,954,203	248,893	(3,455,433)	12,265,338	309,605	(153,557)

Table 3

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

Fiscal Year	Revenues	Expenditures	Capital Projects	Excess (deficit) of Revenues over (under) Expenditures
2012-13	5,857,494	6,998,746	263,278	(1,404,530)
2013-14	6,173,258	9,574,435	166,733	(3,567,910)
2014-15	7,269,565	14,037,831	1,371,408	(8,139,674)
2015-16	7,951,804	13,487,442	320,259	(5,855,897)
2016-17	6,991,146	13,178,868	406,044	(6,593,766)
2017-18	6,984,219	16,728,796	524,397	(10,268,974)
2018-19	8,250,669	17,395,178	384,628	(9,529,137)
2019-20	7,847,519	17,587,021	12,104	(9,751,606)
2020-21	8,594,046	16,065,552	117,007	(7,588,513)
2021-22	7,971,531	17,355,179	625,527	(10,009,175)

  

Fiscal Year	Proceeds from Debt	Transfers In (Out)	Total Other Financing Sources (Uses)	Net Change in Fund Balance
2012-13	-	884,494	884,494	(520,036)
2013-14	2,482,000	1,206,784	3,688,784	120,874
2014-15	6,429,052	1,302,097	7,731,149	(408,525)
2015-16	5,134,244	1,372,735	6,506,979	651,082
2016-17	5,302,760	1,082,367	6,385,127	(208,639)
2017-18	8,367,347	1,186,123	9,553,470	(715,504)
2018-19	8,680,000	1,861,905	10,541,905	1,012,768
2019-20	8,418,500	927,475	9,345,975	(405,631)
2020-21	6,580,000	972,989	7,552,989	(35,524)
2021-22	9,412,500	2,118,913	11,531,413	1,522,238



Table 4

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

Fiscal Year	Expenses	Program Revenues	Net (Expense)	General Revenues	Transfers	Change in Net Position
2012-13	9,204,664	5,530,338	(3,674,326)	3,301,410	-	(372,916)
2013-14	9,189,957	5,827,396	(3,362,561)	3,460,312	-	97,751
2014-15	9,961,916	6,745,613	(3,216,303)	3,432,361	-	216,058
2015-16	10,532,808	7,088,849	(3,443,959)	4,417,281	-	973,322
2016-17	10,006,005	6,554,713	(3,451,292)	3,634,219	-	182,927
2017-18	11,737,767	6,598,463	(5,139,304)	3,990,626	-	(1,148,678)
2018-19	10,690,927	7,430,200	(3,260,727)	4,027,246	-	766,519
2019-20	11,884,191	8,080,452	(3,803,739)	3,861,283	-	57,544
2020-21	11,503,043	7,321,302	(4,181,741)	4,343,807	-	162,066
2021-22	9,816,591	8,837,287	(979,304)	4,973,282	-	3,993,978

Table 5

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development
2012-13	1,309,870	1,583,513	2,173,422	1,141,233	732,440
2013-14	1,327,851	1,524,561	2,003,788	1,315,327	830,257
2014-15	1,412,681	1,568,289	2,325,699	1,194,373	1,196,299
2015-16	1,326,908	1,875,229	2,871,732	1,062,583	1,002,968
2016-17	1,367,052	2,100,570	2,128,625	1,091,145	973,886
2017-18	1,592,878	2,605,326	2,850,070	1,372,153	975,852
2018-19	1,613,462	2,417,178	2,808,194	933,385	805,158
2019-20	1,678,914	2,616,381	3,329,208	862,124	962,468
2020-21	2,130,256	3,027,956	2,877,353	386,720	890,537
2021-22	1,683,623	2,430,541	2,242,621	73,226	922,621

  

Fiscal Year	Interest on Long-term Debt	Water, Sewer and CIRP	Swimming Pool	Total
2012-13	87,659	2,126,493	50,034	9,204,664
2013-14	81,742	2,066,723	39,708	9,189,957
2014-15	93,019	2,127,095	44,461	9,961,916
2015-16	116,184	2,233,194	44,010	10,532,808
2016-17	34,523	2,220,782	89,422	10,006,005
2017-18	129,029	2,169,160	43,299	11,737,767
2018-19	114,692	1,960,102	38,756	10,690,927
2019-20	105,288	2,294,588	35,220	11,884,191
2020-21	119,711	2,042,524	27,986	11,503,043
2021-22	138,720	2,263,858	61,381	9,816,591

Table 6

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	General Property Taxes	Other Local Taxes	Permits, Fees & Licenses	Fines & Forfeitures
2012-13	3,668,212	1,511,125	351,001	614,219	2,521,376	280	26,140
2013-14	3,948,424	1,440,293	438,679	598,997	2,667,267	150	17,174
2014-15	4,192,231	1,721,986	831,396	593,460	2,676,220	105	17,027
2015-16	4,802,192	1,942,168	344,489	603,510	2,839,312	370	17,007
2016-17	4,473,292	1,880,265	201,156	553,350	2,728,276	655	19,589
2017-18	4,632,913	1,750,013	215,537	666,766	2,849,725	345	30,430
2018-19	5,034,506	2,231,719	163,975	688,058	2,907,998	806	27,205
2019-20	5,173,854	2,638,324	268,274	739,068	2,878,585	626	17,832
2020-21	5,023,129	1,910,936	387,237	785,024	3,009,533	635	20,184
2021-22	5,808,354	1,938,011	1,090,922	933,197	3,197,720	750	8,286

GENERAL REVENUES continued

Fiscal Year	Unrestricted Investment Earnings	Miscellaneous	Recovered Costs	Not Restricted Grants & Contributions	Gain (Loss) on Disposal of Capital Assets	Total
2012-13	26,317	92,347	4,458	75,878	(59,605)	8,831,748
2013-14	19,667	78,538	8,916	69,603	-	9,287,708
2014-15	18,243	54,199	4,459	68,648	-	10,177,974
2015-16	14,117	51,429	819,333	72,203	-	11,506,130
2016-17	13,728	154,184	98,263	66,174	-	10,188,932
2017-18	14,228	208,413	137,867	71,952	10,900	10,589,089
2018-19	13,503	55,684	84,495	74,136	175,361	11,457,446
2019-20	11,712	32,370	89,488	89,320	2,282	11,941,735
2020-21	3,553	47,283	363,922	1,021,466	(907,793)	11,665,109
2021-22	6,198	75,285	123,187	624,558	4,101	13,810,569

Table 7

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

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total (1)
2012-13	1,225,012	1,538,451	2,014,875	1,114,091	697,402	408,915	6,998,746
2013-14	1,247,119	1,450,222	2,043,903	1,243,183	847,182	2,742,826	9,574,435
2014-15	1,331,669	1,620,227	2,241,570	1,233,400	1,128,235	6,482,730	14,037,831
2015-16	1,311,957	1,917,880	2,839,192	967,524	1,018,176	5,432,713	13,487,442
2016-17	1,290,385	2,112,993	2,213,453	1,062,512	953,939	5,545,586	13,178,868
2017-18	1,401,842	2,268,517	2,611,775	1,687,284	934,742	7,824,636	16,728,796
2018-19	1,498,311	2,315,792	3,012,536	845,947	816,620	8,905,972	17,395,178
2019-20	1,529,100	2,390,236	3,512,760	757,629	938,806	8,458,490	17,587,021
2020-21	2,214,745	2,648,149	2,628,637	934,486	865,271	6,774,264	16,065,552
2021-22	1,745,361	2,727,263	2,307,903	114,726	960,617	9,499,309	17,355,179

(1) Excludes capital projects

Table 8

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Fees & Licenses	Fines & Forfeitures	Revenue from Money & Property
2012-13	587,353	2,521,376	280	26,140	23,893
2013-14	584,811	2,667,267	150	17,174	16,557
2014-15	590,482	2,676,220	105	17,027	13,604
2015-16	592,351	2,839,312	370	17,007	14,057
2016-17	640,192	2,728,276	655	19,589	13,520
2017-18	675,388	2,849,725	345	30,430	14,088
2018-19	684,666	2,907,040	806	27,205	13,368
2019-20	746,348	2,877,242	626	17,832	11,573
2020-21	786,684	3,009,533	635	20,184	3,407
2021-22	803,114	3,197,720	750	8,286	13,371

  

Fiscal Year	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2012-13	792,501	92,347	82,186	1,731,418	5,857,494
2013-14	889,334	78,538	102,945	1,816,482	6,173,258
2014-15	1,171,451	54,199	190,192	2,556,285	7,269,565
2015-16	1,230,480	51,429	919,872	2,286,926	7,269,565
2016-17	1,323,523	145,603	173,349	1,946,439	6,991,146
2017-18	1,121,616	221,741	248,921	1,821,965	6,984,219
2018-19	1,435,187	691,465	185,077	2,305,855	8,250,669
2019-20	1,218,634	34,652	212,968	2,727,644	7,847,519
2020-21	1,107,434	369,845	363,922	2,932,402	8,594,046
2021-22	937,706	79,386	368,629	2,562,569	7,971,531

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
2012-13	726,614	599,405	82.49%	6,611	606,016	83.40%	141,343	19.45%
2013-14	711,022	613,045	86.22%	10,104	623,149	87.64%	160,495	22.57%
2014-15	697,201	609,855	87.47%	13,089	622,944	89.35%	167,485	24.02%
2015-16	744,991	605,140	81.23%	21,192	626,332	84.07%	211,002	28.32%
2016-17	840,980	629,306	74.83%	33,926	663,232	78.86%	177,608	21.12%
2017-18	850,426	690,881	81.24%	17,793	708,674	83.33%	215,424	25.33%
2018-19	895,372	702,530	78.46%	14,701	717,231	80.10%	202,779	22.65%
2019-20	934,624	743,714	79.57%	26,615	770,329	82.42%	182,161	19.49%
2020-21	948,374	794,555	83.78%	18,716	813,271	85.75%	176,830	18.65%
2021-22	1,015,978	799,257	78.67%	29,805	829,062	81.60%	183,296	18.04%

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

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

Table 10

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Utility		Total
				Real Estate	Personal Property	
2012-13	306,933,800	36,527,508	13,869,828	14,447,803	-	371,778,939
2013-14	318,076,000	38,286,103	12,132,811	13,973,609	1,189,143	383,657,666
2014-15	302,902,413	38,877,153	9,952,565	15,906,298	-	367,638,429
2015-16	302,063,200	39,192,439	9,554,009	16,278,252	-	367,087,900
2016-17	310,460,800	44,487,803	10,844,869	15,860,430	-	381,653,902
2017-18	312,477,300	44,825,654	11,206,414	14,424,559	-	382,933,927
2018-19	314,979,300	47,439,982	11,859,995	15,136,716	-	389,415,993
2019-20	336,427,400	46,489,542	11,622,385	18,284,088	-	412,823,415
2020-21	337,488,700	48,907,135	12,226,784	15,959,684	-	414,582,303
2021-22	339,019,273	62,536,379	15,634,095	16,283,825	-	433,473,572

  

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2012-13	190,265,800	99,837,400	1,125,600	-	291,228,800	0.40
2013-14	189,967,600	111,501,600	1,010,600	-	302,479,800	0.40
2014-15	188,863,800	98,733,000	1,010,600	-	288,607,400	0.40
2015-16	188,972,400	96,026,000	1,010,600	-	286,009,000	0.40
2016-17	189,821,900	102,911,100	1,010,600	-	293,743,600	0.40
2017-18	190,529,500	104,508,200	1,010,600	-	296,048,300	0.40
2018-19	190,234,500	105,179,300	708,700	-	296,122,500	0.40
2019-20	211,085,900	112,585,477	708,700	-	316,973,900	0.40
2020-21	206,041,800	111,203,200	708,700	-	317,953,700	0.40
2021-22	207,558,173	111,203,200	708,700	-	319,470,073	0.40

Table 11

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

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Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2012-13	0.15	0.35	0.35
2013-14	0.15	0.35	0.35
2014-15	0.15	0.35	0.35
2015-16	0.15	0.35	0.35
2016-17	0.15	0.35	0.35
2017-18	0.15	0.35	0.35
2018-19	0.17	0.35	0.35
2019-20	0.17	0.40	0.40
2020-21	0.17	0.40	0.40
2021-22	0.17	0.40	0.40



Table 12

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2012-13	5,968	383,658	7,973,268	2.08%	\$ 1,336
2013-14	5,968	367,638	7,670,533	2.09%	\$ 1,285
2014-15	5,968	367,088	7,607,567	2.07%	\$ 1,275
2015-16	5,968	381,654	7,425,172	1.95%	\$ 1,244
2016-17	5,968	382,934	7,434,278	1.94%	\$ 1,246
2017-18	5,968	389,416	8,408,072	2.16%	\$ 1,409
2018-19	5,968	412,823	8,427,305	2.04%	\$ 1,412
2019-20	5,968	412,823	8,212,518	1.99%	\$ 1,376
2020-21	5,751	414,582	7,702,524	1.86%	\$ 1,339
2021-22	5,762	433,474	7,699,517	1.78%	\$ 1,336

(1) U.S. Census Bureau.

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

Table 13

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2012-13	319,961	88,954	408,915	7,262,024	5.63%
2013-14	2,659,341	83,485	2,742,826	9,741,168	28.16%
2014-15	6,388,228	94,502	6,482,730	15,409,239	42.07%
2015-16	5,311,758	120,955	5,432,713	13,807,701	39.35%
2016-17	5,476,978	68,608	5,545,586	13,584,912	40.82%
2017-18	7,700,735	123,901	7,824,636	17,253,193	45.35%
2018-19	8,785,727	120,245	8,905,972	17,779,806	50.09%
2019-20	8,349,762	108,728	8,458,490	17,599,125	48.06%
2020-21	6,658,193	116,071	6,774,264	16,182,559	41.86%
2021-22	9,357,763	141,546	9,499,309	17,980,706	52.83%

Table 14

Town of Marion, Virginia  
Principal Taxpayers  
June 30, 2022

Company	2020-21		2021-22	
	Assessed Value	Rank	Assessed Value	Rank
General Dynamics	\$ 12,064,400	1	\$ 12,094,400	1
Regency Marion/Walmart	8,244,300	2	8,244,300	2
Smyth County Foundation	6,629,300	3	6,629,300	3
Marion Plaza	4,018,100	4	4,639,100	4
Highland Development	4,000,300	5	4,000,300	5
Marion Manor	3,615,400	6	3,615,400	6
Callan Drive Investments	3,058,100	7	2,975,747	7
Jane Sheffey etal	2,769,500	8	2,769,500	8
Bank of Marion	2,321,200	9	2,321,200	9
Marion Main Street LLC			2,107,000	10
SCEA	1,966,500	10		

Information provided from the real estate tax book.

Table 15

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

	2013	2014	2015	2016	2017
Assessed valuations:					
Assessed value	<u>\$ 371,778,939</u>	<u>\$ 383,657,666</u>	<u>\$ 367,638,429</u>	<u>\$ 367,087,900</u>	<u>\$ 381,653,902</u>
Legal debt margin					
Debt limitation - 10% of assessed value	37,177,894	38,365,767	36,763,843	36,708,790	38,165,390
Debt applicable to limitation:					
General obligation bonds	7,980,174	7,676,145	7,611,885	7,430,784	7,434,278
Less: Amount set aside for repayment	555,385	378,873	344,559	352,828	403,974
Total debt applicable to limitation	<u>7,424,789</u>	<u>7,297,272</u>	<u>7,267,326</u>	<u>7,077,956</u>	<u>7,030,304</u>
Legal debt margin	<u>29,753,105</u>	<u>31,068,495</u>	<u>29,496,517</u>	<u>29,630,834</u>	<u>31,135,086</u>
Applicable debt as a % of debt limitation	19.97%	19.02%	19.77%	19.28%	18.42%
	2018	2019	2020	2021	2022
Assessed valuations:					
Assessed value	<u>\$ 382,933,927</u>	<u>\$ 412,823,415</u>	<u>\$ 412,823,415</u>	<u>\$ 414,582,303</u>	<u>\$ 433,473,572</u>
Legal debt margin					
Debt limitation - 10% of assessed value	38,293,393	41,282,342	41,282,342	41,458,230	43,347,357
Debt applicable to limitation:					
General obligation bonds	8,408,072	8,427,305	8,212,518	7,702,524	7,699,517
Less: Amount set aside for repayment	272,229	214,746	244,258	267,271	309,605
Total debt applicable to limitation	<u>8,135,843</u>	<u>8,212,559</u>	<u>7,968,260</u>	<u>7,435,253</u>	<u>7,389,912</u>
Legal debt margin	<u>30,157,550</u>	<u>33,069,783</u>	<u>33,314,082</u>	<u>34,022,977</u>	<u>35,957,445</u>
Applicable debt as a % of debt limitation	21.25%	19.89%	19.30%	17.93%	17.05%

Table 16

Town of Marion, Virginia  
Miscellaneous Statistics  
June 30, 2022

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Date of incorporation	1832
Form of government	Council-Manager
Number of full-time employees:	
General government administration	15
Public safety	25
Public works	23
Parks, recreation, and cultural	1
Community development	3
Water, sewer and CIRP	14

COMPLIANCE  
SECTION



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

To the Town Council  
Town of Marion, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Marion, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Marion, Virginia's basic financial statements, and have issued our report thereon dated December 9, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

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

Lebanon, Virginia  
December 9, 2022





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

To the Town Council  
Town of Marion, Virginia

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Town of Marion, Virginia's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Town of Marion, Virginia's major federal programs for the year ended June 30, 2022. Town of Marion, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Marion, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

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

Lebanon, Virginia  
December 9, 2022

**TOWN OF MARION, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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

Are there any reportable findings under 2 CFR § 200.516(a)? No

**Major programs identified:**

CFDA

**ARPA Coronavirus State and Local Fiscal Recovery Fund** 21.019

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low risk? No

**Section II - Financial Statement Findings:**

None reported

**Section III - Federal Awards Findings and Questioned Costs**

None reported

**Section IV - Prior findings**

None reported