

TOWN OF MARION, VIRGINIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2025

TOWN OF MARION, VIRGINIA
 FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2025

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TOWN OF MARION, VIRGINIA

TOWN COUNCIL

Avery Cornett, Mayor

Dr. James Gates, Vice Mayor

Suzanne Jennings

Tricia Spencer

Hunter Atwell

Todd May

Larry Carter

Debra Hayes

OTHER OFFICIALS

Billy Hamm Town Manager
Cynthia Stanley Town Clerk/Director of Finance
Mark Fenyk FOIA Officer
Kevin Testerman Chief of Police
Ken Heath Director of Economic Development
Todd Long Town Information Technology/Town Engineer
Rusty Hamm Fire Chief

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Marion, Virginia, hereinafter the Town, as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB information, and budgetary comparison information on pages 5-13, 70-74, and 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Lucker, Brandenburg & Company, PLLC

Lebanon, Virginia
January 22, 2026

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Our discussion and analysis of the Town of Marion's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights

The general fund is the chief operating fund of the Town. At June 30, 2024, the fund balance of the general fund was \$6,355,621 of which \$206,414 was nonspendable due to prepaid expenses. At June 30, 2025, the fund balance was \$5,571,845 of which \$265,331 was nonspendable.

At June 30, 2024 the net position of governmental activities was \$9,890,619. At June 30, 2025 the net position was \$10,488,833.

At June 30, 2024 the net position of business-type activities was \$15,411,459 of which \$14,888,028 was invested in capital assets. At June 30, 2025 the net position was \$16,281,593 of which \$15,968,613 was invested in capital assets. Proprietary funds reported operating revenues of \$6,101,302, a decrease of \$24,556 compared to prior year.

Overview of the Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

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

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

In the Statement of Net Position and the Statement of Activities, the Town is divided into two kinds of activities:

1) Governmental Activities and 2) Business-type Activities.

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

The business-type financial statements represent the water, sewer, and CIRP fund and the swimming pool fund. These funds charge customers for services. Transfers are made from the water, sewer, and CIRP fund to balance any shortfalls in the general fund or swimming pool fund.

Fund Financial Statements

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

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

Fund Financial Statements (continued)

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

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

Notes to the Financial Statements

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

Government-wide Financial Analysis – Governmental Activities

Net position—accrual basis assets in excess of liabilities—may serve over time as a useful indicator of government's financial position. At June 30, 2025 the net position for governmental activities was \$10,488,833. Net position increased \$830,245 during the year. Beginning net position decreased \$232,031 due to implementation of GASB 101 effective July 1, 2024.

Unrestricted net position was \$1,049,467. Restricted net position was \$118,893 which is subject to external restriction on how resources may be used. The largest portion of net position reflects the Town's \$9,320,473 net investment in capital assets. Net investment in capital assets includes assets such as land, buildings, equipment, improvements, infrastructure, and construction in progress, less any outstanding debt used to acquire those assets. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

General revenues and transfers were \$8,528,103. This includes revenues such as property taxes, other local taxes, interest income, miscellaneous income, and net transfers from or to other funds.

Program revenues were \$3,306,679. This includes charges for services, operating grants and contributions, and capital grants and contributions.

Total expenses for governmental activities were \$11,004,537. This includes expenses for general government, public safety, public works, culture and recreation, community development, and interest on debt.

TOWN OF MARION, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

Government-wide Financial Analysis – Business-type Activities

Business-type activities include the water, sewer, and CIRP fund and the swimming pool fund. At June 30, 2025 the net position for business-type activities was \$16,281,593. Net position increased \$892,638 during the year. Beginning net position decreased \$22,504 due to implementation of GASB 101 effective July 1, 2024.

Net investment in capital assets was \$15,968,613. Restricted net position was \$441,638 for debt service and bond covenants. Unrestricted net position was \$(251,602).

Charges for services were \$6,101,302. These are operating revenues such as water and sewer services, tap and connection fees, and pool fees. Operating expenses incurred to provide these services were \$2,742,739. Nonoperating interest income was \$20,294 and nonoperating interest expense was \$186,857. Capital grants and contributions were \$714,156. Net transfers to other funds were \$3,013,518.

Primary Government Comparative Statements

Table 1 compares the net assets of the Town's governmental and business-type activities at June 30, 2024 and 2025.

Table 1. Comparative Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2025	2024	2025	2024	2025
Assets:						
Current Assets	\$ 8,153,828	\$ 7,590,222	\$ 1,799,743	\$ 1,568,843	\$ 9,953,571	\$ 9,159,065
Capital Assets	9,476,992	10,438,911	21,222,000	23,019,465	30,698,992	33,458,376
Total Assets	<u>17,630,820</u>	<u>18,029,133</u>	<u>23,021,743</u>	<u>24,588,308</u>	<u>40,652,563</u>	<u>42,617,441</u>
Deferred Outflows of Resources	<u>689,717</u>	<u>639,027</u>	<u>124,580</u>	<u>127,422</u>	<u>814,297</u>	<u>766,449</u>
Liabilities:						
Current Liabilities	982,833	1,271,364	1,268,753	1,068,507	2,251,586	2,339,871
Long-term Liabilities	<u>5,227,212</u>	<u>4,864,966</u>	<u>6,323,570</u>	<u>7,236,778</u>	<u>11,550,782</u>	<u>12,101,744</u>
Total Liabilities	<u>6,210,045</u>	<u>6,136,330</u>	<u>7,592,323</u>	<u>8,305,285</u>	<u>13,802,368</u>	<u>14,441,615</u>
Deferred Inflows of Resources	<u>2,219,873</u>	<u>2,042,997</u>	<u>142,541</u>	<u>128,852</u>	<u>2,362,414</u>	<u>2,171,849</u>
Net Position:						
Net Investment in Capital Assets	8,144,204	9,320,473	14,888,028	15,968,613	23,032,232	25,289,086
Restricted	118,893	118,893	271,829	441,638	390,722	560,531
Unrestricted	<u>1,627,522</u>	<u>1,049,467</u>	<u>251,602</u>	<u>(128,658)</u>	<u>1,879,124</u>	<u>920,809</u>
Total Net Position	<u>\$ 9,890,619</u>	<u>\$ 10,488,833</u>	<u>\$ 15,411,459</u>	<u>\$ 16,281,593</u>	<u>\$ 25,302,078</u>	<u>\$ 26,770,426</u>

TOWN OF MARION, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

Primary Government Comparative Statements (continued)

Table 2 compares the revenues and expenses for the Town's governmental activities and business-type activities as of the years ended June 30, 2024 and 2025.

Table 2. Comparative Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2025	2024	2025	2024	2025
Revenues:						
Charges for Services	\$ 1,217,079	\$ 710,310	\$ 6,125,858	\$ 6,101,302	\$ 7,342,937	\$ 6,811,612
Operating Grants/Contributions	2,718,415	2,596,369	-	-	2,718,415	2,596,369
Capital Grants/Contributions	-	-	208,190	714,156	208,190	714,156
Program Revenues	3,935,494	3,306,679	6,334,048	6,815,458	10,269,542	10,122,137
Taxes	4,690,597	4,846,946	-	-	4,690,597	4,846,946
Fines, forfeitures, permits	16,080	18,175	-	-	16,080	18,175
Interest income	167,022	220,195	228	20,294	167,250	240,489
Miscellaneous	48,690	25,706	-	-	48,690	25,706
Recovered costs	533,563	174,798	-	-	533,563	174,798
Grants not restricted to program	164,807	174,031	-	-	164,807	174,031
Gain (loss) on disposal of assets	73,641	54,734	-	-	73,641	54,734
General Revenues	5,694,400	5,514,585	228	20,294	5,694,628	5,534,879
Total Revenues	9,629,894	8,821,264	6,334,276	6,835,752	15,964,170	15,657,016
Expenses:						
General Government	1,997,755	2,064,838	-	-	1,997,755	2,064,838
Public Safety	2,899,598	3,323,192	-	-	2,899,598	3,323,192
Public Works	3,478,137	4,540,781	-	-	3,478,137	4,540,781
Parks, Recreation, and Cultural	198,777	147,071	-	-	198,777	147,071
Community Development	1,113,532	843,789	-	-	1,113,532	843,789
Interest expense	109,371	84,866	-	-	109,371	84,866
Swimming pool	-	-	129,728	132,361	129,728	132,361
Water and Sewer	-	-	2,395,889	2,797,235	2,395,889	2,797,235
Total Expenses	9,797,170	11,004,537	2,525,617	2,929,596	12,322,787	13,934,133
Transfers	2,055,593	3,013,518	(2,055,593)	(3,013,518)	-	-
Change in Net Position	1,888,317	830,245	1,753,066	892,638	3,641,383	1,722,883
Beginning Net Position	8,002,302	9,890,619	13,658,393	15,411,459	21,660,695	25,302,078
Prior period adjustment - GASB101	-	(232,031)	-	(22,504)	-	(254,535)
Ending Net Position	\$ 9,890,619	\$ 10,488,833	\$ 15,411,459	\$ 16,281,593	\$ 25,302,078	\$ 26,770,426

Financial Analysis of the Town's Funds – Governmental Funds

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

At June 30, 2025 governmental fund balance was \$5,539,418. Fund balance includes \$265,331 nonspendable for prepaid expenses, \$118,893 restricted for specific purposes, and \$5,155,194 unassigned. Fund balance decreased \$783,776 during the year.

Total revenues were \$9,507,449. This includes revenues such as property taxes, other local taxes, permits, fees and licenses, fines and forfeitures, revenue from the use of money and property, charges for services, recovered costs, intergovernmental, and miscellaneous income.

Total expenditures for governmental funds were \$22,676,967. This includes expenditures for general government, public safety, public works, culture and recreation, community development, capital projects, debt service principal retirement, and debt service interest expense.

Net revenues and expenditures resulted in a deficiency before other financing sources of \$(13,169,518). Recovered costs from Marion EDA were \$55,774. Net transfers from proprietary funds were \$3,013,518. Proceeds from a line of credit were \$9,239,550. Proceeds from long-term debt were \$76,900.

Financial Analysis of the Town's Funds – Proprietary Funds

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

At June 30, 2025 the net position for the water, sewer, and CIRP fund was \$15,661,481. Net position includes \$15,345,056 net investment in capital assets, \$441,638 restricted for debt service and bond covenants, and \$(125,213) unrestricted. Net position increased by \$923,227 during the year.

Operating revenues for the water, sewer, and CIRP fund were \$6,034,462 for charges for services. Operating expenses incurred to provide services were \$3,424,084. Nonoperating interest income was \$20,294 and nonoperating interest expense was \$186,857. Capital grants and contributions were \$714,156. Net transfers to other funds were \$3,048,450.

At June 30, 2025 the net position for the swimming pool fund was \$620,112. Net position includes \$623,557 net investment in capital assets and \$(3,445) unrestricted. Net position decreased by \$(30,589) during the year.

Operating revenues for the swimming pool fund were \$66,840 for charges for services and \$13,647 for other revenues. Operating expenses incurred to provide services were \$132,361. Net transfers from other funds were \$(34,932).

General Fund Budgetary Highlights

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

Budgetary Highlights for Fiscal 2024-2025:

	General Fund Budget	General Fund Actual	Variance Positive (Negative)	Line of Credit Principal	Variance excl. Line of Credit
Revenues	\$ 9,829,789	\$ 9,507,449	\$ (322,340)	\$ -	\$ (322,340)
Expenditures	(13,455,262)	(22,676,967)	(9,221,705)	(9,239,550)	17,845
Other Financing Sources (Uses)	<u>3,625,473</u>	<u>12,385,742</u>	<u>8,760,269</u>	<u>9,239,550</u>	<u>(479,281)</u>
Total	<u>\$ -</u>	<u>\$ (783,776)</u>	<u>\$ (783,776)</u>	<u>\$ -</u>	<u>\$ (783,776)</u>

Variance in revenues is often attributable to intergovernmental revenues for funding projects of the Town. Such revenues depend on outside factors such as availability of funding and materials.

Variance in expenditures is often attributable to capital projects department classification. Capital asset expenditures may be budgeted initially to nondepartmental capital projects, but then actually expended by specific departments based on purpose and available funding. During 2025, capital project expenditures were higher than anticipated due to funding availability and increased prices.

Variance in expenditures and other financing sources (uses) is often attributable to line of credit activity. The Town's line of credit may be used for short-term financing while awaiting funding such as grant reimbursement. Delays in funding can substantially increase drawdowns and repayments including interest. All drawdowns during the year are reported as other financing sources. All repayments during the year are reported as expenditures on debt service. During 2025, proceeds and principal payments were \$9,239,550. The Town paid approximately \$36,748 in interest.

Capital Asset Activity

At June 30, 2025 the Town had capital assets including land, buildings, construction in progress, land improvements, equipment, and infrastructure. See "Major Projects" section for narrative descriptions of projects. Major asset events during the fiscal year included the following:

Capital expenditures for governmental projects totaled \$1,531,166 for the year. Construction in progress asset of \$1,558,631 is cumulative progress of \$1,380,426 on Callen Drive Recreational Park and \$178,205 on Park Boulevard Drainage.

Capital expenditures for the business-type project Comprehensive Infrastructure Replacement Program (CIRP) totaled \$2,431,680 for the year. The Town capitalizes Phases when completed. Construction in progress asset of \$3,410,926 is cumulative progress on Phases VIII Water, VIII Sewer, and the VDH Lead Service Line Project.

TOWN OF MARION, VIRGINIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2025

Long-Term Debt Activity

At June 30, 2025, governmental activities had the following outstanding debt:

Description	Balance July 1, 2024	Issuances	Retirements	Balance June 30, 2025
General obligation bonds	\$ 391,827	\$ 76,900	\$ (133,283)	\$ 335,444
Loans payable	931,316	-	(152,714)	778,602
Line of credit	-	9,239,550	(9,239,550)	-
Lease liability	9,645	-	(5,253)	4,392
Deferred rebate	31,250	-	(6,250)	25,000
Compensated absences	637,819	106,034	-	743,853
Pension liability	1,964,137	-	(661,072)	1,303,065
OPEB liability	2,226,529	275,260	-	2,501,789
Total	\$ 6,192,523	\$ 9,697,744	\$ (10,198,122)	\$ 5,692,145

At June 30, 2025, business-type activities had the following outstanding debt:

Description	Balance July 1, 2024	Issuances	Retirements	Balance June 30, 2025
General obligation bonds	\$ 6,333,972	\$ 2,326,585	\$ (1,609,705)	\$ 7,050,852
Line of credit	-	2,099,498	(2,099,498)	-
Compensated absences	84,946	24,783	-	109,729
Pension liability	354,769	-	(94,937)	259,832
OPEB liability	402,164	96,694	-	498,858
Total	\$ 7,175,851	\$ 4,547,560	\$ (3,804,140)	\$ 7,919,271

Major Projects

BAUD Project

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

Capital Infrastructure Replacement Plan (CIRP)

Ongoing. This project is a comprehensive, multiyear plan to replace the Town's aging water, sewer, paving, and storm water facilities. It serves as a framework to coordinate future facility installations by intersections and will incorporate exterior utilities such as natural gas, cable, and phone. During fiscal 2024, the Town completed Phases VII Water and VII Sewer. Phases VIII Water and VIII Sewer and the VDH Lead Service Line Project are under construction. Phases IX to XII Water and the Water Meter Radio Read projects have been funded by VDH and are under construction in fiscal 2026. Phases XIII and XIV Water has been bid, with construction estimated to begin mid-2026. Phase VIII Sewer – Market St. is scheduled to begin in fiscal 2026. Phase VIII Sewer – Waste Water Treatment Plant improvements has been funded with construction anticipated to start in 2026.

Callen Drive Recreational Park

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

Emory & Henry College Partnership

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

Exit 47 Land

The Town purchased 209 acres of land at Exit 47 for future development. It may develop the property commercially or residentially pending a boundary adjustment. Discussion with Smyth County concerning the boundary adjustment is anticipated to begin sometime during 2026-2027. The Town currently leases out a section for grazing in exchange for maintenance.

ARPA Generational Investments

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

Requests for Information

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

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

**FINANCIAL
STATEMENTS**

Town of Marion, Virginia
Statement of Net Position
June 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents	\$ 324,472	\$ 272,690	\$ 597,162	\$ -
Investments	4,654,945	-	4,654,945	-
Receivables (net of allowance for uncollectibles):				
Taxes	1,388,849	-	1,388,849	-
Accounts	481,613	730,407	1,212,020	3,800
Other	188,307	-	188,307	218,655
Leases	6,631	-	6,631	-
Due from other governmental units	280,074	97,788	377,862	122,995
Prepaid expenses	265,331	26,320	291,651	-
Restricted cash and cash equivalents	-	441,638	441,638	-
Capital assets (net of accumulated depreciation):				
Land	2,030,214	707,377	2,737,591	2,226,989
Construction in progress	1,558,631	3,410,926	4,969,557	-
Buildings, system, and improvements	2,954,615	17,384,363	20,338,978	-
Infrastructure and plant & lines in service	2,285,470	436,499	2,721,969	-
Machinery and equipment	1,609,981	1,080,300	2,690,281	-
Total assets	<u>18,029,133</u>	<u>24,588,308</u>	<u>42,617,441</u>	<u>2,572,439</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	577,959	115,245	693,204	-
Deferred other post employment benefits	61,068	12,177	73,245	-
Total deferred outflows of resources	<u>639,027</u>	<u>127,422</u>	<u>766,449</u>	<u>-</u>
Total assets & deferred outflows	<u>\$ 18,668,160</u>	<u>\$ 24,715,730</u>	<u>\$ 43,383,890</u>	<u>\$ 2,572,439</u>
LIABILITIES				
Accounts payable	\$ 397,790	\$ 289,648	\$ 687,438	\$ 57,047
Accrued liabilities	49,470	11,070	60,540	-
Customers' deposits	-	48,050	48,050	-
Accrued interest payable (prepaid)	(3,075)	37,246	34,171	-
Long-term liabilities due within one year	827,179	682,493	1,509,672	451,553
Long-term liabilities due in more than one year	4,864,966	7,236,778	12,101,744	271,731
Total liabilities	<u>6,136,330</u>	<u>8,305,285</u>	<u>14,441,615</u>	<u>780,331</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	1,388,356	-	1,388,356	-
Deferred lease receivable	8,443	-	8,443	-
Deferred pensions	612,582	122,149	734,731	-
Deferred other post employment benefits	33,616	6,703	40,319	-
Total deferred inflows of resources	<u>2,042,997</u>	<u>128,852</u>	<u>2,171,849</u>	<u>-</u>
NET POSITION				
Net Investment in capital assets	9,320,473	15,968,613	25,289,086	1,503,705
Restricted for:				
Debt service and bond covenants	-	441,638	441,638	-
Other purposes	118,893	-	118,893	218,655
Unrestricted (deficit)	1,049,467	(128,658)	920,809	69,748
Total net position	<u>10,488,833</u>	<u>16,281,593</u>	<u>26,770,426</u>	<u>1,792,108</u>
Total liabilities & deferred inflows & net position	<u>\$ 18,668,160</u>	<u>\$ 24,715,730</u>	<u>\$ 43,383,890</u>	<u>\$ 2,572,439</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, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Economic Development Authority
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,064,838	\$ 36,015	\$ -	\$ -	\$ (2,028,823)	\$ -	\$ (2,028,823)	\$ -
Public safety	3,323,192	217,515	514,530	-	(2,591,147)	-	(2,591,147)	-
Public works	4,540,781	434,508	2,077,339	-	(2,028,934)	-	(2,028,934)	-
Parks, recreation, and cultural	147,071	14,240	-	-	(132,831)	-	(132,831)	-
Community development	843,789	8,032	4,500	-	(831,257)	-	(831,257)	-
Interest on long-term debt	84,866	-	-	-	(84,866)	-	(84,866)	-
<i>Total governmental activities</i>	<u>11,004,537</u>	<u>710,310</u>	<u>2,596,369</u>	<u>-</u>	<u>(7,697,858)</u>	<u>-</u>	<u>(7,697,858)</u>	<u>-</u>
Business-type activities:								
Water, Sewer and CIRP	2,797,235	6,034,462	-	714,156	-	3,951,383	3,951,383	-
Swimming Pool	132,361	66,840	-	-	-	(65,521)	(65,521)	-
<i>Total business-type activities</i>	<u>2,929,596</u>	<u>6,101,302</u>	<u>-</u>	<u>714,156</u>	<u>-</u>	<u>3,885,862</u>	<u>3,885,862</u>	<u>-</u>
Total primary government	<u>\$ 13,934,133</u>	<u>\$ 6,811,612</u>	<u>\$ 2,596,369</u>	<u>\$ 714,156</u>	<u>\$ (7,697,858)</u>	<u>\$ 3,885,862</u>	<u>\$ (3,811,996)</u>	<u>\$ -</u>
COMPONENT UNITS:								
Economic Development Authority	\$ 121,741	\$ -	\$ -	\$ 374,460	\$ -	\$ -	\$ -	\$ 252,719
Total component units	<u>\$ 121,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 374,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,719</u>
General revenues:								
General property taxes					\$ 1,004,749	\$ -	\$ 1,004,749	\$ -
Other local taxes:								
Local sales and use taxes					330,970	-	330,970	-
Consumers' utility taxes					110,411	-	110,411	-
Business license taxes					671,242	-	671,242	-
Communication tax					84,547	-	84,547	-
Motor vehicle licenses					79,699	-	79,699	-
Bank stock tax					253,272	-	253,272	-
Meals taxes					1,886,567	-	1,886,567	-
Other local taxes					425,489	-	425,489	-
Permits, privilege fees, and regulatory licenses					2,600	-	2,600	-
Fines and forfeitures					15,575	-	15,575	-
Unrestricted revenues from use of money and property					220,195	20,294	240,489	-
Miscellaneous					25,706	-	25,706	-
Recovered costs					174,798	-	174,798	29,751
Grants and contributions not restricted to specific programs					174,031	-	174,031	-
Gain (loss) on disposal of capital assets					54,734	-	54,734	(190,649)
Transfers					3,013,518	(3,013,518)	-	-
<i>Total general revenues and transfers</i>					<u>8,528,103</u>	<u>(2,993,224)</u>	<u>5,534,879</u>	<u>(160,898)</u>
Change in net position					830,245	892,638	1,722,883	91,821
Net position - beginning					9,890,619	15,411,459	25,302,078	1,700,287
Prior period adjustment - GASB 101 implementation					(232,031)	(22,504)	(254,535)	-
Net position - ending					<u>\$ 10,488,833</u>	<u>\$ 16,281,593</u>	<u>\$ 26,770,426</u>	<u>\$ 1,792,108</u>

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

Town of Marion, Virginia
Balance Sheet
Governmental Funds
June 30, 2025

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 323,948	\$ 524	\$ 324,472
Investments	4,654,945	-	4,654,945
Receivables (net of allowance for uncollectibles):			
Taxes	1,388,849	-	1,388,849
Accounts	481,613	-	481,613
Other	188,307	-	188,307
Due from other funds	32,951	118,369	151,320
Due from other governmental units	280,074	-	280,074
Prepaid expenses	265,331	-	265,331
Total assets	<u>\$ 7,616,018</u>	<u>\$ 118,893</u>	<u>\$ 7,734,911</u>
LIABILITIES			
Accounts payable	\$ 397,790	\$ -	\$ 397,790
Accrued liabilities	49,470	-	49,470
Due to other funds	-	151,320	151,320
Total liabilities	<u>447,260</u>	<u>151,320</u>	<u>598,580</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	<u>1,596,913</u>	<u>-</u>	<u>1,596,913</u>
FUND BALANCE			
Fund balances:			
Nonspendable:			
Prepaid expense	265,331	-	265,331
Restricted for:			
Downtown housing project	-	118,893	118,893
Unassigned	5,306,514	(151,320)	5,155,194
Total fund balances	<u>5,571,845</u>	<u>(32,427)</u>	<u>5,539,418</u>
Total liabilities & deferred inflows & fund balances	<u>\$ 7,616,018</u>	<u>\$ 118,893</u>	<u>\$ 7,734,911</u>

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

Town of Marion, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2025

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	5,539,418
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,438,911
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		215,188
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Interest payable		3,075
Bonds, loans, lines of credit, and leases		(1,118,438)
Deferred rebate		(25,000)
Compensated absences		(743,853)
Pension liability		(1,303,065)
OPEB liability		(2,501,789)
Deferred outflows of resources reported in the Statement of Net Position.		639,027
Deferred inflows of resources reported in the Statement of Net Position.		<u>(654,641)</u>
Net position of governmental activities	\$	<u><u>10,488,833</u></u>

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

Town of Marion, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	\$ 955,641	\$ -	\$ 955,641
Other local taxes	3,842,197	-	3,842,197
Permits, privilege fees, and regulatory licenses	2,600	-	2,600
Fines and forfeitures	15,575	-	15,575
Revenue from the use of money and property	218,613	-	218,613
Charges for services	710,310	-	710,310
Miscellaneous	93,830	-	93,830
Recovered costs	898,283	-	898,283
Intergovernmental revenues:			
Commonwealth	2,201,095	-	2,201,095
Federal	569,305	-	569,305
Total revenues	<u>9,507,449</u>	<u>-</u>	<u>9,507,449</u>
EXPENDITURES			
General government administration	2,035,379	-	2,035,379
Public safety	4,076,901	-	4,076,901
Public works	4,474,595	-	4,474,595
Parks, recreation, and cultural	824,193	-	824,193
Community development	852,527	-	852,527
Capital projects	794,262	-	794,262
Debt service:			
Principal retirement	9,525,547	-	9,525,547
Interest and other fiscal charges	93,563	-	93,563
Total expenditures	<u>22,676,967</u>	<u>-</u>	<u>22,676,967</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,169,518)</u>	<u>-</u>	<u>(13,169,518)</u>
OTHER FINANCING SOURCES (USES)			
Recovered costs from Marion EDA	55,774	-	55,774
Transfers in (out)	3,013,518	-	3,013,518
Proceeds from a line of credit	9,239,550	-	9,239,550
Proceeds from long-term debt	76,900	-	76,900
Total other financing sources (uses)	<u>12,385,742</u>	<u>-</u>	<u>12,385,742</u>
Net change in fund balances	(783,776)	-	(783,776)
Fund balances - beginning	6,355,621	(32,427)	6,323,194
Fund balances - ending	<u>\$ 5,571,845</u>	<u>\$ (32,427)</u>	<u>\$ 5,539,418</u>

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

Town of Marion, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2025

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

Net change in fund balances - total governmental funds	\$	(783,776)
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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:

Capital outlays		1,531,166
Capital disposals		(13,390)
Depreciation expense		(555,855)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in lease receivable		(7,875)
Change in delinquent taxes not collected within 60 days		49,108

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.

209,097

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:

Change in interest payable		8,697
Change in lease payable and deferred inflow on receivable		14,772
Change in deferred rebate		6,250
Change in compensated absences		(106,034)
Change in pension and deferred items		741,547
Change OPEB and deferred items		(263,462)

Change in net position of governmental activities	\$	<u>830,245</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
June 30, 2025

	Enterprise Funds		Total
	Water, Sewer and CIRP Fund	Swimming Pool Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 272,490	\$ 200	\$ 272,690
Accounts receivable (net of allowance for uncollectibles)	726,588	3,819	730,407
Due from other governmental units	97,788	-	97,788
Prepaid expenses	26,320	-	26,320
Total current assets	<u>1,123,186</u>	<u>4,019</u>	<u>1,127,205</u>
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents	441,638	-	441,638
Total restricted current assets	<u>441,638</u>	<u>-</u>	<u>441,638</u>
Capital assets:			
Land	528,252	179,125	707,377
Construction in progress	3,410,926	-	3,410,926
Utility plant in service	33,823,259	-	33,823,259
Pool	-	1,520,275	1,520,275
Machinery and equipment	4,857,676	37,151	4,894,827
Less accumulated depreciation	(20,224,205)	(1,112,994)	(21,337,199)
Total capital assets	<u>22,395,908</u>	<u>623,557</u>	<u>23,019,465</u>
Total noncurrent assets	<u>22,837,546</u>	<u>623,557</u>	<u>23,461,103</u>
Total assets	<u>23,960,732</u>	<u>627,576</u>	<u>24,588,308</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	115,245	-	115,245
Deferred other post employment benefits	12,177	-	12,177
Total deferred outflows of resources	<u>127,422</u>	<u>-</u>	<u>127,422</u>
Total assets & deferred outflows	<u>\$ 24,088,154</u>	<u>\$ 627,576</u>	<u>\$ 24,715,730</u>

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

Town of Marion, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2025

	Enterprise Funds		Total
	Water, Sewer and CIRP Fund	Swimming Pool Fund	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 282,184	\$ 7,464	\$ 289,648
Accrued liabilities	11,070	-	11,070
Customers' deposits	48,050	-	48,050
Accrued interest payable	37,246	-	37,246
General obligation bonds payable - current portion	574,213	-	574,213
Compensated absences	82,297	-	82,297
Pension liability	25,983	-	25,983
Line of credit	-	-	-
Total current liabilities	<u>1,061,043</u>	<u>7,464</u>	<u>1,068,507</u>
Noncurrent liabilities:			
General obligation bonds payable - net of current portion	6,476,639	-	6,476,639
Compensated absences	27,432	-	27,432
Pension liability	233,849	-	233,849
OPEB liability	498,858	-	498,858
Total noncurrent liabilities	<u>7,236,778</u>	<u>-</u>	<u>7,236,778</u>
Total liabilities	<u>8,297,821</u>	<u>7,464</u>	<u>8,305,285</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	122,149	-	122,149
Deferred other post employment benefits	6,703	-	6,703
Total deferred inflows of resources	<u>128,852</u>	<u>-</u>	<u>128,852</u>
NET POSITION			
Net Investment in capital assets	15,345,056	623,557	15,968,613
Restricted for debt service and bond covenants	441,638	-	441,638
Unrestricted	(125,213)	(3,445)	(128,658)
Total net position	<u>15,661,481</u>	<u>620,112</u>	<u>16,281,593</u>
Total liabilities & deferred inflows & net position	<u>\$ 24,088,154</u>	<u>\$ 627,576</u>	<u>\$ 24,715,730</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, 2025

	Enterprise Funds		Total
	Water, Sewer and CIRP Fund	Swimming Pool Fund	
OPERATING REVENUES			
Charges for services	\$ 6,034,462	\$ 53,193	\$ 6,087,655
Other revenues	-	13,647	13,647
Total operating revenues	<u>6,034,462</u>	<u>66,840</u>	<u>6,101,302</u>
OPERATING EXPENSES			
Personal services	655,494	62,594	718,088
Fringe benefits	263,757	2,083	265,840
Contractual services	62,142	5,074	67,216
Materials and supplies	185,444	21,717	207,161
Other charges	428,886	4,451	433,337
Depreciation	1,014,655	36,442	1,051,097
Total operating expenses	<u>2,610,378</u>	<u>132,361</u>	<u>2,742,739</u>
Operating income (loss)	<u>3,424,084</u>	<u>(65,521)</u>	<u>3,358,563</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	20,294	-	20,294
Interest expense	(186,857)	-	(186,857)
Total nonoperating revenues (expenses)	<u>(166,563)</u>	<u>-</u>	<u>(166,563)</u>
Income (loss) before contributions and transfers	<u>3,257,521</u>	<u>(65,521)</u>	<u>3,192,000</u>
CONTRIBUTIONS AND TRANSFERS			
Capital contributions from Virginia Department of Health	540,983	-	540,983
Capital contributions from VA Dept. of Environmental Quality	56,690	-	56,690
Capital contributions from Mount Rogers PDC	116,483	-	116,483
Net transfers in (out)	(3,048,450)	34,932	(3,013,518)
Total contributions and transfers	<u>(2,334,294)</u>	<u>34,932</u>	<u>(2,299,362)</u>
Change in net position	923,227	(30,589)	892,638
Net position - beginning	14,760,758	650,701	15,411,459
Prior period adjustment - GASB 101 implementation	(22,504)	-	(22,504)
Net position - ending	<u>\$ 15,661,481</u>	<u>\$ 620,112</u>	<u>\$ 16,281,593</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, 2025

	Enterprise Funds		
	Water, Sewer and CIRP Fund	Swimming Pool Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 6,310,791	\$ 63,021	\$ 6,373,812
Payments to suppliers	(1,011,799)	(27,359)	(1,039,158)
Payments to and for employees	(641,995)	(62,594)	(704,589)
Net cash provided (used by) operating activities	<u>4,656,997</u>	<u>(26,932)</u>	<u>4,630,065</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	(3,048,450)	34,932	(3,013,518)
Net cash provided (used) by noncapital financing activities	<u>(3,048,450)</u>	<u>34,932</u>	<u>(3,013,518)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	(2,840,562)	(8,000)	(2,848,562)
Principal payments on debt	(3,709,203)	-	(3,709,203)
Proceeds from indebtedness	4,426,083	-	4,426,083
Capital contributions	629,121	-	629,121
Interest payments	(181,585)	-	(181,585)
Net cash provided (used) by capital and related financing activities	<u>(1,676,146)</u>	<u>(8,000)</u>	<u>(1,684,146)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	20,294	-	20,294
Net cash provided (used) by investing activities	<u>20,294</u>	<u>-</u>	<u>20,294</u>
Net increase (decrease) in cash and cash equivalents	(47,305)	-	(47,305)
Cash and cash equivalents - beginning	761,433	200	761,633
Cash and cash equivalents - ending	<u>\$ 714,128</u>	<u>\$ 200</u>	<u>\$ 714,328</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 3,424,084	\$ (65,521)	\$ 3,358,563
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,014,655	36,442	1,051,097
(Increase) decrease in accounts receivable	275,479	(3,819)	271,660
(Increase) decrease in prepaid expenses	(3,030)	-	(3,030)
Increase (decrease) in customer deposits	850	-	850
Increase (decrease) in accounts payable	(65,050)	5,966	(59,084)
Increase (decrease) in OPEB liability	96,694	-	96,694
Increase (decrease) in deferred OPEB	(2,646)	-	(2,646)
Increase (decrease) in pension liability	(94,937)	-	(94,937)
Increase (decrease) in deferred pensions	(13,885)	-	(13,885)
Increase (decrease) in compensated absences	24,783	-	24,783
Net cash provided (used) by operating activities	<u>\$ 4,656,997</u>	<u>\$ (26,932)</u>	<u>\$ 4,630,065</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
 June 30, 2025

	Cemetery Fund
ASSETS	
Cash and cash equivalents	\$ 5,688
Investments, at fair value	159,550
Total assets	\$ 165,238
NET POSITION	
Amounts held for cemetery maintenance	\$ 165,238
Total liabilities	\$ 165,238

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, 2025

	<u>Cemetery Fund</u>
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 6,063
Realized gain (loss) on investment	866
Unrealized gain (loss) on investment	8,933
Total additions	<u>15,862</u>
DEDUCTIONS	
Distributions	5,107
Fees	259
Total deductions	<u>5,366</u>
Change in net position	10,496
Net position - beginning	154,742
Net position - ending	<u><u>\$ 165,238</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.

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.

The Town reports the Economic Development Authority of the Town of Marion as a discretely presented component unit. The Town has no blended component units, related organizations, or jointly governed organizations.

Discretely Presented Component Unit

The Economic Development Authority of the Town of Marion (EDA) encourages and finances programs to promote economic development in the Town. The EDA is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. The EDA does not issue separate financial statements.

The EDA is a separate legal entity but is accountable to and fiscally dependent on the Town. EDA directors are appointed by the Town Council. The Town provides significant funding and approves debt issuances. The EDA does not have separate taxing powers. Some types of external funding must be coordinated through the Town due to legal or contractual limitations. The EDA reimburses the Town for services performed and materials provided by the Town for administration, demolition, maintenance, or rehabilitation of properties owned by the EDA.

Government-wide and fund financial statements

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for 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 *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. All general tax revenue and other receipts that are not restricted by law or contractual agreement to other funds are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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.

Property Taxes

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

Note 1 - Summary of Significant Accounting Policies (continued)

Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At June 30, 2025 the allowance for governmental activities amounted to approximately \$56,189 for property taxes, \$50,856 for garbage billings, and \$287,799 for EMS. The allowance for business-type activities amounted to approximately \$357,148 for water and sewer billings.

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.

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.

Capital Assets

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Debt

Long-term debt and other long-term obligations are reported as liabilities statement of net position for government-wide and proprietary funds. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred. In the governmental fund financial statements, long-term debt activity is reported as other financing sources or expenses when incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are expensed when incurred.

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 GASB Statement No. 101, *Compensated Absences*, the Town accrues compensated absence liability for leave payable at termination and leave estimated to be used.

Pensions

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

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to § 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB Liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Balance

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. 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*.

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. 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.

Nonspendable

Fund balance is not in spendable form (such as inventory and prepaids) or required to be maintained intact (corpus of a permanent fund). Nonspendable fund balance at June 30, 2025 was as follows:

<i>Nonspendable Fund Balance</i>	
Prepaid expense	<u><u>\$ 265,331</u></u>

Restricted

Fund balance is constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. Restricted fund balance at June 30, 2025 was as follows:

<i>Restricted Fund Balance - Other Governmental Funds</i>	
Downtown Housing Fund	<u><u>\$ 118,893</u></u>

Committed

Fund balance is 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. 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 is intended 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. The Town Council has authorized the Town’s Finance Director to assign fund balance to a specific purpose as approved by this fund balance policy.

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

Unassigned

Fund balance is available for any purpose. The Town does not maintain a minimum unassigned fund balance policy. Other Governmental Funds with more liabilities than assets are reported in unassigned fund balance as negative amounts. Such deficit fund balance at June 30, 2025 was as follows:

<i>Deficit Fund Balance - Other Governmental Funds</i>	
CDBG Gilman Street Fund	\$ (32,951)
Streetscape Fund	(118,369)
Total Other Governmental Funds - Unassigned	<u>\$ (151,320)</u>

Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in proprietary funds and government-wide statements. Net position is divided into three components. When both restricted and unrestricted resources are available, it is the Town’s policy to deplete restricted resources first.

Net investment in capital assets

Net position consists 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 less deferred inflows related to those assets.

Restricted

Net position consists 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. Restricted net position at June 30, 2025 was as follows:

<i>Governmental Activities</i>	
Restricted for downtown housing project	<u>\$ 118,893</u>
<i>Business-type Activities</i>	
Restricted for debt service and bond covenants	<u>\$ 441,638</u>
<i>Component Unit - Economic Development Authority</i>	
Restricted for revolving loan pool	<u>\$ 218,655</u>

Unrestricted (deficit)

Net position consists of all other net assets or (net liabilities).

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. Actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (continued)

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. Through the liability pool, the Town's Public Employees Dishonesty Coverage is \$200,000.

Contingencies

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

Accounting Pronouncements implemented in current year

GASB Statements implemented in the current year are as follows.

Statement No. 100, *Accounting Changes and Error Corrections*, aims to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more information for making decisions or assessing accountability. This Statement is effective for the fiscal year ended June 30, 2025. This Statement affects financial reporting for accounting changes such as Statement No. 101.

Statement No. 101, *Compensated Absences*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement is effective for the fiscal year ended June 30, 2025. After implementing this Statement, the Town accrues liability for leave payable at termination and estimated to be used in future years. In accordance with this Statement and No. 100, the Town recalculated its June 30, 2024 liability and recognized additional liability of \$232,031 for governmental activities and \$22,504 for business-type activities as a prior period adjustment effective July 1, 2024.

Statement No. 102, *Certain Risk Disclosures*, requires governments to (1) assess whether a concentration or constraint makes the primary government reporting unit vulnerable to the risk of a substantial impact, (2) assess whether substantial impact events have occurred or more likely than not will occur within 12 months of financial statement issuance, and (3) if so, disclose the risk and circumstances. This Statement is effective for the fiscal year ended June 30, 2025. The Town and its taxes and services cover a relatively small geographic area. This could be considered a concentration under this Statement, however no specific vulnerability nor substantial impact events have been identified. Generalized risk from geographic proximity is disclosed in Note 1.

Note 1 - Summary of Significant Accounting Policies (continued)

Accounting Pronouncements upcoming in future years

Upcoming GASB Statements and implementation dates are as follows. Management has broadly estimated the effects.

Statement No. 103, *Financial Reporting Model Improvements*, emphasizes and refines certain requirements for financial reporting. This Statement is effective for the fiscal year ending June 30, 2026. Several requirements are continuations of requirements already implemented in the Town's financial statements. Application of this Statement might require relocation of existing disclosures or additional detail. The overall effect is expected to be immaterial.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires intangible asset categories to be disclosed individually and also requires additional disclosures for capital assets held for sale. This Statement is effective for the fiscal year ending June 30, 2026. Lease assets have been separately disclosed for the fiscal year ended June 30, 2025. The Town currently does not have other right-to-use assets nor subscription assets. Application of this Statement might identify additional intangible categories to disclose, but the overall effect is expected to be immaterial. Generally the Town's intangibles such as software are either prepaid annually or are fully depreciated while still in service.

Subsequent Events

Subsequent events have been evaluated as of January 22, 2026, which is the date the financial statements were available to be issued.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

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

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

Note 3 - Deposits and Investments

Deposits

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

Investments

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

Note 4 - Restricted Cash and Cash Equivalents

Business-type activities restricted cash of \$441,638 at June 30, 2025 is set aside for debt service in the water, sewer, and CIRP fund.

Note 5 - Lease Receivable

The Town leases out acreage near Exit 47 for grazing in exchange for maintenance. Lease term is 5 years beginning May 20, 2022. Annual rent payments of \$8,383 are due every May. The Town may terminate with 180 days' notice. The Town does not expect to terminate as of June 30, 2025. Lease receivable is discounted at a rate of 3.5% based on comparable debt rates at inception. The present value of lease payments at inception was \$37,850. Deferred revenue is amortized at a daily rate of \$25.91 rounded to \$9,430 annually.

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

Year Ending June 30,	Lease Receivable		Deferred
	Receivable	Interest	Amortization
2026	\$ 6,631	\$ 1,752	\$ (8,470)
Total	\$ 6,631	\$ 1,752	\$ (8,470)

Note 6 - Interfund Balances

Interfund balances on the balance sheet of governmental funds consisted of the following at June 30, 2025:

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

Note 7 - Due from Other Governmental Units

Due from Other Governmental Units consisted of the following at June 30, 2025:

Governmental Activities	
<i>Commonwealth of Virginia</i>	
Local sales tax	\$ 54,546
Communication tax	13,492
Non-categorical aid	14,310
<i>Federal Government</i>	
Land and Water Conservation Fund	<u>197,726</u>
Total Due from other govt - Governmental	<u><u>\$ 280,074</u></u>
 Business-type Activities	
<i>Commonwealth of Virginia</i>	
VRA grants / principal forgiveness	<u>\$ 97,788</u>
Total Due from other govt - Business-type	<u><u>\$ 97,788</u></u>

Note 8 - Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2025 was as follows.

Governmental Activities	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets, not being depreciated:				
Land	\$ 2,030,214	\$ -	\$ -	\$ 2,030,214
Construction in progress	891,749	666,882	-	1,558,631
Total capital assets not being depreciated	<u>\$ 2,921,963</u>	<u>\$ 666,882</u>	<u>\$ -</u>	<u>\$ 3,588,845</u>
Capital assets, being depreciated:				
Buildings	\$ 7,574,487	\$ -	\$ -	\$ 7,574,487
Infrastructure	3,655,185	-	-	3,655,185
Machinery and equipment	8,091,792	864,284	(235,569)	8,720,507
Leased machinery and equipment	25,998	-	-	25,998
Total capital assets being depreciated	<u>\$ 19,347,462</u>	<u>\$ 864,284</u>	<u>\$ (235,569)</u>	<u>\$ 19,976,177</u>
Less: accumulated depreciation for:				
Buildings	\$ (4,467,282)	\$ (152,590)	\$ -	\$ (4,619,872)
Infrastructure	(1,280,537)	(89,178)	-	(1,369,715)
Machinery and equipment	(7,028,123)	(308,887)	222,179	(7,114,831)
Leased machinery and equipment	(16,493)	(5,200)	-	(21,693)
Total accumulated depreciation	<u>\$ (12,792,435)</u>	<u>\$ (555,855)</u>	<u>\$ 222,179</u>	<u>\$ (13,126,111)</u>
Total capital assets being depreciated, net	<u>\$ 6,555,027</u>	<u>\$ 308,429</u>	<u>\$ (13,390)</u>	<u>\$ 6,850,066</u>
Governmental activities capital assets, net	<u>\$ 9,476,990</u>	<u>\$ 975,311</u>	<u>\$ (13,390)</u>	<u>\$ 10,438,911</u>

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

Governmental Activities	
General government	\$ 124,182
Public safety	198,485
Public works	219,109
Parks, recreation, and culture	14,079
Total depreciation expense - governmental activities	<u>\$ 555,855</u>

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

Note 8 - Capital Assets (continued)

Capital asset activity for business-type activities – Water, Sewer, and CIRP Fund for the year ended June 30, 2025 was as follows.

Business-type Activities Water, Sewer, and CIRP Fund	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets, not being depreciated:				
Land	\$ 528,252	\$ -	\$ -	\$ 528,252
Construction in progress	979,247	2,431,679	-	3,410,926
Total capital assets not being depreciated	<u>\$ 1,507,499</u>	<u>\$ 2,431,679</u>	<u>\$ -</u>	<u>\$ 3,939,178</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 33,823,259	\$ -	\$ -	\$ 33,823,259
Machinery and equipment	4,609,376	408,883	(160,583)	4,857,676
Total capital assets being depreciated	<u>\$ 38,432,635</u>	<u>\$ 408,883</u>	<u>\$ (160,583)</u>	<u>\$ 38,680,935</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (15,666,837)	\$ (772,059)	\$ -	\$ (16,438,896)
Machinery and equipment	(3,703,296)	(242,596)	160,583	(3,785,309)
Total accumulated depreciation	<u>\$ (19,370,133)</u>	<u>\$ (1,014,655)</u>	<u>\$ 160,583</u>	<u>\$ (20,224,205)</u>
Total capital assets being depreciated, net	<u>\$ 19,062,502</u>	<u>\$ (605,772)</u>	<u>\$ -</u>	<u>\$ 18,456,730</u>
Water, Sewer and CIRP capital assets, net	<u>\$ 20,570,001</u>	<u>\$ 1,825,907</u>	<u>\$ -</u>	<u>\$ 22,395,908</u>

Depreciation expense for the Water, Sewer, and CIRP Fund was \$1,014,655 for the year ended June 30, 2025.

Note 8 - Capital Assets (continued)

Capital asset activity for business-type activities – Swimming Pool Fund for the year ended June 30, 2025 was as follows.

Business-type Activities Swimming Pool Fund	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets, not being depreciated:				
Land	\$ 179,125	\$ -	\$ -	\$ 179,125
Total capital assets not being depreciated	\$ 179,125	\$ -	\$ -	\$ 179,125
Capital assets, being depreciated:				
Pool	\$ 1,520,275	\$ -	\$ -	\$ 1,520,275
Equipment	29,151	8,000	-	37,151
Total capital assets being depreciated	\$ 1,549,426	\$ 8,000	\$ -	\$ 1,557,426
Less: accumulated depreciation for:				
Pool	\$ (1,047,401)	\$ (36,375)	\$ -	\$ (1,083,776)
Equipment	(29,151)	(67)	-	(29,218)
Total accumulated depreciation	\$ (1,076,552)	\$ (36,442)	\$ -	\$ (1,112,994)
Total capital assets being depreciated, net	\$ 472,874	\$ (28,442)	\$ -	\$ 444,432
Swimming Pool capital assets, net	\$ 651,999	\$ (28,442)	\$ -	\$ 623,557

Depreciation expense for the Swimming Pool Fund was \$36,442 for the year ended June 30, 2025.

Note 9 - Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Governmental deferred revenue totaling \$1,596,913 is comprised of the following:

Property Taxes - \$1,388,240 representing uncollected tax billings not available for funding current expenditures.

RBEG Loans - \$208,673 representing uncollected loan payments not available for funding current expenditures.

Note 10 - Long-Term Debt

Primary Government - Governmental Activity Indebtedness

The following is a summary of long-term debt transactions for governmental activities for the year ended June 30, 2025.

Description	Balance July 1, 2024	Issuances	Retirements	Balance June 30, 2025
General obligation bonds	\$ 391,827	\$ 76,900	\$ (133,283)	\$ 335,444
Loans payable	931,316	-	(152,714)	778,602
Line of credit	-	9,239,550	(9,239,550)	-
Lease liability	9,645	-	(5,253)	4,392
Deferred rebate	31,250	-	(6,250)	25,000
Compensated absences	637,819	106,034	-	743,853
Pension liability	1,964,137	-	(661,072)	1,303,065
OPEB liability	2,226,529	275,260	-	2,501,789
Total	\$ 6,192,523	\$ 9,697,744	\$ (10,198,122)	\$ 5,692,145

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

Year Ending June 30,	General Obligation Bonds		Loan Payable		Lease Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 55,761	\$ 8,309	\$ 72,579	\$ 34,571	\$ 4,392	\$ 37
2027	58,096	6,908	62,655	31,598	-	-
2028	58,439	5,447	65,737	28,516	-	-
2029	149,790	3,978	69,647	25,272	-	-
2030	13,358	3,926	39,865	22,577	-	-
2031-2035	-	-	230,047	82,158	-	-
2036-2040	-	-	216,601	25,773	-	-
2041-2045	-	-	21,471	584	-	-
Totals	\$ 335,444	\$ 28,568	\$ 778,602	\$ 251,049	\$ 4,392	\$ 37

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

Note 10 - Long-Term Debt (continued)

Primary Government - Governmental Activity Indebtedness (continued)

Details of long-term indebtedness at June 30, 2025:

	<u>Total Amount</u>	<u>Due Within One Year</u>
General Obligation Bonds		
Bank of Marion bond, issued June 29, 2016, annual installments of principal and semi-annual installments of interest. Interest computed at a rate of 2.6% for sixteen years.	\$ 261,000	\$ 41,000
Rural Development note, issued April 3, 2025, monthly installments of principal and interest in the amount of \$1,357. Interest computed at a rate of 2.25% for five years.	74,444	14,761
Total General Obligation Bonds	<u>\$ 335,444</u>	<u>\$ 55,761</u>
Loan Payable		
Bank of Marion, issued February 1, 2018, monthly installments of principal and interest in the amount of \$2,030. Interest computed at a rate of 3.5% for twenty years.	\$ 254,218	\$ 14,192
Bank of Marion, issued August 28, 2019, monthly installments of principal and interest in the amount of \$2,651. Interest computed at a rate of 4.99% for ten years.	115,678	26,641
Bank of Marion, issued May 6, 2021, monthly installments of principal and interest in the amount of \$2,120. Interest computed at a rate of 3.99% for twenty years.	290,073	13,735
VRA, issued March 18, 2016, semiannual installments of principal and interest in the amount of \$6,449. Interest computed at a rate of 0.25% for ten years.	12,858	12,858
Bank of Marion, issued July 31, 2021, monthly installments of principal and interest in the amount of \$709. Interest computed at a rate of 3.25% for twenty years.	105,775	5,153
Total Loans Payable	<u>\$ 778,602</u>	<u>\$ 72,579</u>
Line of Credit		
Bank of Marion up to \$2,000,000. Variable interest. 8.50% at June 30, 2025.	<u>\$ -</u>	<u>\$ -</u>
Lease Liability		
Copier lease. Monthly payments of \$443 until April 2026. Interest computed at 0.87%.	<u>\$ 4,392</u>	<u>\$ 4,392</u>
Other Obligations		
Deferred rebate	\$ 25,000	\$ 6,250
Compensated absences	743,853	557,890
Pension liability	1,303,065	130,307
OPEB liability	2,501,789	-
Total Other Obligations	<u>\$ 4,573,707</u>	<u>\$ 694,447</u>
Total Long-Term Obligations	<u>\$ 5,692,145</u>	<u>\$ 827,179</u>

Note 10 - Long-Term Debt (continued)

Primary Government - Business-type Activity Indebtedness

The following is a summary of long-term debt transactions for business-type activities for the year ended June 30, 2025.

Description	Balance July 1, 2024	Issuances	Retirements	Balance June 30, 2025
General obligation bonds	\$ 6,333,972	\$ 2,326,585	\$ (1,609,705)	\$ 7,050,852
Line of credit	-	2,099,498	(2,099,498)	-
Compensated absences	84,946	24,783	-	109,729
Pension liability	354,769	-	(94,937)	259,832
OPEB liability	402,164	96,694	-	498,858
Total	\$ 7,175,851	\$ 4,547,560	\$ (3,804,140)	\$ 7,919,271

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2026	\$ 574,213	\$ 148,809
2027	562,961	146,348
2028	453,903	132,022
2029	463,556	125,012
2030	473,480	117,819
2031-2035	1,659,379	501,880
2036-2040	1,222,931	287,557
2041-2045	1,111,348	137,679
2046-2050	443,460	25,212
2051-2055	85,621	100
Totals	\$ 7,050,852	\$ 1,622,438

TOWN OF MARION, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

Note 10 - Long-Term Debt (continued)

Primary Government - Business-type Activity Indebtedness

Details of long-term indebtedness at June 30, 2025:

<u>Lender</u>	<u>Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Amount</u>	<u>Due Within One Year</u>
General Obligation Bonds					
Virginia Resource Authority	12/15/2011	4/1/2032	0.000%	\$ 347,291	\$ 50,514
VRA	9/30/2016	5/1/2037	0.650%	21,461	18,562
VRA	7/27/2017	4/1/2038	1.700%	99,012	9,167
VRA	12/19/2018	5/1/2039	2.200%	103,521	14,319
VRA	5/28/2020	1/1/2046	0.500%	326,100	19,304
VRA	12/22/2021	4/1/2048	0.500%	327,444	14,500
VRA	5/24/2024	11/1/2049	0.500%	252,500	10,265
VRA	7/13/2023	4/1/2053	0.500%	222,044	7,903
VRA	6/9/2023	3/1/2044	2.950%	976,100	39,066
VRA	12/2/2022	1/1/2053	2.200%	468,833	14,641
VRA	2/26/2019	5/1/2050	2.500%	294,567	13,185
VRA	2/26/2019	6/1/2051	2.500%	380,007	13,991
VRA	12/1/2020	12/1/2051	2.500%	291,461	41,946
VRA	4/20/2017	7/1/2047	2.650%	93,916	8,390
VRA	6/16/2016	7/1/2046	2.250%	13,595	7,774
VRA	3/1/2018	1/1/2049	2.650%	159,416	8,160
VRA	3/24/2006	4/1/2027	3.000%	216,899	107,168
VRA	12/12/2024	12/1/2054	0.500%	401,875	13,541
VRA	10/30/2024	11/1/2034	2.630%	454,933	42,746
VRA	12/12/2024	5/1/2047	2.850%	1,169,738	43,966
BOM	10/9/2020	10/9/2030	3.250%	430,139	75,105
Total General Obligation Bonds				<u>\$ 7,050,852</u>	<u>\$ 574,213</u>
Line of Credit					
Bank of Marion up to \$1,500,000. Variable interest.			8.500%	<u>\$ -</u>	<u>\$ -</u>
Other Obligations					
Compensated absences				\$ 109,729	\$ 82,297
Pension liability				259,832	25,983
OPEB liability				498,858	-
Total Other Obligations				<u>\$ 868,419</u>	<u>\$ 108,280</u>
Total Long Term Obligations				<u>\$ 7,919,271</u>	<u>\$ 682,493</u>

Note 11 - Compensated Absences

The Town provides four types of compensated absences: sick, vacation, personal, comp. Full-time employees earn leave on a monthly basis. Accumulated balances carry forward until used or up to the maximum allowed. The Town calculates compensated absence liability for each type individually. All totals include employer payroll taxes of 7.65%.

Compensated Absences	Governmental Activities			Business-type Activities		
	6/30/2024	7/1/2024	6/30/2025	6/30/2024	7/1/2024	6/30/2025
Sick	\$ -	\$ 160,929	\$ 171,930	\$ -	\$ 18,196	\$ 22,319
Vacation	405,788	430,278	515,863	62,442	63,836	81,491
Personal	-	14,560	18,154	-	915	1,553
Comp	-	32,052	37,906	-	1,999	4,366
Compensated absence liability	<u>\$ 405,788</u>	<u>\$ 637,819</u>	<u>\$ 743,853</u>	<u>\$ 62,442</u>	<u>\$ 84,946</u>	<u>\$ 109,729</u>

Sick Leave

Accrued as an estimate of retirement payouts and leave usage based on accumulated sick leave and rates of pay at June 30. Actual retirement payouts and actual leave usage may vary significantly.

Employees earn 8 hours per month. No maximum balance or carryforward limit. Employees may use sick leave for sickness, family sickness, and similar purposes. However use is a privilege and Town management may require verification such as a doctor’s note for sickness longer than 3 days. Upon employee retirement from the Town, the Town pays out 25% of accumulated sick leave at the employee’s hourly pay rate, up to a maximum payout of \$5,000.

Each year employees as a group accumulate more sick leave than they use. Senior employees can accumulate significant balances which they may use in the event of long-term illness. At June 30, 2025 all employees had a combined total of 35,167 sick hours with an average of 332 hours. Employees with more than 10 years of service had a combined total of 27,547 sick hours with an average of 725 hours.

Due to the \$5,000 maximum payout, most significant sick leave balances are neither used nor paid out. For instance, payout for a retiree at \$25 per hour with 800 sick hours is 200 hours (25%) for a total payout of \$5,000. Payout for the same retiree with 1800 sick hours is also \$5,000 due to the maximum. 800 hours are consumed for the 25% payout. The remaining 1000 hours are not paid out and are effectively forfeit.

Specific retirees and balances at retirement cannot be known. Usage also cannot be known, as sick usage varies based on personal circumstances of individual employees. Senior employees with significant sick balances are generally older and thus might be assumed to be more likely to retire from the Town than general employees.

Therefore for conservatism and simplification, the Town calculates the retirement payout first with the assumption that every employee could qualify for payout. At June 30, 2025 the maximum potential payout was \$181,394. Any remaining balance—excess hours above the maximum payout—was multiplied by a usage estimate prepared by management based on actual usage during the year. For the year ended June 30, 2025 usage was estimated at 2% for additional liability of \$12,855.

Note 11 - Compensated Absences (continued)

Vacation Leave

Accrued at 100% of carryforward vacation leave and rates of pay at June 30.

Employees earn between 8 to 11.33 hours per month based on their years of service. The maximum carryforward is hours earned per year multiplied by three, for a maximum between 288 to 408 hours. Excess hours earned may be used prior to carryforward on December 31. Employees may use vacation leave for any purpose with manager approval.

Upon employee termination, the Town pays out accumulated vacation leave up to the maximum carryforward at the employee's hourly pay rate. Any remaining vacation leave balance is in excess of the maximum allowed carryforward and likely to be used within the next fiscal year, as it would otherwise be forfeit at December 31.

Personal Leave

Accrued at 100% of accumulated personal leave and rates of pay at June 30.

Employees earn 4 hours per year. Maximum carryforward is 16 hours, however excess hours may be carried forward with manager approval. Employees may use personal leave freely. No payout. Due to low maximum carryforward and ease of use, all personal leave is likely to be used.

Comp Time

Accrued at 100% of accumulated comp time and rates of pay at June 30.

Employees may earn comp time in lieu of overtime pay, at 1.5 hours comp time per 1 hour overtime. Accumulated comp time cannot exceed 100 hours. Further overtime must be paid. Unused comp time at termination must be paid.

Note 12 - Pension Plan

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

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

Note 12 - Pension Plan (continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Same as Plan 1.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1- April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p><i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement</p>

Note 12 - Pension Plan (continued)

<p>effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.</p>	<p>eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 2 or ORP.</p>	<p>Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one</p>

Note 12 - Pension Plan (continued)

<p>retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>		<p>of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan,</p>

Note 12 - Pension Plan (continued)

		<p>based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law until age 73.</p>
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1.</p> <p><i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><i>Sheriffs and regional jail superintendents:</i> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%</p> <p><i>Political subdivision hazardous</i></p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p><i>Sheriffs and regional jail superintendents:</i> Same as Plan 1.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><i>Sheriffs and regional jail</i></p>

Note 12 - Pension Plan (continued)

<p><i>duty employees:</i> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><i>Political subdivision hazardous duty employees:</i> Same as Plan 1.</p>	<p><i>superintendents:</i> Not applicable. <i>Political subdivision hazardous duty employees:</i> Not applicable. <i>Defined Contribution Component:</i> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65. <i>Political subdivisions hazardous duty employees:</i> Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age. <i>Political subdivisions hazardous duty employees:</i> Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2. <i>Political subdivisions hazardous duty employees:</i> Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. <i>Political subdivisions hazardous duty employees:</i> Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90. <i>Political subdivisions hazardous duty employees:</i> Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90. <i>Political subdivisions hazardous duty employees:</i> Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. <i>Political subdivisions hazardous duty employees:</i> Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit. <i>Political subdivisions hazardous duty employees:</i> Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit. <i>Political subdivision hazardous duty employees:</i> Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive</p>

Note 12 - Pension Plan (continued)

		distributions upon leaving employment, subject to restrictions.
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><i>Eligibility:</i> Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility:</i> Same as Plan 1 and Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>

Note 12 - Pension Plan (continued)

<p>causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</p> <ul style="list-style-type: none"> • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. • The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer- paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work- related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.</p>

Note 12 - Pension Plan (continued)

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

<u>Membership</u>	<u>Number</u>
Retirees and Beneficiaries	56
Inactive Vested Members	11
Inactive Nonvested Members	36
Long-term Disability	0
Active Elsewhere in VRS	23
Active Employees	88
Total	<u>214</u>

Contributions

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

The Town’s contractually required contribution rate for the year ended June 30, 2025 was 12.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The rate does not include the employer matching contribution to the defined contribution portion of the hybrid plan.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$662,742 and \$687,725 for the years ended June 30, 2025 and June 30, 2024, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Town of Marion, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total pension liability for General Employees and Public Safety Employees in the Political Subdivision’s Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Note 12 - Pension Plan (continued)

Actuarial Assumptions (continued)

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Participants with General Employees Benefit Coverage:

Mortality rates:

15% of deaths are assumed to be service related.

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

Participants with Enhanced Hazardous Duty Benefit Coverage:

Mortality rates:

45% of deaths are assumed to be service related.

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

Note 12 - Pension Plan (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension system investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table.

Note 12 - Pension Plan (continued)

Actuarial Assumptions (continued)

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
	Expected arithmetic nominal return *		7.07%

** The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.*

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF MARION, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2025

Note 12 - Pension Plan (continued)

Changes in Net Pension Liability

<i>Reporting Date: June 30, 2025</i> <i>Measurement Date: June 30, 2024</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2023	\$ 21,343,033	\$ 19,024,127	\$ 2,318,906
Changes for the year:			
Service Cost	547,514	-	547,514
Interest	1,446,951	-	1,446,951
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	43,155	-	43,155
Contributions - employer	-	715,630	(715,630)
Contributions - employee	-	237,859	(237,859)
Net investment income	-	1,851,333	(1,851,333)
Benefit payments, including refunds of employee contributions	(908,466)	(908,466)	-
Administrative expenses	-	(11,601)	11,601
Other changes	-	408	(408)
Net changes	1,129,154	1,885,163	(756,009)
Balance at June 30, 2024	\$ 22,472,187	\$ 20,909,290	\$ 1,562,897

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

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 4,489,661	\$ 1,562,897	\$ (855,287)

Note 12 - Pension Plan (continued)

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

For the year ended June 30, 2025, the Town recognized pension expense of \$(850,369). At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 30,462	\$ 203,287
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	531,444
Employer contributions subsequent to the measurement date	662,742	-
Total	<u>\$ 693,204</u>	<u>\$ 734,731</u>

\$662,742 reported as deferred outflows of resources related to pensions, resulting from the political subdivision's contributions subsequent to the measurement date, will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Amortization Amount</u>
2026	\$ (623,680)
2027	132,273
2028	(99,648)
2029	(113,214)
Thereafter	-
Total Deferred	<u>\$ (704,269)</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2025, the Town reported accrued liability of \$60,590 for June 2025 contributions to the pension plan.

Note 13 - Other Post-Employment Benefits – Health Insurance

Plan Description

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

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

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

Employees Covered by Benefit Terms

<u>Status</u>	<u>Number</u>
Active participants	89
Retired participants	3
Total covered employees	<u>92</u>

Funding Policy and Contributions

The Town currently funds postemployment health care benefits on a pay-as-you-go basis. The Town does not accumulate assets in a trust. During fiscal year 2025, the Town made OPEB benefit payments of \$14,454.

Total OPEB Liability

The Town’s total OPEB liability was measured as of June 30, 2025. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2025.

Actuarial Methods and Assumptions

The Town uses the alternative measurement method in accordance with GASB methodology. In the valuation for the year ended June 30, 2025, the cost method used to determine OPEB liability was entry age normal level percentage of payroll. All active and former employees who are potentially eligible to receive healthcare benefits as a retiree were included in the calculations. All assumptions attempt to represent the best estimate of anticipated experience under the plan. Employer future premium contribution is assumed to remain a level percentage of the total cost over time.

Note 13 - Other Post-Employment Benefits – Health Insurance (continued)

Actuarial Methods and Assumptions (continued)

Mortality rates are the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years. Turnover rates are derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System. Other assumptions are as follows.

Average retirement age	62 years
Salary increases	3.00%
Amortization period	20 years

Funding Status and Funding Progress

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

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

For the year ended June 30, 2025, the Town’s primary government recognized OPEB expense of \$377,138. At June 30, 2025, the primary government did not report deferred outflows of resources or deferred inflows of resources related to OPEB because the Town is on a pay-as-you-go basis.

Discount Rate and Municipal Bond Rate

Pursuant to GASB 75, the discount rate for unfunded plans should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). A discount rate of 4.110% was used for the valuation.

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

The following presents the total OPEB liability using the discount rate of 4.110%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 3.11%	Discount Rate 4.11%	1% Increase 5.11%
Total OPEB Liability	\$ 3,054,988	\$ 2,799,669	\$ 2,578,373

Note 13 - Other Post-Employment Benefits – Health Insurance (continued)

Healthcare Trend Rates

<u>Year</u>	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>
Year 1	5.80%	11.70%	3.50%	3.00%
Year 2	5.70%	8.70%	3.50%	3.00%
Year 3	5.60%	5.60%	3.00%	3.00%
Year 4	5.40%	5.40%	3.00%	3.00%
Year 5	5.20%	5.20%	3.00%	3.00%
Year 6	5.00%	5.00%	3.00%	3.00%
Year 7	4.80%	4.80%	3.00%	3.00%
Year 8	4.60%	4.60%	3.00%	3.00%
Year 9	4.40%	4.40%	3.00%	3.00%
Thereafter	4.10%	4.10%	3.00%	3.00%

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

	<u>1% Decrease (Baseline -1%)</u>	<u>Healthcare Trend Rate - Baseline</u>	<u>1% Increase (Baseline +1%)</u>
Total OPEB Liability	\$ 2,378,923	\$ 2,799,669	\$ 3,312,938

Note 14 - Other Post-Employment Benefits – Group Life Insurance

Plan Description

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

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

Eligible Employees

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

Note 14 - Other Post-Employment Benefits – Group Life Insurance (continued)

Plan Description (continued)

Benefit Amounts

The benefits payable under the GLI Program have several components.

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

Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for COLA was \$9,532 as of June 30, 2025.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.18% of covered employee compensation. This was allocated into an employee and employer component using a 60/40 split. The employee component was 0.71% (1.18% * 60%) and the employer component was 0.47% (1.18% * 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025 was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Town contributions to the GLI Program were \$24,473 and \$24,973 for the years ended June 30, 2025 and June 30, 2024, respectively.

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the same assumptions as the VRS pension plan, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Note 14 - Other Post-Employment Benefits – Group Life Insurance (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System’s investments is the same as the VRS pension plan.

Discount Rate

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

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

At June 30, 2025, the Town reported a liability of \$200,978 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2023. The Town’s proportion of the Net GLI OPEB Liability was based on the Town’s actuarially determined employer contributions to the GLI Program for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the Town’s proportion was 0.01801% as compared to 0.01719% at June 30, 2023.

For the year ended June 30, 2025, the Town recognized GLI OPEB expense of \$(18,854). Since there was a change in the proportionate share between measure dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,699	\$ 4,909
Net difference between projected and actual investment earnings on OPEB plan investments	-	16,940
Change in assumptions	1,146	9,960
Changes in proportion	15,927	8,510
Employer contributions subsequent to the measurement date	24,473	-
Total	<u>\$ 73,245</u>	<u>\$ 40,319</u>

\$24,473 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in the future reporting periods as follows on the next page.

Note 14 - Other Post-Employment Benefits – Group Life Insurance (continued)

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

<u>Year ended June 30</u>	<u>Amortization Amount</u>
2026	\$ (9,221)
2027	4,110
2028	4,519
2029	4,436
2030	4,607
Thereafter	-
Total Deferred	<u>\$ 8,451</u>

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the programs' total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2024, NOL amounts for the entire GLI Program is as follows:

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$ 4,196,055,000
Plan Fiduciary Net Position	3,080,133,000
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,115,922,000</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%

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

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

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

	<u>1% Decrease (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 312,546	\$ 200,978	\$ 110,845

Note 14 - Other Post-Employment Benefits – Group Life Insurance (continued)

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report*. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 15 - Reconciliation of Pension and OPEB to the Statement of Net Position

Town-wide pension and OPEB activity in the disclosures reconciles to the Statement of Net Position as follows:

	<u>Pension</u>	<u>Health OPEB</u>	<u>GLI OPEB</u>	<u>Total</u>
<i>Governmental Activities</i>				
Deferred (outflows)	\$ (577,959)	\$ -	\$ (61,068)	\$ (639,027)
Pension liability	1,303,065	-	-	1,303,065
OPEB liability	-	2,334,224	167,565	2,501,789
Deferred inflows	612,582	-	33,616	646,198
Total governmental	<u>\$ 1,337,688</u>	<u>\$ 2,334,224</u>	<u>\$ 140,113</u>	<u>\$ 3,812,025</u>
<i>Business-Type Activities</i>				
Deferred (outflows)	\$ (115,245)	\$ -	\$ (12,177)	\$ (127,422)
Pension liability	259,832	-	-	259,832
OPEB liability	-	465,445	33,413	498,858
Deferred inflows	122,149	-	6,703	128,852
Total business-type	<u>\$ 266,736</u>	<u>\$ 465,445</u>	<u>\$ 27,939</u>	<u>\$ 760,120</u>
<i>Primary Government</i>				
Deferred (outflows)	\$ (693,204)	\$ -	\$ (73,245)	\$ (766,449)
Pension liability	1,562,897	-	-	1,562,897
OPEB liability	-	2,799,669	200,978	3,000,647
Deferred inflows	734,731	-	40,319	775,050
Total primary government	<u>\$ 1,604,424</u>	<u>\$ 2,799,669</u>	<u>\$ 168,052</u>	<u>\$ 4,572,145</u>

Note 16 - Interfund Transfers

Interfund transfers for the year ended June 30, 2025 consisted of the following:

Fund	Transfers In	Transfers Out	Net In (Out)
General Fund	\$ 3,013,518	\$ -	
Other Governmental Funds	-	-	
<i>Total Governmental Funds</i>			\$ 3,013,518
Water, Sewer and CIRP Fund	-	3,048,450	
Swimming Pool Fund	34,932	-	
<i>Total Proprietary Funds</i>			<i>(3,013,518)</i>
Total	<u>\$ 3,048,450</u>	<u>\$ 3,048,450</u>	<u>\$ -</u>

Note 17 - Economic Development Authority of the Town of Marion

The Town Council issued an ordinance to create an Economic Development Authority (EDA), pursuant to the Industrial Development and Revenue Bond Act, which Authority shall be a political subdivision of the Commonwealth. The Economic Development Authority of the Town of Marion, Virginia, a political subdivision of the Commonwealth of Virginia, is empowered by Section 15.2-4901 of the Code to acquire, own, lease, and dispose of properties and make loans for the benefit of the inhabitants of the Commonwealth through the promotion of their safety, health, welfare, convenience, and prosperity.

BAUD Project

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

Redeveloped properties will be sold to homeowners, sold to other entities, or transferred to the Town. Properties may be held for longer than one year, however the EDA intends to sell or transfer every property. Therefore properties are reported in the financial statements as land held for resale. At June 30, 2025 land held for resale was \$2,226,989 with approximately 40 properties. Land held for resale is recorded at cost, including all costs necessary to redevelop properties such as purchase price and construction.

Pre-construction costs to demolish existing structures and to determine feasibility are generally expensed as incurred. Administration and maintenance are expensed as incurred. During 2024 the EDA reimbursed the Town for services performed and materials provided by the Town for administration, demolition, maintenance, or rehabilitation of properties owned by the EDA. The Town recognized \$55,774 in recovered costs from the EDA for the year ended June 30, 2025.

The Town contributed initial funding of \$500,000. The EDA has received additional funding from donated property and grants, most notably a one-time federal grant of \$1,000,000 to construct 10 modular homes.

Note 17 - Economic Development Authority of the Town of Marion (continued)

BAUD Property Sales

Property sales are reported net of capitalized costs and sale costs. For the year ended June 30, 2025, net loss on sales of property totaled \$(190,649) as follows.

	<u>Total Sales</u>
Gross sales	\$ 1,254,500
Sale incentives - seller credits and other charges to seller	(93,018)
Sale incentives - forgivable loans issued	<u>(235,000)</u>
Net sale proceeds	<u>926,482</u>
Repayments to project partners	(502,000)
Land held for resale capitalized costs	<u>(615,131)</u>
Net gain (loss) on sales of property	<u>\$ (190,649)</u>

The EDA offers two categories of sale incentives. Seller credits are negotiated on a case-by-case basis. Forgivable loans are offered on modular home properties for 20% of gross sale price. Buyers agree to reside at the property for 10 years, at which point the loan will be forgiven in full. Loans are backed by “soft seconds” liens against the properties. The Town holds the loans and liens because the EDA legal entity cannot hold liens.

Forgivable loans are intended and expected to be forgiven. Therefore the loans are reported with an allowance for the full amount and revenue is not recognized unless forgiveness is forfeit. Forgivable loans outstanding were \$235,000 with an uncollectible allowance of \$235,000 at June 30, 2025.

Modular home project partner Mount Rogers Planning District Commission (MRPDC) contributed \$100,400 towards construction of each property which must be repaid when the property sells. Of the 10 modular homes constructed, 5 have been sold as of June 30, 2025. The EDA reports repayments upon sale. However MRPDC’s contributions were structured as revolving loans to the EDA. In the event of default on loan terms, at the option of MRPDC, the loans are immediately due and payable.

Revolving Loan Fund

The EDA was awarded a Mixed Use on Main Street (MUMS) grant of \$500,000 from the Virginia Department of Housing and Community Development (DHCD), a state agency that works to support communities to create healthy, safe, and affordable places for Virginians to call home. The EDA earns grant funds when it loans monies as approved by DHCD. Loan repayments must be used to establish a revolving loan fund for further economic development projects. Therefore grant funds and resulting net position are considered to be restricted.

The EDA has earned \$218,325 of grant funds as of June 30, 2025. Grants due from other governmental units were \$122,995 for this grant. Long-term business loans due to EDA were \$218,655 at June 30, 2025. Payments are not yet due. Restricted net position is \$218,655.

Note 17 - Economic Development Authority of the Town of Marion (continued)

Long-term Debt

The EDA has a line of credit with Bank of Marion. Variable interest of 7.50% at June 30, 2025. Liability was \$437,066. As a line of credit the balance is considered to be due within one year, however this is not a requirement of the loan. Cash overdraft is from outstanding checks which will draw on the line of credit when cashed.

The EDA has a note payable to the Marion Volunteer Fire Department. Issued March 28, 2024. Payable in twice yearly installments of principal and interest in the amount of \$14,383.39. Interest computed at a rate of 5.0% for fifteen years. Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	Note Payable	
	Principal	Interest
2026	\$ 14,487	\$ 14,280
2027	15,228	13,539
2028	16,007	12,760
2029	16,826	11,941
2030	17,687	11,079
Thereafter	205,983	244,511
Totals	\$ 286,218	\$ 308,110

Note 18 - Prior Period Adjustment (PPA) for GASB 101 *Compensated Absences*

The Town implemented GASB Statements No. 100 and No. 101 for the year ended June 30, 2025 as described in Note 1. Accordingly, the cumulative effect of the change in accounting principle for compensated absences is reported retroactively to the earliest period presented which is beginning net position at July 1, 2024. Compensated absence liability reported for the year ended June 30, 2024 was recalculated as described in Note 11. The recalculated liability was reported effective July 1, 2024 as a prior period adjustment as follows:

Compensated Absences	Governmental Activities			Business-type Activities		
	6/30/2024	7/1/2024	PPA	6/30/2024	7/1/2024	PPA
Sick	\$ -	\$ 160,929	\$ 160,929	\$ -	\$ 18,196	\$ 18,196
Vacation	405,788	430,278	24,490	62,442	63,836	1,394
Personal	-	14,560	14,560	-	915	915
Comp	-	32,052	32,052	-	1,999	1,999
Compensated absence liability	\$ 405,788	\$ 637,819	\$ 232,031	\$ 62,442	\$ 84,946	\$ 22,504

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Town of Marion, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,096,196	\$ 1,096,196	\$ 955,641	\$ (140,555)
Other local taxes	3,668,500	3,668,500	3,842,197	173,697
Permits, privilege fees, and regulatory licenses	1,600	1,600	2,600	1,000
Fines and forfeitures	11,100	11,100	15,575	4,475
Revenue from the use of money and property	234,100	234,100	218,613	(15,487)
Charges for services	1,020,250	1,020,250	710,310	(309,940)
Miscellaneous	30,050	30,050	93,830	63,780
Recovered costs	930,200	930,200	898,283	(31,917)
Intergovernmental revenues:				
Commonwealth	1,967,793	1,967,793	2,201,095	233,302
Federal	870,000	870,000	569,305	(300,695)
Total revenues	9,829,789	9,829,789	9,507,449	(322,340)
EXPENDITURES				
Current:				
General government administration	2,002,866	2,002,866	2,035,379	(32,513)
Public safety	3,892,625	3,892,625	4,076,901	(184,276)
Public works	4,308,967	4,308,967	4,474,595	(165,628)
Parks, recreation, and cultural	677,164	677,164	824,193	(147,029)
Community development	859,597	859,597	852,527	7,070
Capital projects	150,000	150,000	794,262	(644,262)
Debt service:				
Principal retirement	1,548,830	1,548,830	9,525,547	(7,976,717)
Interest and other fiscal charges	15,213	15,213	93,563	(78,350)
Total expenditures	13,455,262	13,455,262	22,676,967	(9,221,705)
Excess (deficiency) of revenues over (under) expenditures	(3,625,473)	(3,625,473)	(13,169,518)	(9,544,045)
OTHER FINANCING SOURCES (USES)				
Recovered costs from Marion EDA	100,000	100,000	55,774	(44,226)
Net transfers in (out)	3,525,473	3,525,473	3,013,518	(511,955)
Proceeds from a line of credit	-	-	9,239,550	9,239,550
Proceeds from long-term debt	-	-	76,900	76,900
Total other financing sources and uses	3,625,473	3,625,473	12,385,742	8,760,269
Net change in fund balances	-	-	(783,776)	(783,776)
Fund balances - beginning	-	-	6,355,621	6,355,621
Fund balances - ending	\$ -	\$ -	\$ 5,571,845	\$ 5,571,845

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$ 547,514	\$ 475,111	\$ 424,657	\$ 414,875	\$ 410,322	\$ 346,558	\$ 334,311	\$ 336,131	\$ 300,090	\$ 280,978
Interest	1,446,951	1,399,029	1,392,792	1,288,104	1,211,257	1,211,524	1,170,293	1,154,105	1,106,559	1,086,547
Changes of benefit terms	-	-	-	65,364	-	-	-	-	-	-
Changes of assumptions	-	-	-	725,904	-	525,302	-	(150,313)	-	-
Difference between expected and actual experience	43,155	(331,865)	(865,342)	(309,443)	579,267	(508,337)	(68,621)	(392,828)	(945)	(308,291)
Benefit Payments, including refunds of employee contributions	(908,466)	(900,979)	(919,338)	(1,197,722)	(927,023)	(948,928)	(745,014)	(686,676)	(766,265)	(780,442)
Net change in total pension liability	1,129,154	641,296	32,769	987,082	1,273,823	626,119	690,969	260,419	639,439	278,792
Total pension liability - beginning	21,343,033	20,701,737	20,668,968	19,681,886	18,408,063	17,781,944	17,090,975	16,830,556	16,191,117	15,912,325
Total pension liability - ending (a)	\$ 22,472,187	\$ 21,343,033	\$ 20,701,737	\$ 20,668,968	\$ 19,681,886	\$ 18,408,063	\$ 17,781,944	\$ 17,090,975	\$ 16,830,556	\$ 16,191,117
Plan fiduciary net position										
Contributions - employer	\$ 715,630	\$ 576,762	\$ 483,475	\$ 440,501	\$ 407,335	\$ 405,287	\$ 434,259	\$ 440,467	\$ 491,344	\$ 477,291
Contributions - employee	237,859	189,409	177,778	160,788	172,294	170,323	163,869	162,871	164,306	150,330
Net investment income	1,851,333	1,167,790	(18,953)	3,994,579	285,535	948,150	1,000,242	1,482,890	209,114	532,938
Benefit Payments, including refunds of employee contributions	(908,466)	(900,979)	(919,338)	(1,197,722)	(927,023)	(948,928)	(745,014)	(686,676)	(766,265)	(780,442)
Administrative expense	(11,601)	(11,434)	(11,355)	(10,222)	(9,793)	(9,487)	(8,575)	(8,464)	(7,475)	(7,338)
Other	408	471	423	375	(336)	(598)	(894)	(1,326)	(89)	(111)
Net change in plan fiduciary net position	1,885,163	1,022,019	(287,970)	3,388,299	(71,988)	564,747	843,887	1,389,762	90,935	372,668
Plan fiduciary net position - beginning	19,024,127	18,002,108	18,290,078	14,901,779	14,973,767	14,409,020	13,565,133	12,175,371	12,084,436	11,711,768
Plan fiduciary net position - ending (b)	\$ 20,909,290	\$ 19,024,127	\$ 18,002,108	\$ 18,290,078	\$ 14,901,779	\$ 14,973,767	\$ 14,409,020	\$ 13,565,133	\$ 12,175,371	\$ 12,084,436
Net pension liability - ending (a - b)	\$ 1,562,897	\$ 2,318,906	\$ 2,699,629	\$ 2,378,890	\$ 4,780,107	\$ 3,434,296	\$ 3,372,924	\$ 3,525,842	\$ 4,655,185	\$ 4,106,681
Plan fiduciary net position as a percentage of the total pension liability	93.05%	89.14%	86.96%	88.49%	75.71%	81.34%	81.03%	79.37%	72.34%	74.64%
Covered-employee payroll for plan year	\$ 5,137,535	\$ 4,563,538	\$ 3,990,391	\$ 3,681,645	\$ 3,340,710	\$ 3,595,046	\$ 3,619,993	\$ 3,609,997	\$ 3,348,354	\$ 3,185,403
Net pension liability as a percentage of covered-employee payroll	30.42%	50.81%	67.65%	64.61%	143.09%	95.53%	93.17%	97.67%	139.03%	128.92%

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 185,014	\$ 155,167	\$ 175,880	\$ 229,396	\$ 190,142	\$ 141,858	\$ 130,672	\$ 103,811
Interest	104,536	92,011	84,397	67,556	67,675	93,591	103,656	50,397
Effect of economic/demographic gains or loss	123,526	(101,767)	(140,031)	(694,379)	(62,660)	(231,892)	(125,418)	973,592
Effect of assumptions changes or inputs	(21,484)	(81,251)	(64,193)	(331,403)	54,182	347,528	201,930	(194,880)
Benefit payments	(14,454)	(14,472)	(23,220)	(25,739)	(25,920)	(24,010)	(26,754)	(26,082)
Net change in total OPEB liability	377,138	49,688	32,833	(754,569)	223,419	327,075	284,086	906,838
Total OPEB liability - beginning	2,422,531	2,372,843	2,340,010	3,094,579	2,871,160	2,544,085	2,259,999	1,353,161
Total OPEB liability - ending (a)	<u>\$ 2,799,669</u>	<u>\$ 2,422,531</u>	<u>\$ 2,372,843</u>	<u>\$ 2,340,010</u>	<u>\$ 3,094,579</u>	<u>\$ 2,871,160</u>	<u>\$ 2,544,085</u>	<u>\$ 2,259,999</u>
Plan fiduciary net position								
Benefit payments	\$ (14,454)	\$ (14,472)	\$ (23,220)	\$ (25,739)	\$ (927,023)	\$ (948,928)	\$ (26,754)	\$ (26,082)
Employer contributions	14,454	14,472	23,220	25,739	927,023	948,928	26,754	26,082
Net change in plan fiduciary net position	-	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending (a - b)	<u>\$ 2,799,669</u>	<u>\$ 2,422,531</u>	<u>\$ 2,372,843</u>	<u>\$ 2,340,010</u>	<u>\$ 3,094,579</u>	<u>\$ 2,871,160</u>	<u>\$ 2,544,085</u>	<u>\$ 2,259,999</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll (GLI)	\$ 5,207,076	\$ 4,624,715	\$ 4,048,192	\$ 3,686,036	\$ 3,345,171	\$ 3,613,862	\$ 3,386,499	\$ 3,331,367
Net pension liability as a percentage of covered-employee payroll	53.77%	52.38%	58.61%	63.48%	92.51%	79.45%	75.12%	67.84%

*Schedule is intended to show information for ten years.
 Since fiscal year 2018 (plan year 2018) is the first year for this presentation, no other data is available.
 Additional years will be included as they become available.

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

	2025	2024	2023	2022	2021	2020	2019	2018
Employer's Proportion of Net GLI OPEB Liability	0.01801%	0.01719%	0.01695%	0.01620%	0.01756%	0.01812%	0.01806%	0.01781%
Employer's Proportionate Share of Net GLI OPEB Liability (Asset)	\$ 200,978	\$ 206,162	\$ 204,094	\$ 188,612	\$ 293,048	\$ 295,000	\$ 271,000	\$ 271,000
Employer's Covered Payroll	\$ 5,207,076	\$ 4,624,715	\$ 4,048,192	\$ 3,686,036	\$ 3,345,171	\$ 3,613,862	\$ 3,386,499	\$ 3,331,367
Employer's Proportionate Share of Net GLI OPEB Liability (Asset) as a % of Covered Payroll	3.85971%	4.45783%	5.04161%	5.11693%	8.76033%	8.16301%	8.00236%	8.13480%
Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability	73.41%	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for ten years.

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

Additional years will be included as they become available.

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

Town Retirement Plan						
Fiscal Year Ended June 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (1) - (2)	(4) Funded Ratio Assets as % of AAL (2) / (3)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (4) / (6)
2025	\$ 20,909,290	\$ 22,472,187	\$ (1,562,897)	93.05%	\$ 5,137,535	-30.42%
2024	19,024,127	21,343,033	(2,318,906)	89.14%	4,563,538	-50.81%
2023	18,002,108	20,701,737	(2,699,629)	86.96%	3,990,391	-67.65%
2022	18,290,078	20,668,968	(2,378,890)	88.49%	3,681,645	-64.61%
2021	14,901,779	19,681,886	(4,780,107)	75.71%	3,340,710	-143.09%
2020	14,973,767	18,408,063	(3,434,296)	81.34%	3,595,046	-95.53%
2019	14,409,020	17,781,944	(3,372,924)	81.03%	3,619,993	-93.17%
2018	13,565,133	17,090,975	(3,525,842)	79.37%	3,609,997	-97.67%
2017	12,175,371	16,830,556	(4,655,185)	72.34%	3,348,354	-139.03%
2016	12,084,436	16,191,117	(4,106,681)	74.64%	3,185,403	-128.92%

Town OPEB Health Insurance Plan						
Fiscal Year Ended June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (1) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
2025	\$ -	\$ 2,799,669	\$ 2,799,669	0.00%	\$ 5,207,076	53.77%
2024	-	2,422,531	2,422,531	0.00%	4,624,715	52.38%
2023	-	2,372,843	2,372,843	0.00%	4,048,192	58.61%
2022	-	2,340,010	2,340,010	0.00%	3,686,036	63.48%
2021	-	3,094,579	3,094,579	0.00%	3,345,171	92.50%
2020	-	2,871,160	2,871,160	0.00%	3,613,862	86.46%
2019	-	2,544,085	2,544,085	0.00%	3,386,499	83.12%
2018	-	2,259,999	2,259,999	0.00%	3,331,367	75.97%
2017	-	1,159,350	1,159,350	0.00%	3,110,627	34.18%
2016	-	1,919,820	1,919,820	0.00%	3,020,125	54.93%

*Schedule is intended to show information for ten years.

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

Additional years will be included as they become available.

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

Town Retirement Plan*					
Fiscal Year Ended June 30,	(1) Contractually Required Contribution	(2) Contributions in Relation to Required Contr.	(3) Contribution Deficiency (Excess)	(4) Employer's Covered Employee Payroll	(5) Contributions as a % of Covered Payroll
2025	\$ 662,742	\$ 662,742	\$ -	\$ 5,137,535	12.90%
2024	687,725	687,725	-	4,563,538	15.07%
2023	601,352	601,352	-	3,990,391	15.07%
2022	503,281	503,281	-	3,681,645	13.67%
2021	446,987	446,987	-	3,340,710	13.38%
2020	423,137	423,137	-	3,595,046	11.77%
2019	424,897	424,897	-	3,619,993	11.74%
2018	434,951	434,951	-	3,609,997	12.05%
2017	416,969	416,969	-	3,348,354	12.45%
2016	516,881	516,881	-	3,185,403	16.23%

* Beginning fiscal 2020, includes employer contributions (mandatory and match) to the defined contribution plan.

Town OPEB Group Life Insurance Plan					
Fiscal Year Ended June 30,	(1) Contractually Required Contribution	(2) Contributions in Relation to Required Contr.	(3) Contribution Deficiency (Excess)	(4) Employer's Covered Employee Payroll	(5) Contributions as a % of Covered Payroll
2025	\$ 24,473	\$ 24,473	\$ -	\$ 5,207,076	0.47%
2024	24,973	24,973	-	4,624,715	0.54%
2023	19,431	21,860	(2,429)	4,048,192	0.54%
2022	19,905	19,905	-	3,686,036	0.54%
2021	18,064	18,064	-	3,345,171	0.54%
2020	18,792	18,792	-	3,613,862	0.52%
2019	18,411	18,411	-	3,386,499	0.54%
2018	17,610	17,610	-	3,331,367	0.53%
2017	17,323	17,323	-	3,110,627	0.56%
2016	16,486	14,931	1,555	3,020,125	0.49%

OTHER
SUPPLEMENTARY
INFORMATION

Town of Marion, Virginia
Combining Balance Sheet
Other Governmental Funds
June 30, 2025

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

Town of Marion, Virginia
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Other Governmental Funds
 For the Year Ended June 30, 2025

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

DISCRETELY PRESENTED
COMPONENT UNIT

Town of Marion, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Net Position - Proprietary Fund
June 30, 2025

	Enterprise Fund
ASSETS	
Current assets:	
Rent receivable	\$ 3,800
Due from other governmental units	122,995
Noncurrent assets:	
Long-term business loans receivable	218,655
Forgivable loans (held by Town on behalf of EDA)	235,000
Forgivable loans expected to be forgiven	(235,000)
Land held for resale	2,226,989
Total assets	\$ 2,572,439
LIABILITIES	
Current liabilities:	
Cash and cash equivalents overdraft	\$ 56,254
Accounts payable	793
Due to Town	-
Line of credit	437,066
Note payable - current portion	14,487
Total current liabilities	508,600
Noncurrent liabilities:	
Note payable - net of current portion	271,731
Total liabilities	780,331
NET POSITION	
Net Investment in capital assets	1,503,705
Restricted for revolving loan pool	218,655
Unrestricted	69,748
Total net position	1,792,108
Total liabilities & deferred inflows & net position	\$ 2,572,439

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

Town of Marion, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2025

	Enterprise Fund
OPERATING REVENUES	
Rent revenue, net of expenses	\$ 27,212
Refunds	2,539
Total operating revenues	29,751
OPERATING EXPENSES	
Demolition and contract services	17,314
Insurance	4,249
Mowing	8,900
Office and administration	10,406
Property taxes	2,038
Utilities	10,715
Total operating expenses	53,622
Operating income (loss)	(23,871)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	(68,119)
Net gain (loss) on sales of property	(190,649)
Income (loss) before contributions and transfers	(282,639)
CONTRIBUTIONS AND TRANSFERS	
Capital contributions from Virginia Department of Housing and Urban Development	218,325
Capital contributions from Mount Rogers Planning District Commission	156,135
Total contributions and transfers	374,460
Change in net position	91,821
Net position - beginning	1,700,287
Net position - ending	\$ 1,792,108

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

Town of Marion, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2025

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 23,412
Payments to suppliers	(493,108)
Net cash provided (used by) operating activities	(469,696)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	520,085
Long-term business loans receivable issued	(218,655)
Property acquisitions and construction	(585,501)
Property sale proceeds	926,482
Line of credit proceeds	1,312,751
Line of credit payments	(1,454,153)
Note payable proceeds	(13,782)
Interest expense	(68,119)
Net cash provided (used by) capital and related financing activities	419,108
Net increase (decrease) in cash and cash equivalents	(50,588)
Cash and cash equivalents - beginning	(5,666)
Cash and cash equivalents - ending	\$ (56,254)
 Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (23,871)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in receivables	(3,800)
Increase (decrease) in payables	(442,025)
Net cash provided (used) by operating activities	\$ (469,696)

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

**SUPPORTING
SCHEDULES**

Town of Marion, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 739,896	\$ 739,896	\$ 660,084	\$ (79,812)
Public service corporation taxes	28,000	28,000	33,476	5,476
Personal property taxes	310,300	310,300	248,275	(62,025)
Penalties and Interest	18,000	18,000	13,806	(4,194)
<i>Total general property taxes</i>	<u>1,096,196</u>	<u>1,096,196</u>	<u>955,641</u>	<u>(140,555)</u>
Other local taxes:				
Local sales and use taxes	290,000	290,000	330,970	40,970
Communications taxes	90,000	90,000	84,547	(5,453)
Consumers' utility taxes	105,000	105,000	110,411	5,411
Lodging taxes	140,000	140,000	139,319	(681)
Business license taxes	600,000	600,000	671,242	71,242
Consumer license taxes	30,000	30,000	28,837	(1,163)
Motor vehicle licenses	100,000	100,000	79,699	(20,301)
Bank stock taxes	210,000	210,000	253,272	43,272
Tobacco taxes	300,000	300,000	254,769	(45,231)
Meals taxes	1,800,000	1,800,000	1,886,567	86,567
Comcast PEG capital fees	3,500	3,500	2,564	(936)
<i>Total other local taxes</i>	<u>3,668,500</u>	<u>3,668,500</u>	<u>3,842,197</u>	<u>173,697</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	1,600	1,600	2,600	1,000
<i>Total permits, privilege fees, and regulatory licenses</i>	<u>1,600</u>	<u>1,600</u>	<u>2,600</u>	<u>1,000</u>
Fines and forfeitures:				
Court fines and forfeitures	10,000	10,000	14,305	4,305
Parking Fines	100	100	-	(100)
E-Summons	1,000	1,000	1,270	270
<i>Total fines and forfeitures</i>	<u>11,100</u>	<u>11,100</u>	<u>15,575</u>	<u>4,475</u>
Revenue from use of money and property:				
Revenue from use of money	220,000	220,000	213,555	(6,445)
Revenue from use of property	14,100	14,100	5,058	(9,042)
<i>Total revenue from use of money and property</i>	<u>234,100</u>	<u>234,100</u>	<u>218,613</u>	<u>(15,487)</u>
Charges for services:				
Parking lot charges	250	250	-	(250)
Charges for sanitation and waste removal	464,500	464,500	434,508	(29,992)
Charges for parks and recreation	7,000	7,000	7,521	521
Farmers market	7,500	7,500	5,819	(1,681)
Fire/EMS	500,000	500,000	217,515	(282,485)
Police patrol	2,500	2,500	-	(2,500)
Credit card fees	30,000	30,000	36,015	6,015
Senior center-District III	1,000	1,000	900	(100)
Cemetery maintenance fees	7,500	7,500	8,032	532
<i>Total charges for services</i>	<u>1,020,250</u>	<u>1,020,250</u>	<u>710,310</u>	<u>(309,940)</u>

Town of Marion, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 15,050	\$ 15,050	\$ 14,301	\$ (749)
Insurance proceeds	-	-	4,589	4,589
Sale of property and equipment	15,000	15,000	68,124	53,124
Donations	-	-	6,816	6,816
<i>Total miscellaneous revenue</i>	<u>30,050</u>	<u>30,050</u>	<u>93,830</u>	<u>63,780</u>
Recovered costs:				
County of Smyth - Recreation facilities	40,000	40,000	25,000	(15,000)
County of Smyth - Fire and rescue	756,200	756,200	749,019	(7,181)
Other recovered costs	134,000	134,000	124,264	(9,736)
<i>Total recovered costs</i>	<u>930,200</u>	<u>930,200</u>	<u>898,283</u>	<u>(31,917)</u>
Total revenue from local sources	<u>6,991,996</u>	<u>6,991,996</u>	<u>6,737,049</u>	<u>(254,947)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture funds	-	-	106	106
Fire programs	25,000	25,000	36,473	11,473
Law enforcement grants	-	-	5,466	5,466
Street and highway maintenance	1,708,793	1,708,793	1,756,037	47,244
<i>Total categorical aid</i>	<u>1,733,793</u>	<u>1,733,793</u>	<u>1,798,082</u>	<u>64,289</u>
Noncategorical aid:				
Commission of the Arts	4,500	4,500	4,500	-
EMS grant	-	-	119,705	119,705
Law enforcement grants	215,000	215,000	217,951	2,951
Litter control grant	6,000	6,000	5,313	(687)
Personal property tax relief funds	-	-	45,785	45,785
Rental tax	2,500	2,500	2,514	14
Rolling stock tax	6,000	6,000	6,027	27
Other state aid	-	-	1,218	1,218
<i>Total noncategorical aid</i>	<u>234,000</u>	<u>234,000</u>	<u>403,013</u>	<u>169,013</u>
Total revenue from the Commonwealth	<u>1,967,793</u>	<u>1,967,793</u>	<u>2,201,095</u>	<u>233,302</u>
Revenue from the federal government:				
Categorical aid:				
State and Community Highway Safety	20,000	20,000	22,203	2,203
USDA Rural Development Community Facilities	-	-	100,000	100,000
USDA Rural Development Police Grant	50,000	50,000	-	(50,000)
VDOT Park Blvd Drainage Project	300,000	300,000	-	(300,000)
<i>Total categorical aid</i>	<u>370,000</u>	<u>370,000</u>	<u>122,203</u>	<u>(247,797)</u>

Town of Marion, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund: (Continued)				
Revenue from the federal government: (Continued)				
Noncategorical aid:				
American Rescue Plan Act (ARPA) - Law Enforcement	-	-	28,013	28,013
Edward Byrne Memorial Justice Assistance Grant	-	-	103,100	103,100
Land and Water Conservation Fund	500,000	500,000	315,989	(184,011)
<i>Total noncategorical aid</i>	<u>500,000</u>	<u>500,000</u>	<u>447,102</u>	<u>(52,898)</u>
Total revenue from the federal government	<u>870,000</u>	<u>870,000</u>	<u>569,305</u>	<u>(300,695)</u>
Other financing sources:				
Recovered costs from Marion EDA	\$ 100,000	\$ 100,000	\$ 55,774	\$ (44,226)
Net transfers in (out)	3,525,473	3,525,473	3,013,518	(511,955)
Proceeds from a line of credit	-	-	9,239,550	9,239,550
Proceeds from long-term debt	-	-	76,900	76,900
<i>Total other financing sources</i>	<u>3,625,473</u>	<u>3,625,473</u>	<u>12,385,742</u>	<u>8,760,269</u>
Total other financing sources	<u>3,625,473</u>	<u>3,625,473</u>	<u>12,385,742</u>	<u>8,760,269</u>
Total General Fund	<u>\$ 13,455,262</u>	<u>\$ 13,455,262</u>	<u>\$ 21,893,191</u>	<u>\$ 8,437,929</u>
Total Primary Government	<u>\$ 13,455,262</u>	<u>\$ 13,455,262</u>	<u>\$ 21,893,191</u>	<u>\$ 8,437,929</u>

Town of Marion, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2025

Fund, Function and Department Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 103,152	\$ 103,152	\$ 143,020	\$ (39,868)
Town clerk	423,501	423,501	452,461	(28,960)
<i>Total legislative</i>	<u>\$ 526,653</u>	<u>\$ 526,653</u>	<u>\$ 595,481</u>	<u>\$ (68,828)</u>
General and financial administration:				
Town manager	\$ 264,298	\$ 264,298	\$ 230,679	\$ 33,619
Legal services	28,911	28,911	33,020	(4,109)
Independent auditor	45,918	45,918	48,150	(2,232)
Finance	464,017	464,017	476,678	(12,661)
Information technology	133,895	133,895	150,381	(16,486)
Risk management	130,514	130,514	135,461	(4,947)
Motor pool	199,608	199,608	195,485	4,123
Central purchasing	209,052	209,052	170,044	39,008
<i>Total general and financial administration</i>	<u>\$ 1,476,213</u>	<u>\$ 1,476,213</u>	<u>\$ 1,439,898</u>	<u>\$ 36,315</u>
Total general government administration	<u>\$ 2,002,866</u>	<u>\$ 2,002,866</u>	<u>\$ 2,035,379</u>	<u>\$ (32,513)</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 2,368,912	\$ 2,368,912	\$ 2,467,143	\$ (98,231)
<i>Total law enforcement and traffic control</i>	<u>\$ 2,368,912</u>	<u>\$ 2,368,912</u>	<u>\$ 2,467,143</u>	<u>\$ (98,231)</u>
Fire and rescue services:				
Fire and rescue services	\$ 1,523,713	\$ 1,523,713	\$ 1,609,758	\$ (86,045)
<i>Total fire and rescue services</i>	<u>\$ 1,523,713</u>	<u>\$ 1,523,713</u>	<u>\$ 1,609,758</u>	<u>\$ (86,045)</u>
Total public safety	<u>\$ 3,892,625</u>	<u>\$ 3,892,625</u>	<u>\$ 4,076,901</u>	<u>\$ (184,276)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 3,560,467	\$ 3,560,467	\$ 3,777,966	\$ (217,499)
General engineering and administration	318,383	318,383	290,810	27,573
<i>Total maintenance of highways, streets, bridges & sidewalks</i>	<u>\$ 3,878,850</u>	<u>\$ 3,878,850</u>	<u>\$ 4,068,776</u>	<u>\$ (189,926)</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 430,117	\$ 430,117	\$ 405,819	\$ 24,298
<i>Total sanitation and waste removal</i>	<u>\$ 430,117</u>	<u>\$ 430,117</u>	<u>\$ 405,819</u>	<u>\$ 24,298</u>
Total public works	<u>\$ 4,308,967</u>	<u>\$ 4,308,967</u>	<u>\$ 4,474,595</u>	<u>\$ (165,628)</u>

Town of Marion, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2025

Fund, Function and Department Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 677,164	\$ 677,164	\$ 824,193	\$ (147,029)
<i>Total parks and recreation</i>	<u>\$ 677,164</u>	<u>\$ 677,164</u>	<u>\$ 824,193</u>	<u>\$ (147,029)</u>
Total parks, recreation, and cultural	<u>\$ 677,164</u>	<u>\$ 677,164</u>	<u>\$ 824,193</u>	<u>\$ (147,029)</u>
Community development:				
Planning and community development:				
Planning	\$ 80,647	\$ 80,647	\$ 22,082	\$ 58,565
Community development	399,745	399,745	446,471	(46,726)
Economic development	379,205	379,205	383,974	(4,769)
<i>Total planning and community development</i>	<u>\$ 859,597</u>	<u>\$ 859,597</u>	<u>\$ 852,527</u>	<u>\$ 7,070</u>
Total community development	<u>\$ 859,597</u>	<u>\$ 859,597</u>	<u>\$ 852,527</u>	<u>\$ 7,070</u>
Capital projects:				
Capital outlays	\$ 150,000	\$ 150,000	\$ 794,262	\$ (644,262)
Total capital projects	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 794,262</u>	<u>\$ (644,262)</u>
Debt service:				
Principal retirement	\$ 1,548,830	\$ 1,548,830	\$ 9,525,547	\$ (7,976,717)
Interest and other fiscal charges	15,213	15,213	93,563	(78,350)
Total debt service	<u>\$ 1,564,043</u>	<u>\$ 1,564,043</u>	<u>\$ 9,619,110</u>	<u>\$ (8,055,067)</u>
Total General Fund	<u>\$ 13,455,262</u>	<u>\$ 13,455,262</u>	<u>\$ 22,676,967</u>	<u>\$ (9,221,705)</u>
Total Primary Government	<u>\$ 13,455,262</u>	<u>\$ 13,455,262</u>	<u>\$ 22,676,967</u>	<u>\$ (9,221,705)</u>

Town of Marion, Virginia
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2025

Federal Grantor/Program or Cluster Title	Fed. Assist. List No.	Grant ID No.	Federal Expenditures
		<i>Denotes major program</i>	
Department of Agriculture Rural Development			
Community Facilities Loans and Grants - Grant	10.766	CPAP000001074814	100,000
Community Facilities Loans and Grants - Loan	10.766		76,900
Total Department of Agriculture			<u>176,900</u>
Department of the Interior			
<i>Passed through VA Dept. of Conservation and Recreation</i>			
NPS - Land and Water Conservation	15.916	P22AP02127	<u>315,989</u>
Department of Justice			
<i>Passed through VA Department of Criminal Justice</i>			
Byrne Discretionary Grants Program	16.753	15PBJA23GG00181BRND	61,500
Byrne Discretionary Grants Program	16.753	15PBJA24GG00272BRND	41,600
Total Department of Justice			<u>103,100</u>
Environmental Protection Agency			
<i>Passed through Virginia Resources Authority</i>			
Drinking Water State Revolving Fund	66.468	4D-95307001, 4L-95306801	1,621,056
Total Environmental Protection Agency			<u>1,621,056</u>
Department of the Treasury			
<i>Passed through VA Department of Criminal Justice</i>			
ARPA Law Enforcement Equipment Grant Program	21.027	509057	28,013
<i>Passed through VA Dept. of Housing and Community Development</i>			
ARPA IRF - Mixed Use on Main Street	21.027	CAMS 23MUMSARPA03	218,325
Total Department of the Treasury			<u>246,338</u>
Department of Transportation			
Highway Safety Cluster			
<i>Passed through VA DMV</i>			
State and Community Highway Safety	20.600	BPT-2024-54038-24038	5,306
State and Community Highway Safety	20.600	BPT-2025-55093-25093	16,897
Total Highway Safety Cluster			<u>22,203</u>
Total Department of Transportation			<u>22,203</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,485,586</u></u>

The accompanying notes are an integral part of this schedule.

Town of Marion, Virginia
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Basis of Presentation

The schedule of expenditures of federal awards includes the federal award activity of the Town of Marion under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200 Uniform Administrative Requirement, Cost Principle and Audit Requirement for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

Summary of Significant Accounting Policies

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

Grant identifying numbers as awarded or as assigned by pass-through entities are presented where available.

Subrecipients

The Town did not have any subrecipients for the year ended June 30, 2025.

Loan Balances

USDA Community Facilities Loan of \$76,900.

Issued April 3, 2025. Expended during the year ended June 30, 2025 by the General Fund on the modified accrual basis of accounting. Therefore, the schedule of expenditures of federal awards reported expenditures of \$76,900 for the year ended June 30, 2025. Loan payments are reported as debt service expense. On the accrual basis of accounting, loan balances are reported on the government-wide statements as long-term liability.

At June 30, 2025 the outstanding balance was \$74,444.

Drinking Water State Revolving Fund of \$1,621,056.

Expended during the year ended June 30, 2025 by the Water Fund on the accrual basis of accounting. Therefore, the schedule of expenditures of federal awards reported expenditures of \$1,621,056 for the year ended June 30, 2025. Loan payments are reported as debt service expense. On the accrual basis of accounting, loan balances are reported on the proprietary fund and government-wide statements as long-term liability.

At June 30, 2025 the outstanding balance was \$1,169,738

USDA Community Facilities Loan of \$1,018,000

Awarded in September 2022. Due to backordered equipment has not been expended or issued as of June 30, 2025.

**STATISTICAL
INFORMATION**

Table 1

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

Fiscal Year	Nonspendable	Restricted	Assigned	Unassigned	Total
2015-16	\$ 147,688	\$ 223,752	\$ 198,279	\$ (56,557)	\$ 513,162
2016-17	144,403	223,752	211,180	(274,813)	304,522
2017-18	147,100	223,752	126,762	(908,596)	(410,982)
2018-19	84,408	244,393	125,144	147,841	601,786
2019-20	157,702	244,393	140,083	(346,023)	196,155
2020-21	165,201	248,893	-	(253,463)	160,631
2021-22	137,504	248,893	-	1,296,472	1,682,869
2022-23	163,882	118,893	-	5,364,600	5,647,375
2023-24	206,414	118,893	-	5,997,887	6,323,194
2024-25	265,331	118,893	-	5,155,194	5,539,418

Table 2

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

Fiscal Year	Governmental Activities			Business-type Activities		
	Net Investment in Capital Assets	Restricted	Unrestricted	Net Investment in Capital Assets	Restricted	Unrestricted
2015-16	\$ 7,919,083	\$ 219,941	\$ (3,848,874)	\$ 7,626,911	\$ 287,799	\$ 758,156
2016-17	8,225,246	219,941	(3,930,253)	7,936,517	403,974	290,518
2017-18	7,880,197	219,941	(5,687,135)	8,599,747	272,229	(96,037)
2018-19	7,791,284	240,582	(4,754,890)	8,388,122	214,746	75,617
2019-20	7,556,411	244,393	(5,432,634)	9,111,023	244,258	289,554
2020-21	6,859,399	248,893	(5,837,041)	10,253,546	267,271	383,003
2021-22	6,954,203	248,893	(3,455,433)	12,265,338	309,605	(153,557)
2022-23	7,170,994	118,893	712,415	13,521,362	255,426	(118,395)
2023-24	8,144,204	118,893	1,627,522	14,888,028	271,829	251,602
2024-25	9,320,473	118,893	1,049,467	15,968,613	441,638	(128,658)

Table 3

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

Fiscal Year	Revenues	Expenditures	Capital Projects	Excess (deficit) of Revenues over (under) Expenditures
2015-16	\$ 7,951,804	\$ 13,487,442	\$ 320,259	\$ (5,855,897)
2016-17	6,991,146	13,178,868	406,044	(6,593,766)
2017-18	6,984,219	16,728,796	524,397	(10,268,974)
2018-19	8,250,669	17,395,178	384,628	(9,529,137)
2019-20	7,847,519	17,587,021	12,104	(9,751,606)
2020-21	8,594,046	16,065,552	117,007	(7,588,513)
2021-22	7,971,531	17,355,179	625,527	(10,009,175)
2022-23	13,315,734	19,100,284	810,510	(6,595,060)
2023-24	10,110,921	22,402,162	307,205	(12,598,446)
2024-25	9,507,449	21,882,705	794,262	(13,169,518)

Fiscal Year	Proceeds from Debt	Transfers In (Out) & Recovered costs from EDA	Total Other Financing Sources (Uses)	Net Change in Fund Balance
2015-16	\$ 5,134,244	\$ 1,372,735	\$ 6,506,979	\$ 651,082
2016-17	5,302,760	1,082,367	6,385,127	(208,639)
2017-18	8,367,347	1,186,123	9,553,470	(715,504)
2018-19	8,680,000	1,861,905	10,541,905	1,012,768
2019-20	8,418,500	927,475	9,345,975	(405,631)
2020-21	6,580,000	972,989	7,552,989	(35,524)
2021-22	9,412,500	2,118,913	11,531,413	1,522,238
2022-23	8,859,000	1,700,566	10,559,566	3,964,506
2023-24	10,904,978	2,369,287	13,274,265	675,819
2024-25	9,316,450	3,069,292	12,385,742	(783,776)

Table 4

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

Fiscal Year	Expenses	Program Revenues	Net (Expense)	General Revenues	Transfers	Change in Net Position
2015-16	\$ 10,532,808	\$ 7,088,849	\$ (3,443,959)	\$ 4,417,281	\$ -	\$ 973,322
2016-17	10,006,005	6,554,713	(3,451,292)	3,634,219	-	182,927
2017-18	11,737,767	6,598,463	(5,139,304)	3,990,626	-	(1,148,678)
2018-19	10,690,927	7,430,200	(3,260,727)	4,027,246	-	766,519
2019-20	11,884,191	8,080,452	(3,803,739)	3,861,283	-	57,544
2020-21	11,503,043	7,321,302	(4,181,741)	4,343,807	-	162,066
2021-22	9,816,591	8,837,287	(979,304)	4,973,282	-	3,993,978
2022-23	13,029,932	8,901,176	(4,128,756)	9,620,402	-	5,491,646
2023-24	12,322,787	10,269,542	(2,053,245)	5,694,628	-	3,641,383
2024-25	13,934,133	10,122,137	(3,811,996)	5,534,879	-	1,722,883

Table 5

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development
2015-16	\$ 1,326,908	\$ 1,875,229	\$ 2,871,732	\$ 1,062,583	\$ 1,002,968
2016-17	1,367,052	2,100,570	2,128,625	1,091,145	973,886
2017-18	1,592,878	2,605,326	2,850,070	1,372,153	975,852
2018-19	1,613,462	2,417,178	2,808,194	933,385	805,158
2019-20	1,678,914	2,616,381	3,329,208	862,124	962,468
2020-21	2,130,256	3,027,956	2,877,353	386,720	890,537
2021-22	1,683,623	2,430,541	2,242,621	73,226	922,621
2022-23	1,906,288	3,068,389	3,694,899	141,948	1,628,857
2023-24	1,997,755	2,899,598	3,478,137	198,777	1,113,532
2024-25	2,064,838	3,323,192	4,540,781	147,071	843,789

Fiscal Year	Interest on Long-term Debt	Water, Sewer and CIRP	Swimming Pool	Total
2015-16	\$ 116,184	\$ 2,233,194	\$ 44,010	\$ 10,532,808
2016-17	34,523	2,220,782	89,422	10,006,005
2017-18	129,029	2,169,160	43,299	11,737,767
2018-19	114,692	1,960,102	38,756	10,690,927
2019-20	105,288	2,294,588	35,220	11,884,191
2020-21	119,711	2,042,524	27,986	11,503,043
2021-22	138,720	2,263,858	61,381	9,816,591
2022-23	11,017	2,448,242	130,292	13,029,932
2023-24	109,371	2,395,889	129,728	12,322,787
2024-25	84,866	2,797,235	132,361	13,934,133

Table 6

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	General Property Taxes	Other Local Taxes	Permits, Fees & Licenses	Fines & Forfeitures
2015-16	\$ 4,802,192	\$ 1,942,168	\$ 344,489	\$ 603,510	\$ 2,839,312	\$ 370	\$ 17,007
2016-17	4,473,292	1,880,265	201,156	553,350	2,728,276	655	19,589
2017-18	4,632,913	1,750,013	215,537	666,766	2,849,725	345	30,430
2018-19	5,034,506	2,231,719	163,975	688,058	2,907,998	806	27,205
2019-20	5,173,854	2,638,324	268,274	739,068	2,878,585	626	17,832
2020-21	5,023,129	1,910,936	387,237	785,024	3,009,533	635	20,184
2021-22	5,808,354	1,938,011	1,090,922	933,197	3,197,720	750	8,286
2022-23	6,192,802	2,418,838	289,536	859,666	3,719,556	1,282	12,131
2023-24	7,342,937	2,718,415	208,190	988,844	3,701,753	3,398	12,682
2024-25	6,811,612	2,596,369	714,156	1,004,749	3,842,197	2,600	15,575

GENERAL REVENUES continued

Fiscal Year	Unrestricted Investment Earnings	Miscellaneous	Recovered Costs	Not Restricted Grants & Contributions	Gain (Loss) on Disposal of Capital Assets	Total
2015-16	\$ 14,117	\$ 51,429	\$ 819,333	\$ 72,203	\$ -	\$ 11,506,130
2016-17	13,728	154,184	98,263	66,174	-	10,188,932
2017-18	14,228	208,413	137,867	71,952	10,900	10,589,089
2018-19	13,503	55,684	84,495	74,136	175,361	11,457,446
2019-20	11,712	32,370	89,488	89,320	2,282	11,941,735
2020-21	3,553	47,283	363,922	1,021,466	(907,793)	11,665,109
2021-22	6,198	75,285	123,187	624,558	4,101	13,810,569
2022-23	116,137	58,506	129,690	4,683,448	39,986	18,521,578
2023-24	167,250	48,690	533,563	164,807	73,641	15,964,170
2024-25	240,489	25,706	174,798	174,031	54,734	15,657,016

Table 7

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

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total (1)
2015-16	\$ 1,311,957	\$ 1,917,880	\$ 2,839,192	\$ 967,524	\$ 1,018,176	\$ 5,432,713	\$ 13,487,442
2016-17	1,290,385	2,112,993	2,213,453	1,062,512	953,939	5,545,586	13,178,868
2017-18	1,401,842	2,268,517	2,611,775	1,687,284	934,742	7,824,636	16,728,796
2018-19	1,498,311	2,315,792	3,012,536	845,947	816,620	8,905,972	17,395,178
2019-20	1,529,100	2,390,236	3,512,760	757,629	938,806	8,458,490	17,587,021
2020-21	2,214,745	2,648,149	2,628,637	934,486	865,271	6,774,264	16,065,552
2021-22	1,745,361	2,727,263	2,307,903	114,726	960,617	9,499,309	17,355,179
2022-23	1,831,212	3,180,080	3,848,083	184,536	1,661,023	8,395,350	19,100,284
2023-24	1,930,807	3,761,047	3,535,114	391,016	1,132,761	11,651,417	22,402,162
2024-25	2,035,379	4,076,901	4,474,595	824,193	852,527	9,619,110	21,882,705

(1) Excludes capital projects

Table 8

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Fees & Licenses	Fines & Forfeitures	Revenue from Money & Property
2015-16	\$ 592,351	\$ 2,839,312	\$ 370	\$ 17,007	\$ 14,057
2016-17	640,192	2,728,276	655	19,589	13,520
2017-18	675,388	2,849,725	345	30,430	14,088
2018-19	684,666	2,907,040	806	27,205	13,368
2019-20	746,348	2,877,242	626	17,832	11,573
2020-21	786,684	3,009,533	635	20,184	3,407
2021-22	803,114	3,197,720	750	8,286	13,371
2022-23	855,996	3,719,556	1,282	12,131	113,904
2023-24	963,147	3,701,753	3,398	12,682	165,174
2024-25	955,641	3,842,197	2,600	15,575	218,613

Fiscal Year	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total
2015-16	\$ 1,230,480	\$ 51,429	\$ 919,872	\$ 2,286,926	\$ 7,269,565
2016-17	1,323,523	145,603	173,349	1,946,439	6,991,146
2017-18	1,121,616	221,741	248,921	1,821,965	6,984,219
2018-19	1,435,187	691,465	185,077	2,305,855	8,250,669
2019-20	1,218,634	34,652	212,968	2,727,644	7,847,519
2020-21	1,107,434	369,845	363,922	2,932,402	8,594,046
2021-22	937,706	79,386	368,629	2,562,569	7,971,531
2022-23	966,385	98,492	445,702	7,102,286	13,315,734
2023-24	1,217,079	122,331	1,042,135	2,883,222	10,110,921
2024-25	710,310	93,830	898,283	2,770,400	9,507,449

Table 9

Town of Marion, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2)	Percent of Delinquent Taxes to Tax Levy
2015-16	\$ 744,991	\$ 605,140	81.23%	\$ 21,192	\$ 626,332	84.07%	\$ 211,002	28.32%
2016-17	840,980	629,306	74.83%	33,926	663,232	78.86%	177,608	21.12%
2017-18	850,426	690,881	81.24%	17,793	708,674	83.33%	215,424	25.33%
2018-19	895,372	702,530	78.46%	14,701	717,231	80.10%	202,779	22.65%
2019-20	934,624	743,714	79.57%	26,615	770,329	82.42%	182,161	19.49%
2020-21	948,374	794,555	83.78%	18,716	813,271	85.75%	176,830	18.65%
2021-22	1,015,978	799,257	78.67%	29,805	829,062	81.60%	183,296	18.04%
2022-23	1,043,349	858,648	82.30%	26,943	885,591	84.88%	193,111	18.51%
2023-24	1,167,034	870,869	74.62%	25,505	896,374	76.81%	208,420	17.86%
2024-25	1,183,024	967,423	81.78%	20,197	987,620	83.48%	264,746	22.38%

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

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

Table 10

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Utility		Total
				Real Estate	Personal Property	
2015-16	\$ 302,063,200	\$ 39,192,439	\$ 9,554,009	\$ 16,278,252	\$ -	\$ 367,087,900
2016-17	310,460,800	44,487,803	10,844,869	15,860,430	-	381,653,902
2017-18	312,477,300	44,825,654	11,206,414	14,424,559	-	382,933,927
2018-19	314,979,300	47,439,982	11,859,995	15,136,716	-	389,415,993
2019-20	336,427,400	46,489,542	11,622,385	18,284,088	-	412,823,415
2020-21	337,488,700	48,907,135	12,226,784	15,959,684	-	414,582,303
2021-22	339,019,273	62,536,379	15,634,095	16,283,825	-	433,473,572
2022-23	340,488,300	65,502,982	16,375,745	21,535,055	-	443,902,082
2023-24	465,764,600	63,584,723	15,896,181	32,515,159	-	577,760,663
2024-25	466,253,723	67,027,126	16,756,782	28,484,087	-	578,521,718

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

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>
2015-16	0.15	0.35	0.35
2016-17	0.15	0.35	0.35
2017-18	0.15	0.35	0.35
2018-19	0.17	0.35	0.35
2019-20	0.17	0.40	0.40
2020-21	0.17	0.40	0.40
2021-22	0.17	0.40	0.40
2022-23	0.17	0.40	0.40
2023-24	0.17	0.40	0.40
2024-25	0.15	0.40	0.40

Table 12

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2015-16	5,968	\$ 381,654	\$ 7,425,172	1.95%	\$ 1,244
2016-17	5,968	382,934	7,434,278	1.94%	1,246
2017-18	5,968	389,416	8,408,072	2.16%	1,409
2018-19	5,968	412,823	8,427,305	2.04%	1,412
2019-20	5,968	412,823	8,212,518	1.99%	1,376
2020-21	5,751	414,582	7,702,524	1.86%	1,339
2021-22	5,762	433,474	7,699,517	1.78%	1,336
2022-23	5,666	443,902	8,620,860	1.94%	1,522
2023-24	5,617	578,522	7,666,760	1.33%	1,365
2024-25	5,602	578,522	8,169,290	1.41%	1,458

(1) U.S. Census Bureau.

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

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
2015-16	\$ 5,311,758	\$ 120,955	\$ 5,432,713	\$ 13,807,701	39.35%
2016-17	5,476,978	68,608	5,545,586	13,584,912	40.82%
2017-18	7,700,735	123,901	7,824,636	17,253,193	45.35%
2018-19	8,785,727	120,245	8,905,972	17,779,806	50.09%
2019-20	8,349,762	108,728	8,458,490	17,599,125	48.06%
2020-21	6,658,193	116,071	6,774,264	16,182,559	41.86%
2021-22	9,357,763	141,546	9,499,309	17,980,706	52.83%
2022-23	8,388,506	6,844	8,395,350	19,910,794	42.16%
2023-24	11,538,879	112,538	11,651,417	22,709,367	51.31%
2024-25	9,525,547	93,563	9,619,110	22,676,967	42.42%

Town of Marion, Virginia
Principal Taxpayers
June 30, 2025

Company	2023-24		2024-25	
	Assessed Value	Rank	Assessed Value	Rank
General Dynamics	\$ 12,094,400	1	\$ 15,006,300	1
Regency Marion/Walmart	8,244,300	2	9,425,700	2
Smyth County Foundation	6,629,300	3	8,593,700	3
Marion Plaza	4,639,100	4	5,749,100	4
Marion Manor	3,615,400	6	5,553,300	5
Living for Life Properties (Highland Develop)	4,385,300	5	5,121,600	6
Park Terrace Apartments	2,769,500	9	4,095,300	7
Callan Drive Investments	3,198,600	7	3,811,400	8
Holston Hills Golf Course	3,024,200	8	3,436,800	9
Marathon Realty			3,253,800	10
Bank of Marion	2,321,200	10		

Information provided from the real estate tax book.

Table 15

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

	2016	2017	2018	2019	2020
Assessed valuations:					
Assessed value	\$ 367,087,900	\$ 381,653,902	\$ 382,933,927	\$ 412,823,415	\$ 412,823,415
Legal debt margin					
Debt limitation - 10% of assessed value	36,708,790	38,165,390	38,293,393	41,282,342	41,282,342
Debt applicable to limitation:					
General obligation bonds	7,430,784	7,434,278	8,408,072	8,427,305	8,212,518
Less: Amount set aside for repayment	352,828	403,974	272,229	214,746	244,258
Total debt applicable to limitation	7,077,956	7,030,304	8,135,843	8,212,559	7,968,260
Legal debt margin	\$ 29,630,834	\$ 31,135,086	\$ 30,157,550	\$ 33,069,783	\$ 33,314,082
Applicable debt as a % of debt limitation	19.28%	18.42%	21.25%	19.89%	19.30%
	2021	2022	2023	2024	2025
Assessed valuations:					
Assessed value	\$ 414,582,303	\$ 433,473,572	\$ 443,902,082	\$ 577,760,663	\$ 578,521,718
Legal debt margin					
Debt limitation - 10% of assessed value	41,458,230	43,347,357	44,390,208	57,776,066	57,852,172
Debt applicable to limitation:					
General obligation bonds	7,702,524	7,699,517	8,620,860	7,666,760	8,169,290
Less: Amount set aside for repayment	267,271	309,605	255,426	271,829	441,638
Total debt applicable to limitation	7,435,253	7,389,912	8,365,434	7,394,931	7,727,652
Legal debt margin	\$ 34,022,977	\$ 35,957,445	\$ 36,024,774	\$ 50,381,135	\$ 50,124,520
Applicable debt as a % of debt limitation	17.93%	17.05%	18.85%	12.80%	13.36%

Town of Marion, Virginia
Miscellaneous Statistics
June 30, 2025

Date of incorporation	1832
Form of government	Council-Manager
Number of full-time employees:	
General government administration	17
Public safety	33
Public works	29
Parks, recreation, and cultural	1
Community development	3
Water, sewer and CIRP	15

COMPLIANCE
SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Marion Virginia, hereinafter the Town, as of and for the year ended June 30, 2025, 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 22, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Lucker, Brandenburg & Company, PLLC

Lebanon, Virginia
January 22, 2026

Tucker, Brandenburg & Company, PLLC

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Marion, Virginia's, hereinafter the Town, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2025. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Sucker, Brandenburg & Company, PLLC

Lebanon, Virginia
January 22, 2026

Section I - Summary of Auditor Results

Financial Statements

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

Federal Awards

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

Major programs identified:

	Assistance Listing Number
Communities Facilities Loans and Grants	10.766
Drinking Waer State Revolving Fund	66.468
NPS - Land and Water Conservation	15.916

Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
Auditee qualified as low risk?	Yes

Section II - Financial Statement Findings:

None Reported

Section III - Federal Awards Findings and Questioned Costs

None Reported

Prior Year Findings

None Reported