

CITY OF NORTON, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015

CITY OF NORTON, VIRGINIA

TABLE OF CONTENTS

June 30, 2015

<u>Page #</u>	
4	CITY OFFICIALS
5	MANAGEMENT'S DISCUSSION AND ANALYSIS
	<u>INDEPENDENT AUDITOR'S REPORTS</u>
8	INDEPENDENT AUDITOR'S REPORT
10	REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
12	REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A- 133
14	REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS AND GRANTS
	<u>COMBINED FINANCIAL STATEMENTS</u>
16	EXHIBIT 1 STATEMENT OF NET POSITION
17	EXHIBIT 2 STATEMENT OF ACTIVITIES
18	EXHIBIT 3 BALANCE SHEET – GOVERNMENTAL FUND
19	EXHIBIT 4 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS AND RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
21	EXHIBIT 5 STATEMENT OF NET POSITION – PROPRIETARY FUNDS
22	EXHIBIT 6 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
23	EXHIBIT 7 STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
24	EXHIBIT 8 SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET
25	EXHIBIT 9 STATEMENT OF FIDUCIARY NET POSITION
26	EXHIBIT 10 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
27	EXHIBIT 11 STATEMENT OF NET POSITION – COMPONENT UNITS
28	EXHIBIT 12 STATEMENT OF ACTIVITIES – COMPONENT UNITS
29	NOTES TO FINANCIAL STATEMENTS
	<u>REQUIRED SUPPLEMENTAL INFORMATION</u>
84	SCHEDULE 1 GOVERNMENTAL FUNDS – BUDGETARY COMPARISON SCHEDULE
90	SCHEDULE 2 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
91	SCHEDULE 3 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – SCHOOL BOARD NON-PROFESSIONAL GROUP
92	SCHEDULE 4 SCHEDULE OF EMPLOYER CONTRIBUTIONS – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

CITY OF NORTON, VIRGINIA

TABLE OF CONTENTS

June 30, 2015

Page #		
93	SCHEDULE 5	SCHEDULE OF EMPLOYER CONTRIBUTIONS – TEACHER RETIREMENT PLAN
94	SCHEDULE 6	SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – TEACHER RETIREMENT PLAN
95	SCHEDULE 7	SCHEDULE OF EMPLOYER CONTRIBUTIONS – TEACHER RETIREMENT PLAN
96	NOTES TO REQUIRED SUPPLEMENTAL INFORMATION	
		<u>OTHER SUPPLEMENTAL INFORMATION</u>
97	SCHEDULE 8	COMPONENT UNIT SCHOOL BOARD – COMBINING BALANCE SHEET
98	SCHEDULE 9	COMPONENT UNIT SCHOOL BOARD – COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
99	SCHEDULE 10	COMPONENT UNIT – SCHOOL BOARD – BUDGETARY COMPARISON SCHEDULE – OPERATING FUND
100	SCHEDULE 11	STATEMENT OF TREASURER’S ACCOUNTABILITY
101	SCHEDULE 12	SCHEDULE OF FINDINGS AND QUESTIONED COSTS
102	SCHEDULE 13	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
		<u>STATISTICAL DATA</u>
104	TABLE 1	NET POSITION BY COMPONENT
105	TABLE 2	CHANGES IN NET POSITION
107	TABLE 3	FUND BALANCES, GOVERNMENTAL FUNDS
108	TABLE 4	CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
109	TABLE 5	ASSESSED VALUE AND ACTUAL VALUE OF ALL PROPERTY
109	TABLE 6	DIRECT PROPERTY TAX RATES
110	TABLE 7	PRINCIPAL PROPERTY TAXPAYERS
111	TABLE 8	PROPERTY TAX LEVIES AND COLLECTIONS
112	TABLE 9	RATIO OF OUTSTANDING DEBT BY TYPE
112	TABLE 10	RATIO OF GENERAL BONDED DEBT OUTSTANDING
113	TABLE 11	LEGAL DEBT MARGIN INFORMATION
114	TABLE 12	PLEDGED-REVENUE COVERAGE
115	TABLE 13	DEMOGRAPHIC AND ECONOMIC STATISTICS
116	TABLE 14	PRINCIPAL EMPLOYERS
117	TABLE 15	FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
118	TABLE 16	OPERATING INDICATORS BY FUNCTION
119	TABLE 17	CAPITAL ASSET STATISTICS BY FUNCTION

CITY OF NORTON, VIRGINIA

CITY OFFICIALS

June 30, 2015

CITY COUNCIL:

William J. Mays, Mayor, Council Member
Joseph Fawbush, Vice-Mayor, Council Member
Delores Belcher
Mark Caruso
Robbie Fultz

Fred L. Ramey, Jr, City Manager

CONSTITUTIONAL OFFICERS:

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

SCHOOL BOARD:

Sherry Adams, Chair
Mark Leonard, Vice-Chair
Carol Caruso
Joseph Stallard
April Fletcher

Dr. Keith Perrigan, Superintendent

SOCIAL SERVICES ADVISORY BOARD:

Tim Ray Adams
Lann Malesky
Ethel Daniels
Ann Holbrook
Frank Gravely

Christine Blair, Director

CITY LEGAL COUNSEL:

William E. Bradshaw, Attorney at Law



Management Discussion and Analysis

November 30, 2015

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, 2015.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 18,445,135 (net position).
- At June 30, 2015, the City reported combined ending fund balances of \$ 1,872,386, a decrease of \$ 30,745 in comparison with the prior year.
- As of June 30, 2015, the General Fund had a total Fund Balance of \$ 1,583,629.
- The total debt outstanding as of June 30, 2015 was \$ 21,773,409 which includes the component units. As of June 30, 2015, the City's Legal Debt Margin was \$ 5,736,970.
- The Water/Sewer Proprietary Fund had an increase in Net Position for the year of \$ 9,740.

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, 2015

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 4,768,461	\$ 591,228	\$ 5,359,689
Capital assets	9,435,890	18,945,160	28,381,050
Total Assets	\$ 14,204,351	\$ 19,536,388	\$ 33,740,739
Current & other liabilities	\$ 1,959,115	\$ 1,102,849	\$ 3,061,964
Long-term liabilities	2,607,443	8,154,357	10,761,800
Total Liabilities	\$ 4,566,558	\$ 9,257,206	\$ 13,823,764
Deferred Inflows	\$ 1,792,676	\$ 132,750	\$ 1,925,426
Less - Deferred Outflows	401,642	51,944	453,586
Total Deferred	\$ 1,391,034	\$ 80,806	\$ 1,471,840
Net Position:			
Invested in Capital assets	\$ 8,014,749	\$ 10,691,368	\$ 18,706,117
Restricted	-0-	114,654	114,654
Unrestricted	232,010	(607,646)	(375,636)
Total Net Position	\$ 8,246,759	\$ 10,198,376	\$ 18,445,135

Net position serves as a useful indicator of a government's financial position. The City's combined net position total is \$ 18,445,135 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 \$ 18,706,117. 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 \$2,598,300. Key elements of this increase are as follows:

Governmental Activities Year Ended June 30, 2015	
Revenues:	
Program Revenues:	
Charges for Services	\$ 489,934
Operating Grants and Contributions	2,302,105
Capital Grants and Contributions	2,702,148
General Revenues:	
Property Taxes	2,632,023
Other Local Taxes	4,705,586
Other	224,602
Total Revenues	\$13,056,398
Expenses:	
General Government	\$ 1,516,160
Public Safety	2,491,800
Public Works	1,989,571
Health and Welfare	1,128,562
Education	2,268,173
Parks, Recreation, Culture	445,581
Community Development	561,290
Interest of Long Term Debt	56,961
Total Expenses	\$ 10,458,098
Increase (Decrease) in Net Position	\$ 2,598,300

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 \$2,598,300 for FY2015. 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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Local Sales and Use Tax	\$ 1,613,223	1,606,815	1,762,729	1,918,925	1,882,301
Real Property Tax	\$ 1,699,401	1,866,975	1,698,699	1,723,587	1,605,349
Restaurant Food Taxes	\$ 1,360,014	1,357,112	1,262,519	1,334,156	1,126,150
Business License Taxes	\$ 812,125	887,396	853,599	951,248	773,353
Street & Highway Maintenance	\$ 809,297	787,645	765,118	750,796	723,930
Personal Property Taxes	\$ 555,523	509,969	471,214	461,230	443,631

The City’s assessed value of real estate for the year was \$ 244,929,946. The real estate tax rate is \$.80 per \$ 100 of assessed value. For the year, the percent of levy collected was 95.26%. 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 \$ 9,740. 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 \$ 46,456 to \$ 137,368.

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	\$ 14,547,867	\$ 14,551,534	\$ 3,667
Total Expenses	15,105,018	<u>14,582,279</u>	\$ 522,739
Excess of Revenues Over Expenses		<u>\$ (30,745)</u>	

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*

****BRIAN K. BLANTON, C.P.A.**
*** CHARLES F. LAWSON, C.P.A.**

MONROE B. THROWER, C.P.A.
(1918-2000)
M. BARDIN THROWER, JR., C.P.A.
(1946-2012)

Founded 1948

***Member of American Institute of
Certified Public Accountants
**Virginia & Tennessee Society of
Certified Public Accountant**

**612 Trent Street
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445**

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 18 to the financial statements, in fiscal year 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which provide new accounting guidance that addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employer through pension plans that are administered through trusts. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7, the budgetary comparison information on pages 84 through 89, the Schedules of Required Supplementary Information, including the Schedule of Changes in the Net Pension liability and Related Ratios, Schedule of Contributions, Schedule of Schools' Proportionate Share of the Net Pension Liability, Schedule of School Contributions, and Notes to the Required Supplemental Information, on pages 90 through 96, and the Schedules of Funding Progress on page 76 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 30, 2015 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 30, 2015

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

**BRIAN K. BLANTON, C.P.A.
* CHARLES F. LAWSON, C.P.A.

MONROE B. THROWER, C.P.A.
(1918-2000)
M. BARDIN THROWER, JR., C.P.A.
(1946-2012)

Founded 1948

*Member of American Institute of
Certified Public Accountants
**Virginia & Tennessee Society of
Certified Public Accountant

612 Trent Street
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

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, 2015, 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 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2015, 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

Page 2

*(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 30, 2015.

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 and 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.

Certified Public Accountants

Norton, Virginia

November 30, 2015

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

**BRIAN K. BLANTON, C.P.A.
* CHARLES F. LAWSON, C.P.A.

MONROE B. THROWER, C.P.A.
(1918-2000)
M. BARDIN THROWER, JR., C.P.A.
(1946-2012)

Founded 1948

*Member of American Institute of
Certified Public Accountants
**Virginia & Tennessee Society of
Certified Public Accountant

612 Trent Street
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

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, 2015. 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, 2015.

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 30, 2015

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

**BRIAN K. BLANTON, C.P.A.
* CHARLES F. LAWSON, C.P.A.

MONROE B. THROWER, C.P.A.
(1918-2000)
M. BARDIN THROWER, JR., C.P.A.
(1946-2012)

Founded 1948

*Member of American Institute of
Certified Public Accountants
**Virginia & Tennessee Society of
Certified Public Accountant

612 Trent Street
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

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, 2015, and have issued our report thereon dated November 30, 2015.

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 | * Debt Provisions |
| * Cash and Investment Laws | * Procurement Laws |
| * Conflicts Retirement Systems | * Uniform Disposition of Unclaimed |
| * Local Retirement Systems | Property Act |
| * Personal Property Tax Relief 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)
Page 2

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 30, 2015

CITY OF NORTON
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 1,347,751	\$ 22,714	\$ 1,370,465	\$ 2,591,429
Restricted cash	383,230	114,654	497,884	-
Investments	20,536	-	20,536	-
Receivable, net	1,394,425	357,234	1,751,659	55,855
Prepaid Expense	-	-	-	21,070
Due from other governmental units	1,134,034	90,782	1,224,816	343,130
Due from other funds	488,485	5,844	494,329	47,887
Due from primary government	-	-	-	127,096
Net pension asset	-	-	-	132,000
Capital assets, non-depreciable	5,403,961	2,894,469	8,298,430	852,607
Capital assets, depreciable, net	4,031,929	16,050,691	20,082,620	15,393,160
Total Assets	\$ 14,204,351	\$ 19,536,388	\$ 33,740,739	\$ 19,564,234
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	290,885	51,944	342,829	529,276
Deferred loss on debt refunding, net	110,757	-	110,757	-
Total Deferred Outflows of Resources	\$ 401,642	\$ 51,944	\$ 453,586	\$ 529,276
Total Assets and Deferred Outflows of Resources	\$ 14,605,993	\$ 19,588,332	\$ 34,194,325	\$ 20,093,510
LIABILITIES				
Accounts payable and accrued liabilities	1,102,889	333,367	1,436,256	127,779
Accrued payroll and related liabilities	163,928	29,359	193,287	545,761
Accrued interest payable	17,629	33,571	51,200	159,262
Customer security deposits	-	114,654	114,654	-
Due to other governmental units	230,531	-	230,531	-
Due to other funds	138,375	355,663	494,038	48,369
Due to component units	127,096	-	127,096	-
Compensated absences				
Due within one year	57,065	9,030	66,095	14,749
Due in more than one year	133,151	21,069	154,221	44,249
Long-term liabilities				
Net pension liability	663,850	117,150	781,000	6,086,000
Due within one year	121,602	227,205	348,807	621,567
Due in more than one year	1,810,442	8,016,138	9,826,580	10,976,455
Total Liabilities	\$ 4,566,558	\$ 9,257,206	\$ 13,823,764	\$ 18,624,191
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	\$ 1,040,426	\$ -	\$ 1,040,426	\$ -
Deferred pensions	752,250	132,750	885,000	1,078,000
Total Deferred Inflows of Resources	\$ 1,792,676	\$ 132,750	\$ 1,925,426	\$ 1,078,000
NET POSITION				
Net investment in capital assets	8,014,749	10,806,022	18,820,771	5,177,793
Restricted	-	-	-	-
Unrestricted	232,010	(607,646)	(375,636)	(4,786,474)
Total Net Position	\$ 8,246,759	\$ 10,198,376	\$ 18,445,135	\$ 391,319

CITY OF NORTON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

EXHIBIT 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	NIDA
Governmental Activities									
General government	\$ 1,516,160	\$ -	\$ 180,895	\$ -	\$ (1,335,265)	\$ -	\$ (1,335,265)		
Public safety	2,491,800	60,564	441,312	-	(1,989,924)	-	(1,989,924)		
Public works	1,989,571	417,474	843,061	2,702,148	1,973,112	-	1,973,112		
Health and welfare	1,128,562	-	821,837	-	(306,725)	-	(306,725)		
Education	2,268,173	-	-	-	(2,268,173)	-	(2,268,173)		
Parks, recreation and cultural	445,581	11,896	15,000	-	(418,685)	-	(418,685)		
Community development	561,290	-	-	-	(561,290)	-	(561,290)		
Interest on long-term debt	56,961	-	-	-	(56,961)	-	(56,961)		
Contingencies	-	-	-	-	-	-	-		
Total Governmental Activities	10,458,098	489,934	2,302,105	2,702,148	(4,963,911)	-	(4,963,911)		
Business-type activities									
Water and Wastewater	2,840,888	2,314,041	-	536,587	-	9,740	9,740		
Total Business-Type Activities	2,840,888	2,314,041	-	536,587	-	9,740	9,740		
TOTAL PRIMARY GOVERNMENT	13,298,986	2,803,975	2,302,105	3,238,735	(4,963,911)	9,740	(4,954,171)		
COMPONENT UNITS									
School Board	8,179,111	70,736	5,827,929	-	-	-	-	\$ (2,280,446)	\$ -
NIDA	503,142	458,515	-	-	-	-	-	-	(44,627)
Total Component Units	8,682,253	529,251	5,827,929	-	-	-	-	(2,280,446)	(44,627)
General revenues									
Property taxes					2,632,023	-	2,632,023	-	-
Local sales & use tax					1,613,223	-	1,613,223	-	-
Utility taxes					131,322	-	131,322	-	-
Business license taxes					812,125	-	812,125	-	-
Communication taxes					211,659	-	211,659	-	-
Motor vehicle tax					71,174	-	71,174	-	-
Bank stock taxes					61,913	-	61,913	-	-
Recordation taxes					22,158	-	22,158	-	-
Tobacco taxes					110	-	110	-	-
Hotel and motel room taxes					206,815	-	206,815	-	-
Restaurant food taxes					1,360,014	-	1,360,014	-	-
Coal road improvement taxes					56,308	-	56,308	-	-
Cigarette tax					88,640	-	88,640	-	-
Other local taxes					70,125	-	70,125	-	-
Unrestricted miscellaneous revenue					157,037	-	157,037	157,107	-
Unrestricted investment earnings					28,480	-	28,480	576	6,360
Gain (loss) on sale of capital assets					-	-	-	-	-
Recovered cost					39,085	-	39,085	-	55,810
Transfers-Primary Government					-	-	-	-	-
Transfers-Component Units					-	-	-	2,260,495	488,017
Total general revenues and transfers					7,562,211	-	7,562,211	2,418,178	550,187
Change in net position					2,598,300	9,740	2,608,040	137,732	505,560
NET POSITION - JULY 1, AS RESTATED					5,648,459	10,188,636	15,837,095	(6,500,991)	6,249,018
NET POSITION - JUNE 30					\$ 8,246,759	\$ 10,198,376	\$ 18,445,135	\$ (6,363,259)	\$ 6,754,578

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

**CITY OF NORTON
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2015**

	General	Special Revenue	Total
ASSETS			
Cash and cash equivalents	\$ 1,347,751	\$ -	\$ 1,347,751
Restricted Cash	15,170	368,060	383,230
Investments	20,536	-	20,536
Taxes receivable	1,181,626	-	1,181,626
Accounts receivable	212,799	-	212,799
Due from other funds	488,485	-	488,485
Due from primary government	-	-	-
Due from other governmental units	<u>1,031,616</u>	<u>102,418</u>	<u>1,134,034</u>
Total Assets	<u>\$ 4,297,983</u>	<u>\$ 470,478</u>	<u>\$ 4,768,461</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,087,212	\$ 15,677	\$ 1,102,889
Accrued payroll and related liabilities	136,259	27,669	163,928
Due to other funds	-	138,375	138,375
Due to component units	127,096	-	127,096
Due to other governmental units	<u>230,531</u>	<u>-</u>	<u>230,531</u>
Total Liabilities	<u>1,581,098</u>	<u>181,721</u>	<u>1,762,819</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	<u>1,133,256</u>	<u>-</u>	<u>1,133,256</u>
Total Deferred Inflows of Resources	<u>1,133,256</u>	<u>-</u>	<u>1,133,256</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	344,627	344,627
Assigned	372,893	-	372,893
Unassigned	<u>1,210,736</u>	<u>(55,870)</u>	<u>1,154,866</u>
Total Fund Balances	<u>1,583,629</u>	<u>288,757</u>	<u>1,872,386</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,297,983</u>	<u>\$ 470,478</u>	<u>\$ 4,768,461</u>
Total Fund Balances			\$ 1,872,386
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			9,435,890
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds			401,642
Other liabilities are not required to be paid out of current financial resources and therefore are not reported in the governmental funds			(769,879)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			<u>(2,693,280)</u>
Net Position of Governmental Activities			<u>\$ 8,246,759</u>

CITY OF NORTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES:			
General property taxes	\$ 2,679,834	\$ -	\$ 2,679,834
Other local taxes	4,635,461	-	4,635,461
Permits, privilege fees and regulatory licenses	11,133	-	11,133
Fines and forfeitures	26,425	-	26,425
Revenue from use of money & property	26,665	1,178	27,843
Charges for services	457,540	21,918	479,458
Miscellaneous	75,415	-	75,415
Recovered costs	20,706	-	20,706
Intergovernmental	4,252,541	821,837	5,074,378
Total Revenues	<u>12,185,720</u>	<u>844,933</u>	<u>13,030,653</u>
EXPENDITURES:			
Current:			
General government administration	1,150,354	-	1,150,354
Judicial administration	389,285	-	389,285
Public safety	2,401,308	22,198	2,423,506
Public works	1,776,800	-	1,776,800
Health and welfare	108,082	1,050,973	1,159,055
Education and transfer to school	2,268,173	-	2,268,173
Parks, recreation and cultural	427,708	-	427,708
Community development	3,342,994	-	3,342,994
Debt service:			
Principal retirement	1,182,821	-	1,182,821
Interest	167,718	-	167,718
Total Expenditures	<u>13,215,243</u>	<u>1,073,171</u>	<u>14,288,414</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,029,523)</u>	<u>(228,238)</u>	<u>(1,257,761)</u>
OTHER FINANCING SOURCES (USES):			
Sale of surplus	637	-	637
Sale of real property	-	-	-
Loan proceeds	1,208,000	-	1,208,000
Insurance recoveries	18,379	-	18,379
Operating transfers in	-	293,865	293,865
Operating transfers out	(293,865)	-	(293,865)
Total Other Financing Sources (Uses)	<u>933,151</u>	<u>293,865</u>	<u>1,227,016</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(96,372)</u>	<u>65,627</u>	<u>(30,745)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>1,680,001</u>	<u>223,130</u>	<u>1,903,131</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,583,629</u>	<u>\$ 288,757</u>	<u>\$ 1,872,386</u>

CITY OF NORTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

Net Change in Fund Balance Governmental Fund:	\$ (30,745)
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.	2,412,803
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(32,947)
Debt proceeds is a revenue in governmental funds but it increases long-term liabilities in the statement of net assets. This is the amount of debt proceeds.	(1,208,000)
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.	1,174,377
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>282,812</u>
Change in Net Position of Governmental Activities	<u>\$ 2,598,300</u>

CITY OF NORTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-Type Activities Proprietary Funds
	Water & Sewer Operation
ASSETS	
Cash and cash equivalents	\$ 22,714
Restricted cash	114,654
Receivable, net	357,234
Due from other funds	5,844
Due from other government units	90,782
Land	588,600
Construction in progress	2,305,869
Capital assets, net	<u>16,050,691</u>
Total Assets	<u>\$ 19,536,388</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pensions	<u>\$ 51,944</u>
LIABILITIES	
Accounts payable	333,367
Accrued payroll and related liabilities	29,359
Accrued interest payable	33,571
Customer security deposits	114,654
Due to other governmental units	-
Due to other funds	355,663
Net pension liability	117,150
Compensated absences	30,099
Long-term liabilities	
Due within one year	227,205
Due in more than one year	<u>8,016,138</u>
Total Liabilities	<u>\$ 9,257,206</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pensions	<u>132,750</u>
Total Deferred Inflows of Resources	<u>\$ 132,750</u>
NET POSITION	
Net investment in capital assets	10,806,022
Restricted	-
Unrestricted (deficit)	<u>(607,646)</u>
Total Net Position	<u>\$ 10,198,376</u>

CITY OF NORTON
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	PROPRIETARY FUNDS
	Water & Sewer Operation
OPERATING REVENUES:	
Charges For Services:	
Water:	
Local	\$ 758,996
Non-local	163,486
Total Water	922,482
Sewer:	
Local	1,004,886
Non-local	310,448
Total Sewer	1,315,334
Total Charges for Services	2,237,816
Miscellaneous:	
Installations and tap fees	14,271
Penalties	60,211
Other	1,743
Total Miscellaneous	76,225
Total Operating Revenues	2,314,041
OPERATING EXPENSES:	
Personal services	573,066
Fringe benefits	190,708
Contractual services	926,413
Other charges	368,958
Rent	6,000
Depreciation	591,566
Purchase of water	42,751
Total Operating Expenses	2,699,462
Operating Income (Loss)	(385,421)
NON-OPERATING REVENUES (EXPENSES):	
Grant income	536,587
Interconnect expense	(20,971)
Interest expense	(120,455)
Total Non-Operating Revenues (Expenses)	395,161
CHANGE IN NET POSTION	9,740
NET POSITION - JULY 1, 2014, AS RESTATED	10,188,636
NET POSITION - JUNE 30, 2015	\$ 10,198,376

CITY OF NORTON
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
Year Ended June 30, 2015

	PROPRIETARY FUNDS	COMPONENT UNIT
	Water & Sewer Operation	Norton Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,268,394	\$ 516,582
Cash payments to suppliers for goods and services	(1,463,121)	(253,995)
Cash payments to employees for services	(570,062)	-
Net Cash provided by (used in) Operating activities	<u>235,211</u>	<u>262,587</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in customer deposits	1,913	-
Contribution - City of Norton	-	488,017
Increase (decrease) in due to other funds	53,126	-
Net Cash Provided by Non-Capital Financing Activities	<u>55,039</u>	<u>488,017</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction in progress	(1,171,924)	-
Acquisition of capital assets	(34,444)	(3,200)
Proceeds from issuance of debt	549,802	-
Contributed Capital-Grant Revenue	675,555	-
Interconnect expense	(20,971)	-
Principal paid	(158,950)	(458,535)
Interest paid	(175,774)	(29,482)
Net Cash provided by (used in) capital and related financing activities	<u>(336,706)</u>	<u>(491,217)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	-	5,827
Net cash provided by (used in) investing activities	<u>-</u>	<u>5,827</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(46,456)	265,214
Cash and Cash Equivalents at Beginning of Year	<u>183,824</u>	<u>1,944,004</u>
Cash and Cash Equivalents at June 30, 2015		
Unrestricted	\$ 22,714	2,209,218
Restricted	114,654	-
Cash and Cash Equivalents at End of Year	<u>\$ 137,368</u>	<u>\$ 2,209,218</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (385,421)	\$ 38,551
Adjustments		
Depreciation and amortization	591,566	194,954
OPEB	17,375	-
Bad debts	25,491	-
Net pension obligation	(37,694)	-
Changes in assets and liabilities:		
(Increase) decrease in prepaid expense	-	1
(Increase) decrease in accounts receivable	(45,647)	2,257
Increase (decrease) in accounts payable	63,326	26,824
Increase (decrease) in accrued liabilities	3,004	-
Increase (decrease) in compensating absences	3,211	-
Increase (decrease) in deferred rent	-	-
Total adjustments	<u>620,632</u>	<u>224,036</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 235,211</u>	<u>\$ 262,587</u>

**CITY OF NORTON
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	CDBG Revolving Loan Fund	Virginia Public Assistance Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	TOTALS June 30, 2015
<u>ASSETS</u>					
Cash	\$ 308,206	\$ 23,433	\$ 34,352	\$ 2,069	\$ 368,060
Receivables (Net of Any Allowance For Uncollectibles):					
Accounts	-	-	-	-	-
Note receivable	-	-	-	-	-
Due from other governmental units:					
Commonwealth of Virginia	-	102,418	-	-	102,418
TOTAL ASSETS	\$ 308,206	\$ 125,851	\$ 34,352	\$ 2,069	\$ 470,478
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ 15,677	\$ -	\$ -	\$ 15,677
Accrued liabilities	-	27,669	-	-	27,669
Due to other funds	-	138,375	-	-	138,375
Total Liabilities	-	181,721	-	-	181,721
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed					
Economic development	308,206	-	-	-	308,206
Law enforcement	-	-	34,352	-	34,352
Parks and recreation	-	-	-	2,069	2,069
Assigned	-	-	-	-	-
Unassigned	-	(55,870)	-	-	(55,870)
Total Fund Balances	308,206	(55,870)	34,352	2,069	288,757
TOTAL LIABILITIES AND FUND BALANCES	\$ 308,206	\$ 125,851	\$ 34,352	\$ 2,069	\$ 470,478

25

CITY OF NORTON
 AGENCY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Year Ended June 30, 2015

	<u>Special Welfare Fund</u>
Additions	
Client receipts	\$ 10,723
Total additions	<u>10,723</u>
Deductions	
Payments for clients	<u>22,019</u>
Total deductions	<u>22,019</u>
Change in net position	(11,296)
Net position - beginning of year	<u>26,146</u>
Net position - end of year	<u>\$ 14,850</u>

CITY OF NORTON
STATEMENT OF NET POSITION - COMPONENT UNITS
JUNE 30, 2015

	Norton City Schools	Norton Industrial Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 382,211	\$ 2,209,218	\$ 2,591,429
Restricted cash	-	-	-
Receivable, net	45,525	10,330	55,855
Prepaid expense	-	21,070	21,070
Due from primary government	127,096	-	127,096
Due from other governmental units	343,130	-	343,130
Due from other funds	47,887	-	47,887
Net pension asset	132,000	-	132,000
Capital assets, non-depreciable	65,901	786,706	852,607
Capital assets, depreciable, net	<u>11,247,816</u>	<u>4,145,344</u>	<u>15,393,160</u>
 Total Assets	 <u>\$ 12,391,566</u>	 <u>\$ 7,172,668</u>	 <u>\$ 19,564,234</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	<u>\$ 529,276</u>	<u>\$ -</u>	<u>\$ 529,276</u>
LIABILITIES			
Accounts payable and accrued liabilities	65,970	61,809	127,779
Accrued payroll and related liabilities	545,761	-	545,761
Accrued interest payable	158,020	1,242	159,262
Due to other funds	48,369	-	48,369
Compensated absences:			
Due within one year	14,749	-	14,749
Due in more than one year	44,249	-	44,249
Long-term liabilities:			
Net pension liability	6,086,000	-	6,086,000
Due within one year	266,528	355,039	621,567
Due in more than one year	<u>10,976,455</u>	<u>-</u>	<u>10,976,455</u>
 Total Liabilities	 <u>\$ 18,206,101</u>	 <u>\$ 418,090</u>	 <u>\$ 18,624,191</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	<u>\$ 1,078,000</u>	<u>\$ -</u>	<u>\$ 1,078,000</u>
NET POSITION			
Invested in capital assets, net of related debt	600,782	4,577,011	5,177,793
Restricted	-	-	-
Unrestricted (deficit)	<u>(6,964,041)</u>	<u>2,177,567</u>	<u>(4,786,474)</u>
 Total Net Position	 <u>\$ (6,363,259)</u>	 <u>\$ 6,754,578</u>	 <u>\$ 391,319</u>

28

June 30, 2015

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, 2015

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. Its 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, 2015

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 year-end are included in restricted, committed, or assigned fund balance, as appropriate.

June 30, 2015

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 \$326,926 at June 30, 2015, and is composed of the following:

General Fund:

Allowance for uncollectible property taxes	\$129,807	
Allowance for uncollectible garbage fees	<u>21,117</u>	
Total General Fund		150,924

Water and Sewer Fund:

Allowance for uncollectible water and sewer fee billings	<u>176,002</u>	
Total Water and Sewer Fund		<u>176,002</u>

Total Allowance for Uncollectible Accounts		<u>\$ 326,926</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.

K. Pensions

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

June 30, 2015

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

L. 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, 2015 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.

M. Deferred Outflows/Inflows of Resources

The City reports deferred outflows of resources and deferred inflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

M. Deferred Outflows/Inflows of Resources (Continued)

Employer pension contributions made after the net pension liability measurement date of June 30, 2014 and prior to the reporting date of June 30, 2015, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2015. Deferred outflows of resources of \$290,885, \$51,944 and \$529,276 have been reported in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2015, respectively.

Differences between the projected and actual pension earnings as of the actuarial measurement date of June 30, 2014 have been reported as a deferred inflow of resources. Deferred inflows of resources of \$752,250, \$132,750 and \$1,078,000 have been reported in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2015, respectively.

The General Fund reports the deferred loss on debt refunding, net as a deferred outflow of resources presented on the Governmental Activities Statement of Net Position. The deferred loss on refunding results from the net difference in the carrying value of refunded debt and the reacquisition price of the refunding debt. This net difference amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The City has reported a deferred loss on the refunding of debt of \$110,757 as deferred outflow of resources on the Governmental Activities and Statement of Net Position as of June 30, 2015.

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.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

2. **DEPOSITS AND INVESTMENTS (Continued)**

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

	Primary Government	Component Units	
		School	NIDA
Deposits and investments:			
Cash on hand	\$ 950	\$ -	\$ -
Deposits	1,882,249	382,211	435,181
Investments	20,536	-	1,774,037
	<u>\$ 1,903,735</u>	<u>\$ 382,211</u>	<u>\$ 2,209,218</u>
Statement of net position:			
Cash and cash equivalents	\$ 1,370,465	\$ 382,211	\$ 2,209,218
Investments	20,536	-	-
Restricted cash and cash equivalents	512,734	-	-
	<u>\$ 1,903,735</u>	<u>\$ 382,211</u>	<u>\$ 2,209,218</u>

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

3. **INTERFUND OBLIGATIONS**

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	\$ 4,183	\$ 131,279	\$ -	\$ -
Virginia Public Assistance Fund	132,531	-	-	-
Water and Sewer Fund	355,663	-	-	-
Total General Fund	<u>492,377</u>	<u>131,279</u>	<u>-</u>	<u>-</u>
School Operating Fund:				
General Fund	-	-	131,279	4,183
Cafeteria Fund	-	-	29,413	13,863
Health Retirement Fund	-	-	-	3,467
Textbook Fund	-	-	1,144	-
Total School Operating Fund	<u>-</u>	<u>-</u>	<u>161,836</u>	<u>21,513</u>
School Cafeteria Fund:				
School Operating Fund	-	-	13,863	29,413
Total School Cafeteria Fund	<u>-</u>	<u>-</u>	<u>13,863</u>	<u>29,413</u>
School Textbook Fund				
School Textbook Fund	-	-	-	1,144
Total Textbook Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,144</u>
School Health Retirement Fund				
School Health Retirement Fund	-	-	3,467	-
Total Health Retirement Fund	<u>-</u>	<u>-</u>	<u>3,467</u>	<u>-</u>
Virginia Public Assistance Fund:				
General Fund	-	132,531	-	-
Water and Sewer Fund	-	5,844	-	-
Total Virginia Public Assistance	<u>-</u>	<u>138,375</u>	<u>-</u>	<u>-</u>
Water and Sewer Fund:				
Virginia Public Assistance Fund	5,844	-	-	-
General Fund	-	355,663	-	-
Total Water and Sewer Fund	<u>5,844</u>	<u>355,663</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 498,221</u>	<u>\$ 625,317</u>	<u>\$ 179,166</u>	<u>\$ 52,070</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

4. 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.

5. DUE FROM OTHER GOVERNMENTAL UNITS

	Primary Government	Component Unit School Board	Total
Commonwealth of Virginia			
Local sales tax	\$ 140,462	\$ -	\$ 140,462
Shared expenses	23,985	-	23,985
Communication tax	17,737	-	17,737
E-911 tax	3,502	-	3,502
VDOT	176,158	-	176,158
DMME	614,816	-	614,816
Other	8,868	-	8,868
School funds	-	318,456	318,456
Welfare funds	102,418	-	102,418
Total Commonwealth of Virginia	1,087,946	318,456	1,406,402
Wise County			
RLA Grant	-	24,674	24,674
Coal haul road tax	9,602	-	9,602
Court fines	6,789	-	6,789
Total Wise County	16,391	24,674	41,065
Norton Industrial Development Authority	29,697	-	29,697
Total due from other governmental units	\$ 1,134,034	\$ 343,130	\$ 1,477,164

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

6. **FUND BALANCE - GOVERNMENTAL FUNDS**

As of June 30, 2015, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:	\$ —	\$ —	\$ —
Restricted:	—	—	—
Committed:			
Law Enforcement	—	34,352	34,352
Parks and Recreation	—	2,069	2,069
Planning & Development	—	308,206	308,206
Assigned:			
Law Enforcement	103,370	—	103,370
Fire Department	2,819	—	2,819
Emergency Management	8,846	—	8,846
Public Works-Streets	213,711	—	213,711
General Administration	3,575	—	3,575
Parks and Recreation	5,000	—	5,000
Assessor	35,572	—	35,572
Unassigned	1,210,736	(55,870)	1,154,866
Total fund balances	\$1,583,629	\$ 288,757	\$ 1,872,386

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.

7. **CHANGES IN CAPITAL ASSETS**

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

PRIMARY GOVERNMENT	7/1/2014	Additions	Deletions	6/30/2015
Buildings	1,964,951	-	-	1,964,951
Improvements other than buildings	1,813,860	29,090	-	1,842,950
Infrastructure	10,021,741	-	-	10,021,741
Equipment	3,960,597	30,088	36,510	3,954,175
Equipment special revenue	117,258	-	-	117,258
Total Capital Assets, Depreciable	17,878,407	59,178	36,510	17,901,075
Less Accumulated Depreciation For:				
Buildings	1,394,571	27,393	-	1,421,964
Improvements other than buildings	1,191,506	41,283	-	1,232,789
Infrastructure	7,900,995	164,702	-	8,065,697
Equipment	2,862,370	217,348	33,099	3,046,619
Equipment special revenue	99,641	2,436	-	102,077
Total accumulated depreciation	13,449,083	453,162	33,099	13,869,146
Total Capital Assets, depreciable net	\$ 4,429,324	\$ (393,984)	\$ 3,411	\$ 4,031,929

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

7. CHANGES IN CAPITAL ASSETS (Continued)

	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
PRIMARY GOVERNMENT				
Component Unit-School Board				
Building	\$ 11,302,811	\$ 67,360	\$ -	\$ 11,370,171
Improvements other than building	3,826,863	51,925	-	3,878,788
Equipment	667,030	191,526	-	858,556
Total Capital Assets, depreciable	15,796,704	310,811	-	16,107,515
Less Accumulated Depreciation For:				
Building	3,354,127	212,775	-	3,566,902
Improvements other than building	508,558	185,942	-	694,500
Equipment	554,331	43,966	-	598,297
Total Accumulated Depreciation	4,417,016	442,683	-	4,859,699
Total Capital Assets, Depreciable, Net	\$ 11,379,688	\$ (131,872)	\$ -	\$ 11,247,816
Component Unit - NIDA				
Building	\$ 6,841,730	\$ -	\$ -	\$ 6,841,730
Equipment	406,353	-	-	406,353
Less Accumulated Depreciation	(2,913,005)	(189,734)	-	(3,102,739)
Total Capital Assets, Depreciable, Net	\$ 4,335,078	\$ (189,734)	\$ -	\$ 4,145,344
Business Type Activities				
Building	\$ 256,454	\$ -	\$ -	\$ 256,454
Improvements other than building	21,567,388	-	-	21,567,388
Equipment	1,275,872	34,444	-	1,310,316
Total Capital Assets, depreciable	23,099,714	34,444	-	23,134,158
Less Accumulated Depreciation For:				
Building	249,706	320	-	250,026
Improvements other than building	5,405,554	523,193	-	5,928,747
Equipment	836,640	68,054	-	904,694
Total Accumulated Depreciation	6,491,900	591,567	-	7,083,467
Total Capital Assets, Depreciable, Net	\$ 16,607,814	\$ (557,123)	\$ -	\$ 16,050,691

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

<u>Primary Government</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Land	\$ 897,280	\$ -	\$ -	\$ 897,280
Construction in Progress	1,699,894	2,806,787	-	4,506,681
Total Capital Assets, non-depreciable	\$ 2,597,174	\$ 2,806,787	\$ -	\$ 5,403,961

<u>Component Unit – School Board</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Land	\$ 65,901	\$ -	\$ -	\$ 65,901
Construction in Progress	-	-	-	-
Total Capital Assets, non-depreciable	\$ 65,901	\$ -	\$ -	\$ 65,901

<u>Component Unit - NIDA</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Land	\$ 783,506	\$ 3,200	\$ -	\$ 786,706
Total Capital Assets, non-depreciable	\$ 783,506	\$ 3,200	\$ -	\$ 786,706

<u>Business Type Activities</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Land	\$ 588,600	\$ -	\$ -	\$ 588,600
Construction in Progress	1,317,759	988,109	-	2,305,869
Total Capital Assets, non-depreciable	\$ 1,606,359	\$ 988,109	\$ -	\$ 2,894,469

8. **LONG-TERM DEBT**

Governmental Activities
General Obligation Bonds

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 92,900	\$ 38,814
2017	98,400	35,320
2018	105,000	30,442
2019	108,500	27,539
2020	111,700	24,544
2021-2025	585,200	76,430
2026-2027	261,300	7,138
Totals	\$ 1,363,000	\$ 240,227

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

8. LONG-TERM DEBT (Continued)

Year Ending June 30,	BUSINESS TYPE ACTIVITIES GENERAL OBLIGATION BONDS							
	Sewer Facilities Bond		Water Facilities Bond		Sewer Facilities Bond		Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,571	\$ 7,149	\$ 36,127	\$ 52,648	\$ 22,700	\$ 28,204	6,221	\$ 7,187
2017	2,679	7,041	37,041	51,735	23,216	27,688	6,378	7,030
2018	2,792	6,928	37,978	50,798	23,743	27,161	6,540	6,869
2019	2,909	6,811	38,938	49,838	24,283	26,621	6,705	6,703
2020	3,032	6,688	39,923	48,853	24,835	26,069	6,875	6,534
2021-2025	17,180	31,420	215,277	228,600	132,907	121,614	37,070	29,970
2026-2030	21,107	27,492	243,909	199,968	148,715	105,805	42,001	25,039
2031-2035	25,935	22,665	276,350	167,528	166,406	88,114	47,587	19,454
2036-2040	31,863	16,737	313,105	130,774	186,200	68,319	53,915	13,126
2041-2045	39,147	9,453	354,749	89,130	208,350	46,170	61,087	5,954
2046-2050	25,261	1,505	401,930	41,949	233,133	21,387	13,157	249
2051-2055	-	-	85,844	2,190	69,343	1,152	-	-
Total	<u>\$ 174,476</u>	<u>\$ 143,889</u>	<u>\$ 2,081,171</u>	<u>\$ 1,114,011</u>	<u>\$ 1,263,831</u>	<u>\$ 588,304</u>	<u>\$ 287,536</u>	<u>\$ 128,115</u>

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
2016	\$ 75,719	\$ -	\$ 60,000	\$ 69,298	\$ 16,890	\$ 23,093	\$ 13,198	\$ 17,410
2017	75,719	-	65,000	67,393	17,414	22,579	13,597	17,011
2018	75,719	-	70,000	65,034	17,943	22,049	14,008	16,600
2019	75,719	-	70,000	61,771	18,489	21,503	14,431	16,176
2020	75,719	-	75,000	58,380	19,052	20,941	14,867	15,740
2021-2025	378,595	-	420,000	240,251	104,310	95,653	81,356	71,683
2026-2030	378,588	-	365,000	143,403	121,169	78,793	91,417	58,621
2031-2035	-	-	175,000	90,580	140,752	59,212	109,574	43,462
2036-2040	-	-	215,000	47,990	163,499	36,462	127,166	25,872
2041-2045	-	-	95,000	4,403	149,641	10,341	103,926	6,150
2046-2050	-	-	-	-	-	-	-	-
2051-2055	-	-	-	-	-	-	-	-
Total	<u>\$ 1,135,778</u>	<u>\$ -</u>	<u>\$ 1,610,000</u>	<u>\$ 848,503</u>	<u>\$ 769,159</u>	<u>\$ 390,626</u>	<u>\$ 583,540</u>	<u>\$ 288,725</u>

	Balance 7/1/2014 *	Additions/ Proceeds	Payments/ Reductions	Balance 6/30/2015
Business-Type Activities				
General obligation bonds	\$ 7,514,639	\$ 549,802	\$ (158,950)	\$ 7,905,491
Deferred gain of refunding	47,408	-	(47,408)	-
Premium on bonds	242,302	-	(8,655)	233,647
Net Pension Liability	292,917	202,962	(378,729)	117,150
OPEB	86,830	17,375	-	104,205
Accrued Vacation	26,888	31,190	(27,979)	30,099
Total	<u>\$ 8,210,984</u>	<u>\$ 801,329</u>	<u>\$ (621,721)</u>	<u>\$ 8,390,592</u>
Governmental Activities				
General obligation bonds	\$ 1,285,000	\$ 1,208,000	\$ (1,130,000)	\$ 1,363,000
Capital lease	110,962	-	(52,821)	58,141
Premium on bonds	44,142	-	(44,142)	-
Net Pension Liability	1,659,864	1,150,119	(2,146,133)	663,850
OPEB	419,687	91,216	-	510,903
Accrued vacation	176,957	113,252	(99,993)	190,216
Total	<u>\$ 3,696,612</u>	<u>\$ 2,562,587</u>	<u>\$ (3,473,089)</u>	<u>\$ 2,786,110</u>

*as restated for the adoption of GASB Statement Nos. 68 and 71 in fiscal year 2015.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

8. **LONG-TERM DEBT (Continued)**Changes in Other Long-Term Debt:

	Amount	
	Government	Propriety
	<u>Activities</u>	<u>Fund Types</u>
<u>Details of Long-Term Indebtedness:</u>		
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. This loan was partially refunded in 2014. The remaining amount not refunded will be paid in full in February 2017.	\$ 155,000	-
\$1,208,000 General Obligation Bond, Series 2014, with interest of 2.72% over the life of the bond. The total bond issue was for \$1,174,988 which included bond issue costs of \$33,012. Repayment of the principal is scheduled to begin on January 15, 2015 and continue annually until paid in full. Interest is scheduled to be paid semi-annually on January 1 and July 1 beginning with the first principal payment. The final installment of unpaid principal and interest shall be due and payable in 12 years on July 15, 2026	1,208,000	-
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.	-	1,135,778
\$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 7 th 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.	-	174,476
\$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.	-	2,081,171
\$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.	-	1,263,831

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

8. **LONG-TERM DEBT (Continued)**

Enterprise Funds (continued):

	Amount Outstanding	
	<u>Government Activities</u>	<u>Propriety Fund Types</u>
General Obligation Bonds:		
\$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.	-	583,540
\$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 \$769,159 at June 30, 2015. 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.	-	769,159
\$483,695 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 2.5 percent. The amount of principle advances on the bond total \$287,536 at June 30, 2015. Repayment of the principle is scheduled in 30 equal semi-annual installments of \$11,267 payable on February 1 and August 1, beginning 2016. Final payment is due in 2046.	-	287,536
Total Long-Term Debt	<u>\$ 1,363,000</u>	<u>\$ 7,905,491</u>

Advance Refundings

On October 14, 2014, the City issued \$1,208,000 General Obligation Refunding Bond, Series 2014 to (a) advance refund the callable outstanding principal, maturing on February 1 in the years 2018 through 2027, of the City's General Obligation Public Improvement Bond, Series 2007, originally purchased by the Industrial Development Authority of the County of Stafford and the City of Staunton on behalf of the Virginia Municipal League/Virginia Association of Counties Finance Program (VML/VACo) and (b) pay the costs associated with the 2014 Bond.

In addition, the City defeased a portion of the old general obligation bond by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the fund's financial statements.

At June 30, 2015, the following defeased bonds from advance refunding are still outstanding:

General Fund-General Obligation

<u>Defeased On</u>	<u>Original Issue</u>	<u>Amount</u>	<u>Redemption Date</u>
10-14-2014	02-08-2007	\$1,055,000	02-01-2017

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

8. **LONG-TERM DEBT (Continued)**

The following is a summary of other long-term debt transactions of the City of Norton for the year ended June 30, 2015:

	Compensated Absences	
	Governmental	Propriety
	Fund Types	Fund Types
Payable at June 30, 2014	\$ 176,957	\$ 26,888
Additions	113,252	31,190
Reductions	(99,993)	(27,979)
Payable at June 30, 2015	<u>\$ 190,216</u>	<u>\$ 30,099</u>

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
2016	\$ 60,000	\$ 1,530	\$ 39,395	\$ 1,005	\$ 70,000	\$ 337,472
2017	-	-	-	-	495,000	323,205
2018	-	-	-	-	515,000	297,704
2019	-	-	-	-	540,000	273,765
2020	-	-	-	-	560,000	251,490
2021-2025	-	-	-	-	3,230,000	852,163
2026-2030	-	-	-	-	3,135,000	342,235
2031-2035	-	-	-	-	785,000	23,713
Totals	<u>\$ 60,000</u>	<u>\$ 1,530</u>	<u>\$ 39,395</u>	<u>\$ 1,005</u>	<u>\$ 9,330,000</u>	<u>\$ 2,701,747</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, 2015:

	General Obligation Bonds	Premium on Bonds	VPSA Payable	Totals
Bonds/loans payable at June 30, 2014	\$ 9,450,000	\$ 821,677	\$ 77,611	\$ 10,349,288
Issuances	-	-	-	-
Retirements	(60,000)	(49,069)	(38,216)	(147,285)
Bonds/loans payable at June 30, 2015	<u>\$ 9,390,000</u>	<u>\$ 772,608</u>	<u>\$ 39,395</u>	<u>\$ 10,202,003</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, 2015:

	Compensated Absences Component Unit- School Board	OPEB Component Unit- School Board
Payable at June 30, 2014	\$ 58,071	\$ 551,196
Additions	927	-
Reductions	-	(21,148)
Payable at June 30, 2015	<u>\$ 58,998</u>	<u>\$ 530,048</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

8. 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 , 2015 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>60,000</u>
Total General Obligation Bonds	<u>9,390,000</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%	<u>39,395</u>
TOTAL GENERAL LONG-TERM BONDS/LOANS	<u>\$ 9,429,395</u>

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	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	<u>355,059</u>	<u>12,000</u>	<u>355,059</u>	<u>12,000</u>
Totals	<u>\$ 355,059</u>	<u>\$ 12,000</u>	<u>\$ 355,059</u>	<u>\$ 12,000</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

8. **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, 2015:

	Powell Valley National Bank	Totals
Mortgage loans payable at June 30, 2014	\$ 813,574	\$ 813,574
Borrowings	-	-
Retirements	(458,535)	(458,535)
Mortgage loans payable at June 30, 2015	<u>\$ 355,039</u>	<u>\$ 355,039</u>

Details of Long-Term Indebtedness:

Principal Balance
at June 30, 2015

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, 2015

355,039
\$ 355,039

9. **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, 2015, the City had outstanding accrued vacation, sick and personal leave of \$176,698 in the Governmental Activities and outstanding accrued vacation leave of \$27,960 in the Water and Sewer Fund. The City had outstanding accrued payroll taxes of \$13,518 in the Governmental Activities and \$2,139 in the Water and Sewer Fund related to the accrued leave.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

9. **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, 2015, the School Board had outstanding accrued vacation, sick and personal leave of \$54,805 and \$4,193 of accrued payroll taxes related to the accrued leave.

10. **DEFERRED REVENUE**

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$1,133,256 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,133,256 at June 30, 2015.

11. **PENSION PLAN-AGENT MULTIPLE-EMPLOYER**

Plan Description

The City and School Board Non-Professional Group contribute to an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System (VRS). All full-time, salaried permanent employees of the City are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended.

Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. Pension Plan-Agent Multiple-Employer (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 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 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 Plan 1 and 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. *Pension Plan-Agent Multiple-Employer (Continued)*

<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 Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>benefits for hazardous duty employees</p> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>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 Plan 1.</p>	<p>Creditable Service Defined Benefit Component: 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 count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

June 30, 2015

11. *Pension Plan-Agent Multiple-Employer (Continued)*

		<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 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. Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as 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 months) of creditable service. Plan 1 or 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. <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. Members are always 100% vested in the contributions that they make. 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. <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>

June 30, 2015

11. Pension Plan-Agent Multiple-Employer (Continued)

		Distribution is not required by law until age 70½.
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. 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.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit Defined Benefit Component: See definition under Plan 1 Defined Contribution Component: 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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85% Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.
Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. Pension Plan-Agent Multiple-Employer (Continued)

Political subdivisions hazardous duty employees: Age 60.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced	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%. <u>Eligibility:</u> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

June 30, 2015

11. *Pension Plan-Agent Multiple-Employer (Continued)*

<p>benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar 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 Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<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>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable</p>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. Pension Plan-Agent Multiple-Employer (Continued)

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

The remainder of this page left blank intentionally

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. **PENSION PLAN-AGENT MULTIPLE-EMPLOYER (Continued)**

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>General Government</u>	<u>School Board Non-Professional Group</u>
Inactive members or their beneficiaries currently receiving benefits	52	29
Inactive members:		
Vested inactive members	8	6
Non-vested inactive members	27	5
Inactive members active elsewhere in VRS	33	10
Total inactive members	68	21
Active members	86	13
Total covered employees	206	63

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

The City's contractually required contribution rate for the year ended June 30, 2015 was 10.70 % for the general governmental and business-type covered employee compensation and 6.91% for the school board non-professional group. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the general government were \$ 346,292 and \$465,166 for the years ended June 30, 2015 and June 30, 2014, respectively and for the school board \$18,142 and \$15,506 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

June 30, 2015

11. *PENSION PLAN-AGENT MULTIPLE-EMPLOYER (Continued)**Actuarial Assumptions – General Employees*

The total pension liability for Governmental and Business-Type Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. *PENSION PLAN-AGENT MULTIPLE-EMPLOYER (Continued)*

Actuarial Assumptions – General Employees

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation 2.5 percent

Salary increases, including
inflation 3.5 percent – 4.75 percent

Investment rate of return 7.0 percent, net of pension plan investment
expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. *PENSION PLAN-AGENT MULTIPLE-EMPLOYER (Continued)*

Actuarial Assumptions – Public Safety Employees (continued)

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

The remainder of this page left blank intentionally

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. *PENSION PLAN-AGENT MULTIPLE-EMPLOYER (Continued)*

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
* Expected arithmetic nominal return			<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. **PENSION PLAN-AGENT MULTIPLE-EMPLOYER (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the City's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Governmental & Business Type Activities			
Balance at June 30, 2013	\$ 14,567,698	\$ 12,614,917	\$ 1,952,781
Changes for the year:			
Service Cost	344,218	-	344,218
Interest	998,021	-	998,021
Differences between expected and actual experience	-	-	-
Contributions - employer	-	381,975	(381,975)
Contributions - employee	-	156,164	(156,164)
Net investment income	-	1,986,618	(1,986,618)
Benefit payments, including refunds of employee contributions	(620,524)	(620,524)	-
Administrative expenses	-	(10,842)	10,842
Other changes	-	105	(105)
Net changes	721,715	1,893,496	(1,171,781)
Balance at June 30, 2014	\$ 15,289,413	\$ 14,508,413	\$ 781,000

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. *PENSION PLAN-AGENT MULTIPLE-EMPLOYER (Continued)**Changes in Net Pension Liability (Continued)*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
School Board Non-Professional Group			
Balance at June 30, 2013	\$ 1,822,925	\$ 1,805,772	\$ 17,153
Changes for the year:			
Service Cost	25,638	-	25,638
Interest	123,727	-	123,727
Differences between expected and actual experience	-	-	-
Contributions - employer	-	9,616	(9,616)
Contributions - employee	-	12,521	(12,521)
Net investment income	-	278,238	(278,238)
Benefit payments, including refunds of employee contributions	(110,787)	(110,787)	-
Administrative expenses	-	(1,872)	1,872
Other changes	-	15	(15)
Net changes	38,578	187,731	(149,153)
Balance at June 30, 2014	\$ 1,861,503	\$ 1,993,503	\$ (132,000)

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

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	(6.00%)	Rate (7.00%)	(8.00%)
Governmental & Business-Type			
Net Pension Liability	\$ 2,863,173	\$ 780,827	\$ (941,950)
School Board Non-Professional Group			
Net Pension Liability	\$ 64,761	\$ (132,311)	\$ (299,188)

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. PENSION PLAN-AGENT MULTIPLE-EMPLOYER (Continued)

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

For the year ended June 30, 2015, the City's general government recognized pension expense of \$95,483. At June 30, 2015, the City's general government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 885,000
Employer contributions subsequent to the measurement date	346,292	
Total	<u>\$ 346,292</u>	<u>\$ 885,000</u>

\$346,292 reported as deferred outflows of resources related to pensions resulting from the City's general government contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2016	\$ (221,365)
2017	(221,365)
2018	(221,365)
2019	(220,905)
Thereafter	0
	<u>\$ (885,000)</u>

The remainder of this page left blank intentionally

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. **PENSION PLAN-AGENT MULTIPLE-EMPLOYER (Continued)**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions(continued)

For the year ended June 30, 2015, the School Board's Non-Professional group recognized pension expense of \$(15,855). At June 30, 2015, the School Board's Non-Professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 124,000
Employer contributions subsequent to the measurement date	18,142	
Total	<u>\$ 18,142</u>	<u>\$ 124,000</u>

\$18,142 reported as deferred outflows of resources related to pensions resulting from the School Board's non-professional group contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2016	\$ (30,998)
2017	(30,998)
2018	(30,998)
2019	(31,006)
Thereafter	0
	<u>\$ (124,000)</u>

12. **PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER**

Plan Description

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (CONTINUED)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<p>About Plan 1 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 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 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 Plan 1 and 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 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 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"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 20, 2014: the plan's effective date for opt-in member was July 1, 2014

NOTES TO FINANCIAL STATEMENTS**June 30, 2015****12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (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>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>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</p>	<p>Creditable Service Same as 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</p>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (CONTINUED)

<p>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 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><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 service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <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 months) of creditable service. Plan 1 or 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</p>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (CONTINUED)

		<p>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>
<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 Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1</p> <p>Defined Contribution Component: 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 Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier is 1.00%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for</p>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (CONTINUED)

		<p>service credited in those plans.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p>	<p>Normal Retirement Age Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: 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>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: 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 VRS: 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 VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Age 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>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>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p>

NOTES TO FINANCIAL STATEMENTS**June 30, 2015****12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (CONTINUED)**

<p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar 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>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
--	--	--

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (CONTINUED)

Disability Coverage N/A	Disability Coverage N/A	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. Hybrid members (including Plan 1 and 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.
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 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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service a approximate normal cost./After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (CONTINUED)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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. Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.5% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.2%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contribution to the pension plan from the school division were \$511,134 and \$429,415 for the years ended June 30, 2015, and June 30, 2014 respectively.

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

At June 30, 2015 the school division reported a liability of \$6,086,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014 the school division's proportion was .05036% as compared to .05081% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$470,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

The remainder of this page left blank intentionally

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (CONTINUED)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 903,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions		\$ 51,000
Employer contributions subsequent to the measurement date	\$ 511,134	\$ -
Total	\$ 511,134	\$ 954,000

\$511,134 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2016	(237,000)
2017	(237,000)
2018	(237,000)
2019	(237,000)
Thereafter	(6,000)
	<u>\$ (954,000)</u>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (CONTINUED)

Actuarial Assumptions – Teachers

The total pension liability for the VRS Teacher Retirement Plan Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.95 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 Years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
* Expected arithmetic nominal return			<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School Division's Proportionate Share Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school divisions's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1.00 % Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>1.00% Increase</u> <u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability	<u>\$ 8,936,000</u>	<u>\$ 6,086,000</u>	<u>\$ 3,739,000</u>

Pension Plan Fiduciary Net Position

Detailed information about VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2015, the School Division reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

13. OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Retirement 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, 2015, the City's annual OPEB costs of \$91,216 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	419,687	86,830	551,197
Net OPEB obligation-end of year	<u>\$ 510,903</u>	<u>\$ 104,205</u>	<u>\$ 530,048</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, 2015

13. 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
6/30/2015	\$ 91,216	0%	\$ 510,903
6/30/2014	91,216	0%	419,687
6/30/2013	91,216	0%	328,471

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
6/30/2015	\$ 17,375	0%	\$ 104,205
6/30/2014	17,375	0%	86,830
6/30/2013	17,375	0%	69,455

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
6/30/2015	\$ (3,775)	0%	\$ 530,048
6/30/2014	(3,775)	0%	551,196
6/30/2013	124,508	0%	572,345

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

13. *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.

Schedule of Funding Progress
Governmental Activities

Fiscal Year Ending	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2015	\$ 756,496	-	\$ 756,496	0%	\$ 2,923,487	25.88%
6/30/2014	756,496	-	756,496	0%	2,923,487	25.88%
6/30/2013	756,496	-	756,496	0%	2,923,487	25.88%

Schedule of Funding Progress
Business-Type Activities

Fiscal Year Ending	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2015	\$ 144,095	-	\$ 144,095	0%	\$ 556,855	25.88%
6/30/2014	144,095	-	144,095	0%	556,855	25.88%
6/30/2013	144,095	-	144,095	0%	556,855	25.88%

Schedule of Funding Progress
School Board

Fiscal Year Ending	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2015	\$ 641,746	105,763	\$ 535,983	16.48%	\$ 164,464	325.90%
6/30/2014	641,746	105,763	535,983	16.48%	164,464	325.90%
6/30/2013	1,825,884	188,072	1,637,812	10.30%	2,831,769	57.84%

June 30, 2015

13. **OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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 post-employment 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 2015, the City had not designated any funding for the OPEB liability.

14. **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.

15. **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, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

16. 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.

17. LEASE OBLIGATION

The City of Norton has one capital lease outstanding at June 30, 2015.

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, 2016	\$ 28,702
June 30, 2017	29,439
Total	<u>\$ 58,141</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

17. LEASE OBLIGATION (Continued)

The City of Norton School Division has two capital leases outstanding at June 30, 2015.

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, 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>22,683</u>
Total	<u>\$451,708</u>

The School Board entered into an equipment lease, in the amount of \$70,291, for a school bus. The lease was entered into on December 8, 2014 and extends to December 8, 2017. The lease calls for monthly payments in the amount of \$2,091 with the first payment beginning on January 8, 2015.

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

June 30, 2016	\$ 22,895
June 30, 2017	23,946
June 30, 2018	<u>12,383</u>
Total	<u>\$ 59,224</u>

18. 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, 2015, 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	\$ -	\$ -	\$ 328,746
General Fund for Other Purposes	<u>-</u>	<u>-</u>	<u>44,147</u>
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 372,893</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

18. *ENCUMBRANCES OUTSTANDING (Continued)*

COMPONENT UNIT-SCHOOL BOARD

	Encumbrances Included In:		
	Restricted	Committed	Assigned
	Fund Balance	Fund Balance	Fund Balance
School Fund for Capital Assets	\$ 37,131	\$ -	\$ -
School Fund for Other Purposes	-	-	-
Total Encumbrances	<u>\$ 37,131</u>	<u>\$ -</u>	<u>\$ -</u>

19. *NEW ACCOUNTING PRONOUNCEMENTS*

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pension by State and Local Government Employers*, as well as the requirements of Statement No. 50, *Pension disclosures*. GASB No. 68 requires employers to recognize a net pension liability (Asset) on the statement of net position for the net funded status of pension plans as employees earn their pension benefits and recognize annual pension cost under an “earning” approach rather than a “funding” approach. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Statement No.69 “Government Combinations and Disposals of Government Operations”: The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2013.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment to GASB No. 68*. The objective of this Statement is to resolve an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. It also eliminates a potential source of understatement of restated beginning net position and expense in a government’s first year of implementing GASB 68. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

20. RESTATEMENT OF NET POSITION

The City implemented the financial reporting provisions of the Statements described in Note 18 for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures relating to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	General Government	Water & Sewer	School Board
Net Position as reported at June 30, 2014	\$ 6,983,809	\$ 10,424,286	\$ 77,009
Implementation of GASB 68	<u>(1,335,350)</u>	<u>(235,650)</u>	<u>(6,578,000)</u>
Net Position as restated at June 30, 2014	<u>\$ 5,648,459</u>	<u>\$ 10,188,636</u>	<u>\$ (6,500,991)</u>

21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2015, the date which the financial statements were available to be issued.

22. FUTURE ACCOUNTING PRONOUNCEMENTS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. The City has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The City will adopt this Statement for fiscal year ending June 30, 2016.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and amendments to certain provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The City has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The City will adopt this Statement for fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The City has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The City will adopt this Statement for fiscal year ending June 30, 2017.

June 30, 2015

22. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The City has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The City will adopt this Statement for fiscal year ending June 30, 2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The City will adopt this Statement for fiscal year ending June 30, 2016.

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue From Local Sources:				
General Property Taxes:				
Real property taxes	\$ 1,757,745	\$ 1,757,745	\$ 1,699,401	\$ (58,344)
Real and personal public service corporation property taxes	206,700	206,700	209,011	2,311
Personal property taxes	528,600	528,600	555,523	26,923
Machinery and tools taxes	95,700	95,700	137,941	42,241
Penalties and interest	35,000	35,000	77,958	42,958
Total General Property Taxes	2,623,745	2,623,745	2,679,834	56,089
Other Local Taxes:				
Local sales and use taxes	1,625,000	1,625,000	1,613,223	(11,777)
Utility taxes	125,000	125,000	131,322	6,322
Business license taxes	843,000	843,000	812,125	(30,875)
Communication taxes	220,000	220,000	211,659	(8,341)
Motor vehicle licenses	60,000	60,000	71,174	11,174
Bank stock taxes	85,000	85,000	61,913	(23,087)
Recordation taxes	30,000	30,000	22,158	(7,842)
Tobacco taxes	200	200	110	(90)
Hotel and motel room taxes	195,000	195,000	206,815	11,815
Restaurant food taxes	1,300,000	1,300,000	1,360,014	60,014
Coal road improvement taxes	60,000	60,000	56,308	(3,692)
Franchise licenses tax	-	-	-	-
Cigarette tax	105,000	105,000	88,640	(16,360)
Total Other Local Taxes	4,648,200	4,648,200	4,635,461	(12,739)
Permits, Privilege Fees And Regulatory Licenses:				
Animal licenses	1,000	1,000	645	(355)
Permits and other licenses	6,760	6,760	10,488	3,728
Total Permits, Privilege Fees and Regulatory Licenses	7,760	7,760	11,133	3,373
Fines and Forfeitures	41,000	41,000	26,425	(14,575)
Revenue From Use Of Money And Property:				
Revenue from use of money	5,000	5,000	4,462	(538)
Revenue from use of property	18,500	18,500	22,203	3,703
Total Revenue From Use of Money and Property	23,500	23,500	26,665	3,165
Charges For Services:				
Court cost	1,000	1,000	307	(693)
Sheriff's fees	1,000	1,000	781	(219)
Charges for sanitation and waste removal	422,000	422,000	417,474	(4,526)
Charges for parks and recreation	22,000	25,705	10,496	(15,209)
NFD revenue recovery	-	-	28,482	28,482
Total Charges for Services	446,000	449,705	457,540	7,835
Miscellaneous Revenue:				
Miscellaneous	71,150	73,450	75,415	1,965
Total Miscellaneous	71,150	73,450	75,415	1,965
Recovered Costs:				
Recovered Cost - School Board	10,000	10,000	6,756	(3,244)
Cost allocation plan - Water and Sewer Fund	13,950	13,950	13,950	-
Total Recovered Costs	23,950	23,950	20,706	(3,244)
Total Revenue From Local Sources	7,885,305	7,891,310	7,933,179	41,869

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Motor vehicle carriers' taxes	\$ 35,000	\$ 35,000	\$ 50,398	\$ 15,398
Litter grant	-	-	6,357	6,357
Mobile home titling taxes	5,000	5,000	5,191	191
Reduction of state aid	-	(15,119)	(15,119)	-
Rolling stock taxes	25,000	25,000	23,298	(1,702)
Total Non-Categorical Aid	65,000	49,881	70,125	20,244
Categorical Aid:				
Shared Expenses:				
Sheriff	144,145	144,145	144,313	168
Commissioner of the Revenue	63,585	63,585	64,026	441
Treasurer	63,566	63,566	63,684	118
Registrar/electoral board	30,000	30,000	29,911	(89)
Total Shared Expenses	301,296	301,296	301,934	638
Other Categorical Aid:				
Law enforcement grant	220,667	220,667	218,978	(1,689)
Emergency medical services	3,000	3,000	2,749	(251)
DMV Grant	15,000	15,000	13,940	(1,060)
Street and highway maintenance	785,000	785,000	809,297	24,297
Financial assistance to the arts	4,500	4,500	5,000	500
DMME highwall project	-	1,812,560	1,933,845	121,285
Department of game/inland fisheries	-	10,000	10,000	-
E-911 funding	35,000	35,000	43,241	8,241
Safe routes to school	-	894,624	768,303	(126,321)
Emergency management	7,500	7,500	-	(7,500)
Drug task force	17,000	17,000	18,091	1,091
Fire funds	20,000	20,000	30,382	10,382
Total Other Categorical Aid	1,107,667	3,824,851	3,853,826	28,975
Total Revenue From the Commonwealth	1,473,963	4,176,028	4,225,885	49,857
Revenue From The Federal Government:				
Payment in lieu of property taxes	30,000	30,000	23,274	(6,726)
Storm water	-	-	3,382	3,382
Department of Transportation	-	-	-	-
Emergency response and recovery	-	-	-	-
Homeland security	-	-	-	-
USDA Community facilities grant	-	-	-	-
Total Revenue From The Federal Government	30,000	30,000	26,656	(3,344)
Other financing sources				
Insurance recoveries	12,000	29,287	18,379	(10,908)
Loan proceeds	-	1,308,000	1,208,000	(100,000)
Sale of Real Property	-	-	-	-
Sale of Surplus	5,000	5,000	637	(4,363)
Total other financing sources	17,000	1,342,287	1,227,016	(115,271)
TOTAL GENERAL FUND	9,406,268	13,439,625	13,412,736	(26,889)
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Revenue From Local Sources:				
Revenue From Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 100	\$ 100
Total Revenue From Local Sources	-	-	100	100
Revenue From The Commonwealth:				
Categorical Aid:				
Welfare:				
Aid to dependent children	1,735	1,735	49,295	47,560
Foster care	49,415	49,415	4,421	(44,994)

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General administration for financial assistance	\$ 205,592	\$ 205,592	\$ 144,305	\$ (61,287)
Supplemental income assistance for the aged, blind and disabled	32,315	32,315	32,069	(246)
Employment services	3,860	3,860	4,854	994
Day care	-	-	(353)	(353)
Other purchased services	4,541	4,541	-	(4,541)
Direct social services	89,838	89,838	66,859	(22,979)
General relief	-	-	4,641	4,641
Total Categorical Aid	387,296	387,296	306,091	(81,205)
 Total Revenue From the Commonwealth	 387,296	 387,296	 306,091	 (81,205)
Revenue From The Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	765	765	54,152	53,387
Foster care	46,882	46,882	4,041	(42,841)
General administration for financial assistance	297,960	297,960	450,475	152,515
Supplemental income assistance for the aged, blind and disabled	-	-	-	-
Employment services	5,595	5,595	7,431	1,836
Day Care	-	-	(353)	(353)
Other purchased services	27,976	27,976	-	(27,976)
Direct social services	47,903	47,903	-	(47,903)
Total Revenue From the Federal Government	427,081	427,081	515,746	88,665
 Other financing sources				
Transfers from general fund	293,865	293,865	293,865	-
Total other financing sources	293,865	293,865	293,865	-
 Total Virginia Public Assistance Fund	 1,108,242	 1,108,242	 1,115,802	 7,560
Drug and Gambling Investigative Funds:				
Revenue From Local Sources:				
Restitution to law enforcement	-	-	21,918	21,918
Total Revenue From Local Sources	-	-	21,918	21,918
 Total Revenue Drug and Gambling Investigative Fund	 -	 -	 21,918	 21,918
 Revolving Loan Fund:				
Revenue From Local Sources:				
Revenue from use of money and property	-	-	1,078	1,078
Total Revenue From Local Sources	-	-	1,078	1,078
 Total Revolving Loan Fund	 -	 -	 1,078	 1,078
 TOTAL SPECIAL REVENUE FUNDS	 1,108,242	 1,108,242	 1,138,798	 30,556
 GRAND TOTAL - REVENUES - GOVERNMENTAL FUNDS	 \$ 10,514,510	 \$ 14,547,867	 \$ 14,551,534	 \$ 3,667

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
City Council	\$ 42,963	\$ 42,963	\$ 40,527	\$ 2,436
General and Financial Administration:				
City Manager	137,900	137,900	139,241	(1,341)
Office personnel	100,800	100,800	99,672	1,128
Legal and professional	55,000	55,000	92,223	(37,223)
Independent Auditor	25,000	25,000	24,075	925
Commissioner of the Revenue	143,900	143,900	147,513	(3,613)
Assessor	35,000	35,000	6,540	28,460
Treasurer	154,800	154,800	151,717	3,083
Director of Finance	149,250	149,250	146,199	3,051
Data Processing	74,500	74,500	73,110	1,390
Automotive/motor pool	167,500	167,500	152,490	15,010
Total General and Financial Administration	1,043,650	1,043,650	1,032,780	10,870
Board of Elections:				
Electoral board and officials	13,000	13,000	11,390	1,610
Registrar	68,450	68,450	65,657	2,793
Total Board of Elections	81,450	81,450	77,047	4,403
Total General Government Administration	1,168,063	1,168,063	1,150,354	17,709
Judicial Administration:				
Courts:				
Circuit court	30,000	30,000	60,123	(30,123)
General district court	1,500	1,500	1,569	(69)
Clerk of circuit court	40,000	40,000	36,525	3,475
Sheriff	224,330	224,330	211,828	12,502
County courthouse	30,000	30,000	36,127	(6,127)
Court and attorney fees	5,000	5,000	398	4,602
Total Courts	330,830	330,830	346,570	(15,740)
Commonwealth's Attorney:				
Commonwealth's attorney	45,000	45,000	42,715	2,285
Total Judicial Administration	375,830	375,830	389,285	(13,455)
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,127,250	1,239,074	1,167,832	71,242
Traffic control	13,000	13,000	17,428	(4,428)
E-911	470,150	472,959	480,969	(8,010)
Emergency management funds	24,250	24,250	26,374	(2,124)
Total Law Enforcement and Traffic Control	1,634,650	1,749,283	1,692,603	56,680
Fire and Rescue Services:				
Volunteer fire department	147,800	172,906	174,312	(1,406)
Ambulance and rescue services	30,000	36,500	32,018	4,482
Total Fire and Rescue Services	177,800	209,406	206,330	3,076
Correction and Detention:				
Purchase of service from Wise County	80,000	80,000	68,472	11,528
Juvenile detention	104,248	104,248	103,881	367
Contribution to regional jail	169,673	197,575	185,849	11,726
Total Correction and Detention	353,921	381,823	358,202	23,621
Inspections:				
Building	82,400	82,400	82,851	(451)
Other Protection:				
Animal control	55,850	55,850	60,302	(4,452)
Emergency medical services	1,000	1,000	1,020	(20)
Total Other Protection	56,850	56,850	61,322	(4,472)
Total Public Safety	2,305,621	2,479,762	2,401,308	78,454

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
General engineering/administration	\$ 75,025	\$ 75,025	\$ 67,758	\$ 7,267
Highways, streets, bridges and sidewalks	802,900	852,314	751,048	101,266
Storm drainage	5,000	5,000	6,738	(1,738)
Street lights	102,500	102,500	145,854	(43,354)
Snow and ice removal	42,500	71,977	70,297	1,680
Curbs and guttering	3,000	3,000	63	2,937
Total Maintenance of Highways, Streets Bridges and Sidewalks	<u>1,030,925</u>	<u>1,109,816</u>	<u>1,041,758</u>	<u>68,058</u>
Sanitation and Waste Removal:				
Street and road cleaning	13,500	23,500	23,997	(497)
Refuse collection	307,250	307,250	289,280	17,970
Refuse disposal	200,000	200,000	161,790	38,210
Total Sanitation and Waste Removal	<u>520,750</u>	<u>530,750</u>	<u>475,067</u>	<u>55,683</u>
Maintenance of General Buildings and Grounds:				
General properties	240,600	305,075	259,975	45,100
Total Public Works	<u>1,792,275</u>	<u>1,945,641</u>	<u>1,776,800</u>	<u>168,841</u>
Health and Welfare:				
Health:				
Local health department	51,905	51,905	50,427	1,478
Mental Health and Mental Retardation:				
Chapter 10 board	14,000	14,000	14,000	-
Welfare/Social Services:				
Area agency on aging	18,000	18,000	18,000	-
Property tax relief for elderly	-	-	18,275	(18,275)
Contribution to Office on Youth	4,500	4,500	4,500	-
Contribution to Advocate Center	630	630	630	-
Contribution to Food Bank	450	450	450	-
Contribution - RAM Project	900	900	-	900
Contribution - Hope House	1,800	1,800	1,800	-
Total Welfare/Social Services	<u>26,280</u>	<u>26,280</u>	<u>43,655</u>	<u>(17,375)</u>
Total Health and Welfare	<u>92,185</u>	<u>92,185</u>	<u>108,082</u>	<u>(15,897)</u>
Education:				
Contribution to Mountain Empire Community College	7,678	7,678	7,678	-
Payment to school board	2,260,495	2,260,495	2,260,495	-
Total Education	<u>2,268,173</u>	<u>2,268,173</u>	<u>2,268,173</u>	<u>-</u>
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	160,400	160,400	176,672	(16,272)
Recreation centers and playgrounds	165,160	168,865	182,623	(13,758)
Total Parks and Recreation	<u>325,560</u>	<u>329,265</u>	<u>359,295</u>	<u>(30,030)</u>
Cultural Enrichment:				
Pro-Art	9,000	9,000	9,000	-
Other events	6,350	6,350	2,031	4,319
Friends and farmers market	10,000	10,000	13,295	-
Employee picnic and Christmas party	1,000	1,000	437	563
Total Cultural Enrichment	<u>26,350</u>	<u>26,350</u>	<u>24,763</u>	<u>4,882</u>
Library:				
Payments to regional library	43,650	43,650	43,650	-
Total Parks, Recreation and Cultural	<u>395,560</u>	<u>399,265</u>	<u>427,708</u>	<u>(25,148)</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Community Development:				
Planning and Community Development:				
Planning	\$ 30,200	\$ 34,160	\$ 31,666	\$ 2,494
Planning-contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	10,150	10,150	2,173	7,977
Contribution to Chamber of Commerce	1,979	1,979	1,979	-
Contribution to Black Diamond Development	180	180	200	(20)
Contribution to component unit - NIDA	488,016	488,016	488,016	-
Contribution to Airport Commission	4,050	4,050	4,050	-
Capital outlay	56,174	3,025,534	2,806,787	218,747
Total Planning and Community Development	<u>598,872</u>	<u>3,572,192</u>	<u>3,342,994</u>	<u>229,198</u>
Debt Service				
Principal	137,626	1,401,800	1,182,821	218,979
Interest	-	-	167,718	(167,718)
Total debt service	<u>137,626</u>	<u>1,401,800</u>	<u>1,350,539</u>	<u>51,261</u>
Other financing uses				
Transfers to welfare fund	293,865	293,865	293,865	-
Total other financing sources	<u>293,865</u>	<u>293,865</u>	<u>293,865</u>	<u>-</u>
TOTAL GENERAL FUND	<u>\$ 9,428,070</u>	<u>\$ 13,996,776</u>	<u>\$ 13,509,108</u>	<u>\$ 490,963</u>
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 1,108,242	\$ 1,108,242	\$ 1,050,973	\$ 57,269
Total Welfare/Social Services	<u>1,108,242</u>	<u>1,108,242</u>	<u>1,050,973</u>	<u>57,269</u>
Total Health and Welfare	<u>1,108,242</u>	<u>1,108,242</u>	<u>1,050,973</u>	<u>57,269</u>
Total Virginia Public Assistance Fund	<u>1,108,242</u>	<u>1,108,242</u>	<u>1,050,973</u>	<u>57,269</u>
Drug and Gambling Investigative Funds:				
Public safety	-	-	22,198	(22,198)
Total Drug and Gambling Investigative Funds	<u>-</u>	<u>-</u>	<u>22,198</u>	<u>(22,198)</u>
TOTAL SPECIAL REVENUE FUNDS	<u>1,108,242</u>	<u>1,108,242</u>	<u>1,073,171</u>	<u>35,071</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	<u>\$ 10,536,312</u>	<u>\$ 15,105,018</u>	<u>\$ 14,582,279</u>	<u>\$ 526,034</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ (21,802)	\$ (557,151)	\$ (30,745)	
Net appropriations from fund balance				
Prior year surplus	21,802	209,735		
Prior year encumbrances	<u>-</u>	<u>347,416</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
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 344,218
Interest	998,021
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(620,524)
Net change in total pension liability	<u>721,715</u>
Total pension liability - beginning	<u>14,567,698</u>
Total pension liability - ending	<u><u>\$ 15,289,413</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 381,975
Contributions - employee	156,164
Net investment income	1,986,618
Benefit payments, including refunds of employee contributions	(620,524)
Administrative expense	(10,842)
Other	105
Net change in total pension liability	<u>1,893,496</u>
Total pension liability - beginning	<u>12,614,917</u>
Total pension liability - ending	<u><u>\$ 14,508,413</u></u>
 Political subdivision's net pension liability - ending	 \$ 781,000
 Plan fiduciary net position as a percentage of the total pension liability	 94.89%
 Covered - employee payroll	 \$ 3,238,494
 Political subdivision's net pension liability as a percentage of covered-employee payroll	 24.12%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only one year is shown herein.

CITY OF NORTON
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SCHOOL BOARD NON-PROFESSIONAL GROUP
JUNE 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 25,638
Interest	123,727
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(110,787)</u>
Net change in total pension liability	38,578
Total pension liability - beginning	<u>1,822,925</u>
Total pension liability - ending	<u><u>\$ 1,861,503</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 9,616
Contributions - employee	12,521
Net investment income	278,238
Benefit payments, including refunds of employee contributions	(110,787)
Administrative expense	(1,561)
Other	<u>15</u>
Net change in total pension liability	188,042
Total pension liability - beginning	<u>1,805,772</u>
Total pension liability - ending	<u><u>\$ 1,993,814</u></u>
 Political subdivision's net pension liability - ending	 \$ (132,311)
 Plan fiduciary net position as a percentage of the total pension liability	 107.11%
 Covered - employee payroll	 \$ 262,540
 Political subdivision's net pension liability as a percentage of covered-employee payroll	 -50.40%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only one year is shown herein.

CITY OF NORTON
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2015

Date	Contributions			Contributions	
	Contractually Required Contribution	Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	as a % of Covered Employee Payroll
2015	\$ 346,292	\$ 346,292	\$ -	\$ 3,239,494	10.7%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only one year is shown herein.
 Additional years will be included as they become available

CITY OF NORTON
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SCHOOL BOARD NON-PROFESSIONAL GROUP
JUNE 30, 2015

Date	Contributions			Contributions	
	Contractually Required Contribution	Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	as a % of Covered Employee Payroll
2015	\$ 18,142	\$ 18,142	\$ -	\$ 262,540	6.91%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only one year is shown herein.
 Additional years will be included as they become available

CITY OF NORTON
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SCHOOL DIVISION-TEACHER RETIREMENT PLAN
JUNE 30, 2015

	<u>2015</u>
School's Proportion of the Net Pension Liability (Asset)	0.5036%
School's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,086,000
School's Covered - employee payroll	\$ 4,073,289
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	149.41%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	70.88%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only one year is shown herein.

CITY OF NORTON
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SCHOOL DIVISION-TEACHER RETIREMENT PLAN
JUNE 30, 2015

Date	Contributions			Contributions	
	Contractually Required Contribution	Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	as a % of Covered Employee Payroll
2015	\$ 511,134	\$ 511,134	\$ -	\$ 4,073,289	12.55%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only one year is shown herein.
 Additional years will be included as they become available

CITY OF NORTON
Notes to Required Supplemental Information
For the Year Ended June 30, 2015

Change of benefit terms - There have been no significant changes to the Systems benefits provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

Largest 10 - LEOS

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

All Others (Non 10 Largest) - LEOS

- Update mortality table
- Adjustment to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

**CITY OF NORTON
COMPONENT UNIT SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2015**

	GOVERNMENTAL ACTIVITIES				TOTALS
	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	June 30, 2015
ASSETS					
Cash and cash equivalents	\$ 237,227	\$ 27,662	\$ 79,657	\$ 37,665	\$ 382,211
Cash - restricted	-	-	-	-	-
Accounts receivable	45,525	-	-	-	45,525
Due from other funds	30,557	-	3,467	13,863	47,887
Due from primary government	127,096	-	-	-	127,096
Due from other governmental units	343,130	-	-	-	343,130
TOTAL ASSETS	\$ 783,535	\$ 27,662	\$ 83,124	\$ 51,528	\$ 945,849
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ 65,970	\$ -	\$ -	\$ -	\$ 65,970
Accrued liabilities	545,761	-	-	-	545,761
Due to other funds	17,812	1,144	-	29,413	48,369
Total Liabilities	629,543	1,144	-	29,413	660,100
FUND BALANCE:					
Restricted	153,992	-	-	-	153,992
Committed	-	26,518	83,124	22,115	131,757
Total Fund Balance	153,992	26,518	83,124	22,115	285,749
TOTAL LIABILITIES AND FUND BALANCE	\$ 783,535	\$ 27,662	\$ 83,124	\$ 51,528	\$ 945,849

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

\$ 285,749

Total fund balances- component unit

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

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

Net pension asset	132,000
Deferred outflows	529,276
Accrued interest	(158,020)
Accrued compensated absences	(58,998)
Deferred inflows	(1,078,000)

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

11,313,717

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

(17,328,983)

Total net position - component unit-School Board

\$ (6,363,259)

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2015

	<u>School Operating Fund</u>	<u>School Textbook Fund</u>	<u>School Health Retirement Fund</u>	<u>School Cafeteria Fund</u>	<u>Total School Board</u>
REVENUES:					
Revenue from use of money and property	\$ 196	\$ 58	\$ 239	\$ 83	\$ 576
Charges for services	-	-	-	70,736	70,736
Miscellaneous	94,160	-	-	27,755	121,915
Intergovernmental					
Primary government	2,260,495	-	-	-	2,260,495
Commonwealth of Virginia	5,073,306	-	-	-	5,073,306
Federal Government	789,815	-	-	-	789,815
Total Revenues	<u>8,217,972</u>	<u>58</u>	<u>239</u>	<u>98,574</u>	<u>8,316,843</u>
EXPENDITURES:					
Current:					
Education	7,222,644	91,908	58,746	474,406	7,847,704
Debt Service:					
Principal	175,623	-	-	-	175,623
Interest	360,467	-	-	-	360,467
Total Expenditures	<u>7,758,734</u>	<u>91,908</u>	<u>58,746</u>	<u>474,406</u>	<u>8,383,794</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>459,238</u>	<u>(91,850)</u>	<u>(58,507)</u>	<u>(375,832)</u>	<u>(66,951)</u>
OTHER FINANCING SOURCES (USES):					
Loan Proceeds	70,291	-	-	-	70,291
Operating transfers in	-	78,928	35,867	262,297	377,092
Operating transfers out	<u>(377,092)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(377,092)</u>
Total Other Financing Sources (Uses)	<u>(306,801)</u>	<u>78,928</u>	<u>35,867</u>	<u>262,297</u>	<u>70,291</u>
Net change in fund balance	152,437	(12,922)	(22,640)	(113,535)	3,340
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>
Fund Balance at June 30, 2015	<u>\$ 153,992</u>	<u>\$ 26,518</u>	<u>\$ 83,124</u>	<u>\$ 22,115</u>	<u>\$ 285,749</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	3,340
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.	(131,872)
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.	105,059
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.	161,205
Change in net position of governmental activities	<u>\$ 137,732</u>

CITY OF NORTON
 COMPONENT UNIT - SCHOOL BOARD
 BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
 Year Ended June 30, 2015

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Revenue from use of money and property	\$ 600	\$ 600	\$ 196	\$ 796
Charges for services	-	-	-	-
Miscellaneous	16,000	16,000	94,160	78,160
Intergovernmental				
Primary government	2,260,495	2,260,495	2,260,495	-
Commonwealth of Virginia	4,926,070	5,127,638	5,073,306	(54,332)
Federal Government	702,889	731,371	789,815	58,444
Total Revenues	7,906,054	8,136,104	8,217,972	81,868
EXPENDITURES:				
Current:				
Community Development	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	7,270,832	7,500,882	7,222,644	278,238
Debt Service:				
Principal	163,816	163,816	175,623	(11,807)
Interest	359,626	359,626	360,467	(841)
Total Expenditures	7,794,274	8,024,324	7,758,734	265,590
Excess (Deficiency) of Revenues Over Expenditures	111,780	111,780	459,238	347,458
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	70,291	70,291
Operating transfers in	-	-	-	-
Operating transfers out	(111,780)	(111,780)	(377,092)	(265,312)
Total Other Financing Sources (Uses)	(111,780)	(111,780)	(306,801)	(195,021)
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	-	152,437	152,437
Net appropriations from fund balance				
Prior year encumbrances	-	-		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		
Fund Balance - June 30, 2014			1,555	
Fund Balance - June 30 , 2015			\$ 153,992	

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

CITY OF NORTON
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2015

ASSETS HELD BY THE TREASURER:

Cash on hand	\$	950
--------------	----	-----

Cash in banks:**Checking:**

First Bank and Trust	\$ 2,249,290	
Total Checking		2,249,290

Certificates of Deposit:

First Bank and Trust	<u>15,170</u>	
Total Certificates of Deposit		<u>15,170</u>

Total Cash in Banks		2,264,460
---------------------	--	-----------

Investments:

Investment in State Treasurer's Local Government		
Investment Pool		<u>20,536</u>

TOTAL ASSETS	\$	<u>2,285,946</u>
---------------------	-----------	-------------------------

LIABILITIES OF THE TREASURER:

BALANCE OF CITY FUNDS	\$	<u>2,285,946</u>
------------------------------	-----------	-------------------------

NOTE: The variance between this statement and the statement of position for all funds is \$2,209,218. This amount represents cash for the Norton Industrial Development Authority. The funds for the authority are not under the Treasurer's accountability.

CITY OF NORTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

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, which would be required to be reported in accordance with *Government Auditing Standards*, 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. No material weaknesses are reported.
- 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 were:
Abandoned Mine Reclamation Program--CFDA No. 15.252
Highway Planning and Construction--CFDA No. 20.205
Capitalization for Drinking Water State Revolving Fund--CFDA No. 66.468
- 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, 2015

	<u>Federal Catalogue #</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Direct Payments:		
Water and Waste Disposal Systems for Rural Communities-ARRA	10.781	\$ 37,483
Pass-Through Payments:		
State Department of Agriculture:		
School Lunch Program	10.555	209,779
School Breakfast Program	10.553	57,864
Summer Food Service Program for Children	10.559	680
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass-Through Payments:		
State Department of Social Services:		
Supplemental Nutrition Assistance Program	10.561	109,048
Foster Care - Title IV-E	93.658	39,571
TANF	93.558	97,280
Social Services Block Grant	93.667	64,508
Adoption Assistance	93.659	40,489
Medical assistance program	93.778	121,689
Child Care Mandatory Match	93.596	13,200
Low Income Home Energy Assistance	93.568	10,805
Safe and Stable Families	93.556	13,372
Refuge and Entrant Assistance	93.566	141
State Children's Insurance Program	93.767	3,453
Child Welfare Services State Grant	93.645	639
Chafee Foster Care Independence Program	93.674	552
Adoption Incentive	93.603	1,000
DEPARTMENT OF EDUCATION:		
Pass-Through Payments:		
State Department of Education:		
Improving teacher quality state grants	84.367	42,551
Rural Grants	84.358	23,812
Title I Grants	84.010	220,604
Title VI-B:		
Special Education:		
Title VI-B Idea -611	84.027	157,656
Preschool	84.173	6,133
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	14,553
Improvement of Education-History Grant	84.215	80,522
Advanced Placement	84.330	41
ENVIRONMENTAL PROTECTION AGENCY		
Nonpoint Source Implementation Grants	66.460	3,382
Capitalization for Drinking Water State Revolving Funds-ARRA	66.468	1,245,937
DEPARTMENT OF HOMELAND SECURITY		
Emergency Management Performance Grants	97.042	13,063
DEPARTMENT OF JUSTICE		
Byrne Justice Assistance Grant	16.738	3,310
DEPARTMENT OF INTERIOR		
Abandoned Mine Land Reclamation (AMLR) Program	15.252	1,933,845
DEPARTMENT OF TRANSPORTATION		
Highway Planning and Construction	20.205	666,247
Alcohol Open Container Requirements	20.607	13,940
TOTAL		\$ 5,247,149

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	104
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
REVENUE CAPACITY	108
These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	
DEBT CAPACITY	112
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.	
ECONOMIC AND DEMOGRAPHIC INFORMATION	115
These schedules offer economic and demographic indicators to help the reader understand the Environment within which the city's financial activities take place.	
OPERATING INFORMATION	117
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.	

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

TABLE 1

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

	<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>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$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	8,014,749
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	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	232,010
Total governmental activities net position	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	8,246,759
Business-type activities										
Net investment in capital assets	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	10,806,022
Restricted	-	-	-	-	-	-	-	988,404	112,741	-
Unrestricted	85,662	(123,892)	(210,607)	(299,252)	(880,931)	(205,952)	(219,531)	(348,054)	(428,312)	(607,646)
Total business-type activities	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	10,198,376
Primary government										
Net investment in capital assets	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	18,820,771
Restricted	-	-	-	-	-	-	-	988,404	112,741	-
Unrestricted	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	(375,636)
Total primary government net position	\$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	\$ 18,445,135

- 1) 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 2) imposed by law through constitutional provisions or enabling legislation.

TABLE 2

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

	<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>	<u>2015</u>
Expenses										
Governmental Activities:										
General government	\$ 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	1,516,160
Public safety	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	2,491,800
Public works	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	1,989,571
Health and welfare	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	1,128,562
Education	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	2,268,173
Parks, recreation and cultural	379,457	468,812	409,566	462,658	495,710	507,768	490,097	477,229	444,729	445,581
Community development	791,142	944,522	778,848	736,667	773,594	711,312	503,961	562,432	514,158	561,290
Interest on long-term debt	21,580	76,117	230,739	326,666	384,818	324,163	328,206	169,304	67,234	109,767
Non-departmental	-	-	-	-	-	-	-	-	-	-
Total government activities expense	<u>8,951,557</u>	<u>11,501,881</u>	<u>10,867,909</u>	<u>15,607,329</u>	<u>11,314,808</u>	<u>10,989,726</u>	<u>11,144,459</u>	<u>10,676,227</u>	<u>10,917,951</u>	<u>10,510,904</u>
Business-Type Activities:										
Water and Wastewater	<u>2,229,328</u>	<u>2,232,955</u>	<u>2,526,365</u>	<u>2,579,351</u>	<u>2,429,763</u>	<u>2,509,969</u>	<u>4,205,780</u>	<u>2,635,899</u>	<u>2,929,215</u>	<u>2,840,888</u>
Total business-type activities expenses	<u>2,229,328</u>	<u>2,232,955</u>	<u>2,526,365</u>	<u>2,579,351</u>	<u>2,429,763</u>	<u>2,509,969</u>	<u>4,205,780</u>	<u>2,635,899</u>	<u>2,929,215</u>	<u>2,840,888</u>
Total primary government expenses	<u>\$11,180,885</u>	<u>\$13,734,836</u>	<u>\$13,394,274</u>	<u>\$ 18,186,680</u>	<u>\$13,744,571</u>	<u>\$ 13,499,695</u>	<u>\$ 15,350,239</u>	<u>\$ 13,312,126</u>	<u>\$ 13,847,166</u>	<u>\$13,351,792</u>
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	\$ 6,304	\$ 8,145	\$ 5,757	\$ 7,719	\$ 6,465	\$ 110,524	\$ 66,569	\$ 15,981	\$ 736	\$ 60,564
Public works	289,949	363,084	375,362	373,518	363,217	366,667	361,706	358,014	354,338	417,474
Health and welfare	-	1,044	27,327	137,454	63,936	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and culture	21,194	24,419	23,642	26,700	22,970	17,437	7,510	6,717	7,885	11,896
Community development	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	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	2,302,105
Capital grants and contributions	-	-	-	-	286,013	20,441	393,312	150,000	1,722,056	2,702,148
Total governmental activities program revenues	<u>2,775,526</u>	<u>3,516,154</u>	<u>2,800,979</u>	<u>2,776,620</u>	<u>3,241,184</u>	<u>2,835,627</u>	<u>3,427,377</u>	<u>2,945,908</u>	<u>4,382,923</u>	<u>5,494,187</u>
Business-Type Activities:										
Charges for services										
Water and Wastewater	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	2,314,041
Operating grants and contributions and other income	-	-	-	-	-	550,000	-	-	-	-
Capital grants and contributions	482,685	130,625	428,657	104,927	1,107,004	2,451,492	2,613,979	3,010,774	1,139,788	536,587
Total business-type activities program revenues	<u>2,460,087</u>	<u>2,204,117</u>	<u>2,420,317</u>	<u>2,451,402</u>	<u>3,356,380</u>	<u>5,337,392</u>	<u>4,932,847</u>	<u>5,276,218</u>	<u>3,350,934</u>	<u>2,850,628</u>
Total primary government program revenues	<u>\$ 5,235,613</u>	<u>\$ 5,720,271</u>	<u>\$ 5,221,296</u>	<u>\$ 5,228,022</u>	<u>\$ 6,597,564</u>	<u>\$ 8,173,019</u>	<u>\$ 8,360,224</u>	<u>\$ 8,222,126</u>	<u>\$ 7,733,857</u>	<u>\$ 8,344,815</u>
Net (Expense)/Revenue										
Governmental Activities	<u>\$ (6,176,031)</u>	<u>\$ (7,985,727)</u>	<u>\$ (8,066,930)</u>	<u>\$ (12,830,709)</u>	<u>\$ (8,073,624)</u>	<u>\$ (8,154,099)</u>	<u>\$ (7,717,082)</u>	<u>\$ (7,730,319)</u>	<u>\$ (6,535,028)</u>	<u>\$ (5,016,717)</u>
Business-Type Activities:	<u>230,759</u>	<u>(28,838)</u>	<u>(106,048)</u>	<u>(127,949)</u>	<u>926,617</u>	<u>2,827,423</u>	<u>727,067</u>	<u>2,640,319</u>	<u>421,719</u>	<u>9,740</u>
Total primary government net (expense)/revenue	<u>\$ (5,945,272)</u>	<u>\$ (8,014,565)</u>	<u>\$ (8,172,978)</u>	<u>\$ (12,958,658)</u>	<u>\$ (7,147,007)</u>	<u>\$ (5,326,676)</u>	<u>\$ (6,990,015)</u>	<u>\$ (5,090,000)</u>	<u>\$ (6,113,309)</u>	<u>\$ (5,006,977)</u>

TABLE 2 cont.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 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	\$ 2,632,023
Local sales & use tax	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	1,613,223
Utility tax	266,300	213,873	184,079	164,698	128,412	126,570	117,214	137,995	131,006	131,322
Business license tax	692,083	813,906	826,412	901,209	795,833	773,353	951,248	853,599	887,396	812,125
Franchise license tax	51,935	38,342	9	-	-	-	-	-	-	-
Communication tax	-	67,190	179,988	185,889	217,788	223,287	211,679	217,316	211,979	211,659
Motor vehicle license	28,996	28,995	29,580	28,882	1,659	-	-	-	63,629	71,174
Bank stock tax	125,958	81,000	6,082	74,068	106,974	126,034	99,820	74,256	72,678	61,913
Recordation tax	20,653	40,602	26,036	34,284	27,055	39,256	39,598	29,516	44,876	22,158
Tobacco tax	45	45	38	60	185	165	180	195	41	110
Hotel and motel room tax	117,186	104,176	125,638	161,753	169,049	195,071	172,866	146,200	133,561	206,815
Restaurant food tax	788,336	848,702	930,578	1,025,155	1,061,575	1,126,150	1,334,156	1,262,519	1,357,112	1,360,014
Coal road improvement tax	208,566	188,529	186,512	234,263	166,571	222,047	244,773	116,498	79,353	56,308
Emergency telephone services tax	35,411	17,009	-	-	-	-	-	-	-	-
Cigarette tax	49,145	41,160	41,574	81,900	118,930	108,100	99,440	110,245	92,965	88,640
Other local taxes	110,720	118,607	141,741	128,743	101,504	30	-	106,995	107,557	70,125
Unrestricted miscellaneous revenue	21,092	58,630	70,321	97,951	53,609	76,669	90,845	118,702	104,627	99,086
Unrestricted investment earnings	103,191	137,690	256,139	192,440	82,250	39,085	35,699	25,196	28,255	28,480
Rental of Town property	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	-	-	34,300	8,903	-	-	-	-	-	-
Recovered costs	29,123	22,333	39,274	47,266	31,314	30,039	36,618	33,660	37,494	39,085
Transfers-Primary Government	(100,000)	-	(50,000)	-	-	-	-	-	-	-
Total governmental activities	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	7,504,260
Business-Type Activities:										
Unrestricted investment earnings	354	1,526	-	-	-	-	-	-	-	-
Other	100,000	-	50,000	-	-	-	-	-	-	-
Total business-type activities	100,354	1,526	50,000	-	-	-	-	-	-	-
Total primary government	\$ 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	\$ 7,504,260
Change in Net Position										
Governmental Activities	\$ (29,381)	\$ (1,312,286)	\$ (939,982)	\$ (5,060,985)	\$ 159,425	\$ (792,144)	\$ (58,363)	\$ 2,140	\$ 1,305,616	\$ 2,487,543
Business-Type Activities	331,113	(27,312)	(56,048)	(127,949)	926,617	2,827,423	727,067	2,640,319	421,719	9,740
Total primary government	\$ 301,732	\$ (1,339,598)	\$ (996,030)	\$ (5,188,934)	\$ 1,086,042	\$ 2,035,279	\$ 668,704	\$ 2,642,459	\$ 1,727,335	\$ 2,497,283

TABLE 3

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 456,740	\$ 442,895	\$ 614,801	\$ 463,743	\$ 468,808	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	372,893
Unassigned						1,710,613	1,691,149	1,250,314	1,332,585	1,210,736
Total general fund	\$ 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	\$ 1,583,629
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue fund	279,864	290,215	257,346	241,291	345,705	-	-	-	-	-
Nonspendable						-	-	-	-	-
Restricted						-	-	-	-	-
Committed						314,685	318,897	331,190	343,830	344,627
Assigned						-	-	-	-	-
Unassigned						(59,855)	(96,205)	(124,908)	(120,700)	(55,870)
Total all other governmental funds	\$ 279,864	\$ 290,215	\$ 257,346	\$ 241,291	\$ 345,705	\$ 254,830	\$ 222,692	\$ 206,282	\$ 223,130	\$ 288,757

1) GASB 54 was enacted for the year ended June 30, 2011 which changed the method of reporting fund balance.

2) 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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
General property taxes	\$ 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	\$ 2,679,834
Other local taxes	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	4,635,461
Permits and licenses	4,666	5,026	9,499	9,758	5,989	5,007	7,569	4,532	7,131	11,133
Fines and forfeitures	106,054	113,581	132,242	118,985	94,826	94,147	62,001	37,115	28,687	26,425
Investment earnings	103,191	137,690	256,139	192,440	82,250	39,085	35,699	25,196	28,255	27,843
Charges for services	317,447	396,692	432,088	545,391	456,588	410,520	380,081	380,712	378,774	479,458
Other revenues	21,092	58,630	70,321	97,951	53,508	60,176	89,177	250,406	104,627	75,415
Recovered cost	29,123	15,510	19,825	14,003	19,058	16,754	23,579	17,277	18,761	20,706
Intergovernmental	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	5,074,378
Total revenues	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	13,030,653
Expenditures										
General government	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	1,150,354
Judicial administration	294,444	380,049	403,468	432,678	418,768	349,229	366,037	353,367	412,859	389,285
Public safety	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	2,423,506
Public works	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	1,776,800
Health and welfare	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	1,159,055
Education and transfer to school	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	2,268,173
Parks, recreation and culture	373,368	465,087	395,917	437,326	474,833	483,551	468,752	455,638	438,256	427,708
Community development	791,267	938,486	786,560	739,284	776,038	725,216	517,866	554,868	2,229,763	3,342,994
Non-Departmental	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal	106,731	118,738	168,746	190,026	7,652,315	7,684,450	166,689	15,284,397	121,031	1,182,821
Interest	28,774	102,547	224,755	328,594	202,993	376,273	330,574	316,659	66,662	167,718
Total expenditures	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	14,288,414
Excess of revenues over (under) expenditures	(213,516)	(1,245,495)	(999,060)	(5,309,230)	(9,033,991)	(8,118,622)	(228,035)	(15,762,102)	(5,466)	(1,257,761)
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	-	1,208,000
Insurance Recoveries	-	6,823	19,449	33,263	12,256	13,285	13,039	16,383	18,733	18,379
Proceeds from sale of assets	23,807	7,809	44,000	26,912	101	15,928	5,605	18,296	-	637
Transfers	(100,000)	-	(50,000)	-	-	-	-	7,627,291	-	-
Total other financing sources (uses)	344,107	1,818,198	7,513,449	60,175	7,512,357	7,645,052	158,644	15,250,345	18,733	1,227,016
Net change in fund balance	\$ 130,591	\$ 572,703	\$ 6,514,389	\$ (5,249,055)	\$ (1,521,634)	\$ (473,570)	\$ (69,391)	\$ (511,757)	\$ 13,267	\$ (30,745)
 Debt service as a percentage of noncapital expenditures	 1.49%	 1.97%	 3.74%	 3.39%	 62.79%	 78.79%	 4.53%	 146.93%	 1.55%	 10.44%

TABLE 5

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
				Real Estate	Personal Property			
2015	\$ 218,737,522	\$ 29,431,057	\$ 5,185,961	\$ 26,192,424	\$ 124,975	\$ 1,541,202	281,213,141	0.953
2014	219,165,572	30,450,311	5,373,264	26,983,560	131,432	1,631,722	283,735,861	0.944
2013	219,917,050	27,704,382	5,140,577	25,509,133	137,719	1,662,142	280,071,003	0.911
2012	220,246,000	25,632,421	5,101,639	25,290,691	130,980	1,846,346	278,248,077	0.888
2011	202,774,175	24,275,249	5,534,737	25,290,691	128,859	1,829,482	259,833,193	0.917
2010	200,402,000	22,747,754	5,181,036	24,358,835	128,859	1,877,582	254,696,066	1.237
2009	203,528,195	22,228,011	4,471,807	26,302,792	140,301	1,948,259	258,619,365	0.917
2008	181,461,721	21,629,450	4,571,874	24,413,178	157,861	2,103,400	234,337,484	0.929
2007	180,101,130	16,733,091	7,006,663	26,523,134	184,423	2,086,500	232,634,941	0.849
2006	169,579,975	20,019,215	3,384,221	28,534,246	198,053	2,036,300	223,752,010	0.840

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	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities	
					Real Estate	Personal Property
2015	\$ 0.80	\$ 1.85	\$ 1.85	\$ 0.80	\$ 0.80	\$ 1.85
2014	0.80	1.85	1.85	0.80	0.80	1.85
2013	0.80	1.85	1.85	0.80	0.80	1.85
2012	0.80	1.85	1.85	0.80	0.80	1.85
2011	0.80	1.85	1.85	0.80	0.80	1.85
2010	0.80	1.85	1.85	0.80	0.80	1.85
2009	0.80	1.85	1.85	0.80	0.80	1.85
2008	0.80	1.85	1.85	0.80	0.80	1.85
2007	0.70	1.85	1.85	0.70	0.70	1.85
2006	0.70	1.85	1.85	0.70	0.70	1.85

1) Rates are presented per \$100 assessed value

TABLE 7

**CITY OF NORTON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
June 30, 2015 and June 30, 2006**

June 30, 2015

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
Wal-Mart Real Estate Trust	Commercial Retailer/Grocery	\$ 14,370,100	6.57%
BRE NON CORE Owner LLC	Shopping Center	9,324,100	4.26%
Commonwealth Norton Partners	Shopping Center	4,517,700	2.07%
Norton SRX LLC	Shopping Center	6,060,600	2.77%
Wellmont Health System	Health Care	5,225,600	2.39%
Norton Community Hospital	Health Care	4,667,300	2.13%
Norton Host, LLC	Hotel/Restaurant	4,254,600	1.95%
Khushi Hospitality (Quality Inn)	Hotel	3,854,000	1.76%
W. P. Armistead	Commercial and Residential Rental Property	2,306,600	1.05%
George Hunnicutt Jr. Marital Trust	Bottling Plant/Residential & Commercial Rentals	1,527,100	0.70%

June 30, 2006:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
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.

TABLE 8

**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
2015	\$ 2,731,203	\$ 2,545,590	93.20%	\$ 56,280	2,601,870	95.26%	\$ 320,962	11.75%
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%

(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					
2015	\$ 1,363,000	\$ 58,141	\$ 8,139,139	\$ 9,784,434	\$19,344,714	12.98%	\$ 4,821	
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	

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

	General Bonded Debt		
Fiscal Years Ended June 30	<u>Outstanding General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2015	18,697,886	6.65%	\$ 4,659
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

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**

	<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>	<u>2015</u>
Assessed valuations										
Assessed value of taxed real property	\$ 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	\$ 244,929,946
Legal debt margin										
Debt limit - 10 percent of total assessed value	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	24,492,995
Debt applicable to limitation: Total bonded debt	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	19,344,714
Less - Enterprise Debt	(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)	(588,689)
Total amount of debt applicable to debt limitation	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	18,756,025
Legal debt margin	\$ 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	\$ 5,736,970
Total net debt applicable to the limit as a percentage of debt limit	8.39%	15.55%	50.96%	44.22%	46.92%	48.87%	55.54%	73.41%	74.91%	76.58%

TABLE 12

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

Fiscal Years Ended June 30	Water and Wastewater Revenue Bonds						
	Utility	Less:	Net	Debt Service			Coverage
	Service Charges	Operating Expenses	Available Revenue	Principal	Interest	Total	
2015	\$ 2,314,041	\$ 2,107,896	\$ 206,145	\$ 158,950	\$ 120,455	\$ 279,405	0.74
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

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.

TABLE 13

**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
2015	4,013	\$148,994,664	37,128	38.0	820	7.80%
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%

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

TABLE 14

CITY OF NORTON, VIRGINIA
PRINCIPAL EMPLOYERS (UNAUDITED)
June 30, 2015 and June 30, 2006

June 30, 2015		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

TABLE 15

CITY OF NORTON, VIRGINIA
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION (UNAUDITED)
LAST TEN 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>	<u>2015</u>
General government										
Management services	3.5	3.5	4	4	4	4	4	4	3.5	3.5
Finance	5	5	5	4	4	4	4	4	4	4
Planning	2	1	2	2	1.5	2	2	2	1.5	1.5
Other	6.5	6.5	6	6	5.5	6	6	6	6	6
Public safety										
Officers	16.5	15.5	17.5	17.5	18	17.5	16	16	16	16
Dispatchers/Clerks	5	6	7	7	7	7	8.5	8.5	8.5	8.5
Sheriff's Office	4	4	4	4	4	3	3	3	3	3
Animal Control	1	1	1	1	1	1	1	1	1	1
Building	1	1	2	2	1	1	1	1	1	1
Emergency Management	0	0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Fire	1	1	1	1	1	1	1	1	1	1
Public works										
Engineering	1	1	1	1	1	1	1	1	1	1
Streets	16	18	11	12	13	13	11.5	11.5	10	9
Refuse Collections	3.5	4.5	4	4.5	4	5	5.5	5.5	6	6
General Properties	5	5	4	5	4	4.5	4.5	4.5	5	5
Parks and recreation										
Maintenance	10.5	9	5	5	6	5.5	5.5	4.5	4.5	4.5
Other	7	7	6	6	6	1	1	1	1	1
Water operations										
Administration	2	2	2	3	3	3	3	3	3	3
Plant Operations	7	6	6.5	6.5	7	7	7	7	6	6
Maintenance	4	5	7	7	7	7	7	7	7	7
Social Services										
Administrative	5	5	5	5	5	4.5	4.5	4.5	4.5	4.5
Eligibility	7	7	7	7	7	7	7	7	7	7
Social Worker	3	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 TEN FISCAL YEARS

TABLE 16

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Citations issued	2,086	1,973	2,521	2,762	2,374	2,433	1,550	876	1,139	1,051
Parking Tickets issued	418	523	387	215	139	390	116	63	83	31
Crime/Arrest/Incident reports filed	747	874	868	866	787	842	758	661	690	647
911 Calls dispatched	4,006	3,848	4,176	5,260	5,059	5,469	4,514	4,018	4,075	3,402
Public Works										
Number of citizen requests for services	1,054	1,026	858	852	2,331	972	883	814	726	651
Water operations										
Number of service connections	2,241	2,286	2,271	2,279	2,292	2,305	2,301	2,263	2,240	2,222
Number of citizen requests for services	2,387	2,483	2,483	2,349	1,866	2,022	1,887	1,963	2,251	2,052
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	.497 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	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	2,169

TABLE 17

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Number of patrol units	11	11	11	13	15	15	15	16	16	22
Public works										
Streets (lane miles)	82.73	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	440
Traffic signals	8	8	8	8	8	8	8	8	9	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	55.31
Number of fire hydrants	250	250	250	250	250	250	250	255	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	41.16
Miles of storm sewers	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2