

TOWN OF MARION, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF MARION, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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TOWN OF MARION, VIRGINIA

TOWN COUNCIL

David P. Helms, Mayor

James Gates

Larry Carter

Bill Weaver

Tricia Spencer

Jim Barker

Jim Owens

Suzanne Jennings

OTHER OFFICIALS

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



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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the
Town Council
Town of Marion, Virginia:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Marion, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Marion, Virginia, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–14 and 60–63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, on our consideration of the Town of Marion, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Marion, Virginia's internal control over financial reporting and compliance.

Bostic, Lucker & Company, PC

January 24, 2014
Lebanon, Virginia

MANAGEMENT'S
DISCUSSION
AND ANALYSIS

**TOWN OF MARION, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. 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 2012 fiscal year, the unassigned fund balance of the general fund was (\$48,743) and the fund balance was restricted for debt service of \$68,401, committed to parking garage of \$161,590, and nonspendable for prepaid expenses of \$110,678. For the current fiscal year, 2013, the unassigned fund balance of the general fund was (\$368,168) and the fund balance was restricted for debt service of \$74,690, and nonspendable for prepaid expenses of \$53,614.

The total net position of the Town of Marion's governmental activities was \$6,495,715 as of June 30, 2012. The total net position for 2013 is \$6,094,641. A decrease occurred due largely to purchase of capital assets.

The total net position of the business-type activities were \$9,740,741 for fiscal year end 2012 and \$9,768,899 for the fiscal year end 2013 resulting in an increase of \$28,158. The water, sewer and swimming pool funds reported operating revenues of \$2,875,711. An increase in operating revenues of \$49,607 occurred from fiscal year 2013.

Overview of the Basic Financial Statements

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

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

Historically, the primary focus of local government financial statements has been summarized fund type information on a current financial basis. This approach has been modified accrual basis in the basic financial statements presented. This year the report also presents the full accrual method.

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

Government-wide Financial Statements

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

**TOWN OF MARION, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

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

Fund Financial Statements

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

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

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

**TOWN OF MARION, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of government's financial position. In the case of the Town of Marion, assets exceeded liabilities by \$6,495,715 as of June 30, 2012. As of June 30, 2013, the Town of Marion assets exceeded liabilities by \$6,094,641.

The largest portion of the Town's net position of \$6,437,280 reflects its net investment in capital assets (e.g. land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The town uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position of \$271,478 represents resources that are subject to external restriction on how they may be used. The remaining balance of unreserved net position is (\$614,117).

General revenues and transfers were \$4,179,022 for governmental activities. General revenues include property taxes, other local taxes, interest income, miscellaneous income, and transfers from other funds. Program revenues were \$2,448,041 for governmental activities. The source of the program revenues is from charges for services, operating grants and contributions, and capital grants and contributions. Total expenses for governmental activities were \$7,028,137, which included expense for general government, public safety, public works, culture and recreation, community development, and interest expense. The governmental activities exhibited a change in net position of (\$401,074).

Business-type activities

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

The total net position for business-type activities was \$9,768,899 which includes net investment in capital assets of \$8,037,542, reserved for debt service and bond covenants of \$480,695, and unreserved net position of \$1,250,662.

Program revenues for business-type activities for the Town were \$2,875,711 for charges for services and \$206,586 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 \$2,176,527. General revenues and transfers include interest income of \$2,424, recovered costs of \$4,458, and a transfer to other funds of \$(884,494). The change in net position for business-type activities resulted in an increase to net position of \$28,158.

TOWN OF MARION, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The table below focuses on the net assets of the Town's governmental and business-type activities as of the years ended June 30, 2013 and 2012.

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Current Assets	\$ 2,779,151	\$ 1,974,582	\$ 2,076,170	\$ 2,127,493	\$ 4,855,321	\$ 4,102,075
Capital Assets	9,334,999	9,185,189	13,184,358	13,269,809	22,519,357	22,454,998
Total Assets	<u>\$ 12,114,150</u>	<u>\$ 11,159,771</u>	<u>\$ 15,260,528</u>	<u>\$ 15,397,302</u>	<u>\$ 27,374,678</u>	<u>\$ 26,557,073</u>
Current Liabilities	2,549,358	1,393,876	625,232	599,162	3,174,590	1,993,038
Long-Term Liabilities	3,069,077	2,943,809	4,894,555	5,029,241	7,963,632	7,973,050
Total Liabilities	<u>\$ 5,618,435</u>	<u>\$ 4,337,685</u>	<u>\$ 5,519,787</u>	<u>\$ 5,628,403</u>	<u>\$ 11,138,222</u>	<u>\$ 9,966,088</u>
Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 727,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 727,445</u>
Net Position:						
Net Investment in						
Capital Assets	\$ 6,267,452	\$ 6,437,280	\$ 8,061,600	\$ 8,037,542	\$ 14,329,052	\$ 14,474,822
Restricted	226,631	271,478	429,406	480,695	656,037	752,173
Unrestricted	<u>1,632</u>	<u>(614,117)</u>	<u>1,249,735</u>	<u>1,250,662</u>	<u>1,251,367</u>	<u>636,545</u>
Total Net Position	<u>\$ 6,495,715</u>	<u>\$ 6,094,641</u>	<u>\$ 9,740,741</u>	<u>\$ 9,768,899</u>	<u>\$ 16,236,456</u>	<u>\$ 15,863,540</u>

TOWN OF MARION, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Charges for Services	\$ 525,359	\$ 792,501	\$ 2,826,104	\$ 2,875,711	\$ 3,351,463	\$ 3,668,212
Operating Grants/Contributions	1,689,299	1,511,125	-	-	1,689,299	1,511,125
Capital Grants/Contributions	289,188	144,415	226,252	206,586	515,440	351,001
Program Revenues	\$ 2,503,846	\$ 2,448,041	\$ 3,052,356	\$ 3,082,297	\$ 5,556,202	\$ 5,530,338
Taxes	3,186,709	3,135,595	-	-	3,186,709	3,135,595
Interest Income	22,459	23,893	3,618	2,424	26,077	26,317
Miscellaneous	32,279	32,742	-	-	32,279	32,742
Fines, forfeitures, permits	32,037	26,420	-	-	32,037	26,420
Recovered costs	-	-	130,179	4,458	130,179	4,458
Contributions from nonprofit	2,294,760	-	-	-	2,294,760	-
Grants not restricted to program	63,638	75,878	-	-	63,638	75,878
General Revenues	\$ 5,631,882	\$ 3,294,528	\$ 133,797	\$ 6,882	\$ 5,765,679	\$ 3,301,410
Total Revenues	\$ 8,135,728	\$ 5,742,569	\$ 3,186,153	\$ 3,089,179	\$ 11,321,881	\$ 8,831,748
General Government	1,213,894	1,309,870	-	-	1,213,894	1,309,870
Public Safety	1,576,032	1,583,513	-	-	1,576,032	1,583,513
Public Works	2,189,344	2,173,422	-	-	2,189,344	2,173,422
Parks, Recreation, Cultural	901,040	1,141,233	-	-	901,040	1,141,233
Community Development	1,392,000	732,440	-	-	1,392,000	732,440
Interest expense	104,691	87,659	-	-	104,691	87,659
Swimming pool	-	-	55,388	50,034	55,388	50,034
Water and Sewer	-	-	1,980,514	2,126,493	1,980,514	2,126,493
Total Expenses	\$ 7,377,001	\$ 7,028,137	\$ 2,035,902	\$ 2,176,527	\$ 9,412,903	\$ 9,204,664
Transfers	1,109,340	884,494	(1,109,340)	(884,494)	-	-
Change in Net Position	1,868,067	(401,074)	40,911	28,158	1,908,978	(372,916)
Beginning Net Position	4,627,648	6,495,715	9,699,830	9,740,741	14,327,478	16,236,456
Ending Net Position	\$ 6,495,715	\$ 6,094,641	\$ 9,740,741	\$ 9,768,899	\$ 16,236,456	\$ 15,863,540

Financial Analysis of the Town's Funds

Governmental Funds

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

At the end of the current fiscal year, the Town of Marion's governmental funds reported combined ending fund balance of \$115,611. Fund balance includes \$73,598 nonspendable for prepaid expenses, \$74,690 restricted for debt service, \$200,599 restricted for specific purposes, \$236,032 assigned to golf course and (\$469,308) unassigned.

Total revenues were \$5,857,494 for governmental funds. The governmental funds revenues include property taxes, other local taxes, permits, fees, and licenses, fines and forfeitures, revenue from the use of money and property, charges for services, recovered costs, intergovernmental, and miscellaneous income.

Total expenses for governmental funds were \$7,262,024. These expenses are for general government, public safety, public works, culture and recreation, community development, debt service principal retirements and interest expense. This resulted in a deficiency before other financing sources of \$1,404,530 in the governmental funds. The governmental funds obtained other financing sources of \$884,494, which included operating transfer from the Water and Sewer Fund of \$908,438 and operating transfer to the Swimming Pool Fund of \$23,944. After the other financing sources were received by the governmental funds, there was a change in fund balance of (\$520,036) at June 30, 2013.

Proprietary Funds

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

Net position for the water and sewer fund increased from \$9,535,597 to \$9,567,674. The balance is made up of \$7,830,281 in net investment in capital assets, \$480,695 restricted for debt service and bond covenants, and \$1,256,698 unreserved.

Swimming pool fund net position in the amount of \$201,225 is down from 2012. Operating expenses were \$55,388 for fiscal year 2012 and \$50,034 in fiscal year 2013. The net position balance includes \$207,261 net investment in capital assets and deficit unreserved net position balance of \$6,036.

Proprietary funds total operating revenues were \$2,875,711. Operating expenses for the proprietary funds was \$1,998,718. This resulted in an operating income of \$876,993. The proprietary funds had total non-operating expense of \$170,927, capital contributions of \$206,586, and net operating transfer out of \$884,494. This resulted in a change in net position of \$28,158.

TOWN OF MARION, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

General Fund Budgetary Highlights

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

Budgetary Highlights for 2012-2013

	GENERAL FUND BUDGET	GENERAL FUND ACTUAL	VARIANCE
Revenues	\$5,084,599	\$5,360,226	\$ 275,627
Expenditures	6,261,236	6,668,146	(406,910)

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

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2013 the Town had capital assets including land, buildings, construction in progress, land improvements, equipment, and infrastructure.

Major asset events during the fiscal year included the following:

STP Digester upgrade—Capital expenditures for the STP Digester upgrade were \$541,257 for the fiscal year ending June 30, 2013. The project was not completed by the end of the fiscal year and will be included in construction in progress at June 30, 2013.

STP Phase I WWTP Improvements—Capital expenditures for the project were \$43,176 for the fiscal year ending June 30, 2013. The project was completed by the end of the fiscal year and will be included as a depreciable capital asset at June 30, 2013 of \$651,460.

Streetscape—Capital expenditures for the project were \$23,186 for the fiscal year ending June 30, 2013. The project was not completed by the end of the fiscal year.

Wayne C. Henderson School Project—Capital expenditures for the Wayne C. Henderson School Project were \$94,058 for the fiscal year ending June 30, 2013. The project was not completed by the end of the fiscal year and will be included in construction in progress at June 30, 2013.

TOWN OF MARION, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Long-term Debt

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

	Balance July 1, 2012	Issuances	Retirements	Balance June 30, 2013
General obligation bonds	\$ 5,122,758	\$ 440,438	\$ (330,930)	\$ 5,232,266
OPEB liability	101,581	26,470	-	128,051
Compensated absences	44,232	3,629	-	47,861
Total	<u>\$ 5,268,571</u>	<u>\$ 470,537</u>	<u>\$ (330,930)</u>	<u>\$ 5,408,178</u>

The outstanding debt for governmental activities at June 30, 2013 is as follows:

	Balance July 1, 2012	Issuances	Retirements	Balance June 30, 2013
General obligation bonds	\$ 470,000	\$ -	\$ (65,000)	\$ 405,000
Premium on bond	8,201	-	(1,295)	6,906
Loans payable	2,589,346	-	(253,344)	2,336,002
OPEB liability	273,695	61,229	-	334,924
Compensated absences	171,553	18,122	-	189,675
Total	<u>\$ 3,512,795</u>	<u>\$ 79,351</u>	<u>\$ (319,639)</u>	<u>\$ 3,272,507</u>

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

Scheduled Major Projects

Downtown Streetscape – The upcoming phase has been approved by VDOT, and is anticipated to begin design phase in early spring 2014 with construction beginning in the summer. The streetscape design will continue from the Main/Sheffey intersection to the South Main/West Main split. Private construction at Blue Ridge Job Corps and Ebenezer Lutheran Church on their adjoining walls will be coordinated with the project construction.

Wayne C. Henderson School of Appalachian Arts – This \$1.2 million rehab project is anticipated to be bid in March 2014, with construction beginning in late summer and continuing for 12 months into summer 2015. In the meantime, the Town is employing a director for the school to continue to coordinate project meetings, develop curriculum and offsite classes.

Marion Community Gateway Project – Funded by DHCD, the primary corridor extending from an area around Exit 45 of Interstate 81 into town is being studied for maximizing opportunities for economic development. Building facades, landscaping, gateway signage, and relocation of the state shop are priorities being addressed by this Planning Grant. It is anticipated the Town will leverage this planning grant to apply for Community Development grant funds in 2014 to implement the project.

Emory & Henry College – The Town continues to partner with Emory & Henry College for the development of the Marion campus. As part of that partnership, the office of Community and Economic Development is serving as liaison for addressing needs and opportunities with the school, including spearheading a CDBG planning grant to study the feasibility of redeveloping the Centre Square Building as a multipurpose facility to include student housing and updated retail/restaurant space, to encourage local merchandise in their stores, and selling sponsorships on street banners.

Appalachian Spring – in partnership with The Southwest Virginia Cultural Heritage Foundation, Marion is serving as a lead for this new natural asset tourism initiative, with the Lincoln Theatre serving as an anchor for the historic theatre trail and Hungry Mother State Park serving as a leading venue for the outdoor recreation trail.

Appalachian Trail Community – With Marion's designation, the community will host hikers the weekend following Damascus Trail Days for a Memorial Day Weekend event. Camping will be allowed at Riverbend Park, and there will be special music at the Marion Amphitheatre on both Friday and Saturday nights. Saturday's plans include a mini Remote Medical Clinic for hikers at the Farmers Market after market hours, Sunday's plans include community church services and music at the Amphitheatre, and Monday's activities include the Memorial Day Parade and picnic.

Expanded Summer Concert Series – Building on the success of the past two years, Marion Downtown and the Young Professionals Group are planning two concerts a month June – August.

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

Scheduled Major Projects (Continued)

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

Moonshine distillery and museum – The Town has submitted grant application for funding of the purchase and phased rehabilitation of the former Holston Harwood building for development of an anchor business – southwest Virginia's first (and only) legal moonshine distillery and museum. Grant announcements are anticipated in spring 2014, with design phase thru summer, and project bid in late fall/early winter 2014.

Sewer Treatment Plant Upgrade – Project is completed.

Parking Garage - The parking garage is a joint project with Smyth County. The garage is complete. The Town is continuing to make monthly payments on a loan for our portion.

Chatham Hill Road Bridge - The project consists of upgrading the bridge with funding from Virginia Department of Transportation. At June 30 the project is under construction with anticipated completion around October 2013.

Baughman Avenue Bridge - The project consists of upgrading the bridge. The estimated cost is \$800,000 with funding from the Virginia Department of Transportation. This project is still under research and design with a tentative start date of June 2014.

Housing Rehabilitation of Pearl Avenue and Buchanan Street - Project completed with the final drawdown in February 2013.

Housing Rehabilitation of Spruce Street and Matson Drive - This project is still in progress with Phase I being completed around the end of 2013 and Phase II continuing into 2014 and 2015.

Signalization Upgrade – All signals were upgraded to LED lights. Three intersections in Town were completely renovated and had all new equipment installed. Those intersections were:

1. North Main Street, Lee Street, and Chatham Hill Road signal intersection.
2. North Main Street, Wendy Drive, and Dabney Drive intersection.
3. North Main Street and Park Boulevard intersection.

This signalization project was designed and funded by the Virginia Department of Transportation. The cost of this project was approximately \$960,000.

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

Scheduled Major Projects (Continued)

South Church Street Drainage Project – This project is to address inadequate storm water facilities on South Church Street. This project includes a comprehensive drainage system to handle most of the high intensity storm events and to prevent flooding on South Church Street. The projected starting date is 2015 to 2016 and the estimated cost is \$1,845,000.

Water Leak Analysis Repairs – This project involves the installation of boundary valves on the water system in strategic locations in order to identify significant water losses in both pressure systems of the Town. The Town is also involved with meter replacement of all commercial and residential connections to the Town of Marion's water system. The Town is hoping to acquire a grant from the Virginia Department of Health in 2014 to help with this project.

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

FINANACIAL STATEMENTS

Town of Marion, Virginia
Statement of Net Position
For the Year Ended June 30, 2013

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 557,014	\$ 707,012	\$ 1,264,026
Receivables (net of allowance for uncollectibles):			
Taxes receivable	770,312	-	770,312
Accounts receivable	165,761	383,271	549,032
Other receivables	114,559	-	114,559
Due from other funds	152,320	556,121	708,441
Due from other governmental units	66,328	-	66,328
Inventories	10,394	-	10,394
Prepaid expenses	63,204	394	63,598
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	306,304	306,304
Investments	74,690	174,391	249,081
Capital assets (net of accumulated depreciation):			
Land	1,816,878	578,704	2,395,582
Buildings and system	4,720,617	-	4,720,617
Improvements other than buildings	-	28,136	28,136
Machinery and equipment	463,157	454,405	917,562
Plant and lines in service	-	11,101,707	11,101,707
Infrastructure	1,544,619	-	1,544,619
Construction in progress	639,918	1,106,857	1,746,775
Total assets	<u>\$ 11,159,771</u>	<u>\$ 15,397,302</u>	<u>\$ 26,557,073</u>
LIABILITIES			
Accounts payable	\$ 178,038	\$ 114,046	\$ 292,084
Accrued liabilities	174,657	23,722	198,379
Customers' deposits	-	47,190	47,190
Accrued interest payable	4,042	35,267	39,309
Due to other funds	708,441	-	708,441
Long-term liabilities:			
Due within one year	328,698	378,937	707,635
Due in more than one year	2,943,809	5,029,241	7,973,050
Total liabilities	<u>\$ 4,337,685</u>	<u>\$ 5,628,403</u>	<u>\$ 9,966,088</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	\$ 727,445	-	727,445
NET POSITION			
Net Investment in capital assets	\$ 6,437,280	\$ 8,037,542	\$ 14,474,822
Restricted for:			
Debt service and bond covenants	74,690	480,695	555,385
Downtown housing project	196,788	-	196,788
Unrestricted (deficit)	(614,117)	1,250,662	636,545
Total net position	<u>\$ 6,094,641</u>	<u>\$ 9,768,899</u>	<u>\$ 15,863,540</u>

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

Town of Marion, Virginia
Statement of Activities
For the Year Ended June 30, 2013

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		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,309,870	\$ -	\$ -	\$ -	\$ (1,309,870)	\$ -	\$ (1,309,870)
Public safety	1,583,513	250	212,607	-	(1,370,656)	-	(1,370,656)
Public works	2,173,422	365,012	1,098,067	-	(710,343)	-	(710,343)
Parks, recreation, and cultural	1,141,233	422,875	7,500	94,058	(616,800)	-	(616,800)
Community development	732,440	4,364	192,951	50,357	(484,768)	-	(484,768)
Interest on long-term debt	87,659	-	-	-	(87,659)	-	(87,659)
Total government activities	\$ 7,028,137	\$ 792,501	\$ 1,511,125	\$ 144,415	\$ (4,580,096)	\$ -	\$ (4,580,096)
Business-type activities:							
Water and Sewer	\$ 2,126,493	\$ 2,853,540	\$ -	\$ 206,586	\$ -	\$ 933,633	\$ 933,633
Swimming Pool	50,034	22,171	-	-	-	(27,863)	(27,863)
Total business-type activities	\$ 2,176,527	\$ 2,875,711	\$ -	\$ 206,586	\$ -	\$ 905,770	\$ 905,770
Total primary government	\$ 9,204,664	\$ 3,668,212	\$ 1,511,125	\$ 351,001	\$ (4,580,096)	\$ 905,770	\$ (3,674,326)
General revenues:							
General property taxes					\$ 614,219	\$ -	\$ 614,219
Other local taxes:							
Local sales and use taxes					138,863	-	138,863
Consumers' utility taxes					108,389	-	108,389
Business license taxes					552,757	-	552,757
Communication tax					133,336	-	133,336
Motor vehicle licenses					44,924	-	44,924
Bank stock tax					183,273	-	183,273
Meals taxes					1,087,528	-	1,087,528
Other local taxes					272,306	-	272,306
Permits, privilege fees, and regulatory licenses					280	-	280
Fines and forfeitures					26,140	-	26,140
Unrestricted revenues from use of money and property					23,893	2,424	26,317
Miscellaneous					92,347	-	92,347
Recovered costs					-	4,458	4,458
Grants and contributions not restricted to specific programs					75,878	-	75,878
Gain (loss) on disposal of capital assets					(59,605)	-	(59,605)
Transfers					884,494	(884,494)	-
Total general revenues					\$ 4,179,022	\$ (877,612)	\$ 3,301,410
Change in net position					\$ (401,074)	\$ 28,158	\$ (372,916)
Net position - beginning					6,495,715	9,740,741	16,236,456
Net position - ending					\$ 6,094,641	\$ 9,768,899	\$ 15,863,540

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

Town of Marion, Virginia
Balance Sheet
Government Funds
For the Year Ended June 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 202,019	\$ 354,995	\$ 557,014
Receivables (net of allowance for uncollectibles):			
Taxes receivable	770,312	-	770,312
Accounts receivable	93,335	72,426	165,761
Other receivables	114,559		114,559
Due from other funds	33,951	118,369	152,320
Due from other governmental units	66,328	-	66,328
Inventories	-	10,394	10,394
Prepaid expenses	53,614	9,590	63,204
Restricted assets:			
Investments	74,690	-	74,690
Total assets	<u>\$ 1,408,808</u>	<u>\$ 565,774</u>	<u>\$ 1,974,582</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 133,998	\$ 44,040	\$ 178,038
Accrued liabilities	160,718	13,939	174,657
Due to other funds	556,121	152,320	708,441
Deferred revenue		-	-
Total liabilities	<u>\$ 850,837</u>	<u>\$ 210,299</u>	<u>\$ 1,061,136</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	<u>797,835</u>	<u>\$ -</u>	<u>\$ 797,835</u>
FUND BALANCE			
Fund balances:			
Nonspendable			
Prepaid expense	\$ 53,614	\$ 19,984	\$ 73,598
Restricted for:			
Debt service and bond covenants	74,690	-	74,690
DARE	-	1,311	1,311
Downtown housing	-	196,788	196,788
Master redevelopment	-	2,500	2,500
Committed to:	-	-	-
Parking garage	-	-	-
Assigned to:	-	-	-
Golf Course	-	236,032	236,032
Unassigned	(368,168)	(101,140)	(469,308)
Total fund balances	<u>\$ (239,864)</u>	<u>\$ 355,475</u>	<u>\$ 115,611</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,408,808</u>	<u>\$ 565,774</u>	<u>\$ 1,974,582</u>

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

Town of Marion, Virginia
Reconciliation of the Balance Sheet of Government Funds
To the Statement of Net Position
For the Year Ended June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 115,611
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,185,189
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	70,390
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,276,549)
Net position of governmental activities	<u>\$ 6,094,641</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, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
General property taxes	\$ 587,353	\$ -	\$ 587,353
Other local taxes	2,521,376	-	2,521,376
Permits, privilege fees, and regulatory licenses	280	-	280
Fines and forfeitures	26,140	-	26,140
Revenue from the use of money and property	23,893	-	23,893
Charges for services	387,937	404,564	792,501
Miscellaneous	88,558	3,789	92,347
Recovered costs	43,628	38,558	82,186
Intergovernmental revenues:			
Commonwealth	1,516,904	-	1,516,904
Federal	164,157	50,357	214,514
Total revenues	<u>\$ 5,360,226</u>	<u>\$ 497,268</u>	<u>\$ 5,857,494</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,225,012	\$ -	\$ 1,225,012
Public safety	1,538,451	-	1,538,451
Public works	2,014,875	-	2,014,875
Parks, recreation, and cultural	543,401	570,690	1,114,091
Community development	674,214	23,188	697,402
Capital projects	263,278	-	263,278
Debt service:			
Principal retirement	319,961	-	319,961
Interest and other fiscal charges	88,954	-	88,954
Total expenditures	<u>\$ 6,668,146</u>	<u>\$ 593,878</u>	<u>\$ 7,262,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,307,920)</u>	<u>\$ (96,610)</u>	<u>\$ (1,404,530)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 776,130	\$ 108,364	884,494
Proceeds of general obligation bonds	-	-	-
Contribution from nonprofit	-	-	-
Proceeds of indebtedness	-	-	-
Total other financing sources (uses)	<u>\$ 776,130</u>	<u>\$ 108,364</u>	<u>\$ 884,494</u>
Net change in fund balances	\$ (531,790)	\$ 11,754	\$ (520,036)
Fund balances - beginning	291,926	343,721	635,647
Fund balances - ending	<u>\$ (239,864)</u>	<u>\$ 355,475</u>	<u>\$ 115,611</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
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$ (520,036)
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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.	(149,809)
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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.	26,866
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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.	319,638
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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.	(77,733)
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Change in net position of governmental activities	<u>\$ (401,074)</u>
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The notes to the financial statements are an integral part of this statement.

Town of Marion, Virginia
Statement of Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds		
	Water and Sewer Fund	Swimming Pool Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 706,812	\$ 200	\$ 707,012
Accounts receivables, net of allowances for uncollectibles	383,271	-	383,271
Due from other funds	556,121	-	556,121
Prepaid expenses	394	-	394
Total current assets	<u>\$ 1,646,598</u>	<u>\$ 200</u>	<u>\$ 1,646,798</u>
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents	\$ 306,304	\$ -	\$ 306,304
Investments	174,391	-	174,391
Total restricted current assets	<u>\$ 480,695</u>	<u>\$ -</u>	<u>\$ 480,695</u>
Capital assets:			
Utility plant in service	20,149,415	-	20,149,415
Machinery and equipment	2,758,959	29,151	2,788,110
Land	399,579	179,125	578,704
Pool	-	974,651	974,651
Less accumulated depreciation	(11,352,262)	(975,666)	(12,327,928)
Construction in progress	1,106,857	-	1,106,857
Total capital assets	<u>\$ 13,062,548</u>	<u>\$ 207,261</u>	<u>\$ 13,269,809</u>
Total noncurrent assets	<u>\$ 13,543,243</u>	<u>\$ 207,261</u>	<u>\$ 13,750,504</u>
Total assets	<u>\$ 15,189,841</u>	<u>\$ 207,461</u>	<u>\$ 15,397,302</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 112,143	\$ 1,903	\$ 114,046
Accrued liabilities	19,389	4,333	23,722
Customers' deposits	47,190	-	47,190
Accrued interest payable	35,267	-	35,267
Compensated absences	35,895	-	35,895
General obligation bonds payable - current portion	343,042	-	343,042
Total current liabilities	<u>\$ 592,926</u>	<u>\$ 6,236</u>	<u>\$ 599,162</u>
Noncurrent liabilities:			
General obligation bonds payable - net of current portion	\$ 4,889,225	\$ -	\$ 4,889,225
Compensated absences	11,965	-	11,965
OPEB liability	128,051	-	128,051
Total noncurrent liabilities	<u>\$ 5,029,241</u>	<u>\$ -</u>	<u>\$ 5,029,241</u>
Total liabilities	<u>\$ 5,622,167</u>	<u>\$ 6,236</u>	<u>\$ 5,628,403</u>
NET POSITION			
Net Investment in capital assets	\$ 7,830,281	\$ 207,261	\$ 8,037,542
Restricted for debt service and bond covenants	480,695	-	480,695
Unrestricted	1,256,698	(6,036)	1,250,662
Total net position	<u>\$ 9,567,674</u>	<u>\$ 201,225</u>	<u>\$ 9,768,899</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, 2013

	<u>Enterprise Fund</u>	<u>Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Swimming Pool Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Charges for services	\$ 2,853,540	\$ 19,342	\$ 2,872,882
Other revenues	-	2,829	2,829
Total operating revenues	<u>\$ 2,853,540</u>	<u>\$ 22,171</u>	<u>\$ 2,875,711</u>
OPERATING EXPENSES			
Personal services	\$ 519,967	\$ 21,065	\$ 541,032
Fringe benefits	283,266	10,788	294,054
Contractual services	83,585	1,325	84,910
Materials and supplies	144,513	8,638	153,151
Other charges	336,266	4,033	340,299
Depreciation	581,087	4,185	585,272
Total operating expenses	<u>\$ 1,948,684</u>	<u>\$ 50,034</u>	<u>\$ 1,998,718</u>
Operating income (loss)	<u>\$ 904,856</u>	<u>\$ (27,863)</u>	<u>\$ 876,993</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 4,458	\$ -	\$ 4,458
Investment earnings	2,424	-	2,424
Interest expense	(177,809)	-	(177,809)
Total nonoperating revenues (expenses)	<u>\$ (170,927)</u>	<u>\$ -</u>	<u>\$ (170,927)</u>
Income before contributions and transfers	<u>\$ 733,929</u>	<u>\$ (27,863)</u>	<u>\$ 706,066</u>
Capital contributions	\$ 206,586	\$ -	\$ 206,586
Transfers in	-	23,944	23,944
Transfers out	(908,438)	-	(908,438)
Change in net position	<u>\$ 32,077</u>	<u>\$ (3,919)</u>	<u>\$ 28,158</u>
Total net position - beginning	<u>\$ 9,535,597</u>	<u>\$ 205,144</u>	<u>\$ 9,740,741</u>
Total net position - ending	<u><u>\$ 9,567,674</u></u>	<u><u>\$ 201,225</u></u>	<u><u>\$ 9,768,899</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, 2013

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Swimming Pool Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,857,487	\$ 22,170	\$ 2,879,657
Payments to suppliers	(875,240)	(24,764)	(900,004)
Payments to and for employees	(489,383)	(21,350)	(510,733)
Net cash provided (used by) operating activities	<u>\$ 1,492,864</u>	<u>\$ (23,944)</u>	<u>\$ 1,468,920</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (908,438)	\$ -	\$ (908,438)
Transfers from other funds	-	23,944	23,944
Net cash provided (used) by noncapital financing activities	<u>\$ (908,438)</u>	<u>\$ 23,944</u>	<u>\$ (884,494)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (670,721)	\$ -	\$ (670,721)
Principal payments on bonds	(330,930)	-	(330,930)
Capital contributions	206,586	-	206,586
Intergovernmental contributions	4,458	-	4,458
Proceeds from indebtedness	440,438	-	440,438
Interest payments	(182,915)	-	(182,915)
Net cash provided (used) by capital and related financing activities	<u>\$ (533,084)</u>	<u>\$ -</u>	<u>\$ (533,084)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 2,424	\$ -	\$ 2,424
Net cash provided (used) by investing activities	<u>\$ 2,424</u>	<u>\$ -</u>	<u>\$ 2,424</u>
Net increase (decrease) in cash and cash equivalents	\$ 53,766	\$ -	\$ 53,766
Cash and cash equivalents - beginning	\$ 1,133,741	\$ 200	\$ 1,133,941
Cash and cash equivalents - ending	<u>\$ 1,187,507</u>	<u>\$ 200</u>	<u>\$ 1,187,707</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 904,856	\$ (27,863)	\$ 876,993
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ 581,087	\$ 4,185	\$ 585,272
(Increase) decrease in accounts receivable	2,837	-	2,837
(Increase) decrease in prepaid expenses	(394)	-	(394)
Increase (decrease) in customer deposits	1,110	-	1,110
Increase (decrease) in operating accounts payable	(26,730)	(266)	(26,996)
Increase (decrease) in OPEB liability	26,470	-	26,470
Increase (decrease) in compensated absences	3,628	-	3,628
Total adjustments	<u>\$ 588,008</u>	<u>\$ 3,919</u>	<u>\$ 591,927</u>
Net cash provided (used) by operating activities	<u>\$ 1,492,864</u>	<u>\$ (23,944)</u>	<u>\$ 1,468,920</u>

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

Town of Marion, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	Cemetery <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 5,433
Investments, at fair value	113,996
Total assets	<u>\$ 119,429</u>
NET POSITION	
Amounts held for cemetery maintenance	119,429
Total liabilities	<u>\$ 119,429</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, 2013

	Cemetery Fund
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 3,838
Realized gain on investment	778
Unrealized gain on investment	<u>3,918</u>
Total additions	<u>\$ 8,534</u>
DEDUCTIONS	
Distribution	\$ 2,904
Fiduciary fees	<u>148</u>
Total deductions	<u>\$ 3,052</u>
Change in net position	\$ 5,482
Net position - beginning	<u>113,947</u>
Net position - ending	<u><u>\$ 119,429</u></u>

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

**NOTES TO
FINANCIAL STATEMENTS**

Note 1-Summary of Significant Accounting Policies:

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

A. Reporting Entity:

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

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

B. Government-wide and fund financial statements:

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

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

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. 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.

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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.

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

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

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.

3. Allowance for Un-collectible Accounts

The Town calculates its allowance for un-collectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for governmental activities amounted to approximately \$98,639 for property taxes and \$9,989 for garbage billings at June 30, 2013. The allowance for business-type activities amounted to approximately \$102,362 for water and sewer billings at June 30, 2013.

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

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

4. Use of Estimates

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

5. Capital Assets

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

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

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

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

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.

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

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

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, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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 reported as debt service expenditures.

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.

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.

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

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

11. Prepaid Expenses

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

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

The Town implemented the financial reporting provisions of GASB Statement No. 63 for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirement of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position". The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

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

The Town implemented the financial reporting provisions of GASB Statement No. 65 for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

14. Net Position Flow Assumption

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

15. Inventory

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

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

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 \$(3,276,549) difference for the primary government is as follows:

	<u>Primary Government</u>
General obligation bonds and loans payable	\$ (2,747,909)
Accrued interest	(4,042)
OPEB liability	(334,924)
Compensated absences	<u>(189,674)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u><u>\$ (3,276,549)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this (\$149,809) difference for the primary government is as follows:

	<u>Primary Government</u>
Capital outlays	\$ 319,118
Depreciation expense	(409,322)
Loss on disposal of capital assets	<u>(59,605)</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>\$ (149,809)</u></u>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The detail of this \$(77,733) difference for the primary government is as follows:

	<u>Government</u>
(Increase) Decrease in Compensated absences	\$ (18,122)
(Increase) Decrease in OPEB liability	(61,229)
(Increase) Decrease in Accrued interest	<u>1,618</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>\$ (77,733)</u></u>

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Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

B. Deficit fund equity

At June 30, 2013, the CDBG Gilman Street Fund had a deficit fund equity of \$(32,951) and the Streetscape Fund had a deficit fund equity of \$(68,188). These funds are combined with non- major funds and reflected as an other governmental fund in the financial statement. The General Fund had a deficit fund equity of \$(239,864) at June 30, 2013.

Note 4-Deposits and Investments:

Deposits:

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

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 4-Deposits and Investments: (continued)

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The Town has two bond sinking accounts that are invested in U.S. Bank. The Town escrows the amounts monthly that are paid to the lender on a yearly basis.

Note 5-Due from Other Governmental Units:

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

	<u>Primary Government</u>
<u>Commonwealth of Virginia:</u>	
Local sales tax	\$ 24,867
Communication tax	21,081
Non-categorical aid	11,718
Community development block grant	-
Virginia department of transportation grant	8,662
	<hr/>
Total	\$ 66,328
	<hr/>

Note 6-Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 776,130	\$ -
Other Governmental Funds	108,364	-
Water and Sewer Fund	-	(908,438)
Swimming Pool Fund	23,944	
	<hr/>	<hr/>
Total	\$ 908,438	\$ (908,438)
	<hr/>	<hr/>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 7-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

Details of long-term indebtedness:

Year Ending June 30,	General Obligation Bonds		Loan Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 70,000	\$ 18,543	\$ 115,148	\$ 74,556	\$ 185,148	\$ 93,099
2015	70,000	16,022	47,764	64,607	117,764	80,629
2016	80,000	12,603	33,510	62,985	113,510	75,588
2017	80,000	8,847	1,527,122	55,839	1,607,122	64,686
2018	85,000	4,905	28,103	23,508	113,103	28,413
2019-2023	20,000	970	156,624	101,430	176,624	102,400
2024-2028	-	-	187,612	70,441	187,612	70,441
2029-2033	-	-	175,039	33,893	175,039	33,893
2034-2038	-	-	65,080	8,420	65,080	8,420
2039-2043	-	-	-	-	-	-
Totals	<u>\$ 405,000</u>	<u>\$ 61,890</u>	<u>\$ 2,336,002</u>	<u>\$ 495,679</u>	<u>\$ 2,741,002</u>	<u>\$ 557,569</u>

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2013.

	Balance July 1, 2012	Issuances	Retirements	Balance June 30, 2013
General obligation bonds	\$ 470,000	\$ -	\$ (65,000)	\$ 405,000
Premium on bond	8,201	-	(1,295)	6,906
Loans payable	2,589,346	-	(253,344)	2,336,002
OPEB liability	273,695	61,229	-	334,924
Compensated absences	171,553	18,122	-	189,675
Total	<u>\$ 3,512,795</u>	<u>\$ 79,351</u>	<u>\$ (319,639)</u>	<u>\$ 3,272,507</u>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness (Continued):

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Loan Payable</u>		
National Bank, issued June 15, 2004, monthly installments of principal and interest in the amount of \$3,775. Interest computed at a rate of 3.45%, secured by equipment.	\$ 40,066	\$ 40,066
National Bank of Blacksburg, issued June 1, 2009, monthly installments of principal and interest in the amount of \$2,730. Interest computed at a rate of 4.37%, secured by equipment	\$ 29,057	\$ 29,057
National Bank, issued November 28, 2011, monthly installments of principal and interest in the amount of \$1,938. Interest computed at a rate of 3.92%, secured by equipment.	\$ 51,460	\$ 21,632
Bank of Marion, issued January 5, 2012, monthly installments of principal and interest in the amount of \$2,647. Interest computed at a rate of 3%.	\$ 450,123	\$ 18,543
Smyth County Community Foundation, issued November 11, 2011, monthly installments of interest in the amount of \$3,125 for five years with a balloon payment at the end of the five years. Interest computed at a rate of 2.5%.	\$ 1,500,000	\$ -
Bank of Marion, issued June 26, 2007, total issuance price of \$315,000. Interest computed at a rate of 4.5% for five years. For next 25 years, the interest rate is 5.2%.	\$ 265,296	\$ 5,850
Total Loans Payable	<u>\$ 2,336,002</u>	<u>\$ 115,148</u>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness (Continued):

Details of long-term indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds</u>		
Virginia Resource Authority bond, issued May 8, 2005, variable semi-annual installments of principal and interest. Interest computed at a variable rate of 3.28% to 4.85%, unsecured.	\$ 405,000	\$ 70,000
Total General Obligation Bonds	<u>\$ 405,000</u>	<u>\$ 70,000</u>
<u>Other Obligations:</u>		
Premium on bond	\$ 6,906	\$ 1,294
Compensated absences	189,675	142,256
OPEB liability	<u>334,924</u>	<u>-</u>
Total Other Obligations	<u>\$ 531,505</u>	<u>\$ 143,550</u>
Total Long-Term Obligations	<u>\$ 3,272,507</u>	<u>\$ 328,698</u>

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TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 7-Long-Term Debt: (continued)

Primary Government-Enterprise Activity Indebtedness: (continued)

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2014	\$ 343,042	\$ 167,749
2015	324,318	157,477
2016	335,044	149,147
2017	332,851	135,607
2018	345,592	124,396
2019-2023	1,917,030	424,774
2024-2028	1,211,409	105,932
2029-2033	73,227	46,053
2034-2038	82,450	36,830
2039-2043	92,836	26,444
2044-2048	104,529	14,751
2049-2053	69,938	2,631
Totals	<u>\$ 5,232,266</u>	<u>\$ 1,391,791</u>

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2013.

	July 1, 2012	Issuances	Retirements	June 30, 2013
General obligation bonds	\$ 5,122,758	\$ 440,438	\$ (330,930)	\$ 5,232,266
Compensated absences	44,232	3,629	-	47,861
OPEB liability	101,581	26,470	-	128,051
Total	<u>\$ 5,268,571</u>	<u>\$ 470,537</u>	<u>\$ (330,930)</u>	<u>\$ 5,408,178</u>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 7-Long-Term Debt: (continued)

Primary Government-Enterprise Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
Virginia Resource Authority, issued February 9, 1993, semi-annual principal reductions of \$26,749. There is no interest rate on this note.	\$ 26,749	\$ 26,749
Virginia Resource Authority, issued on July 7, 1992, semi-annual principal and interest payments computed at a rate of 2.5%.	\$ 2,610,000	\$ 170,000
Virginia Resource Authority, issued on March 24, 2006, total issuance price of \$1,684,600. Semi-annual principal and interest payments computed at a rate of 3%.	\$ 1,278,909	\$ 74,802
Virginia Resource Authority, issued December 15, 2011, semi-annual principal reductions of \$25,257. There is no interest rate on this note.	\$ 686,767	\$ 50,514
Rural Development, issued a \$606,000 loan on July 14, 2011. Monthly payments of principal and interest of \$1,988 at a rate of 2.375%.	\$ 597,074	\$ 9,779
Rural Development, issued a \$225,800 loan on June 9, 1997. Monthly payments of principal and interest of \$1,037 at a rate of 4.5%.	\$ 32,767	\$ 11,199
Total General Obligation Bonds	<u>\$ 5,232,266</u>	<u>\$ 343,043</u>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 7-Long-Term Debt: (continued)

Primary Government-Enterprise Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
Compensated absences	\$ 47,861	\$ 35,894
OPEB liability	128,051	-
Total other obligations	<u>\$ 175,912</u>	<u>\$ 35,894</u>
Total Long Term Obligations	<u>\$ 5,408,178</u>	<u>\$ 378,937</u>

Note 8-Employee Retirement System and Pension Plans:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

VRS administers two defined benefit plans for local government employees—Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

Note 8-Employee Retirement System and Pension Plans: (continued)

A. Plan Description (continued)

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Plan (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP, or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500

Note 8-Employee Retirement System and Pension Plans: (continued)

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 21.83% of annual covered payroll.

C. Annual Pension Cost

Primary Government:

For fiscal year ended June 30, 2013, the Town's annual pension cost of \$627,076 was equal to the Town's required and actual contributions. The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
Town	6/30/2013	\$ 627,076	100.00%	\$ -
	6/30/2012	\$ 529,511	100.00%	-
	6/30/2011	\$ 510,639	100.00%	-

¹ Employer portion only

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 8-Employee Retirement System and Pension Plans: (continued)

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 62.43% funded. The actuarial accrued liability for benefits was \$15,124,048 and the actuarial value of assets was \$9,441,903, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,682,145. The covered payroll (annual payroll of active employees covered by the plan) was \$2,762,869, and ratio of the UAAL to the covered payroll was 205.66%.

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

Note 9-Capital Assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,799,879	\$ 16,999	\$ -	\$ 1,816,878
Construction in progress	512,987	163,596	(36,665)	639,918
Total capital assets not being depreciated	<u>\$ 2,312,866</u>	<u>\$ 180,595</u>	<u>\$ (36,665)</u>	<u>\$ 2,456,796</u>
Capital assets, being depreciated:				
Buildings	\$ 7,431,200	\$ 40,254	\$ -	\$ 7,471,454
Improvements other than buildings	1,927,463	-	-	1,927,463
Machinery and equipment	5,208,793	134,934	(187,980)	5,155,747
Total capital assets being depreciated	<u>\$ 14,567,456</u>	<u>\$ 175,188</u>	<u>\$ (187,980)</u>	<u>\$ 14,554,664</u>
Less: accumulated depreciation for:				
Buildings	\$ (2,582,166)	\$ (168,671)	\$ -	\$ (2,750,837)
Improvements other than buildings	(328,158)	(54,686)	-	(382,844)
Machinery and equipment	(4,634,999)	(185,966)	128,375	(4,692,590)
Total accumulated depreciation	<u>\$ (7,545,323)</u>	<u>\$ (409,323)</u>	<u>\$ 128,375</u>	<u>\$ (7,826,271)</u>
Total capital assets being depreciated, net	<u>\$ 7,022,133</u>	<u>\$ (234,135)</u>	<u>\$ (59,605)</u>	<u>\$ 6,728,393</u>
Governmental activities capital assets, net	<u>\$ 9,334,999</u>	<u>\$ (53,540)</u>	<u>\$ (96,270)</u>	<u>\$ 9,185,189</u>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 9-Capital Assets: (continued)

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

Governmental activities:

General government	\$ 87,342
Public safety	58,637
Public works	130,989
Parks, recreation, and culture	132,355

Total depreciation expense - governmental activities	<u>\$ 409,323</u>
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Business-type activities:

Water and Sewer Fund:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 399,579	\$ -	\$ -	\$ 399,579
Construction in progress	1,181,878	598,889	(673,910)	1,106,857
Total capital assets not being depreciated	<u>\$ 1,581,457</u>	<u>\$ 598,889</u>	<u>(673,910)</u>	<u>\$ 1,506,436</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 19,475,506	\$ 673,910	\$ -	\$ 20,149,416
Machinery and equipment	2,687,826	71,832	(700)	2,758,958
Total capital assets being depreciated	<u>\$ 22,163,332</u>	<u>\$ 745,742</u>	<u>\$ (700)</u>	<u>\$ 22,908,374</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (8,527,165)	\$ (520,544)	\$ -	\$ (9,047,709)
Machinery and equipment	(2,244,711)	(60,542)	700	(2,304,553)
Total accumulated depreciation	<u>\$ (10,771,876)</u>	<u>\$ (581,086)</u>	<u>\$ 700</u>	<u>\$ (11,352,262)</u>
Total capital assets being depreciated, net	<u>\$ 11,391,456</u>	<u>\$ 164,656</u>	<u>\$ -</u>	<u>\$ 11,556,112</u>
Business-type activities capital assets, net	<u>\$ 12,972,913</u>	<u>\$ 763,545</u>	<u>\$ (673,910)</u>	<u>\$ 13,062,548</u>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 9-Capital Assets: (continued)

Business-type activities:

Swimming Pool Fund:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 179,125	\$ -	\$ -	\$ 179,125
Total capital assets not being depreciated	<u>\$ 179,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,125</u>
Capital assets, being depreciated:				
Pool	\$ 974,651	\$ -	\$ -	\$ 974,651
Equipment	29,151	-	-	29,151
Total capital assets being depreciated	<u>\$ 1,003,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,003,802</u>
Less: accumulated depreciation for:				
Pool	\$ (942,331)	\$ (4,184)	\$ -	\$ (946,515)
Equipment	(29,151)	-	-	(29,151)
Total accumulated depreciation	<u>\$ (971,482)</u>	<u>\$ (4,184)</u>	<u>\$ -</u>	<u>\$ (975,666)</u>
Total capital assets being depreciated, net	<u>\$ 32,320</u>	<u>\$ (4,184)</u>	<u>\$ -</u>	<u>\$ 28,136</u>
Business-type activities capital assets, net	<u>\$ 211,445</u>	<u>\$ (4,184)</u>	<u>\$ -</u>	<u>\$ 207,261</u>

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

Business-type activities:

Water and Sewer	\$ 581,086
Swimming Pool	4,184
	<u> </u>
Total depreciation expense - business type activities	<u>\$ 585,270</u>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 10-Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$797,835 is comprised of the following:

Property Taxes - Property tax revenue of \$769,281 representing uncollected tax billings not available for funding current expenditures.

RBEG Loan - Small business loan of \$28,554 representing uncollected loan payments not available for funding current expenditures.

Note 11-Risk Management:

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

Note 12-Surety Bonds:

Primary Government:

Virginia Municipal Liability Pool

Public Employees Dishonesty Coverage	\$	200,000
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TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 13 – Restricted Net Position:

<i>Governmental Activities</i>	<i>Balance</i>
Restricted for debt service and bond covenants	\$ 74,690
Restricted for downtown housing project	196,788
	<hr/>
Total	\$ 271,478
	<hr/>
<i>Business-type Activities</i>	<i>Balance</i>
Restricted for debt service and bond covenants	\$ 480,695
	<hr/>
Total	\$ 480,695
	<hr/>

Note 14 – Restricted Cash and Cash Equivalents

Restricted cash of \$306,304 is reflected in the financial statements for the business-type activities. The \$306,304 represents the amount set aside for debt service in the water and sewer fund.

Note 15 – Restricted Investments

Restricted investment of \$74,690 is reflected in the financial statements for the governmental activities. The \$74,690 represents the amount set aside to cover the requirements set forth by Virginia Resource Authority in connection with the general obligation bond. Restricted investment of \$174,391 is reflected in the financial statements for the business-type activities. The \$174,391 represents the amount set aside to cover the requirements set forth by Virginia Resource Authority in connection with the general obligation bond.

Note 16 – Contingencies

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

Note 17 – Compensated Absences

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. Town employees with up to five years of service earn vacation at the rate of one day for each month. After five years, thirteen vacation days are earned annually; after ten years, fourteen days vacation is earned; after fifteen years an employee earns fifteen days vacation; after twenty years, sixteen days vacation are earned. The employees also earn an additional one-half day vacation time when employees go 90 days and are accident free. No benefits or pay is received for unused sick leave upon termination. However, upon retirement with 30 years of VRS service, the Town will pay 25% of all accumulated and unused sick pay up to \$2,500. No sick leave will be accrued at June 30, 2013 due to the difficulty in estimating the number of employees who may retire with 30 years of VRS service.

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 18 – Fund Balance-Restricted for:

<i>Other Governmental Funds</i>	<i>Balance</i>
Dare Fund	\$ 1,311
Downtown Housing Fund	196,788
Master Redevelopment	<u>2,500</u>
Total	<u><u>\$ 200,599</u></u>

Note 19 – Interfund Balances

Interfund balances consisted of the following at June 30, 2013:

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

Note 20 – Other Post-Employment Benefits

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

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

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 20 – Other Post-Employment Benefits (continued)

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2013, the Town's annual OPEB costs of \$104,498 for governmental activities and \$26,470 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	Governmental Activities	Business-type Activities
Annual required contribution	\$ 104,042	\$ 26,300
Interest on net OPEB obligation	9,579	3,555
Adjustment to annual required contribution	(9,123)	(3,385)
Annual OPEB cost	104,498	26,470
Contributions made	(43,269)	-
Increase in net OPEB obligation	61,229	26,470
Net OPEB obligation-beginning of year	273,695	101,581
Net OPEB obligation-end of year	<u>\$ 334,924</u>	<u>\$ 128,051</u>

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$104,498	0%	\$334,924
June 30, 2012	88,649	0%	273,695
June 30, 2011	94,524	0%	185,046

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$26,470	0%	\$128,051
June 30, 2012	34,797	0%	101,581
June 30, 2011	33,860	0%	66,784

Note 20 – Other Post-Employment Benefits (continued)

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2013 was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Actuarial Accrued Liability (AAL)	\$ 1,484,584	\$ 319,624
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	1,484,584	319,624
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%
Covered Payroll (Active Plan Members)	2,713,057	529,569
UAAL as a Percentage of Covered Payroll	54.72%	60.36%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

Note 20 – Other Post-Employment Benefits (continued)

Actuarial Methods and Assumptions (continued)

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 62 which is the historical average age of retirement for employees of the Town. Active employees age 62 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the Town included: inflation at 1.80% and an investment rate of return of 3.5%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2013 is 26 years.

Plan Description

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

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the Town and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the Town. Employees at the Town are allowed to stay on the plan until death of the employee or eligibility for Medicare coverage. The employee pays 50% of the required premium for single coverage. The employee pays 100% for spouse or dependent health care insurance premiums.

Funding Policy

The Town currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2013, the Town had not designated any funding for the OPEB liability.

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

Purpose

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

Components of Fund Balance

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

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

Committed Fund Balance Policy

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

Assigned Fund Balance Policy

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

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

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

Minimum Unassigned Fund Balance Policy

The Town does not maintain an unassigned fund balance policy.

Resource Flow Policy

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

<i>Nonspendable Fund Balance</i>	<i>Balance</i>
Prepaid expenses and inventory	73,598
Total	<u>\$ 73,598</u>

<i>Restricted Fund Balance</i>	<i>Balance</i>
Debt service and bond covenants	74,690
DARE	1,311
Downtown Housing	196,788
Master Redevelopment	2,500
Total	<u>\$ 275,289</u>

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

<i>Assigned Fund Balance</i>	<i>Balance</i>
Golf Course	236,032
Total	<u>\$ 236,032</u>

Note 22 – New Accounting Standard:

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* amends the financial reporting elements previously classified as assets and liabilities to be consistent with the definitions of Concept Statement 4. This statement will be effective for periods beginning after December 15, 2012. The Town has decided to early implement GASB Statement No. 65 in conjunction with the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement No. 66, *Technical Corrections-2012--an amendment of GASB Statements No. 10 and No. 62* resolves conflicting guidance resulting from the issuance of recent pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans* amends GASB Statement No. 25. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis.

GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees* establishes accounting and financial reporting for non-exchange transactions. The provisions of Statement No. 70 are effective for financial statements for reporting beginning after June 15, 2013.

Management has evaluated GASB Statement No. 65 and has elected to early implement the standard. Management has not yet evaluated the effects, if any, of adopting the other standards above, but does not expect them to be material.

Note 23 – Subsequent Events

The Town awarded the Edwynne Water Line Replacement project to the lowest bidder, Branson Construction for \$74,358.

REQUIRED
SUPPLEMENTARY
INFORMATION

Town of Marion, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 668,180	\$ 668,180	\$ 587,353	\$ (80,827)
Other local taxes	2,593,238	2,593,238	2,521,376	(71,862)
Permits, privilege fees, and regulatory licenses	200	200	280	80
Fines and forfeitures	29,400	29,400	26,140	(3,260)
Revenue from the use of money and property	30,522	30,522	23,893	(6,629)
Charges for services	414,520	414,520	387,937	(26,583)
Miscellaneous	45,000	45,000	88,558	43,558
Recovered costs	46,250	46,250	43,628	(2,622)
Intergovernmental revenues:				
Commonwealth	1,257,289	1,257,289	1,516,904	259,615
Federal	-	-	164,157	164,157
Total revenues	\$ 5,084,599	\$ 5,084,599	\$ 5,360,226	\$ 275,627
EXPENDITURES				
Current:				
General government administration	\$ 1,215,847	\$ 1,215,847	\$ 1,225,012	\$ (9,165)
Public safety	1,560,015	1,560,015	1,538,451	21,564
Public works	2,018,190	2,018,190	2,014,875	3,315
Parks, recreation, and cultural	550,276	550,276	543,401	6,875
Community development	459,778	459,778	674,214	(214,436)
Capital projects	184,259	184,259	263,278	(79,019)
Debt service:				
Principal retirement	213,512	213,512	319,961	(106,449)
Interest and other fiscal charges	59,359	59,359	88,954	(29,595)
Total expenditures	\$ 6,261,236	\$ 6,261,236	\$ 6,668,146	\$ (406,910)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,176,637)	\$ (1,176,637)	\$ (1,307,920)	\$ (131,283)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 103,682	\$ 103,682	\$ 776,130	\$ 672,448
Proceeds of general obligation bonds	-	-	-	-
Total other financing sources and uses	\$ 103,682	\$ 103,682	\$ 776,130	\$ 672,448
Net change in fund balances	\$ (1,072,955)	\$ (1,072,955)	\$ (531,790)	\$ 541,165
Fund balances - beginning	-	-	291,926	291,926
Fund balances - ending	\$ (1,072,955)	\$ (1,072,955)	\$ (239,864)	\$ 833,091

Town of Marion, Virginia
Schedule of Funding Progress
For the Year Ended June 30, 2013

Primary Government:

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 9,441,903	\$ 15,124,048	\$ 5,682,145	62.43%	\$ 2,762,869	205.66%
6/30/2011	9,412,677	14,406,362	4,993,685	65.34%	2,501,429	199.63%
6/30/2010	9,248,742	14,215,190	4,966,448	65.06%	2,517,201	197.30%

Post-Employment Benefit Plan-Governmental Activities

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
7/1/2012	\$ -	\$ 1,484,584	\$ 1,484,584	0.00%	\$ 2,713,057	54.72%
7/1/2011	-	917,989	917,989	0.00%	2,351,230	39.04%
7/1/2010	-	917,989	917,989	0.00%	2,268,403	40.47%

Post-Employment Benefit Plan-Business-type Activities

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
7/1/2012	\$ -	\$ 319,624	\$ 319,624	0.00%	\$ 529,569	60.36%
7/1/2011	-	215,871	215,871	0.00%	479,217	45.05%
7/1/2010	-	215,871	215,871	0.00%	482,989	44.69%

Town of Marion, Virginia
Combining Balance Sheet
Other Governmental Funds
For the Year Ended June 30, 2013

	<u>Dare Program</u>	<u>Streetscape Program</u>	<u>Downtown Housing Project</u>	<u>CDBG Gilman Street</u>	<u>Master Redevelopment</u>	<u>Golf Course</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 1,311	\$ 50,181	\$ 78,419	\$ -	\$ 3,500	\$ 221,584	\$ 354,995
Receivables (net of allowance for uncollectibles):							
Accounts receivable	-	-	-	-	-	72,426	72,426
Due from other funds	-	-	118,369	-	-	-	118,369
Inventories	-	-	-	-	-	10,394	10,394
Prepaid expense	-	-	-	-	-	9,590	9,590
Total assets	<u>\$ 1,311</u>	<u>\$ 50,181</u>	<u>\$ 196,788</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 313,994</u>	<u>\$ 565,774</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	-	-	\$ 44,040	\$ 44,040
Accrued liabilities	-	-	-	-	-	13,939	13,939
Due to other funds	-	118,369	-	32,951	1,000	-	152,320
Total liabilities	<u>\$ -</u>	<u>\$ 118,369</u>	<u>\$ -</u>	<u>\$ 32,951</u>	<u>\$ 1,000</u>	<u>\$ 57,979</u>	<u>\$ 210,299</u>
Fund balances:							
Unreserved:							
Designated for subsequent expenditure	\$ 1,311	\$ (68,188)	\$ 196,788	\$ (32,951)	\$ 2,500	\$ 256,015	\$ 355,475
Total fund balances	<u>\$ 1,311</u>	<u>\$ (68,188)</u>	<u>\$ 196,788</u>	<u>\$ (32,951)</u>	<u>\$ 2,500</u>	<u>\$ 256,015</u>	<u>\$ 355,475</u>
Total liabilities and fund balances	<u>\$ 1,311</u>	<u>\$ 50,181</u>	<u>\$ 196,788</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 313,994</u>	<u>\$ 565,774</u>

Town of Marion, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2013

	<u>Dare Program</u>	<u>Streetscape Program</u>	<u>Downtown Housing Project</u>	<u>CDBG Gilman Street</u>	<u>Master Redevelopment</u>	<u>Golf Course</u>	<u>Total</u>
REVENUES							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 404,564	\$ 404,564
Miscellaneous	-	-	-	-	-	3,789	3,789
Recovered costs	-	-	38,558	-	-	-	38,558
Intergovernmental revenues:							-
Commonwealth	-	-	-	-	-	-	-
Federal	-	50,357	-	-	-	-	50,357
Total revenues	<u>\$ -</u>	<u>\$ 50,357</u>	<u>\$ 38,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,353</u>	<u>\$ 497,268</u>
EXPENDITURES							
Current:							
Parks, recreation, and cultural	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 570,690	\$ 570,690
Community development	-	23,188	-	-	-	-	23,188
Capital projects	-	-	-	-	-	-	-
Debt service:							-
Interest and other fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ 23,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570,690</u>	<u>\$ 593,878</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 27,169</u>	<u>\$ 38,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (162,337)</u>	<u>\$ (96,610)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ -	\$ 17,041	\$ -	\$ -	\$ -	\$ 91,323	\$ 108,364
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ 17,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,323</u>	<u>\$ 108,364</u>
Net change in fund balances	\$ -	\$ 44,210	\$ 38,558	\$ -	\$ -	\$ (71,014)	\$ 11,754
Fund balances - beginning	1,311	(112,398)	158,230	(32,951)	2,500	327,029	343,721
Fund balances - ending	<u>\$ 1,311</u>	<u>\$ (68,188)</u>	<u>\$ 196,788</u>	<u>\$ (32,951)</u>	<u>\$ 2,500</u>	<u>\$ 256,015</u>	<u>\$ 355,475</u>

SUPPORTING SCHEDULES

Town of Marion, Virginia
Schedule of Revenue – Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 457,530	\$ 457,530	\$ 443,620	\$ (13,910)
Real and personal public service corporation taxes	26,500	26,500	27,324	824
Personal property taxes	176,150	176,150	107,028	(69,122)
Penalties and Interest	8,000	8,000	9,381	1,381
Total general property taxes	<u>\$ 668,180</u>	<u>\$ 668,180</u>	<u>\$ 587,353</u>	<u>\$ (80,827)</u>
Other local taxes:				
Local sales and use taxes	\$ 160,000	\$ 160,000	\$ 138,863	\$ (21,137)
Consumers' utility taxes	108,000	108,000	108,389	389
Communications taxes	140,000	140,000	133,336	(6,664)
Lodging taxes	110,000	110,000	93,720	(16,280)
Business license taxes	546,552	546,552	552,757	6,205
Utility license taxes	28,000	28,000	30,679	2,679
Motor vehicle licenses	40,000	40,000	44,924	4,924
Bank stock taxes	150,000	150,000	183,273	33,273
Tobacco taxes	160,000	160,000	140,500	(19,500)
Meals taxes	1,142,686	1,142,686	1,087,528	(55,158)
Comcast PEG capital fees	8,000	8,000	7,407	(593)
Total other local taxes	<u>\$ 2,593,238</u>	<u>\$ 2,593,238</u>	<u>\$ 2,521,376</u>	<u>\$ (71,862)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 200	\$ 200	\$ 280	\$ 80
Total permits, privilege fees, and regulatory licenses	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 280</u>	<u>\$ 80</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 29,000	\$ 29,000	\$ 26,020	\$ (2,980)
Parking Fines	400	400	120	(280)
Total fines and forfeitures	<u>\$ 29,400</u>	<u>\$ 29,400</u>	<u>\$ 26,140</u>	<u>\$ (3,260)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 6,150	\$ 6,150	\$ 871	\$ (5,279)
Revenue from use of property	24,372	24,372	23,022	(1,350)
Total revenue from use of money and property	<u>\$ 30,522</u>	<u>\$ 30,522</u>	<u>\$ 23,893</u>	<u>\$ (6,629)</u>
Charges for services:				
Parking lot charges	\$ 700	\$ 700	\$ 480	\$ (220)
Charges for sanitation and waste removal	380,000	380,000	364,532	(15,468)
Charges for parks and recreation	8,500	8,500	11,922	3,422
Farmers market	3,080	3,080	765	(2,315)
Fire calls	10,000	10,000	250	(9,750)
Senior center-District III	6,240	6,240	5,624	(616)
Cemetery maintenance fees	6,000	6,000	4,364	(1,636)
Total charges for services	<u>\$ 414,520</u>	<u>\$ 414,520</u>	<u>\$ 387,937</u>	<u>\$ (26,583)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 25,000	\$ 25,000	\$ 60,604	\$ 35,604
Sale of property and equipment	20,000	20,000	22,279	2,279
Donations	-	-	5,675	5,675
Total miscellaneous revenue	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 88,558</u>	<u>\$ 43,558</u>

Town of Marion, Virginia
Schedule of Revenues – Budget and Actual
Government Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources: (Continued)				
Recovered costs:				
County of Smyth - Recreation facilities	\$ 19,250	\$ 19,250	\$ 19,250	\$ -
County of Smyth - Fire and rescue	25,000	25,000	23,000	(2,000)
Other recovered costs	2,000	2,000	1,378	(622)
Total recovered costs	\$ 46,250	\$ 46,250	\$ 43,628	\$ (2,622)
Total revenue from local sources	\$ 3,827,310	\$ 3,827,310	\$ 3,679,165	\$ (148,145)
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ -	\$ -	\$ -	\$ -
Rolling stock tax	6,920	6,920	11,927	5,007
Rental tax	-	-	18,166	18,166
Set off debt	10,000	10,000	-	(10,000)
Personal property tax relief funds	-	-	45,785	45,785
Total noncategorical aid	\$ 16,920	\$ 16,920	\$ 75,878	\$ 58,958
Categorical aid:				
Other categorical aid:				
Litter control grant	\$ 2,457	\$ 2,457	\$ 3,546	\$ 1,089
Fire programs	16,241	16,241	32,975	16,734
Street and highway maintenance	1,074,000	1,074,000	1,094,521	20,521
Law enforcement grant	122,672	122,672	146,864	24,192
Police block grant	9,999	9,999	17,050	7,051
Commission of the arts	5,000	5,000	5,000	-
Police Grant-DMV	10,000	10,000	13,238	3,238
Asset forfeiture funds	-	-	524	524
Small business USDA grant	-	-	30,750	30,750
DHCD grant-Schoolhouse project	-	-	94,058	94,058
Other state aid	-	-	2,500	2,500
Total other categorical aid	\$ 1,240,369	\$ 1,240,369	\$ 1,441,026	\$ 200,657
Total categorical aid	\$ 1,240,369	\$ 1,240,369	\$ 1,441,026	\$ 200,657
Total revenue from the Commonwealth	\$ 1,257,289	\$ 1,257,289	\$ 1,516,904	\$ 259,615
Revenue from the federal government:				
Categorical aid:				
Community Development Block Grant	\$ -	\$ -	\$ 162,201	\$ 162,201
Emergency preparedness grant	-	-	1,896	1,896
Asset forfeiture funds	-	-	60	60
Total categorical aid	\$ -	\$ -	\$ 164,157	\$ 164,157
Total revenue from the federal government	\$ -	\$ -	\$ 164,157	\$ 164,157
Total General Fund	\$ 5,084,599	\$ 5,084,599	\$ 5,360,226	\$ 275,627
Total Primary Government	\$ 5,084,599	\$ 5,084,599	\$ 5,360,226	\$ 275,627

Town of Marion, Virginia
Schedule of Expenditures – Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 108,091	\$ 108,091	\$ 100,246	\$ 7,845
Town clerk	174,691	174,691	175,436	(745)
Legislative	\$ 282,782	\$ 282,782	\$ 275,682	\$ 7,100
General and financial administration:				
Town manager	\$ 175,805	\$ 175,805	\$ 186,358	\$ (10,553)
Legal services	29,447	29,447	23,563	5,884
Independent auditor	28,000	28,000	28,780	(780)
Finance	215,032	215,032	214,566	466
Information technology	111,664	111,664	132,040	(20,376)
Risk management	118,550	118,550	114,105	4,445
Motor pool	126,054	126,054	120,542	5,512
Central purchasing	128,513	128,513	129,376	(863)
Total general and financial administration	\$ 933,065	\$ 933,065	\$ 949,330	\$ (16,265)
Total general government administration	\$ 1,215,847	\$ 1,215,847	\$ 1,225,012	\$ (9,165)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,463,215	\$ 1,463,215	\$ 1,452,727	\$ 10,488
Fire and rescue services:				
Fire department	\$ 66,800	\$ 66,800	\$ 56,779	\$ 10,021
Rescue service	30,000	30,000	28,945	1,055
Total fire and rescue services	\$ 96,800	\$ 96,800	\$ 85,724	\$ 11,076
Total public safety	\$ 1,560,015	\$ 1,560,015	\$ 1,538,451	\$ 21,564
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,652,745	\$ 1,652,745	\$ 1,663,154	\$ (10,409)
General engineering and administration	170,836	170,836	174,179	(3,343)
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,823,581	\$ 1,823,581	\$ 1,837,333	\$ (13,752)
Sanitation and waste removal:				
Refuse collection and disposal	\$ 194,609	\$ 194,609	\$ 177,542	\$ 17,067
Total sanitation and waste removal	\$ 194,609	\$ 194,609	\$ 177,542	\$ 17,067
Total public works	\$ 2,018,190	\$ 2,018,190	\$ 2,014,875	\$ 3,315
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 374,089	\$ 374,089	\$ 371,305	\$ 2,784
Senior Citizens Center	176,187	176,187	172,096	4,091
Total parks, recreation, and cultural	\$ 550,276	\$ 550,276	\$ 543,401	\$ 6,875

Town of Marion, Virginia
Schedule of Expenditures – Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning	\$ 9,300	\$ 9,300	\$ 8,679	\$ 621
Community development	310,225	310,225	519,094	(208,869)
Cable TV	139,953	139,953	145,629	(5,676)
Transport services	300	300	812	(512)
Total planning and community development	<u>\$ 459,778</u>	<u>\$ 459,778</u>	<u>\$ 674,214</u>	<u>\$ (214,436)</u>
Total community development	<u>\$ 459,778</u>	<u>\$ 459,778</u>	<u>\$ 674,214</u>	<u>\$ (214,436)</u>
Capital projects:				
Capital outlays	\$ 184,259	\$ 184,259	\$ 263,278	\$ (79,019)
Total capital projects	<u>\$ 184,259</u>	<u>\$ 184,259</u>	<u>\$ 263,278</u>	<u>\$ (79,019)</u>
Debt service:				
Principal retirement	\$ 213,512	\$ 213,512	\$ 319,961	\$ (106,449)
Interest and other fiscal charges	59,359	59,359	88,954	(29,595)
Total debt service	<u>\$ 272,871</u>	<u>\$ 272,871</u>	<u>\$ 408,915</u>	<u>\$ (136,044)</u>
Total General Fund	<u>\$ 6,261,236</u>	<u>\$ 6,261,236</u>	<u>\$ 6,668,146</u>	<u>\$ (406,910)</u>
Total Primary Government	<u>\$ 6,261,236</u>	<u>\$ 6,261,236</u>	<u>\$ 6,668,146</u>	<u>\$ (406,910)</u>

OTHER
SUPPLEMENTARY
INFORMATION

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

Fiscal Year	General Fund Reserved	General Fund Unreserved	Total General Fund Balance	Other Governmental Fund Reserved	Other Governmental Fund Unreserved	Total Other Governmental Fund Balance
2003-04	\$ -	\$ 668,008	\$ 668,008	\$ 54,700	\$ -	\$ 54,700
2004-05	-	506,596	506,596	91,236	3,879	95,115
2005-06	-	688,423	688,423	107,867	3,786	111,653
2006-07	-	642,694	642,694	120,327	621,369	741,696
2007-08	67,903	654,193	722,096	19,984.00	119,157	139,141
2008-09	184,108	265,491	449,599	-	120,145	120,145
2009-10	187,375	(52,282)	135,093	-	124,363	124,363

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total Fund Balance
2010-11	\$ 108,273	\$ 226,767	\$ -	\$ -	\$ 264,827	\$ 599,867
2011-12	110,678	230,442	161,590	327,029	(194,092)	635,647
2012-13	73,598	275,289	-	236,032	(469,308)	115,611

Town of Marion, Virginia
Net Position Governmental and Business Type Activities
Last Ten Fiscal Years (1)

Governmental Activities				Business-type Activities			
Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Net Investment in Capital Assets	Restricted	Unrestricted	
2004-05	\$ 4,029,462	\$ 87,357	\$ (773,781)	\$ 7,577,144	\$ -	\$ 2,681,785	
2005-06	3,130,941	107,867	526,705	8,697,111	-	2,358,346	
2006-07	2,900,510	120,327	823,938	8,622,377	-	2,272,068	
2007-08	2,985,101	199,114	473,725	8,488,274	163,931	1,838,254	
2008-09	3,065,181	229,430	190,182	8,193,951	275,057	1,631,342	
2009-10	3,824,940	234,526	(216,688)	8,174,417	342,085	1,564,811	
2010-11	4,349,974	222,444	55,230	8,047,842	385,220	1,266,768	
2011-12	6,267,452	226,631	1,632	8,061,600	429,406	1,249,735	
2012-13	6,437,280	271,478	(614,117)	8,037,542	480,695	1,250,662	

(1) = Information available for 9 years only.

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

Fiscal Year	General Government Revenue	General Government Expenditures	Capital Outlay	Excess of Revenues over (under) Expenditures	Debt issued	Grant Proceeds/ Contributions	Transfers In	Transfers Out	Total Other Financing Sources (Uses)	Net Change In Fund Balance
2003-04	\$ 3,968,506	\$ 5,146,086	\$ 546,002	\$ (1,723,582)	\$ 382,755	\$ -	\$ 1,301,296	\$ (16,953)	\$ 1,667,098	\$ (56,484)
2004-05	4,593,306	6,714,983	179,029	(2,300,706)	1,022,264	100,000	1,053,564	-	2,175,828	(124,878)
2005-06	4,614,866	4,762,754	867,117	(1,015,005)	-	-	1,244,747	(27,500)	1,217,247	202,242
2006-07	4,886,010	5,370,581	537,259	(1,021,830)	-	-	1,291,146	-	1,291,146	269,316
2007-08	4,713,209	5,865,689	504,300	(1,656,780)	-	-	1,743,643	(315,000)	1,428,643	(228,137)
2008-09	4,470,393	5,632,006	401,721	(1,563,334)	146,660	-	1,145,165	-	1,291,825	(271,509)
2009-10	5,659,073	6,048,558	882,088	(1,271,573)	89,785	-	871,500	-	961,285	(310,288)
2010-11	6,127,734	6,536,191	493,270	(901,727)	-	-	1,301,613	(59,475)	1,242,138	340,411
2011-12	5,880,811	7,788,793	3,523,572	(5,431,554)	2,063,234	2,294,760	1,109,340	-	5,467,334	35,780
2012-13	5,857,494	6,998,746	263,278	(1,404,530)	-	-	884,494	-	884,494	(520,036)

Town of Marion, Virginia
Changes in Net Position – Governmental and Business-type Activities
Last Ten Fiscal Years (1)

Fiscal Year	Government Wide Expense	Government Wide Program Revenues	Net (Expense) Revenue	Government Wide General Revenues	Transfers	Change in Net Position
2004-05	\$ 6,959,790	\$ 5,149,318	\$ (1,810,472)	\$ 2,484,177	\$ (2,268)	\$ 671,437
2005-06	6,861,005	5,365,644	(1,495,361)	2,711,270	3,093	1,219,002
2006-07	7,589,145	4,603,722	(2,985,423)	2,908,740	(5,068)	(81,751)
2007-08	8,153,835	4,458,306	(3,695,529)	3,011,542	-	(683,987)
2008-09	7,735,648	4,352,280	(3,383,368)	2,820,112	-	(563,256)
2009-10	7,885,684	5,360,558	(2,525,126)	2,864,074	-	338,948
2010-11	8,485,666	5,450,272	(3,035,394)	3,438,781	-	403,387
2011-12	9,412,903	5,556,202	(3,856,701)	5,765,679	-	1,908,978
2012-13	9,204,664	5,530,338	(3,674,326)	3,301,410	-	(372,916)

(1) Information has only be available for 9 years.

Town of Marion, Virginia
Government Wide Expenses by Function
Last Ten Fiscal Years (1)

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Swimming Pool	Water and Sewer	Total
2004-05	\$ 989,675	\$ 1,588,599	\$ 1,991,935	\$ 419,388	\$ 215,459	\$ -	\$ 111,643	\$ 109,130	\$ 1,533,961	\$ 6,959,790
2005-06	1,029,902	1,617,197	1,728,400	451,456	245,360	69,579	86,260	58,438	1,574,413	6,861,005
2006-07	2,456,617	530,880	2,041,691	465,949	248,302	25,038	72,055	60,030	1,688,583	7,589,145
2007-08	1,179,021	1,766,948	2,345,736	472,177	388,637	-	104,548	65,565	1,831,203	8,153,835
2008-09	1,214,519	1,521,445	2,096,432	487,930	346,523	-	67,536	58,670	1,942,593	7,735,648
2009-10	1,195,607	1,569,854	1,925,453	520,707	719,609	-	75,705	50,272	1,828,477	7,885,684
2010-11	1,205,746	1,572,373	2,091,079	503,161	1,085,854	-	62,126	57,057	1,908,270	8,485,666
2011-12	1,213,894	1,576,032	2,189,344	901,040	1,392,000	-	104,691	55,388	1,980,514	9,412,903
2012-13	1,309,870	1,583,513	2,173,422	1,141,233	732,440	-	87,659	50,034	2,126,493	9,204,664

(1) Information has only been available for 9 years.

Town of Marion, Virginia
Government Wide Revenues
Last Ten Fiscal Years (1)

PROGRAM REVENUES				GENERAL REVENUES										
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Recovered Costs	Grants and Contributions Not Restricted to Specific Programs	Gain (Loss) on Disposal of Capital Assets	Contribution from Nonprofit	Total
2004-05	\$ 2,993,669	\$ 1,080,218	\$ 1,075,431	\$ 462,099	\$ 1,908,646	\$ -	\$ -	\$ 59,249	\$ 54,183	\$ -	\$ -	\$ -		\$ 7,633,495
2005-06	3,237,203	1,355,338	773,103	436,669	2,041,365	-	-	78,015	155,221	-	-	-		8,076,914
2006-07	3,257,417	1,346,305	-	542,400	2,229,086	-	-	93,123	44,131	-	-	-		7,512,462
2007-08	2,981,905	1,354,904	121,497	479,784	2,223,859	180	25,138	112,312	62,301	40,370	67,598	-		7,469,848
2008-09	2,961,251	1,343,479	47,550	522,114	2,066,362	75	24,933	66,100	11,911	61,377	67,240	-		7,172,392
2009-10	2,810,773	1,554,489	995,296	527,199	2,182,865	165	38,511	36,194	10,576	-	69,823	(1,259)		8,224,632
2010-11	3,052,405	1,920,520	477,347	603,623	2,607,956	165	24,309	36,872	48,293	44,231	73,332	-		8,889,053
2011-12	3,351,463	1,689,299	515,440	593,748	2,592,961	225	31,812	26,077	32,279	130,179	63,638	-	2,294,760	11,321,881
2012-13	3,668,212	1,511,125	351,001	614,219	2,521,376	280	26,140	26,317	92,347	4,458	75,878	(59,605)	-	8,831,748

(1) Information has only been available for 9 years.

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

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total (1)
2003-04	\$ 942,684	\$ 1,070,852	\$ 2,190,192	\$ 393,852	\$ 317,522	\$ -	\$ 230,984	\$ 5,146,086
2004-05	921,986	1,156,908	2,837,325	409,662	215,459	-	1,173,643	6,714,983
2005-06	959,534	1,177,188	1,589,421	432,505	245,360	69,579	289,167	4,762,754
2006-07	827,517	1,277,511	2,015,502	302,772	643,473	12,683	291,123	5,370,581
2007-08	1,098,443	1,376,190	2,210,059	473,022	399,521	-	308,454	5,865,689
2008-09	1,112,726	1,382,225	1,966,409	491,837	366,508	-	312,301	5,632,006
2009-10	1,145,845	1,359,099	1,846,756	521,547	734,600	-	440,711	6,048,558
2010-11	1,110,440	1,444,987	1,998,486	500,548	1,131,811	-	349,919	6,536,191
2011-12	1,178,902	1,511,479	2,018,829	891,010	1,754,238	-	434,335	7,788,793
2012-13	1,225,012	1,538,451	2,014,875	1,114,091	697,402	-	408,915	6,998,746

(1) Excludes capital projects

STATISTICAL
SECTION

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total
2003-04	\$ 406,563	\$ 1,872,537	\$ 215	\$ 43,739	\$ 79,323	\$ 189,779	\$ 33,491	\$ 59,209	\$ 1,283,650	\$ 3,968,506
2004-05	430,421	1,900,883	185	35,481	32,664	246,848	15,000	48,149	1,883,675	4,593,306
2005-06	464,984	2,032,056	195	24,992	26,916	251,383	147,065	55,010	1,612,265	4,614,866
2006-07	538,460	2,210,211	210	25,774	32,669	234,918	32,988	29,710	1,781,070	4,886,010
2007-08	485,251	2,258,281	180	25,138	26,642	308,018	62,474	50,634	1,496,591	4,713,209
2008-09	514,629	2,066,362	75	24,933	34,208	308,251	11,910	61,806	1,448,219	4,470,393
2009-10	525,667	2,182,865	165	38,511	24,496	329,010	10,576	166,640	2,381,143	5,659,073
2010-11	600,862	2,607,956	165	24,309	28,859	327,667	48,293	67,424	2,422,199	6,127,734
2011-12	568,140	2,592,961	225	31,812	22,459	525,359	32,279	65,451	2,042,125	5,880,811
2012-13	587,353	2,521,376	280	26,140	23,893	792,501	92,347	82,186	1,731,418	5,857,494

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
2003-04	\$ 369,067	\$ 355,741	96.39%	\$ 3,964	\$ 359,705	97.46%	\$ 10,137	2.75%
2004-05	455,075	441,043	96.92%	7,301	448,344	98.52%	10,039	2.21%
2005-06	424,351	405,851	95.64%	23,177	429,028	101.10%	18,500	4.36%
2006-07	503,090	486,666	96.74%	43,252	529,918	105.33%	16,424	3.26%
2007-08	542,246	520,156	95.93%	6,145	526,301	97.06%	18,717	3.45%
2008-09	558,935	544,770	97.47%	8,407	553,177	98.97%	39,505	7.07%
2009-10	586,857	545,797	93.00%	10,709	556,506	94.83%	46,734	7.96%
2010-11	665,404	628,847	94.51%	10,362	639,209	96.06%	66,206	9.95%
2011-12	697,358	641,482	91.99%	9,653	651,135	93.37%	109,302	15.67%
2012-13	726,614	599,405	82.49%	6,611	606,016	83.40%	141,343	19.45%

(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.

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	
2003-04	\$ 209,454,559	\$ 35,340,158	\$ 7,054,336	\$ 13,478,041	\$ 390,775	\$ 265,717,869
2004-05	250,859,573	33,917,951	9,971,430	15,220,925	90,227	310,060,106
2005-06	255,641,963	33,684,964	9,958,650	14,972,639	37,344	314,295,560
2006-07	260,381,223	24,067,490	8,329,703	12,308,782	35,735	305,122,933
2007-08	261,783,380	35,859,020	7,893,263	12,015,017	-	317,550,680
2008-09	261,564,133	36,670,016	14,705,050	11,811,371	-	324,750,570
2009-10	261,863,888	34,387,058	13,770,663	11,811,371	-	321,832,980
2010-11	306,380,374	35,162,885	14,324,067	15,169,863	1,017,351	372,054,540
2011-12	308,609,739	35,407,906	14,350,698	14,616,120	944,230	373,928,693
2012-13	306,933,800	36,527,508	13,869,828	14,447,803	-	371,778,939

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less Tax	Total Taxable	Total Direct Tax Rate
				Exempt Property	Assessed Value	
2003-04	\$ 130,185,200	\$ 68,296,200	\$ 1,111,700	\$ -	\$ 199,593,100	\$ 0.40
2004-05	154,129,400	85,134,700	1,431,700	-	240,695,800	0.40
2005-06	156,279,800	86,745,600	1,167,500	-	244,192,900	0.40
2006-07	147,680,200	91,382,100	9,795,125	-	248,857,425	0.40
2007-08	149,375,700	100,419,600	1,431,700	-	251,227,000	0.40
2008-09	148,421,900	90,104,900	1,167,500	-	239,694,300	0.40
2009-10	179,585,000	110,217,500	1,790,700	-	291,593,200	0.40
2010-11	180,320,600	110,532,800	1,882,900	-	292,736,300	0.40
2011-12	181,077,900	110,532,800	1,125,600	-	292,736,300	0.40
2012-13	190,265,800	99,837,400	1,125,600	-	291,228,800	0.40

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

Fiscal Year	Real Estate		Personal Property		Machinery and Tools	
2003-04	\$	0.11	\$	0.29	\$	0.29
2004-05		0.11		0.29		0.29
2005-06		0.11		0.29		0.29
2006-07		0.15		0.29		0.29
2007-08		0.15		0.29		0.29
2008-09		0.15		0.29		0.29
2009-10		0.15		0.35		0.35
2010-11		0.15		0.35		0.35
2011-12		0.15		0.35		0.35
2012-13		0.15		0.35		0.35

Town of Marion, Virginia
Ration 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
2003-04	6,349	\$ 265,718	\$ 7,684,043	2.89%	\$ 1,210
2004-05	6,349	310,060	7,145,887	2.30%	1,126
2005-06	6,349	314,296	6,479,289	2.06%	1,021
2006-07	6,048	305,123	7,443,990	2.44%	1,231
2007-08	6,048	317,551	7,271,901	2.29%	1,202
2008-09	6,048	324,751	6,981,457	2.15%	1,154
2009-10	6,048	321,833	6,432,170	2.00%	1,064
2010-11	5,968	372,055	5,865,423	1.58%	983
2011-12	5,968	373,929	8,182,104	2.19%	1,371
2011-13	5,968	371,779	7,973,268	2.14%	1,336

(1) U.S. Census Bureau.

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

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
2003-04	\$ 133,957	\$ 97,027	\$ 230,984	\$ 5,146,086	4.49%
2004-05	1,062,000	111,643	1,173,643	6,714,983	17.48%
2005-06	202,908	86,259	289,167	4,762,754	6.07%
2006-07	219,068	72,055	291,123	5,370,581	5.42%
2007-08	220,060	88,394	308,454	5,865,689	5.26%
2008-09	234,568	77,733	312,301	5,632,006	5.55%
2009-10	363,156	77,555	440,711	6,888,134	6.40%
2010-11	285,114	64,805	349,919	7,029,461	4.98%
2011-12	329,991	104,344	434,335	11,312,365	3.84%
2012-13	319,961	88,954	408,915	7,262,024	5.63%

Town of Marion, Virginia
Principal Taxpayers (1)
For Fiscal Year Ended June 30, 2013

Company	2011-2012 Assessed Value	Rank	2012-2013 Assessed Value	Rank
Marion Properties	\$ 11,814,900	1	\$ 11,814,900	1
IRT/Walmart	8,502,700	2	8,502,700	2
Smyth County Foundation	6,944,400	3	6,711,300	3
Highland Development	4,432,600	4	4,432,600	4
Marion Plaza	3,559,300	5	3,559,300	5
Mack Trammell	3,048,000	6	3,048,000	6
81-Motel	2,791,100	7	2,791,100	7
Jane Sheffey etal	-	-	2,768,000	8
Grey Rock S/C	2,766,500	8	2,766,500	9
Smyth County Community Hospital	-	-	2,303,100	10
Susan Keene	1,991,500	9	-	
Bank of Marion	1,536,800	10	-	

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed valuations:										
Assessed value	\$ 265,717,869	\$ 310,060,106	\$ 314,413,110	\$ 314,881,507	\$ 317,550,680	\$ 324,750,570	\$ 321,832,980	\$ 372,054,540	\$ 373,928,693	\$ 371,778,939
Legal debt margin										
Debt limitation - 10 percent of total assessed value	26,571,787	31,006,011	31,441,311	31,488,151	31,755,068	32,475,057	32,183,298	37,205,454	37,392,869	37,177,894
Debt applicable to limitation:										
General obligation bonds	5,332,908	7,145,887	6,479,289	7,443,900	7,285,280	6,993,542	6,442,960	5,874,919	8,190,305	7,980,174
Less: Amount set aside for repayment	8,708	9,952	11,196	11,662	231,834	358,387	423,918	470,425	497,807	555,385
Total debt applicable to limitation	5,324,200	7,135,935	6,468,093	7,432,238	7,053,446	6,635,155	6,019,042	5,404,494	7,692,498	7,424,789
Legal debt margin	\$ 21,247,587	\$ 23,870,076	\$ 24,973,218	\$ 24,055,913	\$ 24,701,622	\$ 25,839,902	\$ 26,164,256	\$ 31,800,960	\$ 29,700,371	\$ 29,753,105
Total net debt applicable to the limit as a percentage of debt limit	20.04%	23.01%	20.57%	23.60%	22.21%	20.43%	18.70%	14.53%	20.57%	19.97%

Town of Marion, Virginia
Miscellaneous Statistics
For the Year Ended June 30, 2013

Date of incorporation	1832
Form of government	Council-Manager
Number of employees:	
General government administration	12
Public safety	19
Public works	28
Parks, recreation, and cultural	16
Community development	2
Water and sewer	11
Swimming pool	15
Golf course	3

COMPLIANCE
SECTION



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**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***

The Honorable Members of the
Town Council
Town of Marion, Virginia:

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Marion, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 24, 2014.

Internal Control Over Financial Reporting

Management of the Town of Marion, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Marion's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Marion's internal control over financial reporting.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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, PC

January 24, 2014
Lebanon, Virginia