

**REPORT ON THE
TOWN OF MARION – COUNTY OF SMYTH
VOLUNTARY SETTLEMENT AGREEMENT**



**Commission on Local Government
Commonwealth of Virginia**

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REPORT ON THE TOWN OF MARION – COUNTY OF SMYTH VOLUNTARY SETTLEMENT AGREEMENT

PROCEEDINGS OF THE COMMISSION

On January 6, 2014, the Town of Marion and the County of Smyth submitted to the Commission on Local Government for review a proposed voluntary settlement agreement negotiated by the two jurisdictions under the authority of Section 15.2-3400 of the Code of Virginia. Consistent with the regulations promulgated by the Commission, the submission was accompanied by data and materials supporting the proposed agreement.¹ Further, and in accordance with the Commission’s regulation 1 VAC 50-20-230(C), the Town and County gave notice of the proposed agreement to 20 other political subdivisions with which they are contiguous or with which they share functions, revenues, or tax sources. The proposed agreement contains provisions for (1) the immediate incorporation of approximately 410 acres of territory into the Town of Marion and the potential incorporation of approximately 100 additional acres into the Town in the future; (2) for the waiver by the Town of certain annexation and city status rights; (3) for the sharing of Town and County revenues generated from certain areas proposed for annexation; (4) for the conveyance of certain real estate and water rights on property owned by the Town; and (5) for other matters.²

In conjunction with its review of the proposed settlement agreement, on May 13, 2014, the Commission toured relevant sections of the Town of Marion and Smyth County and met in the Town to receive oral testimony from the two jurisdictions in support of the agreement. That evening, the Commission held a public hearing, advertised in accordance with Section 15.2-2907(B) of the Code of Virginia, for the purpose of receiving citizen comment. The public hearing was attended by approximately 45 persons and 15 individuals testified. In order to permit receipt of additional public comment, the Commission agreed to keep its record open for written submissions through May 30, 2014. The Commission received written comment from 11 individuals.

SCOPE OF REVIEW

The Commission on Local Government is directed by law to review proposed annexations and other local boundary change and transition issues, as well as negotiated agreements settling such matters, prior to their presentation to the courts for ultimate disposition. Upon receipt of notice of such a proposed action or agreement, the Commission is directed to “hold hearings, make investigations, analyze local needs” and to submit a report containing findings of fact and recommendations regarding

¹ Town of Marion, Notice by the Town of Marion of a Voluntary Settlement Agreement, (hereinafter cited as the “Notice”), January 6, 2014, which contains the Settlement Agreement and supporting materials.

² Voluntary Settlement of Annexation, Revenue Sharing, and Water Issues Between the Town of Marion and Smyth County (hereinafter cited as the “Settlement Agreement”), dated December 19, 2013. See Appendix A for the complete text of the Settlement Agreement.

the issue to the affected local governments.³ With respect to a proposed agreement negotiated under the authority of Section 15.2-3400 of the Code of Virginia, the Commission is required to determine in its review “whether the proposed settlement is in the best interest of the Commonwealth.”

As we have noted in previous reports, it is evident that the General Assembly encourages local governments to attempt to negotiate settlements of their interlocal concerns. One of the statutory responsibilities of this Commission is to assist local governments in such efforts. In view of this legislative intent, the Commission believes that proposed interlocal agreements, such as that negotiated by the Town of Marion and Smyth County, should be approached with respect and presumption of their compatibility with applicable statutory standards. The Commission notes, however, that the General Assembly has decreed that interlocal agreements negotiated under the authority of Section 15.2-3400 of the Code of Virginia shall be reviewed by this body prior to their final adoption by the local governing bodies. We are obliged to conclude, therefore, that while interlocal agreements are due respect and should be approached with a presumption of their consistency with statutory standards, such respect and presumption cannot be permitted to render our review a *pro forma* endorsement of any proposed settlement. Our responsibility to the Commonwealth and to the affected localities requires more.

GENERAL CHARACTERISTICS OF THE TOWN, THE COUNTY, AND THE AFFECTED AREAS

Town of Marion

The Town of Marion was platted in 1832 and incorporated in 1849.⁴ Marion is located north of Interstate 81 in the central part of Smyth County and it serves as the county seat. Between 2000 and 2010, Marion’s population decreased from 6,349 to 5,968 persons, or by 6.00%. Based on its land area of 4.12 square miles and the 2010 population, the Town has a population density of 1,448.54 persons per square mile.⁵

The population of the Town is older and less wealthy than the State as a whole. As of 2012, the median age of Marion residents was estimated to be 41.5, compared with 37.4 for Virginia as a whole. The percentage of the Town’s 2012 population that was age 65 or older was about 20.2%, compared to 12.3% for Virginia. Census data from 2012 indicate that the Town’s median household income was approximately \$31,753, which is 49.9% of the statistic for the Commonwealth as a whole (\$63,636).⁶

In terms of the Town’s physical development, recent land use data indicate that 46.27% of the land area is devoted to residential uses, 11.56% to commercial enterprise, 2.42% to industrial uses, and 13.46% to public and semi-public uses. This leaves about 26.29% (705 acres) of the Town as undeveloped

³ Section 15.2-2907(A), Code of Virginia.

⁴ Town of Marion, Comprehensive Plan (hereinafter referred to as the Town Comprehensive Plan), p. 6, accessed August 25, 2014, http://www.marionva.org/images/uploads/general/Town_of_Marion_Comprehensive_Plan_2013_Without_Maps.pdf.

⁵ U.S. Department of Commerce, Bureau of the Census, Census 2000, Summary File 1; and Census 2010, Summary File 1.

⁶ U.S. Department of Commerce, Bureau of the Census, 2008-2012 American Community Survey.

agricultural land or open space. Of this undeveloped land, about 444 acres potentially contain floodplains or steep slopes. Exclusive of this land affected by major environmental constraints, Marion retains approximately 261 acres, or 9.73% of its total land area, in parcels that are vacant and suitable for development.⁷

County of Smyth

Smyth County was formed in 1832 from portions of Washington and Wythe Counties, and was named after Alexander Smyth, a former congressman from Virginia.⁸ The population between 2000 and 2010 decreased from 33,081 to 32,208 persons, or by 2.64%. On the basis of its 2010 population and an area of 450.93 square miles, the population density of Smyth County is 71.43 persons per square mile.⁹

The population of Smyth County is older and less affluent than the state as a whole and has similar age demographics and is slightly more affluent than the Town. The median age in Smyth County in 2012 was 43.1, compared to the State's median age of 37.4. Furthermore, the percentage of residents age 65 or over in 2012 was 18.2% for Smyth County, compared to the 12.2% for the Commonwealth. Regarding income, the median household income as of 2012 was \$34,394, which is 54.04% of the statewide figure of \$63,636.¹⁰

Areas Proposed for Annexation

The proposed agreement would incorporate three areas into the Town of Marion, referred to in the settlement as Boundary Adjustment Areas A, B, and C. At a later date, another area, known as Boundary Adjustment Area D would be incorporated, subject to the issuance of bonds in connection with the potential development of that property.¹¹

Initial Boundary Adjustment

Boundary Adjustment Areas A, B, and C consist of a total of 409.96 acres and contains an estimated population of 30 persons.¹² ¹³ Boundary Adjustment Area A is located to the west of the Town's corporate limits, Area B is to the south, and Area C is to the southeast.¹⁴ Based on 2013 assessed values, these areas included \$19.3 million in total assessed real estate property values. These areas contain 0.14% of the County's total land area, 0.09% of its population, and 1.34% of its total 2013 assessed real estate values.¹⁵ Based on its area and the population estimate, the areas proposed for annexation have

⁷ Cecil Hicks, Assistant Town Manager, Town of Marion, letter to Commission staff, June 10, 2014.

⁸ Emily J. Salmon and Edward D.C. Campbell, Jr., *The Hornbook of Virginia History*, 4th ed. (Richmond: Library of Virginia, 1994), p. 169.

⁹ U.S. Department of Commerce, Bureau of the Census, Census 2000, Summary File 1; and Census 2010, Summary File 1.

¹⁰ U.S. Department of Commerce, Bureau of the Census, 2008-2012 American Community Survey.

¹¹ Settlement Agreement, Section 2.

¹² Hicks, letter to Commission staff, June 10, 2014.

¹³ Bill Rush, email attachment sent to Commission staff, April 18, 2014, p. 5. The attachment contains responses to Commission staff's initial request for additional information, hereinafter referred to as the "Town and County Response."

¹⁴ Notice, Tab "Maps", map titled "Proposed Boundary Line Adjustment 2013."

¹⁵ Ibid., spreadsheet titled "Boundary Adjustment Areas by Parcel;" and County of Smyth, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2013, p. 85 (hereinafter referred to as "County 2013 CAFR"). The total value of real property assessments in 2013 for Areas A, B and C was \$19,335,854, while the same figure for all of Smyth County was \$1,444,667,238.

a population density of about 46.83 persons per square mile, or about two-thirds of the density of Smyth County overall (71.43 persons per square mile).

In terms of current development, Area A contains the town-owned Holston Hills Community Golf Course and the municipal wastewater treatment plant, which is jointly-owned by the Town and County. Area B contains several commercial buildings, many of which are unoccupied. Area C contains significant industrial development, much of which is unoccupied as well.¹⁶ According to the most recent land use data, approximately 3.68% of the initial annexation areas are devoted to commercial activity, 19.22% to industrial use, and 72.25% to public and semi-public uses, leaving 4.84% (19.86 acres) remaining vacant or engaged in agricultural production. None of the undeveloped land in the area proposed for immediate annexation has significant constraints to development (e.g., location within the 100-year flood plain, water supply protection areas or steep slopes), and the several unoccupied structures provide ample opportunities for redevelopment.¹⁷

Potential Future Boundary Adjustment

The proposed agreement would also allow the Town of Marion to annex additional territory in Smyth County, referred to as Boundary Adjustment Area D, in connection with bonds proposed to be issued by the Smyth Crossings Community Development Authority (SCCDA).¹⁸ Area D is situated to the east of the Town's corporate limits and is south of Interstate 81 at Exit 47.¹⁹ The area contains approximately 100.49 acres of territory and has no residents.^{20 21} According to the most recent land use data, 100% of Area D is devoted to agricultural development, and there are no environmental constraints to development such as floodplains or steep slopes.²²

STANDARD FOR REVIEW

As a previous section of this report has noted, the Commission on Local Government is charged with reviewing proposed interlocal settlements negotiated under the authority of Section 15.2-3400 of the Code of Virginia to determine whether such settlements are "in the best interest of the Commonwealth." In our judgment, the Commonwealth's interest in this and other interlocal agreements is fundamentally the preservation and promotion of the general viability of the affected localities. In this instance, the Commission is required to review an interlocal agreement which provides for (1) the immediate annexation to the Town of Marion of approximately 410 acres of territory located in Smyth County and the potential incorporation of approximately 100 additional acres; (2) for the waiver of certain annexation and city status rights; (3) for the sharing of Town and County revenues generated from certain areas proposed for annexation; (4) for the conveyance of certain real estate and

¹⁶ Town and County Response, p. 5.

¹⁷ Hicks, letter to Commission staff, June 10, 2014.

¹⁸ Settlement Agreement, Section 2.

¹⁹ Notice, Tab "Maps", map titled "Proposed Boundary Line Adjustment 2013."

²⁰ Town and County Response, p. 5.

²¹ Hicks, letter to Commission staff, June 10, 2014.

²² Ibid.

water rights on property owned by the Town; and (5) for other matters. A proper analysis of the proposed Town of Marion – Smyth County Voluntary Settlement Agreement, as mandated by statute, requires consideration of the ramifications of these provisions with respect to the current and future viability of the two jurisdictions.

Agreement Revisions

The agreement that was approved by the Town and County, and subsequently submitted for our review, included several items of concern for the Commission. Most of these concerns were not substantive, but instead were technical issues with the agreement, such as incorrect references, inconsistent use of terminology, missing exhibits, or confusing language. There were more substantive issues with the agreement that were identified at the Commission’s hearings in May 2014, and are discussed in detail below.

The agreement provided that the annexation of Boundary Adjustment Area D would automatically occur following the issuance of bonds by the SCCDA.²³ A separate legal instrument should be recorded to effect this annexation, so that circuit court and state agency records will reflect that it has occurred.

Next, the section that provided for the transfer of parts of the Atkins Spring property from the Town to the County made references to “water rights” that would transfer to the County; however, no definition was included to describe these rights. In addition, the agreement would have denied access to groundwater for the residual portions of this land.²⁴ Also, County officials, during the oral testimony, suggested that the County would be interested in having a first right of refusal should the Town attempt to sell the remaining parts of the property.²⁵

The revenue sharing provisions in the agreement contained several substantial issues. First, the payment schedule in the agreement was unclear as to when revenue collected would be due for payment. Next, the agreement did not address how the Town’s shared sales tax revenues would be calculated, which is critical because town sales tax revenues are based upon the percent of a county’s school age children that reside in the town, not based upon whether the sale occurred within the town. Also, the agreement did not specify what percent of revenues generated by the Town and the County would be shared with one another. Finally, the agreement held that the revenue sharing provisions shall renew automatically every 25 years with respect to the Town’s obligation, but inadvertently did not renew the revenue sharing period for the County’s contribution.²⁶

The agreement did not contain any provisions addressing how any disputes arising from the agreement would be resolved among the Town and County. In the interest of avoiding costly legal disputes, the Commission has encouraged localities to include dispute resolution language in voluntary settlement agreements.

²³ Settlement Agreement, Section 2.3.

²⁴ Ibid., Section 5.

²⁵ Testimony of Michael Carter, Smyth County Administrator, May 13, 2014.

²⁶ Settlement Agreement, Section 4.

Each of the concerns addressed above have since been addressed through a revised draft of the agreement, dated July 11, 2014.²⁷ It should be noted that this revised document was drafted by the Town and County staff, but has not yet been adopted by the Town Council or the Board of Supervisors.²⁸ The local governing bodies are required by § 15.2-3400(4) of the *Code of Virginia* to conduct a public hearing prior to adopting the original or modified settlement agreement, so that the Commission's recommendations may be considered.

In the sections below, the Commission will review the best interests of the parties affected by the proposed settlement agreement, based upon the draft July 11, 2014 revisions.

Interests of the Town of Marion

Revenue Sharing Provisions

In 2008, the Town of Marion and Smyth County jointly formed the SCCDA to facilitate the construction and maintenance of infrastructure improvements in connection with a proposed mixed-use development in Area D.²⁹ This development is envisioned by the Town and County as an important catalyst for economic development, as it would provide goods and services that are currently unavailable in the County. The revenue sharing component of the agreement provides that all of the major local tax revenue streams from Area D would be dedicated to paying the SCCDA's bonds. Upon repayment of those bonds, which would be several decades into the future, the Town would then share one-half of the revenues generated in Area D with the County, and one-half of the County's revenues from that area would be provided to the Town.³⁰ At this time it is not possible to project the revenues that could be generated by Area D, because the scope of the development proposed for that area is unknown.³¹

We find that the revenue sharing provisions would be in the Town's best interest because the revenues shared would be used to facilitate a major economic development need that has been identified by the Town and County. In addition, the revenues that would be shared following the repayment of the SCCDA's bonds would be revenues that the Town would not otherwise realize.

Fiscal Assets and Public Service Liabilities

Fiscal Assets. The Town of Marion's fiscal assets have grown at a slightly lower rate than the County. From FY2005 through FY2013, the assessed value of taxable property in the Town has grown from

²⁷ Voluntary Settlement of Annexation, Revenue Sharing, and Utility Issues Between the Town of Marion and Smyth County (hereinafter cited as the "Draft Revised Settlement Agreement"), dated July 11, 2014. See Appendix B for the complete text of the Draft Revised Settlement Agreement.

²⁸ Although the governing bodies had not yet endorsed the staff revisions of the agreement, both the Town Council and County Board of Supervisors have been apprised of these changes by their respective staffs.

²⁹ Resolution – Creating the Smyth Crossings Community Development Authority, adopted by the Marion Town Council and Smyth County Board of Supervisors at a joint meeting, July 24, 2008.

³⁰ Draft Revised Settlement Agreement, Section 4.

³¹ Testimony of Bill Rush, Marion Town Manager, May 13, 2014.

\$310.1 million to \$371.8 million; a rate increase of 20.0%.³² Meanwhile, taxable property in the County has grown from \$1.554 billion to \$1.934 billion over the same period; a rate increase of 24.5%.³³

The Town's total local tax collections have increased at a slightly higher rate than the County over the last nine years. These revenues have increased from \$2.3 million in FY2005 to \$3.1 million in FY2013; a rate increase of 33.3%.³⁴ Local tax collections in the County have grown from \$15.0 million in FY2005 to \$19.6 million in FY2013; a rate increase of 30.6%.³⁵

As a result of the boundary adjustment, initial new tax collections by the Town will be minimal, because the bulk of the annexation areas are vacant or not taxable. After the annexation of Areas A, B, and C, the Town can expect to experience an increase in real estate and meals tax collections.³⁶

Public Service Liabilities. While the proposed agreement will provide the Town of Marion with additional revenue and potential economic development, it will also present the Town with increased service responsibilities, although they are expected to be minimal. Town water and sewer service is already available to these properties.³⁷ The Town has also indicated that it is already providing some urban services, such as police patrols, in much of the annexation area.³⁸ New roads that will require maintenance will be mostly offset by a higher road allocation from the Virginia Department of Transportation. The Town estimates that approximately nine new street lights will need to be installed in the boundary adjustment areas at an additional annual cost of approximately \$1,000.³⁹

If the Area D property is developed in the future, the Town will extend its services to that area, without any accompanying revenues until such time as the SCCDA bonds are repaid, and then they would be subject to the Town and County's revenue sharing plan. The public service demands that should be anticipated from the development of Area D are not predictable at this time because the extent of the project is unknown.

Land for Development

Vacant land comprises 705 acres within the Town limits, or 26.29% of the total available land. Of this vacant land, approximately 444 acres are potentially constrained by floodplains or steep slopes, leaving approximately 261 acres, or 9.73% of its land area vacant and amenable to development.⁴⁰ Most of the Town's existing vacant land is concentrated in the northern part of Marion, outside the path of future development.⁴¹

³² Town of Marion, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2013 (hereinafter referred to as Town 2013 CAFR), p. 73.

³³ County 2013 CAFR, p. 85.

³⁴ Town 2013 CAFR, p. 71. Totals are computed by adding "General Property Taxes" and "Other Local Taxes" together.

³⁵ County 2013 CAFR, p. 84. Totals are computed by adding "General Property Taxes" and "Other Local Taxes" together.

³⁶ Notice, Tab "Need to Annex," pp. 30-31. According to the Town, the incorporation of Boundary Adjustment Areas A, B, and C will yield approximately \$13,511 in annual real estate tax revenues and approximately \$2,500 in annual meals tax revenues. There will be several other annual tax revenue sources; however, these are estimated to be minimal.

³⁷ Town and County Response, p.5.

³⁸ Ibid., p. 11.; and Testimony of Bill Rush, May 13, 2014.

³⁹ Notice, Need to Annex, pp. 31 – 32.

⁴⁰ Hicks, letter to Commission staff, June 10, 2014.

⁴¹ Testimony of Bill Rush, May, 13, 2014.

The proposed agreement will permit the Town to initially annex Boundary Adjustment Areas A, B and C, containing about 19.86 acres of land generally suitable for development. Although this is not a significant amount of developable land, Areas B and C contain additional properties that would be appropriate for redevelopment. In addition, Boundary Adjustment Area D would contain approximately 100.49 acres for development, although the annexation of that land would coincide with its development, and the improvements that would be constructed by the SCCDA.

Boundary Adjustment Area A. In April 2012, the Town of Marion purchased the Holston Hills Community Golf Course, which lies adjacent to the Town’s southwestern boundary.⁴² To the west of the golf course lies the Town and County’s sewer treatment plant.⁴³ Although the Town will not realize any additional real property tax revenues from these properties, the Town will be able to collect taxes from food and beverage sales at the golf course. The Town does not currently have any plans to alter or develop the golf course property at this time; however, it is in the best interest of the Town for these parcels to be incorporated into the Town so that it may fully control these municipally-owned properties.

Boundary Adjustment Areas B and C. As mentioned previously, Boundary Adjustment Areas B and C contain several properties that are unoccupied and available for redevelopment. The Town has indicated that it desires to encourage redevelopment of these areas.⁴⁴ The annexation of Area B is significant because of its proximity to Exit 45 on Interstate 81, and because it would provide Marion with control of its major gateway approach from the south – State Route 16. Area C is also highly visible from Interstate 81, but more importantly, the abandoned manufacturing facilities in this area could be well-positioned to attract economic development. The quality and nature of development in these areas is of considerable significance to the municipality and the future development of those areas will affect the Town’s viability.

Boundary Adjustment Area D and the SCCDA. The potential annexation of Boundary Adjustment Area D would occur in conjunction with the issuance of bonds used to facilitate infrastructure improvements within Area D. This land will provide the Town with a strategic site for highway-oriented development.

Interests of the Areas Proposed For Annexation

Community of Interest

One of the factors appropriate for consideration in the analysis of proposed voluntary settlement agreements is the strength of the community of interest that joins the area proposed for annexation to the adjacent municipality. In this instance, the evidence suggests that there exists a significant degree of interdependence between the areas proposed for annexation and the adjacent municipality.

First, the Town of Marion is the source of certain public services to its residents and businesses. The Town provides public water and sewer service to several customers beyond the Town limits, including

⁴² Notice, Tab “Urban Services,” p. 19.

⁴³ *Ibid.*, Tab “Maps”, map titled “Area A.”

⁴⁴ Testimony of Bill Rush, May, 13, 2014.

Boundary Adjustment Areas A, B and C.⁴⁵ In addition, the Town's police department provides assistance to the area through a mutual aid agreement with the Smyth County Sheriff's Office.⁴⁶ Other entities that serve the existing municipality that would also serve the annexation areas include the volunteer fire department, the County library, and Smyth County Public Schools.⁴⁷ It should be noted that the Town-owned golf course, and the wastewater treatment plant that serves the Town, are located within Boundary Adjustment Area A, and comprise 59% of the total area proposed for annexation.⁴⁸

Second, regarding the strength and nature of the community of interest between the Town of Marion and its adjacent areas, the Town serves as a significant hub of government and commerce within the County. In 2007, of the 581 establishments within Smyth County, approximately 293, or 50.43%, are within the Town of Marion.⁴⁹ It is reasonable to infer that the Town's commercial establishments serve to a substantial extent the needs of businesses and residents in the areas adjacent to the municipality. Also, because the Town serves as Smyth County's seat of government, the entire county relies on certain facilities and services that are provided by the County, from within the town limits.

Finally, the proposed annexation areas have an urban character and service needs, which more closely parallel those of the Town rather than those of the outlying portions of the County. With respect to the nature of those areas, they are essentially extensions of development patterns originating within the Town.

For the reasons cited above, the Commission finds that the areas proposed for annexation have a strong relationship with the Town of Marion, comprising a noteworthy community of interest.

Need For Urban Services

The 0.64 square miles of territory in the initial annexation area are estimated to contain approximately 30 persons, giving the area a population density of 46.88 persons per square mile. The Town and County have indicated that these properties, with the exception of Area A, are intended for commercial and industrial uses. As such, significant population growth is not expected as a result of the annexation; however, as the areas subject to annexation into the Town begin to experience commercial development, they will increasingly need the urban services provided by the Town.

Water and Sewer Service. The Town of Marion's water treatment plant, which uses the Middle Fork of the Holston River as its raw water source, can receive and treat approximately 3.0 million gallons per day (MGD). In 2009, the average daily usage for the system was approximately 800,000 gallons, leaving 73.33% in available capacity. For storage, the Town has ten storage tanks and one clear well with a collective capacity of over 4.5 million gallons of treated water, a five-day supply.⁵⁰ The distribution

⁴⁵ Notice, Tab "Maps," maps titled "Town of Marion Water System" and "Town of Marion Sewer System."

⁴⁶ Town and County Response, pp. 10-11; and Testimony of Bill Rush, May 13, 2014.

⁴⁷ Notice, Tab "Urban Services," pp. 19-20.

⁴⁸ Ibid., p. 30.

⁴⁹ U.S. Department of Commerce, Bureau of the Census, 2007 Economic Census.

⁵⁰ Notice, Tab "Urban Services," pp. 7-9.

system serves approximately 2,300 customers in town and 1,400 out of town including 51 in the boundary adjustment areas.⁵¹

The Town and County also jointly own the wastewater treatment plant located in Boundary Adjustment Area A, which serves approximately 3,143 Town customers and 690 County customers.⁵² Of the Town's 3,143 customers, approximately 2,968 are located within the Town and 175 are in unincorporated parts of the County, of which 50 are located within the initial annexation areas.⁵³ The Town's wastewater treatment plant has a rated capacity of 3.4 MGD and an average daily flow of 1.2 MGD, or 35.29% of its capacity.⁵⁴

Areas A, B, and C are already served by the Town's water and sewer system. Nevertheless, the residents and businesses needs for urban services within these areas will improve upon incorporation into the Town of Marion because they will be eligible for the in-town rates, which are about half the out-of-Town rates.⁵⁵

Solid Waste Collection and Disposal. The Town of Marion provides refuse collection and disposal services to Town residents and business establishments within the Town limits. Residential collection occurs on a weekly basis at a cost of \$13.00 that is added to monthly utility bills. Additional services provided include special collections for debris, brush and leaves.⁵⁶ The Town disposes of its refuse at Smyth County's transfer station near Chilhowie, from where it is then hauled to a landfill outside of the County.⁵⁷ Smyth County does not provide solid waste collection services to its residents and businesses; however, the County residents can dispose of their waste at strategic drop-off areas in the county.⁵⁸

Upon annexation, the Town will extend its solid waste collection and disposal services to the boundary adjustment areas. The extension of the Town's solid waste collection services to newly-annexed areas will reduce costs for those who currently pay for garbage collection by a private contractor and provide a convenience for residents who currently haul their solid waste to the County's collection sites. Finally, the general availability of a publicly financed solid waste collection service promotes the use of that service, which helps alleviate the incidence of illegal dumping and has a beneficial effect on the community.

Planning, Zoning, and Subdivision Regulation. The Town of Marion conducts its public planning efforts with the assistance of a planning commission and guided by a comprehensive plan. The Town also has zoning and subdivision ordinances to assist in the management of its physical development.⁵⁹ Marion's subdivision ordinance mandates connection to Town utilities, and also requires the use of public streets

⁵¹ Town and County Response, p. 7.

⁵² Notice, Tab "Urban Services," p. 11. Marion's share of the sewage treatment plant ownership is approximately 82.35% while the County's is 17.65%.

⁵³ Town and County Response, p. 7-8.

⁵⁴ Notice, Tab "Urban Services," p. 11.

⁵⁵ Ibid., pp. 9-10.

⁵⁶ Ibid., p. 12; and Town and County Response, p. 8.

⁵⁷ Town Comprehensive Plan, p. 57.

⁵⁸ Notice, Tab "Urban Services," p. 12.

⁵⁹ Ibid., p. 13.

and streetlights in new developments.⁶⁰ The Town also has a five-year capital improvements program, although the Town acknowledges that it is outdated and needs to be revised. At present, the Town has one full-time staff person to oversee the administration and management of its land use control processes.⁶¹

Development in Smyth County is also overseen by a planning commission and is guided by a recently-adopted comprehensive plan. The County has not adopted a capital improvement plan to coordinate financial planning and execution of projects suggested by its comprehensive plan. In addition, the County utilizes a zoning ordinance and subdivision ordinance for the regulation of development activity.⁶² Unlike the Town, the County's subdivision ordinance does not require the installation of streetlights, it does not always require connection to public water and sewer, and it allows the installation of private streets in certain circumstances.⁶³ The County maintains a staff of two persons to manage and implement its various planning and development control activities.⁶⁴

Following the effective date of annexation, the Town will extend its planning and other related regulatory instruments to the boundary adjustment areas; however, the Town's zoning ordinance does not contain provisions that clarify how the newly-annexed properties are to be zoned.⁶⁵ Although both the Town and County have programs and guidelines for development in their respective jurisdictions, in our judgment, the Town has a more effective set of tools for guiding urban development. The areas proposed for annexation should benefit from the application of the Town's development control policies.

Crime Prevention and Detection. Because the law enforcement activities of Virginia's towns supplement those provided by a county Sheriff's office, the proposed boundary adjustments will have the effect of providing additional and more intense law enforcement services in the areas annexed. Currently, the Town of Marion's police department is staffed by 19 full-time officers, with 16 of those dedicated to patrol duty.⁶⁶ In terms of patrol activity, the Town maintains officers on its streets 24 hours a day, with a minimum of 4 patrol officers on duty at all times. The staffing level is sufficient to provide one patrol officer for every 373 residents. This provides the Town with patrol coverage of at least one officer for each 0.26 square miles of territory. Another measure of the intensity and adequacy of patrol service in a locality is the number of calls for service borne by each law enforcement position. During 2013, the Town received 6,699 calls for service, meaning each patrol officer in the Town was responsible for an average of 419 calls for service. The average patrol staffing level in the Town and the incidence of activity requiring police response permitted the police department to respond to calls for service in an average of 4 minutes. The Town and County law enforcement agencies also cooperate with a mutual

⁶⁰ Bill Rush, emails to Commission staff, August 6 and August 21, 2014.

⁶¹ Notice, Tab "Urban Services," p. 13.

⁶² Smyth County, Comprehensive Plan 2013 Update (hereinafter referred to as the County Comprehensive Plan), pp. 5, 34, 35, 75, accessed August 25, 2014, http://www.smythcounty.org/board_of_supervisors/bos_forms_and_publications/comp_plan_final_2013.pdf.

⁶³ Clegg Williams, Smyth County staff, email to Commission staff, August 21, 2014; and Smyth County Subdivision Ordinance, Sections 5.7 and 5.8.

⁶⁴ Town and County Response, p. 12.

⁶⁵ Town of Marion Zoning Ordinance.

⁶⁶ Notice, Tab "Urban Services," p. 14.

aid agreement, whereby each agency provides support to the other upon request. Marion has indicated that it already regularly patrols some portions of the areas proposed to be annexed.⁶⁷

The Smyth County Sheriff's Office, which is headquartered in the Town, has primary law enforcement responsibility for unincorporated portions of the County.⁶⁸ The office has 35 full-time employees assigned to law enforcement, 29 of whom are dedicated to patrol responsibility. Therefore, the County has one patrol officer for every 1,111 residents, or one for every 15.55 square miles. In 2013, the office responded to 11,131 calls for service, or 384 calls per patrol deputy.⁶⁹

The Commission has no knowledge of any law enforcement issues within the boundary adjustment areas, and the incorporation of those areas is not anticipated to add substantially to the law enforcement burden of the Town of Marion. In our judgment, the extension of the Town's law enforcement services will benefit the residents and businesses located there and relieve the County Sheriff's Office from its patrol responsibilities in these areas.

Public Works. The proposed boundary adjustments will result in the application of the Town's policies and procedures for the construction and maintenance of various public works in the annexation areas. The Town of Marion's services and capabilities are, in our view, properly designed to meet the needs of urbanizing areas and should be increasingly beneficial to the residents and businesses incorporated into the Town.

First, Marion will assume responsibility for the construction and maintenance of roads in the boundary adjustment areas, which includes snow removal, street cleaning, mowing and overall maintenance of rights-of-way. The ability of the Town to schedule and administer the maintenance of its public streets, as well as an apparent willingness to appropriate and expend local funds for that purpose, will benefit the area. Between FY2010 and FY2013, the Town of Marion expended approximately \$161,860 in local funds in addition to the State's contribution to improve and maintain approximately 90.08 lane-miles of public roadways within its boundaries. The ability of the Town to schedule and administer the maintenance of its public thoroughfares, as well as an apparent willingness to appropriate and expend local funds for that purpose, will benefit the area. The boundary adjustment areas contain approximately 3.12 lane miles of roadway, which would make the Town eligible for an additional \$44,094 in State maintenance payments, based upon FY 2015 allocations.⁷⁰

Second, as previously mentioned, the Town currently requires the installation of public streets in new developments, whereas the County allows private streets in certain situations. For existing residential areas without curb and gutter, the Town has a program whereby it will install curb, gutter and sidewalks

⁶⁷ Town and County Response, pp. 10-11.

⁶⁸ County Comprehensive Plan, p. 86.

⁶⁹ Town and County Response, p. 12-13.

⁷⁰ Notice, Tab "Urban Services," p. 17; and "Weldon Cooper Public Finance Survey," and "Urban Municipal Mileage and Payments," Virginia Department of Transportation, Local Assistance Division, accessed August 25, 2014, <http://www.virginiadot.org/business/local-assistance-programs.asp>. Between FY2010 and FY2013, the Town reported \$4,365,185 in expenditures for the upkeep of its streets and highways, and during the same period, \$4,203,324 in maintenance payments that were received from the Commonwealth.

subject to certain conditions, including a requirement that property owners bear 50% of the cost.⁷¹ While the proposed agreement does not commit the Town to install these facilities as a consequence of the boundary adjustments, the Town's policies regarding curb, gutter and sidewalks will be beneficial to the annexation areas.

Finally, the Town of Marion provides street lighting through a contract with the local electricity provider. At present, there are approximately 609 publicly funded streetlights within the Town's boundaries.⁷² The Town anticipates an additional nine street lights will be needed initially to serve the boundary adjustment areas.⁷³ These facilities contribute to public safety and can be a factor in crime prevention. In our judgment, the areas proposed for annexation could benefit from the availability of publicly-funded streetlights.

Fire Protection. The Town and adjacent territory – including the boundary adjustment areas – are currently served by the Marion Volunteer Fire Department, which is jointly supported by the Town and County. Based upon the fire suppression capabilities of the department, along with the specifications of the Town's water system, properties located in the existing Town as well as the boundary adjustment areas are classified "6" by the Insurance Services Office (ISO) in terms of their exposure to fire loss.⁷⁴

Because water service is generally available to the boundary adjustment areas, existing residents will not experience any change in the level of fire protection as a result of annexation; however, areas that are currently undeveloped should benefit from water line extensions as growth occurs, which will improve the fire suppression capabilities as additional fire hydrants are installed.

Summary of Service Needs

In the preceding sections of this report, the Commission has endeavored to examine the existing and prospective urban service needs of the boundary adjustment areas and the ability of the Town of Marion to meet those needs. On the basis of the data cited above, the Commission finds that the boundary adjustment areas will benefit from the extension of Town services and policies as well as the provisions of the agreement. Further, the Town is capable, in our judgment, of meeting the future needs of those areas as they develop.

Interests of the County of Smyth

Fiscal Impact

The annexation proposed within the agreement will have minimal adverse fiscal impact on Smyth County. Although the annexation will not impact the County's receipts from its real and personal property taxes, it will slightly reduce its collections from some of its secondary revenue sources, namely, the machinery and tools tax, and the motor vehicle license fee. The Town will assume responsibility for

⁷¹ Town and County Response, p. 8.

⁷² Notice, Tab "Urban Services," p. 17.

⁷³ Ibid., Tab "Need to Annex," p. 31.

⁷⁴ Ibid., Tab "Urban Services," p. 15.

certain municipal services to the annexed area, which also should reduce to some degree the demands on the County's resources. Because the areas proposed for annexation are largely vacant or municipally-owned, these impacts should be negligible.

Waiver of Annexation and City-status Rights

The agreement contains a provision by which the Town waives its right to initiate any annexation proceedings for a period of 25 years. In addition, the Town waives its right to commence any proceedings to make a transition from town to city status for 50 years.⁷⁵ These provisions assure the County, for an extended period of time, that County's tax base will not be threatened by annexation or transition to city status.

Revenue Sharing Provisions

With respect to the SCCDA and the revenue sharing agreement, the County has the same interests as the Town. Similar to the Town's revenue sharing commitments, the agreement commits all of the County's revenues generated by Area D's anticipated development to the repayment of the SCCDA bonds. Following repayment of those bonds, the County would share half of its Area D revenues with the Town, while the Town would provide the County with one-half of its revenues from that area.⁷⁶ Although these revenues cannot be projected, we find that these provisions are in the interest of the County because they will help fulfill an identified economic development need for the area, and would provide an additional source of revenue to the County after the SCCDA's commitments are repaid.

Counties in Virginia are required to conduct a referendum prior to contracting a debt, including revenue sharing arrangements, unless a referendum has been held to ask voters whether the County should be treated as a city for the purpose of issuing long-term debt.⁷⁷ Fortunately, Smyth County conducted a successful referendum on that question in 1992; therefore, such a referendum for the revenue sharing provisions of the agreement should not be necessary.⁷⁸

Spring Property

The agreement provides for the Town to convey to the County, and to the Adkins Ruritan Club, parts of an approximately 17.46 acre parcel that is located beyond the Town limits, but owned by the Town. Specifically, the County would receive about four acres, including a spring that could be used for a public water supply if the County chooses to do so. The Ruritan Club would receive about three-quarters of an acre, occupied by the Club's existing building. The Town would retain about 12 acres of the original tract, while allowing the County an option to purchase the land should the Town decide to sell it. Provisions in the agreement would maintain the Town and the Ruritan Club property's access to

⁷⁵ Draft Revised Settlement Agreement, Section 3. Section 15.2-3201 of the Code of Virginia contains a moratorium on the granting of new city charters, which has been in effect for several decades, and has been extended multiple times. The moratorium was last extended to July 1, 2018 by the 2014 General Assembly. If the legislature were to permit the moratorium to expire, this provision in the agreement would continue to prohibit Marion from transitioning to city status for the specified term.

⁷⁶ Draft Revised Settlement Agreement, Section 4.

⁷⁷ Section 15.2-3401, Code of Virginia; and Article VII, Section 10, Constitution of Virginia.

⁷⁸ Michelle Clayton, Smyth County Attorney, email to Commission staff, May 29, 2014.

groundwater, while protecting the spring's capacity as a municipal water source.⁷⁹ This provision in the agreement is in the County's best interest because it will provide an abundant water source of raw water, should the County need it in the future.

Interests of the Commonwealth

The Commission notes that the proposed Town of Marion – County of Smyth agreement is the product of negotiations conducted under a State-established process that encourages the negotiated settlement of interlocal issues. By the establishment of this negotiation process, the State has expressed its desire for local governments to affect a resolution of their interlocal concerns within parameters established by law. This agreement, which constitutes a locally effected reconciliation of the needs and interests of the Town and County, is consistent with the interest of the Commonwealth in the promotion of negotiated settlements.

The principal interest of the State in the resolution of this and all interlocal issues subject to the Commission's review is the preservation and promotion of the viability of the affected local governments. As previous sections of this report have indicated, the provisions in the proposed settlement agreement will afford the Town of Marion with an opportunity to extend its boundaries and provide municipal services in areas with high-growth potential, while simultaneously protecting the County's interests. In addition, the agreement provides both jurisdictions with a long term solution to planning and utility needs as the area grows. In sum, the Commission finds that the proposed agreement, negotiated by the governing bodies of the Town and County, is consistent with the interest of the Commonwealth in the promotion and preservation of the viability of Virginia's local governments.

PUBLIC FINANCE PROFILES

Town of Marion

The voluntary settlement agreement with the County will allow the Town to add land for future commercial development. The annexations will also bring Town-owned properties within the dominion of the Town. Initial revenues to the Town after annexation will not be very large, but future development of the SCCDA property could add significant sales tax remittances due to the provisions of the revenue sharing agreement. The Town's financial situation, reviewed below, reinforces the claim that the Town needs to increase its local revenues.

Short-Term Financing

Two methods by which to analyze a locality's short-term financial health are the current ratio and the cash ratio.⁸⁰ From FY2009 to FY2013, the Town's current ratio declined from 1.64 to 1.30. During the

⁷⁹Draft Revised Settlement Agreement, Section 5; and Testimony of Bill Rush, May 13, 2014.

⁸⁰The current ratio is computed as current assets divided by current liabilities. The cash ratio is computed as cash and cash equivalents divided by current assets.

same period, the Town's cash ratio has declined from 53.4% to 35.6%.⁸¹ The data indicate that the Town's ability to meet short-term obligations is declining.

The Town's unassigned fund balance has followed a similar trend. In FY2009, the Town's unassigned fund balance represented 4.5% of general fund expenditures. By FY2013, that percentage had decreased to -5.5%.⁸² Not only is the Town experiencing a decreased ability to handle adversity with the general fund, such adversity will require help.

The Town's general fund has operated at a deficit in each year from FY2009 to FY2013. In FY2009, general fund expenditures exceeded revenues by \$1.6 million. By FY2013, that deficit had dropped to \$1.3 million.⁸³ These annual operational deficits have been the primary contributor to the unassigned fund balance decrease over the same period. The Town needs to find a way for the general fund to be self-sustaining.

The Town's enterprise fund has operated at a surplus over the last five fiscal years. In FY2009, the enterprise fund's revenues exceeded expenditures by \$848,469. In FY2013, the fund operated at an \$876,993 surplus. After making transfers to other funds, the fund still operated at a surplus in FY2012 and FY2013.⁸⁴ The Town's enterprise fund is relatively healthy.

Capital Structure

Total liabilities of the Town have increased nominally and as a percentage of assets since FY2009. In FY2009, Town liabilities totaled \$8.8 million, or 39.3% of total assets. By FY2013, this figure had increased to \$10.7 million, or 40.3% of the Town's total assets. The change in the ratio of long-term debt to assets has mirrored the changes in total liabilities. In FY2009, long-term debt represented 29.0% of total assets. By FY2013, the ratio had increased slightly to 30.0%.⁸⁵

Net assets of the Town have increased nominally over the previous five fiscal years. In FY2009, net assets of the Town were \$13.6 million. By FY2013, the value of the Town's net assets had increased to \$15.9 million. While this growth on the surface looks encouraging, unrestricted net assets of the Town have decreased in every year during the same period.⁸⁶ This indicates that the Town's overall ability to handle financial adversity is decreasing.

By the end of FY2013, capital assets of the Town were nearly 50% depreciated.⁸⁷ This indicates that capital improvements could be on the horizon, which could lead to additional debt issuances.

⁸¹ Appendix C, Table 7.

⁸² ibid.

⁸³ Appendix C, Table 3.

⁸⁴ Appendix C, Table 5.

⁸⁵ Appendix C, Table 1.

⁸⁶ ibid. Unrestricted net assets declined from \$1.8 million in FY2009 to \$0.6 million in FY2013.

⁸⁷ Town 2013 CAFR, pp. 44-46.

County of Smyth

The provisions of the voluntary settlement agreement do not greatly impact the financial status of the County. The majority of land proposed for annexation is owned by the Town and therefore not subjected to property taxes. Other areas are mostly vacant. The proposed developments will involve commercial zones, so the County does not need to account for an impact to its school system. Analysis of the financial statements over the previous five fiscal years indicates that the County's need to stimulate the local economy is legitimate.

Short-Term Financing

Analysis of the County's financial statements since FY2009 indicates a decreasing short-term financial situation. The County's current ratio has increased from 1.29 in FY2009 to 1.09 in FY2013.⁸⁸ Additionally, the County's cash ratio has decreased from 35.3% in FY2009 to 22.4% in FY2013.⁸⁹ This data indicates that the County's ability to meet its short-term obligations is deteriorating.

The County does not have a policy that sets a floor value for its unassigned fund balance.⁹⁰ In FY2009, the County's unassigned fund balance represented 22.5% of general fund expenditures. By FY2013, that percentage had plummeted to 7.5%.⁹¹ The decrease indicates that the County's ability to manage financial adversity is deteriorating.

The general fund has technically operated at a deficit in four of the last five fiscal years, with larger losses in FY2012 and FY2013.⁹² The reason for the larger losses in the two most recent fiscal years is an increase in capital expenses related to bond issuances in December, 2011.⁹³ For this reason, general fund performance appears worse than it should.

Capital Structure

Since FY2009, the County's long-term debt has increased nominally and as a percentage of total assets. In FY2009, long-term debt equaled \$21.7 million, or 28.6% of total assets. By FY2013, this figure had increased to \$67.9 million, which represented 52.8% of total assets.⁹⁴ As noted earlier, the primary reason for the increase is a large debt issuance in FY2012.

Net assets of the County have slightly increased in the last five years. In FY2009, the County's \$31.4 million worth of net assets represented 41.4% of total assets. In FY2013, net assets increased nominally to \$32.0 million, but dropped as a percentage of total assets to 24.9%. During this same period, unrestricted net assets of the County have decreased. Unrestricted net assets that totaled \$7.5 million

⁸⁸ The current ratio is computed as current assets divided by current liabilities. See also Appendix D, Table 7.

⁸⁹ The cash ratio is computed as cash and cash equivalents divided by current assets. See also Appendix D, Table 7.

⁹⁰ County 2013 CAFR, p. 26.

⁹¹ Appendix D, Table 7.

⁹² Appendix D, Table 3.

⁹³ County 2013 CAFR, p. 34. Series 2011A and 2011B are a combined \$39,485,000.

⁹⁴ Appendix D, Table 1.

in FY2009 had decreased to only \$4.3 million in FY2013.⁹⁵ This data, along with other noted earlier, confirms that the County's ability to handle financial adversity is declining.

FINDINGS AND RECOMMENDATIONS

In the preceding sections of this report, the Commission has reviewed a proposed voluntary settlement agreement negotiated by the Town of Marion and Smyth County addressing the interests of the two jurisdictions. Based upon that review, we find that the agreement promotes the viability of both local governments and is consistent with the best interests of the Commonwealth. Accordingly, we recommend the court's approval of a revised agreement, as discussed below. While finding the agreement to be in the best interest of the two jurisdictions and the State, there are several related issues which we are obliged to address.

REVISED AGREEMENT

As discussed in an earlier section of this report, the agreement that was submitted to the Commission, dated December 19, 2013, included several technical and substantive issues that, if left unaddressed, could lead to future complications and disagreements among the parties in the future. Following the Commission's visit to the Marion area, the Town and County submitted a revised draft of the agreement, dated July 11, 2014, which addresses all of the Commission's aforementioned concerns. Consequently, the Commission recommends that the revised version of the document be presented for approval by the Special Court.

CAPITAL IMPROVEMENT PROGRAM

The Commission recommends that the Town of Marion and County of Smyth adopt and annually revise a capital improvements plan (CIP) as authorized by Section 15.2-2239 of the Code of Virginia. The expansion of the Town's boundaries and the extension of services into the annexed area underscores the need for an up to date evaluation of the Town's capital needs and a corresponding funding mechanism. The County also should consider adopting such a plan so that it can more comprehensively plan and fund its capital needs.

25-YEAR ANNEXATION AND 50-YEAR CITY STATUS MORATORIUMS

The Commission has historically approached provisions for lengthy bans on annexation with reservation. In this instance, the agreement provides for a waiver of annexation and city status rights by the Town, for a minimum period of 25 years and 50 years, respectively. The agreement does not prohibit the Town from annexing additional territory with the County's consent, and it further provides that any such area incorporated into the Town will be subject to the same revenue sharing obligations applicable to Area D under this agreement.

⁹⁵ Ibid.

The Commission recognizes that several factors distinguish the circumstances in this instance and lend support to such a lengthy moratorium. First, the existing growth trends in the area do not signify an imminent need for additional land. Second, the areas proposed for annexation will add land with significant growth potential to the Town's boundaries. Next, the Commonwealth's moratorium on granting new city charters has been in effect for over 25 years, and appears unlikely to be removed. Also, the Town is unlikely to experience enough growth to create an efficient independent city. Finally, the moratoriums are part of the basis of the negotiations between the Town and County, and the parties entered into these terms on a fully informed basis. After careful consideration, the Commission finds the duration of these moratoriums to be acceptable.

REZONING OF ANNEXED AREAS

The Town of Marion's zoning ordinance does not specify how newly-annexed properties are to be zoned initially after annexation, which can cause uncertainty among affected property owners. Many towns in Virginia have ordinances that automatically designate its least intensive zoning district for newly annexed lands. This arrangement allows municipalities to determine the most appropriate zoning designations following the annexation through the traditional rezoning process. Prior to effecting the annexation, we recommend that the Town determine and adopt the most appropriate procedure to create zoning designations for the newly-annexed lands.

CONCLUDING COMMENTS

The Commission recognizes that of the 15 individuals who testified at the public hearing in Marion, 11 expressed concerns that the expansion of the Town's boundaries will also expand territory where mixed-beverage licenses may be granted to restaurants by the Department of Alcoholic Beverage Control. The Commission stresses that this issue is not within the purview of this Commission's scope to determine whether the agreement is "in the best interest of the Commonwealth."⁹⁶

The Commission on Local Government acknowledges the considerable effort devoted by officials of the Town of Marion and Smyth County to negotiate the agreement before us. The agreement reflects a notable commitment by the leadership of both jurisdictions to address in a collaborative fashion the concerns of their localities and the needs of their residents. We commend the officials of the two jurisdictions for their public leadership and for the interlocal agreement which they have negotiated.

⁹⁶ Section 4.1-124 of the Code of Virginia provides that a referendum is required before mixed-beverage licenses may be granted to restaurants. To date, such a referendum has not passed countywide in Smyth County; however mixed-beverage licenses can be granted in the Town of Marion. In 2013, Section 4.1-126 was amended to bypass the referendum requirement, allowing mixed-beverage licenses at certain locations in Smyth County, including Boundary Adjustment Area D.

Respectfully submitted,

/s/
John T. Stirrup, Jr., Chairman

/s/
Bruce C. Goodson, Vice Chairman

/s/
John G. Kines, Jr.

/s/
Victoria L. Hull

APPENDIX A

Voluntary Settlement Agreement, dated December 19, 2013

**VOLUNTARY SETTLEMENT OF
ANNEXATION, REVENUE SHARING, AND WATER ISSUES
BETWEEN THE TOWN OF MARION AND SMYTH COUNTY**

This Agreement (the "Agreement") is made this 19th day of December, 2013, by and between the Town of Marion, Virginia (the "Town"), by and through the Town Council for the Town (the "Town Council"), and the County of Smyth, Virginia (the "County"), by and through the Smyth County Board of Supervisors (the "Board of Supervisors") (together, the "Parties"), pursuant to Title 15.2, Chapter 34 (15.2-3400 et seq.) of the Code of Virginia (1950), as amended (the "Code").

RECITALS

1. The Town and the County agree that it is in their best interests to work together to improve relations between the two localities.
2. The Town and the County wish to resolve all disputes between them regarding the boundary line adjustment for the Holston Hills Community Golf Course.
3. The Town and the County also agree that it is in their best interests to resolve other outstanding issues in a cooperative and mutually-beneficial fashion through this Agreement. Specifically, the Parties wish to make provision for (i) the incorporation of certain areas within Town, which will facilitate additional development that will be beneficial to the Parties and their citizens; (ii) the sharing by the Town and the County of certain tax revenue generated from within the Exit 47 area conditioned upon the Community Development Authority proceeding with development there; and (iii) the transfer by the Town of four acres and a spring located in the County; the transfer of Court Street to the County for the Courthouse expansion, and the transfer of and the waiver of certain annexation and city status rights.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which the Parties hereby acknowledge, the Parties agree as follows:

Section 1.
DEFINITIONS

The Parties agree that the following words, terms and abbreviations as used in this Agreement shall have the following defined meanings:

- 1.1 "Commission" shall mean the Commission on Local Government.

- 1.2 "Lodging tax" shall mean the transient occupancy tax levied by the Town or the County, as authorized by Virginia Code § 58.1-3819 through 58.1-3825, or any successor provisions.
- 1.3 "Meals tax" shall mean the food and beverage tax levied by the Town or the County, as authorized by Virginia Code § 58.1-3833 and § 58.1-3 834, or any successor provisions.
- 1.4 "Admissions tax" shall mean any tax on admissions to events the Town may impose, as authorized by Virginia Code § 58.1-3840, or any successor provision.
- 1.5 "BPOL tax" shall mean the business, professional, and/or occupational license tax levied by the Town, as authorized by Virginia Code § 58.1-3700 et seq., or any successor provisions.
- 1.6 "Special Court" shall mean the special three-judge court appointed by the Supreme Court of Virginia pursuant to Title 15.2, Chapter 30, § 15.2-3000 of the Code, or any successor provision.
- 1.7 "Section" refers to parts of this Agreement unless the context indicates that the reference is to parts of the Virginia Code.

Section 2.
BOUNDARY ADJUSTMENTS

2.1 Boundary Adjustment Areas. The Town and the County agree that the boundary line of the Town shall be adjusted by incorporating certain territory ("Boundary Adjustment Area A") lying to the west of the Town and containing approximately 296 acres. The Town and the County agree that the boundary line of the Town shall also be adjusted by incorporating certain territory ("Boundary Adjustment Area B") lying to the south of the Town along Route 16 South and containing approximately 15 acres. The Town and the County agree that the boundary line of the Town shall also be adjusted by incorporating certain territory ("Boundary Adjustment Area C") lying to the southeast of the Town along Industrial Road and containing approximately 98 acres. The Town and the County agree that the boundary line of the Town shall also be adjusted by incorporating certain territory ("Boundary Adjustment Area D") lying to the northeast of the Town along Rifton Drive and containing approximately 100 acres. Boundary Adjustment Area A&B and Boundary Adjustment Area C&D are depicted generally on the maps attached as Exhibit 1 & Exhibit 2 and are described by existing parcel data on record at the Smyth County Courthouse as depicted on attached Exhibit 3.

2.2 Effective Date of Boundary Adjustments Areas A, B and C. Unless otherwise agreed to by the Town and the County, the incorporation of Boundary Adjustment Area A, B, and C into the Town, as provided in section 2.1 of this Agreement, shall be effective as of midnight on June 30 following the Special Court's entry of its order affirming, validating, and giving full force and effect to this Agreement or following the Court's entry at such a time as the Town and County agree.

2.3 Effective Date of Boundary Adjustment Area D. The incorporation of Boundary Adjustment Area D will take effect on midnight of the date that the Smyth Crossing Community Development Authority issues bonds for the infrastructure of a development at that site.

2.4 Survey of Boundary Adjustment Areas. The Town shall have a survey plat prepared depicting Boundary Adjustment Areas A, B, C, and D which, upon review and approval by the County, shall be submitted to the Special Court for inclusion in the order affirming, validating, and giving full force and effect to this Agreement.

2.5 Extension of Municipal Services. Following the effective date of the boundary adjustments provided by section 2.1 of this Agreement, the Town shall, subject to the rights reserved to the Smyth County Water and Sewer Department, extend its then existing governmental services (including, for example, police protection, solid waste collection, and zoning controls) to the Boundary Adjustment Areas on the same basis and at the same level as such services now are or hereafter may be provided to areas within the Town's current corporate limits where like conditions exist.

2.6 Tax Rates Applicable to Boundary Adjustment Areas. The Town shall impose the same tax rates within the Boundary Adjustment Areas as are applicable in the rest of the Town, unless otherwise agreed by the Parties and permitted by Virginia law.

2.7 Boundary Adjustment Initiated by County. If the County desires to incorporate into the Town, at a later date, any portion of property currently owned by the County or contiguous to the Boundary Adjustment Areas, the Town will join in that request by entering into a separate agreement, pursuant to Title 15.2, Chapter 31, Article 2, of the Code, or any successor provisions, to relocate such property into the Town's corporate limits. The Town shall cooperate with the County in undertaking all procedures required to secure court approval of such an additional boundary adjustment. The County shall pay all costs incurred or associated with such an agreement and with court approval of the boundary adjustment.

Section 3.

WAIVER OF ANNEXATION AND CITY STATUS RIGHTS

3.1 Waiver of Annexation Rights. During the first 25 years following the entry of the order of the Special Court affirming, validating, and giving full force and effect to this Agreement, the Town shall not, either directly or indirectly, file any annexation notice with the Commission or institute any court action for annexation against the County, pursuant to Title 15.2, Chapter 32, Article 1, of the Code, or any successor provisions, seeking to annex any area of the County outside the Boundary Adjustment Areas. This waiver of annexation rights shall not bar the Town from annexing any other area of the County with the County's consent. In the event the Town annexes any other area with the County's consent during the 25-year period the area incorporated into the Town shall be subject to the same revenue sharing obligations as are set forth in section 4 of this Agreement.

3.2 Waiver of City Status Rights. During the fifty (50) year period following the entry of the order of the Special Court affirming, validating, and giving full force and effect to this Agreement, the Town shall not file any city status notice against the County with the Commission or institute any court action for transition to city status against the County, pursuant to Title 15.2, Chapter 38 of the Code.

Section 4.
REVENUE SHARING.

In conjunction with the Smyth Crossings Community Development Authority of which the County and Town are partners, this revenue sharing agreement is specific to Boundary Adjustment Area D and effective on the same effective date as annexation and the issuance of bonds by the CDA and does not affect any services or tax revenues in Boundary Adjustment Areas A, B and C.

4.1 Sharing of Meals and Lodging Taxes in Boundary Adjustment Area D.

Following the effective date of incorporation of Boundary Adjustment Area D into the Town, as set forth in Section 2 of this Agreement, the Town shall pay to the Exit 47 Community Development Association all of the meals and lodging tax revenues collected by the Town from all businesses subject to such Town taxes within Boundary Adjustment Area D. Specifically, the Town shall pay to the Exit 47 Community Development Association, at or before the end of each quarter of the Town's fiscal year, all meals and lodging tax revenues collected by the Town during the preceding 90 days within Boundary Adjustment Area D.

4.2 Admissions Tax. If the Town imposes an admissions tax at any time following the effective date of the incorporation of Boundary Adjustment Area D, the Town will also pay the Exit 47 Community Development Association all revenues collected from such admissions taxes on the same basis as described above for meals and lodging tax revenues. However, this Agreement does not require the Town to impose an admissions tax.

4.3 BPOL Tax. Following the effective date of incorporation of Boundary Adjustment Area D into the Town, as set forth in Section 2 of this Agreement, the Town shall pay to the Exit 47 Community Development Association all of the BPOL tax revenues collected by the Town from all businesses subject to such Town taxes within Boundary Adjustment Area D. Specifically, the Town shall pay to the Exit 47 Community Development Association, at or before the end of each quarter of the Town and the County's fiscal year, all BPOL taxes collected by the Town during the preceding 90 days within Boundary Adjustment Area D.

4.4 Sales Tax. Following the effective date of incorporation of Boundary Adjustment Area D into the Town, as set forth in Section 2 of this Agreement, the Town and the County shall pay to the Exit 47 Community Development Association all of the sales tax revenues collected by the Town and the County from all businesses subject to such taxes within Boundary Adjustment Area D. Specifically, the Town and the County shall pay to the Exit 47 Community Development Association, at or before the end of each quarter of the Town and the County's

fiscal year, ending June 30th, all sales tax revenues collected by the Town & the County during the preceding 90 days within Boundary Adjustment Area D.

4.5 Real Estate Taxes. Following the effective date of incorporation of Boundary Adjustment Area D into the Town, as set forth in section 2 of this Agreement, the Town and the County shall pay to the Exit 47 Community Development Association all of the real estate tax revenues collected by the Town and the County from all properties subject to such taxes within Boundary Adjustment Area D. Specifically, the Town and the County shall pay to the Exit 47 Community Development Association, at or before the end of each quarter of the Town and the County's fiscal year, ending June 30th, all real estate tax revenues collected by the Town & the County during the preceding 90 days for the properties located within Boundary Adjustment Area D.

4.6 Personal Property Taxes. Following the effective date of incorporation of Boundary Adjustment Area D into the Town, as set forth in Section 2 of this Agreement, the Town and the County shall pay to the Exit 47 Community Development Association all of the real estate tax revenues collected by the Town and the County from all entities subject to such taxes within Boundary Adjustment Area D. Specifically, the Town and the County shall pay to the Exit 47 Community Development Association, at or before the end of each quarter of the Town and the County's fiscal year, ending June 30th, all personal property tax revenues collected by the Town & the County during the preceding 90 days for the entities located within Boundary Adjustment Area D

4.7 Duration of Revenue-Sharing Agreement. Revenue sharing under this Agreement runs for a period of 25 years and automatically renews for an additional 25 years if the parties do not make mutually agreed upon changes to the revenue sharing arrangement. Unless the Parties mutually agree to modify section 4 or to terminate this Agreement, the Town's obligation to share such tax revenue shall automatically renew for successive 25-year periods thereafter. Not more than one year, and not less than nine months, prior to the end of each 25-year period, the Parties shall consider negotiations regarding any modifications either or both may desire to make to the revenue sharing provisions of this Agreement.

Section 5. WATER

5.1 Transfer of Spring and Four Acres. The Town of Marion will convey, by deed, all water rights afforded to Parcel #49-A-60, as well as a portion of said parcel in the amount of 4 acres +/- as shown on Graphic XX. The Town of Marion will also convey, by deed, approximately 3/4 acre +/- to the Atkins Ruritan Club, upon which their building currently is situated. The Town of Marion will retain approximately 12 acres +/- of the original 17.46 acre (16?) parcel for future use or development. The deed will convey full ownership to the County and there shall be no restrictions on the County's use of the spring or the property.

5.2 Restriction of Water Use by the Town. The Town shall not develop or use wells, or otherwise obtain raw water from the recharge area of the Atkins Spring; such area as defined on

the attached map. The Town shall also include a similar restriction in the deed to the Ruritan Club.

Section 6.
COMMISSION AND COURT APPROVAL

6.1 Commission Review. The Town and the County promptly shall initiate the steps required by Title 15.2, Chapter 34 of the Virginia Code to obtain review of this Agreement by the Commission. The Parties shall cooperate in providing all information and documents required by the rules of the Commission.

6.2 Court Approval. Following issuance of the report of findings and recommendations by the Commission, the Town and the County jointly shall initiate a proceeding to obtain court affirmation and approval of this Agreement, as required by Title 15.2, Chapter 34, of the Virginia Code.

6.3 Termination for Court Failure to Approve. If the Special Court fails to approve and give full force and effect to this Agreement without modification, it shall terminate immediately, unless the Parties waive termination by mutually agreeing to the modifications requested by the Special Court in a written document, duly executed by the Parties' authorized representatives.

Section 7.
MISCELLANEOUS PROVISIONS

7.1 Binding Effect. This Agreement shall be binding upon, and shall inure to the benefit of the Parties, and each of their future governing bodies, and any successor(s) thereto upon its approval by the Special Court.

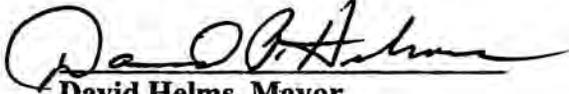
7.2 Entire Agreement. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original. This Agreement constitutes the entire understanding between the Parties. Except as to the provisions of section 2 (Boundary Adjustments) and section 3 (Waiver of Annexation and City Status Rights), this Agreement may be amended, modified or supplemented, either in whole or in part, by a written document executed by duly authorized representatives of the Parties, without further court approval. The Parties have each received their own independent legal advice regarding this Agreement and enter into it on a voluntary and fully informed basis, without reliance on any provisions of law, representations, or statements not memorialized in this Agreement.

7.3 Court Enforcement. The terms and conditions of this Agreement shall be enforceable by the Special Court affirming and giving full force and effect to its provisions, or any successor court appointed pursuant to Title 15.2, Chapter 30 of the Code.

7.4 Attorneys' Fees. The Parties agree that the Town and the County shall each be responsible for paying their own attorneys' fees and other costs associated with the preparation of this Agreement and the submission of the Agreement to the Commission and the Special Court.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by the following duly authorized representatives.

TOWN OF MARION, VIRGINIA



**David Helms, Mayor
Marion Town Council**

Attest

COUNTY OF SMYTH, VIRGINIA



**Wade Blevins, Chair
Smyth County Board of Supervisors**

Attest

APPENDIX B

**Draft Revisions to Voluntary Settlement Agreement, dated July 11, 2014
(including Exhibits)**

**VOLUNTARY SETTLEMENT OF
ANNEXATION, REVENUE SHARING, AND UTILITY ISSUES
BETWEEN THE TOWN OF MARION AND SMYTH COUNTY**

This Agreement (the “Agreement”) is made this ____ day of _____, 2014 by and between the Town of Marion, Virginia (the “Town”), by and through the Town Council for the Town of Marion (the “Town Council”), and the County of Smyth, Virginia (the “County”), by and through the Smyth County Board of Supervisors (the “Board of Supervisors”) (together, the “Parties”), pursuant to Title 15.2, Chapter 34 (15.2-3400 et seq.) of the Code of Virginia (1950), as amended.

RECITALS

1. The Town and the County agree that it is in their best interests to work together to improve relations between the two localities.
2. The Town and the County wish to resolve all disputes between them regarding the boundary line adjustment for the Holston Hills Community Golf Course.
3. The Town and the County also agree that it is in their best interests to resolve other outstanding issues in a cooperative and mutually-beneficial fashion through this Agreement. Specifically, the Parties wish to make provision for (i) the incorporation of certain areas within Town, which will facilitate additional development that will be beneficial to the Parties and their citizens; (ii) the sharing by the Town and the County of certain tax revenue generated from within the Smyth Crossings Community Development Authority proceeding with the issuance of bonds for development there and continuing after the bonds are paid in full; and (iii) the transfer by the Town of four acres and a spring located in the County; and the waiver of certain annexation and city status rights.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which the Parties hereby acknowledge, the Parties agree as follows:

Section 1.
DEFINITIONS

The Parties agree that the following words, terms and abbreviations as used in this Agreement shall have the following defined meanings:

- 1.1 “Commission” shall mean the Commission on Local Government.

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1.2 “Admissions tax” shall mean any tax on admissions to events the Town may impose, as authorized by Title 58.1, Chapter 38, (§ 58.1-3840 et seq.) of the Code of Virginia (1950), as amended, or any successor provision.

1.3 “BPOL tax” shall mean the business, professional, and/or occupational license tax levied by the Town, as authorized by Title 58.1, Chapter 37, (§ 58.1-3700 et seq.) of the Code of Virginia (1950), as amended, or any successor provisions.

1.4 “Lodging tax” shall mean the transient occupancy tax levied by the Town or the County, as authorized by Title 58.1, Chapter 38, (§ 58.1-3819 and 58.1-3826) of the Code of Virginia (1950), as amended, or any successor provisions.

1.5 “Meals tax” shall mean the food and beverage tax levied by the Town or the County, as authorized by Title 58.1, Chapter 38, (§ 58.1-3833 and § 58.1-3834) of the Code of Virginia (1950), as amended, or any successor provisions.

1.6 “Personal property tax” shall mean the personal property taxes collected from the County and Town, as authorized by Title 58.1, Chapter 35, (§ 58.1-3500 et seq.) of the Code of Virginia (1950), as amended but shall not include Personal Property Tax Act Relief payments.

1.7 “Real estate tax” shall mean the real property taxes collected from the County and Town, as authorized by Title 58.1, Chapter 32, (§58.1-3200 et seq.) of the Code of Virginia (1950), as amended, or any successor provisions.

1.8 “Sales tax” shall mean the Virginia retail sales and use tax revenue levied by the Town or the County, as authorized by Title 58.1, Chapter 60 (§ 58.1-600 et seq.) of the Code of Virginia (1950), as amended, or any successor provisions.

1.9 “Section” refers to parts of this Agreement unless the context indicates that the reference is to parts of the Virginia Code.

1.10 “Special Court” shall mean the special three-judge court appointed by the Supreme Court of Virginia pursuant to Title 15.2, Chapter 30, (§ 15.2-3000 et seq.) of the Code of Virginia (1950), as amended, or any successor provision.

1.11 “Water rights” shall mean the right to encapsulate the spring with a spring box within a recharge area for residential, commercial, and industrial use in a municipal water system.

Section 2.

IMMEDIATE, FUTURE AND ADDITIONAL BOUNDARY ADJUSTMENTS

2.1 Boundary Adjustment Areas. The Town and the County agree the boundary line of the Town shall be adjusted by incorporating certain territory (“Boundary Adjustment Area A”) lying to the west of the Town and containing approximately 296 acres. The Town and the County agree that the boundary line of the Town shall also be adjusted by incorporating certain territory (“Boundary Adjustment Area B”) lying to the south of the Town along Route 16 South and containing approximately 15 acres. The Town and the County agree the boundary line of the Town shall also be adjusted by incorporating certain territory (“Boundary Adjustment Area C”) lying to the southeast of the Town along Industrial Road and containing approximately 98 acres. Boundary Adjustment Area A is depicted generally on the map attached as Exhibit 1. Boundary Adjustment Area B is depicted generally on the map attached as Exhibit 2. Boundary Adjustment Area C is depicted generally on the map attached as Exhibit 3. Future Boundary Adjustment Area D is depicted generally on the attached map as Exhibit 4. A map of the four adjustments is attached as Exhibit 5. The Town has also provided metes and bounds description and tax map parcel numbers of the proposed boundary adjustment areas and it is attached as Exhibit 6.

2.2 Effective Date of Boundary Adjustments Areas A, B and C. Unless otherwise agreed to by the Town and the County, the incorporation of Boundary Adjustment Area A, B, and C into the Town, as provided in section 2.1 of this Agreement, shall be effective as of midnight on June 30 following the Special Court’s entry of its order affirming, validating, and giving full force and effect to this Agreement.

2.3 Future Boundary Adjustment Area D. The incorporation of Future Boundary Adjustment Area D will take effect on midnight of the date that the Smyth Crossings Community Development Authority issues bonds for the infrastructure of a development at that site. Prior to the issuance of bonds, the Town Council and County Board of Supervisors agree to enter into a separate agreement pursuant to Title 15.2, Chapter 31, Article 2 of the Code of Virginia (1950), as amended, in order to adjust the Town’s boundaries to include Boundary Adjustment Area D. Boundary Adjustment Area D is depicted generally on the maps attached as Exhibit 4 and is described by existing parcel data on record at the Smyth County Courthouse.

2.4 Additional Boundary Adjustment Initiated by County. If the County desires to incorporate into the Town, at a later date, any portion of property currently owned by the County and contiguous to the Boundary Adjustment Areas, the Town will join in that request by entering into a separate agreement, pursuant to Title 15.2, Chapter 31, Article 2, of the Code of Virginia (1950), as amended, or any successor provisions, to relocate such property into the Town’s corporate limits. The Town and County shall cooperate in undertaking all procedures required to secure court approval of such an additional boundary adjustment, including passing ordinances and surveying territory.

2.5 Tax Rates Applicable to Boundary Adjustment Areas. The Town shall impose the same tax rates within the Boundary Adjustment Areas A, B and C as are applicable in the rest of the Town, unless otherwise agreed by the Parties and permitted by Virginia law. With regard to

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Future Boundary Adjustment Area D, the Town may impose a higher tax rate including possible special assessments within the Smyth Crossings Community Development Authority as permitted under Virginia law.

2.6 Survey of Boundary Adjustment Areas. The Town shall have a survey plat prepared depicting Boundary Adjustment Areas A, B, C and D which, upon review and approval by the County, shall be submitted to the Special Court for inclusion in the order affirming, validating, and giving full force and effect to this Agreement.

2.7 Extension of Municipal Services. Following the effective date of the boundary adjustments provided by this Agreement, the Town shall, subject to the rights reserved to the Smyth County Water and Sewer Department, extend its then existing governmental services (including, for example, police protection, solid waste collection, and zoning controls) to the Boundary Adjustment Areas on the same basis and at the same level as such services now are or hereafter may be provided to areas within the Town's current corporate limits where like conditions exist.

Section 3.
WAIVER OF ANNEXATION AND CITY STATUS RIGHTS

3.1 Waiver of Annexation Rights. For the twenty-five (25) years following the entry of the order of the Special Court affirming, validating, and giving full force and effect to this Agreement, the Town shall not, either directly or indirectly, file any annexation notice with the Commission or institute any court action for annexation against the County, pursuant to Title 15.2, Chapter 32, Article 1, of the Code, or any successor provisions, seeking to annex any area of the County outside the Boundary Adjustment Areas. This waiver of annexation rights shall not bar the Town from annexing any other area of the County with the County's consent. In the event the Town annexes any other area with the County's consent during the twenty-five (25) year period; the area incorporated into the Town shall be subject to the same revenue sharing obligations as are set forth in section 4 of this Agreement.

3.2 Waiver of City Status Rights. During the fifty (50) years year period following the entry of the order of the Special Court affirming, validating, and giving full force and effect to this Agreement, the Town shall not file any city status notice against the County with the Commission or institute any court action for transition to city status against the County, pursuant to Title 15.2, Chapter 38 of the Code of Virginia (1950), as amended, or any successor provisions

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Section 4.
REVENUE SHARING.

In conjunction with the Smyth Crossings Community Development Authority of which the County and Town are partners, this revenue sharing agreement is specific to Boundary Adjustment Area D only and is effective on the same effective date as annexation and the issuance of bonds by the Smyth Crossings Community Development Authority, provided the appropriate legal instruments have been filed as described in Section 2.3. It does not affect any services or tax revenues in Boundary Adjustment Areas A, B and C.

4.1 Town Revenues to be shared. The Town agrees that the following Town revenues generated within Boundary Adjustment Area D shall be subject to this Revenue Sharing Agreement:

Meals and Lodging Taxes
BPOL Taxes
Sales Taxes
Real Estate Taxes
Personal Property Taxes

Further, if the Town chooses to adopt an admissions tax, such revenues would also be subject to this revenue sharing agreement.

4.2 County Revenues to be shared. The County agrees that the following County revenues generated within Boundary Adjustment Area D shall be subject to this Revenue Sharing Agreement:

Sales Taxes
Real Estate Taxes
Personal Property Taxes

4.3 Town Revenue Sharing Payments. Following the effective date of incorporation of Boundary Adjustment Area D into the Town, as set forth in Section 2 of this Agreement, the Town shall pay to the Smyth Crossings Community Development Authority all of the revenues set forth in Section 4.1.

Following repayment of the bonds issued by the Smyth Crossings Community Development Authority, until the parties mutually agree to terminate or amend the agreement, the Town shall pay to Smyth County one-half of all of the revenues set forth in Section 4.1.

The ratio used to determine CDA contributions will be determined as follows:

Total Sales Tax Revenue Generated by CDA businesses x 1% /
Local Sales Tax Revenue received by Smyth County prior to making town distributions =

% of Countywide Sales Tax Revenues Attributable to the CDA

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The Town's Sales Taxes are currently distributed to the Town by the County pursuant to § 58.1-605(H) of the Code of Virginia (1950). The amount of Town sales tax revenues generated within Boundary Adjustment Area D, shall be calculated using the following formula for each period:

**Total Local Sales Tax Distributed to Marion pursuant to Virginia Code §58.1-605(H) x
% of Countywide Sales Tax Revenues Attributable to CDA**

4.4 County Revenue Sharing Payments. Following the effective date of incorporation of Boundary Adjustment Area D into the Town, as set forth in Section 2 of this Agreement, the County shall pay to the Smyth Crossings Community Development Authority all of the revenues set forth in Section 4.2.

Following repayment of the bonds issued by the Smyth Crossings Community Development Authority and until the parties mutually agree to terminate or amend the agreement, the County shall pay to the Town of Marion one-half of all of the revenues set forth in Section 4.2.

The ratio used to determine CDA contributions will be determined as follows:

**Total Sales Tax Revenue Generated by CDA businesses x 1% /
Local Sales Tax Revenue received by Smyth County prior to making town distributions =
% of Countywide Sales Tax Revenues Attributable to the CDA**

The amount of County's Local Sales Tax revenues generated within Boundary Adjustment Area D, shall be calculated using the following formula for each period:

**Total local Sales Taxes retained by Smyth County AFTER making town distributions
pursuant to §58.1-605(H) x
% of Countywide Sales Tax Revenue Attributable to CDA**

4.5 Timing of Revenue Sharing Payments. Revenue sharing payments shall be made on a quarterly basis. The initial revenue sharing payments shall be due by the end of the first full quarter following the effective date of the incorporation of Boundary Adjustment Area D into the Town and shall consist of the revenues collected between the effective date and the end of the quarter following the effective date. Subsequent revenue sharing payments shall be due by the end of each quarter and shall consist of the revenues collected during the prior quarter.

For example, if the effective date of the incorporation of Boundary Adjustment Area D is February 1, the initial revenue sharing payments shall be due by June 30, to consist of revenues collected between February 1 and March 31. The next revenue sharing payment would be due the September 30, to consist of revenues collected between April 1 and June 30, and so on.

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4.6 Duration of Revenue Sharing. Revenue sharing under this Agreement shall run for a period of 25 years and shall automatically renew for an additional 25 years if the parties do not make mutually agreed upon changes to the revenue sharing agreement. Unless the parties mutually agree to modify this section or to terminate this Agreement, revenue sharing provided under this section shall automatically renew for successive 25-year periods thereafter. Not more than one year, and not less than nine months prior to the end of each 25-year period, the Parties shall consider negotiations regarding any modifications either or both may desire to make to the revenue sharing provisions of this Agreement.

4.7 Revenue Sharing Agreement Amendments. The County and Town agree that amendments to this revenue sharing agreement may be necessary in order to accommodate advice from bond counsel in structuring any bond issuance for the Smyth Crossings Community Development Authority. Both parties further agree to fully cooperate in negotiations to accomplish such amendments as needed.

Section 5.
THE SPRING PROPERTY

5.1 Spring Property on Rocky Hollow Road. The Town of Marion currently owns Tax Parcel #49-A-60, consisting of approximately 17.46 acres and containing a spring. The Town intends to convey a certain portion of this property and water rights to the County. Upon acceptance, a certain portion to the Atkins Ruritan Club. A map of this property is attached as Exhibit 7.

5.2 Division of Property. The Town shall divide the property, by deed, into three parcels, generally as shown on Exhibit 7 to be referred to herein as Atkins Parcels A, B, and C. Parcel A is that tract consisting of approximately 3.949 acres; Parcel B is that tract consisting of approximately 0.732 acres; and Parcel C is that tract consisting of the remaining acreage of Tax Parcel #49-A-60, consisting of approximately 12 acres.

5.3 Transfer of Property and Water Rights to Smyth County. The Town shall convey to the County, by deed, Parcel A in fee simple. The water rights on Parcels B and C shall also be conveyed by deed to Parcel A. Unless water is available from the County, Parcels B and C will be able to drill a well, if necessary, so long as there is no significant impact on the capacity of the spring to serve as a municipal water supply. In addition, the conveyance of these water rights shall not permit the owner of Parcel A to enter upon and extract water directly from Parcels B and C.

5.4 Transfer of Property to Atkins Ruritan Club. Upon acceptance by the Atkins Ruritan Club, the Town shall convey, by deed, Parcel B to the Ruritan Club. The deed shall include reasonable restrictions to ensure that activities on Parcel B will not affect the quantity or quality of the spring on Parcel A and the recharge area to serve as a municipal water supply.

5.5 Parcel C to remain Town Property. Parcel C shall remain the Town's property; however, reasonable deed restrictions shall be attached to the property to ensure that activities on

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Parcel C will not affect the quality or quantity of the spring on Parcel A and its recharge area to serve as a municipal water supply.

5.6 Town Sale of Parcel C – County Right of First Refusal. The Town shall provide a right of first refusal to the County if it decides to sell Parcel C.

Section 6.
COMMISSION AND COURT APPROVAL

6.1 Commission Review. The Town and the County promptly shall initiate the steps required by Title 15.2, Chapter 34 of the Code of Virginia to obtain review of this Agreement by the Commission. The Parties shall cooperate in providing all information and documents required by the rules of the Commission.

6.2 Court Approval. Following issuance of the report of findings and recommendations by the Commission, the Town and the County jointly shall initiate a proceeding to obtain court affirmation and approval of this Agreement, as required by Title 15.2, Chapter 34, of the Virginia Code (1950), as amended.

6.3 Termination for Court Failure to Approve. If the Special Court fails to approve and give full force and effect to this Agreement without modification, it shall terminate immediately, unless the Parties waive termination by mutually agreeing to the modifications requested by the Special Court in a written document, duly executed by the Parties' authorized representatives.

Section 7.
MISCELLANEOUS PROVISIONS

7.1 Binding Effect. This Agreement shall be binding upon, and shall inure to the benefit of the Parties, and each of their future governing bodies, and any successor(s) thereto upon its approval by the Special Court.

7.2 Entire Agreement. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original. This Agreement constitutes the entire understanding between the Parties. Except as to the provisions of section 2 (Boundary Adjustments) and section 3 (Waiver of Annexation and City Status Rights), this Agreement may be amended, modified or supplemented, either in whole or in part, by a written document executed by duly authorized representatives of the Parties, without further court approval. The Parties have each received their own independent legal advice regarding this Agreement and enter into it on a voluntary and fully informed basis, without reliance on any provisions of law, representations, or statements not memorialized in this Agreement.

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7.3 Court Enforcement. The terms and conditions of this Agreement shall be enforceable by the Special Court affirming and giving full force and effect to its provisions, or any successor court appointed pursuant to Title 15.2, Chapter 30 of the Code of Virginia (1950), as amended.

7.4 Attorneys' Fees. The Parties agree that the Town and the County shall each be responsible for paying their own attorneys' fees and other costs associated with the preparation of this Agreement and the submission of the Agreement to the Commission and the Special Court.

7.5 Accounting. Both Parties shall keep accurate books of account at its principal office relating to County Revenues and Town Revenues, respectively ("Records"), for a period of three (3) years following the end of the calendar year to which they pertain. Each Party shall have the right to audit the Records of the other party once per calendar year, upon five (5) business days prior written notice during reasonable business hours, for the sole purpose of verifying compliance with this Agreement. Each Party shall pay the full cost of its own audit, except however, if an audit reveals any under-reporting which in the aggregate is greater than five (5%) of the amount actually due for the period being audited, the under-reporting party shall pay all costs related to such audit if such audit reveals a violation of this Agreement and pay any shortfalls (or repay any overages) within thirty (30) calendar days of their discovery.

7.6 Alternative Dispute Resolution. Either party may ask that a dispute arising under this Agreement be submitted to non-binding arbitration prior to the commencement of an enforcement proceeding before a Special Court. If the other party agrees, then within 30 days thereafter, the Town and County shall each choose one arbitrator. Such persons may not be currently employed by or hold an elected or other official position with either the Town or the County. Those two persons shall choose a third arbitrator within 30 days after the initial selections. The panel of three arbitrators will hear the matter under such procedures and rules as the arbitrators conclude are appropriate. Within 90 days after the third arbitrator is chosen, the panel shall issue their decision in writing with such explanation or detail as the arbitrators conclude is appropriate. In the event the dispute is not resolved by such non-binding arbitration, the Special Court reviewing the matter shall do so *de novo*, without factual or legal deference to the decision of the arbitrators.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by the following duly authorized representatives.

TOWN OF MARION, VIRGINIA

COUNTY OF SMYTH, VIRGINIA

EXHIBIT
1

Area "A"
296 Acres

Town of Marion
4 Parcels consisting
of a total of
264,148,969 Acres

Town of Marion & Smyth Co. PSA
31.851031 Acres

Town of Marion

Town of Marion

Town of Marion

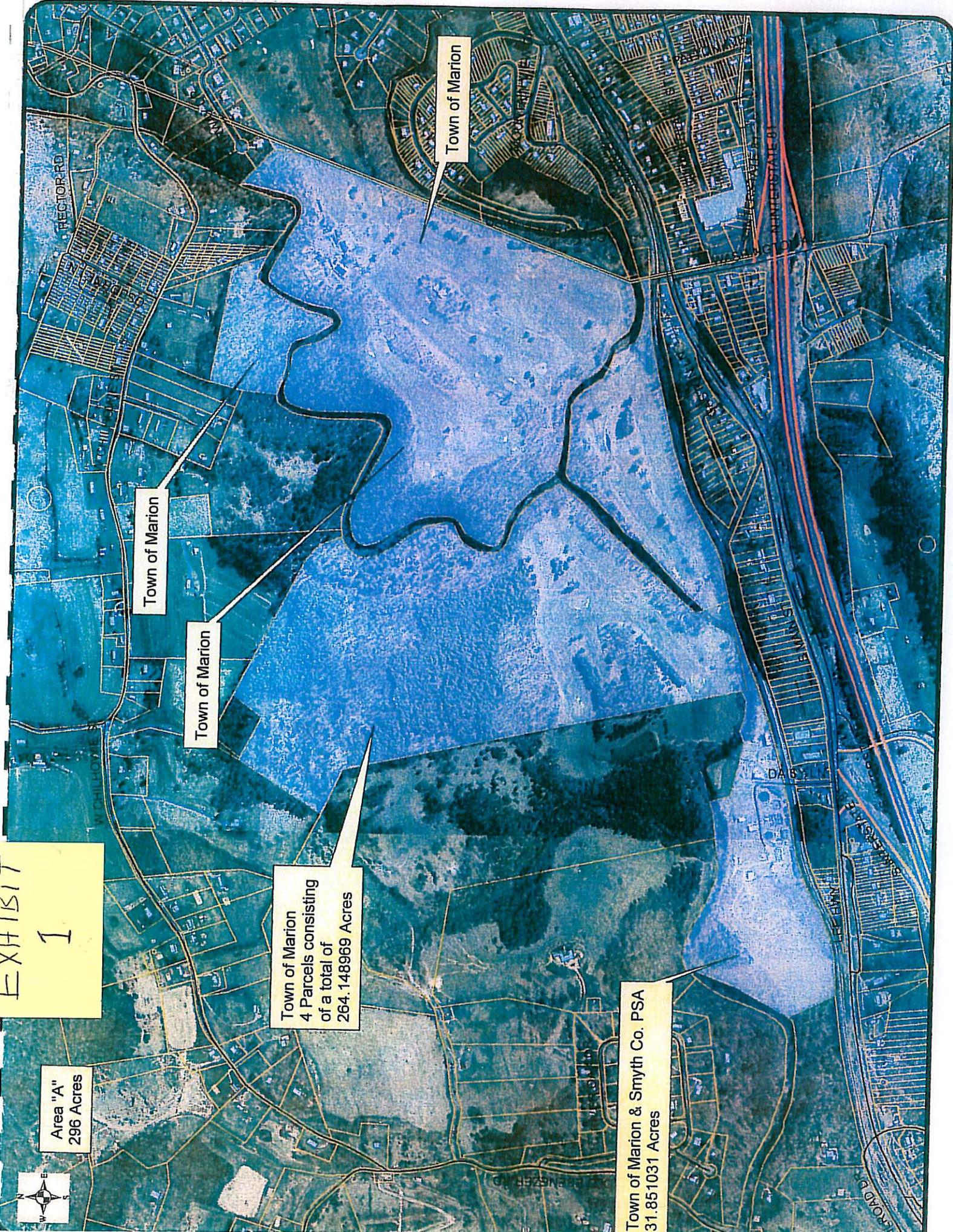


EXHIBIT 2

Area "B"
15 Acres



Hall
4 Parcels containing
1.550585 Acres

Scott
.238517 Acres

Turkey Pen Hollow Corp.
.027885 Acres

Hall

Miller

Hall

EXHIBIT
3

Area "C"
98 Acres

Reco LLC
Total of 2 Parcels
Consisting of
1.763174 Acres

4 C's Investors
12.610281 Acres

Marion Properties
10.35387 Acres

Boxley Concrete Inc.
6.108944 Acres

Coffman LLC.
Total of 3 Parcels
Consisting of
32.923476 Acres

Coffman LLC

Coffman LLC

L&O Services INC
.834337 Acres

Reco LLC

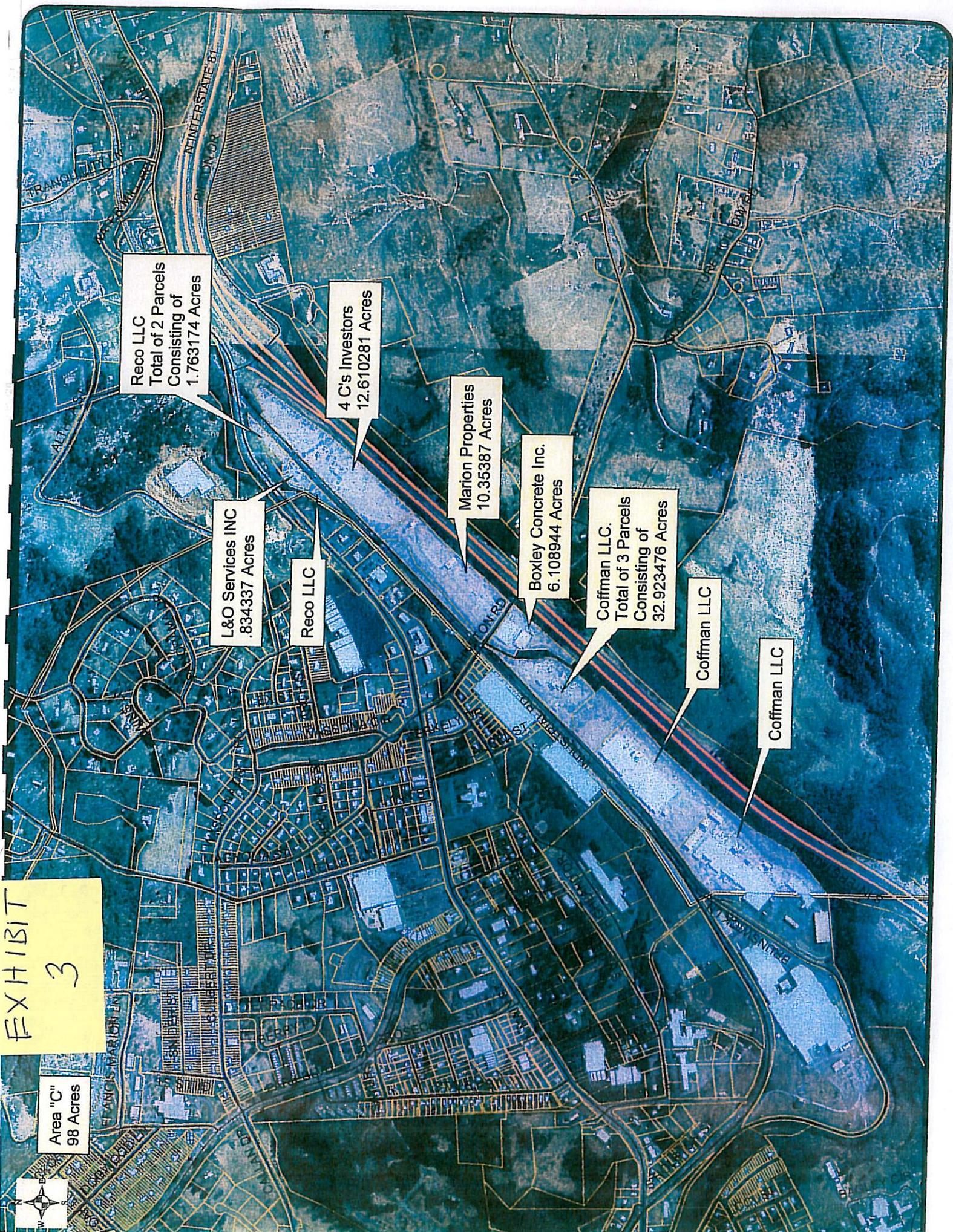




EXHIBIT
4

KALBER LOIS KATE

KALBER LOIS KATE

KALBER LOIS KATE

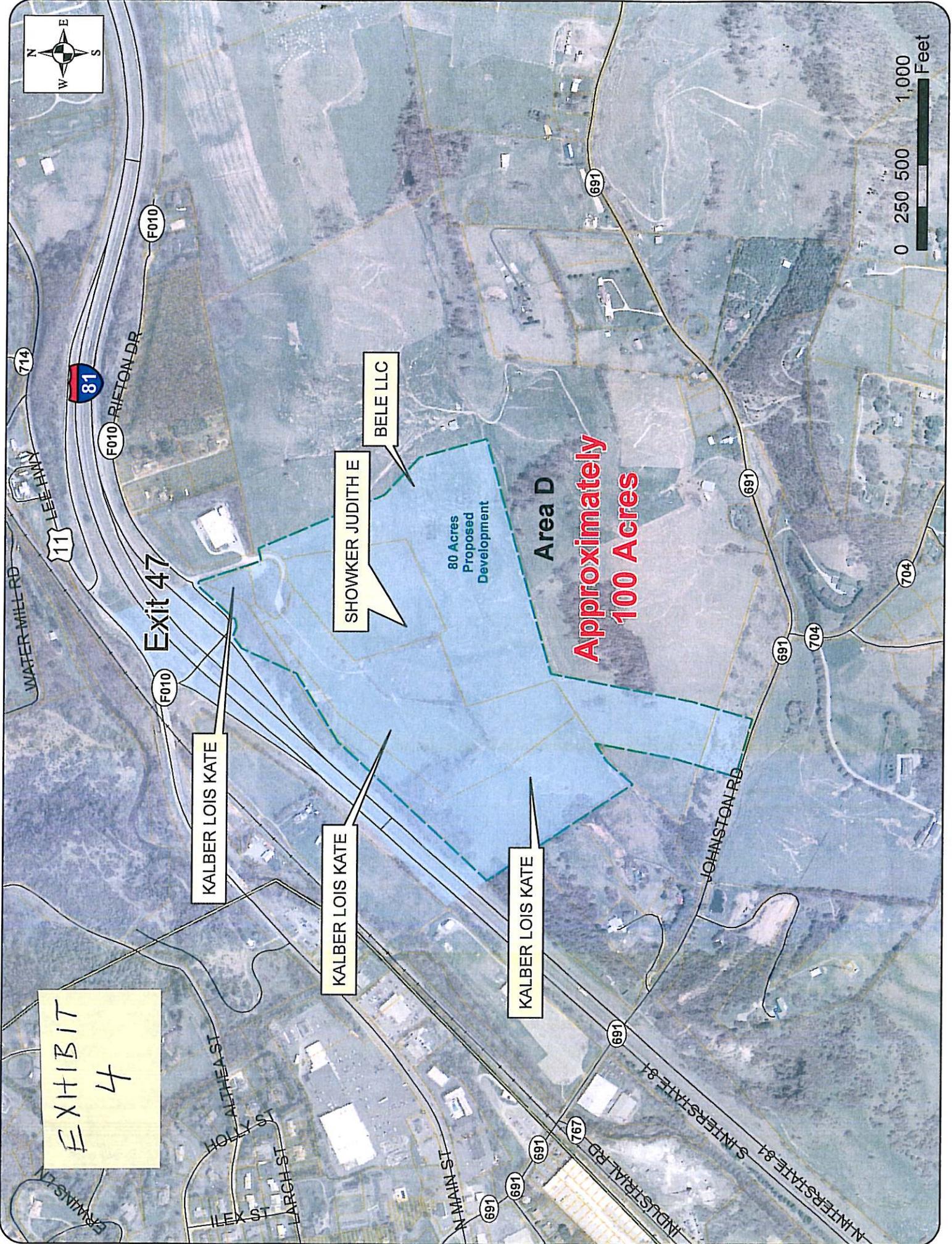
SHOWKER JUDITH E

BELE LLC

80 Acres
Proposed
Development

Area D

Approximately
100 Acres



Proposed Boundary Line Adjustment 2014

EXHIBIT
5

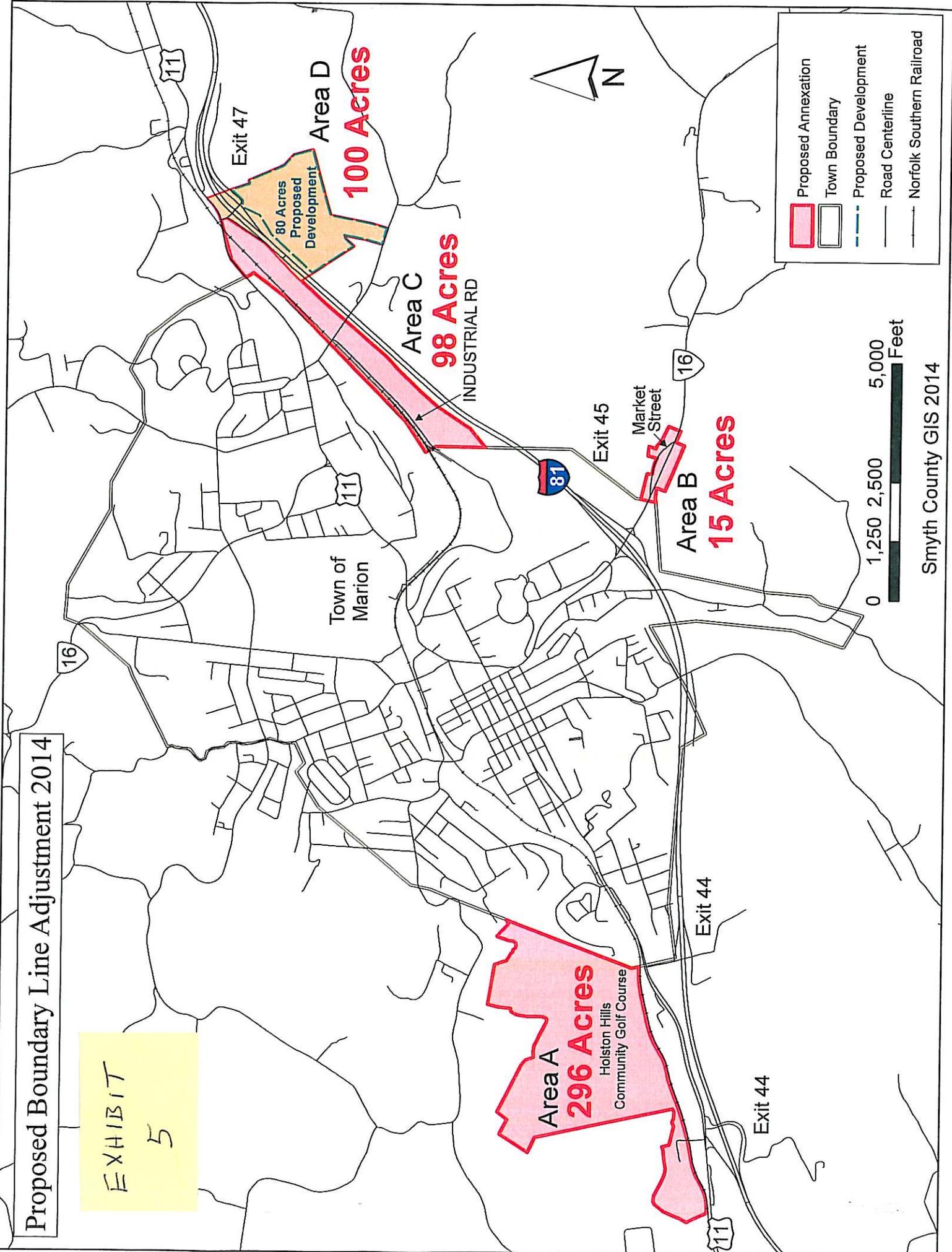


EXHIBIT
6

ANNEXATION AREA A

Being that portion of the real property formerly known as the Holston Hills Country Club, which was outside the Town of Marion boundary limits and extending to the real property upon which the Town of Marion Sewer Treatment Plant is now located.

Beginning at the South Eastern most point of the part of the real property formerly known as the Holston Hills Country Club and intersecting with the existing Town of Marion limits, thence leaving the existing boundary limits S 86° 37' 07" W 396.46 feet to a point; thence, S 77° 17' 46" W 300.08 feet to a point; thence, S 77° 08' 48" W 413.83 feet to a point; thence, S 71° 30' 14" W 192.61 feet to a point; thence, S 69° 00' 07" W 157.56 feet to a point; thence, S 60° 59' 14" W 419.11 feet to a point; thence, S 68° 12' 59" W 127.34 feet to a point; thence, S 76° 38' 07" W 364.13 feet to a point; thence, S 70° 58' 19" W 187.27 feet to a point; thence, S 70° 14' 02" W 661.78 feet to a point; thence, S 74° 37' 37" W 490.51 feet to a point; thence, S 79° 05' 48" W 451.00 feet to a point; thence, S 73° 40' 03" W 212.50 feet to a point; thence, S 64° 01' 48" W 459.70 feet to a point; thence, S 82° 26' 39" W 443.43 feet to a point; thence, N 25° 05' 48" W 459.90 feet to a point; thence, N 25° 29' 34" E 325.35 feet to a point; thence, N 24° 35' 18" E 224.09 feet to a point; thence, N 37° 58' 00" E 227.86 feet to a point; thence, N 67° 52' 21" E 67.51 feet to a point; thence, S 83° 24' 50" E 110.77 feet to a point; thence, S 64° 55' 40" E 497.88 feet to a point; thence, S 80° 03' 50" E 134.91 feet to a point; thence, N 80° 03' 50" E 134.91 feet to a point; thence, N 80° 38' 40" E 467.60 feet to a point; thence, S 14° 08' 56" E 154.38 feet to a point; thence, S 77° 01' 47" E 406.65 feet to a point; thence, N 63° 31' 01" E 87.14 feet to a point; thence, S 68° 56' 41" E 104.63 feet to a point; thence, S 85° 33' 13" E 123.78 feet to a point; thence, N 60° 35' 06" E 78.76 feet to a point; thence, N 12° 09' 57" W 2950.57 feet to a point; thence, N 64° 59' 31" W 355.99 feet to a point; thence, N 32° 21' 14" E 716.85 feet to a point; thence, S 62° 39' 27" E 346.12 feet to a point; thence, N 37° 39' 25" E 265.56 feet to a point; thence, S 62° 58' 14" E 981.70 feet to a point; thence, S 54° 59' 32" E 279.73 feet to a point; thence, S 19° 11' 35" E 168.49 feet to a point; thence, N 86° 45' 00" E 135.22 feet to a point; thence, S 72° 37' 10" E 180.44 feet to a point; thence, S 64° 22' 00" E 515.33 feet to a point; thence, N 69° 43' 55" E 54.56 feet to a point; thence, N 25° 22' 08" E 70.14 feet to a point; thence, N 0° 55' 31" E 275.71 feet to a point; thence, N 6° 34' 49" E 252.51 feet to a point; thence, N 24° 45' 02" E 144.96 feet to a point; thence, N 64° 37' 50" E 66.19 feet to a point; thence, S 83° 39' 35" E 18.36 feet to a point; thence, N 5° 46' 48" E 255.36 feet to a point; thence, N 14° 24' 44" E 244.93 feet to a point; thence, S 80° 20' 39" E 850.50 feet to a point; thence, S 18° 10' 17" E 261.55 feet to a point; thence, S 57° 31' 24" E 173.04 feet to a point; thence, S 46° 00' 18" E 51.03 feet to a point; thence, S 69° 15' 44" E 57.22 feet to a point; thence, S 64° 07' 35" E 116.06 feet to a point; thence, N 56° 19' 55" E 73.09 feet to a point; thence, N 11° 19' 15" E 103.30 feet to a point; thence, N 19° 42' 50" E 283.84 feet to a point; thence, S 46° 25' 58" E 359.03 feet to a point; thence, N 59° 01' 25" E 97.83 feet to a point intersecting with the existing Town of Marion limits.

ANNEXATION AREA B

Being in the area of Exit 45 containing and surrounding U.S. Highway 16 and extending the Town boundary up U.S. Highway 16 South approximately one-half mile and including the area surrounding Market Street.

Beginning at a point in the existing Town Boundary limit on the North side of U.S. Highway 16, thence, S 78° 06' 21" E 497.75 feet to a point; thence, S 0° 49' 09" W 122.85 feet to a point; thence, S 80° 14' 34" E 182.51 feet to a point; thence, S 72° 40' 20" E 117.23 feet to a point; thence, S 67° 42' 57" E 85.16 feet to a point; thence, N 18° 59' 48" E 201.41 feet to a point; thence, S 80° 59' 21" E 195.35 feet to a point; thence, S 14° 22' 53" W 75.42 feet to a point; thence, S 20° 03' 32" W 50.50 feet to a point; thence, S 76° 36' 53" E 115.18 feet to a point; thence, S 74° 10' 07" E 128.75 feet to a point; thence, S 18° 41' 56" W 103.92 feet to a point; thence, S 64° 47' 56" E 286.71 feet to a point; thence, S 21° 16' 21" W 251.31 feet to a point on the South side of U.S. Highway 16; thence, N 68° 10' 06" W 308.24 feet to a point; thence, S 22° 25' 55" W 220.35 feet to a point; thence, N 66° 24' 32" W 1004.81 feet to a point; thence, N 23° 43' 30" E 172.35 feet to a point; thence, N 80° 51' 19" W 94.03 feet to a point; thence, N 86° 39' 44" W 85.95 feet to a point; thence, S 85° 08' 02" W 113.13 feet to a point on the existing Town Boundary limit.

ANNEXATION AREA C

Being in the area of Brunswick Lane and bounded by Interstate 81 up to the area of Exit 47 and including U.S. Highway 11.

Beginning at a point in the existing Town Boundary limit on the North side of U.S. Highway 11, thence, S 50° 10' 56" W 449.33 feet to a point; thence, S 58° 28' 16" W 77.04 feet to a point; thence, S 67° 08' 25" E 168.41 feet to a point; thence, S 76° 48' 12" W 162.96 feet to a point; thence, S 77° 42' 08" W 622.59 feet to a point; thence, S 56° 51' 57" W 143.77 feet to a point; thence, S 50° 57' 45" W 253.70 feet to a point; thence, crossing U.S. Highway 11 to the Southern side, N 21° 01' 04" W 25.75 feet to a point; thence, N 46° 47' 24" E 148.06 feet to a point; thence, N 53° 44' 46" E 121.66 feet to a point; thence, N 60° 06' 04" E 150.89 feet to a point; thence, N 73° 29' 51" E 113.15 feet to a point; thence, N 20° 34' 28" W 135.21 feet to a point; thence following Interstate 81, N 33° 00' 31" E 948.57 feet to a point; thence, N 45° 29' 02" E 1106.37 feet to a point; thence, S 40° 34' 55" W 13.86 feet to a point; thence, S 43° 29' 47" W 74.91 feet to a point; thence, S 42° 34' 00" W 1168.85 feet to a point; thence, S 45° 25' 06" W 1098.87 feet to a point; thence, S 42° 34' 37" W 1463.48 feet to a point; thence, S 30° 21' 16" W 1756.58 feet to a point on the existing Town Boundary limit.

ANNEXATION AREA D

Being in the area of Exit 47 in the proposed CDA.

Beginning at a point in the proposed Town Boundary limit on the South side of U.S. Highway 11, thence, S 21° 04' 10" E 553.41 feet to a point on the Southern side of Interstate 81; thence, S 18° 29' 14" E 386.14 feet to a point; thence, N 77° 00' 19" E 74.26 feet to a point; thence, S 23° 21' 20" E 800.23 feet to a point; thence, S 46° 47' 24" E 302.39 feet to a point; thence, S 15° 39' 59" E 408.09 feet to a point; thence, S 74° 14' 40" W 1430.69 feet to a point; thence, S 11° 00' 19" W 834.80 feet to a point; thence, S 16° 03' 55" W 377.43 feet to a point along Johnston Road; thence, N 73° 55' 46" W 349.83 feet to a point; thence leaving Johnston Road, N 16° 13' 56" E 366.35 feet to a point; thence, N 10° 42' 35" E 479.20 feet to a point; thence, S 56° 18' 36" W 128.43 feet to a point; thence, S 40° 44' 20" W 201.27 feet to a point; thence, N 33° 32' 05" W 1025.59 feet to a point on the Southern side of Interstate 81; thence, N 32° 35' 06" W 287.44 feet to a point on the Northern side of Interstate 81 and on the proposed Town Boundary limit.

Town of Marion
To retain the remainder
of the Parcel

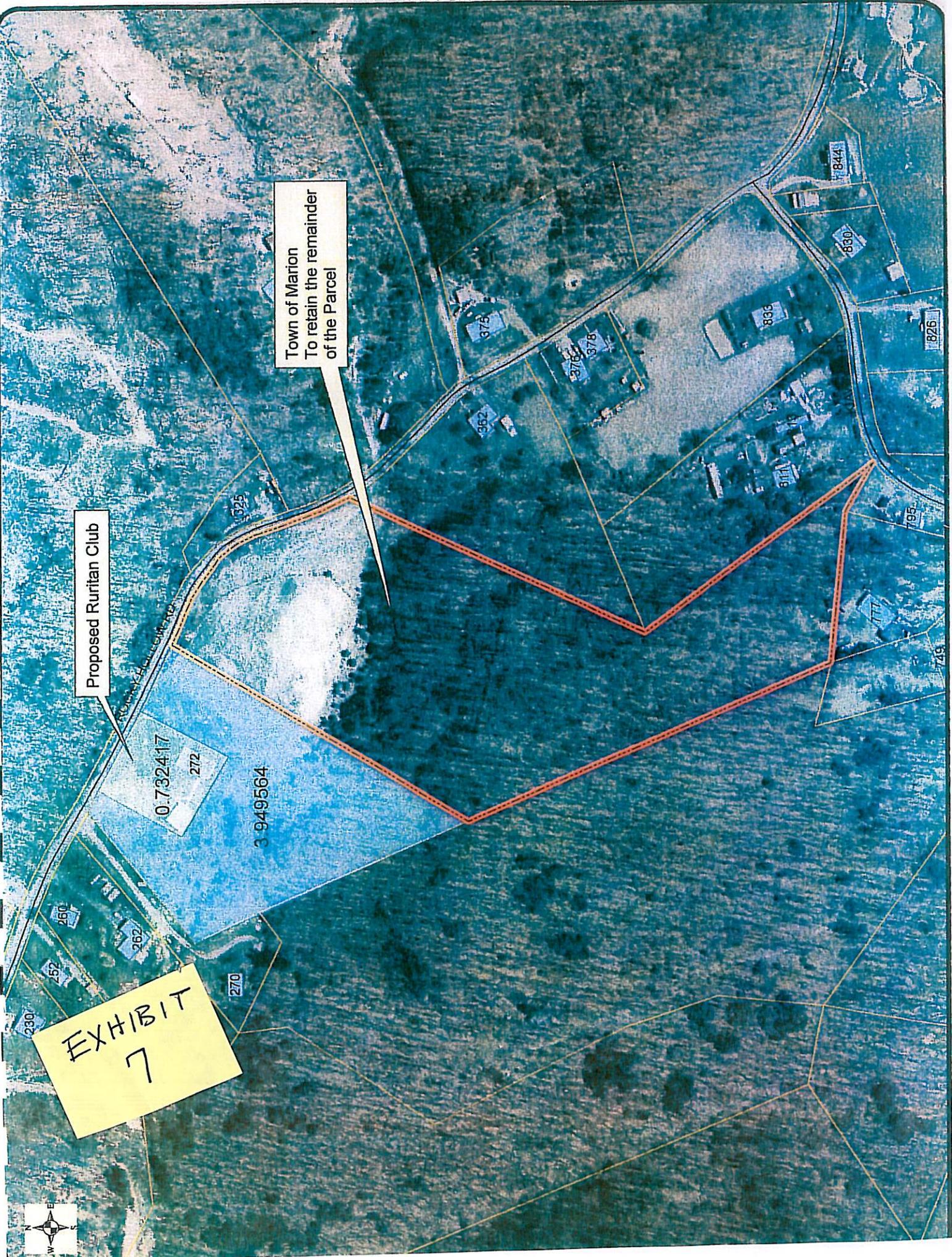
Proposed Ruritan Club

0.732417

272

3.949564

EXHIBIT
7



APPENDIX C

Financial Data for the Town of Marion

Table 1

Town of Marion

Government-wide	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
						Common-Size Statements				
Assets										
Current Assets										
Cash and cash equivalents	\$1,264,026	\$2,012,952	\$1,627,428	\$1,531,269	\$2,013,412	4.8%	7.4%	7.2%	6.8%	9.0%
Receivables:										
Taxes	770,312	715,540	724,438	643,424	535,672	2.9%	2.6%	3.2%	2.9%	2.4%
Accounts	549,032	530,093	432,797	369,575	378,178	2.1%	1.9%	1.9%	1.6%	1.7%
Other	114,559	126,414	131,932	95,089	97,249	0.4%	0.5%	0.6%	0.4%	0.4%
Due from other funds	708,441	708,441	590,072	590,072	590,072	2.7%	2.6%	2.6%	2.6%	2.6%
Due from other governmental units	66,328	153,396	353,618	200,710	53,754	0.2%	0.6%	1.6%	0.9%	0.2%
Inventories	10,394					0.0%	0.0%	0.0%	0.0%	0.0%
Prepaid expenses	63,598	110,678	108,273	105,542	100,778	0.2%	0.4%	0.5%	0.5%	0.5%
Total Current	3,546,690	4,357,514	3,968,558	3,535,681	3,769,115	13.4%	15.9%	17.5%	15.8%	16.8%
Noncurrent Assets										
Restricted assets:										
Cash and cash equivalents	306,304	256,838	207,366	157,882	110,135	1.2%	0.9%	0.9%	0.7%	0.5%
Investments	249,081	240,969	263,059	266,036	248,252	0.9%	0.9%	1.2%	1.2%	1.1%
Capital assets (net of accumulated depreciation):										
Land	2,395,582	2,378,583	1,569,283	1,569,283	1,569,283	9.0%	8.7%	6.9%	7.0%	7.0%
Buildings and system	4,720,617	4,849,034	2,642,505	1,648,797	1,707,208	17.8%	17.7%	11.6%	7.4%	7.6%
Improvements other than buildings	28,136	32,320	36,741	41,398	46,055	0.1%	0.1%	0.2%	0.2%	0.2%
Machinery and equipment	917,562	1,016,909	663,128	823,654	1,003,910	3.5%	3.7%	2.9%	3.7%	4.5%
Plant and lines in service	11,101,707	10,948,341	11,427,165	11,887,213	12,099,193	41.8%	40.0%	50.3%	53.1%	54.1%
Infrastructure	1,544,619	1,599,305	1,653,992	1,652,026	1,705,314	5.8%	5.8%	7.3%	7.4%	7.6%
Construction in progress	1,746,775	1,694,865	279,920	819,946	121,711	6.6%	6.2%	1.2%	3.7%	0.5%
Total Noncurrent	23,010,383	23,017,164	18,743,159	18,866,235	18,611,061	86.6%	84.1%	82.5%	84.2%	83.2%
Total Assets	26,557,073	27,374,678	22,711,717	22,401,916	22,380,176	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Current Liabilities										
Accounts payable	292,084	672,614	539,679	316,677	319,404	1.1%	2.5%	2.4%	1.4%	1.4%
Accrued liabilities	198,379	216,420	143,941	72,968	64,242	0.7%	0.8%	0.6%	0.3%	0.3%
Bid bond liability				7,407		0.0%	0.0%	0.0%	0.0%	0.0%
Customers' deposits	47,190	46,080	47,300	46,060	46,990	0.2%	0.2%	0.2%	0.2%	0.2%
Accrued interest payable	39,309	46,033	40,676	48,073	64,755	0.1%	0.2%	0.2%	0.2%	0.3%
Due to other funds	708,441	708,441	590,072	590,072	590,072	2.7%	2.6%	2.6%	2.6%	2.6%
Deferred revenue	727,445	667,268	702,862	627,306	521,375	2.7%	2.4%	3.1%	2.8%	2.3%
General obligation bonds - within one year	707,635	817,734	728,172	716,123	690,664	2.7%	3.0%	3.2%	3.2%	3.1%
Total Current	2,720,483	3,174,590	2,792,702	2,424,686	2,297,502	10.2%	11.6%	12.3%	10.8%	10.3%
Noncurrent Liabilities										
General obligation bonds - more than one year	7,973,050	7,963,632	5,591,537	6,053,139	6,497,531	30.0%	29.1%	24.6%	27.0%	29.0%
Total Noncurrent	7,973,050	7,963,632	5,591,537	6,053,139	6,497,531	30.0%	29.1%	24.6%	27.0%	29.0%
Total Liabilities	10,693,533	11,138,222	8,384,239	8,477,825	8,795,033	40.3%	40.7%	36.9%	37.8%	39.3%
Net Assets										
Invested in capital assets, net of related debt	14,474,822	14,329,052	12,397,816	11,999,357	11,259,132	54.5%	52.3%	54.6%	53.6%	50.3%
Restricted for:										
Debt service and bond covenants	555,385	497,807	470,425	423,918	358,387	2.1%	1.8%	2.1%	1.9%	1.6%
Downtown housing project	196,788	158,230	137,239	152,693	146,100	0.7%	0.6%	0.6%	0.7%	0.7%
Unrestricted	636,545	1,251,367	1,321,998	1,348,123	1,821,524	2.4%	4.6%	5.8%	6.0%	8.1%
Total Net Assets	15,863,540	16,236,456	14,327,478	13,924,091	13,585,143	59.7%	59.3%	63.1%	62.2%	60.7%
Liabilities and Net Assets	\$26,557,073	\$27,374,678	\$22,711,717	\$22,401,916	\$22,380,176	100.0%	100.0%	100.0%	100.0%	100.0%

Source:

Town of Marion, [Comprehensive Annual Financial Report](#), editions (2009-2013)

Note: Common-Size Statements allow the reader to analyze the proportion that an individual asset or liability represents as a percentage of total assets

Town of Marion

Primary Government	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Functions/Programs	Affect on Net Position				
Governmental activities:					
General government administration	(\$1,309,870)	(\$1,213,894)	(\$1,205,746)	(\$1,195,607)	(\$1,214,519)
Public safety	(1,370,656)	(1,394,075)	(1,393,483)	(1,278,474)	(1,312,495)
Public works	(710,343)	(801,891)	(748,339)	(616,021)	(799,047)
Parks, recreational, and cultural	(616,800)	(686,753)	(486,262)	(501,470)	(471,403)
Community development	(484,768)	(671,851)	52,151	300,672	(180,155)
Interest on long-term debt	(87,659)	(104,691)	(62,126)	(75,705)	(67,536)
Total governmental activities	<u>(4,580,096)</u>	<u>(4,873,155)</u>	<u>(3,843,805)</u>	<u>(3,366,605)</u>	<u>(4,045,155)</u>
Business-type activities:					
Water and sewer	933,633	1,043,621	837,901	866,489	687,914
Swimming pool	(27,863)	(27,167)	(29,490)	(25,010)	(26,127)
Total business-type activities	<u>905,770</u>	<u>1,016,454</u>	<u>808,411</u>	<u>841,479</u>	<u>661,787</u>
Total primary government	<u>(3,674,326)</u>	<u>(3,856,701)</u>	<u>(3,035,394)</u>	<u>(2,525,126)</u>	<u>(3,383,368)</u>
General revenues:					
General property taxes	614,219	593,748	603,623	527,199	522,114
Other local revenues:					
Local sales and use taxes	138,863	168,920	150,549	152,560	191,953
Consumers' utility taxes	108,389	106,956	108,605	112,566	109,786
Business license taxes	552,757	549,536	539,058	565,736	434,883
Communication tax	133,336	132,984	135,743	136,417	135,849
Motor vehicle licenses	44,924	40,323	34,242	53,476	55,202
Bank stock tax	183,273	182,600	255,718	143,790	142,621
Meals taxes	1,087,528	1,123,665	1,091,809	767,296	743,727
Other local taxes	272,306	287,977	292,232	251,024	252,341
Permits, privilege fees, and regulatory licenses	280	225	165	165	75
Fines and forfeitures	26,140	31,812	24,309	38,511	24,933
Unrestricted revenues from use of money and property	26,317	26,077	36,872	36,194	66,100
Miscellaneous	92,347	32,279	48,293	10,576	11,911
Recovered costs	4,458	130,179	44,231		61,377
Grants and contributions not restricted to specific programs	75,878	63,638	73,332	69,823	67,240
Contribution from nonprofit		2,294,760			
Gain (loss) on disposal of capital assets	(59,605)			(1,259)	
Total general revenues	<u>3,301,410</u>	<u>5,765,679</u>	<u>3,438,781</u>	<u>2,864,074</u>	<u>2,820,112</u>
Change in net position	(372,916)	1,908,978	403,387	338,948	(563,256)
Net position - beginning	16,236,456	14,327,478	13,924,091	13,585,143	14,148,399
Net position - ending	<u>\$15,863,540</u>	<u>\$16,236,456</u>	<u>\$14,327,478</u>	<u>\$13,924,091</u>	<u>\$13,585,143</u>

Source:

Smyth County, Comprehensive Annual Financial Report, editions (2009-2013)

Table 2

Town of Marion

General Fund	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
						Common-Size Statements				
Assets										
Cash and cash equivalents	\$202,019	\$998,502	\$796,424	\$434,502	\$857,833	14.3%	44.1%	34.8%	26.8%	47.3%
Receivables:										
Taxes	770,312	715,540	724,438	643,424	535,672	54.7%	31.6%	31.7%	39.7%	29.5%
Accounts	93,335	56,399	51,849	52,783	50,936	6.6%	2.5%	2.3%	3.3%	2.8%
Other	114,559	126,414	131,932	95,089	97,249	8.1%	5.6%	5.8%	5.9%	5.4%
Due from other funds	33,951	33,951	33,951	33,951	33,951	2.4%	1.5%	1.5%	2.1%	1.9%
Due from other governmental units	66,328	153,396	353,618	175,521	53,754	4.7%	6.8%	15.5%	10.8%	3.0%
Prepaid expenses	53,614	110,678	108,273	105,542	100,778	3.8%	4.9%	4.7%	6.5%	5.6%
Restricted assets:										
Investments	74,690	68,401	85,205	81,833	83,330	5.3%	3.0%	3.7%	5.0%	4.6%
Total Assets	1,408,808	2,263,281	2,285,690	1,622,645	1,813,503	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Current Liabilities										
Accounts payable	133,998	523,393	393,171	215,239	212,957	9.5%	23.1%	17.2%	13.3%	11.7%
Accrued liabilities	160,718	181,049	124,364	66,324	59,828	11.4%	8.0%	5.4%	4.1%	3.3%
Bid bond liability				7,407						
Due to other funds	556,121	556,121	556,121	556,121	556,121	39.5%	24.6%	24.3%	34.3%	30.7%
Deferred revenue	797,835	710,792	720,778	642,461	534,998	56.6%	31.4%	31.5%	39.6%	29.5%
Total Liabilities	1,648,672	1,971,355	1,794,434	1,487,552	1,363,904	117.0%	87.1%	78.5%	91.7%	75.2%
Fund Balance										
Nonspendable:										
Prepaid items	53,614	110,678	108,273	105,542	100,778	3.8%	4.9%	4.7%	6.5%	5.6%
Restricted for:										
Debt service and bond covenants	74,690	68,401	85,205	81,833	83,330	5.3%	3.0%	3.7%	5.0%	4.6%
Committed to:										
Parking garage		161,590								
Unassigned	(368,168)	(48,743)	297,778	(52,282)	265,491	-26.1%	-2.2%	13.0%	-3.2%	14.6%
Total Fund Balance	(239,864)	291,926	491,256	135,093	449,599	-17.0%	12.9%	21.5%	8.3%	24.8%
Liabilities and Fund Balance	\$1,408,808	\$2,263,281	\$2,285,690	\$1,622,645	\$1,813,503	100.0%	100.0%	100.0%	100.0%	100.0%

Source:

Town of Marion, Comprehensive Annual Financial Report, editions (2009-2013)

Note: Common-Size Statements allow the reader to analyze the proportion that an individual asset or liability represents as a percentage of total assets.

Table 3

Town of Marion

General Fund	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues					
General property taxes	\$587,353	\$568,140	\$600,862	\$525,667	\$514,629
Other local taxes	2,521,376	2,592,961	2,607,956	2,182,865	2,066,362
Permits, privilege fees, and regulatory licenses	280	225	165	165	75
Fines and forfeitures	26,140	31,812	24,309	38,511	24,933
Revenue from use of money and property	23,893	22,459	28,859	24,496	34,208
Charges for services	387,937	332,030	327,667	329,010	308,251
Miscellaneous	88,558	31,511	46,868	10,576	11,485
Recovered costs	43,628	44,450	22,878	153,750	46,917
Intergovernmental revenues:					
Commonwealth	1,516,904	1,360,512	1,811,588	1,464,624	1,325,160
Federal	164,157	399,107	602,210	882,679	69,416
Total revenues	<u>5,360,226</u>	<u>5,383,207</u>	<u>6,073,362</u>	<u>5,612,343</u>	<u>4,401,436</u>
Expenditures					
General government administration	1,225,012	1,178,902	1,110,440	1,145,845	1,112,726
Public safety	1,538,451	1,511,479	1,444,987	1,359,099	1,380,299
Public works	2,014,875	2,018,829	1,998,486	1,846,756	1,966,409
Parks, recreation, and cultural	543,401	570,958	500,548	521,547	491,837
Community development	674,214	1,331,550	1,121,162	692,088	300,465
Capital projects	263,278	199,522	493,270	882,088	401,721
Debt service:					
Principal retirement	319,961	329,991	285,114	363,156	234,568
Interest and other fiscal charges	88,954	66,872	64,805	77,555	77,733
Total expenditures	<u>6,668,146</u>	<u>7,208,103</u>	<u>7,018,812</u>	<u>6,888,134</u>	<u>5,965,758</u>
Excess (deficiency) of revenues over expenditures	<u>(1,307,920)</u>	<u>(1,824,896)</u>	<u>(945,450)</u>	<u>(1,275,791)</u>	<u>(1,564,322)</u>
Other Financing Sources (Uses)					
Transfers in	776,130	1,062,332	1,301,613	871,500	1,145,165
Proceeds of general obligation bonds		563,234		89,785	146,660
Transfers out					
Total other financing sources (uses)	<u>776,130</u>	<u>1,625,566</u>	<u>1,301,613</u>	<u>961,285</u>	<u>1,291,825</u>
Net change in fund balances	<u>(531,790)</u>	<u>(199,330)</u>	<u>356,163</u>	<u>(314,506)</u>	<u>(272,497)</u>
Fund Balances at July 1	<u>291,926</u>	<u>491,256</u>	<u>135,093</u>	<u>449,599</u>	<u>722,096</u>
Fund Balances at June 30	<u>(\$239,864)</u>	<u>\$291,926</u>	<u>\$491,256</u>	<u>\$135,093</u>	<u>\$449,599</u>

Source:

Town of Marion, Comprehensive Annual Financial Report, editions (2009-2013)

Table 4

Town of Marion

Proprietary Funds	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
						Common-Size Statements				
Assets										
Current Assets										
Cash and cash equivalents	\$707,012	\$704,535	\$688,442	\$963,642	\$1,001,483	4.6%	4.6%	4.7%	6.4%	6.5%
Accounts receivable	383,271	386,108	380,948	316,792	327,242	2.5%	2.5%	2.6%	2.1%	2.1%
Prepaid expenses	394					0.0%	0.0%	0.0%	0.0%	0.0%
Due from other funds	556,121	556,121	556,121	556,121	556,121	3.6%	3.6%	3.8%	3.7%	3.6%
Total Current	1,646,798	1,646,764	1,625,511	1,836,555	1,884,846	10.7%	10.8%	11.1%	12.1%	12.2%
Noncurrent Assets										
Restricted assets:										
Cash and cash equivalents	306,304	256,838	207,366	157,882	110,135	2.0%	1.7%	1.4%	1.0%	0.7%
Investments	174,391	172,568	177,854	184,203	164,922	1.1%	1.1%	1.2%	1.2%	1.1%
Capital assets, net:										
Utility plant in service	20,149,415	19,475,506	19,443,020	19,393,195	19,099,867	130.9%	127.6%	133.2%	127.8%	123.6%
Machinery and equipment	2,788,110	2,716,977	2,629,495	2,621,368	2,609,426	18.1%	17.8%	18.0%	17.3%	16.9%
Land	578,704	578,704	578,704	578,704	578,704	3.8%	3.8%	4.0%	3.8%	3.7%
Pool	974,651	974,651	974,651	974,651	974,651	6.3%	6.4%	6.7%	6.4%	6.3%
Less accumulated depreciation	(12,327,928)	(11,743,358)	(11,167,374)	(10,573,973)	(9,977,028)	-80.1%	-77.0%	-76.5%	-69.7%	-64.6%
Construction in progress	1,106,857	1,181,878	128,666	1,425	5,200	7.2%	7.7%	0.9%	0.0%	0.0%
Total Noncurrent	13,750,504	13,613,764	12,972,382	13,337,455	13,565,877	89.3%	89.2%	88.9%	87.9%	87.8%
Total Assets	15,397,302	15,260,528	14,597,893	15,174,010	15,450,723	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Current Liabilities										
Accounts payable	114,046	141,243	146,508	101,438	106,447	0.7%	0.9%	1.0%	0.7%	0.7%
Accrued liabilities	23,722	23,520	19,577	6,644	4,414	0.2%	0.2%	0.1%	0.0%	0.0%
Customers' deposits	47,190	46,080	47,300	46,060	46,990	0.3%	0.3%	0.3%	0.3%	0.3%
Accrued interest payable	35,267	40,373	36,658	42,671	58,798	0.2%	0.3%	0.3%	0.3%	0.4%
Compensated absences - current	35,895	33,174	31,437	31,506	27,641	0.2%	0.2%	0.2%	0.2%	0.2%
General obligation bonds - current	343,042	340,842	289,385	278,935	273,505	2.2%	2.2%	2.0%	1.8%	1.8%
Total Current	599,162	625,232	570,865	507,254	517,795	3.9%	4.1%	3.9%	3.3%	3.4%
Noncurrent Liabilities										
General obligation bonds payable	4,889,225	4,781,916	4,249,935	4,542,018	4,823,364	31.8%	31.3%	29.1%	29.9%	31.2%
Compensated absences	11,965	11,058	10,479	10,501	9,214	0.1%	0.1%	0.1%	0.1%	0.1%
OPEB liability	128,051	101,581	66,784	32,924		0.8%	0.7%	0.5%	0.2%	0.0%
Total Noncurrent	5,029,241	4,894,555	4,327,198	4,585,443	4,832,578	32.7%	32.1%	29.6%	30.2%	31.3%
Total Liabilities	5,628,403	5,519,787	4,898,063	5,092,697	5,350,373	36.6%	36.2%	33.6%	33.6%	34.6%
Net Assets										
Invested in capital assets, net of related debt	8,037,542	8,061,600	8,047,842	8,174,417	8,193,951	52.2%	52.8%	55.1%	53.9%	53.0%
Restricted for debt service and bond covenants	480,695	429,406	385,220	342,085	275,057	3.1%	2.8%	2.6%	2.3%	1.8%
Unrestricted	1,250,662	1,249,735	1,266,768	1,564,811	1,631,342	8.1%	8.2%	8.7%	10.3%	10.6%
Total Net Assets	9,768,899	9,740,741	9,699,830	10,081,313	10,100,350	63.4%	63.8%	66.4%	66.4%	65.4%
Liabilities and Net Assets	\$15,397,302	\$15,260,528	\$14,597,893	\$15,174,010	\$15,450,723	100.0%	100.0%	100.0%	100.0%	100.0%

Source:

Town of Marion, [Comprehensive Annual Financial Report](#), editions (2009-2013)

Enterprise: Water and Sewer and Swimming Pool

Note: Common-Size Statements allow the reader to analyze the proportion that an individual asset or liability represents as a percentage of total assets

Table 5

Town of Marion

Proprietary Funds	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues					
Charges for services:					
Charges for services	\$2,872,882	\$2,822,997	\$2,714,307	\$2,478,061	\$2,645,526
Other revenues	2,829	3,107	10,431	3,702	7,474
Total operating revenues	<u>2,875,711</u>	<u>2,826,104</u>	<u>2,724,738</u>	<u>2,481,763</u>	<u>2,653,000</u>
Operating Expenses					
Personal service	541,032	496,471	503,249	481,664	476,243
Fringe benefits	294,054	206,837	200,533	191,490	158,586
Contractual services	84,910	139,038	75,881	71,306	87,253
Materials and supplies	153,151	157,485	137,183	90,033	198,401
Other charges	340,299	283,802	273,077	270,825	282,621
Depreciation	585,272	575,983	599,401	599,290	601,427
Total operating expenses	<u>1,998,718</u>	<u>1,859,616</u>	<u>1,789,324</u>	<u>1,704,608</u>	<u>1,804,531</u>
Operating income (loss)	<u>876,993</u>	<u>966,488</u>	<u>935,414</u>	<u>777,155</u>	<u>848,469</u>
Nonoperating Revenues (Expenses)					
Intergovernmental revenue	4,458	130,179	44,231		61,377
Investment earnings	2,424	3,618	8,013	11,698	31,892
Loss on disposal				(714)	
Interest expense	(177,809)	(176,286)	(176,003)	(174,141)	(196,732)
Net nonoperating revenue (expenses)	<u>(170,927)</u>	<u>(42,489)</u>	<u>(123,759)</u>	<u>(163,157)</u>	<u>(103,463)</u>
Income (loss) before transfers and capital contributions	<u>706,066</u>	<u>923,999</u>	<u>811,655</u>	<u>613,998</u>	<u>745,006</u>
Capital contributions	206,586	226,252	49,000	238,465	10,050
Transfers in	23,944	22,293	22,061	19,167	24,509
Transfers out	(908,438)	(1,131,633)	(1,264,199)	(890,667)	(1,169,674)
Change in net assets	<u>28,158</u>	<u>40,911</u>	<u>(381,483)</u>	<u>(19,037)</u>	<u>(390,109)</u>
Net Assets at July 1	<u>9,740,741</u>	<u>9,699,830</u>	<u>10,081,313</u>	<u>10,100,350</u>	<u>10,490,459</u>
Net Assets at June 30	<u>\$9,768,899</u>	<u>\$9,740,741</u>	<u>\$9,699,830</u>	<u>\$10,081,313</u>	<u>\$10,100,350</u>

Source:

Town of Marion, Comprehensive Annual Financial Report, editions (2009-2013)

Table 6

Town of Marion

Proprietary Funds	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities					
Receipts from customers and users	\$2,879,657	\$2,819,724	\$2,661,822	\$2,491,283	\$2,671,465
Payments to suppliers	(900,004)	(792,426)	(641,603)	(628,662)	(767,317)
Payments to and for employees	(510,733)	(455,416)	(456,548)	(441,359)	(474,996)
Net Cash from Operating Activities	1,468,920	1,571,882	1,563,671	1,421,262	1,429,152
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	(908,438)	(1,131,633)	(1,264,199)	(890,667)	(1,169,674)
Interfund borrowing					(556,121)
Transfers from other funds	23,944	22,293	22,061	19,167	24,509
Net Cash from Noncapital Financing Activities	(884,494)	(1,109,340)	(1,242,138)	(871,500)	(1,701,286)
Cash Flows from Capital and Related Financing Activities					
Additions to utility plant	(670,721)	(1,173,179)	(191,193)	(304,554)	(103,273)
Principal payments on bonds	(330,930)	(294,148)	(281,633)	(275,916)	(268,094)
Capital contributions	206,586	226,252	49,000	238,465	65,550
Intergovernmental contributions	4,458	130,179	44,231		61,377
Proceeds from indebtedness	440,438	877,586			64,264
Interest payments	(182,915)	(172,571)	(182,016)	(190,268)	(199,015)
Net Cash from Capital and Related Financing Activities	(533,084)	(405,881)	(561,611)	(532,273)	(379,191)
Cash Flows from Investing Activities					
Interest and dividends received	2,424	3,618	8,013	11,698	31,892
Net Cash from Investing Activities	2,424	3,618	8,013	11,698	31,892
Net Increase (Decrease) in Cash and Cash Equivalents	53,766	60,279	(232,065)	29,187	(619,433)
Cash and Cash Equivalents - Beginning of Year	1,133,941	1,073,662	1,305,727	1,276,540	1,895,973
Cash and Cash Equivalents - End of Year	\$1,187,707	\$1,133,941	\$1,073,662	\$1,305,727	\$1,276,540
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income	876,993	966,488	935,414	777,155	848,469
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	585,272	575,983	599,401	599,290	601,427
(Increase) decrease in:					
Accounts receivable	2,837	(5,160)	(64,156)	10,450	15,245
Prepaid expenses	(394)				
Increase (decrease) in:					
Customer deposits	1,110	(1,220)	1,240	(930)	3,220
Accounts payable	(26,996)	(1,322)	58,003	(2,779)	(39,701)
OPEB liability	26,470	34,797	33,860	32,924	0
Compensated absences	3,628	2,316	(91)	5,152	492
Net Cash Provided by Operating Activities	\$1,468,920	\$1,571,882	\$1,563,671	\$1,421,262	\$1,429,152

Source:

Town of Marion, Comprehensive Annual Financial Report, editions (2009-2013)

Table 7

Town of Marion

Ratios	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>From Government-wide Statements:</u>					
Current (Current Assets/Current Liabilities)	1.30	1.37	1.42	1.46	1.64
Cash (Cash and Equivalents/Current Assets)	35.6%	46.2%	41.0%	43.3%	53.4%
Debt-to-assets (Total Liabilities/Total Assets)	0.4027	0.4069	0.3692	0.3784	0.3930
LTD-to-assets (Noncurrent Liabilities/Total Assets)	0.3002	0.2909	0.2462	0.2702	0.2903
Unrestricted (Unrestricted Net Assets/Total Assets)	0.0240	0.0457	0.0582	0.0602	0.0814
<u>From General Fund Statements:</u>					
GF Unassigned (Unassigned Net Assets/Total GF Expenditures)	-0.0552	-0.0068	0.0424	-0.0076	0.0445
<u>From Enterprise Fund Statements:</u>					
Ent Unrestricted (Unrestricted Net Assets/Operating Expenses)	0.6257	0.6720	0.7080	0.9180	0.9040

APPENDIX D

Financial Data for Smyth County

Table 1

County of Smyth

Primary Government	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
						Common-Size Statements				
Assets										
Current Assets										
Cash and cash equivalents	\$7,029,901	\$8,261,318	\$12,590,565	\$11,222,314	\$10,350,499	5.5%	6.4%	15.5%	14.3%	13.6%
Receivables, net	22,433,024	21,377,602	19,196,248	18,155,912	16,531,217	17.4%	16.6%	23.6%	23.1%	21.8%
Due from component unit	395,000			40,595	40,595	0.3%	0.0%	0.0%	0.1%	0.1%
Due from other governmental units	1,385,890	1,508,921	1,785,433	1,428,492	2,261,616	1.1%	1.2%	2.2%	1.8%	3.0%
Accrued interest	3,445	6,045	8,220	2,471		0.0%	0.0%	0.0%	0.0%	0.0%
Bond issuance costs, net		132,980	38,082	39,968	41,854	0.0%	0.1%	0.0%	0.1%	0.1%
Prepaid expense	180,909	51,925	65,811	66,825	74,925	0.1%	0.0%	0.1%	0.1%	0.1%
Total Current	31,428,169	31,338,791	33,684,359	30,956,577	29,300,706	24.4%	24.4%	41.4%	39.4%	38.6%
Noncurrent Assets										
Restricted assets:										
Cash and cash equivalents	26,813,086	41,132,675				20.8%	32.0%	0.0%	0.0%	0.0%
Capital assets:										
Non-depreciable	24,902,974	13,481,356	3,619,458	2,817,317	2,689,933	19.4%	10.5%	4.5%	3.6%	3.5%
Depreciable, net	45,549,979	42,672,139	44,021,494	44,781,964	43,959,343	35.4%	33.2%	54.1%	57.0%	57.9%
Total Noncurrent	97,266,039	97,286,170	47,640,952	47,599,281	46,649,276	75.6%	75.6%	58.6%	60.6%	61.4%
Total Assets	128,694,208	128,624,961	81,325,311	78,555,858	75,949,982	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Current Liabilities										
Accounts payable and accrued expenses	2,811,051	3,111,048	584,181	960,334	1,279,522	2.2%	2.4%	0.7%	1.2%	1.7%
Accrued payroll	25,351	25,690	30,531	19,307	14,671	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued interest payable	365,095	376,190	171,585	193,731	218,847	0.3%	0.3%	0.2%	0.2%	0.3%
Unearned revenue	18,626,106	18,168,990	16,686,018	16,740,640	14,747,200	14.5%	14.1%	20.5%	21.3%	19.4%
Due to component units	4,032,259	4,069,379	4,512,062	4,604,558	4,646,634	3.1%	3.2%	5.5%	5.9%	6.1%
Cash bonds held in escrow	48,184	43,184	38,184	48,184	56,500	0.0%	0.0%	0.0%	0.1%	0.1%
Bonds payable - within one year	2,979,970	2,911,215	1,780,272	1,794,887	1,799,396	2.3%	2.3%	2.2%	2.3%	2.4%
Total Current	28,888,016	28,705,696	23,802,833	24,361,641	22,762,770	22.4%	22.3%	29.3%	31.0%	30.0%
Bonds payable - more than one year	67,945,384	68,166,803	24,782,249	20,759,642	21,740,539	52.8%	53.0%	30.5%	26.4%	28.6%
Total Noncurrent	67,945,384	68,166,803	24,782,249	20,759,642	21,740,539	52.8%	53.0%	30.5%	26.4%	28.6%
Total Liabilities	96,833,400	96,872,499	48,585,082	45,121,283	44,503,309	75.2%	75.3%	59.7%	57.4%	58.6%
Net Assets										
Invested in capital assets, net of related debt	27,707,496	27,424,961	22,220,885	25,869,616	23,930,545	21.5%	21.3%	27.3%	32.9%	31.5%
Unrestricted	4,287,656	4,327,501	10,519,344	7,564,959	7,516,128	3.3%	3.4%	12.9%	9.6%	9.9%
Total Net Assets	31,995,152	31,752,462	32,740,229	33,434,575	31,446,673	24.9%	24.7%	40.3%	42.6%	41.4%
Liabilities and Net Assets	\$128,828,552	\$128,624,961	\$81,325,311	\$78,555,858	\$75,949,982	100.1%	100.0%	100.0%	100.0%	100.0%

Source:

County of Smyth, [Comprehensive Annual Financial Report](#), 5 editions (2009-2013)

Note: Common-Size Statements allow the reader to analyze the proportion that an individual asset or liability represents as a percentage of total assets

Smyth County

Primary Government & Component Units	2013	2012	2011	2010	2009
Functions/Programs	Affect on Net Assets				
Primary Government					
Governmental activities:					
General government administration	(\$2,374,736)	(\$2,000,136)	(\$1,755,139)	(\$1,941,007)	(\$2,004,823)
Judicial administration	(343,723)	(480,329)	(496,913)	(519,455)	(460,435)
Public safety	(3,851,922)	(3,749,772)	(3,290,545)	(2,004,435)	(1,893,877)
Public works	(1,143,186)	(662,292)	(2,337,170)	(1,203,986)	(1,257,134)
Health and welfare	(1,389,084)	(1,237,388)	(1,313,520)	(1,269,480)	(1,508,139)
Education	(8,487,813)	(8,016,040)	(9,247,181)	(7,835,194)	(7,747,394)
Parks, recreational, and cultural	(999,895)	(1,003,881)	(998,693)	(1,071,701)	(1,150,731)
Community development	(1,073,423)	(1,243,763)	(1,232,949)	(1,209,032)	(1,350,064)
Interest on long-term debt	(1,505,797)	(1,009,693)	(253,607)	(287,397)	(309,053)
Total governmental activities	(21,169,579)	(19,403,294)	(20,925,717)	(17,341,687)	(17,681,650)
Business-type activities:					
Water and sewer	(1,163,739)	(1,286,121)	(132,134)	(430,706)	(1,040,653)
Total business-type activities	(1,163,739)	(1,286,121)	(132,134)	(430,706)	(1,040,653)
Total primary government	(22,333,318)	(20,689,415)	(21,057,851)	(17,772,393)	(18,722,303)
Component Units					
School board	(8,444,218)	(5,480,134)	(7,406,812)	(5,615,393)	(5,278,804)
Industrial development authority	318,628	3,311,346	(208,156)	(25,333)	(24,911)
Total component units	(8,125,590)	(2,168,788)	(7,614,968)	(5,640,726)	(5,303,715)
General revenues:					
General property taxes	16,450,037	14,745,763	14,727,435	13,515,911	12,813,486
Local sales and use taxes	2,018,087	1,947,535	1,872,712	1,834,860	1,798,564
Other local taxes	1,721,667	1,736,615	1,690,798	1,767,214	1,744,596
Intergovernmental revenue, unrestricted	1,825,463	1,748,615	1,648,167	1,948,288	1,801,598
Revenue from use of money and property	395,338	357,896	218,137	249,542	373,911
Miscellaneous	228,941	281,299	273,709	266,498	352,616
Incentive payment recoveries		121,394	160,000		
Loss on investment in joint venture	(73,599)	(50,660)	(95,130)	(145,265)	(122,187)
Gain on sale of property				208,706	
Payments from Smyth County	7,692,930	7,250,724	8,383,135	6,948,105	6,892,234
Special item - underwriter's discount on bond		(493,563)			
Total general revenues	30,258,864	27,645,618	28,878,963	26,593,859	25,654,818
Change in net assets	(200,044)	4,787,415	206,144	3,180,740	1,628,800
Net assets - beginning	53,103,511	48,416,767	48,210,623	45,029,883	43,401,083
Restatement of beginning net assets	361,425	(100,671)			
Net assets - ending	\$53,264,892	\$53,103,511	\$48,416,767	\$48,210,623	\$45,029,883

Source:

Smyth County, Comprehensive Annual Financial Report, editions (2009-2013)

Table 2

County of Smyth

General Fund	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
						Common-Size Statements				
Assets										
Current Assets										
Cash and cash equivalents	\$33,831,441	\$49,318,335	\$12,440,364	\$10,253,853	\$10,350,499	58.3%	68.6%	37.7%	34.6%	36.3%
Accrued interest	\$3,445	\$6,045	\$8,220	\$2,471		0.0%	0.0%	0.0%	0.0%	0.0%
Receivables, net	22,228,372	21,176,090	19,012,041	17,969,908	16,370,258	38.3%	29.4%	57.6%	60.7%	57.3%
Prepaid expense	180,909	51,925	65,811	66,825	74,925	0.3%	0.1%	0.2%	0.2%	0.3%
Due from component unit	395,000			40,595	40,595	0.7%	0.0%	0.0%	0.1%	0.1%
Due from other governmental units	1,385,890	1,353,801	1,501,503	1,286,151	1,713,522	2.4%	1.9%	4.5%	4.3%	6.0%
Total Assets	58,025,057	71,906,196	33,027,939	29,619,803	28,549,799	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Accounts payable and accrued liabilities	2,710,000	3,036,963	451,067	488,605	641,623	4.7%	4.2%	1.4%	1.6%	2.2%
Accrued payroll and related liabilities	25,351	25,690	30,531	19,307	14,671	0.0%	0.0%	0.1%	0.1%	0.1%
Due to component units	4,032,259	4,069,379	4,512,062	4,604,558	4,646,634	6.9%	5.7%	13.7%	15.5%	16.3%
Deferred revenue	21,653,005	20,562,925	18,535,784	17,705,589	16,154,636	37.3%	28.6%	56.1%	59.8%	56.6%
Cash bonds held in escrow	48,184	43,184	38,184	48,184	56,500	0.1%	0.1%	0.1%	0.2%	0.2%
Total Liabilities	28,468,799	27,738,141	23,567,628	22,866,243	21,514,064	49.1%	38.6%	71.4%	77.2%	75.4%
Fund Balance										
Nonspendable	180,909	51,925	65,811	66,825	74,925	0.3%	0.1%	0.2%	0.2%	0.3%
Restricted	25,697,568	39,125,509	3,665,624	260,388	197,040	44.3%	54.4%	11.1%	0.9%	0.7%
Committed			100,491	106,272	120,416	0.0%	0.0%	0.3%	0.4%	0.4%
Assigned	62,900	58,485	69,019			0.1%	0.1%	0.2%	0.0%	0.0%
Unassigned	3,614,881	4,932,136	5,559,366	6,320,075	6,643,354	6.2%	6.9%	16.8%	21.3%	23.3%
Total Net Assets	29,556,258	44,168,055	9,460,311	6,753,560	7,035,735	50.9%	61.4%	28.6%	22.8%	24.6%
Liabilities and Net Assets	\$58,025,057	\$71,906,196	\$33,027,939	\$29,619,803	\$28,549,799	100.0%	100.0%	100.0%	100.0%	100.0%

Source:

County of Smyth, Comprehensive Annual Financial Report, 5 editions (2009-2013)

Note: Common-Size Statements allow the reader to analyze the proportion that an individual asset or liability represents as a percentage of total assets.

Table 3

County of Smyth

General Fund	2013	2012	2011	2010	2009
Revenues					
General property taxes	\$15,861,854	\$14,294,912	\$14,371,915	\$13,279,456	\$12,712,891
Other local taxes	3,739,754	3,684,150	3,563,510	3,602,074	3,543,160
Permits, privilege fees and regulatory licenses	124,647	127,045	73,903	106,118	73,893
Fines and forfeitures	714,666	726,131	730,320	686,447	332,601
Revenue from use of money and property	335,497	289,596	193,732	460,995	306,665
Charges for services	1,010,630	1,033,161	923,651	864,853	706,364
Recovered costs	335,169	760,405	368,489	456,267	474,954
Other	218,097	210,723	229,645	272,431	295,065
Intergovernmental	9,292,314	8,580,386	8,592,450	10,121,606	10,705,838
Total revenues	31,632,628	29,706,509	29,047,615	29,850,247	29,151,431
Expenditures					
General government administration	2,735,775	2,140,645	1,859,579	2,065,201	2,272,484
Judicial administration	1,438,614	1,405,780	1,394,442	1,357,675	1,350,907
Public safety	6,718,463	6,408,287	6,091,332	7,394,977	6,744,660
Public works	2,051,755	2,090,119	2,075,657	1,991,431	1,918,849
Health and welfare	5,563,404	5,073,079	5,231,583	5,418,921	5,926,197
Education	7,638,606	7,131,034	8,299,224	6,886,448	6,788,029
Parks, recreation, and cultural	955,046	968,916	963,066	1,030,216	1,106,836
Community development	1,091,483	1,321,245	1,427,807	1,476,745	1,839,806
Capital projects	16,269,549	11,022,959	1,895,888	681,967	236,725
Debt service:					
Principal retirement	1,966,989	6,033,554	1,018,164	1,006,630	1,013,399
Interest and other fiscal charges	1,654,575	891,381	270,749	302,630	334,029
Total expenditures	48,084,259	44,486,999	30,527,491	29,612,841	29,531,921
Excess (deficiency) of revenues over expenditures	(16,451,631)	(14,780,490)	(1,479,876)	237,406	(380,490)
Other Financing Sources (Uses)					
Transfers in					
Bond issuance costs		(86,000)			
Proceeds from bond issuance	2,170,893	48,985,000	5,003,600		
Premium on bonds		1,840,039			
Underwriter's discount on bonds		(493,563)			
Transfers out	(469,443)	(409,228)	(816,973)	(519,581)	(344,818)
Total other financing sources (uses)	1,701,450	49,836,248	4,186,627	(519,581)	(344,818)
Changes in fund balances	(14,750,181)	35,055,758	2,706,751	(282,175)	(725,308)
Fund balance reclassification	138,384	(348,014)			
Fund balances at beginning of year	44,306,439	9,460,311	6,753,560	7,035,735	7,761,043
Fund balances at end of year	\$29,556,258	\$44,168,055	\$9,460,311	\$6,753,560	\$7,035,735

Source:

County of Smyth, Comprehensive Annual Financial Report, 5 editions (2009-2013)

Table 4

County of Smyth

Enterprise Fund	2013	2012	2011	2010	2009	Common-Size Statements				
						2013	2012	2011	2010	2009
Assets										
Current Assets										
Cash and cash equivalents	\$11,546	\$75,658	\$150,201	\$968,461		0.0%	0.2%	0.5%	3.0%	0.0%
Receivables, net	204,652	201,512	184,207	186,004	160,959	0.7%	0.7%	0.6%	0.6%	0.5%
Due from other governmental units	134,344	155,120	283,930	142,341	548,094	0.5%	0.5%	0.9%	0.4%	1.7%
Total Current	350,542	432,290	618,338	1,296,806	709,053	1.2%	1.4%	1.9%	4.0%	2.2%
Noncurrent Assets										
Capital assets, net:	29,286,879	30,276,487	31,382,202	31,178,183	31,146,096	98.8%	98.4%	98.0%	95.9%	97.6%
Bond issue costs, net		46,980	38,082	39,968	41,854	0.0%	0.2%	0.1%	0.1%	0.1%
Total Noncurrent	29,286,879	30,323,467	31,420,284	31,218,151	31,187,950	98.8%	98.6%	98.1%	96.0%	97.8%
Total Assets	29,637,421	30,755,757	32,038,622	32,514,957	31,897,003	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Current Liabilities										
Accounts payable	101,051	74,085	133,114	471,729	637,899	0.3%	0.2%	0.4%	1.5%	2.0%
Accrued interest payable	20,821	21,607	27,766	33,189	43,491	0.1%	0.1%	0.1%	0.1%	0.1%
Unearned revenue	11,546	56,327	149,645	678,942		0.0%	0.2%	0.5%	2.1%	0.0%
Bonds payable - current	380,411	368,159	309,592	294,653	280,391	1.3%	1.2%	1.0%	0.9%	0.9%
Compensated absences and OPEB - current	12,379	10,568	10,536	9,929	9,762	0.0%	0.0%	0.0%	0.0%	0.0%
Total Current	526,208	530,746	630,653	1,488,442	971,543	1.8%	1.7%	2.0%	4.6%	3.0%
Noncurrent Liabilities										
Bonds payable	10,853,023	11,233,377	11,549,835	11,859,389	11,855,668	36.6%	36.5%	36.0%	36.5%	37.2%
Compensated absences and OPEB	32,672	26,596	21,239	16,086	9,517	0.1%	0.1%	0.1%	0.0%	0.0%
Total Noncurrent	10,885,695	11,259,973	11,571,074	11,875,475	11,865,185	36.7%	36.6%	36.1%	36.5%	37.2%
Total Liabilities	11,411,903	11,790,719	12,201,727	13,363,917	12,836,728	38.5%	38.3%	38.1%	41.1%	40.2%
Net Assets										
Invested in capital assets, net of related debt										
Unrestricted	18,053,445	18,674,951	19,522,775	19,024,141	19,010,037	60.9%	60.7%	60.9%	58.5%	59.6%
Total Net Assets	18,225,518	18,965,038	19,836,895	19,151,040	19,060,275	61.5%	61.7%	61.9%	58.9%	59.8%
Liabilities and Net Assets	\$29,637,421	\$30,755,757	\$32,038,622	\$32,514,957	\$31,897,003	100.0%	100.0%	100.0%	100.0%	100.0%

Source:

County of Smyth, Comprehensive Annual Financial Report, 5 editions (2009-2013)

Note: Common-Size Statements allow the reader to analyze the proportion that an individual asset or liability represents as a percentage of total assets.

Table 5

County of Smyth

Enterprise Fund	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues					
Water revenues	\$1,172,096	\$1,135,778	\$1,114,591	\$1,061,385	\$927,682
Wastewater revenues	788,655	695,437	683,754	589,812	592,021
Service charges	31,284	29,401	37,761	14,213	15,973
Connection fees	16,290	20,460	23,285	19,015	22,475
Miscellaneous	1,756	5,036	1,014	1,882	10,778
Total operating revenues	<u>2,010,081</u>	<u>1,886,112</u>	<u>1,860,405</u>	<u>1,686,307</u>	<u>1,568,929</u>
Operating Expenses					
Salaries and wage	267,215	267,843	295,487	289,888	284,503
Employee benefits	131,019	131,335	141,407	130,284	122,586
Utilities and communication	70,347	54,534	48,034	57,459	46,609
Water and wastewater services	468,084	388,797	445,226	383,778	410,314
Water purchases	385,844	366,841	378,006	383,426	387,749
Professional services	224		5,034	2,587	23,559
Project expenses	56,956	108,805	28,668	35,795	2,977
Repairs and maintenance	90,742	113,529	123,370	62,733	121,611
Insurance	6,823	6,915	5,808	5,418	4,507
Office supplies and miscellaneous	26,457	16,454	9,055	19,822	19,796
Depreciation and amortization	1,428,635	1,439,260	1,351,495	1,309,606	1,273,066
Total operating expenses	<u>2,932,346</u>	<u>2,894,313</u>	<u>2,831,590</u>	<u>2,680,796</u>	<u>2,697,277</u>
Operating income (loss)	<u>(922,265)</u>	<u>(1,008,201)</u>	<u>(971,185)</u>	<u>(994,489)</u>	<u>(1,128,348)</u>
Nonoperating Revenues (Expenses)					
Investment earnings			2	8	2
Interest expense	(395,181)	(444,932)	(459,136)	(446,367)	(466,356)
Net nonoperating revenue (expenses)	<u>(395,181)</u>	<u>(444,932)</u>	<u>(459,134)</u>	<u>(446,359)</u>	<u>(466,354)</u>
Income (loss) before transfers and capital contributions	<u>(1,317,446)</u>	<u>(1,453,133)</u>	<u>(1,430,319)</u>	<u>(1,440,848)</u>	<u>(1,594,702)</u>
Capital contributions	155,463	172,048	1,299,201	1,012,032	564,829
Transfers in	469,443	409,228	816,973	519,581	344,818
Transfers out					
Change in net assets	<u>(692,540)</u>	<u>(871,857)</u>	<u>685,855</u>	<u>90,765</u>	<u>(685,055)</u>
Fund balance reclassification	(46,980)				
Net Assets at July 1	18,918,058	19,836,895	19,151,040	19,060,275	19,745,330
Net Assets at June 30	<u>\$18,225,518</u>	<u>\$18,965,038</u>	<u>\$19,836,895</u>	<u>\$19,151,040</u>	<u>\$19,060,275</u>

Source:

County of Smyth, Comprehensive Annual Financial Report, 5 editions (2009-2013)

Table 6

County of Smyth

Enterprise Fund	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities					
Receipts from customers	\$2,005,185	\$1,863,771	\$1,861,188	\$1,659,380	\$1,549,333
Payments to suppliers	(1,191,718)	(1,113,673)	(1,153,523)	(818,419)	(995,745)
Payments to employees	(259,329)	(393,789)	(431,134)	(413,436)	(402,638)
Other receipts	1,756	5,036	1,014	1,882	10,778
Net Cash from Operating Activities	555,894	361,345	277,545	429,407	161,728
Cash Flows from Noncapital Financing Activities					
Transfers to other funds					
Transfers from other funds	469,443	409,228	816,973	519,581	344,818
Net Cash from Noncapital Financing Activities	469,443	409,228	816,973	519,581	344,818
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(456,838)	(302,025)	(1,781,921)	(1,638,576)	(986,843)
Contributions in aid of construction	131,458	207,540	628,315	2,096,728	264,075
Proceeds from indebtedness		6,208,000		299,589	918,411
Costs associated with debt issuances		(41,650)			
Principal payments on debt	(368,102)	(6,465,891)	(294,615)	(281,606)	(245,169)
Interest payments on debt	(395,967)	(451,090)	(464,559)	(456,670)	(457,022)
Net Cash from Capital and Related Financing Activities	(1,089,449)	(845,116)	(1,912,780)	19,465	(506,548)
Cash Flows from Investing Activities					
Interest received			2	8	2
Net Cash from Investing Activities	0	0	2	8	2
Net Increase (Decrease) in Cash and Cash Equivalents	(64,112)	(74,543)	(818,260)	968,461	0
Cash and Cash Equivalents - Beginning of Year	75,658	150,201	968,461		
Cash and Cash Equivalents - End of Year	\$11,546	\$75,658	\$150,201	\$968,461	\$0
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income	(922,265)	(1,008,201)	(971,185)	(994,489)	(1,128,348)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	1,428,635	1,439,260	1,351,495	1,309,606	1,273,066
(Increase) decrease in:					
Accounts receivable	(3,140)	(17,305)	1,797	(25,045)	(8,818)
Increase (decrease) in:					
Accounts payable	44,778	(57,798)	(110,322)	132,599	21,377
Accrued payroll and related liabilities	7,886	5,389	5,760	6,736	4,451
Net Cash Provided by Operating Activities	\$555,894	\$361,345	\$277,545	\$429,407	\$161,728

Source:

County of Smyth, Comprehensive Annual Financial Report, 5 editions (2009-2013)

Table 7**County of Smyth**

Ratios	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>From Government-wide Statements:</u>					
Current (Current Assets/Current Liabilities)	1.09	1.09	1.42	1.27	1.29
Cash (Cash and Equivalents/Current Assets)	22.4%	26.4%	37.4%	36.3%	35.3%
Debt-to-assets (Total Liabilities/Total Assets)	0.7524	0.7531	0.5974	0.5744	0.5860
LTD-to-assets (Noncurrent Liabilities/Total Assets)	0.5280	0.5300	0.3047	0.2643	0.2862
Unrestricted (Unrestricted Net Assets/Total Assets)	0.0333	0.0336	0.1293	0.0963	0.0990
<u>From General Fund Statements:</u>					
GF Unassigned (Unassigned Net Assets/Total GF Expenditures)	0.0752	0.1109	0.1821	0.2134	0.2250