

TOWN OF MARION, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

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**TOWN OF MARION, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2014**

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**TOWN OF MARION, VIRGINIA  
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FISCAL YEAR ENDED JUNE 30, 2014**

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**TOWN OF MARION, VIRGINIA**

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**TOWN COUNCIL**

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David P. Helms, Mayor

James Gates

Larry Carter

Bill Weaver

Tricia Spencer

Jim Barker

Jim Owens

Suzanne Jennings

**OTHER OFFICIALS**

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

**AUDITOR'S  
OPINION**



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

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Marion, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marion, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marion, Virginia, as of June 30, 2014, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the Schedule of Funding Progress on pages 4–14, 67, and 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, on our consideration of the Town of Marion, Virginia's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Marion, Virginia's internal control over financial reporting and compliance.

*Bostic, Tucker & Company, PC*

Lebanon, Virginia  
December 31, 2014

## MANAGEMENT DISCUSSION AND ANALYSIS



## TOWN OF MARION, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

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Our discussion and analysis of the Town of Marion's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter and the Town's financial statements.

#### Financial Highlights

The general fund is the chief operating fund of the Town. At the end of the 2013 fiscal year, the unassigned fund balance of the general fund was (\$368,168) and the fund balance was restricted for debt service of \$74,690, and nonspendable for prepaid expenses of \$53,614. For the current fiscal year, 2014, the unassigned fund balance of the general fund was (\$243,139) and nonspendable for prepaid expenses of \$113,174.

The total net position of the Town of Marion's governmental activities was \$6,094,641 as of June 30, 2013. The total net position for 2014 is \$6,302,398. An increase occurred due largely to purchase of capital assets and reduction of current liabilities.

The total net position of the business-type activities were \$9,768,899 for fiscal year end 2013 and \$9,658,893 for the fiscal year end 2014 resulting in a decrease of \$110,006. The water, sewer and swimming pool funds reported operating revenues of \$3,059,090. An increase in operating revenues of \$183,379 occurred from fiscal year 2013.

#### Overview of the Basic Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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### Government-wide Financial Statements

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

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

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

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

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

### Fund Financial Statements

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

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

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

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

### **Notes to the Financial Statements**

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

### **Government-Wide Financial Analysis**

Net position may serve over time as a useful indicator of government's financial position. In the case of the Town of Marion, assets exceeded liabilities by \$6,094,641 as of June 30, 2013. As of June 30, 2014, the Town of Marion assets exceeded liabilities by \$6,302,398.

The largest portion of the Town's net position of \$6,634,300 reflects its net investment in capital assets (e.g. land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The town uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position of \$208,814 represents resources that are subject to external restriction on how they may be used. The remaining balance of unreserved net position is (\$540,716).

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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General revenues and transfers were \$4,655,070 for governmental activities. General revenues include property taxes, other local taxes, interest income, miscellaneous income, and transfers from other funds. Program revenues were \$2,636,213 for governmental activities. The source of the program revenues is from charges for services, operating grants and contributions, and capital grants and contributions. Total expenses for governmental activities were \$7,083,526, which included expense for general government, public safety, public works, culture and recreation, community development, and interest expense. The governmental activities exhibited a change in net position of \$207,757.

**Business-type activities**

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

The total net position for business-type activities was \$9,658,893 which includes net investment in capital assets of \$7,991,802, reserved for debt service and bond covenants of \$378,873, and unreserved net position of \$1,288,218.

Program revenues for business-type activities for the Town were \$3,059,090 for charges for services and \$132,093 for capital grants and contributions. Program revenues include charges for water and sewer usage, tap and connection fees, pool fees, and grants. The expenses incurred to provide these services were \$2,106,431. General revenues and transfers include interest income of \$3,110, recovered costs of \$8,916, and a transfer to other funds of \$(1,206,784). The change in net position for business-type activities resulted in a decrease to net position of \$110,006.

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TOWN OF MARION, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The table below focuses on the net assets of the Town's governmental and business-type activities as of the years ended June 30, 2014 and 2013.

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Current Assets	1,974,582	2,031,953	2,127,493	2,058,243	4,102,075	4,090,196
Capital Assets	9,185,189	9,203,574	13,269,809	13,098,673	22,454,998	22,302,247
Total Assets	11,159,771	11,235,527	15,397,302	15,156,916	26,557,073	26,392,443
Current Liabilities	1,393,876	1,014,372	599,162	193,099	1,993,038	1,207,471
Long-Term Liabilities	2,943,809	3,218,647	5,029,241	5,304,924	7,973,050	8,523,571
Total Liabilities	4,337,685	4,233,019	5,628,403	5,498,023	9,966,088	9,731,042
Deferred Inflows of Resources	727,445	700,110	-	-	727,445	700,110
Net Position:						
Net Investment in						
Capital Assets	6,437,280	6,634,300	8,037,542	7,991,802	14,474,822	14,626,102
Restricted	271,478	208,814	480,695	378,873	752,173	587,687
Unrestricted	(614,117)	(540,716)	1,250,662	1,288,218	636,545	747,502
Total Net Position	6,094,641	6,302,398	9,768,899	9,658,893	15,863,540	15,961,291

TOWN OF MARION, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

Table 2

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Charges for Services	792,501	889,334	2,875,711	3,059,090	3,668,212	3,948,424
Operating Grants/Contributions	1,511,125	1,440,293	-	-	1,511,125	1,440,293
Capital Grants/Contributions	144,415	306,586	206,586	132,093	351,001	438,679
Program Revenues	2,448,041	2,636,213	3,082,297	3,191,183	5,530,338	5,827,396
Taxes	3,135,595	3,266,264	-	-	3,135,595	3,266,264
Interest Income	23,893	16,557	2,424	3,110	26,317	19,667
Miscellaneous	32,742	78,538	-	-	32,742	78,538
Fines, forfeitures, permits	26,420	17,324	-	-	26,420	17,324
Recovered costs	-	-	4,458	8,916	4,458	8,916
Grants not restricted to program	75,878	69,603	-	-	75,878	69,603
General Revenues	3,294,528	3,448,286	6,882	12,026	3,301,410	3,460,312
Total Revenues	5,742,569	6,084,499	3,089,179	3,203,209	8,831,748	9,287,708
General Government	1,309,870	1,327,851	-	-	1,309,870	1,327,851
Public Safety	1,583,513	1,524,561	-	-	1,583,513	1,524,561
Public Works	2,173,422	2,003,788	-	-	2,173,422	2,003,788
Parks, Recreation, Cultural	1,141,233	1,315,327	-	-	1,141,233	1,315,327
Community Development	732,440	830,257	-	-	732,440	830,257
Interest expense	87,659	81,742	-	-	87,659	81,742
Swimming pool	-	-	50,034	39,708	50,034	39,708
Water and Sewer	-	-	2,126,493	2,066,723	2,126,493	2,066,723
Total Expenses	7,028,137	7,083,526	2,176,527	2,106,431	9,204,664	9,189,957
Transfers	884,494	1,206,784	(884,494)	(1,206,784)	-	-
Change in Net Position	(401,074)	207,757	28,158	(110,006)	(372,916)	97,751
Beginning Net Position	6,495,715	6,094,641	9,740,741	9,768,899	16,236,456	15,863,540
Ending Net Position	6,094,641	6,302,398	9,768,899	9,658,893	15,863,540	15,961,291

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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## Financial Analysis of the Town's Funds

### Governmental Funds

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

At the end of the current fiscal year, the Town of Marion's governmental funds reported combined ending fund balance of \$236,485. Fund balance includes \$139,398 nonspendable for prepaid expenses and inventory, \$212,625 restricted for specific purposes, \$247,993 assigned to golf course and (\$363,531) unassigned.

Total revenues were \$6,173,258 for governmental funds. The governmental funds revenues include property taxes, other local taxes, permits, fees, and licenses, fines and forfeitures, revenue from the use of money and property, charges for services, recovered costs, intergovernmental, and miscellaneous income.

Total expenses for governmental funds were \$9,741,168. These expenses are for general government, public safety, public works, culture and recreation, community development, debt service principal retirements and interest expense. This resulted in a deficiency before other financing sources of \$3,567,910 in the governmental funds. The governmental funds obtained other financing sources of \$3,688,784, which included operating transfer from the Water and Sewer Fund of \$1,222,364, operating transfer to the Swimming Pool Fund of \$15,580, operating transfer from Downtown Housing Fund of \$5,401, and proceeds of indebtedness of \$2,482,000. After the other financing sources were received by the governmental funds, there was a change in fund balance of \$120,874 at June 30, 2014.

### Proprietary Funds

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

Net position for the water and sewer fund decreased from \$9,567,674 to \$9,458,474. The balance is made up of \$7,788,726 in net investment in capital assets, \$378,873 restricted for debt service and bond covenants, and \$1,290,875 unreserved.

Swimming pool fund net position in the amount of \$200,419 is down from 2013. Operating expenses were \$50,034 for fiscal year 2013 and \$39,708 in fiscal year 2014. The net position balance includes \$203,076 net investment in capital assets and deficit unreserved net position balance of \$2,657.

Proprietary funds total operating revenues were \$3,059,090. Operating expenses for the proprietary funds was \$1,940,708. This resulted in an operating income of \$1,118,382. The proprietary funds had total non-operating expense of \$153,697, capital contributions of \$132,093, and net operating transfer out of \$1,206,784. This resulted in a change in net position of (\$110,006).

## TOWN OF MARION, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

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#### General Fund Budgetary Highlights

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

Budgetary Highlights for 2013-2014

	GENERAL FUND BUDGET	GENERAL FUND ACTUAL	VARIANCE
Revenues	\$5,201,380	\$5,453,284	\$ 251,904
Expenditures	6,243,072	8,815,954	(2,572,882)

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

#### Capital Asset and Long-Term Debt Activity

##### Capital Assets

As of June 30, 2014 the Town had capital assets including land, buildings, construction in progress, land improvements, equipment, and infrastructure.

Major asset events during the fiscal year included the following:

STP Digester upgrade—Capital expenditures for the STP Digester upgrade were \$182,449 for the fiscal year ending June 30, 2014. The project was not completed by the end of the fiscal year and will be included in construction in progress at June 30, 2014.

Edwynne Water Line Replacement—Capital expenditures for the project were \$86,914 for the fiscal year ending June 30, 2014. The project was completed by the end of the fiscal year and will be included as a depreciable capital asset at June 30, 2014 of \$86,914.

Streetscape—Capital expenditures for the project were \$189,927 for the fiscal year ending June 30, 2014. The project was not completed by the end of the fiscal year.

Wayne C. Henderson School Project—Capital expenditures for the Wayne C. Henderson School Project were \$157,991 for the fiscal year ending June 30, 2014. The project was not completed by the end of the fiscal year and will be included in construction in progress at June 30, 2014.



TOWN OF MARION, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets (Continued)

Land purchased to protect the Watershed—Capital expenditures for land to protect the watershed were \$128,673 for fiscal year ending June 30, 2014.

Long-term Debt

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

	Balance July 1, 2013	Issuances	Retirements	Balance June 30, 2014
General obligation bonds	\$ 5,232,266	\$ 217,582	\$ (342,978)	\$ 5,106,870
OPEB liability	128,051	26,513	-	154,564
Compensated absences	47,861	-	(4,372)	43,489
Total	<u>\$ 5,408,178</u>	<u>\$ 244,095</u>	<u>\$ (347,350)</u>	<u>\$ 5,304,923</u>

The outstanding debt for governmental activities at June 30, 2014 is as follows:

	Balance July 1, 2013	Issuances	Retirements	Balance June 30, 2014
General obligation bonds	\$ 405,000	\$ -	\$ (70,000)	\$ 335,000
Premium on bond	6,906	-	(1,295)	5,611
Loans payable	2,336,002	-	(118,738)	2,217,264
Line of credit	-	2,482,000	(2,470,602)	11,398
OPEB liability	334,924	124,935	-	459,859
Compensated absences	189,675	-	(161)	189,514
Total	<u>\$ 3,272,507</u>	<u>\$ 2,606,935</u>	<u>\$ (2,660,796)</u>	<u>\$ 3,218,646</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

Scheduled Major Projects

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

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

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

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

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

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

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

**Housing Rehabilitation of Crescent and Palmer Avenue** – This project was started in fiscal year 2014 and will continue into fiscal year 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

Scheduled Major Projects (Continued)

**South Church Street Drainage Project** – This project is to address inadequate storm water facilities on South Church Street. This project includes a comprehensive drainage system to handle most of the high intensity storm events and to prevent flooding on South Church Street. The projected starting date is 2015 to 2016 and the estimated cost is \$600,000.

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

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

**Fire/EMS Operations** – The Town is beginning the shift from a fully volunteer Fire Department to a quasi-volunteer, partially paid Fire Department with Emergency Rescue Services. This is being facilitated by the integration of the current 501(c)3, Marion Rescue Squad operations. It is anticipated that the proceeds from insurance billings for services rendered will fund this department.

**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

## **BASIC FINANCIAL STATEMENTS**

Town of Marion, Virginia  
Statement of Net Position  
For the Year Ended June 30, 2014

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 436,675	\$ 710,101	\$ 1,146,776
Receivables (net of allowance for uncollectibles):			
Taxes receivable	762,622	-	762,622
Accounts receivable	169,719	405,472	575,191
Other receivables	218,973	-	218,973
Due from other funds	152,320	556,121	708,441
Due from other governmental units	152,246	-	152,246
Inventories	18,175	-	18,175
Prepaid expenses	121,223	7,676	128,899
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	308,522	308,522
Investments	-	70,351	70,351
Capital assets (net of accumulated depreciation):			
Land	1,831,018	707,377	2,538,395
Buildings and system	4,590,514	-	4,590,514
Improvements other than buildings	-	23,951	23,951
Machinery and equipment	324,310	396,243	720,553
Plant and lines in service	-	10,681,796	10,681,796
Infrastructure	2,123,296	-	2,123,296
Construction in progress	334,436	1,289,306	1,623,742
Total assets	\$ 11,235,527	\$ 15,156,916	\$ 26,392,443
<b>LIABILITIES</b>			
Accounts payable	\$ 175,675	\$ 98,937	\$ 274,612
Accrued liabilities	126,666	14,075	140,741
Customers' deposits	-	46,910	46,910
Accrued interest payable	3,590	33,177	36,767
Due to other funds	708,441	-	708,441
Long-term liabilities:			
Due within one year	261,194	356,935	618,129
Due in more than one year	2,957,453	4,947,989	7,905,442
Total liabilities	\$ 4,233,019	\$ 5,498,023	\$ 9,731,042
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	\$ 700,110	-	700,110
<b>NET POSITION</b>			
Net Investment in capital assets	\$ 6,634,300	\$ 7,991,802	\$ 14,626,102
Restricted for:			
Debt service and bond covenants	-	378,873	378,873
Downtown housing project	208,814	-	208,814
Unrestricted (deficit)	(540,716)	1,288,218	747,502
Total net position	\$ 6,302,398	\$ 9,658,893	\$ 15,961,291

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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,327,851	\$ 1,643	\$ -	\$ -	\$ (1,326,208)	\$ -	\$ (1,326,208)
Public safety	1,524,561	500	181,096	-	(1,342,965)	-	(1,342,965)
Public works	2,003,788	362,246	1,129,871	-	(511,671)	-	(511,671)
Parks, recreation, and cultural	1,315,327	520,958	-	156,187	(638,182)	-	(638,182)
Community development	830,257	3,987	129,326	150,399	(546,545)	-	(546,545)
Interest on long-term debt	81,742	-	-	-	(81,742)	-	(81,742)
Total government activities	<u>\$ 7,083,526</u>	<u>\$ 889,334</u>	<u>\$ 1,440,293</u>	<u>\$ 306,586</u>	<u>\$ (4,447,313)</u>	<u>\$ -</u>	<u>\$ (4,447,313)</u>
Business-type activities:							
Water and Sewer	\$ 2,066,723	\$ 3,035,768	\$ -	\$ 132,093	\$ -	\$ 1,101,138	\$ 1,101,138
Swimming Pool	39,708	23,322	-	-	-	(16,386)	(16,386)
Total business-type activities	<u>\$ 2,106,431</u>	<u>\$ 3,059,090</u>	<u>\$ -</u>	<u>\$ 132,093</u>	<u>\$ -</u>	<u>\$ 1,084,752</u>	<u>\$ 1,084,752</u>
Total primary government	<u><u>\$ 9,189,957</u></u>	<u><u>\$ 3,948,424</u></u>	<u><u>\$ 1,440,293</u></u>	<u><u>\$ 438,679</u></u>	<u><u>\$ (4,447,313)</u></u>	<u><u>\$ 1,084,752</u></u>	<u><u>\$ (3,362,561)</u></u>
General revenues:							
General property taxes					\$ 598,997	\$ -	\$ 598,997
Other local taxes:							
Local sales and use taxes					215,260	-	215,260
Consumers' utility taxes					111,140	-	111,140
Business license taxes					529,016	-	529,016
Communication tax					131,069	-	131,069
Motor vehicle licenses					46,874	-	46,874
Bank stock tax					177,612	-	177,612
Meals taxes					1,166,741	-	1,166,741
Other local taxes					289,555	-	289,555
Permits, privilege fees, and regulatory licenses					150	-	150
Fines and forfeitures					17,174	-	17,174
Unrestricted revenues from use of money and property					16,557	3,110	19,667
Miscellaneous					78,538	-	78,538
Recovered costs					-	8,916	8,916
Grants and contributions not restricted to specific programs					69,603	-	69,603
Gain (loss) on disposal of capital assets					-	-	-
Transfers					1,206,784	(1,206,784)	-
Total general revenues					<u>\$ 4,655,070</u>	<u>\$ (1,194,758)</u>	<u>\$ 3,460,312</u>
Change in net position					<u>\$ 207,757</u>	<u>\$ (110,006)</u>	<u>\$ 97,751</u>
Net position - beginning					6,094,641	9,768,899	15,863,540
Net position - ending					<u>\$ 6,302,398</u>	<u>\$ 9,658,893</u>	<u>\$ 15,961,291</u>

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

Town of Marion, Virginia  
Balance Sheet  
Governmental Funds  
For the Year Ended June 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 106,127	\$ 330,548	\$ 436,675
Receivables (net of allowance for uncollectibles):			
Taxes receivable	762,622	-	762,622
Accounts receivable	93,270	76,449	169,719
Other receivables	218,973		218,973
Due from other funds	33,951	118,369	152,320
Due from other governmental units	152,246	-	152,246
Inventories	-	18,175	18,175
Prepaid expenses	113,174	8,049	121,223
Restricted assets:			
Investments	-	-	-
Total assets	<u>\$ 1,480,363</u>	<u>\$ 551,590</u>	<u>\$ 2,031,953</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable	\$ 152,128	\$ 23,547	\$ 175,675
Accrued liabilities	117,393	9,273	126,666
Due to other funds	556,121	152,320	708,441
Total liabilities	<u>\$ 825,642</u>	<u>\$ 185,140</u>	<u>\$ 1,010,782</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	<u>784,686</u>	<u>\$ -</u>	<u>\$ 784,686</u>
<b>FUND BALANCE</b>			
Fund balances:			
Nonspendable			
Prepaid expense	\$ 113,174	\$ 8,049	\$ 121,223
Inventory	-	18,175	18,175
Restricted for:			
Debt service and bond covenants	-	-	-
DARE	-	1,311	1,311
Downtown housing	-	208,814	208,814
Master redevelopment	-	2,500	2,500
Committed to:	-	-	-
Parking garage	-	-	-
Assigned to:	-	-	-
Golf Course	-	247,993	247,993
Unassigned	(243,139)	(120,392)	(363,531)
Total fund balances	<u>\$ (129,965)</u>	<u>\$ 366,450</u>	<u>\$ 236,485</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,480,363</u>	<u>\$ 551,590</u>	<u>\$ 2,031,953</u>

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

**Town of Marion, Virginia**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**For the Year Ended June 30, 2014**

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 236,485
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,203,574
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	84,576
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,222,237)
Net position of governmental activities	<u>\$ 6,302,398</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, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
General property taxes	\$ 584,811	\$ -	\$ 584,811
Other local taxes	2,667,267	-	2,667,267
Permits, privilege fees, and regulatory licenses	150	-	150
Fines and forfeitures	17,174	-	17,174
Revenue from the use of money and property	16,557	-	16,557
Charges for services	383,382	505,952	889,334
Miscellaneous	75,351	3,187	78,538
Recovered costs	48,297	54,648	102,945
Intergovernmental revenues:			
Commonwealth	1,528,657	-	1,528,657
Federal	131,638	156,187	287,825
Total revenues	<u>\$ 5,453,284</u>	<u>\$ 719,974</u>	<u>\$ 6,173,258</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,247,119	\$ -	\$ 1,247,119
Public safety	1,450,222	-	1,450,222
Public works	2,043,903	-	2,043,903
Parks, recreation, and cultural	508,893	734,290	1,243,183
Community development	656,258	190,924	847,182
Capital projects	166,733	-	166,733
Debt service:			
Principal retirement	2,659,341	-	2,659,341
Interest and other fiscal charges	83,485	-	83,485
Total expenditures	<u>\$ 8,815,954</u>	<u>\$ 925,214</u>	<u>\$ 9,741,168</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,362,670)</u>	<u>\$ (205,240)</u>	<u>\$ (3,567,910)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 990,569	\$ 221,616	1,212,185
Transfers out	-	(5,401)	(5,401)
Proceeds of indebtedness	2,482,000	-	2,482,000
Total other financing sources (uses)	<u>\$ 3,472,569</u>	<u>\$ 216,215</u>	<u>\$ 3,688,784</u>
Net change in fund balances	\$ 109,899	\$ 10,975	\$ 120,874
Fund balances - beginning	(239,864)	355,475	115,611
Fund balances - ending	<u>\$ (129,965)</u>	<u>\$ 366,450</u>	<u>\$ 236,485</u>

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

**Town of Marion, Virginia**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2014**

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

Net change in fund balances - total governmental funds	\$	120,874
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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.		18,385
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		14,186
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		178,636
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		(124,324)
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Change in net position of governmental activities	\$	<u>207,757</u>
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The notes to the financial statements are an integral part of this statement.

Town of Marion, Virginia  
Statement of Net Position  
Proprietary Funds  
For the Year Ended June 30, 2014

	Enterprise Funds		
	Water and Sewer Fund	Swimming Pool Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 709,901	\$ 200	\$ 710,101
Accounts receivables, net of allowances for uncollectibles	405,472	-	405,472
Due from other funds	556,121	-	556,121
Prepaid expenses	7,676	-	7,676
Total current assets	<u>\$ 1,679,170</u>	<u>\$ 200</u>	<u>\$ 1,679,370</u>
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents	\$ 308,522	\$ -	\$ 308,522
Investments	70,351	-	70,351
Total restricted current assets	<u>\$ 378,873</u>	<u>\$ -</u>	<u>\$ 378,873</u>
Capital assets:			
Utility plant in service	20,259,853	-	20,259,853
Machinery and equipment	2,768,532	29,151	2,797,683
Land	528,252	179,125	707,377
Pool	-	974,651	974,651
Less accumulated depreciation	(11,950,346)	(979,851)	(12,930,197)
Construction in progress	1,289,306	-	1,289,306
Total capital assets	<u>\$ 12,895,597</u>	<u>\$ 203,076</u>	<u>\$ 13,098,673</u>
Total noncurrent assets	<u>\$ 13,274,470</u>	<u>\$ 203,076</u>	<u>\$ 13,477,546</u>
Total assets	<u>\$ 14,953,640</u>	<u>\$ 203,276</u>	<u>\$ 15,156,916</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 98,580	\$ 357	\$ 98,937
Accrued liabilities	11,575	2,500	14,075
Customers' deposits	46,910	-	46,910
Accrued interest payable	33,177	-	33,177
Compensated absences	32,617	-	32,617
General obligation bonds payable - current portion	324,318	-	324,318
Total current liabilities	<u>\$ 547,177</u>	<u>\$ 2,857</u>	<u>\$ 550,034</u>
Noncurrent liabilities:			
General obligation bonds payable - net of current portion	\$ 4,782,553	\$ -	\$ 4,782,553
Compensated absences	10,872	-	10,872
OPEB liability	154,564	-	154,564
Total noncurrent liabilities	<u>\$ 4,947,989</u>	<u>\$ -</u>	<u>\$ 4,947,989</u>
Total liabilities	<u>\$ 5,495,166</u>	<u>\$ 2,857</u>	<u>\$ 5,498,023</u>
<b>NET POSITION</b>			
Net Investment in capital assets	\$ 7,788,726	\$ 203,076	\$ 7,991,802
Restricted for debt service and bond covenants	378,873	-	378,873
Unrestricted	1,290,875	(2,657)	1,288,218
Total net position	<u>\$ 9,458,474</u>	<u>\$ 200,419</u>	<u>\$ 9,658,893</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 Net Position  
Proprietary Funds  
For the Year Ended June 30, 2014

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Swimming Pool Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services	\$ 3,035,768	\$ 20,772	\$ 3,056,540
Other revenues	-	2,550	2,550
Total operating revenues	<u>\$ 3,035,768</u>	<u>\$ 23,322</u>	<u>\$ 3,059,090</u>
<b>OPERATING EXPENSES</b>			
Personal services	\$ 507,285	\$ 18,141	\$ 525,426
Fringe benefits	268,226	6,644	274,870
Contractual services	72,003	402	72,405
Materials and supplies	128,251	6,304	134,555
Other charges	327,150	4,032	331,182
Depreciation	598,085	4,185	602,270
Total operating expenses	<u>\$ 1,901,000</u>	<u>\$ 39,708</u>	<u>\$ 1,940,708</u>
Operating income (loss)	<u>\$ 1,134,768</u>	<u>\$ (16,386)</u>	<u>\$ 1,118,382</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenue	\$ 8,916	\$ -	\$ 8,916
Investment earnings	3,110	-	3,110
Interest expense	(165,723)	-	(165,723)
Total nonoperating revenues (expenses)	<u>\$ (153,697)</u>	<u>\$ -</u>	<u>\$ (153,697)</u>
Income before contributions and transfers	<u>\$ 981,071</u>	<u>\$ (16,386)</u>	<u>\$ 964,685</u>
Capital contributions	\$ 132,093	\$ -	\$ 132,093
Transfers in	-	15,580	15,580
Transfers out	(1,222,364)	-	(1,222,364)
Change in net position	<u>\$ (109,200)</u>	<u>\$ (806)</u>	<u>\$ (110,006)</u>
Total net position - beginning	<u>\$ 9,567,674</u>	<u>\$ 201,225</u>	<u>\$ 9,768,899</u>
Total net position - ending	<u><u>\$ 9,458,474</u></u>	<u><u>\$ 200,419</u></u>	<u><u>\$ 9,658,893</u></u>

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

Town of Marion, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2014

	Enterprise Fund Water and Sewer Fund	Enterprise Fund Swimming Pool Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 3,013,287	\$ 23,322	\$ 3,036,609
Payments to suppliers	(816,474)	(18,928)	(835,402)
Payments to and for employees	(492,958)	(19,974)	(512,932)
Net cash provided (used by) operating activities	<u>\$ 1,703,855</u>	<u>\$ (15,580)</u>	<u>\$ 1,688,275</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	\$ (1,222,364)	\$ -	\$ (1,222,364)
Transfers from other funds	-	15,580	15,580
Net cash provided (used) by noncapital financing activities	<u>\$ (1,222,364)</u>	<u>\$ 15,580</u>	<u>\$ (1,206,784)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Additions to utility plant	\$ (431,134)	\$ -	\$ (431,134)
Principal payments on bonds	(342,978)	-	(342,978)
Capital contributions	132,093	-	132,093
Intergovernmental contributions	8,916	-	8,916
Proceeds from indebtedness	217,582	-	217,582
Interest payments	(167,813)	-	(167,813)
Net cash provided (used) by capital and related financing activities	<u>\$ (583,334)</u>	<u>\$ -</u>	<u>\$ (583,334)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	\$ 3,110	\$ -	\$ 3,110
Net cash provided (used) by investing activities	<u>\$ 3,110</u>	<u>\$ -</u>	<u>\$ 3,110</u>
Net increase (decrease) in cash and cash equivalents	\$ (98,733)	\$ -	\$ (98,733)
Cash and cash equivalents - beginning	\$ 1,187,507	\$ 200	\$ 1,187,707
Cash and cash equivalents - ending	<u><u>\$ 1,088,774</u></u>	<u><u>\$ 200</u></u>	<u><u>\$ 1,088,974</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 1,134,768	\$ (16,386)	\$ 1,118,382
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ 598,085	\$ 4,185	\$ 602,270
(Increase) decrease in accounts receivable	(22,201)	-	(22,201)
(Increase) decrease in prepaid expenses	(7,282)	-	(7,282)
Increase (decrease) in customer deposits	(280)	-	(280)
Increase (decrease) in operating accounts payable	(21,377)	(3,379)	(24,756)
Increase (decrease) in OPEB liability	26,513	-	26,513
Increase (decrease) in compensated absences	(4,371)	-	(4,371)
Total adjustments	<u>\$ 569,087</u>	<u>\$ 806</u>	<u>\$ 569,893</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,703,855</u></u>	<u><u>\$ (15,580)</u></u>	<u><u>\$ 1,688,275</u></u>

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

Town of Marion, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2014

---

	Cemetery <u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,391
Investments, at fair value	<u>123,571</u>
Total assets	<u><u>\$ 129,962</u></u>
<b>NET POSITION</b>	
Amounts held for cemetery maintenance	<u>129,962</u>
Total liabilities	<u><u>\$ 129,962</u></u>

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

Town of Marion, Virginia  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2014

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	Cemetery Fund
<b>ADDITIONS</b>	
Investment earnings:	
Interest and dividends	\$ 7,926
Realized gain on investment	1,307
Unrealized gain on investment	<u>5,038</u>
Total additions	<u>\$ 14,271</u>
<b>DEDUCTIONS</b>	
Distribution	\$ 3,619
Fiduciary fees	<u>119</u>
Total deductions	<u>\$ 3,738</u>
Change in net position	\$ 10,533
Net position - beginning	119,429
Net position - ending	<u><u>\$ 129,962</u></u>

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

## NOTES TO FINANCIAL STATEMENTS



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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

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

A. Reporting Entity:

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

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

B. Government-wide and fund financial statements:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

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

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

Fiduciary funds consist of a cemetery fund for perpetual care.

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

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

1. Deposits and Investments

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

2. Property Taxes

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

3. Allowance for Un-collectible Accounts

The Town calculates its allowance for un-collectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for governmental activities amounted to approximately \$102,827 for property taxes and \$14,359 for garbage billings at June 30, 2014. The allowance for business-type activities amounted to approximately \$127,665 for water and sewer billings at June 30, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

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

4. Use of Estimates

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

5. Capital Assets

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

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

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

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

6. Compensated Absences

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

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

7. Long-term Obligations

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

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

8. Fund Equity

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

9. Net Position

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

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

10. Concentration of Credit Risk

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

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

11. Prepaid Expenses

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

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

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

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

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

14. Net Position Flow Assumption

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

15. Inventory

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements:**

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The detail of this \$(3,222,237) difference for the primary government is as follows:

	<u>Primary Government</u>
General obligation bonds and loans payable	\$ (2,569,274)
Accrued interest	(3,590)
OPEB liability	(459,859)
Compensated absences	<u>(189,514)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u><u>\$ (3,222,237)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this \$18,385 difference for the primary government is as follows:

	<u>Primary Government</u>
Capital outlays	\$ 416,528
Depreciation expense	<u>(398,143)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 18,385</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2014

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The detail of this \$(124,324) difference for the primary government is as follows:

	<u>Government</u>
(Increase) Decrease in Compensated absences	\$ 161
(Increase) Decrease in OPEB liability	(124,935)
(Increase) Decrease in Accrued interest	<u>450</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (124,324)</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

A. Budgetary information

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

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

B. Deficit fund equity

At June 30, 2014, the CDBG Gilman Street Fund had a deficit fund equity of \$(32,951) and the Streetscape Fund had a deficit fund equity of \$(87,442). These funds are combined with non- major funds and reflected as an other governmental fund in the financial statement. The General Fund had a deficit fund equity of \$(129,965) at June 30, 2014.

**Note 4-Deposits and Investments:**

Deposits:

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

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

**Note 4-Deposits and Investments: (continued)**

Investments:

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

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

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

	<u>Primary Government</u>
<b><u>Commonwealth of Virginia:</u></b>	
Local sales tax	\$ 31,072
Communication tax	22,086
Non-categorical aid	12,793
DHCD grant	<u>86,295</u>
Total	<u><u>\$ 152,246</u></u>

**Note 6-Interfund Transfers:**

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Primary Government:</b>		
General Fund	\$ 990,569	\$ -
Other Governmental Funds	221,616	(5,401)
Water and Sewer Fund	-	(1,222,364)
Swimming Pool Fund	15,580	
Total	<u><u>\$ 1,227,765</u></u>	<u><u>\$ (1,227,765)</u></u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 7-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

Details of long-term indebtedness:

Year Ending June 30,	General Obligation Bonds		Loan Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 70,000	\$ 16,022	\$ 47,764	\$ 64,607	\$ 117,764	\$ 80,629
2016	80,000	12,603	33,512	62,985	113,512	75,588
2017	80,000	8,847	1,527,122	55,839	1,607,122	64,686
2018	85,000	4,905	28,103	23,508	113,103	28,413
2019	20,000	970	29,122	22,488	49,122	23,458
2020-2024	-	-	162,351	95,703	162,351	95,703
2025-2029	-	-	194,567	63,486	194,567	63,486
2030-2034	-	-	149,742	27,416	149,742	27,416
2035-2039	-	-	44,981	5,091	44,981	5,091
2040-2044	-	-	-	-	-	-
Totals	<u>\$ 335,000</u>	<u>\$ 43,347</u>	<u>\$ 2,217,264</u>	<u>\$ 421,123</u>	<u>\$ 2,552,264</u>	<u>\$ 464,470</u>

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2014.

	Balance July 1, 2013	Issuances	Retirements	Balance June 30, 2014
General obligation bonds	\$ 405,000	\$ -	\$ (70,000)	\$ 335,000
Premium on bond	6,906	-	(1,295)	5,611
Loans payable	2,336,002	-	(118,738)	2,217,264
Line of credit	-	2,482,000	(2,470,602)	11,398
OPEB liability	334,924	124,935	-	459,859
Compensated absences	189,675	-	(161)	189,514
Total	<u>\$ 3,272,507</u>	<u>\$ 2,606,935</u>	<u>\$ (2,660,796)</u>	<u>\$ 3,218,646</u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness (Continued):

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>Loan Payable</u></b>		
National Bank, issued November 28, 2011, monthly installments of principal and interest in the amount of \$1,938. Interest computed at a rate of 3.92%, secured by equipment.	\$ 29,830	\$ 22,496
Bank of Marion, issued January 5, 2012, monthly installments of principal and interest in the amount of \$2,647. Interest computed at a rate of 3%.	\$ 431,575	\$ 19,107
Smyth County Community Foundation, issued November 11, 2011, monthly installments of interest in the amount of \$3,125 for five years with a balloon payment at the end of the five years. Interest computed at a rate of 2.5%.	\$ 1,500,000	\$ -
Bank of Marion, issued June 26, 2007, total issuance price of \$315,000. Interest computed at a rate of 4.5% for five years. For next 25 years, the interest rate is 5.2%.	\$ 255,859	\$ 6,161
Total Loans Payable	<u>\$ 2,217,264</u>	<u>\$ 47,764</u>

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TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

**Note 7-Long-Term Debt: (continued)**

**Primary Government - Governmental Activity Indebtedness (Continued):**

Details of long-term indebtedness: (continued)

	<b><u>Total Amount</u></b>	<b><u>Amount Due Within One Year</u></b>
<b><u>General Obligation Bonds</u></b>		
Virginia Resource Authority bond, issued May 8, 2005, variable semi-annual installments of principal and interest. Interest computed at a variable rate of 3.28% to 4.85%, unsecured.	\$ 335,000	\$ 70,000
Total General Obligation Bonds	<u>\$ 335,000</u>	<u>\$ 70,000</u>
<b><u>Line of Credit</u></b>		
Line of credit with Bank of Marion dated May 1, 2013 for an amount up to \$500,000. Interest computed at a rate of 2.75%. The initial draw on line of credit was made in August 2013.	\$ 11,398	\$ -
Total Line of Credit	<u>\$ 11,398</u>	<u>\$ -</u>
<b><u>Other Obligations:</u></b>		
Premium on bond	\$ 5,611	\$ 1,294
Compensated absences	189,514	142,136
OPEB liability	459,859	-
Total Other Obligations	<u>\$ 654,984</u>	<u>\$ 143,430</u>
Total Long-Term Obligations	<u>\$ 3,218,646</u>	<u>\$ 261,194</u>

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TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 7-Long-Term Debt: (continued)

Primary Government-Enterprise Activity Indebtedness: (continued)

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 324,318	\$ 157,477
2016	335,045	149,147
2017	332,851	135,607
2018	345,593	124,396
2019	358,416	112,443
2020-2024	1,987,462	353,346
2025-2029	918,045	74,814
2030-2034	171,106	44,295
2035-2039	84,430	34,850
2040-2044	95,065	24,215
2045-2049	107,039	12,241
2050-2054	47,500	1,212
Totals	<u>\$ 5,106,870</u>	<u>\$ 1,224,043</u>

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2014.

	Balance July 1, 2013	Issuances	Retirements	Balance June 30, 2014
General obligation bonds	\$ 5,232,266	\$ 217,582	\$ (342,978)	\$ 5,106,870
Compensated absences	47,861	-	(4,372)	43,489
OPEB liability	128,051	26,513	-	154,564
Total	<u>\$ 5,408,178</u>	<u>\$ 244,095</u>	<u>\$ (347,350)</u>	<u>\$ 5,304,923</u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 7-Long-Term Debt: (continued)

Primary Government-Enterprise Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>General Obligation Bonds:</u></b>		
Virginia Resource Authority, issued on July 7, 1992, semi-annual principal and interest payments computed at a rate of 2.5%.	\$ 2,440,000	\$ 175,000
Virginia Resource Authority, issued on March 24, 2006, total issuance price of \$1,684,600. Semi-annual principal and interest payments computed at a rate of 3%.	\$ 1,204,173	\$ 77,077
Virginia Resource Authority, issued December 15, 2011, semi-annual principal reductions of \$25,257. There is no interest rate on this note.	\$ 853,835	\$ 50,514
Rural Development, issued a \$606,000 loan on July 14, 2011. Monthly payments of principal and interest of \$1,988 at a rate of 2.375%.	\$ 587,293	\$ 10,014
Rural Development, issued a \$225,800 loan on June 9, 1997. Monthly payments of principal and interest of \$1,037 at a rate of 4.5%.	\$ 21,569	\$ 11,713
Total General Obligation Bonds	<u>\$ 5,106,870</u>	<u>\$ 324,318</u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

**Note 7-Long-Term Debt:** (continued)

**Primary Government-Enterprise Activity Indebtedness:** (continued)

**Details of long-term indebtedness:**

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>Other Obligations:</u></b>		
Compensated absences	\$ 43,489	\$ 32,617
OPEB liability	154,564	-
Total other obligations	<u>\$ 198,053</u>	<u>\$ 32,617</u>
Total Long Term Obligations	<u>\$ 5,304,923</u>	<u>\$ 356,935</u>

**Note 8-Pension Plan:**

A. Plan Description

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

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

Within the VRS Plan, the System administers three different benefit plans for local government employees—Plan 1, Plan 2, and Hybrid – Each plan has different eligibility and benefit structures as set out in the table below:



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

## Note 8 – Pension Plan (Continued)

## A. Plan Description (continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 8 – Pension Plan (Continued)

A. Plan Description (continued)

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

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## Note 8 – Pension Plan (Continued)

## A. Plan Description (continued)

		<p><b>Eligible Members (continued)</b></p> <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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Same as VRS Plan 1.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

## Note 8 – Pension Plan (Continued)

## A. Plan Description (continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 8 – Pension Plan (Continued)

A. Plan Description (continued)

<p><b>Vesting (continued)</b></p> <p>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><b><u>Vesting Defined Benefit Component (continued)</u></b></p> <p>five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of</li> </ul>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

## Note 8 – Pension Plan (Continued)

## A. Plan Description (continued)

		<p><b><u>Defined Contributions Component (continued):</u></b> employer contributions.</p> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b> See definition under VRS Plan 1.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component:</u></b> See definition under VRS Plan 1</p> <p><b><u>Defined Contribution Component:</u></b> 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><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible</p>	<p><b>Service Retirement Multiplier</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b> The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

## Note 8 – Pension Plan (Continued)

## A. Plan Description (continued)

<b>Service Retirement Multiplier (continued)</b> political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.		
<b>Normal Retirement Age</b> Age 65.	<b>Normal Retirement Age</b> Normal Social Security retirement age.	<b>Normal Retirement Age</b> <b><u>Defined Benefit Component:</u></b> Same as VRS Plan 2.  <b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Unreduced Retirement Eligibility</b> Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.  Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	<b>Earliest Unreduced Retirement Eligibility</b> Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.  Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	<b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.  <b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 8 – Pension Plan (Continued)

A. Plan Description (continued)

<p><b>Earliest Reduced Retirement Eligibility</b> Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.  <u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u><b>Eligibility:</b></u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u><b>Eligibility:</b></u> Same as VRS Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <u><b>Defined Benefit Component:</b></u> Same as VRS Plan 2.  <u><b>Defined Contribution Component:</b></u> Not applicable.</p> <p><u><b>Eligibility:</b></u> Same as VRS Plan 1 and VRS Plan 2.</p>



TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 8 – Pension Plan (Continued)

A. Plan Description (continued)

<p><b><u>Eligibility (continued):</u></b> year following the unreduced retirement eligibility date.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> 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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as VRS Plan 1</p>	<p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as VRS Plan 1 and VRS Plan 2.</p>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 8 – Pension Plan (Continued)

A. Plan Description (continued)

<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active</p>	<p><b>Purchase of Prior Service</b> Same as VRS Plan 1.</p>	<p><b>Purchase of Prior Service</b> <u><b>Defined Benefit Component:</b></u> Same as VRS Plan 1.</p> <p><u><b>Defined Contribution Component:</b></u> Not applicable.</p>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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Note 8 – Pension Plan (Continued)

A. Plan Description (continued)

<b>Purchase of Prior Service (continued)</b> members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.		
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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**Note 8-Pension Plan: (continued)**

A. Plan Description (continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 21.83% of annual covered payroll.

C. Annual Pension Cost

Primary Government:

For fiscal year 2014, the Town's annual pension cost of \$629,133 was equal to the Town's required and actual contributions. The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 8-Pension Plan: (continued)

## C. Annual Pension Cost (continued)

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
Town	6/30/2014	\$ 629,133	100.00%	\$ -
	6/30/2013	\$ 627,076	100.00%	-
	6/30/2012	\$ 529,511	100.00%	-

<sup>1</sup> Employer portion only

## D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 63.71% funded. The actuarial accrued liability for benefits was \$15,382,101 and the actuarial value of assets was \$9,800,267, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,581,834. The covered payroll (annual payroll of active employees covered by the plan) was \$2,884,697, and ratio of the UAAL to the covered payroll was 193.50%.

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

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TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

**Note 9-Capital Assets:**

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,816,878	\$ 14,140	\$ -	\$ 1,831,018
Construction in progress	639,918	355,097	(660,579)	334,436
Total capital assets not being depreciated	<u>\$ 2,456,796</u>	<u>\$ 369,237</u>	<u>\$ (660,579)</u>	<u>\$ 2,165,454</u>
Capital assets, being depreciated:				
Buildings	\$ 7,471,454	\$ 39,658	\$ -	\$ 7,511,112
Improvements other than buildings	1,927,463	641,381	-	2,568,844
Machinery and equipment	5,155,747	26,831	(78,518)	5,104,060
Total capital assets being depreciated	<u>\$ 14,554,664</u>	<u>\$ 707,870</u>	<u>\$ (78,518)</u>	<u>\$ 15,184,016</u>
Less: accumulated depreciation for:				
Buildings	\$ (2,750,837)	\$ (169,761)	\$ -	\$ (2,920,598)
Improvements other than buildings	(382,844)	(62,704)	-	(445,548)
Machinery and equipment	(4,692,590)	(165,678)	78,518	(4,779,750)
Total accumulated depreciation	<u>\$ (7,826,271)</u>	<u>\$ (398,143)</u>	<u>\$ 78,518</u>	<u>\$ (8,145,896)</u>
Total capital assets being depreciated, net	<u>\$ 6,728,393</u>	<u>\$ 309,727</u>	<u>\$ -</u>	<u>\$ 7,038,120</u>
Governmental activities capital assets, net	<u>\$ 9,185,189</u>	<u>\$ 678,964</u>	<u>\$ (660,579)</u>	<u>\$ 9,203,574</u>

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

<b>Governmental activities:</b>	
General government	\$ 88,609
Public safety	54,397
Public works	138,855
Parks, recreation, and culture	<u>116,282</u>
Total depreciation expense - governmental activities	<u>\$ 398,143</u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

Business-type activities:

Water and Sewer Fund:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 399,579	\$ 128,673	\$ -	\$ 528,252
Construction in progress	1,106,857	269,363	(86,914)	1,289,306
Total capital assets not being depreciated	<u>\$ 1,506,436</u>	<u>\$ 398,036</u>	<u>(86,914)</u>	<u>\$ 1,817,558</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 20,149,416	\$ 110,437	\$ -	\$ 20,259,853
Machinery and equipment	2,758,958	9,574	-	2,768,532
Total capital assets being depreciated	<u>\$ 22,908,374</u>	<u>\$ 120,011</u>	<u>\$ -</u>	<u>\$ 23,028,385</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (9,047,709)	\$ (530,348)	\$ -	\$ (9,578,057)
Machinery and equipment	(2,304,553)	(67,736)	-	(2,372,289)
Total accumulated depreciation	<u>\$ (11,352,262)</u>	<u>\$ (598,084)</u>	<u>\$ -</u>	<u>\$ (11,950,346)</u>
Total capital assets being depreciated, net	<u>\$ 11,556,112</u>	<u>\$ (478,073)</u>	<u>\$ -</u>	<u>\$ 11,078,039</u>
Business-type activities capital assets, net	<u><u>\$ 13,062,548</u></u>	<u><u>\$ (80,037)</u></u>	<u><u>\$ (86,914)</u></u>	<u><u>\$ 12,895,597</u></u>

TOWN OF MARION, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

Business-type activities:

Swimming Pool Fund:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 179,125	\$ -	\$ -	\$ 179,125
Total capital assets not being depreciated	<u>\$ 179,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,125</u>
Capital assets, being depreciated:				
Pool	\$ 974,651	\$ -	\$ -	\$ 974,651
Equipment	29,151	-	-	29,151
Total capital assets being depreciated	<u>\$ 1,003,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,003,802</u>
Less: accumulated depreciation for:				
Pool	\$ (946,515)	\$ (4,185)	\$ -	\$ (950,700)
Equipment	(29,151)	-	-	(29,151)
Total accumulated depreciation	<u>\$ (975,666)</u>	<u>\$ (4,185)</u>	<u>\$ -</u>	<u>\$ (979,851)</u>
Total capital assets being depreciated, net	<u>\$ 28,136</u>	<u>\$ (4,185)</u>	<u>\$ -</u>	<u>\$ 23,951</u>
Business-type activities capital assets, net	<u>\$ 207,261</u>	<u>\$ (4,185)</u>	<u>\$ -</u>	<u>\$ 203,076</u>

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

**Business-type activities:**

Water and Sewer	\$ 598,084
Swimming Pool	<u>4,185</u>
Total depreciation expense - business type activities	<u>\$ 602,269</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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**Note 10-Deferred Revenue:**

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$784,686 is comprised of the following:

Property Taxes - Property tax revenue of \$761,682 representing uncollected tax billings not available for funding current expenditures.

RBEG Loan – Small business loan of \$23,004 representing uncollected loan payments not available for funding current expenditures.

**Note 11-Risk Management:**

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

**Note 12-Surety Bonds:**

Primary Government:

*Virginia Municipal Liability Pool*

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Public Employees Dishonesty Coverage	\$	200,000
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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**Note 13 – Restricted Net Position:**

<i><u>Governmental Activities</u></i>	<i><u>Balance</u></i>
Restricted for debt service and bond covenants	\$ -
Restricted for downtown housing project	208,814
	<hr/>
Total	\$ 208,814
	<hr/>
<i><u>Business-type Activities</u></i>	<i><u>Balance</u></i>
Restricted for debt service and bond covenants	\$ 378,873
	<hr/>
Total	\$ 378,873
	<hr/>

**Note 14 – Restricted Cash and Cash Equivalents**

Restricted cash of \$308,522 is reflected in the financial statements for the business-type activities. The \$308,522 represents the amount set aside for debt service in the water and sewer fund.

**Note 15 – Restricted Investments**

Restricted investment of \$70,351 is reflected in the financial statements for the business-type activities. The \$70,351 represents the amount set aside to cover the requirements set forth by Virginia Resource Authority in connection with the general obligation bond.

**Note 16 – Contingencies**

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

**Note 17 – Compensated Absences**

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. Town employees with up to five years of service earn vacation at the rate of one day for each month. After five years, thirteen vacation days are earned annually; after ten years, fourteen days vacation is earned; after fifteen years an employee earns fifteen days vacation; after twenty years, sixteen days vacation are earned. The employees also earn an additional one-half day vacation time when employees go 90 days and are accident free. No benefits or pay is received for unused sick leave upon termination. However, upon retirement with 30 years of VRS service, the Town will pay 25% of all accumulated and unused sick pay up to \$2,500. No sick leave will be accrued at June 30, 2014 due to the difficulty in estimating the number of employees who may retire with 30 years of VRS service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

**Note 18 – Fund Balance-Restricted for:**

<i>Other Governmental Funds</i>	<i>Balance</i>
Dare Fund	\$ 1,311
Downtown Housing Fund	208,814
Master Redevelopment	2,500
Total	<u>\$ 212,625</u>

**Note 19 – Interfund Balances**

Interfund balances consisted of the following at June 30, 2014:

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

**Note 20 – Other Post-Employment Benefits**

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

For the fiscal year ended June 30, 2014, the Town's annual OPEB costs of \$168,204 for governmental activities and \$26,513 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Annual required contribution	\$ 167,645	\$ 26,300
Interest on net OPEB obligation	11,722	4,482
Adjustment to annual required contribution	<u>(11,163)</u>	<u>(4,269)</u>
Annual OPEB cost	168,204	26,513
Contributions made	<u>(43,269)</u>	<u>-</u>
Increase in net OPEB obligation	124,935	26,513
Net OPEB obligation-beginning of year	<u>334,924</u>	<u>128,051</u>
Net OPEB obligation-end of year	<u><u>\$ 459,859</u></u>	<u><u>\$ 154,564</u></u>

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	168,204	0%	459,859
June 30, 2013	104,498	0%	334,924
June 30, 2012	88,649	0%	273,695

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	26,513	0%	154,564
June 30, 2013	26,470	0%	128,051
June 30, 2012	34,797	0%	101,581

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

The funding status of the plan as of June 30, 2014 was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Actuarial Accrued Liability (AAL)	\$ 1,484,584	\$ 319,624
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	1,484,584	319,624
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%
Covered Payroll (Active Plan Members)	2,672,357	511,739
UAAL as a Percentage of Covered Payroll	55.55%	62.46%

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

**Actuarial Methods and Assumptions**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

**Actuarial Methods and Assumptions (continued)**

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 62 which is the historical average age of retirement for employees of the Town. Active employees age 62 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the Town included: inflation at 1.80% and an investment rate of return of 3.5%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2014 is 25 years.

**Plan Description**

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

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

**Funding Policy**

The Town currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2014, the Town had not designated any funding for the OPEB liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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

**Purpose**

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

**Components of Fund Balance**

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

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

**Committed Fund Balance Policy**

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

**Assigned Fund Balance Policy**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2014

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

**Minimum Unassigned Fund Balance Policy**

The Town does not maintain an unassigned fund balance policy.

**Resource Flow Policy**

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

<i><b>Nonspendable Fund Balance</b></i>	<i><b>Balance</b></i>
Prepaid expense	121,223
Inventory	18,175
	<hr/>
Total	\$ 139,398
	<hr/> <hr/>

<i><b>Restricted Fund Balance</b></i>	<i><b>Balance</b></i>
Debt service and bond covenants	-
DARE	1,311
Downtown Housing	208,814
Master Redevelopment	2,500
	<hr/>
Total	\$ 212,625
	<hr/> <hr/>

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

<i><b>Assigned Fund Balance</b></i>	<i><b>Balance</b></i>
Golf Course	247,993
	<hr/>
Total	\$ 247,993
	<hr/> <hr/>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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**Note 22 – New Accounting Standard:**

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

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

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

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* is an amendment of GASB Statement No. 68 and the provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68.

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

**Note 23 – Subsequent Events**

The Town approved the Parking Garage Agreement with Smyth County in which the Town is responsible for 45% of the expenditures.

The Town entered into a contract with W-L Construction for \$59,808 for paving of the cart paths at the golf course.

The Town is beginning the shift from a fully volunteer Fire Department to a quasi-volunteer, partially paid Fire Department with Emergency Rescue Services. This is being facilitated by the integration of the current Marion Rescue Squad operations, a 501(c)3 nonprofit organization. It is anticipated that the proceeds from insurance billings for services rendered will fund this department.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

Town of Marion, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 678,515	\$ 678,515	\$ 584,811	\$ (93,704)
Other local taxes	2,625,288	2,625,288	2,667,267	41,979
Permits, privilege fees, and regulatory licenses	200	200	150	(50)
Fines and forfeitures	32,400	32,400	17,174	(15,226)
Revenue from the use of money and property	19,002	19,002	16,557	(2,445)
Charges for services	407,580	407,580	383,382	(24,198)
Miscellaneous	35,375	35,375	75,351	39,976
Recovered costs	45,750	45,750	48,297	2,547
Intergovernmental revenues:				
Commonwealth	1,357,270	1,357,270	1,528,657	171,387
Federal	-	-	131,638	131,638
Total revenues	<u>\$ 5,201,380</u>	<u>\$ 5,201,380</u>	<u>\$ 5,453,284</u>	<u>\$ 251,904</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,213,170	\$ 1,213,170	\$ 1,247,119	\$ (33,949)
Public safety	1,582,088	1,582,088	1,450,222	131,866
Public works	2,003,704	2,003,704	2,043,903	(40,199)
Parks, recreation, and cultural	551,713	551,713	508,893	42,820
Community development	515,784	515,784	656,258	(140,474)
Capital projects	98,722	98,722	166,733	(68,011)
Debt service:				
Principal retirement	194,052	194,052	2,659,341	(2,465,289)
Interest and other fiscal charges	83,839	83,839	83,485	354
Total expenditures	<u>\$ 6,243,072</u>	<u>\$ 6,243,072</u>	<u>\$ 8,815,954</u>	<u>\$ (2,572,882)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,041,692)</u>	<u>\$ (1,041,692)</u>	<u>\$ (3,362,670)</u>	<u>\$ (2,320,978)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 80,497	\$ 80,497	\$ 990,569	\$ 910,072
Proceeds from a line of credit	-	-	2,482,000	2,482,000
Total other financing sources and uses	<u>\$ 80,497</u>	<u>\$ 80,497</u>	<u>\$ 3,472,569</u>	<u>\$ 3,392,072</u>
Net change in fund balances	\$ (961,195)	\$ (961,195)	\$ 109,899	\$ 1,071,094
Fund balances - beginning	-	-	(239,864)	(239,864)
Fund balances - ending	<u>\$ (961,195)</u>	<u>\$ (961,195)</u>	<u>\$ (129,965)</u>	<u>\$ 831,230</u>

Town of Marion, Virginia  
General Fund  
Schedule of Funding Progress  
For the Year Ended June 30, 2014

## Primary Government:

## Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 9,800,267	\$ 15,382,101	\$ 5,581,834	63.71%	\$ 2,884,697	193.50%
6/30/2012	9,441,903	15,124,048	5,682,145	62.43%	2,762,869	205.66%
6/30/2011	9,412,677	14,406,362	4,993,685	65.34%	2,501,429	199.63%

## Post-Employment Benefit Plan-Governmental Activities

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
7/1/2013	\$ -	\$ 1,484,584	\$ 1,484,584	0.00%	\$ 2,672,357	55.55%
7/1/2012	-	1,484,584	1,484,584	0.00%	2,713,057	54.72%
7/1/2011	-	917,989	917,989	0.00%	2,351,230	39.04%

## Post-Employment Benefit Plan-Business-type Activities

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
7/1/2013	\$ -	\$ 319,624	\$ 319,624	0.00%	\$ 511,739	62.46%
7/1/2012	-	319,624	319,624	0.00%	529,569	60.36%
7/1/2011	-	215,871	215,871	0.00%	479,217	45.05%

Town of Marion, Virginia  
Combining Balance Sheet  
Other Governmental Funds  
For the Year Ended June 30, 2014

	<u>Dare Program</u>	<u>Streetscape Program</u>	<u>Downtown Housing Project</u>	<u>CDBG Gilman Street</u>	<u>Master Redevelopment</u>	<u>Golf Course</u>	<u>Total</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,311	\$ 30,927	\$ 90,445	\$ -	\$ 3,500	\$ 204,365	\$ 330,548
Receivables (net of allowance for uncollectibles):							
Accounts receivable	-	-	-	-	-	76,449	76,449
Due from other funds	-	-	118,369	-	-	-	118,369
Inventories	-	-	-	-	-	18,175	18,175
Prepaid expense	-	-	-	-	-	8,049	8,049
Total assets	<u>\$ 1,311</u>	<u>\$ 30,927</u>	<u>\$ 208,814</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 307,038</u>	<u>\$ 551,590</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	-	-	\$ 23,547	\$ 23,547
Accrued liabilities	-	-	-	-	-	9,273	9,273
Due to other funds	-	118,369	-	32,951	1,000	-	152,320
Total liabilities	<u>\$ -</u>	<u>\$ 118,369</u>	<u>\$ -</u>	<u>\$ 32,951</u>	<u>\$ 1,000</u>	<u>\$ 32,820</u>	<u>\$ 185,140</u>
Fund balances:							
Unreserved:							
Designated for subsequent expenditure	\$ 1,311	\$ (87,442)	\$ 208,814	\$ (32,951)	\$ 2,500	\$ 274,218	\$ 366,450
Total fund balances	<u>\$ 1,311</u>	<u>\$ (87,442)</u>	<u>\$ 208,814</u>	<u>\$ (32,951)</u>	<u>\$ 2,500</u>	<u>\$ 274,218</u>	<u>\$ 366,450</u>
Total liabilities and fund balances	<u>\$ 1,311</u>	<u>\$ 30,927</u>	<u>\$ 208,814</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 307,038</u>	<u>\$ 551,590</u>

Town of Marion, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Other Governmental Funds  
For the Year Ended June 30, 2014

	<u>Dare Program</u>	<u>Streetscape Program</u>	<u>Downtown Housing Project</u>	<u>CDBG Gilman Street</u>	<u>Master Redevelopment</u>	<u>Golf Course</u>	<u>Total</u>
<b>REVENUES</b>							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 505,952	\$ 505,952
Miscellaneous	-	-	-	-	-	3,187	3,187
Recovered costs	-	-	17,427	-	-	37,221	54,648
Intergovernmental revenues:							
Commonwealth	-	-	-	-	-	-	-
Federal	-	156,187	-	-	-	-	156,187
Total revenues	\$ -	\$ 156,187	\$ 17,427	\$ -	\$ -	\$ 546,360	\$ 719,974
<b>EXPENDITURES</b>							
Current:							
Parks, recreation, and cultural	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 734,290	\$ 734,290
Community development	-	190,924	-	-	-	-	190,924
Capital projects	-	-	-	-	-	-	-
Debt service:							
Interest and other fiscal charges	-	-	-	-	-	-	-
Total expenditures	\$ -	\$ 190,924	\$ -	\$ -	\$ -	\$ 734,290	\$ 925,214
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (34,737)	\$ 17,427	\$ -	\$ -	\$ (187,930)	\$ (205,240)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	\$ -	\$ 15,483	\$ -	\$ -	\$ -	\$ 206,133	\$ 221,616
Transfers out	-	-	(5,401)	-	-	-	(5,401)
Total other financing sources and uses	\$ -	\$ 15,483	\$ (5,401)	\$ -	\$ -	\$ 206,133	\$ 216,215
Net change in fund balances	\$ -	\$ (19,254)	\$ 12,026	\$ -	\$ -	\$ 18,203	\$ 10,975
Fund balances - beginning	1,311	(68,188)	196,788	(32,951)	2,500	256,015	355,475
Fund balances - ending	\$ 1,311	\$ (87,442)	\$ 208,814	\$ (32,951)	\$ 2,500	\$ 274,218	\$ 366,450

## SUPPORTING SCHEDULES

Town of Marion, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 462,343	\$ 462,343	\$ 450,208	\$ (12,135)
Real and personal public service corporation taxes	27,325	27,325	22,686	(4,639)
Personal property taxes	179,847	179,847	103,782	(76,065)
Penalties and Interest	9,000	9,000	8,135	(865)
Total general property taxes	<u>\$ 678,515</u>	<u>\$ 678,515</u>	<u>\$ 584,811</u>	<u>\$ (93,704)</u>
Other local taxes:				
Local sales and use taxes	\$ 165,000	\$ 165,000	\$ 215,260	\$ 50,260
Consumers' utility taxes	108,000	108,000	111,140	3,140
Communications taxes	140,000	140,000	131,069	(8,931)
Lodging taxes	115,000	115,000	117,917	2,917
Business license taxes	546,552	546,552	529,016	(17,536)
Utility license taxes	30,136	30,136	31,000	864
Motor vehicle licenses	50,000	50,000	46,874	(3,126)
Bank stock taxes	182,600	182,600	177,612	(4,988)
Tobacco taxes	155,000	155,000	133,494	(21,506)
Meals taxes	1,125,000	1,125,000	1,166,741	41,741
Comcast PEG capital fees	8,000	8,000	7,144	(856)
Total other local taxes	<u>\$ 2,625,288</u>	<u>\$ 2,625,288</u>	<u>\$ 2,667,267</u>	<u>\$ 41,979</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 200	\$ 200	\$ 150	\$ (50)
Total permits, privilege fees, and regulatory licenses	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 150</u>	<u>\$ (50)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 32,000	\$ 32,000	\$ 16,694	\$ (15,306)
Parking Fines	400	400	480	80
Total fines and forfeitures	<u>\$ 32,400</u>	<u>\$ 32,400</u>	<u>\$ 17,174</u>	<u>\$ (15,226)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 4,150	\$ 4,150	\$ 871	\$ (3,279)
Revenue from use of property	14,852	14,852	15,686	834
Total revenue from use of money and property	<u>\$ 19,002</u>	<u>\$ 19,002</u>	<u>\$ 16,557</u>	<u>\$ (2,445)</u>
Charges for services:				
Parking lot charges	\$ 700	\$ 700	\$ 480	\$ (220)
Charges for sanitation and waste removal	380,000	380,000	361,766	(18,234)
Charges for parks and recreation	11,500	11,500	11,651	151
Farmers market	1,500	1,500	1,420	(80)
Fire calls	5,000	5,000	500	(4,500)
Credit card fees	-	-	1,643	1,643
Senior center-District III	2,880	2,880	1,935	(945)
Cemetery maintenance fees	6,000	6,000	3,987	(2,013)
Total charges for services	<u>\$ 407,580</u>	<u>\$ 407,580</u>	<u>\$ 383,382</u>	<u>\$ (24,198)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 10,375	\$ 10,375	\$ 29,223	\$ 18,848
Sale of property and equipment	25,000	25,000	9,211	(15,789)
Donations	-	-	36,917	36,917
Total miscellaneous revenue	<u>\$ 35,375</u>	<u>\$ 35,375</u>	<u>\$ 75,351</u>	<u>\$ 39,976</u>



Town of Marion, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

## General Fund: (Continued)

## Revenue from local sources: (Continued)

## Recovered costs:

County of Smyth - Recreation facilities	\$ 19,250	\$ 19,250	\$ 19,250	\$ -
County of Smyth - Fire and rescue	25,000	25,000	23,000	(2,000)
Other recovered costs	1,500	1,500	6,047	4,547
Total recovered costs	<u>\$ 45,750</u>	<u>\$ 45,750</u>	<u>\$ 48,297</u>	<u>\$ 2,547</u>

## Total revenue from local sources

\$ 3,844,110	\$ 3,844,110	\$ 3,792,989	\$ (51,121)
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## Revenue from the Commonwealth:

## Noncategorical aid:

Mobile home titling tax	\$ -	\$ -	\$ 165	\$ 165
Rolling stock tax	6,000	6,000	5,859	(141)
Rental tax	20,000	20,000	17,794	(2,206)
Set off debt	5,000	5,000	-	(5,000)
Personal property tax relief funds	-	-	45,785	45,785
Total noncategorical aid	<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 69,603</u>	<u>\$ 38,603</u>

## Categorical aid:

## Other categorical aid:

Litter control grant	\$ 3,546	\$ 3,546	\$ 3,128	\$ (418)
Fire programs	16,241	16,241	17,924	1,683
Street and highway maintenance	1,127,357	1,127,357	1,126,743	(614)
Law enforcement grant	146,864	146,864	146,864	-
Police block grant	9,262	9,262	-	(9,262)
Commission of the arts	5,000	5,000	-	(5,000)
Police Grant-DMV	18,000	18,000	6,967	(11,033)
Asset forfeiture funds	-	-	260	260
DHCD grant-Schoolhouse project	-	-	150,399	150,399
Other state aid	-	-	6,769	6,769
Total other categorical aid	<u>\$ 1,326,270</u>	<u>\$ 1,326,270</u>	<u>\$ 1,459,054</u>	<u>\$ 132,784</u>

## Total categorical aid

\$ 1,326,270	\$ 1,326,270	\$ 1,459,054	\$ 132,784
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## Total revenue from the Commonwealth

\$ 1,357,270	\$ 1,357,270	\$ 1,528,657	\$ 171,387
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## Revenue from the federal government:

## Categorical aid:

Community Development Block Grant	\$ -	\$ -	\$ 126,326	\$ 126,326
Emergency preparedness grant	-	-	5,284	5,284
Asset forfeiture funds	-	-	28	28
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,638</u>	<u>\$ 131,638</u>

## Total revenue from the federal government

\$ -	\$ -	\$ 131,638	\$ 131,638
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## Total General Fund

\$ 5,201,380	\$ 5,201,380	\$ 5,453,284	\$ 251,904
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## Total Primary Government

\$ 5,201,380	\$ 5,201,380	\$ 5,453,284	\$ 251,904
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Town of Marion, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town council	\$ 92,114	\$ 92,114	\$ 132,023	\$ (39,909)
Town clerk	181,719	181,719	194,807	(13,088)
Legislative	\$ 273,833	\$ 273,833	\$ 326,830	\$ (52,997)
General and financial administration:				
Town manager	\$ 173,383	\$ 173,383	\$ 162,333	\$ 11,050
Legal services	24,422	24,422	23,935	487
Independent auditor	28,000	28,000	28,740	(740)
Finance	209,577	209,577	213,569	(3,992)
Information technology	114,974	114,974	114,293	681
Risk management	126,027	126,027	118,035	7,992
Motor pool	126,173	126,173	123,086	3,087
Central purchasing	136,781	136,781	136,298	483
Total general and financial administration	\$ 939,337	\$ 939,337	\$ 920,289	\$ 19,048
Total general government administration	\$ 1,213,170	\$ 1,213,170	\$ 1,247,119	\$ (33,949)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,477,378	\$ 1,477,378	\$ 1,379,683	\$ 97,695
Fire and rescue services:				
Fire department	\$ 74,710	\$ 74,710	\$ 70,539	\$ 4,171
Rescue service	30,000	30,000	-	30,000
Total fire and rescue services	\$ 104,710	\$ 104,710	\$ 70,539	\$ 34,171
Total public safety	\$ 1,582,088	\$ 1,582,088	\$ 1,450,222	\$ 131,866
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,611,902	\$ 1,611,902	\$ 1,664,567	\$ (52,665)
General engineering and administration	174,358	174,358	169,221	5,137
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,786,260	\$ 1,786,260	\$ 1,833,788	\$ (47,528)
Sanitation and waste removal:				
Refuse collection and disposal	\$ 217,444	\$ 217,444	\$ 210,115	\$ 7,329
Total sanitation and waste removal	\$ 217,444	\$ 217,444	\$ 210,115	\$ 7,329
Total public works	\$ 2,003,704	\$ 2,003,704	\$ 2,043,903	\$ (40,199)
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 365,027	\$ 365,027	\$ 346,169	\$ 18,858
Senior Citizens Center	186,686	186,686	162,724	23,962
Total parks, recreation, and cultural	\$ 551,713	\$ 551,713	\$ 508,893	\$ 42,820

Town of Marion, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

**General Fund: (Continued)**

## Community development:

## Planning and community development:

Planning	\$ 4,500	\$ 4,500	\$ 7,827	\$ (3,327)
Community development	350,493	350,493	476,146	(125,653)
Cable TV	160,291	160,291	171,228	(10,937)
Transport services	500	500	1,057	(557)
Total planning and community development	<u>\$ 515,784</u>	<u>\$ 515,784</u>	<u>\$ 656,258</u>	<u>\$ (140,474)</u>
Total community development	<u>\$ 515,784</u>	<u>\$ 515,784</u>	<u>\$ 656,258</u>	<u>\$ (140,474)</u>

## Capital projects:

## Capital outlays

## Total capital projects

\$ 98,722	\$ 98,722	\$ 166,733	\$ (68,011)
<u>\$ 98,722</u>	<u>\$ 98,722</u>	<u>\$ 166,733</u>	<u>\$ (68,011)</u>

## Debt service:

## Principal retirement

## Interest and other fiscal charges

## Total debt service

\$ 194,052	\$ 194,052	\$ 2,659,341	\$ (2,465,289)
83,839	83,839	83,485	354
<u>\$ 277,891</u>	<u>\$ 277,891</u>	<u>\$ 2,742,826</u>	<u>\$ (2,464,935)</u>

## Total General Fund

<u>\$ 6,243,072</u>	<u>\$ 6,243,072</u>	<u>\$ 8,815,954</u>	<u>\$ (2,572,882)</u>
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## Total Primary Government

<u>\$ 6,243,072</u>	<u>\$ 6,243,072</u>	<u>\$ 8,815,954</u>	<u>\$ (2,572,882)</u>
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**OTHER SUPPLEMENTARY  
INFORMATION**

Table 1

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

Fiscal Year	General Fund Reserved	General Fund Unreserved	Total General Fund Balance	Other Governmental Fund Reserved	Other Governmental Fund Unreserved	Total Other Governmental Fund Balance
2004-05	-	506,596	506,596	91,236	3,879	95,115
2005-06	-	688,423	688,423	107,867	3,786	111,653
2006-07	-	642,694	642,694	120,327	621,369	741,696
2007-08	67,903	654,193	722,096	19,984	119,157	139,141
2008-09	184,108	265,491	449,599	-	120,145	120,145
2009-10	187,375	(52,282)	135,093	-	124,363	124,363

  

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

Table 2

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

Fiscal Year	Governmental Activities			Business-type Activities		
	Net Investment in Capital Assets	Restricted	Unrestricted	Net Investment in Capital Assets	Restricted	Unrestricted
2004-05	\$ 4,029,462	\$ 87,357	\$ (773,781)	\$ 7,577,144	\$ -	\$ 2,681,785
2005-06	3,130,941	107,867	526,705	8,697,111	-	2,358,346
2006-07	2,900,510	120,327	823,938	8,622,377	-	2,272,068
2007-08	2,985,101	199,114	473,725	8,488,274	163,931	1,838,254
2008-09	3,065,181	229,430	190,182	8,193,951	275,057	1,631,342
2009-10	3,824,940	234,526	(216,688)	8,174,417	342,085	1,564,811
2010-11	4,349,974	222,444	55,230	8,047,842	385,220	1,266,768
2011-12	6,267,452	226,631	1,632	8,061,600	429,406	1,249,735
2012-13	6,437,280	271,478	(614,117)	8,037,542	480,695	1,250,662
2013-14	6,634,300	208,814	(540,716)	7,991,802	378,873	1,288,218

Table 3

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

Fiscal Year	General Government Revenue	General Government Expenditures	Capital Outlay	Excess of Revenues over (under) Expenditures	Debt issued	Grant Proceeds/ Contributions	Transfers In	Transfers Out	Total Other Financing Sources (Uses)	Net Change In Fund Balance
2004-05	4,593,306	6,714,983	179,029	(2,300,706)	1,022,264	100,000	1,053,564	-	2,175,828	(124,878)
2005-06	4,614,866	4,762,754	867,117	(1,015,005)	-	-	1,244,747	(27,500)	1,217,247	202,242
2006-07	4,886,010	5,370,581	537,259	(1,021,830)	-	-	1,291,146	-	1,291,146	269,316
2007-08	4,713,209	5,865,689	504,300	(1,656,780)	-	-	1,743,643	(315,000)	1,428,643	(228,137)
2008-09	4,470,393	5,632,006	401,721	(1,563,334)	146,660	-	1,145,165	-	1,291,825	(271,509)
2009-10	5,659,073	6,048,558	882,088	(1,271,573)	89,785	-	871,500	-	961,285	(310,288)
2010-11	6,127,734	6,536,191	493,270	(901,727)	-	-	1,301,613	(59,475)	1,242,138	340,411
2011-12	5,880,811	7,788,793	3,523,572	(5,431,554)	2,063,234	2,294,760	1,109,340	-	5,467,334	35,780
2012-13	5,857,494	6,998,746	263,278	(1,404,530)	-	-	884,494	-	884,494	(520,036)
2013-14	6,173,258	9,574,435	166,733	(3,567,910)	2,482,000	-	1,212,185	(5,401)	3,688,784	120,874

Table 4

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

Fiscal Year	Government Wide Expense	Government Wide Program Revenues	Net (Expense) Revenue	Government Wide General Revenues	Transfers	Change in Net Position
2004-05	\$ 6,959,790	\$ 5,149,318	\$ (1,810,472)	\$ 2,484,177	\$ (2,268)	\$ 671,437
2005-06	6,861,005	5,365,644	(1,495,361)	2,711,270	3,093	1,219,002
2006-07	7,589,145	4,603,722	(2,985,423)	2,908,740	(5,068)	(81,751)
2007-08	8,153,835	4,458,306	(3,695,529)	3,011,542	-	(683,987)
2008-09	7,735,648	4,352,280	(3,383,368)	2,820,112	-	(563,256)
2009-10	7,885,684	5,360,558	(2,525,126)	2,864,074	-	338,948
2010-11	8,485,666	5,450,272	(3,035,394)	3,438,781	-	403,387
2011-12	9,412,903	5,556,202	(3,856,701)	5,765,679	-	1,908,978
2012-13	9,204,664	5,530,338	(3,674,326)	3,301,410	-	(372,916)
2013-14	9,189,957	5,827,396	(3,362,561)	3,460,312	-	97,751



Table 5

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Swimming Pool	Water and Sewer	Total
2004-05	\$ 989,675	\$ 1,588,599	\$ 1,991,935	\$ 419,388	\$ 215,459	\$ -	\$ 111,643	\$ 109,130	\$ 1,533,961	\$ 6,959,790
2005-06	1,029,902	1,617,197	1,728,400	451,456	245,360	69,579	86,260	58,438	1,574,413	6,861,005
2006-07	2,456,617	530,880	2,041,691	465,949	248,302	25,038	72,055	60,030	1,688,583	7,589,145
2007-08	1,179,021	1,766,948	2,345,736	472,177	388,637	-	104,548	65,565	1,831,203	8,153,835
2008-09	1,214,519	1,521,445	2,096,432	487,930	346,523	-	67,536	58,670	1,942,593	7,735,648
2009-10	1,195,607	1,569,854	1,925,453	520,707	719,609	-	75,705	50,272	1,828,477	7,885,684
2010-11	1,205,746	1,572,373	2,091,079	503,161	1,085,854	-	62,126	57,057	1,908,270	8,485,666
2011-12	1,213,894	1,576,032	2,189,344	901,040	1,392,000	-	104,691	55,388	1,980,514	9,412,903
2012-13	1,309,870	1,583,513	2,173,422	1,141,233	732,440	-	87,659	50,034	2,126,493	9,204,664
2013-14	1,327,851	1,524,561	2,003,788	1,315,327	830,257	-	81,742	39,708	2,066,723	9,189,957

Table 6

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES											Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Recovered Costs	Grants and Contributions	Gain (Loss)	Contribution		
											Not Restricted to Specific Programs	on Disposal of Capital Assets	from Nonprofit		
2004-05	\$ 2,993,669	\$ 1,080,218	\$ 1,075,431	\$ 462,099	\$ 1,908,646	\$ -	\$ -	\$ 59,249	\$ 54,183	\$ -	\$ -	\$ -	\$ -	\$ 7,633,495	
2005-06	3,237,203	1,355,338	773,103	436,669	2,041,365	-	-	78,015	155,221	-	-	-	-	8,076,914	
2006-07	3,257,417	1,346,305	-	542,400	2,229,086	-	-	93,123	44,131	-	-	-	-	7,512,462	
2007-08	2,981,905	1,354,904	121,497	479,784	2,223,859	180	25,138	112,312	62,301	40,370	67,598	-	-	7,469,848	
2008-09	2,961,251	1,343,479	47,550	522,114	2,066,362	75	24,933	66,100	11,911	61,377	67,240	-	-	7,172,392	
2009-10	2,810,773	1,554,489	995,296	527,199	2,182,865	165	38,511	36,194	10,576	-	69,823	(1,259)	-	8,224,632	
2010-11	3,052,405	1,920,520	477,347	603,623	2,607,956	165	24,309	36,872	48,293	44,231	73,332	-	-	8,889,053	
2011-12	3,351,463	1,689,299	515,440	593,748	2,592,961	225	31,812	26,077	32,279	130,179	63,638	-	2,294,760	11,321,881	
2012-13	3,668,212	1,511,125	351,001	614,219	2,521,376	280	26,140	26,317	92,347	4,458	75,878	(59,605)	-	8,831,748	
2013-14	3,948,424	1,440,293	438,679	598,997	2,667,267	150	17,174	19,667	78,538	8,916	69,603	-	-	9,287,708	

Table 7

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

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total (1)
2004-05	921,986	1,156,908	2,837,325	409,662	215,459	-	1,173,643	6,714,983
2005-06	959,534	1,177,188	1,589,421	432,505	245,360	69,579	289,167	4,762,754
2006-07	827,517	1,277,511	2,015,502	302,772	643,473	12,683	291,123	5,370,581
2007-08	1,098,443	1,376,190	2,210,059	473,022	399,521	-	308,454	5,865,689
2008-09	1,112,726	1,382,225	1,966,409	491,837	366,508	-	312,301	5,632,006
2009-10	1,145,845	1,359,099	1,846,756	521,547	734,600	-	440,711	6,048,558
2010-11	1,110,440	1,444,987	1,998,486	500,548	1,131,811	-	349,919	6,536,191
2011-12	1,178,902	1,511,479	2,018,829	891,010	1,754,238	-	434,335	7,788,793
2012-13	1,225,012	1,538,451	2,014,875	1,114,091	697,402	-	408,915	6,998,746
2013-14	1,247,119	1,450,222	2,043,903	1,243,183	847,182	-	2,742,826	9,574,435

(1) Excludes capital projects

Table 8

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2004-05	430,421	1,900,883	185	35,481	32,664	246,848	15,000	48,149	1,883,675	4,593,306
2005-06	464,984	2,032,056	195	24,992	26,916	251,383	147,065	55,010	1,612,265	4,614,866
2006-07	538,460	2,210,211	210	25,774	32,669	234,918	32,988	29,710	1,781,070	4,886,010
2007-08	485,251	2,258,281	180	25,138	26,642	308,018	62,474	50,634	1,496,591	4,713,209
2008-09	514,629	2,066,362	75	24,933	34,208	308,251	11,910	61,806	1,448,219	4,470,393
2009-10	525,667	2,182,865	165	38,511	24,496	329,010	10,576	166,640	2,381,143	5,659,073
2010-11	600,862	2,607,956	165	24,309	28,859	327,667	48,293	67,424	2,422,199	6,127,734
2011-12	568,140	2,592,961	225	31,812	22,459	525,359	32,279	65,451	2,042,125	5,880,811
2012-13	587,353	2,521,376	280	26,140	23,893	792,501	92,347	82,186	1,731,418	5,857,494
2013-14	584,811	2,667,267	150	17,174	16,557	889,334	78,538	102,945	1,816,482	6,173,258

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
2004-05	455,075	441,043	96.92%	7,301	448,344	98.52%	10,039	2.21%
2005-06	424,351	405,851	95.64%	23,177	429,028	101.10%	18,500	4.36%
2006-07	503,090	486,666	96.74%	43,252	529,918	105.33%	16,424	3.26%
2007-08	542,246	520,156	95.93%	6,145	526,301	97.06%	18,717	3.45%
2008-09	558,935	544,770	97.47%	8,407	553,177	98.97%	39,505	7.07%
2009-10	586,857	545,797	93.00%	10,709	556,506	94.83%	46,734	7.96%
2010-11	665,404	628,847	94.51%	10,362	639,209	96.06%	66,206	9.95%
2011-12	697,358	641,482	91.99%	9,653	651,135	93.37%	109,302	15.67%
2012-13	726,614	599,405	82.49%	6,611	606,016	83.40%	141,343	19.45%
2013-14	711,022	613,045	86.22%	10,104	623,149	87.64%	160,495	22.57%

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

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

Table 11

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2004-05	0.11	0.29	0.29
2005-06	0.11	0.29	0.29
2006-07	0.15	0.29	0.29
2007-08	0.15	0.29	0.29
2008-09	0.15	0.29	0.29
2009-10	0.15	0.35	0.35
2010-11	0.15	0.35	0.35
2011-12	0.15	0.35	0.35
2012-13	0.15	0.35	0.35
2013-14	0.15	0.35	0.35

Table 12

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2004-05	6,349	310,060	7,145,887	2.30%	1,126
2005-06	6,349	314,296	6,479,289	2.06%	1,021
2006-07	6,048	305,123	7,443,990	2.44%	1,231
2007-08	6,048	317,551	7,271,901	2.29%	1,202
2008-09	6,048	324,751	6,981,457	2.15%	1,154
2009-10	6,048	321,833	6,432,170	2.00%	1,064
2010-11	5,968	372,055	5,865,423	1.58%	983
2011-12	5,968	373,929	8,182,104	2.19%	1,371
2012-13	5,968	371,779	7,973,268	2.14%	1,336
2012-14	5,968	383,658	7,670,533	2.00%	1,285

(1) U.S. Census Bureau.

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



Table 13

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2004-05	1,062,000	111,643	1,173,643	6,714,983	17.48%
2005-06	202,908	86,259	289,167	4,762,754	6.07%
2006-07	219,068	72,055	291,123	5,370,581	5.42%
2007-08	220,060	88,394	308,454	5,865,689	5.26%
2008-09	234,568	77,733	312,301	5,632,006	5.55%
2009-10	363,156	77,555	440,711	6,888,134	6.40%
2010-11	285,114	64,805	349,919	7,029,461	4.98%
2011-12	329,991	104,344	434,335	11,312,365	3.84%
2012-13	319,961	88,954	408,915	7,262,024	5.63%
2013-14	2,659,341	83,485	2,742,826	9,741,168	28.16%

Table 14

**Town of Marion, Virginia  
Principal Taxpayers (1)  
For Fiscal Year Ended June 30, 2014**

Company	2012-2013	Rank	2013-2014	Rank
	Assessed Value		Assessed Value	
Smyth County Community Hospital	2,303,100	10	13,398,400	1
Marion Properties	11,814,900	1	11,814,900	2
IRT/Walmart	8,502,700	2	8,505,200	3
Smyth County Foundation	6,711,300	3	6,711,300	4
Highland Development	4,432,600	4	4,432,600	5
Marion Plaza	3,559,300	5	3,559,300	6
Mack Trammell	3,048,000	6	3,048,000	7
81-Motel	2,791,100	7	2,791,100	8
Jane Sheffey etal	2,768,000	8	2,768,000	9
Grey Rock S/C	2,766,500	9	2,766,500	10

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

Table 15

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed valuations:										
Assessed value	\$ 310,060,106	\$ 314,413,110	\$ 314,881,507	\$ 317,550,680	\$ 324,750,570	\$ 321,832,980	\$ 372,054,540	\$ 373,928,693	\$ 371,778,939	\$ 383,657,666
Legal debt margin										
Debt limitation - 10 percent of total assessed value	31,006,011	31,441,311	31,488,151	31,755,068	32,475,057	32,183,298	37,205,454	37,392,869	37,177,894	38,365,767
Debt applicable to limitation:										
General obligation bonds	7,145,887	6,479,289	7,443,900	7,285,280	6,993,542	6,442,960	5,874,919	8,190,305	7,980,174	7,676,145
Less: Amount set aside for repayment	9,952	11,196	11,662	231,834	358,387	423,918	470,425	497,807	555,385	378,873
Total debt applicable to limitation	7,135,935	6,468,093	7,432,238	7,053,446	6,635,155	6,019,042	5,404,494	7,692,498	7,424,789	7,297,272
Legal debt margin	23,870,076	24,973,218	24,055,913	24,701,622	25,839,902	26,164,256	31,800,960	29,700,371	29,753,105	31,068,495
Total net debt applicable to the limit as a percentage of debt limit	23.01%	20.57%	23.60%	22.21%	20.43%	18.70%	14.53%	20.57%	19.97%	19.02%

**Town of Marion, Virginia  
Miscellaneous Statistics  
For the Year Ended June 30, 2014**

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Date of incorporation	1832
Form of government	Council-Manager
Number of employees:	
General government administration	13
Public safety	21
Public works	28
Parks, recreation, and cultural	11
Community development	4
Water and sewer	11
Swimming pool	12
Golf course	34

## COMPLIANCE SECTION



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

To the Town Council  
Town of Marion, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marion, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Marion, Virginia's basic financial statements, and have issued our report thereon dated December 31, 2014.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Sostic, Tucker & Company, PC*

Lebanon, Virginia  
December 31, 2014