

CITY OF NORTON, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2014

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June 30, 2014

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CITY OF NORTON, VIRGINIA

CITY OFFICIALS

June 30, 2014

CITY COUNCIL:

William J. Mays, Mayor, Council Member
Joseph Fawbush, Vice-Mayor, Council Member
Joseph Hunnicutt
Mark Caruso
Terry Roop

Fred L. Ramey, Jr, City Manager

CONSTITUTIONAL OFFICERS:

Barbara Muir, Treasurer
Judy Miller, Commissioner of the Revenue
Carlos Noaks, Sheriff

SCHOOL BOARD:

Tim Cassell, Chair
Steve Childers, Vice-Chair
Valerie Brown
Sherry Adams
Mark Leonard

Dr. Jeff Comer, Superintendent

SOCIAL SERVICES ADVISORY BOARD:

Ethel Daniels
Lann Malesky
Marty Adkins
Whitney Hunnicutt
Frank Gravely

Christine Blair, Director

CITY LEGAL COUNSEL:

William E. Bradshaw, Attorney at Law



Management Discussion and Analysis

November 28, 2014

To the Honorable Mayor and City Council
To the Citizens of the City of Norton

On behalf of the City Administration for the City of Norton, we offer the readers of the City's financial statements this narrative overview and analysis of the City for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 17,408,095 (net position).
- At June 30, 2014, the City reported combined ending fund balances of \$ 1,903,131, an increase of \$ 13,267 in comparison with the prior year.
- As of June 30, 2014, the General Fund had a total Fund Balance of \$ 1,680,001.
- The total debt outstanding as of June 30, 2014 was \$ 21,935,396 which includes the component units. As of June 30, 2014, the City's Legal Debt Margin was \$ 6,176,702.
- The Water/Sewer Proprietary Fund had an increase in Net Position for the year of \$ 421,719. The completion of a number of major water and sewer improvement projects and the Upper Norton Reservoir Improvement Project in current and prior years that were funded with grant proceeds and bond issuances, are the reason behind the continued increase to the Net Position (formerly called Net Assets) of the Fund.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of three components:

- Government – wide financial statements
- Fund financial statements
- Notes to the financial statements

This report also includes other supplementary information in addition to the basic financial statements.

Government-wide financial statements – The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases to net position may serve as a useful indicator as to whether the City's financial position is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods, such as uncollected taxes.

The Government-wide financial statements include not only the City of Norton (primary government), but also its component units: the Norton City Schools and the Norton Industrial Development Authority (NIDA).

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City of Norton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government–Wide Financial Analysis – Primary Government

Summary Statement of Net Position – June 30, 2014

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 4,519,857	\$ 761,108	\$ 5,280,965
Capital assets	7,026,498	18,514,173	25,540,671
Total Assets	<u>\$ 11,546,355</u>	<u>\$ 19,275,281</u>	<u>\$ 30,821,636</u>
Current & other liabilities	\$ 1,770,112	\$ 1,117,486	\$ 2,887,598
Long-term liabilities	1,855,840	7,686,101	9,541,941
Total Liabilities	<u>\$ 3,625,952</u>	<u>\$ 8,803,587</u>	<u>\$ 12,429,539</u>
Deferred Inflows	\$ 936,597	\$ 47,408	\$ 984,005
Deferred Outflows	- 0 -	- 0 -	- 0 -
Total Deferred	<u>\$ 936,597</u>	<u>\$ 47,408</u>	<u>\$ 984,005</u>
Net Position:			
Invested in Capital assets	\$ 5,586,395	\$ 10,739,857	\$ 16,326,252
Restricted	-0-	112,741	112,741
Unrestricted	1,397,414	(428,312)	969,102
Total Net Position	<u>\$ 6,983,809</u>	<u>\$ 10,424,286</u>	<u>\$ 17,408,095</u>

Net position serves as a useful indicator of a government’s financial position. The City’s combined net position total is \$ 17,408,095 excluding discretely presented component units. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$ 16,326,252. The City of Norton uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Governmental Activities – Governmental activities increased the City’s net position by \$1,305,616. Key elements of this increase are as follows:

Governmental Activities Year Ended June 30, 2014	
Revenues:	
Program Revenues:	
Charges for Services	\$ 362,959
Operating Grants and Contributions	2,297,908
Capital Grants and Contributions	1,722,056
General Revenues:	
Property Taxes	2,881,300
Other Local Taxes	4,788,968
Other	170,376
Total Revenues	<u>\$12,223,567</u>
Expenses:	
General Government	\$ 1,576,458
Public Safety	2,579,286
Public Works	2,062,845
Health and Welfare	1,256,593
Education	2,416,648
Parks, Recreation, Culture	444,729
Community Development	514,158
Interest of Long Term Debt	67,234
Total Expenses	<u>\$ 10,917,951</u>
Increase (Decrease) in Net Position	<u>\$ 1,305,616</u>

Included in the Total Expenses are non-cash items including depreciation. In addition, expenditures for capital assets are not included, while Grant Contributions for some types of projects are. This means that under the full accrual method, the net position increased by \$ 1,305,616 for FY2014. A majority of that increase was due to Grant Proceeds received for the Safe Routes to School Project reflected in the Total Revenues Category while the construction expenditures are not reflected in Total Expenses, but are rather included in Capital Assets in the Summary Statement of Net Position at the top of the page.

Fund Financial Statements

Governmental Funds – The focus of the City’s governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City’s net resources available for spending at the end of the fiscal year. The City’s governmental funds include the General Fund and the Special Revenue Funds.

Governmental Fund Highlights:

The largest sources of revenue in the General Fund for the year are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Local Sales and Use Tax	\$ 1,606,815	1,762,729	1,918,925	1,882,301	1,887,804
Real Property Tax	\$ 1,866,975	1,698,699	1,723,587	1,605,349	2,273,409
Restaurant Food Taxes	\$ 1,357,112	1,262,519	1,334,156	1,126,150	1,061,575
Business License Taxes	\$ 887,396	853,599	951,248	773,353	795,833
Street & Highway Maintenance	\$ 787,645	765,118	750,796	723,930	698,460
Personal Property Taxes	\$ 509,969	471,214	461,230	443,631	429,833

The City’s assessed value of real estate for the year was \$ 246,149,132. The real estate tax rate is \$.80 per \$ 100 of assessed value. For the year, the percent of levy collected was 100.26%. This includes collections of prior year’s delinquencies in addition to current year assessments, but is calculated as a percentage of the current year tax base.

The City’s business type activity is the Water/Sewer Proprietary Fund. During the year this fund had an increase in net position of \$ 421,719. This is due to the large amount of capital projects being performed in the Water/Sewer System. In addition, cash and cash equivalents decreased by \$ 804,880 to \$ 183,824. This decrease represents a restricted holding that was used to refinance a bond once the bond became callable (payable) during FY2014.

The City’s General Fund Final Budget to Actual comparison for the year was as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <i>Favorable</i> <i>(Unfavorable.)</i>
Total Revenues	\$ 10,563,049	\$ 12,583,874	\$ 2,020,825
Total Expenses	11,049,678	<u>12,570,607</u>	\$ (1,550,929)
Excess of Revenues Over Expenses		<u>\$ 13,267</u>	

Note: The variance between Final Budget and Actual is due to grant proceeds and construction expenditures related to the Safe Routes to Schools Capital Project.

Additional information may be obtained by contacting the City Manager, Mr. Fred L. Ramey, Jr. or the Director of Finance, Mr. Jeff Shupe at the City of Norton offices 276-679-1160.

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

& Consultants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the City Council
City of Norton
Norton, Virginia 24273

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 7 and 63 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

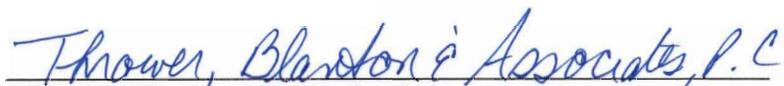
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statistical section and compliance section information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2014 on our consideration of the City of Norton's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

Norton, Virginia
November 28, 2014

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

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

The Honorable Members of the City Council
City of Norton
Norton, Virginia 24273

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Norton, Virginia's basic financial statements, and have issued our report thereon dated November 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2014, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the City's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

The Honorable Members of the City Council
City of Norton
Norton, Virginia 24273

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*(Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards)*

We noted certain matters that we reported to management of the City of Norton, Virginia in a separate letter dated November 28, 2014.

Purpose of this Report

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

Thrower Blanton & Associates P.C.

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

Norton, Virginia
November 28, 2014

THROWER, BLANTON & ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Honorable Members of the City Council
City of Norton
Norton, Virginia 24273

Report on Compliance for Each Major Federal Program

We have audited the City of Norton, Virginia's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of Federal Awards section of the accompanying supplemental schedules.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Norton, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Norton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Norton, Virginia's internal control over compliance.

The Honorable Members of the City Council

City of Norton

Norton, Virginia 24273

Page 2

(Independent Auditor's report on Compliance for
Each Major Program and on Internal Control Over Compliance
Require by OMB Circular A-133)

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB A-133. Accordingly, this report is not suitable for any other purpose.


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

Norton, Virginia
November 28, 2014

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REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS AND GRANTS

The Honorable Members of the City Council
City of Norton
Norton, Virginia 24273

We have audited the general purpose financial statements of the City of Norton, Virginia (the "City") as of and for the year ended June 30, 2014, and have issued our report thereon dated November 28, 2014.

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

Compliance with Commonwealth of Virginia laws, regulations, contracts and grants applicable to the City is the responsibility of management of the City. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. Following is a summary of the Commonwealth of Virginia's laws, regulations, contracts and grants (as specified in Specifications for Audits of Counties, Cities and Towns, Chapter Three) for which we performed tests of compliance.

Code of Virginia

- * Budget and Appropriation Laws
- * Cash and Investment Laws
- * Conflicts Retirement Systems
- * Local Retirement Systems
- * Personal Property Tax Relief Act
- * Debt Provisions
- * Procurement Laws
- * Uniform Disposition of Unclaimed Property Act

State Agency Requirements

- * Education
- * Highway Maintenance Funds
- * Social Services

The Honorable Members of the City Council
City of Norton
Norton, Virginia 24273
(Report on Compliance with Commonwealth of
Virginia Laws, Regulations, Contracts and Grants)
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The City did not comply with certain Social Services requirements. The local agency did not reimburse the local treasurer monthly for program expenditures from the special welfare accounts as required.

The results of our tests disclosed no instances of non-compliance with the provisions referred to in the preceding paragraph, other than the exception noted above. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the City Council, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be, and should not be used by anyone other than these specified parties.



THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

November 28, 2014

CITY OF NORTON
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,649,045	\$ 71,083	\$ 1,720,128	\$ 2,383,123
Restricted cash	358,962	112,741	471,703	-
Investments	20,513	-	20,513	-
Receivable, net	1,265,354	337,078	1,602,432	31,192
Prepaid Expense	-	-	-	26,291
Due from other governmental units	804,031	229,750	1,033,781	260,397
Due from other funds	421,952	10,456	432,408	8,408
Due from primary government	-	-	-	284,148
Capital assets, non-depreciable	2,597,174	1,906,359	4,503,533	849,407
Capital assets, depreciable, net	4,429,324	16,607,814	21,037,138	15,714,766
	<u>\$ 11,546,355</u>	<u>\$ 19,275,281</u>	<u>\$ 30,821,636</u>	<u>\$ 19,557,732</u>
LIABILITIES				
Accounts payable and accrued liabilities	777,955	453,855	1,231,810	106,830
Accrued payroll and related liabilities	143,295	26,355	169,650	648,547
Accrued interest payable	31,438	32,828	64,266	178,015
Customer security deposits	-	112,741	112,741	-
Due to other governmental units	227,109	-	227,109	-
Due to other funds	125,259	307,149	432,408	8,408
Due to component units	284,148	-	284,148	-
Compensated absences				
Due within one year	53,087	18,822	71,909	27,101
Due in more than one year	123,870	8,066	131,936	30,970
Long-term liabilities				
Due within one year	127,821	165,736	293,557	620,633
Due in more than one year	1,731,970	7,678,035	9,410,005	11,611,201
	<u>3,625,952</u>	<u>8,803,587</u>	<u>12,429,539</u>	<u>13,231,705</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	936,594	-	936,594	-
Deferred bond revenue	-	47,408	47,408	-
	<u>936,594</u>	<u>47,408</u>	<u>984,002</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	5,586,395	10,739,857	16,326,252	4,883,537
Restricted	-	112,741	112,741	-
Unrestricted	1,397,414	(428,312)	969,102	1,442,490
	<u>6,983,809</u>	<u>10,424,286</u>	<u>17,408,095</u>	<u>6,326,027</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 11,546,355</u>	<u>\$ 19,275,281</u>	<u>\$ 30,821,636</u>	<u>\$ 19,557,732</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets										
	Program Revenues					Primary Government					Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	NIDA		
Governmental Activities											
General government	\$ 1,576,458	\$ -	\$ 155,018	\$ -	\$ (1,421,440)	\$ -	\$ (1,421,440)				
Public safety	2,579,286	736	459,243	-	(2,119,307)	-	(2,119,307)				
Public works	2,062,845	354,338	833,001	1,722,056	846,550	-	846,550				
Health and welfare	1,256,593	-	839,280	-	(417,313)	-	(417,313)				
Education	2,416,648	-	-	-	(2,416,648)	-	(2,416,648)				
Parks, recreation and cultural	444,729	7,885	11,366	-	(425,478)	-	(425,478)				
Community development	514,158	-	-	-	(514,158)	-	(514,158)				
Interest on long-term debt	67,234	-	-	-	(67,234)	-	(67,234)				
Contingencies	-	-	-	-	-	-	-				
Total Governmental Activities	10,917,951	362,959	2,297,908	1,722,056	(6,535,028)	-	(6,535,028)				
Business-type activities											
Water and Wastewater	2,929,215	2,211,146	-	1,139,788	-	421,719	421,719				
Total Business-Type Activities	2,929,215	2,211,146	-	1,139,788	-	421,719	421,719				
TOTAL PRIMARY GOVERNMENT	13,847,166	2,574,105	2,297,908	2,861,844	(6,535,028)	421,719	(6,113,309)				
COMPONENT UNITS											
School Board	8,445,967	78,801	5,529,930	-	-	-	-	\$ (2,837,236)	\$ -	(21,909)	
NIDA	471,346	449,437	-	-	-	-	-	-	-	(21,909)	
Total Component Units	8,917,313	528,238	5,529,930	-	-	-	-	(2,837,236)	-	(21,909)	
General revenues											
Property taxes					2,881,300		2,881,300				
Local sales & use tax					1,606,815		1,606,815				
Utility taxes					131,006		131,006				
Business license taxes					887,396		887,396				
Communication taxes					211,979		211,979				
Motor vehicle tax					63,629		63,629				
Bank stock taxes					72,678		72,678				
Recordation taxes					44,876		44,876				
Tobacco taxes					41		41				
Hotel and motel room taxes					133,561		133,561				
Restaurant food taxes					1,357,112		1,357,112				
Coal road improvement taxes					79,353		79,353				
Cigarette tax					92,965		92,965				
Other local taxes					107,557		107,557				
Unrestricted miscellaneous revenue					104,627		104,627	114,780			
Unrestricted investment earnings					28,255		28,255	1,255		5,732	
Gain (loss) on sale of capital assets					-		-	-		100	
Recovered cost					37,494		37,494	-		50,950	
Transfers-Primary Government					-		-	-		-	
Transfers-Component Units					-		-	2,393,593		488,017	
Total general revenues and transfers					7,840,644		7,840,644	2,509,628		544,799	
Change in net position					1,305,616		1,305,616	(327,608)		522,890	
NET POSITION - JULY 1					5,678,193		5,678,193	404,617		5,726,128	
NET POSITION - JUNE 30					6,983,809		6,983,809	77,009		6,249,018	

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

**CITY OF NORTON
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,649,045	\$ -	\$ 1,649,045
Restricted Cash	15,132	343,830	358,962
Investments	20,513	-	20,513
Taxes receivable	1,081,908	-	1,081,908
Accounts receivable	183,446	-	183,446
Due from other funds	421,952	-	421,952
Due from primary government	-	-	-
Due from other governmental units	730,052	73,979	804,031
Total Assets	<u>\$ 4,102,048</u>	<u>\$ 417,809</u>	<u>\$ 4,519,857</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 726,746	\$ 51,209	\$ 777,955
Accrued payroll and related liabilities	120,472	22,823	143,295
Due to other funds	4,612	120,647	125,259
Due to component units	284,148	-	284,148
Due to other governmental units	227,109	-	227,109
Total Liabilities	<u>1,363,087</u>	<u>194,679</u>	<u>1,557,766</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	<u>1,058,960</u>	<u>-</u>	<u>1,058,960</u>
Total Deferred Inflows of Resources	<u>1,058,960</u>	<u>-</u>	<u>1,058,960</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	343,830	343,830
Assigned	347,416	-	347,416
Unassigned	1,332,585	(120,700)	1,211,885
Total Fund Balances	<u>1,680,001</u>	<u>223,130</u>	<u>1,903,131</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,102,048</u>	<u>\$ 417,809</u>	<u>\$ 4,519,857</u>
Total Fund Balances			\$ 1,903,131
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation			7,026,498
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds			-
Other liabilities are not required to be paid out of current financial resources and therefore are not reported in the governmental funds			(252,537)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			<u>(1,693,283)</u>
Net Position of Governmental Activities			<u>\$ 6,983,809</u>

CITY OF NORTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES:			
General property taxes	\$ 2,915,376	\$ -	\$ 2,915,376
Other local taxes	4,681,411	-	4,681,411
Permits, privilege fees and regulatory licenses	7,131	-	7,131
Fines and forfeitures	28,687	-	28,687
Revenue from use of money & property	26,948	1,307	28,255
Charges for services	362,959	15,815	378,774
Miscellaneous	104,627	-	104,627
Recovered costs	18,761	-	18,761
Intergovernmental	3,266,528	839,280	4,105,808
Total Revenues	<u>11,412,428</u>	<u>856,402</u>	<u>12,268,830</u>
EXPENDITURES:			
Current:			
General government administration	1,130,587	-	1,130,587
Judicial administration	412,859	-	412,859
Public safety	2,491,189	6,483	2,497,672
Public works	1,742,342	-	1,742,342
Health and welfare	101,931	1,131,383	1,233,314
Education and transfer to school	2,401,810	-	2,401,810
Parks, recreation and cultural	438,256	-	438,256
Community development	2,229,763	-	2,229,763
Debt service:			
Principal retirement	121,031	-	121,031
Interest	66,662	-	66,662
Total Expenditures	<u>11,136,430</u>	<u>1,137,866</u>	<u>12,274,296</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>275,998</u>	<u>(281,464)</u>	<u>(5,466)</u>
OTHER FINANCING SOURCES (USES):			
Sale of surplus	-	-	-
Sale of real property	-	-	-
Loan proceeds	-	-	-
Insurance recoveries	18,733	-	18,733
Operating transfers in	-	296,311	296,311
Operating transfers out	(296,311)	-	(296,311)
Total Other Financing Sources (Uses)	<u>(277,578)</u>	<u>296,311</u>	<u>18,733</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,580)	14,847	13,267
FUND BALANCE AT BEGINNING OF YEAR	<u>1,681,581</u>	<u>208,283</u>	<u>1,889,864</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,680,001</u>	<u>\$ 223,130</u>	<u>\$ 1,903,131</u>

CITY OF NORTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

Net Change in Fund Balance Governmental Fund:	\$ 13,267
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,325,169
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(63,997)
Repayment of bond principal is an expenditure in governmental funds but the payment reduces long-term liabilities in the statement of net assets. This is the amount of net principal payments.	121,031
Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and therefore are not required as expenditures in governmental funds.	<u>(89,854)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,305,616</u>

CITY OF NORTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities Proprietary Funds
	Water & Sewer Operation
ASSETS	
Cash and cash equivalents	\$ 71,083
Restricted cash	112,741
Receivable, net	337,078
Due from other funds	10,456
Due from other government units	229,750
Land	588,600
Construction in progress	1,317,759
Capital assets, net	<u>16,607,814</u>
 Total Assets	 <u>\$ 19,275,281</u>
LIABILITIES	
Accounts payable	453,855
Accrued payroll and related liabilities	26,355
Accrued interest payable	32,828
Customer security deposits	112,741
Due to other governmental units	-
Due to other funds	307,149
Compensated absences	26,888
Long-term liabilities	
Due within one year	165,736
Due in more than one year	<u>7,678,035</u>
 Total Liabilities	 <u>8,803,587</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on bond refinancing	<u>47,408</u>
 Total Deferred Inflows of Resources	 <u>47,408</u>
NET POSITION	
Net investment in capital assets	10,739,857
Restricted	112,741
Unrestricted (deficit)	<u>(428,312)</u>
 Total Net Position	 <u>10,424,286</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 19,275,281</u>

CITY OF NORTON
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	PROPRIETARY FUNDS
	Water & Sewer Operation
OPERATING REVENUES:	
Charges For Services:	
Water:	
Local	\$ 741,249
Non-local	151,639
Total Water	892,888
Sewer:	
Local	971,123
Non-local	272,968
Total Sewer	1,244,091
Total Charges for Services	2,136,979
Miscellaneous:	
Installations and tap fees	15,515
Penalties	57,315
Other	1,337
Total Miscellaneous	74,167
Total Operating Revenues	2,211,146
OPERATING EXPENSES:	
Personal services	546,575
Fringe benefits	247,083
Contractual services	924,126
Other charges	319,553
Rent	6,000
Depreciation	580,738
Purchase of water	88,765
Total Operating Expenses	2,712,840
Operating Income (Loss)	(501,694)
NON-OPERATING REVENUES (EXPENSES):	
Grant income	1,139,788
Interconnect expense	(20,971)
Interest expense	(195,404)
Total Non-Operating Revenues (Expenses)	923,413
CHANGE IN NET POSTION	421,719
NET POSITION - JULY 1, 2013	10,002,567
NET POSITION - JUNE 30, 2014	\$ 10,424,286

CITY OF NORTON
STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUNDS
Year Ended June 30, 2014

	<u>PROPRIETARY FUNDS</u>	<u>COMPONENT UNIT</u>
	<u>Water & Sewer Operation</u>	<u>Norton Industrial Development Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,199,923	\$ 525,681
Cash payments to suppliers for goods and services	(1,599,077)	(240,849)
Cash payments to employees for services	(538,155)	-
Net Cash provided by (used in)		
Operating activities	<u>62,691</u>	<u>284,832</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in customer deposits	113	-
Contribution - City of Norton	-	488,017
Increase (decrease) in due to other funds	(79,195)	-
Net Cash Provided by Non-Capital Financing		
Activities	<u>(79,082)</u>	<u>488,017</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction in progress	(1,706,284)	-
Acquisition of capital assets	(27,050)	(410,421)
Proceeds from issuance of debt	758,438	-
Contributed Capital-Grant Revenue	1,449,381	-
Interconnect expense	(20,971)	-
Principal paid	(1,022,916)	(468,365)
Interest paid	(219,087)	(49,215)
Net Cash provided by (used in) capital and related		
financing activities	<u>(788,489)</u>	<u>(928,001)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	-	5,619
Net cash provided by (used in) investing activities	<u>-</u>	<u>5,619</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(804,880)	(149,533)
Cash and Cash Equivalents at Beginning of Year	<u>988,704</u>	<u>2,093,537</u>
Cash and Cash Equivalents at June 30, 2014		
Unrestricted	\$ 71,083	1,944,004
Restricted	112,741	-
	<u>183,824</u>	<u>1,944,004</u>
Cash and Cash Equivalents at End of Year	<u>\$ 183,824</u>	<u>\$ 1,944,004</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (501,694)	\$ 77,128
Adjustments		
Depreciation and amortization	580,738	191,728
OPEB	17,375	-
Bad debts	23,033	-
Changes in assets and liabilities:		
(Increase) decrease in prepaid expense	-	(7,400)
(Increase) decrease in accounts receivable	(11,223)	25,294
Increase (decrease) in accounts payable	(53,958)	(1,918)
Increase (decrease) in accrued liabilities	2,231	-
Increase (decrease) in compensating absences	6,189	-
Increase (decrease) in deferred rent	-	-
Total adjustments	<u>564,385</u>	<u>207,704</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 62,691</u>	<u>\$ 284,832</u>

**CITY OF NORTON
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	CDBG Revolving Loan Fund	Virginia Public Assistance Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	<u>TOTALS</u> June 30, 2014
<u>ASSETS</u>					
Cash	\$ 307,129	\$ -	\$ 34,632	\$ 2,069	\$ 343,830
Receivables (Net of Any Allowance For Uncollectibles):					
Accounts	-	-	-	-	-
Note receivable	-	-	-	-	-
Due from other governmental units:					
Commonwealth of Virginia	-	73,979	-	-	73,979
TOTAL ASSETS	<u>\$ 307,129</u>	<u>\$ 73,979</u>	<u>\$ 34,632</u>	<u>\$ 2,069</u>	<u>\$ 417,809</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ 51,209	\$ -	\$ -	\$ 51,209
Accrued liabilities	-	22,823	-	-	22,823
Due to other funds	-	120,647	-	-	120,647
Total Liabilities	-	194,679	-	-	194,679
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed					
Economic development	307,129	-	-	-	307,129
Law enforcement	-	-	34,632	-	34,632
Parks and recreation	-	-	-	2,069	2,069
Assigned	-	-	-	-	-
Unassigned	-	(120,700)	-	-	(120,700)
Total Fund Balances	307,129	(120,700)	34,632	2,069	223,130
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 307,129</u>	<u>\$ 73,979</u>	<u>\$ 34,632</u>	<u>\$ 2,069</u>	<u>\$ 417,809</u>

CITY OF NORTON
 AGENCY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 Year Ended June 30, 2014

	<u>Special Welfare Fund</u>
<u>ASSETS</u>	
Cash	\$ 26,146
<u>NET POSITION</u>	
Amounts held for social service clients	\$ 26,146

CITY OF NORTON
AGENCY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2014

	<u>Special Welfare Fund</u>
Additions	
Client receipts	\$ 10,466
Total additions	<u>10,466</u>
Deductions	
Payments for clients	<u>1,198</u>
Total deductions	<u>1,198</u>
Change in net position	9,268
Net position - beginning of year	<u>16,878</u>
Net position - end of year	<u>\$ 26,146</u>

CITY OF NORTON
STATEMENT OF NET POSITION - COMPONENT UNITS
JUNE 30, 2014

	Norton City Schools	Norton Industrial Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 439,119	\$ 1,944,004	\$ 2,383,123
Restricted cash	-	-	-
Receivable, net	19,138	12,054	31,192
Prepaid expense	-	26,291	26,291
Due from primary government	284,148	-	284,148
Due from other governmental units	260,397	-	260,397
Due from other funds	8,408	-	8,408
Capital assets, non-depreciable	65,901	783,506	849,407
Capital assets, depreciable, net	<u>11,379,688</u>	<u>4,335,078</u>	<u>15,714,766</u>
 Total Assets	 <u>\$ 12,456,799</u>	 <u>\$ 7,100,933</u>	 <u>\$ 19,557,732</u>
LIABILITIES			
Accounts payable and accrued liabilities	71,845	34,985	106,830
Accrued payroll and related liabilities	648,547	-	648,547
Accrued interest payable	174,659	3,356	178,015
Due to other funds	8,408	-	8,408
Compensated absences:			
Due within one year	27,101	-	27,101
Due in more than one year	30,970	-	30,970
Long-term liabilities:			
Due within one year	163,817	456,816	620,633
Due in more than one year	<u>11,254,443</u>	<u>356,758</u>	<u>11,611,201</u>
 Total Liabilities	 <u>12,379,790</u>	 <u>851,915</u>	 <u>13,231,705</u>
NET POSITION			
Invested in capital assets, net of related debt	578,527	4,305,010	4,883,537
Restricted	-	-	-
Unrestricted (deficit)	<u>(501,518)</u>	<u>1,944,008</u>	<u>1,442,490</u>
 Total Net Position	 <u>77,009</u>	 <u>6,249,018</u>	 <u>6,326,027</u>
 Total Liabilities and Net Position	 <u>\$ 12,456,799</u>	 <u>\$ 7,100,933</u>	 <u>\$ 19,557,732</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES - COMPONENT UNITS
 Year Ended June 30, 2014

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Norton City Schools	Industrial Development Authority	GRAND TOTAL
Functions/Programs Governmental Activities						
Norton City Schools Education	\$ 8,445,967	\$ 78,801	\$ 5,529,930	\$ -	\$ (2,837,236)	\$ -
	471,346	449,437	-	(21,909)	(21,909)	(21,909)
Business-type activities						
Norton Industrial Development Authority Economic Development	8,917,313	528,238	5,529,930	(2,837,236)	(21,909)	(2,859,145)
Total component units						
General revenues						
City of Norton			2,393,593	488,017		2,881,610
Unrestricted investment earnings			1,255	5,732		6,987
Miscellaneous revenues			114,780	-		114,780
Unrestricted investment earnings			-	-		-
Rental of Town property			-	-		-
Gain (loss) on sale of capital assets			-	100		100
Recovered cost			-	50,950		50,950
Transfers			-	-		-
Total general revenues and transfers			2,509,628	544,799		3,054,427
Change in net position			(327,608)	522,890		195,282
NET POSITION - JULY 1, 2013			404,617	5,726,128		6,130,745
NET POSITION - JUNE 30, 2014			\$ 77,009	\$ 6,249,018		\$ 6,326,027

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

June 30, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America these financial statements present the City of Norton and its Component Units. The Component Units discussed in Note B are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

B. Individual Component Unit Disclosures
Discretely Presented Component Unit

Component Units are legally separate organizations for which the elected or appointed officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and is able to impose its will on that organization.

Based on the foregoing criteria, the financial activities of the Norton Industrial Development Authority and the Norton City School Board are included in these financial statements as discretely presented Component Units. Included in the Norton City School Board Component Unit are the School Operating, School Cafeteria, Textbook, and Health Insurance Premium Funds. The Norton Industrial Development Authority's financial statements may be obtained by contacting the Authority at P.O. Box 303, Norton, Virginia 24273.

The financial activities of the following organization are excluded from the accompanying financial statements for the reasons indicated:

Norton Redevelopment and Housing Authority - The City Council appoints the Board of Commissioners; however, the City does not have responsibility for the fiscal matters of the Authority, including authorizations of budgetary appropriations, funding of operating deficiencies, control over or use of surplus funds, responsibility for debts and control over the collection and disbursement of funds.

C. Financial Reporting Model

GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement) which established requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Because of the significant changes in financial reporting under the Statement, implementation was phased in (based on the size of the government) beginning with fiscal year ended 2002 (for larger governments). As part of the Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.) This requirement permits an optional delay for implementation to the fiscal year ending in 2008. The City implemented the basic model in fiscal year 2005 and completed the implementation of the infrastructure-related portion of the Statement by fiscal year 2008.

Government-wide and Fund Financial Statements

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

June 30, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund

The *General Fund* accounts for all revenues and expenditures applicable to the general operations of the City which are not accounted for in other funds.

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the Virginia Public Assistance, CDBG Revolving Loan Fund and Drug and Gambling Funds and Flag Rock Fund.

The City reports the following major proprietary funds:

The *water and sewer operation fund* provides drinking water, maintains the facilities necessary to provide this service, and provides maintenance to the sewer lines and pump stations. It's primary revenue source is user charges and fees.

Fiduciary Funds account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds.

D. Basis of Accounting

1. Governmental Funds

Governmental Funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 days after year end are reflected as deferred revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the City. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies.

June 30, 2014

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

D. Basis of Accounting (Continued)

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Interest on long-term debt is recognized when due except for interest due on July 1, which is accrued.

2. Proprietary Funds

The accrual basis of accounting is used for the Water and Sewer Enterprise Fund and the discretely presented component unit, Norton Industrial Development Authority. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

3. Fiduciary Funds

Agency Funds utilize the modified accrual basis of accounting.

E. Budgets and Budgetary Accounting

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the category level. The appropriations for each category can be revised only by the City Council. The City Manager is authorized to transfer budgeted amounts within governmental departments, however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except for the School Fund). The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. For all City units, appropriations lapse on June 30.
8. All budget data presented in the accompanying financial statements is the revised budget as of June 30, 2014.

F. Encumbrances

The City utilizes encumbrance accounting in its governmental funds. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order, contract, or other commitment is issued. Generally, all unencumbered appropriations lapse at year end, except those for capital projects. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year. Open encumbrances at fiscal yearend are included in restricted, committed, or assigned fund balance, as appropriate.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. Investments

Investments, consisting of repurchase agreements and deposits in the State Treasurer's Local Government Pool are stated at cost which approximates market.

H. Property, Plant and Equipment

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Depreciation for Proprietary Fund fixed assets has been provided over the following estimated useful lives using the Straight-Line Method:

	<u>Enterprise</u> <u>Water and Sewer Fund</u>
Water/Sewer System	35
Buildings	35
Improvements other than buildings	20-35
Infrastructure	30-50
Equipment	3-18

I. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$279,773 at June 30, 2014, and is composed of the following:

General Fund:		
Allowance for uncollectible property taxes	111,767	
Allowance for uncollectible garbage fees	<u>17,495</u>	
Total General Fund		\$ 129,262
Water and Sewer Fund:		
Allowance for uncollectible water and sewer fee billings	<u>150,511</u>	
Total Water and Sewer Fund		<u>150,511</u>
Total Allowance for Uncollectible Accounts		<u>\$ 279,773</u>

J. Cash Equivalents

For purposes of the statement of cash flows, the Water and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

June 30, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

K. Fund Equity

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. The new standard (implemented in 2011) has not affected the total amount reported as fund balance but has substantially changed the categories and terminology used to describe their components. GASB Statement No. 54 requires that fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The City of Norton, Virginia, evaluated its funds at June 30, 2014 and classified fund balance into the following five categories:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager through the budgetary process.

- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

2. **DEPOSITS AND INVESTMENTS**

Deposits

All cash of the City and its component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et. seq.* of the *Code of Virginia*, or covered by federal depository insurance.

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable law, including regulations, the City permits investments in U. S. Treasury Securities, U. S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Concentration of Credit Risk:

Deposits and investments held by any single issuer that exceeded 5% are as follows:

First Bank & Trust 99%

Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, all of the City's investments are held in the Treasurer's office in the City's name.

The above items are reflected in the financial statements as follows:

		<u>Component Units</u>	
	<u>Primary Government</u>	<u>School</u>	<u>NIDA</u>
Deposits and investments:			
Cash on hand	\$ 950	\$ -	\$ -
Deposits	2,190,881	439,119	374,545
Investments	<u>20,513</u>	<u>-</u>	<u>1,569,459</u>
	<u>\$ 2,212,344</u>	<u>\$ 439,119</u>	<u>\$ 1,944,004</u>
Statement of net position:			
Cash and cash equivalents	\$ 1,720,128	\$ 439,119	\$ 1,944,004
Investments	20,513	-	-
Restricted cash and cash equivalents	<u>471,703</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,212,344</u>	<u>\$ 439,119</u>	<u>\$ 1,944,004</u>

Restricted cash and cash equivalents consist primarily of certificates of deposit.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

3. PROPERTY TAXES RECEIVABLE

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable twice a year on May 15 and on October 15. The City of Norton bills and collects its own property taxes.

4. DUE FROM OTHER GOVERNMENTAL UNITS

	Primary Government	Component Unit <u>School Board</u>	Total
Commonwealth of Virginia			
Local sales tax	\$ 126,038	\$ -	\$ 126,038
Shared expenses	23,977	-	23,977
Communication tax	17,807	-	17,807
E-911 tax	1,401	-	1,401
VDOT	79,909	-	79,909
DMME	369,605	-	369,605
Emergency management	13,063	-	13,063
Environmental quality	4,048	-	4,048
Other	21,409	-	21,409
School funds	-	260,397	260,397
Welfare funds	73,979	-	73,979
	<u>731,236</u>	<u>260,397</u>	<u>991,633</u>
Total Commonwealth of Virginia			
United States Treasury			
USDA	25,000	-	25,000
Wise County			
Coal haul road tax	17,093	-	17,093
Court fines	3,534	-	3,534
	<u>20,627</u>	<u>-</u>	<u>20,627</u>
Total Wise County			
Norton Industrial Development Authority	27,168	-	27,168
	<u>27,168</u>	<u>-</u>	<u>27,168</u>
Total due from other governmental units			
	<u>\$ 804,031</u>	<u>\$ 260,397</u>	<u>\$ 1,064,428</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

5. INTERFUND OBLIGATIONS

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	\$ 13,268	\$ 297,416	\$ -	\$ -
Virginia Public Assistance Fund	114,803	-	-	-
Water and Sewer Fund	307,149	4,612	-	-
Total General Fund	<u>435,220</u>	<u>302,028</u>	-	-
School Operating Fund:				
General Fund	-	-	297,416	13,268
Cafeteria Fund	-	-	-	8,408
Health Insurance Fund	-	-	-	-
Total School Operating Fund	<u>-</u>	<u>-</u>	<u>297,416</u>	<u>21,676</u>
School Cafeteria Fund:				
School Operating Fund	-	-	8,408	-
Health Insurance Fund	-	-	-	-
Total School Cafeteria Fund	<u>-</u>	<u>-</u>	<u>8,408</u>	<u>-</u>
School Health Insurance Fund:				
School Operating Fund	-	-	-	-
Total Health Insurance Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Virginia Public Assistance Fund:				
General Fund	-	114,803	-	-
Water and Sewer Fund	-	5,844	-	-
Total Virginia Public Assistance	<u>-</u>	<u>120,647</u>	<u>-</u>	<u>-</u>
Water and Sewer Fund:				
Virginia Public Assistance Fund	5,844	-	-	-
General Fund	4,612	307,149	-	-
Total Water and Sewer Fund	<u>10,456</u>	<u>307,149</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 445,676</u>	<u>\$ 729,824</u>	<u>\$ 305,824</u>	<u>\$ 21,676</u>

6. CHANGES IN CAPITAL ASSETS

The following is a summary of changes in depreciable capital assets:

PRIMARY GOVERNMENT	7/1/2013	Additions	Deletions	6/30/2014
Buildings	1,964,951	-	-	1,964,951
Improvements other than buildings	1,813,860	-	-	1,813,860
Infrastructure	10,021,741	-	-	10,021,741
Equipment	3,865,476	95,121	-	3,960,597
Equipment special revenue	117,258	-	-	117,258
Total Capital Assets, Depreciable	<u>17,783,286</u>	<u>95,121</u>	<u>-</u>	<u>17,878,407</u>
Less Accumulated Depreciation For:				
Buildings	1,367,178	27,393	-	1,394,571
Improvements other than buildings	1,138,314	53,192	-	1,191,506
Infrastructure	7,746,918	154,077	-	7,900,995
Equipment	2,631,281	231,089	-	2,862,370
Equipment special revenue	95,547	4,094	-	99,641
Total accumulated depreciation	<u>12,979,238</u>	<u>469,845</u>	<u>-</u>	<u>13,449,083</u>
Total Capital Assets, depreciable net	<u>\$ 4,804,048</u>	<u>\$ (374,724)</u>	<u>\$ -</u>	<u>\$ 4,429,324</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

 June 30, 2014

6. CHANGES IN CAPITAL ASSETS (Continued)

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
PRIMARY GOVERNMENT				
Component Unit-School Board				
Building	\$ 11,301,563	\$ 1,248	\$ -	\$ 11,302,811
Improvements other than building	751,776	3,075,087	-	3,826,863
Equipment	667,030	-	-	667,030
Total Capital Assets, depreciable	12,720,369	3,076,335	-	15,796,704
Less Accumulated Depreciation For:				
Building	3,144,720	209,407	-	3,354,127
Improvements other than building	322,616	185,942	-	508,558
Equipment	513,564	40,767	-	554,331
Total Accumulated Depreciation	3,980,900	436,116	-	4,417,016
Total Capital Assets, Depreciable, Net	\$ 8,739,469	\$ 2,640,219	\$ -	\$ 11,379,688
Component Unit - NIDA				
Building	\$ 6,494,829	\$ 346,901	\$ -	\$ 6,841,730
Equipment	384,133	22,220	-	406,353
Less Accumulated Depreciation	(2,726,497)	(186,508)	-	(2,913,005)
Total Capital Assets, Depreciable, Net	\$ 4,152,465	\$ 182,613	\$ -	\$ 4,335,078
Business Type Activities				
Building	\$ 256,454	\$ -	\$ -	\$ 256,454
Improvements other than building	20,515,616	1,051,772	-	21,567,388
Equipment	1,170,137	105,735	-	1,275,872
Total Capital Assets, depreciable	21,942,207	1,157,507	-	23,099,714
Less Accumulated Depreciation For:				
Building	249,386	320	-	249,706
Improvements other than building	4,885,244	520,310	-	5,405,554
Equipment	776,532	60,108	-	836,640
Total Accumulated Depreciation	5,911,162	580,738	-	6,491,900
Total Capital Assets, Depreciable, Net	\$ 16,031,045	\$ 576,769	\$ -	\$ 16,607,814

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

6. **CHANGES IN CAPITAL ASSETS (Continued)**

The following is a summary of changes in non-depreciable capital assets:

<u>Primary Government</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Land	\$ 897,280	\$ -	\$ -	\$ 897,280
Construction in Progress	-	1,699,894	-	1,699,894
Total Capital Assets, non-depreciable	\$ 897,280	\$ 1,699,894	\$ -	\$ 2,597,174

<u>Component Unit – School Board</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Land	\$ 65,901	\$ -	\$ -	\$ 65,901
Construction in Progress	957,683	2,101,192	3,058,875	-
Total Capital Assets, non-depreciable	\$ 1,023,584	\$ 2,101,192	\$ 3,058,875	\$ 65,901

<u>Component Unit - NIDA</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Land	\$ 742,106	\$ 41,400	\$ -	\$ 783,506
Total Capital Assets, non-depreciable	\$ 742,106	\$ 41,400	\$ -	\$ 783,506

<u>Business Type Activities</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Land	\$ 588,600	\$ -	\$ -	\$ 588,600
Construction in Progress	842,097	1,422,548	946,886	1,317,759
Total Capital Assets, non-depreciable	\$ 1,430,697	\$ 1,422,548	\$ 946,886	\$ 1,906,359

7. **LONG-TERM DEBT**

Year Ending June 30,	Governmental Activities General Obligation Bonds	
	Principal	Interest
2015	\$ 75,000	\$ 62,626
2016	75,000	59,626
2017	80,000	56,626
2018	85,000	53,426
2019	90,000	48,962
2020-2024	505,000	171,738
2025-2027	375,000	38,000
Totals	\$ 1,285,000	\$ 491,004

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

7. LONG-TERM DEBT (Continued)

Year Ending June 30,	BUSINESS TYPE ACTIVITIES GENERAL OBLIGATION BONDS					
	Sewer Facilities Bond		Water Facilities Bond		Sewer Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,467	\$ 7,253	\$ 35,236	\$ 53,539	\$ 22,195	\$ 28,709
2016	2,571	7,149	36,127	52,648	22,700	28,204
2017	2,679	7,041	37,041	51,735	23,216	27,688
2018	2,792	6,928	37,978	50,798	23,743	27,161
2019	2,909	6,811	38,938	49,838	24,283	26,621
2020-2024	16,487	32,113	209,968	233,910	129,953	124,568
2025-2029	20,256	28,343	237,893	205,984	145,409	109,111
2030-2034	24,888	23,712	269,533	174,344	162,707	91,813
2035-2039	30,578	18,022	305,383	138,496	182,061	72,458
2040-2044	37,568	11,032	345,999	97,880	203,719	50,801
2045-2049	33,748	2,738	392,016	51,862	227,951	26,569
2050-2054	-	-	170,672	6,516	118,089	3,310
Total	\$ 176,943	\$ 151,142	\$ 2,116,784	\$ 1,167,550	\$ 1,286,026	\$ 617,013

Year Ending June 30,	GENERAL OBLIGATION BONDS							
	Sewer Bond		Refunding Bond		Water Facilities Bond		Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 75,719	\$ -	\$ -	\$ 70,534	\$ 5,494	\$ 7,803	\$ 12,811	\$ 17,797
2016	75,719	-	60,000	69,296	11,238	15,357	13,198	17,410
2017	75,719	-	65,000	67,393	11,580	15,015	13,597	17,011
2018	75,719	-	70,000	65,034	11,932	14,663	14,008	16,600
2019	75,719	-	70,000	61,771	12,295	14,300	14,431	16,176
2020-2024	378,595	-	405,000	258,222	67,320	65,658	78,969	74,070
2025-2029	378,595	-	425,000	161,125	78,200	54,776	91,647	61,391
2030-2034	75,710	-	165,000	98,300	90,836	42,139	106,359	46,677
2035-2039	-	-	210,000	57,395	105,518	27,457	123,435	29,602
2040-2044	-	-	140,000	9,975	122,576	10,405	127,947	9,788
2045-2049	-	-	-	-	-	-	-	-
2050-2054	-	-	-	-	-	-	-	-
Total	\$ 1,211,495	\$ -	\$ 1,610,000	\$ 919,045	\$ 516,989	\$ 267,573	\$ 596,402	\$ 306,522

	Balance 7/1/2013	Additions/ Proceeds	Payments/ Reductions	Balance 6/30/2014
Business-Type Activities				
General obligation bonds	\$ 7,779,114	\$ 758,438	\$ (1,022,913)	\$ 7,514,639
Deferred gain of refunding	50,568	-	(3,160)	47,408
Premium on bonds	250,956	-	(8,654)	242,302
OPEB	69,455	17,375	-	86,830
Accrued Vacation	20,699	23,976	(17,787)	26,888
Total	\$ 8,170,792	\$ 799,789	\$ (1,052,514)	\$ 7,918,067
Governmental Activities				
General obligation bonds	\$ 1,355,000	\$ -	\$ (70,000)	\$ 1,285,000
Capital lease	161,992	-	(51,030)	110,962
Premium on bonds	47,820	-	(3,678)	44,142
OPEB	328,471	91,216	-	419,687
Accrued vacation	178,890	114,182	(116,115)	176,957
Total	\$ 2,072,173	\$ 205,398	\$ (240,823)	\$ 2,036,748

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

7. LONG-TERM DEBT (Continued)

Changes in Other Long-Term Debt:

The following is a summary of other long-term debt transactions of the City of Norton for the year ended June 30, 2014:

	<u>Compensated Absences</u>	
	<u>Governmental Fund Types</u>	<u>Propriety Fund Types</u>
Payable at June 30, 2013	\$ 178,890	\$ 20,669
Additions	114,182	23,976
Reductions	(116,115)	(17,787)
Payable at June 30, 2014	<u>\$ 176,957</u>	<u>\$ 26,888</u>

	<u>Amount Outstanding</u>	
	<u>Government Activities</u>	<u>Propriety Fund Types</u>

Details of Long-Term Indebtedness:

General Fund
General Obligation Bonds:

\$1,730,000 Public Improvement Bond, Series 2007, is payable to VML/VACo, with weighted average interest of 4.2155% over the life of the bond. The total bond issue was for \$1,803,566 which included a premium of \$73,566 and bond issue cost of \$52,954. Repayment of the principal is scheduled to begin on August 1, 2007 and continue annually until paid in full. Interest is scheduled to be paid semi-annually on August 1 and February 1 beginning with the first principal payment. The final installment of unpaid principal and interest shall be due and payable in 20 years on August 1, 2027. \$1,285,000 -

Enterprise Fund
General Obligation Bonds:

\$1,514,370 General Obligation Sewer Bond, is payable to the Virginia Resource Authority, with interest at zero percent. Repayment of the principle is schedule in 40 equal semi-annual installments of \$37,859 payable on June 1 and December 1, beginning December 1, 2010. Final payment is due June 1, 2030. - 1,211,495

\$190,000 General Obligation Sewer Facilities Bond issued June 6, 2008 payable to Unites States of America, USDA Rural Development, with interest at the rate of 4.10%. Monthly installments of Combined principal and interest of \$810 are payable beginning July 7, 2008 and continuing on the 7th of each month thereafter until paid in full. Monthly payments are applied first to interest accrued to such payment date and then to principal. The final installment of all unpaid principal and interest shall be due and payable in 40 years on June 7, 2048. - 176,943

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

7. LONG-TERM DEBT (Continued)

Enterprise Funds:

	<u>Amount Outstanding</u>	
	<u>Government Activities</u>	<u>Propriety Fund Types</u>
General Obligation Bonds:		
\$2,160,000 General Obligation Water Facilities Bond series 2011 issued March 30, 2011 payable to United States of America, USDA Rural Development, with interest at the rate of 2.75%. Interest only is payable on March 28, 2012 and March 28, 2013. Monthly installments of combined principal and interest of \$7,344 are payable beginning April 28, 2013 and continuing on the 28th of each month thereafter until paid in full. The amount of principle advances on the bond total \$2,151,517 at June 30, 2013. The final installment of all unpaid principal and interest shall be due and payable in 38 years on March 28, 2051.	-	2,116,784
\$1,297,000 General Obligation Sewer Facilities Bond series 2011 issued 2011 payable to United States of America, USDA Rural Development, with interest at the rate of 2.25%. Interest only is payable on December 15, 2012 and December 15, 2013. Monthly installments of combined principal and interest of \$4,242 are payable beginning January 15, 2014 and continuing on the 15th of each month thereafter until paid in full. The final installment of all unpaid principal and interest shall be due and payable in 38 years on November 15, 2051.	-	1,286,026
\$596,402 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 3.0 percent. Repayment of the principle is scheduled in 40 equal semi-annual installments of \$15,304 payable on February 1 and August 1, beginning 2015. Final payment is due in 2044.	-	596,402
\$1,610,000 General Obligation Public Improvement and Utility Refunding Bond, is payable to the Virginia Resource Authority, with interest at various rates ranging from 2.048 percent to 4.858 percent. Repayment of the principle is scheduled in 27 annual principal payments and semi-annual interest payments payable on April 1 and October 1. Interest only payments beginning on October 1, 2013 with principle payments beginning October 1, 2015. Final payment is due in 2042.	-	1,610,000
\$826,400 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 3.0 percent. The amount of principle advances on the bond total \$516,989 at June 30, 2014. Repayment of the principle is scheduled in 30 equal semi-annual installments of \$21,206 payable on April 1 and October 1, beginning 2015. Final payment is due in 2044.	-	<u>516,989</u>
Total Long-Term Debt	<u>\$ 1,285,000</u>	<u>\$ 7,514,639</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

7. LONG-TERM DEBT (Continued)

Component Unit - School Board

Annual requirements to amortize long-term loans/bonds and related interest are as follows:

Years Ending June 30,	General Obligation Bond		VPSA		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 60,000	\$ 4,590	\$ 38,216	\$ 2,984	\$ -	\$ 339,240
2016	60,000	1,530	39,395	1,005	70,000	337,472
2017	-	-	-	-	495,000	323,207
2018	-	-	-	-	515,000	297,704
2109	-	-	-	-	540,000	273,765
2020-2024	-	-	-	-	3,100,000	978,893
2025-2029	-	-	-	-	3,420,000	436,965
2030-2034	-	-	-	-	1,190,000	53,832
Totals	<u>\$ 120,000</u>	<u>\$ 6,120</u>	<u>\$ 77,611</u>	<u>\$ 3,989</u>	<u>\$ 9,330,000</u>	<u>\$ 3,041,078</u>

Changes in Long-Term Bonds/Loans:

The following is a summary of long-term bonds/loans transactions of the City of Norton Component Unit - School Board for the year ended June 30, 2014:

	General Obligation Bonds	Premium on Bonds	VPSA Payable	Totals
Bonds/loans payable at June 30, 2013	\$ 9,505,000	\$ 870,746	\$ 114,705	\$ 10,490,451
Issuances	-	-	-	-
Retirements	(55,000)	(49,069)	(37,094)	(141,163)
Bonds/loans payable at June 30, 2014	<u>\$ 9,450,000</u>	<u>\$ 821,677</u>	<u>\$ 77,611</u>	<u>\$ 10,349,288</u>

The following is a summary of other long-term debt transactions of the Component Unit - School Board of the City of Norton for the year ended June 30, 2014:

	Compensated Absences Component Unit- School Board	OPEB Component Unit- School Board
Payable at June 30, 2013	\$ 62,905	\$ 572,345
Additions	35,167	-
Reductions	(40,001)	(21,149)
Payable at June 30, 2014	<u>\$ 58,071</u>	<u>\$ 551,196</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

7. LONG-TERM DEBT (Continued)

Details of Long-Term Indebtedness:

	<u>Amount Outstanding</u>
General Obligation Bonds:	
\$9,330,000 General Obligation School Bond issued November 15, 2012, payable in annual installments beginning July 15 th , 215 and continuing until January 15, 2031. See accompanying amortization schedule for payment details. The bond has variable interest rates ranging from 2.05% to 5.05% and is paid semiannually.	\$ 9,330,000
\$495,000 General Obligation School Bond issued May 12, 2005, payable in annual installments beginning July 15 th , 2006 and continuing until July 15, 2015. See accompanying amortization schedule for payment details. The bond has variable interest rates ranging from 3.1% to 4.60%.	<u>120,000</u>
Total General Obligation Bonds	<u>9,450,000</u>

Virginia Public School Authority:

\$613,165 interest subsidy loan dated December 01, 1995 payable to the Virginia Public School in semi-annual payments. Principal and interest payments are due on July 15th and interest only payments are due on January 15th. The Loan carries an interest rate of 5.1% through January 15, 2003. For payments from July 15, 2003 to January 15, 2006 the applicable rate is 6.1%. The payments from July 15, 2006 to maturity at July 15, 2016 is 5.1%

77,611

TOTAL GENERAL LONG-TERM BONDS/LOANS \$ 9,527,611

COMPONENT UNIT - NIDA

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

Years Ending June 30,	Powell Valley National Bank		TOTALS	
	Principal	Interest	Principal	Interest
2015	456,816	31,200	456,816	31,200
2016	<u>356,758</u>	<u>12,000</u>	<u>358,241</u>	<u>12,000</u>
Totals	<u>\$ 813,574</u>	<u>\$ 43,200</u>	<u>\$ 813,574</u>	<u>\$ 43,200</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

7. LONG-TERM DEBT (Continued)

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Industrial Development Authority of the City of Norton for the year ended June 30, 2014

	City of Norton	Powell Valley National Bank	Totals
Mortgage loans payable at June 30, 2013	\$ 29,271	\$ 1,252,668	\$ 1,281,939
Borrowings	-	-	-
Retirements	<u>(29,271)</u>	<u>(439,094)</u>	<u>(468,365)</u>
Mortgage loans payable at June 30, 2014	<u>\$ -</u>	<u>\$ 813,574</u>	<u>\$ 813,574</u>

Details of Long-Term Indebtedness:

Principal Balance
at June 30, 2014

Mortgage Loans Payable:

Powell Valley National Bank - \$3,900,000 mortgage loan dated 3/3/04; secured by substantially all real property and revenues of the Authority. The loan bears interest at a rate of 4.5% payable quarterly beginning 6/3/04. Principal payments are due quarterly beginning 6/3/06 with the balance due on 3/3/16.

Total Mortgage Loans Payable at June 30, 2014

813,574
\$ 813,574

8. CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES

PRIMARY GOVERNMENT

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principals for Claims and Judgments and Compensated Absences", the City has accrued the liability arising from outstanding claims and judgments and compensated absences.

City employees earn vacation and sick leave at various rates depending upon the number of years of service. No benefits or pay is received for unused sick leave upon termination. Only 15 days of unused vacation leave can be carried over to the next fiscal year. Employees earn vacation leave according to the following schedule:

- A. .4167 days per month or 5 days each year if the employee has been with the City less than 1 year.
- B. .833 days per month or 10 days each year if the employee has been with the City for as long as 1 year but less than 10 years.
- C. 1.25 days per month or 15 days each year if the employee has been with the City for 10 years or longer.

Employees of the Department of Social Services accumulate vacation and sick leave in accordance with the Virginia Department of Social Services Personnel Manual.

At June 30, 2014, the City had outstanding accrued vacation, sick and personal leave of \$164,381 in the Governmental Activities and outstanding accrued vacation leave of \$24,977 in the Water and Sewer Fund. The City had outstanding accrued payroll taxes of \$12,576 in the Governmental Activities and \$1,911 in the Water and Sewer Fund related to the accrued leave.

June 30, 2014

8. **CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES (Continued)**

COMPONENT UNIT - SCHOOL BOARD

All twelve-month classified, certified, administrative, and supervisory employees of the School Board earn twelve (12) vacation leave days per year. Such vacation leave may be accumulated to a maximum of twenty-five (25) days.

All certified and administrative employees (professional staff) of the School Board earn three (3) days of personal leave per year. Unused personal leave days may be transferred to sick leave days.

All certified and administrative employees of the School Board may earn one sick leave day per month worked each year based on the number of contracted days. (180-200 day contract = 10 days, September – June; 220 day contract = 11 days, August – June; 240-260 day contract = 12 days, July-June). Such personnel shall be able to accumulate an unlimited number of such days. Upon retirement from the Norton City Schools under the VRS, all professional, administrative and support staff (full-time employees) are eligible to receive sick leave funds as follows:

For accumulated days on June 30, 1998:

0-90	\$12.00/day
91-200	\$24.00/day

For additional days accumulated after June 30, 1998, the rate will be \$45.00/day. Most recent sick days accumulated must be used first.

At June 30, 2014, the School Board had outstanding accrued vacation, sick and personal leave of \$53,944 and \$4,127 of accrued payroll taxes related to the accrued leave.

9. **DEFERRED REVENUE**

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$1,058,960 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,058,960 at June 30, 2014.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

10. FUND BALANCE - GOVERNMENTAL FUNDS

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ —	\$ —	\$ —
Restricted:			
Law Enforcement	—	—	—
Committed:			
Law Enforcement	—	34,632	34,632
Parks and Recreation	—	2,069	2,069
Planning & Development	—	307,129	307,129
Assigned:			
Law Enforcement	—	—	—
Fire Department	25,106	—	25,106
Public Works-Streets	318,350	—	318,350
General Administration	—	—	—
Planning & Development	3,960	—	3,960
Unassigned	1,332,585	(120,700)	1,211,885
Total fund balances	\$1,680,001	\$ 223,130	\$ 1,903,131

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitments or assignment actions.

11. PENSION PLAN

A. Plan Description

Name of Plan: City of Norton, Virginia, Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

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

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About VRS Plan 2 VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1,

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>Eligible Members (continued) 2014</p> <ul style="list-style-type: none"> • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a</p>	<p>Retirement Contributions Same as VRS Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally,</p>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Retirement Contributions (continued) retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>		<p>Retirement Contributions (continued) members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may e</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60</p>

June 30, 2014

11. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Vesting (continued) service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p><u>Vesting Defined Benefit Component (continued)</u> months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
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CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as VRS Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as VRS Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as VRS Plan 1 and VRS Plan 2.</p>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p><u>Eligibility: (continued)</u> calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.</p>
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CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as VRS Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as VRS Plan 1.</p> <p>Defined Contribution Component: Not applicable.</p>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. PENSION PLAN (Continued)

A. Plan Description (Continued)

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City contribution rate for the fiscal year ended 2014 was 12.23% of annual covered payroll for the City’s government employees and 6.91% for City of Norton School Board non-professional employees.

The public school divisions professional employees contribution rate for fiscal 2014 was 14.50% of covered payroll for year ended 2014. This amount represents 100% of the current year contribution. The amounts related to the previous three years are as follows:

<u>Professional</u>	<u>Required Contribution</u>	<u>Percentage Made</u>
2014	\$ 525,281	100%
2013	425,312	100
2012	437,848	100

The required contribution for the year ended June 30, 2014 for the non-professional employees of the City of Norton Schools was \$15,506. This amount represented 100% of the current year contribution. The amounts related to the previous three years are as follows:

<u>Non-Professional</u>	<u>Required Contribution</u>	<u>Percentage Made</u>
2014	\$ 15,506	100.0%
2013	9,552	100.0
2012	12,974	100.0

C. Annual Pension Cost

For fiscal year 2014, the City’s annual pension cost of \$465,166 was equal to the City’s required and actual contributions. The FY 2014 required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. In fiscal year 2014, the City School Board’s annual pension cost for the Board’s non-professional employees was \$15,506 which was equal to Board’s required and actuarial contributions. The required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions as of June 30, 2011 included (a) 7.00% investment rate of return,(net of administrative expenses) (b) projected salary increases of ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.2% per year for teachers and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters and sheriffs and (c) 2.50% per year for Plan 1 employees and 2.25%

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. PENSION PLAN (Continued)

C. Annual Pension Cost (Continued)

for plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City of Norton's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. City of Norton's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

	Trend Information for City of Norton			Net Pension Obligation
	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	
City:	6/30/14	\$ 465,166	100%	\$ -
	6/30/13	374,267	100	-
	6/30/12	417,409	100	-

D. Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date the plan was 82.33% funded for the City and was 94.18% funded for the School Board non-professional employees. The City's actuarial accrued liability for benefits was \$14,567,698 and the actuarial value of assets was \$11,994,027, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,573,671. The covered payroll (annual payroll of active employees covered by the plan) was \$2,950,434 and the ratio of the UAAL to the covered payroll was 87.23%. The School Board's Non-Professional Employee's actuarial accrued liability for benefits was \$1,822,925 and the actuarial value of assets was \$1,716,894, resulting in an unfunded actuarial accrued liability (UAAL) of \$106,031. The covered payroll (annual payroll of active employees covered by the plan) was \$249,992 and the ratio of the UAAL to the covered payroll was 42.41%.

Schedule of Funding for the City and School Board:

	Fiscal Year Ending	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
City:	6/30/13	\$11,994,027	\$14,567,698	\$2,573,671	82.33%	\$2,950,434	87.23%
	6/30/12	11,594,955	14,655,168	3,060,213	79.12%	3,080,986	99.33%
	6/30/11	11,683,042	15,031,569	3,348,527	77.72%	3,071,355	109.02%
School Board:							
Non-Professional Employees	6/30/13	\$ 1,716,894	\$ 1,822,925	\$ 106,031	94.18%	\$ 249,992	42.41%
	6/30/12	1,723,449	1,754,123	30,674	98.25%	261,728	11.72%
	6/30/11	1,764,512	1,678,673	(85,839)	105.11%	269,008	(31.91%)

June 30, 2014

12. **OTHER POST-EMPLOYMENT BENEFITS**

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

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

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2014, the City's annual OPEB costs of \$84,903 for governmental activities and \$17,375 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	Governmental Activities	Business-type Activities	School Board
Annual required contribution	\$ 93,873	\$ 17,880	\$ 16,244
Interest on net OPEB obligation	6,076	1,157	4,293
Adjustment to annual required contribution	(8,732)	(1,663)	(24,311)
Annual OPEB cost	91,216	17,375	(3,775)
Contributions made	-	-	(17,374)
Increase in net OPEB obligation	91,216	17,375	(21,149)
Net OPEB obligation-beginning of year	328,471	69,455	572,345
Net OPEB obligation-end of year	<u>\$ 419,687</u>	<u>\$ 86,830</u>	<u>\$ 551,196</u>

Plan Description

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

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

As of June 30, 2014 the School Board closed their plan to only include those employees who were already retired.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

12. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Fiscal Year Ending	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 91,216	0%	\$ 419,687
6/30/2013	91,216	0%	328,471
6/30/2012	79,085	0%	237,255

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

Fiscal Year Ending	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 17,375	0%	\$ 86,830
6/30/2013	17,375	0%	69,455
6/30/2012	17,360	0%	52,080

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

Fiscal Year Ending	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ (3,775)	0%	\$ 551,196
6/30/2013	124,508	0%	572,345
6/30/2012	149,279	0%	447,837

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

12. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Funding Status and Funding Progress

The funding status of the Governmental Activities and Business-type Activities plan as of June 30, 2013, the date of last actuarial report, is as follows. The funding status of the School Board plan as of June 30, 2014, the date of last actuarial report, is as follows.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>School Board</u>
Actuarial Accrued Liability (AAL)	\$ 756,496	\$ 144,095	\$ 641,746
Actuarial Value of Plan Assets	-	-	105,763
Unfunded Actuarial Accrued Liability (UAAL)	756,496	144,095	535,983
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	16.48%
Covered Payroll (Active Plan Members)	2,923,487	556,855	164,464
UAAL as a Percentage of Covered Payroll	25.88%	25.88%	325.9%

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

Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 62 which is the historical average age of retirement for employees of the City. Active employees age 62 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the City included: inflation at 2.5% and an investment rate of return of 0.0%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The City currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2014, the City had not designated any funding for the OPEB liability.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

13. **COMMITMENTS AND CONTINGENCIES**
Litigation

In regard to litigation involving the City of Norton, Virginia, we are not aware of any material contingent liabilities that could affect the financial statements.

14. **SURETY BONDS**

Amount

Fidelity and Deposit Company of Maryland - Surety	
Faithful Performance of Duty Schedule Position Bond:	
*Barbara Muir, Treasurer	\$ 200,000
Judy Miller, Commissioner of the Revenue	3,000
Carlos Noaks, Sheriff	30,000
Faithful Performance Blanket Bond:	
The above Constitutional Officers' employees - \$50,000 for each loss	50,000
Hartford Accident and Indemnity Company - Surety:	
Barbara A. Muir, Treasurer	100,000
Selective Insurance Company of America:	
Fred Ramey, City Manager	200,000
Mayor and City Council	10,000
All City employees - blanket bond	10,000
Fidelity and Deposit Company of Maryland - Surety:	
All Norton City School Employees - blanket bond	10,000
Selective Insurance Company of America:	
Christine Blair, Director (Social Services)	100,000
Elizabeth Fleming, Office Manager	100,000
All social workers	100,000
All employees other than Director, Office Manager, and social workers	90,000

* The coverage in respect to the Treasurer of the City does not apply to pecuniary loss sustained by the City by reason or in consequence of the failure of the Treasurer to faithfully and fully discharge according to law the duties pertaining to said position.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

15. **LEASE OBLIGATION**

The City of Norton has two capital leases outstanding at June 30, 2014.

The City leases a 2011 International truck from Zions First National Bank. The lease was entered into on November 29, 2010 and extends to June 20, 2015. The lease calls for yearly payments of \$25,979 with the first payment beginning on June 20, 2011.

A summary of the present value of future minimum lease payments, net of interest, is as follows:

June 30, 2015	\$ 24,839
Total	<u>\$ 24,839</u>

The City leases a 2012 Street Sweeper from BB&T. The lease was entered into on February 1, 2012 and extends to February 1, 2017. The lease calls for yearly payments of \$30,195 with the first payment beginning on February 1, 2012.

A summary of the present value of future minimum lease payments, net of interest, is as follows:

June 30, 2015	\$ 27,982
June 30, 2016	27,702
June 30, 2017	<u>29,438</u>
Total	<u>\$ 86,122</u>

The City of Norton School Division has one capital lease outstanding at June 30, 2014.

The School Board entered into a master equipment lease, in the amount of \$567,956, for energy efficient equipment. The lease was entered into on June 25, 2013 and extends to November 20, 2020. The lease calls for quarterly payments in various amounts with the first payment beginning on November 20, 2013.

A summary of the present value of future minimum lease payments, net of interest, is as follows:

June 30, 2015	\$ 65,601
June 30, 2016	74,238
June 30, 2017	81,187
June 30, 2018	86,053
June 30, 2019	91,127
June 30, 2020	96,420
June 30, 2021	<u>23,150</u>
Total	<u>\$517,776</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

16. ENCUMBRANCES OUTSTANDING

Outstanding encumbrances of the proprietary fund types are not reflected in the accompanying financial statements as a reservation of retained earnings, in keeping with the fund type's measurement focus. However, encumbrances accounting is employed as an extension of formal budgetary integration for the City's governmental type funds. At June 30, 2014, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Encumbrances included in governmental fund balances as follows:

PRIMARY GOVERNMENT

	Encumbrances Included In:		
	Restricted	Committed	Assigned
	Fund	Fund	Fund
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
General Fund for Capital Assets	\$ -	\$ -	\$ -
General Fund for Other Purposes	<u>-</u>	<u>-</u>	<u>347,416</u>
 Total Encumbrances	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 347,416</u>

COMPONENT UNIT-SCHOOL BOARD

	Encumbrances Included In:		
	Restricted	Committed	Assigned
	Fund	Fund	Fund
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
School Fund for Capital Assets	\$ -	\$ -	\$ -
School Fund for Other Purposes	<u>1,555</u>	<u>-</u>	<u>-</u>
 Total Encumbrances	 <u>\$ 1,555</u>	 <u>\$ -</u>	 <u>\$ -</u>

17. RISK MANAGEMENT

The City maintains general liability, auto and workers' compensation insurance coverage through the Virginia Municipal Liability Pool. Other insurance coverage (including fire, equipment, police liability, public officials liability and workers' compensation and accidental death on volunteer fireman) is maintained through commercial insurance companies.

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue From Local Sources:				
General Property Taxes:				
Real property taxes	\$1,761,086	\$ 1,761,086	\$1,866,975	\$ 105,889
Real and personal public service corporation property taxes	204,900	204,900	327,287	122,387
Personal property taxes	459,900	459,900	509,969	50,069
Machinery and tools taxes	94,900	94,900	103,331	8,431
Penalties and interest	<u>35,000</u>	<u>35,000</u>	<u>107,814</u>	<u>72,814</u>
Total General Property Taxes	<u>2,555,786</u>	<u>2,555,786</u>	<u>2,915,376</u>	<u>359,590</u>
Other Local Taxes:				
Local sales and use taxes	1,800,000	1,800,000	1,606,815	(193,185)
Utility taxes	100,000	100,000	131,006	31,006
Business license taxes	843,600	843,600	887,396	43,796
Communication taxes	220,000	220,000	211,979	(8,021)
Motor vehicle licenses	60,000	60,000	63,629	3,629
Bank stock taxes	85,000	85,000	72,678	(12,322)
Recordation taxes	30,000	30,000	44,876	14,876
Tobacco taxes	200	200	41	(159)
Hotel and motel room taxes	145,000	145,000	133,561	(11,439)
Restaurant food taxes	1,300,000	1,300,000	1,357,112	57,112
Coal road improvement taxes	120,000	120,000	79,353	(40,647)
Franchise licenses tax	-	-	-	-
Cigarette tax	<u>105,000</u>	<u>105,000</u>	<u>92,965</u>	<u>(12,035)</u>
Total Other Local Taxes	<u>4,808,800</u>	<u>4,808,800</u>	<u>4,681,411</u>	<u>(127,389)</u>
Permits, Privilege Fees And Regulatory Licenses:				
Animal licenses	1,000	1,000	850	(150)
Permits and other licenses	<u>6,760</u>	<u>6,760</u>	<u>6,281</u>	<u>(479)</u>
Total Permits, Privilege Fees and Regulatory Licenses	<u>7,760</u>	<u>7,760</u>	<u>7,131</u>	<u>(629)</u>
Fines and Forfeitures	<u>76,000</u>	<u>76,000</u>	<u>28,687</u>	<u>(47,313)</u>
Revenue From Use Of Money And Property:				
Revenue from use of money	10,000	10,000	5,554	(4,446)
Revenue from use of property	<u>32,200</u>	<u>32,200</u>	<u>21,394</u>	<u>(10,806)</u>
Total Revenue From Use of Money and Property	<u>42,200</u>	<u>42,200</u>	<u>26,948</u>	<u>(15,252)</u>
Charges For Services:				
Court cost	5,000	5,000	-	(5,000)
Sheriff's fees	1,000	1,000	736	(264)
Charges for sanitation and waste removal	368,500	368,500	354,338	(14,162)
Charges for parks and recreation	22,000	22,000	7,885	(14,115)
NFD revenue recovery	-	-	-	-
Total Charges for Services	<u>396,500</u>	<u>396,500</u>	<u>362,959</u>	<u>(33,541)</u>
Miscellaneous Revenue:				
Miscellaneous	<u>61,150</u>	<u>61,150</u>	<u>104,627</u>	<u>43,477</u>
Total Miscellaneous	<u>61,150</u>	<u>61,150</u>	<u>104,627</u>	<u>43,477</u>
Recovered Costs:				
Recovered Cost - School Board	10,000	10,000	4,811	(5,189)
Cost allocation plan - Water and Sewer Fund	13,950	13,950	13,950	-
Cost allocation plan	-	-	-	-
Total Recovered Costs	<u>23,950</u>	<u>23,950</u>	<u>18,761</u>	<u>(5,189)</u>
Total Revenue From Local Sources	<u>7,972,146</u>	<u>7,972,146</u>	<u>8,145,900</u>	<u>173,754</u>

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Motor vehicle carriers' taxes	\$ 35,000	\$ 35,000	\$ 47,271	\$ 12,271
Litter grant	-	-	6,366	6,366
Mobile home titling taxes	5,000	5,000	5,626	626
Reduction of state aid	-	-	-	-
Rolling stock taxes	18,000	18,000	24,468	6,468
Total Non-Categorical Aid	<u>58,000</u>	<u>58,000</u>	<u>83,731</u>	<u>25,731</u>
Categorical Aid:				
Shared Expenses:				
Sheriff	144,145	144,145	143,829	(316)
Commissioner of the Revenue	63,585	63,585	63,793	208
Treasurer	63,566	63,566	63,455	(111)
Medical examiner	-	-	-	-
Registrar/electoral board	30,000	30,000	27,770	(2,230)
Total Shared Expenses	<u>301,296</u>	<u>301,296</u>	<u>298,847</u>	<u>(2,449)</u>
Other Categorical Aid:				
Law enforcement grant	220,668	220,668	215,668	(5,000)
Emergency medical services	3,000	3,000	2,874	(126)
DMV Grant	15,000	15,000	22,053	7,053
Street and highway maintenance	750,000	750,000	787,645	37,645
Financial assistance to the arts	5,000	5,000	5,000	-
DMME highwall project	-	-	1,375,754	1,375,754
RescueSquad Assistance	-	-	11,513	11,513
E-911 funding	40,000	40,000	38,134	(1,866)
Safe routes to school	-	-	296,302	296,302
Emergency management	7,500	7,500	13,063	5,563
Drug task force	-	-	5,427	5,427
School project	-	-	-	-
Fire funds	20,000	20,000	29,001	9,001
Total Other Categorical Aid	<u>1,061,168</u>	<u>1,061,168</u>	<u>2,802,434</u>	<u>1,741,266</u>
Total Revenue From the Commonwealth	<u>1,420,464</u>	<u>1,420,464</u>	<u>3,185,012</u>	<u>1,764,548</u>
Revenue From The Federal Government:				
Payment in lieu of property taxes	30,000	30,000	24,294	(5,706)
Storm water	-	-	7,222	7,222
Department of Transportation	-	-	-	-
Emergency response and recovery	-	-	-	-
Homeland security	-	-	-	-
USDA Community facilities grant	-	-	50,000	50,000
Total Revenue From The Federal Government	<u>30,000</u>	<u>30,000</u>	<u>81,516</u>	<u>51,516</u>
Other financing sources				
Insurance recoveries	12,000	12,000	18,733	6,733
Loan proceeds	-	-	-	-
Sale of Real Property	-	-	-	-
Sale of Surplus	-	-	-	-
Total other financing sources	<u>12,000</u>	<u>12,000</u>	<u>18,733</u>	<u>6,733</u>
TOTAL GENERAL FUND	<u>9,434,610</u>	<u>9,434,610</u>	<u>11,431,161</u>	<u>1,996,551</u>
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Revenue From Local Sources:				
Revenue From Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ -	\$ -
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue From The Commonwealth:				
Categorical Aid:				
Welfare:				
Aid to dependent children	1,735	1,735	46,078	44,343
Foster care	49,415	49,415	9,762	(39,653)

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General administration for financial assistance	\$ 205,592	\$ 205,592	\$ 146,055	\$ (59,537)
Community services	-	-	-	-
Supplemental income assistance for the aged, blind and disabled	32,315	32,315	25,749	(6,566)
Employment services	3,860	3,860	3,779	(81)
Day care	-	-	(200)	(200)
Other purchased services	4,541	4,541	-	(4,541)
Direct social services	85,602	107,589	96,604	(10,985)
General relief	-	-	400	400
Emergency services	-	-	-	-
View-Welfare reform	-	-	-	-
Total Categorical Aid	<u>383,060</u>	<u>405,047</u>	<u>328,227</u>	<u>(76,820)</u>
 Total Revenue From the Commonwealth	 <u>383,060</u>	 <u>405,047</u>	 <u>328,227</u>	 <u>(76,820)</u>
Revenue From The Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	765	765	36,303	35,538
Foster care	46,882	46,882	20,651	(26,231)
General administration for financial assistance	297,960	297,960	448,797	150,837
Supplemental income assistance for the aged, blind and disabled	-	-	-	-
Employment services	5,595	5,595	5,502	(93)
Day Care	-	-	(200)	(200)
Other purchased services	27,976	27,976	-	(27,976)
Direct social services	47,903	47,903	-	(47,903)
Emergency assistance	-	-	-	-
Special revenue	-	-	-	-
View -Welfare reform	-	-	-	-
ARRA	-	-	-	-
Total Revenue From the Federal Government	<u>427,081</u>	<u>427,081</u>	<u>511,053</u>	<u>83,972</u>
Other financing sources				
Transfers from general fund	<u>285,705</u>	<u>296,311</u>	<u>296,311</u>	<u>-</u>
Total other financing sources	<u>285,705</u>	<u>296,311</u>	<u>296,311</u>	<u>-</u>
 Total Virginia Public Assistance Fund	 <u>1,095,846</u>	 <u>1,128,439</u>	 <u>1,135,591</u>	 <u>7,152</u>
Drug and Gambling Investigative Funds:				
Revenue From Local Sources:				
Restitution to law enforcement	-	-	15,815	15,815
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>15,815</u>	<u>15,815</u>
 Total Revenue Drug and Gambling Investigative Fund	 <u>-</u>	 <u>-</u>	 <u>15,815</u>	 <u>15,815</u>
Revolving Loan Fund:				
Revenue From Local Sources:				
Revenue from use of money and property	-	-	1,307	1,307
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>1,307</u>	<u>1,307</u>
 Total Revolving Loan Fund	 <u>-</u>	 <u>-</u>	 <u>1,307</u>	 <u>1,307</u>
 TOTAL SPECIAL REVENUE FUNDS	 <u>1,095,846</u>	 <u>1,128,439</u>	 <u>1,152,713</u>	 <u>24,274</u>
 GRAND TOTAL - REVENUES - GOVERNMENTAL FUNDS	 <u>\$ 10,530,456</u>	 <u>\$ 10,563,049</u>	 <u>\$ 12,583,874</u>	 <u>\$ 2,020,825</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
City Council	\$ 43,620	\$ 43,620	\$ 43,961	\$ (341)
General and Financial Administration:				
City Manager	135,800	135,800	142,446	(6,646)
Office personnel	102,850	102,850	101,619	1,231
Legal and professional	55,000	55,000	39,526	15,474
Independent Auditor	25,000	25,000	25,325	(325)
Commissioner of the Revenue	146,150	146,150	146,632	(482)
Treasurer	156,850	156,850	156,454	396
Director of Finance	138,650	138,650	151,127	(12,477)
Data Processing	62,500	62,500	68,999	(6,499)
Automotive/motor pool	178,400	178,400	178,626	(226)
Total General and Financial Administration	<u>1,001,200</u>	<u>1,001,200</u>	<u>1,010,754</u>	<u>(9,554)</u>
Board of Elections:				
Electoral board and officials	13,000	13,000	9,962	3,038
Registrar	69,800	69,800	65,910	3,890
Total Board of Elections	<u>82,800</u>	<u>82,800</u>	<u>75,872</u>	<u>6,928</u>
Total General Government Administration	<u>1,127,620</u>	<u>1,127,620</u>	<u>1,130,587</u>	<u>(2,967)</u>
Judicial Administration:				
Courts:				
Circuit court	30,000	30,000	39,018	(9,018)
General district court	1,500	1,500	1,225	275
Clerk of circuit court	40,000	40,000	39,012	988
Sheriff	227,530	261,090	253,012	8,078
County courthouse	30,000	30,000	34,203	(4,203)
Court and attorney fees	15,000	15,000	-	15,000
Total Courts	<u>344,030</u>	<u>377,590</u>	<u>366,470</u>	<u>11,120</u>
Commonwealth's Attorney:				
Commonwealth's attorney	45,000	45,000	46,389	(1,389)
Total Judicial Administration	<u>389,030</u>	<u>422,590</u>	<u>412,859</u>	<u>9,731</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,601,600	1,651,549	1,754,639	(103,090)
Traffic control	13,000	13,000	7,029	5,971
Emergency management funds	24,500	24,500	53,828	(29,328)
Total Law Enforcement and Traffic Control	<u>1,639,100</u>	<u>1,689,049</u>	<u>1,815,496</u>	<u>(126,447)</u>
Fire and Rescue Services:				
Volunteer fire department	138,950	157,530	153,963	3,567
Ambulance and rescue services	30,000	30,000	30,776	(776)
Total Fire and Rescue Services	<u>168,950</u>	<u>187,530</u>	<u>184,739</u>	<u>2,791</u>
Correction and Detention:				
Purchase of service from Wise County	70,000	70,000	82,262	(12,262)
Juvenile detention	83,312	83,312	83,312	-
Contribution to regional jail	106,464	106,464	180,378	(73,914)
Total Correction and Detention	<u>259,776</u>	<u>259,776</u>	<u>345,952</u>	<u>(86,176)</u>
Inspections:				
Building	83,450	83,450	85,078	(1,628)
Other Protection:				
Animal control	54,100	54,100	58,904	(4,804)
Emergency medical services	1,000	1,000	1,020	(20)
Total Other Protection	<u>55,100</u>	<u>55,100</u>	<u>59,924</u>	<u>(4,824)</u>
Total Public Safety	<u>2,206,376</u>	<u>2,274,905</u>	<u>2,491,189</u>	<u>(216,284)</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works:				
Maintenance of Highways, Street, Bridges and Sidewalks:				
General engineering/administration	\$ 76,225	\$ 76,225	\$ 74,981	\$ 1,244
Highways, streets, bridges and sidewalks	842,200	854,700	772,771	81,929
Storm drainage	5,000	5,000	2,431	2,569
Street lights	97,500	97,500	104,977	(7,477)
Snow and ice removal	35,000	35,000	70,009	(35,009)
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets Bridges and Sidewalks	<u>1,058,925</u>	<u>1,071,425</u>	<u>1,025,169</u>	<u>46,256</u>
Sanitation and Waste Removal:				
Street and road cleaning	8,500	8,500	9,158	(658)
Refuse collection	299,700	299,700	342,173	(42,473)
Refuse disposal	200,000	200,000	159,493	40,507
Total Sanitation and Waste Removal	<u>508,200</u>	<u>508,200</u>	<u>510,824</u>	<u>(2,624)</u>
Maintenance of General Buildings and Grounds:				
General properties	232,100	232,100	206,349	25,751
Total Public Works	<u>1,799,225</u>	<u>1,811,725</u>	<u>1,742,342</u>	<u>69,383</u>
Health and Welfare:				
Health:				
Local health department	52,004	52,004	44,800	7,204
Mental Health and Mental Retardation:				
Chapter 10 board	14,000	14,000	14,000	-
Welfare/Social Services:				
Disability Board	-	-	-	-
Area agency on aging	20,000	20,000	20,000	-
Property tax relief for elderly	-	-	16,931	(16,931)
Contribution to Office on Youth	5,000	5,000	5,000	-
Contribution to Advocate Center	700	700	700	-
Contribution to Brain Injury Service	-	-	-	-
Contribution to Food Bank	500	500	500	-
Contribution - RAM Project	1,000	1,000	-	1,000
Contribution - Hope House	2,000	2,000	-	2,000
Total Welfare/Social Services	<u>29,200</u>	<u>29,200</u>	<u>43,131</u>	<u>(13,931)</u>
Total Health and Welfare	<u>95,204</u>	<u>95,204</u>	<u>101,931</u>	<u>(6,727)</u>
Education:				
Contribution to Mountain Empire Community College	8,217	8,217	8,217	-
Payment to school board	2,393,593	2,393,593	2,393,593	-
Total Education	<u>2,401,810</u>	<u>2,401,810</u>	<u>2,401,810</u>	<u>-</u>
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	166,000	166,000	182,040	(16,040)
Recreation centers and playgrounds	162,250	162,250	179,586	(17,336)
Total Parks and Recreation	<u>328,250</u>	<u>328,250</u>	<u>361,626</u>	<u>(33,376)</u>
Cultural Enrichment:				
Pro-Art	10,000	10,000	10,000	-
Other events	7,000	8,900	2,900	6,000
School functions	-	400	-	400
Friends and farmers market	-	-	14,634	-
Employee picnic and Christmas party	1,000	1,000	596	404
Total Cultural Enrichment	<u>18,000</u>	<u>20,300</u>	<u>28,130</u>	<u>6,804</u>
Library:				
Payments to regional library	48,500	48,500	48,500	-
Total Parks, Recreation and Cultural	<u>394,750</u>	<u>397,050</u>	<u>438,256</u>	<u>(26,572)</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Community Development:				
Planning and Community Development:				
Planning	\$ 30,900	\$ 36,084	\$ 22,340	\$ 13,744
Planning-contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	10,550	10,550	2,931	7,619
Contribution to Chamber of Commerce	1,979	1,979	3,958	(1,979)
Contribution to Black Diamond Development	200	200	-	200
Contribution to component unit - NIDA	488,016	488,016	488,017	(1)
Contribution to Airport Commission	4,500	4,500	4,500	-
Capital outlay	21,000	353,148	1,699,894	(1,346,746)
Total Planning and Community Development	<u>565,268</u>	<u>902,600</u>	<u>2,229,763</u>	<u>(1,327,163)</u>
Debt Service				
Principal	121,031	121,031	121,031	-
Interest	70,393	70,393	66,662	3,731
Total debt service	<u>191,424</u>	<u>191,424</u>	<u>187,693</u>	<u>3,731</u>
Other financing uses				
Transfers to water/sewer fund	-	-	-	-
Transfers to welfare fund	285,705	296,311	296,311	-
Total other financing sources	<u>285,705</u>	<u>296,311</u>	<u>296,311</u>	<u>-</u>
TOTAL GENERAL FUND	<u>\$ 9,456,412</u>	<u>\$ 9,921,239</u>	<u>\$ 11,432,741</u>	<u>\$ (1,496,868)</u>
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 1,095,846	\$ 1,128,439	\$ 1,131,383	\$ (2,944)
Total Welfare/Social Services	<u>1,095,846</u>	<u>1,128,439</u>	<u>1,131,383</u>	<u>(2,944)</u>
Total Health and Welfare	<u>1,095,846</u>	<u>1,128,439</u>	<u>1,131,383</u>	<u>(2,944)</u>
Total Virginia Public Assistance Fund	<u>1,095,846</u>	<u>1,128,439</u>	<u>1,131,383</u>	<u>(2,944)</u>
Drug and Gambling Investigative Funds:				
Public safety	-	-	6,483	(6,483)
Total Drug and Gambling Investigative Funds	<u>-</u>	<u>-</u>	<u>6,483</u>	<u>(6,483)</u>
TOTAL SPECIAL REVENUE FUNDS	<u>1,095,846</u>	<u>1,128,439</u>	<u>1,137,866</u>	<u>(9,427)</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	<u>\$ 10,552,258</u>	<u>\$ 11,049,678</u>	<u>\$ 12,570,607</u>	<u>\$ (1,506,295)</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ (21,802)	\$ (486,629)	\$ 13,267	
Net appropriations from fund balance				
Prior year surplus	21,802	55,362		
Prior year encumbrances	<u>-</u>	<u>431,267</u>		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	<u>-</u>	<u>-</u>		

**CITY OF NORTON
COMPONENT UNIT SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2014**

	GOVERNMENTAL ACTIVITIES				TOTALS
	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	June 30, 2014
ASSETS					
Cash and cash equivalents	\$ 166,673	\$ 39,440	\$ 105,764	\$ 127,242	\$ 439,119
Cash - restricted	-	-	-	-	-
Accounts receivable	19,138	-	-	-	19,138
Due from other funds	-	-	-	8,408	8,408
Due from primary government	284,148	-	-	-	284,148
Due from other governmental units	260,397	-	-	-	260,397
TOTAL ASSETS	\$ 730,356	\$ 39,440	\$ 105,764	\$ 135,650	\$ 1,011,210
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ 71,846	\$ -	\$ -	\$ -	\$ 71,846
Accrued liabilities	648,547	-	-	-	648,547
Due to other funds	8,408	-	-	-	8,408
Total Liabilities	728,801	-	-	-	728,801
FUND BALANCE:					
Restricted	1,555	-	-	-	1,555
Committed	-	39,440	105,764	135,650	280,854
Total Fund Balance	1,555	39,440	105,764	135,650	282,409
TOTAL LIABILITIES AND FUND BALANCE	\$ 730,356	\$ 39,440	\$ 105,764	\$ 135,650	\$ 1,011,210

**Reconciliation of Component Units Combining Balance Sheet to
Statement of Net Position - Component Unit-School Board**

\$ 282,409

Total fund balances- component unit

Amount reported for component unit activities in the Statement of Net Position are different because:

Other liabilities not paid from current-period revenues are not reported in funds for:

Accrued interest	(174,659)
Accrued compensated absences	(58,071)
Deferred revenue	-

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation

11,445,590

Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds

\$ (11,418,260)

Total net position - component unit-School Board

\$ 77,009

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	Total School Board
REVENUES:					
Revenue from use of money and property	\$ 627	\$ 131	\$ 375	\$ 122	\$ 1,255
Charges for services	-	-	-	78,801	78,801
Miscellaneous	103,429	4,291	-	7,060	114,780
Intergovernmental					
Primary government	2,393,593	-	-	-	2,393,593
Commonwealth of Virginia	4,728,570	-	-	-	4,728,570
Federal Government	801,360	-	-	-	801,360
Total Revenues	<u>8,027,579</u>	<u>4,422</u>	<u>375</u>	<u>85,983</u>	<u>8,118,359</u>
EXPENDITURES:					
Current:					
Education	9,349,044	78,620	62,203	337,349	9,827,216
Debt Service:					
Principal	142,276	-	-	-	142,276
Interest	421,208	-	-	-	421,208
Total Expenditures	<u>9,912,528</u>	<u>78,620</u>	<u>62,203</u>	<u>337,349</u>	<u>10,390,700</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,884,949)</u>	<u>(74,198)</u>	<u>(61,828)</u>	<u>(251,366)</u>	<u>(2,272,341)</u>
OTHER FINANCING SOURCES (USES):					
Loan Proceeds	-	-	-	-	-
Operating transfers in	-	-	17,000	262,854	279,854
Operating transfers out	<u>(279,854)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(279,854)</u>
Total Other Financing Sources (Uses)	<u>(279,854)</u>	<u>-</u>	<u>17,000</u>	<u>262,854</u>	<u>-</u>
Net change in fund balance	(2,164,803)	(74,198)	(44,828)	11,488	(2,272,341)
Fund Balance at June 30, 2013	2,166,358	113,638	150,592	124,162	2,554,750
Fund Balance at June 30, 2014	<u>\$ 1,555</u>	<u>\$ 39,440</u>	<u>\$ 105,764</u>	<u>\$ 135,650</u>	<u>\$ 282,409</u>

Reconciliation of Revenues, Expenditures, and Changes in
Fund Balances - School Board Funds to the Statement of Activities

Net Change in fund balances - total school board funds (2,272,341)

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

Governmental fund report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation. 1,682,536

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

Repayment of Bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. Proceeds of debt is an income item in governmental funds but the receipt of proceeds increases long-term liabilities. This is the amount principal payments exceeded new debt proceeds. 142,276

Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and therefore are not required as expenditures in governmental funds. 119,921

Change in net position of governmental activities \$ (327,608)

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
Year Ended June 30, 2014

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Revenue from use of money and property	\$ 600	\$ 600	\$ 627	\$ 1,227
Charges for services	-	-	-	-
Miscellaneous	23,127	23,127	103,429	80,302
Intergovernmental				
Primary government	2,393,593	2,393,593	2,393,593	-
Commonwealth of Virginia	4,836,544	4,836,544	4,728,570	(107,974)
Federal Government	714,763	714,763	801,360	86,597
Total Revenues	7,968,627	7,968,627	8,027,579	58,952
EXPENDITURES:				
Current:				
Community Development	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	7,366,605	9,532,963	9,349,044	183,919
Debt Service:				
Principal	92,096	92,096	142,276	(50,180)
Interest	408,207	408,207	421,208	(13,001)
Total Expenditures	7,866,908	10,033,266	9,912,528	120,738
Excess (Deficiency) of Revenues Over Expenditures	101,719	(2,064,639)	(1,884,949)	179,690
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(101,719)	(101,719)	(279,854)	(178,135)
Total Other Financing Sources (Uses)	(101,719)	(101,719)	(279,854)	(178,135)
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	(2,166,358)	(2,164,803)	1,555
Net appropriations from fund balance				
Prior year encumbrances	-	2,166,358		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		
Fund Balance - July 1, 2013			<u>2,166,358</u>	
Fund Balance - June 30, 2014			<u>\$ 1,555</u>	

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

CITY OF NORTON
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2014

ASSETS HELD BY THE TREASURER:

Cash on hand		\$ 950
Cash in banks:		
Checking:		
First Bank and Trust	2,641,014	
Total Checking		2,641,014
Certificates of Deposit:		
First Bank and Trust	15,132	
Total Certificates of Deposit		15,132
 Total Cash in Banks		 2,656,146
Investments:		
Investment in State Treasurer's Local Government		
Investment Pool		<u>20,513</u>
 TOTAL ASSETS		 \$ <u>2,677,609</u>

LIABILITIES OF THE TREASURER:

BALANCE OF CITY FUNDS		\$ <u>2,677,609</u>
------------------------------	--	----------------------------

NOTE: The variance between this statement and the balance sheet for all funds is \$1,944,004. This amount represents cash for the Norton Industrial Development Authority. The funds for the authority are not under the Treasurer's accountability and are included as a result of Norton Industrial Development Authority being a component unit.

CITY OF NORTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

A) SUMMARY OF AUDIT RESULTS

- 1) The auditor's report expresses an unmodified opinion on the financial statements of the City of Norton, Virginia.
- 2) No significant deficiencies relating to the audit of the financial statements of the City of Norton, Virginia, are reported in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- 3) No instances of non-compliance material to the financial statements of the City of Norton, Virginia, were disclosed during the audit.
- 4) No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
- 5) The Auditor's report on Compliance for the Major Federal Award Programs for the City of Norton, Virginia, expresses an unmodified opinion on all major federal programs.
- 6) Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this Schedule.
- 7) The programs tested as major programs are designated with an "*" on the accompanying Schedule of Expenditures of Federal Awards.
- 8) The threshold for distinguishing types A & B programs was \$300,000.
- 9) The City of Norton, Virginia, was eligible to be a low risk auditee.

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

NONE

C) FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

CITY OF NORTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

	<u>Federal Catalogue #</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Direct Payments:		
Water and Waste Disposal Systems for Rural Communities-ARRA	10.781	\$ 456,723 *
Community Facilities Loans and Grants	10.780	50,000
Pass-Through Payments:		
State Department of Agriculture:		
School Lunch Program	10.555	62,917
School Breakfast Program	10.553	195,317
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass-Through Payments:		
State Department of Social Services:		
Food stamp administration	10.561	120,903
Foster Care - Title IV-E	93.658	43,543
TANF	93.558	94,721
Social Services Block Grant	93.667	66,900
Adoption Assistance	93.659	38,773
Medical assistance program	93.778	104,411
Child Care Mandatory Match	93.596	13,188
Low Income Home Energy Assist.	93.568	9,888
Safe and Stable Families	93.556	13,130
Refuge and Entrant Asst	93.566	780
State Children's Insurance Program	93.767	3,430
Child Welfare Services State Grant	93.645	662
Chafee Foster Care Independence Program	93.674	725
DEPARTMENT OF EDUCATION:		
Pass-Through Payments:		
State Department of Education:		
Improving teacher quality state grants	84.367	42,780
Rural Grants	84.358	16,042
Title I Grants	84.010	196,395
Title VI-B:		
Special Education:		
Title VIB Idea -611	84.027	152,426
Preschool	84.173	4,540
Special Projects:		
State Grants for Strengthening the Skills of Teachers and Instruction in Mathematics, Foreign Languages and Computer		
Vocational Education - Basic Grants to States	84.048	15,036
Improvement of Education-History Grant	84.215	86,231
Environmental Protection Agency		
Nonpoint Source Implementation Grants	66.460	7,222
DEPARTMENT OF HOMELAND SECURITY		
Emergency Management Performance Grants	97.042	13,063
DEPARTMENT OF INTERIOR		
Abandoned Mine Land Reclamation (AMLR) Program	15.252	1,375,754 *
DEPARTMENT OF TRANSPORTATION		
Highway Planning and Construction	20.205	296,302
Occupant Protection DUI Enforcement	20.607	<u>22,053</u>
TOTAL		\$ <u>3,503,855</u>

* Denotes Major Program or Major Program Cluster

1) This Schedule has been prepared using the Modified Accrual Basis of Accounting.

STATISTICAL SECTION

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

CONTENTS	PAGE
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	76
REVENUE CAPACITY These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	80
DEBT CAPACITY These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	84
ECONOMIC AND DEMOGRAPHIC INFORMATION These schedules offer economic and demographic indicators to help the reader understand the Environment within which the city's financial activities take place.	87
OPERATING INFORMATION These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	89

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF NORTON, VIRGINIA
NET POSITION BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Invested in capital assets, net of related debt	\$ 3,851,437	\$ 3,706,233	\$ 1,867,263	\$ 3,824,570	\$ 3,998,176	\$ 3,943,031	\$ 3,325,755	\$ 3,921,732	\$ 4,136,516	\$ 5,586,395
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,366,905	2,482,728	3,009,412	2,022,552	(3,212,039)	2,777,107	2,446,292	1,791,952	1,541,677	1,397,414
Total governmental activities net position	6,218,342	6,188,961	4,876,675	5,847,122	786,137	6,720,138	5,772,047	5,713,684	5,678,193	6,983,809
Business-type activities										
Invested in capital assets, net of related debt	2,878,258	3,155,646	3,337,888	3,368,555	3,329,251	4,837,547	6,989,991	7,587,254	9,362,217	10,739,857
Restricted	-	-	-	-	-	-	-	-	988,404	112,741
Unrestricted	31,937	85,662	(123,892)	(210,607)	(299,252)	(880,931)	(205,952)	(219,531)	(348,054)	(428,312)
Total business-type activities	2,910,195	3,241,308	3,213,996	3,157,948	3,029,999	3,956,616	6,784,039	7,367,723	10,002,567	10,424,286
Primary government										
Net investment in capital assets	6,729,695	6,861,879	5,205,151	7,193,125	7,327,427	8,780,578	10,315,746	11,508,986	13,498,733	16,326,252
Restricted	-	-	-	-	-	-	-	-	988,404	112,741
Unrestricted	2,398,842	2,568,390	2,885,520	1,811,945	(3,511,291)	1,896,176	2,240,340	1,572,421	1,193,623	969,102
Total primary government net position	\$ 9,128,537	\$ 9,430,269	\$ 8,090,671	\$ 9,005,070	\$ 3,816,136	\$ 10,676,754	\$ 12,556,086	\$ 13,081,407	\$ 15,680,760	\$ 17,408,095

- 1) Trend data is only available for the last ten fiscal years due to implementation of GASB 34
- 2) Fiscal year 2003-04 restricted net assets were restated to properly reflect GASB 34 guidelines
- 3) Accounting standards require net position be reported in three categories in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted when 1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or) imposed by law through constitutional provisions or enabling legislation.

TABLE 2

CITY OF NORTON, VIRGINIA
CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General government	\$ 768,157	\$ 835,440	\$ 991,715	\$ 1,079,594	\$ 1,117,202	\$ 1,082,088	\$ 1,512,956	\$ 1,624,902	\$ 1,542,855	\$ 1,576,458
Public safety	2,057,783	2,210,803	2,505,427	2,392,658	2,583,856	2,874,346	2,355,373	2,376,017	2,423,860	2,579,286
Public works	1,799,382	1,776,567	3,491,340	2,032,771	2,018,546	2,346,618	2,355,511	2,390,227	2,486,780	2,062,845
Health and welfare	966,126	1,050,245	1,119,205	1,222,082	1,244,716	1,235,274	1,265,568	1,448,260	1,321,129	1,256,593
Education	1,512,024	1,886,323	1,904,743	2,721,651	7,117,018	2,122,360	1,957,075	1,982,789	1,692,638	2,416,648
Parks, recreation and cultural	374,018	379,457	468,812	409,566	463,658	495,710	507,768	490,097	477,229	444,729
Community development	1,578,560	791,142	944,522	778,848	736,667	773,594	711,312	503,961	562,432	514,158
Interest on long-term debt	26,695	21,580	76,117	230,739	326,666	384,818	324,163	328,206	169,304	67,234
Non-departmental	-	-	-	-	-	-	-	-	-	-
Total governmental activities expense	9,082,745	8,951,557	11,501,881	10,867,909	15,607,329	11,314,808	10,989,726	11,144,459	10,676,227	10,917,951
Business-Type Activities:										
Water and Wastewater	2,003,887	2,229,328	2,232,955	2,526,365	2,579,351	2,429,763	2,509,969	4,205,780	2,635,899	2,929,215
Total business-type activities expenses	2,003,887	2,229,328	2,232,955	2,526,365	2,579,351	2,429,763	2,509,969	4,205,780	2,635,899	2,929,215
Total primary government expenses	\$11,086,632	\$11,180,885	\$13,734,836	\$13,394,274	\$18,186,680	\$13,744,571	\$13,499,695	\$15,350,239	\$13,312,126	\$13,847,166
Program Revenues										
Governmental Activities:										
Charges for services	\$ 3,606	\$ 6,304	\$ 8,145	\$ 5,757	\$ 7,719	\$ 6,465	\$ 110,524	\$ 66,569	\$ 15,981	\$ 736
Public safety	287,924	289,949	363,084	375,362	373,518	363,217	366,667	361,706	358,014	354,338
Public works	-	-	1,044	27,327	137,454	63,936	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and culture	21,952	21,194	24,419	23,642	26,700	22,970	17,437	7,510	6,717	7,885
Community development	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	2,580,207	2,458,079	3,119,462	2,368,891	2,231,229	2,498,583	2,320,558	2,598,280	2,415,196	2,297,908
Capital grants and contributions	-	-	-	-	-	286,013	20,441	393,312	150,000	1,722,056
Total governmental activities program revenues	2,893,689	2,775,526	3,516,154	2,800,979	2,776,620	3,241,184	2,835,627	3,427,377	2,945,908	4,382,923
Business-Type Activities:										
Charges for services	1,917,899	1,977,402	2,073,492	1,991,660	2,346,475	2,249,376	2,335,900	2,318,868	2,265,444	2,211,146
Water and Wastewater	-	-	-	-	-	-	550,000	-	-	-
Operating grants and contributions and other income	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	304,863	482,685	130,625	428,657	104,927	1,107,004	2,451,492	2,613,979	3,010,774	1,139,788
Total business-type activities program revenues	2,222,762	2,460,087	2,204,117	2,420,317	2,451,402	3,356,380	5,337,392	4,932,847	5,276,218	3,350,934
Total primary government program revenues	\$ 5,116,451	\$ 5,235,613	\$ 5,720,271	\$ 5,221,296	\$ 5,228,022	\$ 6,597,564	\$ 8,173,019	\$ 8,360,224	\$ 8,222,126	\$ 7,733,857
Net (Expense)/Revenue										
Governmental Activities	\$(6,189,056)	\$(6,176,031)	\$(7,985,727)	\$(8,066,930)	\$(12,830,709)	\$(8,073,624)	\$(8,154,099)	\$(7,717,082)	\$(7,730,319)	\$(6,535,028)
Business-Type Activities:	218,875	230,759	(28,838)	(106,048)	(127,949)	926,617	2,827,423	727,067	2,640,319	421,719
Total primary government net (expense)/revenue	\$(5,970,181)	\$(5,945,272)	\$(8,014,565)	\$(8,172,978)	\$(12,958,658)	\$(7,147,007)	\$(5,326,676)	\$(6,990,015)	\$(5,090,000)	\$(6,113,309)

TABLE 2 cont.

CITY OF NORTON, VIRGINIA
CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 1,696,066	\$ 1,875,457	\$ 1,963,597	\$ 2,197,629	\$ 2,378,851	\$ 3,282,537	\$ 2,393,798	\$ 2,305,658	\$ 2,736,838	\$ 2,881,300
Local sales & use tax	1,497,058	1,722,453	1,889,055	1,901,018	2,023,409	1,887,804	1,882,301	1,918,925	1,762,729	1,606,815
Utility tax	263,918	266,300	213,873	184,079	164,698	128,412	126,570	117,214	137,995	131,006
Business license tax	658,845	692,083	813,906	826,412	901,209	795,833	773,353	951,248	853,599	887,396
Franchise license tax	51,323	51,935	38,342	9						
Communication tax	-	-	67,190	179,988	185,889	217,788	223,287	211,679	217,316	211,979
Motor vehicle license	29,486	28,996	28,995	29,580	28,882	1,659	-	-	-	63,629
Bank stock tax	65,962	125,958	81,000	6,082	74,068	106,974	126,034	99,820	74,256	72,678
Recordation tax	5,219	20,653	40,602	26,036	34,284	27,055	39,256	39,598	29,516	44,876
Tobacco tax	48	45	45	38	60	185	165	180	195	41
Hotel and motel room tax	127,921	117,186	104,176	125,638	161,753	169,049	195,071	172,866	146,200	133,561
Restaurant food tax	721,995	788,336	848,702	930,578	1,025,155	1,061,575	1,126,150	1,334,156	1,262,519	1,357,112
Coal road improvement tax	178,532	208,566	188,529	186,512	234,263	166,571	222,047	244,773	116,498	79,353
Emergency telephone services tax	38,602	35,411	17,009	-	-	-	-	-	-	-
Cigarette tax	46,405	49,145	41,160	41,574	81,900	118,930	108,100	99,440	110,245	92,965
Other local taxes	92,422	110,720	118,607	141,741	128,743	101,504	30	-	106,995	107,557
Unrestricted miscellaneous revenue	48,618	21,092	58,630	70,321	97,951	53,609	76,669	90,845	118,702	104,627
Unrestricted investment earnings	79,961	103,191	137,690	256,139	192,440	82,250	39,085	35,699	25,196	28,255
Rental of Town property	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	7,545	-	-	34,300	8,903	-	-	-	-	-
Recoverd cost	13,950	29,123	22,333	39,274	47,266	31,314	30,039	36,618	33,660	37,494
Transfers-Primary Government	-	(100,000)	-	(50,000)	-	-	-	-	-	-
Total governmental activities	5,623,876	6,146,650	6,673,441	7,126,948	7,769,724	8,233,049	7,361,955	7,658,719	7,732,459	7,840,644
Business-Type Activities:										
Unrestricted investment earnings	105	354	1,526	-	-	-	-	-	-	-
Other	-	100,000	-	50,000	-	-	-	-	-	-
Total business-type activities	105	100,354	1,526	50,000	-	-	-	-	-	-
Total primary government	\$ 5,623,981	\$ 6,247,004	\$ 6,674,967	\$ 7,176,948	\$ 7,769,724	\$ 8,233,049	\$ 7,361,955	\$ 7,658,719	\$ 7,732,459	\$ 7,840,644
Change in Net Position										
Governmental Activities	\$ (565,180)	\$ (29,381)	\$ (1,312,286)	\$ (939,982)	\$ (5,060,985)	\$ 159,425	\$ (792,144)	\$ (58,363)	\$ 2,140	\$ 1,305,616
Business-Type Activities	218,980	331,113	(27,312)	(56,048)	(127,949)	926,617	2,827,423	727,067	2,640,319	421,719
Total primary government	\$ (346,200)	\$ 301,732	\$ (1,339,598)	\$ (996,030)	\$ (5,188,934)	\$ 1,086,042	\$ 2,035,279	\$ 668,704	\$ 2,642,459	\$ 1,727,335

1) Trend data is only available for the last ten fiscal years due to implementation of GASB 34

CITY OF NORTON, VIRGINIA
 FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
 LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 435,870	\$ 456,740	\$ 442,895	\$ 614,801	\$ 463,743	\$ 468,808	\$ -	\$ -	\$ -	\$ -
Unreserved	1,814,377	1,891,575	2,467,772	8,843,124	3,761,182	2,130,069	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	505,569	487,780	431,267	347,416
Unassigned	-	-	-	-	-	-	1,710,613	1,691,149	1,250,314	1,332,585
Total general fund	\$ 2,250,247	\$ 2,348,315	\$ 2,910,667	\$ 9,457,925	\$ 4,224,925	\$ 2,598,877	\$ 2,216,182	\$ 2,178,929	\$ 1,681,581	\$ 1,680,001
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue fund	247,341	279,864	290,215	257,346	241,291	345,705	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	314,685	318,897	331,190	343,830
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(59,855)	(96,205)	(124,908)	(120,700)
Total all other governmental funds	\$ 247,341	\$ 279,864	\$ 290,215	\$ 257,346	\$ 241,291	\$ 345,705	\$ 254,830	\$ 222,692	\$ 206,282	\$ 223,130

- 1) Trend data is only available for the last ten fiscal years due to implementation of GASB 34
- 2) GASB 54 was enacted for the year ended June 30, 2011 which changed the method of reporting fund balance.
- 3) Prior year amounts have not been restated for the implementation of Statement 54.

TABLE 4

**CITY OF NORTON, VIRGINIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
General property taxes	\$ 1,689,883	\$ 1,878,863	\$ 1,974,554	\$ 2,177,005	\$ 2,370,593	\$ 3,151,837	\$ 2,383,552	\$ 2,469,808	\$ 2,550,475	\$ 2,915,376
Other local taxes	3,685,314	4,107,067	4,372,584	4,437,544	4,915,570	4,682,524	4,822,364	5,161,830	4,699,374	4,681,411
Permits and licenses	14,270	4,666	5,026	9,499	9,758	5,989	5,007	7,569	4,532	7,131
Fines and forfeitures	78,152	106,054	113,581	132,242	118,985	94,826	94,147	62,001	37,115	28,687
Investment earnings	79,961	103,191	137,690	256,139	192,440	82,250	39,085	35,699	25,196	28,255
Charges for services	313,482	317,447	396,692	432,088	545,391	456,588	410,520	380,081	380,712	378,774
Other revenues	48,618	21,092	58,630	70,321	97,951	53,508	60,176	89,177	250,406	104,627
Recovered cost	13,950	29,123	15,510	19,825	14,003	19,058	16,754	23,579	17,277	18,761
Intergovernmental	2,580,207	2,458,079	3,119,462	2,368,891	2,231,229	2,784,596	2,340,999	3,026,368	2,492,238	4,105,808
Total revenues	8,503,837	9,025,582	10,193,729	9,903,554	10,495,920	11,331,176	10,172,604	11,256,112	10,457,325	12,268,830
Expenditures										
General government	788,786	850,732	1,009,235	1,090,825	1,114,690	1,048,146	1,116,081	1,206,033	1,180,843	1,130,587
Judicial administration	290,126	294,444	380,049	403,468	432,678	418,768	349,229	366,037	353,367	412,859
Public safety	1,871,632	1,815,252	2,101,934	1,956,180	2,199,811	2,600,995	2,298,038	2,553,195	2,308,031	2,497,672
Public works	1,591,831	1,642,996	3,266,850	1,951,478	1,995,754	2,015,567	2,191,672	2,606,618	2,294,322	1,742,342
Health and welfare	996,885	1,028,911	1,151,555	1,203,034	1,249,969	1,210,767	1,261,980	1,437,933	1,302,277	1,233,314
Education and transfer to school	1,512,024	2,306,623	1,904,743	2,721,651	7,117,018	3,964,745	1,804,736	1,830,450	2,169,025	2,401,810
Parks, recreation and culture	362,547	373,368	465,087	395,917	437,326	474,833	483,551	468,752	455,638	438,256
Community development	1,578,158	791,267	938,486	786,560	739,284	776,038	725,216	517,866	554,868	2,229,763
Non-Departmental	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	106,155	106,731	118,738	168,746	190,026	7,652,315	7,684,450	166,689	15,284,397	121,031
Interest	25,253	28,774	102,547	224,755	328,594	202,993	376,273	330,574	316,659	66,662
Total expenditures	9,123,397	9,239,098	11,439,224	10,902,614	15,805,150	20,365,167	18,291,226	11,484,147	26,219,427	12,274,296
Excess of revenues over (under) expenditures	(619,560)	(213,516)	(1,245,495)	(999,060)	(5,309,230)	(9,033,991)	(8,118,622)	(228,035)	(15,762,102)	(5,466)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	420,300	1,803,566	7,500,000	-	7,500,000	7,615,839	140,000	7,588,375	-
Insurance Recoveries	7,422	-	6,823	19,449	33,263	12,256	13,285	13,039	16,383	18,733
Proceeds from sale of assets	123	23,807	7,809	44,000	26,912	101	15,928	5,605	18,296	-
Transfers	-	(100,000)	-	(50,000)	-	-	-	-	7,627,291	-
Total other financing sources (uses)	7,545	344,107	1,818,198	7,513,449	60,175	7,512,357	7,645,052	158,644	15,250,345	18,733
Net change in fund balance	\$ (612,015)	\$ 130,591	\$ 572,703	\$ 6,514,389	\$ (5,249,055)	\$ (1,521,634)	\$ (473,570)	\$ (69,391)	\$ (511,757)	\$ 13,267
Debt service as a percentage of noncapital expenditures	1.46%	1.49%	1.97%	3.74%	3.39%	62.79%	78.79%	4.53%	146.93%	1.55%

TABLE 5

**CITY OF NORTON, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF ALL PROPERTY (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Years Ended June 30	Public Utilities					Total Assessed Value	Mobile Homes	Total Direct Tax rate per \$100
	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property			
2014	\$ 219,165,572	\$ 30,450,311	\$ 5,373,264	\$ 26,983,560	\$ 131,432	\$ 283,735,861	1,631,722	1.027
2013	219,917,050	27,704,382	5,140,577	25,509,133	137,719	280,071,003	1,662,142	0.911
2012	220,246,000	25,632,421	5,101,639	25,290,691	130,980	278,248,077	1,846,346	0.888
2011	202,774,175	24,275,249	5,534,737	25,290,691	128,859	259,833,193	1,829,482	0.917
2010	200,402,000	22,747,754	5,181,036	24,358,835	128,859	254,696,066	1,877,582	1.237
2009	203,528,195	22,228,011	4,471,807	26,302,792	140,301	258,619,365	1,948,259	0.917
2008	181,461,721	21,629,450	4,571,874	24,413,178	157,861	234,337,484	2,103,400	0.929
2007	180,101,130	16,733,091	7,006,663	26,523,134	184,423	232,634,941	2,086,500	0.849
2006	169,579,975	20,019,215	3,384,221	28,534,246	198,053	223,752,010	2,036,300	0.840
2005	141,741,519	18,742,980	3,397,275	31,147,200	217,235	197,429,909	2,183,700	0.856

1) Property is assessed at actual value therefore the assessed values are equal to actual value.

TABLE 6

**CITY OF NORTON, VIRGINIA
DIRECT PROPERTY TAX RATES (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Years Ended June 30	Public Utilities				
	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Personal Property
2014	\$ 0.80	\$ 1.85	\$ 1.85	\$ 0.80	\$ 0.80
2013	0.80	1.85	1.85	0.80	0.80
2012	0.80	1.85	1.85	0.80	0.80
2011	0.80	1.85	1.85	0.80	0.80
2010	0.80	1.85	1.85	0.80	0.80
2009	0.80	1.85	1.85	0.80	0.80
2008	0.80	1.85	1.85	0.80	0.80
2007	0.70	1.85	1.85	0.70	0.70
2006	0.70	1.85	1.85	0.70	0.70
2005	0.70	1.85	1.85	0.70	0.70

1) Rates are presented per \$100 assessed value

TABLE 7

**CITY OF NORTON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
June 30, 2014 and June 30, 2006**

June 30, 2014

Name	Nature of Business	Assessed Value	Percent of Real Estate Levy
Wal-Mart Real Estate Trust	Commercial Retailer/Grocery	\$ 14,370,100	6.52%
Super Intermediate Co., LLC	Shopping Center	9,324,100	4.23%
Commonwealth Norton Partners	Shopping Center	6,612,300	3.00%
Norton SRX LLC	Shopping Center	6,060,600	2.75%
Wellmont Health System	Health Care	5,192,700	2.36%
Norton Community Hospital	Health Care	4,712,300	2.14%
Norton Host, LLC	Hotel/Restaurant	4,254,600	1.93%
Nordan, Inc.	Hotel	3,854,000	1.75%
W. P. Armistead Estate	Commercial and Residential Rental Property	2,455,800	1.12%
Pepsi Cola Bottling Co.	Bottling Plant/Residential & Commercial Rentals	1,606,200	0.73%

June 30, 2006:

Name	Nature of Business	Assessed Value	Percent of Real Estate Levy
Norton HMA, Inc	Health Care	\$ 16,511,500	9.74%
New Plan Excel Realty	Shopping Center	11,306,700	6.67%
Commonwealth-NTN Partners	Shopping Center	8,630,000	5.09%
Wal-Mart	Commercial Retailer/Grocer	5,835,340	3.44%
Nordan, Inc	Hotel	3,699,500	2.18%
George Hunnicutt Mar. Tr.	Commercial and Residential Rental Property	3,316,400	1.96%
Consolidated Investments	Shopping center	2,863,200	1.69%
W.P. Armistead	Commercial and Residential Rental Property	2,302,700	1.36%
J.J.S. Properties	Commercial Property	2,023,000	1.19%
Five Forty Park Corp	Commercial and Residential Rental Property	1,170,100	0.69%

1) Data not available for periods prior to June 30, 2006.

**CITY OF NORTON, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Years Ended June 30	Total Tax Levy (1)(2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections(3)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2014	\$ 2,800,408	\$ 2,559,728	91.41%	\$ 247,834	2,807,562	100.26%	\$ 257,050	9.18%
2013	2,579,781	2,384,644	92.44%	109,433	2,494,077	96.68%	378,758	14.68%
2012	2,378,441	2,212,823	93.04%	165,549	2,378,372	100.00%	320,362	13.47%
2011	2,470,143	2,240,426	90.70%	61,974	2,302,400	93.21%	310,935	12.59%
2010	3,319,804	3,061,824	92.23%	33,651	3,095,475	93.24%	230,997	6.96%
2009	2,372,555	2,317,343	97.67%	22,769	2,340,112	98.63%	91,330	3.85%
2008	2,142,563	2,117,885	98.85%	37,259	2,155,144	100.59%	67,622	3.16%
2007	1,936,503	1,910,346	98.65%	35,736	1,946,082	100.49%	63,713	3.29%
2006	1,846,506	1,827,354	98.96%	25,705	1,853,059	100.35%	57,091	3.09%
2005	1,646,156	1,621,764	98.52%	33,689	1,655,453	100.56%	64,268	3.90%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Commonwealth reimbursement for auto tax included in total collections.

TABLE 9

CITY OF NORTON, VIRGINIA
RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	Governmental Activities		Business-Type Activities		Component Unit Bonds	Total Debt	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	General Obligation Water and Wastewater Bonds					
2014	\$ 1,285,000	\$ 110,961	\$ 7,804,349		\$ 10,341,185	19,541,495	12.65%	\$ 4,817
2013	1,355,000	161,992	8,080,638		10,901,644	20,499,274	12.13%	4,889
2012	8,988,191	224,823	6,108,271		2,108,327	17,429,612	10.55%	4,252
2011	9,113,731	125,972	3,761,934		2,626,591	15,628,228	9.40%	3,949
2010	9,236,731	71,582	2,866,944		3,135,372	15,310,629	10.79%	3,977
2009	9,352,298	108,330	2,281,907		3,742,384	15,484,919	11.48%	4,022
2008	9,465,533	185,121	2,366,835		4,341,228	16,358,717	13.26%	4,376
2007	2,071,535	156,892	2,252,664		4,927,391	9,408,482	8.03%	2,588
2006	390,397	135,962	2,330,131		6,336,596	9,193,086	7.90%	2,468
2005	437,209	195,881	2,409,050		6,126,941	9,169,081	8.06%	2,441

Notes:

(1) Center for Public Service at the University of Virginia.

(2) Includes all general long-term debt obligations.

TABLE 10

CITY OF NORTON, VIRGINIA
RATIO OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	General Bonded Debt Outstanding General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2014	\$ 18,327,250	6.46%	\$ 4,517
2013	17,853,819	6.37%	\$ 4,258
2012	13,411,630	4.82%	\$ 3,272
2011	11,020,140	4.24%	\$ 2,784
2010	10,474,084	4.11%	\$ 2,721
2009	10,055,175	3.89%	\$ 2,612
2008	10,307,042	4.40%	\$ 2,757
2007	3,055,569	1.31%	\$ 840
2006	1,526,811	0.68%	\$ 410
2005	1,335,183	0.68%	\$ 355

1) Details regarding the city's outstanding debt can be found in the notes to the financial statements

TABLE 11

CITY OF NORTON, VIRGINIA
 LEGAL DEBT MARGIN INFORMATION (UNAUDITED)
 LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed valuations										
Assessed value of taxed real property	\$ 172,888,719	\$ 198,114,221	\$ 206,624,264	\$ 205,874,899	\$ 229,830,987	\$ 224,760,835	\$ 228,064,866	\$ 245,536,691	\$ 245,426,183	\$ 246,149,132
Legal debt margin										
Debt limit - 10 percent of total assessed value	17,288,872	19,811,422	20,662,426	20,587,490	22,983,099	22,476,084	22,806,487	24,553,669	24,542,618	24,614,913
Debt applicable to limitation:										
Total bonded debt	9,169,081	9,193,086	9,408,482	16,358,717	15,484,919	15,310,629	15,628,228	17,429,612	20,499,274	19,541,495
Less - Enterprise Debt	(7,638,017)	(7,530,313)	(6,196,021)	(5,866,554)	(5,321,414)	(4,764,963)	(4,482,116)	(3,793,159)	(2,483,463)	(1,103,284)
Total amount of debt applicable to debt limitation	1,531,064	1,662,773	3,212,461	10,492,163	10,163,505	10,545,666	11,146,112	13,636,453	18,015,811	18,438,211
Legal debt margin	\$ 15,757,808	\$ 18,148,649	\$ 17,449,965	\$ 10,095,327	\$ 12,819,594	\$ 11,930,418	\$ 11,660,375	\$ 10,917,216	\$ 6,526,807	\$ 6,176,702
Total net debt applicable to the limit as a percentage of debt limit	8.86%	8.39%	15.55%	50.96%	44.22%	46.92%	48.87%	55.54%	73.41%	74.91%

**CITY OF NORTON, VIRGINIA
PLEGGED-REVENUE COVERAGE (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Years Ended June 30	Water and Wastewater Revenue Bonds							Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service				
				Principal	Interest	Total		
2014	\$ 2,211,146	\$ 2,132,102	\$ 79,044	\$ 1,022,913	\$ 195,404	\$ 1,218,317	0.06	
2013	2,265,444	2,082,646	182,798	1,017,797	180,356	1,198,153	0.15	
2012	2,318,868	2,303,377	15,491	121,871	123,995	245,866	0.06	
2011	2,336,189	2,147,590	188,599	155,096	93,546	248,642	0.76	
2010	2,249,376	2,065,484	183,892	81,143	93,895	175,038	1.05	
2009	2,346,475	2,213,375	133,100	81,768	96,443	178,211	0.75	
2008	1,991,660	2,150,133	(158,473)	72,670	89,362	162,032	(0.98)	
2007	2,073,492	1,882,789	190,703	74,306	99,757	174,063	1.10	
2006	1,977,402	1,892,174	85,228	75,759	91,571	167,330	0.51	
2005	1,917,899	1,702,307	215,592	72,973	64,701	137,674	1.57	

1) Details regarding the city's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest, depreciation, or amortization expense.

**CITY OF NORTON, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
LAST TEN YEARS**

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2014	4,057	\$154,425,648	\$ 38,064	38.0	828	8.20%
2013	4,193	143,903,760	34,320	39.0	887	8.70%
2012	4,099	146,858,972	35,828	39.0	882	8.10%
2011	3,958	143,247,936	36,192	40.0	852	7.60%
2010	3,850	139,539,400	36,244	40.0	823	8.60%
2009	3,850	135,335,200	35,152	40.0	784	6.60%
2008	3,738	127,316,280	34,060	39.0	780	5.20%
2007	3,636	119,871,648	32,968	39.0	731	4.10%
2006	3,725	118,544,400	31,824	39.0	713	5.10%
2005	3,756	116,015,328	30,888	39.0	718	5.50%

- 1) Source: Weldon Cooper Center for Public Information, Bureau of Economic Analysis, Virginia Employment Commission, and Norton City School Board

**CITY OF NORTON, VIRGINIA
PRINCIPAL EMPLOYERS (UNAUDITED)
CURRENT YEAR AND EIGHT YEARS AGO**

June 30, 2014			Total Estimated Employment*
<u>Employer</u>	<u>Product or Service</u>		
Norton Community Hospital	Health Care		250 +/-
Wal Mart	Commercial Retailer/Grocer		225 +/-
Bristol Regional Health System	Health Care		200 +/-
Norton City School Board	Public Agency		175 +/-
City of Norton	Public Agency		100 +/-
June 30, 2006			Total Estimated Employment*
<u>Employer</u>	<u>Product or Service</u>		
Norton Community Hospital	Health Care		500
Wal Mart	Commercial Retailer/Grocer		250
Mountain View Regional Medical	Health Care		200
Norton City School Board	Public Agency		151
City of Norton	Public Agency		114

- 1) Fiscal year 2005-06 is first year of data available
- 2) Source: Virginia Employment Commission - Community Profile

CITY OF NORTON, VIRGINIA
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION (UNADITED)
LAST NINE FISCAL YEARS

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government									
Management services	3.5	3.5	4	4	4	4	4	4	3.5
Finance	5	5	5	4	4	4	4	4	4
Planning	2	1	2	2	1.5	2	2	2	1.5
Other	6.5	6.5	6	6	5.5	6	6	6	6
Public safety									
Officers	16.5	15.5	17.5	17.5	18	17.5	16	16	16
Dispatchers/Clerks	5	6	7	7	7	7	8.5	8.5	8.5
Sheriff's Office	4	4	4	4	4	3	3	3	3
Animal Control	1	1	1	1	1	1	1	1	1
Building	1	1	2	2	1	1	1	1	1
Emergency Management	0	0	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Fire	1	1	1	1	1	1	1	1	1
Public works									
Engineering	1	1	1	1	1	1	1	1	1
Streets	16	18	11	12	13	13	11.5	11.5	10
Refuse Collections	3.5	4.5	4	4.5	4	5	5.5	5.5	6
General Properties	5	5	4	5	4	4.5	4.5	4.5	5
Parks and recreation									
Maintenance	10.5	9	5	5	6	5.5	5.5	4.5	4.5
Other	7	7	6	6	6	1	1	1	1
Water operations									
Administration	2	2	2	3	3	3	3	3	3
Plant Operations	7	6	6.5	6.5	7	7	7	7	6
Maintenance	4	5	7	7	7	7	7	7	7
Social Services									
Administrative	5	5	5	5	5	4.5	4.5	4.5	4.5
Eligibility	7	7	7	7	7	7	7	7	7
Social Worker	3	3	3	3	3	3	3	3	3

1) Source: City of Norton's Finance department

**CITY OF NORTON, VIRGINIA
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
LAST NINE EIGHT FISCAL YEARS**

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public safety									
Citations issued	2,086	1,973	2,521	2,762	2,374	2,433	1,550	876	1,139
Parking Tickets issued	418	523	387	215	139	390	116	63	83
Crime/Arrest/Incident reports filed	747	874	868	866	787	842	758	661	690
911 Calls dispatched	4,006	3,848	4,176	5,260	5,059	5,469	4,514	4,018	4,075
Public Works									
Number of citizen requests for services	1,054	1,026	858	852	2,331	972	883	814	726
Water operations									
Number of service connections	2,241	2,286	2,271	2,279	2,292	2,305	2,301	2,263	2,240
Number of citizen requests for services	2,387	2,483	2,483	2,349	1,866	2,022	1,887	1,963	2,251
Average daily plant output in gallons	1.0 Million	1.10 Million	1.084 Million	.870 Million	.870 Million	.870 Million	.740 Million	.680 Million	.420 Million
Maximum daily capacity of plant in gallons	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million
Wastewater operations									
Number of service connections	2,022	2,040	2,029	2,033	2,035	2,115	2,116	2,080	2,067

CITY OF NORTON, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
LAST NINE FISCAL YEARS

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public safety									
Police stations	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2
Number of patrol units	11	11	11	13	15	15	15	16	16
Public works									
Streets (lane miles)	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73
Streetlights	440	440	440	440	440	440	440	440	440
Traffic signals	8	8	8	8	8	8	8	8	9
Water operations									
Miles of water main	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31
Number of fire hydrants	250	250	250	250	250	250	250	255	255
Wastewater operations									
Miles of sanitary sewers	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16
Miles of storm sewers	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2