



CITY OF NORTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013

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CITY OF NORTON, VIRGINIA

CITY OFFICIALS

June 30, 2013

CITY COUNCIL:

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

Fred L. Ramey, Jr, City Manager

CONSTITUTIONAL OFFICERS:

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

SCHOOL BOARD:

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

Dr. Jeff Comer, Superintendent

SOCIAL SERVICES ADVISORY BOARD:

Ethel Daniels
Lann Malesky
Marty Adkins
Whitney Hunnicutt
Roger Sloce

Roger Ramey, Director

CITY LEGAL COUNSEL:

William E. Bradshaw, Attorney at Law



Management Discussion and Analysis

November 27, 2013

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, 2013.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 15,680,760 (net position).
- At June 30, 2013, the City reported combined ending fund balances of \$ 1,889,864, a decrease of \$ 511,757 in comparison with the prior year. This decrease is the result of a budgeted drawdown of prior year reserves for school operations, the use of prior years reserves for emergency capital needs, and a decline in revenue (other local taxes) for FY2013.
- As of June 30, 2013, the General Fund had a total Fund Balance of \$ 1,681,581.
- The total debt outstanding as of June 30, 2013 was \$ 22,898,256, which includes the component units. As of June 30, 2013, the City's Legal Debt Margin was \$ 6,526,807.
- The Water/Sewer Proprietary Fund had an increase in Net Position for the year of \$ 2,640,319. The completion of a number of major sewer improvement projects and the improvements to the Upper Norton Reservoir during FY2013 that are being funded with grant proceeds and bond issuances, is the reason behind the continued increase to the Net Position (formally called Net Assets) of the Fund.

Overview of Financial Statements

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis – Primary Government

Summary of Statement of Net Position – June 30, 2013

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 4,289,863	\$ 1,889,833	\$ 6,179,696
Capital assets	5,701,328	17,461,742	23,163,070
Other noncurrent assets	- 0 -	- 0 -	- 0 -
Total Assets	\$ 9,991,191	\$ 19,351,575	\$ 29,342,766
Current & other liabilities	\$ 1,656,774	\$ 1,348,379	\$ 3,005,153
Long-term liabilities	1,825,920	7,950,061	9,775,981
Total Liabilities	\$ 3,482,694	\$ 9,298,440	\$ 12,781,134
Deferred Inflows	\$ 830,304	\$ 50,568	\$ 880,872
Deferred Outflows	- 0 -	- 0 -	- 0 -
Total Deferred	\$ 830,304	\$ 50,568	\$ 880,872
Net Position:			
Invested in Capital assets	\$ 4,136,516	\$ 9,362,217	\$ 13,498,733
Restricted	-0-	988,404	988,404
Unrestricted	1,541,677	(348,054)	1,193,623
Total Net Position	\$ 5,678,193	\$ 10,002,567	\$ 15,680,760

Net position serves as a useful indicator of a government's financial position. The City's combined net position total is \$ 15,680,760 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 \$ 13,498,733. 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 \$ 2,140. Key elements of this decrease are as follows:

Governmental Activities Year Ended June 30, 2013

Revenues:	
Program Revenues:	
Charges for Services	\$ 380,712
Operating Grants and Contributions	2,415,196
Capital Grants and Contributions	150,000
General Revenues:	
Property Taxes	2,736,838
Other Local Taxes	4,818,063
Other	177,558
Total Revenues	\$10,678,367
Expenses:	
General Government	1,542,855
Public Safety	2,423,860
Public Works	2,486,780
Health and Welfare	1,321,129
Education	1,692,638
Parks, Recreation, Culture	477,229
Community Development	562,432
Interest of Long Term Debt	169,304
Total Expenses	\$ 10,676,227
Increase (Decrease) in Net Position	\$ 2,140

Included in the Total Expenses are non-cash items including depreciation. This means that under the full accrual method, net position increased by \$ 2,140.

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Local Sales and Use Tax	\$ 1,762,729	1,918,925	1,882,301	\$1,887,804	\$ 2,023,409
Real Property Tax	\$ 1,698,699	1,723,587	1,605,349	2,273,409	1,601,572
Restaurant Food Taxes	\$ 1,262,519	1,334,156	1,126,150	1,061,575	1,025,155
Business License Taxes	\$ 853,599	951,248	773,353	795,833	901,209
Street & Highway Maintenance	\$ 765,118	750,796	723,930	698,460	703,053
Personal Property Taxes	\$ 471,214	461,230	443,631	429,833	439,822

The City’s assessed value of real estate for the year was \$ 245,426,183. The real estate tax rate is \$.80 per \$ 100 of assessed value. For the year, the percent of levy collected was 96.68%. 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 \$ 2,640,319. This is due to the large amount of capital projects being performed in the Water/Sewer System. In addition, cash and cash equivalents increased by \$ 840,490 to \$ 988,704. This increase represents a restricted holding that will be used to refinance a bond once the bond becomes callable (payable) during FY2014.

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <i>Favorable</i> <i>(Unfavorable.)</i>
Total Revenues	\$ 10,968,758	\$ 25,979,395	\$ 15,010,637
Total Expenses	11,679,722	<u>26,491,152</u>	\$ (14,811,430)
Excess of Revenues Over Expenses		<u>\$ (511,757)</u>	

Note: The large variance between Budget and Actual are comprised of Bond proceeds and Bond Expenses for refinancing of the Norton City Schools Debt for which no Budget amendment was obtained.

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.

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& Consultants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2013, 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, 2013, 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 described in Note 21 to the financial statements, in fiscal year 2013, the City adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reports as Assets and Liabilities*. Our opinion is 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 and budgetary comparison information on pages 5 through 7 and 57 through 62 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

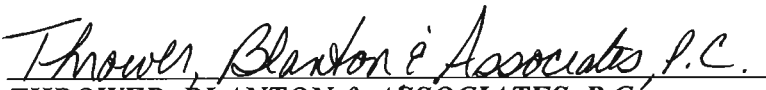
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statistical section and compliance section information are presented for purposes of additional analysis and are not a required part of the basic 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 States 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 27, 2013 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 27, 2013

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2013, 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 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2013, 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 27, 2013.

Purpose of this Report

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

Thrower, Blanton & Associates P.C.

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

Norton, Virginia
November 27, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Norton, Virginia's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. 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, 2013.

Report on Internal Control Over Compliance

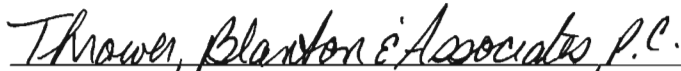
Management of the City of Norton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the 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 27, 2013

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

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

We have audited the general purpose financial statements of the City of Norton, Virginia (the "City") as of and for the year ended June 30, 2013, and have issued our report thereon dated November 27, 2013.

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 of Interest | * Uniform Disposition of Unclaimed |
| * Local Retirement Systems | Property Act |
| * Personal Property Tax Relief Act | |

State Agency Requirements

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

The City did not comply in totality with the provisions of the Conflicts of Interests Act per Title 2.2 of the Code of Virginia. Specifically not all local officials had filed the required annual statement of economic interest with the clerk timely; however, all required filings had been received by the release of the audit report.

The City did not comply with certain Social Services requirements. The local agency did not complete the required Acceptable Use Awareness Acknowledgement Forms under the compliance requirements of the Information Security Policy provisions by the November 30, 2012 deadline.

The Honorable Members of the City Council
City of Norton
Norton, Virginia 24273
(Report on Compliance with Commonwealth of
Virginia Laws, Regulations, Contracts and Grants)
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The 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 27, 2013

CITY OF NORTON
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			
	Governmental	Business-Type		Component Units
	Activities	Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,863,770	\$ 300	\$ 1,864,070	\$ 2,937,495
Restricted cash	354,494	988,404	1,342,898	1,542,403
Investments	20,491	-	20,491	-
Receivable, net	1,289,397	348,888	1,638,285	109,742
Note receivable	29,271	-	29,271	-
Prepaid expense	-	-	-	24,111
Due from other governmental units	343,653	539,343	882,996	274,436
Due from other funds	388,787	12,898	401,685	41,585
Due from primary government	-	-	-	653,071
Capital assets, non-depreciable	897,280	1,430,697	2,327,977	1,765,690
Capital assets, depreciable, net	4,804,048	16,031,045	20,835,093	12,891,934
Total Assets	<u>\$ 9,991,191</u>	<u>\$ 19,351,575</u>	<u>\$ 29,342,766</u>	<u>\$ 20,240,467</u>
LIABILITIES				
Accounts payable and accrued liabilities	350,301	607,981	958,282	240,857
Accrued payroll and related liabilities	135,833	24,124	159,957	627,670
Accrued interest payable	27,188	44,697	71,885	224,014
Customer security deposits	-	112,628	112,628	-
Due to other governmental units	231,230	-	231,230	-
Due to other funds	12,897	388,786	401,683	41,586
Due to component units	653,071	-	653,071	-
Compensated absences				
Due within one year	125,223	14,489	139,712	20,591
Due in more than one year	53,667	6,210	59,877	42,314
Long-term liabilities				
Due within one year	121,031	155,674	276,705	558,978
Due in more than one year	1,772,253	7,943,851	9,716,104	12,346,469
Total Liabilities	<u>3,482,694</u>	<u>9,298,440</u>	<u>12,781,134</u>	<u>14,102,479</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	830,304	-	830,304	-
Deferred bond revenue	-	50,568	50,568	7,244
Total Deferred Inflows of Resources	<u>830,304</u>	<u>50,568</u>	<u>880,872</u>	<u>7,244</u>
NET POSITION				
Net investment in capital assets	4,136,516	9,362,217	13,498,733	2,319,522
Restricted	-	988,404	988,404	1,542,403
Unrestricted	1,541,677	(348,054)	1,193,623	2,268,819
Total Net Position	<u>5,678,193</u>	<u>10,002,567</u>	<u>15,680,760</u>	<u>6,130,744</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 9,991,191</u>	<u>\$ 19,351,575</u>	<u>\$ 29,342,766</u>	<u>\$ 20,240,467</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	NIDA	
Governmental Activities										
General government	\$ 1,542,855	\$ -	\$ 177,051	\$ -	\$ (1,365,804)	\$ -	\$ (1,365,804)			
Public safety	2,423,860	15,981	510,981	-	(1,896,898)	-	(1,896,898)			
Public works	2,486,780	358,014	824,726	-	(1,304,040)	-	(1,304,040)			
Health and welfare	1,321,129	-	890,222	-	(430,907)	-	(430,907)			
Education	1,692,638	-	-	150,000	(1,542,638)	-	(1,542,638)			
Parks, recreation and cultural	477,229	6,717	12,216	-	(458,296)	-	(458,296)			
Community development	562,432	-	-	-	(562,432)	-	(562,432)			
Interest on long-term debt	169,304	-	-	-	(169,304)	-	(169,304)			
Contingencies	-	-	-	-	-	-	-			
Total Governmental Activities	10,676,227	380,712	2,415,196	150,000	(7,730,319)	-	(7,730,319)			
Business-type activities										
Water and Wastewater	2,635,899	2,265,444	-	3,010,774	-	2,640,319	2,640,319			
Total Business-Type Activities	2,635,899	2,265,444	-	3,010,774	-	2,640,319	2,640,319			
TOTAL PRIMARY GOVERNMENT	13,312,126	2,646,156	2,415,196	3,160,774	(7,730,319)	2,640,319	(5,090,000)			
COMPONENT UNITS										
School Board	9,073,058	93,035	5,674,233	-	-	-	-	\$ (3,305,790)	\$ -	
NIDA	671,422	388,909	-	-	-	-	-	-	(282,513)	
Total Component Units	9,744,480	481,944	5,674,233	-	-	-	-	(3,305,790)	(282,513)	
General revenues										
Property taxes					2,736,838	-	2,736,838	-	-	
Local sales & use tax					1,762,729	-	1,762,729	-	-	
Utility taxes					137,995	-	137,995	-	-	
Business license taxes					853,599	-	853,599	-	-	
Communication taxes					217,316	-	217,316	-	-	
Bank stock taxes					74,256	-	74,256	-	-	
Recordation taxes					29,516	-	29,516	-	-	
Tobacco taxes					195	-	195	-	-	
Hotel and motel room taxes					146,200	-	146,200	-	-	
Restaurant food taxes					1,262,519	-	1,262,519	-	-	
Coal road improvement taxes					116,498	-	116,498	-	-	
Cigarette tax					110,245	-	110,245	-	-	
Other local taxes					106,995	-	106,995	-	-	
Unrestricted miscellaneous revenue					118,702	-	118,702	105,450	-	
Unrestricted investment earnings					25,196	-	25,196	4,709	9,909	
Rental of Town property					-	-	-	-	-	
Gain (loss) on sale of capital assets					-	-	-	-	-	
Recovered cost					33,660	-	33,660	264,602	56,383	
Transfers-Primary Government					-	-	-	-	-	
Transfers-Component Units					-	-	-	2,160,007	488,017	
Total general revenues and transfers					7,732,459	-	7,732,459	2,534,768	554,309	
Change in net position					2,140	2,640,319	2,642,459	(771,022)	271,796	
PRIOR PERIOD ADJUSTMENT					(37,631)	(5,475)	(43,106)	-	-	
NET POSITION - JULY 1					5,713,884	7,367,723	13,081,407	1,175,639	5,454,331	
NET POSITION - JUNE 30					\$ 5,678,193	\$ 10,002,567	\$ 15,680,760	\$ 404,617	\$ 5,726,127	

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

**CITY OF NORTON
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2013**

	General	Special Revenue	Total
ASSETS			
Cash and cash equivalents	\$ 1,863,770	\$ -	\$ 1,863,770
Restricted Cash	15,091	339,403	354,494
Investments	20,491	-	20,491
Taxes receivable	1,061,006	-	1,061,006
Accounts receivable	228,391	-	228,391
Notes receivable	-	29,271	29,271
Due from other funds	567,700	-	567,700
Due from primary government	-	-	-
Due from other governmental units	242,014	101,639	343,653
Total Assets	<u>\$ 3,998,463</u>	<u>\$ 470,313</u>	<u>\$ 4,468,776</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 287,141	\$ 63,160	\$ 350,301
Accrued payroll and related liabilities	113,457	22,376	135,833
Due to other funds	7,052	176,494	183,546
Due to component units	661,335	-	661,335
Due to other governmental units	231,230	-	231,230
Total Liabilities	<u>1,300,215</u>	<u>262,030</u>	<u>1,562,245</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	<u>1,016,667</u>	<u>-</u>	<u>1,016,667</u>
Total Deferred Inflows of Resources	<u>1,016,667</u>	<u>-</u>	<u>1,016,667</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	333,190	333,190
Assigned	431,267	-	431,267
Unassigned	<u>1,250,314</u>	<u>(124,907)</u>	<u>1,125,407</u>
Total Fund Balances	<u>1,681,581</u>	<u>208,283</u>	<u>1,889,864</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,998,463</u>	<u>\$ 470,313</u>	<u>\$ 4,468,776</u>
Total Fund Balances			\$ 1,889,864
Amounts reported for governmental activities in the statement of net assets 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			5,701,328
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds			-
Other liabilities are not required to be paid out of current financial resources and therefore are not reported in the governmental funds			(19,715)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			<u>(1,893,284)</u>
Net Position of Governmental Activities			<u>\$ 5,678,193</u>

CITY OF NORTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Special Revenue	Total Governmental Funds
REVENUES:			
General property taxes	\$ 2,550,475	\$ -	\$ 2,550,475
Other local taxes	4,699,374	-	4,699,374
Permits, privilege fees and regulatory licenses	4,532	-	4,532
Fines and forfeitures	37,115	-	37,115
Revenue from use of money & property	23,641	1,555	25,196
Charges for services	365,271	15,441	380,712
Miscellaneous	250,406	-	250,406
Recovered costs	17,277	-	17,277
Intergovernmental	1,602,016	890,222	2,492,238
Total Revenues	<u>9,550,107</u>	<u>907,218</u>	<u>10,457,325</u>
EXPENDITURES:			
Current:			
General government administration	1,180,843	-	1,180,843
Judicial administration	353,367	-	353,367
Public safety	2,305,326	2,705	2,308,031
Public works	2,294,322	-	2,294,322
Health and welfare	111,630	1,190,647	1,302,277
Education and transfer to school	2,169,025	-	2,169,025
Parks, recreation and cultural	455,638	-	455,638
Community development	554,868	-	554,868
Debt service:			
Principal retirement	15,284,397	-	15,284,397
Interest	316,659	-	316,659
Total Expenditures	<u>25,026,075</u>	<u>1,193,352</u>	<u>26,219,427</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(15,475,968)</u>	<u>(286,134)</u>	<u>(15,762,102)</u>
OTHER FINANCING SOURCES (USES):			
Sale of surplus	18,296	-	18,296
Sale of real property	-	-	-
Loan proceeds	7,588,375	-	7,588,375
Transfers from School Board	7,627,291	-	7,627,291
Insurance recoveries	16,383	-	16,383
Operating transfers in	-	271,725	271,725
Operating transfers out	(271,725)	-	(271,725)
Total Other Financing Sources (Uses)	<u>14,978,620</u>	<u>271,725</u>	<u>15,250,345</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(497,348)	(14,409)	(511,757)
FUND BALANCE AT BEGINNING OF YEAR	<u>2,178,929</u>	<u>222,692</u>	<u>2,401,621</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,681,581</u>	<u>\$ 208,283</u>	<u>\$ 1,889,864</u>

CITY OF NORTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Net Change in Fund Balance Governmental Fund:	\$ (511,757)
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 depreciation exceeded capital outlay in the current period.	(7,433,419)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,402,012)
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.	15,284,397
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>64,931</u>
Change in Net Position of Governmental Activities	<u>\$ 2,140</u>

CITY OF NORTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-Type Activities Proprietary Funds
	<u>Water & Sewer Operation</u>
ASSETS	
Cash and cash equivalents	\$ 300
Restricted cash	988,404
Receivable, net	348,888
Due from other funds	12,898
Due from other government units	539,343
Land	588,600
Construction in progress	842,097
Capital assets, net	<u>16,031,045</u>
Total Assets	<u>\$ 19,351,575</u>
LIABILITIES	
Accounts payable	607,981
Accrued payroll and related liabilities	24,124
Accrued interest payable	44,697
Customer security deposits	112,628
Due to other governmental units	-
Due to other funds	388,786
Compensated absences	20,699
Long-term liabilities	
Due within one year	155,674
Due in more than one year	<u>7,943,851</u>
Total Liabilities	<u>9,298,440</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on bond refinancing	<u>50,568</u>
Total Deferred Inflows of Resources	<u>50,568</u>
NET POSITION	
Net investment in capital assets	9,362,217
Restricted	988,404
Unrestricted (deficit)	<u>(348,054)</u>
Total Net Position	<u>10,002,567</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 19,351,575</u>

CITY OF NORTON
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	PROPRIETARY FUNDS
	Water & Sewer Operation
OPERATING REVENUES:	
Charges For Services:	
Water:	
Local	\$ 745,450
Non-local	229,988
Total Water	<u>975,438</u>
Sewer:	
Local	965,157
Non-local	256,593
Total Sewer	<u>1,221,750</u>
Total Charges for Services	<u>2,197,188</u>
Miscellaneous:	
Installations and tap fees	14,155
Penalties	52,500
Other	1,601
Total Miscellaneous	<u>68,256</u>
Total Operating Revenues	<u>2,265,444</u>
OPERATING EXPENSES:	
Personal services	514,078
Fringe benefits	213,354
Contractual services	787,574
Other charges	394,568
Rent	6,000
Depreciation	351,926
Purchase of water	167,072
Total Operating Expenses	<u>2,434,572</u>
Operating Income (Loss)	<u>(169,128)</u>
NON-OPERATING REVENUES (EXPENSES):	
Grant income	2,403,770
Contribution from C-N-W	491,411
Contribution from Wise County	115,593
Interconnect expense	(20,971)
Interest expense	(180,356)
Total Non-Operating Revenues (Expenses)	<u>2,809,447</u>
CHANGE IN NET POSTION	2,640,319
PRIOR PERIOD ADJUSTMENT	(5,475)
NET POSITION - JULY 1, 2012	<u>7,367,723</u>
NET POSITION - JUNE 30, 2013	<u>\$ 10,002,567</u>

CITY OF NORTON
STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUNDS
Year Ended June 30, 2013

	PROPRIETARY FUNDS	COMPONENT UNIT
	Water & Sewer Operation	Norton Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,275,585	\$ 425,952
Cash payments to suppliers for goods and services	(1,512,125)	(216,438)
Cash payments to employees for services	(514,551)	-
Net Cash provided by (used in)		
Operating activities	248,909	209,514
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in customer deposits	2,026	-
Contribution - City of Norton	-	338,017
Increase (decrease) in due to other funds	52,574	-
Net Cash Provided by Non-Capital Financing		
Activities	54,600	338,017
CASH FLOWS FROM CAPITAL AND RELATED FINANCING		
ACTIVITIES:		
Construction in progress	(3,864,256)	-
Acquisition of capital assets	(50,703)	(27,777)
Proceeds from issuance of debt	2,993,324	-
Contributed Capital-Grant Revenue	2,671,408	-
Interconnect expense	(20,971)	-
Principal paid	(1,017,797)	(444,850)
Interest paid	(174,024)	(72,730)
Net Cash provided by (used in) capital and related		
financing activities	536,981	(545,357)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	-	14,031
Net cash provided by (used in) investing activities	-	14,031
Net Increase (Decrease) in Cash and Cash Equivalents	840,490	16,205
Cash and Cash Equivalents at Beginning of Year	148,214	2,077,332
Cash and Cash Equivalents at June 30, 2013		
Unrestricted	\$ 300	2,093,537
Restricted	988,404	-
Cash and Cash Equivalents at End of Year	\$ 988,704	\$ 2,093,537
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (169,128)	\$ (8,292)
Adjustments		
Depreciation and amortization	351,926	226,482
OPEB	17,375	-
Bad debts	8,623	-
Changes in assets and liabilities:		
(Increase) decrease in prepaid expense	-	(888)
(Increase) decrease in accounts receivable	10,141	(19,340)
Increase (decrease) in accounts payable	30,445	11,552
Increase (decrease) in accrued liabilities	2,558	-
Increase (decrease) in compensating absences	(3,031)	-
Increase (decrease) in deferred rent	-	-
Total adjustments	418,037	217,806
Net Cash Provided by Non-Capital Financing Activities	\$ 248,909	\$ 209,514

**CITY OF NORTON
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	RBE Revolving Loan Fund	Virginia Public Assistance Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	TOTALS June 30, 2013
<u>ASSETS</u>					
Cash	\$ 276,549	\$ 35,484	\$ 25,301	\$ 2,069	\$ 339,403
Receivables (Net of Any Allowance For Uncollectibles):					
Accounts	-	-	-	-	-
Note receivable	29,271	-	-	-	29,271
Due from other governmental units:					
Commonwealth of Virginia	-	101,639	-	-	101,639
TOTAL ASSETS	\$ 305,820	\$ 137,123	\$ 25,301	\$ 2,069	\$ 470,313
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ 63,160	\$ -	\$ -	\$ 63,160
Accrued liabilities	-	22,376	-	-	22,376
Due to other funds	-	176,494	-	-	176,494
Total Liabilities	-	262,030	-	-	262,030
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed					
Economic development	305,820	-	-	-	305,820
Law enforcement	-	-	25,301	-	25,301
Parks and recreation	-	-	-	2,069	2,069
Assigned	-	-	-	-	-
Unassigned	-	(124,907)	-	-	(124,907)
Total Fund Balances	305,820	(124,907)	25,301	2,069	208,283
TOTAL LIABILITIES AND FUND BALANCES	\$ 305,820	\$ 137,123	\$ 25,301	\$ 2,069	\$ 470,313

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CITY OF NORTON
 AGENCY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Year Ended June 30, 2013

	<u>Special Welfare Fund</u>
Additions	
Client receipts	\$ 16,154
Total additions	<u>16,154</u>
Deductions	
Payments for clients	<u>16,273</u>
Total deductions	<u>16,273</u>
Change in net position	(119)
Net position - beginning of year	<u>16,997</u>
Net position - end of year	<u>\$ 16,878</u>

CITY OF NORTON
STATEMENT OF NET POSITION - COMPONENT UNITS
JUNE 30, 2013

	Norton City Schools	Norton Industrial Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 843,958	\$ 2,093,537	\$ 2,937,495
Restricted cash	1,542,403	-	1,542,403
Investments	-	-	-
Receivable, net	72,508	37,234	109,742
Prepaid expense	-	24,111	24,111
Due from primary government	653,071	-	653,071
Due from other governmental units	274,436	-	274,436
Due from other funds	41,585	-	41,585
Deferred bond expense	-	-	-
Capital assets, non-depreciable	1,023,584	742,106	1,765,690
Capital assets, depreciable, net	<u>8,739,469</u>	<u>4,152,465</u>	<u>12,891,934</u>
 Total Assets	 <u>\$ 13,191,014</u>	 <u>\$ 7,049,453</u>	 <u>\$ 20,240,467</u>
LIABILITIES			
Accounts payable and accrued liabilities	203,954	36,903	240,857
Accrued payroll and related liabilities	627,670	-	627,670
Accrued interest payable	219,530	4,484	224,014
Due to other funds	41,586	-	41,586
Compensated absences			
Due within one year	20,591	-	20,591
Due in more than one year	42,314	-	42,314
Long-term liabilities:			
Due within one year	92,096	466,882	558,978
Due in more than one year	<u>11,531,412</u>	<u>815,057</u>	<u>12,346,469</u>
 Total Liabilities	 <u>12,779,153</u>	 <u>1,323,326</u>	 <u>14,102,479</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred bond revenue	<u>7,244</u>	<u>-</u>	<u>7,244</u>
NET POSITION			
Net investment in capital assets	(1,288,110)	3,607,632	2,319,522
Restricted	1,542,403	-	1,542,403
Unrestricted	<u>150,324</u>	<u>2,118,495</u>	<u>2,268,819</u>
 Total Net Position	 <u>404,617</u>	 <u>5,726,127</u>	 <u>6,130,744</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 13,191,014</u>	 <u>\$ 7,049,453</u>	 <u>\$ 20,240,467</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES - COMPONENT UNITS
Year Ended June 30, 2013

Functions/Programs Governmental Activities	Program Revenues		Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total Norton Industrial Development Authority	GRAND TOTAL
				Total Norton City Schools	Development Authority		
Norton City Schools Education	\$ 9,073,058	\$ 93,035	\$ 5,674,233	\$ -	\$ (3,305,790)	\$ -	\$ (3,305,790)
Business-type activities							
Norton Industrial Development Authority							
Economic Development	671,422	388,909	-	-	(282,513)	(282,513)	(282,513)
Total component units	9,744,480	481,944	5,674,233	-	(3,305,790)	(282,513)	(3,588,303)
General revenues							
City of Norton				2,160,007	488,017		2,648,024
Unrestricted investment earnings				4,709	9,909		14,618
Miscellaneous revenues				105,450	-		105,450
Unrestricted investment earnings				-	-		-
Rental of Town property				-	-		-
Gain (loss) on sale of capital assets				-	-		-
Recovered cost				264,602	56,383		320,985
Transfers				-	-		-
Total general revenues and transfers				2,534,768	554,309		3,089,077
Change in net position				(771,022)	271,796		(499,226)
NET POSITION - JULY 1, 2012				1,175,639	5,454,331		6,629,970
NET POSITION - JUNE 30, 2013				\$ 404,617	\$ 5,726,127		\$ 6,130,744

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2013

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

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

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

The City reports the following major governmental funds:

General Fund

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

Special Revenue Funds

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

The City reports the following major proprietary funds:

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

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

D. Basis of Accounting

1. Governmental Funds

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

June 30, 2013

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, 2013.

F. Encumbrances

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

June 30, 2013

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 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 \$289,891 at June 30, 2013, and is composed of the following:

General Fund:

Allowance for uncollectible property taxes	148,056	
Allowance for uncollectible garbage fees	<u>14,357</u>	
Total General Fund		\$ 162,413

Water and Sewer Fund:

Allowance for uncollectible water and sewer fee billings	<u>127,478</u>	
Total Water and Sewer Fund		<u>127,478</u>

Total Allowance for Uncollectible Accounts		<u>\$ 289,891</u>
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J. Cash Equivalents

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

June 30, 2013

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

K. **Fund Equity**

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. The 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, 2013 and classified fund balance into the following five categories:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager through the budgetary process.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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	57%
SNAP	27%
LGIP	16%

Custodial Credit Risk:

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

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

	Primary Government	Component Units	
		School	NIDA
Deposits and investments:			
Cash on hand	\$ 950	\$ -	\$ -
Deposits	2,347,119	843,958	2,093,537
Investments	896,268	1,542,403	-
	<u>\$ 3,244,337</u>	<u>\$2,386,361</u>	<u>\$ 2,093,537</u>
Statement of net position:			
Cash and cash equivalents	\$ 1,880,948	\$ 843,958	\$ 2,093,537
Investments	20,491	-	-
Restricted cash and cash equivalents	1,342,898	1,542,403	-
	<u>\$ 3,244,337</u>	<u>\$2,386,361</u>	<u>\$ 2,093,537</u>

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

3. PROPERTY TAXES RECEIVABLE

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

4. NOTE RECEIVABLE

Note receivable from Norton Industrial Development Authority (NIDA) in the amount of \$280,000 - loan dated February 25, 2002 with a ten year term and annual interest rate of 0% for the first two years and 1% per year, thereafter. Annual payments of \$29,563, including interest, begin February 25, 2005 with the remaining balance of \$29,271 to be paid February 25, 2014.

5. DUE FROM OTHER GOVERNMENTAL UNITS

	Primary Government	Component Unit- School Board	Total
Commonwealth of Virginia:			
Local sales tax	\$ 142,166	\$ -	\$ 142,166
Shared expenses	23,615	-	23,615
Communication tax	16,554	-	16,554
E-911 tax	3,374	-	3,374
Other	7,445	-	7,445
School funds	-	274,436	274,436
Welfare funds	<u>101,639</u>	<u>-</u>	<u>101,639</u>
Total Commonwealth of Virginia	<u>294,793</u>	<u>274,436</u>	<u>569,229</u>
Wise County:			
Coal haul road taxes	21,195	-	21,195
Court fines/transfer fees	<u>467</u>	<u>-</u>	<u>467</u>
Total Wise County	<u>21,662</u>	<u>-</u>	<u>21,662</u>
Norton Industrial Development Authority	<u>21,256</u>	<u>-</u>	<u>21,256</u>
Southwest Virginia E-911	<u>5,942</u>	<u>-</u>	<u>5,942</u>
Total Due From Other Governmental Units	<u>\$ 343,653</u>	<u>\$ 274,436</u>	<u>\$ 618,089</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

6. INTERFUND OBLIGATIONS

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	\$ 8,265	\$ 661,335	\$ -	\$ -
Virginia Public Assistance Fund	170,649	-	-	-
Water and Sewer Fund	388,786	7,052	-	-
Total General Fund	<u>567,700</u>	<u>668,387</u>	<u>-</u>	<u>-</u>
School Operating Fund:				
General Fund	-	-	661,335	8,265
Cafeteria Fund	-	-	37,914	3,671
Health Insurance Fund	-	-	-	-
Total School Operating Fund	<u>-</u>	<u>-</u>	<u>699,249</u>	<u>11,936</u>
School Cafeteria Fund:				
School Operating Fund	-	-	3,671	37,914
Health Insurance Fund	-	-	-	-
Total School Cafeteria Fund	<u>-</u>	<u>-</u>	<u>3,671</u>	<u>37,914</u>
School Health Insurance Fund				
School Operating Fund	-	-	-	-
Total Health Insurance Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Virginia Public Assistance Fund:				
General Fund	-	170,649	-	-
Water and Sewer Fund	-	5,845	-	-
Total Virginia Public Assistance	<u>-</u>	<u>176,494</u>	<u>-</u>	<u>-</u>
Water and Sewer Fund:				
Virginia Public Assistance Fund	5,845	-	-	-
General Fund	7,052	388,786	-	-
Total Water and Sewer Fund	<u>12,897</u>	<u>388,786</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 580,597</u>	<u>\$1,233,667</u>	<u>\$ 702,920</u>	<u>\$ 49,850</u>

7. CHANGES IN CAPITAL ASSETS

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

PRIMARY GOVERNMENT	7/1/2012	Additions	Deletions	6/30/2013
Buildings	1,964,951	-	-	1,964,951
Improvements other than buildings	1,707,030	106,830	-	1,813,860
Infrastructure	9,993,241	28,500	-	10,021,741
Equipment	3,940,986	83,525	159,035	3,865,476
Equipment special revenue	141,378	5,844	29,964	117,258
Tenancy in Common-School Board	7,616,961	-	7,616,961	-
Total Capital Assets, Depreciable	<u>25,364,547</u>	<u>224,699</u>	<u>7,805,960</u>	<u>17,783,286</u>
Less Accumulated Depreciation For:				
Buildings	1,339,786	27,392	-	1,367,178
Improvements other than buildings	1,086,870	51,444	-	1,138,314
Infrastructure	7,592,839	154,079	-	7,746,918
Equipment	2,555,022	265,258	188,999	2,631,281
Equipment special revenue	95,547	-	-	95,547
Tenancy in Common-School Board	457,017	-	457,017	-
Total accumulated depreciation	<u>13,127,081</u>	<u>498,173</u>	<u>646,016</u>	<u>12,979,238</u>
Total Capital Assets, depreciable net	<u>\$ 12,237,466</u>	<u>\$ (273,474)</u>	<u>\$ 7,159,944</u>	<u>\$ 4,804,048</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

7. CHANGES IN CAPITAL ASSETS (Continued)

	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013
PRIMARY GOVERNMENT				
Component Unit-School Board				
Building	\$ 3,500,844	\$ 7,800,719	\$ -	\$ 11,301,563
Improvements other than building	716,776	35,000	-	751,776
Equipment	625,685	41,345	-	667,030
Total Capital Assets, depreciable	4,843,305	7,877,064	-	12,720,369
Less Accumulated Depreciation For:				
Building	2,489,296	655,424	-	3,144,720
Improvements other than building	279,490	43,126	-	322,616
Equipment	458,454	55,110	-	513,564
Total Accumulated Depreciation	3,227,240	753,660	-	3,980,900
Total Capital Assets, Depreciable, Net	\$ 1,616,065	\$ 7,123,404	\$ -	\$ 8,739,469
Component Unit - NIDA				
Building	\$ 6,472,052	\$ 22,777	\$ -	\$ 6,494,829
Equipment	384,133	-	-	384,133
Less Accumulated Depreciation	(2,505,235)	(221,262)	-	(2,726,497)
Total Capital Assets, Depreciable, Net	\$ 4,350,950	\$ (198,485)	\$ -	\$ 4,152,465
Business Type Activities				
Building	\$ 256,454	\$ -	\$ -	\$ 256,454
Improvements other than building	12,523,477	7,992,139	-	20,515,616
Equipment	1,128,564	50,073	8,500	1,170,137
Total Capital Assets, depreciable	13,908,495	8,042,212	8,500	21,942,207
Less Accumulated Depreciation For:				
Building	249,066	320	-	249,386
Improvements other than building	4,580,299	304,945	-	4,885,244
Equipment	732,525	46,662	2,655	776,532
Total Accumulated Depreciation	5,561,890	351,927	2,655	5,911,162
Total Capital Assets, Depreciable, Net	\$ 8,346,605	\$ 7,690,285	\$ 5,845	\$ 16,031,045

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Land	\$ 897,280	\$ -	\$ -	\$ 897,280
Total Capital Assets, non-depreciable	\$ 897,280	\$ -	\$ -	\$ 897,280
 <u>Component Unit – School Board</u>	 <u>July 1, 2012</u>	 <u>Additions</u>	 <u>Deletions</u>	 <u>June 30, 2013</u>
Land	\$ 65,900	\$ -	\$ -	\$ 65,900
Construction in Progress	30,000	1,111,442	(183,758)	957,684
Total Capital Assets, non-depreciable	\$ 95,900	\$ 1,111,442	\$ (183,758)	\$ 1,023,584
 <u>Component Unit - NIDA</u>				
Land	\$ 737,106	\$ 5,000	\$ (-)	\$ 742,106
Total Capital Assets, non-depreciable	\$ 737,106	\$ 5,000	\$ (-)	\$ 742,106
 <u>Business Type Activities</u>	 <u>July 1, 2012</u>	 <u>Additions</u>	 <u>Deletions</u>	 <u>June 30, 2013</u>
Land	\$ 588,600	\$ -	\$ -	\$ 588,600
Construction in Progress	4,812,400	3,333,206	(7,303,509)	842,097
Total Capital Assets, non-depreciable	\$ 5,401,000	\$ 3,333,206	\$ (7,303,509)	\$ 1,430,697

8. **LONG-TERM DEBT**

	Governmental Activities General Obligation Bonds	
Year Ending June 30,	Principal	Interest
2014	\$ 70,000	\$ 65,250
2015	75,000	62,626
2016	75,000	59,626
2017	80,000	56,626
2018	85,000	53,426
2019-2023	485,000	196,450
2024-2028	485,000	62,250
Totals	\$ 1,355,000	\$ 556,254

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

8. LONG-TERM DEBT (Continued)

Year Ending June 30,	BUSINESS TYPE ACTIVITIES GENERAL OBLIGATION BONDS							
	Refunding Bond		Sewer Facilities Bond		Water Facilities Bond		Sewer Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 45,000	\$ 43,727	\$ 2,369	\$ 7,352	\$ 34,367	\$ 54,409	\$ 10,033	\$ 43,723
2015	45,000	41,648	2,467	7,253	35,236	53,539	22,195	28,709
2016	45,000	39,550	2,571	7,149	36,127	52,648	22,700	28,204
2017	50,000	37,221	2,679	7,041	37,041	51,735	23,216	27,688
2018	50,000	34,746	2,792	6,928	37,978	50,798	23,743	27,161
2019-2023	285,000	133,179	15,822	32,778	204,789	239,089	127,063	127,457
2024-2028	365,000	51,330	19,438	29,161	232,026	211,852	142,178	112,343
2029-2033	15,000	376	23,884	24,716	262,885	180,992	159,090	95,430
2034-2038	-	-	29,345	19,255	297,850	146,028	178,015	76,504
2039-2043	-	-	36,052	12,548	337,465	106,414	199,190	55,330
2044-2048	-	-	41,891	4,313	382,348	61,531	222,884	31,636
2049-2053	-	-	-	-	253,405	12,924	165,814	6,551
Total	\$ 900,000	\$ 381,777	\$ 179,310	\$ 158,494	\$ 2,151,517	\$ 1,221,959	\$ 1,296,121	\$ 660,736

Year Ending June 30,	GENERAL OBLIGATION BONDS					
	Sewer Bond		Refunding Bond		Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 75,719	\$ -	\$ -	\$ 63,872	\$ -	\$ -
2015	75,719	-	-	70,538	7,799	10,657
2016	75,719	-	60,000	69,298	8,036	10,420
2017	75,719	-	65,000	67,393	8,281	10,175
2018	75,719	-	70,000	65,034	8,532	9,923
2019-2023	378,595	-	385,000	275,501	46,716	45,562
2024-2028	378,595	-	475,000	181,306	54,266	38,012
2029-2033	151,429	-	170,000	106,066	63,036	29,243
2034-2038	-	-	200,000	66,202	73,225	19,054
2039-2043	-	-	185,000	17,703	85,061	7,220
2044-2048	-	-	-	-	-	-
2049-2053	-	-	-	-	-	-
Total	\$ 1,287,214	\$ -	\$ 1,610,000	\$ 982,913	\$ 354,952	\$ 180,266

	Balance 7/1/2012	Additions/ Proceeds	Payments/ Reductions	Balance 6/30/2013
Business-Type Activities				
General obligation bonds	\$ 6,054,543	\$ 2,742,368	\$ (1,017,797)	\$ 7,779,114
Deferred gain of refunding	53,728	-	(3,160)	50,568
Premium on bonds	-	250,956	-	250,956
OPEB	52,080	17,375	-	69,455
Accrued Vacation	23,730	24,582	(27,613)	20,699
Total	\$ 6,184,081	\$ 3,035,281	\$ (1,048,570)	\$ 8,170,792
Governmental Activities				
General obligation bonds	\$ 8,988,191	\$ 7,588,375	\$ (15,221,566)	\$ 1,355,000
Capital lease	224,823	-	(62,831)	161,992
Premium on bonds	51,498	-	(3,678)	47,820
OPEB	237,255	91,217	-	328,472
Accrued vacation	187,682	167,872	(176,664)	178,890
Total	\$ 9,689,449	\$ 7,847,464	\$ (15,464,739)	\$ 2,072,174

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

8. LONG-TERM DEBT (Continued)

Changes in Other Long-Term Debt:

The following is a summary of other long-term debt transactions of the City of Norton for the year ended June 30, 2013:

	<u>Compensated Absences</u>	
	<u>Governmental</u>	<u>Propriety</u>
	<u>Fund</u>	<u>Fund</u>
	<u>Types</u>	<u>Types</u>
Payable at June 30, 2012	\$ 187,682	\$ 23,730
Additions	167,872	24,582
Reductions	(176,664)	(27,613)
Payable at June 30, 2013	<u>\$ 178,890</u>	<u>\$ 20,699</u>

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

Details of Long-Term Indebtedness:

General Obligation Bonds:

The City refinanced an existing Water Improvement Bond Debt which was originally issued for \$1,500,000 and a Community Facility Loan on a fire truck which was originally issued for \$750,000. The total refinanced bond issue was for a total of \$1,714,008 which included bond issue cost and finance charges totaling \$79,008. The City started making payments of principal and interest October 1, 2004 and continues making payments annually October 1 of each year thereafter until the bond is paid. The actual interest rate on the total bond issue is 4.2938%. Final installment of all unpaid principal and interest shall be due and payable in 24 years on October 1, 2028.

\$ - \$ 900,000

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

1,355,000 -

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

8. LONG-TERM DEBT (Continued)

Enterprise Funds:

	Amount Outstanding	
	Government Activities	Propriety Fund Types
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.	-	1,287,214
\$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.	-	179,310
\$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.	-	2,151,517
\$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.	-	1,296,121
\$596,403 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 \$354,952 at June 30, 2013. 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.	-	354,952
\$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
Total Long-Term Debt	<u>\$ 1,355,000</u>	<u>\$ 7,779,114</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

8. LONG-TERM DEBT (Continued)

Component Unit - School Board

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

Years Ending June 30,	General Obligation Bond		VP SA		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 55,000	\$ 7,522	\$ 37,096	\$ 4,904	\$ -	\$ 395,780
2015	60,000	4,590	38,216	2,984	-	339,240
2016	60,000	1,530	39,393	1,005	70,000	337,473
2017	-	-	-	-	495,000	323,206
2018	-	-	-	-	515,000	297,704
2019-2023	-	-	-	-	2,970,000	1,110,610
2024-2028	-	-	-	-	3,675,000	536,388
2029-2033	-	-	-	-	1,605,000	96,456
Totals	<u>\$ 175,000</u>	<u>\$ 13,642</u>	<u>\$ 114,705</u>	<u>\$ 8,893</u>	<u>\$ 9,330,000</u>	<u>\$ 3,436,857</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, 2013:

	General Obligation Bonds	Premium on Bonds	Retirement Payable	VP SA Payable	Totals
Bonds/loans payable at June 30, 2012	\$ 230,000	\$ -	\$ 800	\$ 150,738	\$ 381,538
Issuances	9,330,000	863,502	-	-	10,193,502
Retirements	(55,000)	-	(800)	(36,033)	(91,833)
Bonds/loans payable at June 30, 2013	<u>\$ 9,505,000</u>	<u>\$ 863,502</u>	<u>\$ -</u>	<u>\$ 114,705</u>	<u>\$ 10,483,207</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, 2013:

	Compensated Absences Component Unit- School Board	OPEB Component Unit- School Board
Payable at June 30, 2012	\$ 63,817	\$ 447,837
Additions	39,328	124,508
Reductions	(40,240)	-
Payable at June 30, 2013	<u>\$ 62,905</u>	<u>\$ 572,345</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 of principal and interest beginning July 15 th , 2015 and continuing until January 15, 2031. Interest only is payable in semi-annual installments on July 15 th and January 15 th beginning July 15, 2013 until principal payments begin on July 15, 2015. There was an \$863,502 premium on the bond issuance to be amortized in annual increments over the life of the bond. 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>175,000</u>
Total General Obligation Bonds	<u>9,505,000</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%

114,705

TOTAL GENERAL LONG-TERM BONDS/LOANS

\$ 9,619,705COMPONENT UNIT - NIDA

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

Years Ending June 30,	City of Norton		Powell Valley National Bank		TOTALS	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 29,271	292	437,611	50,405	466,882	50,698
2015	-	-	456,816	31,200	456,816	31,200
2016	-	-	358,241	12,000	358,241	12,000
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Totals	<u>\$ 29,271</u>	<u>\$ 292</u>	<u>\$1,252,668</u>	<u>\$ 93,605</u>	<u>\$1,281,939</u>	<u>\$ 93,898</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2013

	City of <u>Norton</u>	Powell Valley National <u>Bank</u>	<u>Totals</u>
Mortgage loans payable at June 30, 2012	\$ 58,251	\$ 1,668,538	\$ 1,726,789
Borrowings	-	-	-
Retirements	<u>(28,890)</u>	<u>(415,870)</u>	<u>(444,850)</u>
Mortgage loans payable at June 30, 2013	<u>\$ 29,271</u>	<u>\$ 1,252,668</u>	<u>\$ 1,281,939</u>

Details of Long-Term Indebtedness:Principal Balance
at June 30, 2013

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.

1,252,668

City of Norton - \$280,000 loan dated 2/25/02 with a ten year term and annual interest rate of 0% for the first two years and 1% per year, thereafter. Annual payments of \$29,562.98 including interest, begin 2/25/05 with remaining balance to be paid 2/25/14.

29,271

Total Mortgage Loans Payable at June 30, 2013

\$ 1,281,939

June 30, 2013

9. **CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES**

PRIMARY GOVERNMENT

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principles 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, 2013, the City had outstanding accrued vacation, sick and personal leave of \$166,178 in the Governmental Activities and outstanding accrued vacation leave of \$19,228 in the Water and Sewer Fund. The City had outstanding accrued payroll taxes of \$12,712 in the Governmental Activities and \$1,471 in the Water and Sewer Fund related to the accrued leave.

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, 2013, the School Board had outstanding accrued vacation, sick and personal leave of \$58,435 and \$4,470 of accrued payroll taxes related to the accrued leave.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

10. FUND BALANCE - GOVERNMENTAL FUNDS

As of June 30, 2013, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ —	\$ —	\$ —
Restricted:			
Law Enforcement	—	—	—
Community Development	—	—	—
Committed:			
Law Enforcement	—	25,301	25,301
Parks and Recreation	—	2,069	2,069
Planning & Development	—	305,820	305,820
Assigned:			
Law Enforcement	49,949	—	49,949
Fire Department	18,580	—	18,580
Public Works-Streets	357,554	—	357,554
Planning & Development	5,184	—	5,184
Unassigned	1,250,314	(124,907)	1,125,407
Total fund balances	\$1,681,581	\$ 208,283	\$ 1,889,864

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.

June 30, 2013

11. **DEFINED BENEFIT PENSION PLAN**

A. Plan Description

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

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

Administering Entity: Virginia Retirement System (System)

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

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who are vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for member electing the Survivor Option, PLOP or Advanced Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publication/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

11. **DEFINED BENEFIT PENSION PLAN(Continued)**

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City contribution rate for the fiscal year ended 2013 was 12.23% of annual covered payroll for the City's government employees and 3.84% for City of Norton School Board non-professional employees.

The public school divisions professional employees contribution rate for fiscal 2013 was 11.66% of covered payroll for year ended 2013. This amount represents 100% of the current year contribution. The amounts related to the previous three years are as follows:

<u>Professional</u>	<u>Required Contribution</u>	<u>Percentage Made</u>
2013	\$ 425,312	100%
2012	437,848	100
2011	352,060	100

The required contribution for the year ended June 30, 2013 for the non-professional employees of the City of Norton Schools was \$12,974. This amount represented 100% of the current year contribution. The amounts related to the previous three years are as follows:

<u>Non-Professional</u>	<u>Required Contribution</u>	<u>Percentage Made</u>
2013	\$ 9,552	100.0%
2012	12,974	100.0
2011	12,864	100.0

C. Annual Pension Cost

For fiscal year 2013, the City's annual pension cost of \$374,267 was equal to the City's required and actual contributions. The FY 2013 required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. In fiscal year 2013, the City School Board's annual pension cost for the Board's non-professional employees was \$9,552 which was equal to Board's required and actuarial contributions. The required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions as of June 30, 2011 included (a) 7.00% investment rate of return,(net of administrative expenses) (b) projected salary increases of ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.2% per year for teachers and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters and sheriffs and (c) 2.50% per year for Plan 1 employees and 2.25% for plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City of Norton's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. City of Norton's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

11. DEFINED BENEFIT PENSION PLAN (Continued)

C. Annual Pension Cost(Continued)

	Fiscal Year Ending	Trend Information for City of Norton		Net Pension Obligation
		Annual Pension Cost (APC)	Percentage of APC Contributed	
City:	6/30/13	\$ 374,267	100%	\$ -
	6/30/12	417,409	100	-
	6/30/11	428,371	100	-

D. Funding Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date the plan was 79.12% funded for the City and was 98.25% funded for the School Board non-professional employees. The City's actuarial accrued liability for benefits was \$14,655,168 and the actuarial value of assets was \$11,594,955, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,060,213. The covered payroll (annual payroll of active employees covered by the plan) was \$3,080,986 and the ratio of the UAAL to the covered payroll was 99.33%. The School Board's Non-Professional Employee's actuarial accrued liability for benefits was \$1,754,123 and the actuarial value of assets was \$1,723,449, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,674. The covered payroll (annual payroll of active employees covered by the plan) was \$261,728 and the ratio of the UAAL to the covered payroll was 11.72%.

Schedule of Funding for the City and School Board:

	Fiscal Year Ending	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
City:							
	6/30/12	\$11,594,955	\$14,655,168	\$3,060,213	79.12%	\$3,080,986	99.33%
	6/30/11	11,683,042	15,031,569	3,348,527	77.72%	3,071,355	109.02%
	6/30/10	11,475,914	14,958,851	3,482,937	76.72%	3,176,357	109.65%

School Board:
Non-Professional Employees

	Fiscal Year Ending	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
	6/30/12	\$ 1,723,449	\$ 1,754,123	\$ 30,674	98.25%	\$ 261,728	11.72 %
	6/30/11	1,764,512	1,678,673	(85,839)	105.11%	269,008	(31.91)%
	6/30/10	1,765,589	1,600,634	(164,955)	110.31%	260,117	(63.42)%

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

12. OTHER POST-EMPLOYMENT BENEFITS

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

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

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2013, the City's annual OPEB costs of \$215,725 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	\$ 174,311
Interest on net OPEB obligation	6,076	1,157	3,359
Adjustment to annual required contribution	(8,732)	(1,663)	(14,362)
Annual OPEB cost	91,217	17,375	163,308
Contributions made	-	-	(38,800)
Increase in net OPEB obligation	91,217	17,375	124,508
Net OPEB obligation-beginning of year	237,255	52,080	447,837
Net OPEB obligation-end of year	\$ 328,472	\$ 69,455	\$ 572,345

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.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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

Fiscal Year Ending	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 91,217	0%	\$ 328,472
6/30/2012	79,085	0%	237,255
6/30/2011	79,085	0%	158,170

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
6/30/2013	\$ 17,375	0%	\$ 69,455
6/30/2012	17,360	0%	52,080
6/30/2011	17,360	0%	34,720

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
6/30/2013	\$ 124,508	0%	\$ 572,345
6/30/2012	149,279	0%	447,837
6/30/2011	149,279	0%	298,558

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

12. **OTHER POST-EMPLOYMENT BENEFITS (Continued)**Funding Status and Funding Progress

The funding status of the plan as of June 30, 2013 was as follows:

	Governmental Activities	Business-type Activities	School Board
Actuarial Accrued Liability (AAL)	\$ 756,496	\$ 144,095	\$ 1,825,884
Actuarial Value of Plan Assets	-	-	188,072
Unfunded Actuarial Accrued Liability (UAAL)	756,496	144,095	1,637,812
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	10.30%
Covered Payroll (Active Plan Members)	2,923,487	556,855	2,831,769
UAAL as a Percentage of Covered Payroll	25.88%	25.88%	57.84%

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

Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 62 which is the historical average age of retirement for employees of the City. Active employees age 62 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the City included: inflation at 2.5% and an investment rate of return of 0.0%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The City currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2013, the City had not designated any funding for the OPEB liability.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

13. **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 \$1,016,667 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,016,667 at June 30, 2013.

14. **COMMITMENTS AND CONTINGENCIES**

Litigation

In regard to litigation involving the City of Norton, Virginia, there are several matters under defense of the City's insurer believed to involve potential civil liability. At this time no specific valuation has been determined in regard to these matters.

15. **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:

Roger Ramey, Director (Social Services) 100,000

Elizabeth Fleming, Office Manager 100,000

All social workers 100,000

All employees other than Director, Office Manager, and social workers 90,000

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

16. LEASE OBLIGATION

The City of Norton has two capital leases outstanding at June 30, 2013.

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

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

June 30, 2014	\$ 23,750
June 30, 2015	<u>24,839</u>
Total	<u>\$ 48,589</u>

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

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

June 30, 2014	\$ 27,281
June 30, 2015	27,982
June 30, 2016	28,702
June 30, 2017	<u>29,438</u>
Total	<u>\$113,403</u>

The City of Norton School Division has one capital lease outstanding at June 30, 2013.

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, 2014	\$ 50,222
June 30, 2015	65,601
June 30, 2016	74,238
June 30, 2017	81,187
June 30, 2018	86,053
June 30, 2019	91,127
June 30, 2020	96,420
June 30, 2021	<u>23,108</u>
Total	<u>\$567,956</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

17. **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, 2013, 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
	Balance	Balance	Balance
General Fund for Capital Assets	\$ -	\$ -	\$ 413,583
General Fund for Other Purposes	-	-	17,684
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,267</u>

COMPONENT UNIT-SCHOOL BOARD

	Encumbrances Included In:		
	Restricted	Committed	Assigned
	Fund	Fund	Fund
	Balance	Balance	Balance
School Fund for Capital Assets	\$ 2,164,411	\$ -	\$ -
School Fund for Other Purposes	1,947	-	-
Total Encumbrances	<u>\$ 2,166,358</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2013

18. ***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.

19. ***PRIOR PERIOD ADJUSTMENT***

A prior period adjustment, in the amount of \$5,475 was made to the Water and Sewer Fund and \$37,631 to the General Operating Fund to record the adoption of GASB Statement 65, "Items Previously Reported as Assets and Liabilities".

20. ***SUBSEQUENT EVENTS***

On September 5, 2013, the City issued \$826,400 General Obligation and Water and Sewer Revenue Bond, Series 2013 thru Virginia Resources Authority as administrator of the Virginia Water Supply Revolving Fund for the System-wide Water System Improvements Project Phase I. Principal and interest is due semi-annually beginning approximately six months after issuance date at a rate not to exceed 3.0% and the bond is payable in full by the end of thirty years.

21. ***CHANGE IN ACCOUNTING POLICY***

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in the statement of financial position. This change was incorporated in the City's financial statements; however, there was no effect on beginning net position.

The City has decided to early implement Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities" which is effective for periods beginning after December 15, 2012. A prior period adjustment was made to account for the effects of this new standard.

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue From Local Sources:				
General Property Taxes:				
Real property taxes	\$1,746,105	\$1,746,105	\$1,698,699	\$ (47,406)
Real and personal public service corporation property taxes	204,800	204,800	224,968	20,168
Personal property taxes	449,300	449,300	471,214	21,914
Machinery and tools taxes	102,900	102,900	101,743	(1,157)
Penalties and interest	35,000	35,000	53,851	18,851
Total General Property Taxes	2,538,105	2,538,105	2,550,475	12,370
Other Local Taxes:				
Local sales and use taxes	1,955,892	1,955,892	1,762,729	(193,163)
Utility taxes	125,000	125,000	137,995	12,995
Business license taxes	843,600	843,600	853,599	9,999
Communication taxes	225,000	225,000	217,316	(7,684)
Bank stock taxes	85,000	85,000	74,256	(10,744)
Recordation taxes	30,000	30,000	17,822	(12,178)
Tobacco taxes	200	200	195	(5)
Hotel and motel room taxes	180,000	180,000	146,200	(33,800)
Restaurant food taxes	1,350,000	1,350,000	1,262,519	(87,481)
Coal road improvement taxes	160,000	160,000	116,498	(43,502)
Cigarette tax	120,000	120,000	110,245	(9,755)
Total Other Local Taxes	5,074,692	5,074,692	4,699,374	(375,318)
Permits, Privilege Fees And Regulatory Licenses:				
Animal licenses	1,000	1,000	1,407	407
Permits and other licenses	6,760	6,760	3,125	(3,635)
Total Permits, Privilege Fees and Regulatory Licenses	7,760	7,760	4,532	(3,228)
Fines and Forfeitures	75,000	75,000	37,115	(37,885)
Revenue From Use Of Money And Property:				
Revenue from use of money	20,000	20,000	6,848	(13,152)
Revenue from use of property	26,250	26,250	16,793	(9,457)
Total Revenue From Use of Money and Property	46,250	46,250	23,641	(22,609)
Charges For Services:				
Court cost	1,000	1,000	529	(471)
Attorney fees	5,000	5,000	11	(4,989)
Charges for sanitation and waste removal	368,500	368,500	358,014	(10,486)
Charges for parks and recreation	22,000	22,000	6,717	(15,283)
NFD revenue recovery	-	-	-	-
Total Charges for Services	396,500	396,500	365,271	(31,229)
Miscellaneous Revenue:				
Miscellaneous	86,150	236,150	250,406	14,256
Total Miscellaneous	86,150	236,150	250,406	14,256
Recovered Costs:				
Recovered Cost - School Board	10,000	10,000	3,327	(6,673)
Recovered Cost - Special Welfare	-	-	-	-
Cost allocation plan - Water and Sewer Fund	13,950	13,950	13,950	-
Cost allocation plan	-	-	-	-
Total Recovered Costs	23,950	23,950	17,277	(6,673)
Total Revenue From Local Sources	8,248,407	8,398,407	7,948,091	(450,316)

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Motor vehicle carriers' taxes	\$ 35,000	\$ 35,000	\$ 42,179	\$ 7,179
Litter grant	-	-	7,216	7,216
Mobile home titling taxes	5,000	5,000	11,694	6,694
Reduction of state aid	(20,168)	(20,168)	(23,313)	(3,145)
Rolling stock taxes	18,000	18,000	23,169	5,169
Total Non-Categorical Aid	<u>37,832</u>	<u>37,832</u>	<u>60,945</u>	<u>23,113</u>
Categorical Aid:				
Shared Expenses:				
Sheriff	141,540	141,540	141,171	(369)
Commissioner of the Revenue	61,277	61,277	61,344	67
Treasurer	60,457	60,457	60,595	138
Medical examiner	-	-	-	-
Registrar/electoral board	30,000	30,000	26,497	(3,503)
Total Shared Expenses	<u>293,274</u>	<u>293,274</u>	<u>289,607</u>	<u>(3,667)</u>
Other Categorical Aid:				
Law enforcement grant	220,667	220,667	220,686	19
Emergency medical services	1,100	1,100	3,086	1,986
DMV Grant	15,000	15,000	18,929	3,929
Street and highway maintenance	710,000	710,000	765,118	55,118
Financial assistance to the arts	5,000	5,000	5,000	-
DMME highwall project	-	-	59,608	59,608
RescueSquad Assistance	-	39,694	37,725	(1,969)
E-911 funding	40,000	40,000	35,508	(4,492)
Safe routes to school	-	-	36,597	36,597
Emergency response and recovery	-	-	-	-
Fire programs fund	20,000	20,000	39,125	19,125
Total Other Categorical Aid	<u>1,011,767</u>	<u>1,051,461</u>	<u>1,221,382</u>	<u>169,921</u>
Total Revenue From the Commonwealth	<u>1,342,873</u>	<u>1,382,567</u>	<u>1,571,934</u>	<u>189,367</u>
Revenue From The Federal Government:				
Payment in lieu of property taxes	30,000	30,000	28,615	(1,385)
Storm Water Management Grant	-	-	1,467	1,467
Department of Justice Grant	30,000	30,000	-	(30,000)
Total Revenue From The Federal Government	<u>60,000</u>	<u>60,000</u>	<u>30,082</u>	<u>(29,918)</u>
Other financing sources				
Insurance recoveries	7,000	7,000	16,383	9,383
Loan proceeds	-	-	7,588,375	7,588,375
Transfers from School Board	-	-	7,627,291	7,627,291
Sale of Real Property	-	-	-	-
Sale of Surplus	2,500	2,500	18,296	15,796
Total other financing sources	<u>9,500</u>	<u>9,500</u>	<u>15,250,345</u>	<u>15,240,845</u>
TOTAL GENERAL FUND	<u>9,660,780</u>	<u>9,850,474</u>	<u>24,800,452</u>	<u>14,949,978</u>
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Revenue From Local Sources:				
Revenue From Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ -	\$ -
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue From The Commonwealth:				
Categorical Aid:				
Welfare:				
Aid to dependent children	1,735	1,735	44,840	43,105
Foster care	70,353	70,353	31,955	(38,398)

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General administration for financial assistance	\$ 201,862	\$ 201,862	\$ 112,077	\$ (89,785)
Community services	-	-	-	-
Supplemental income assistance for the aged, blind and disabled	30,426	30,426	31,076	650
Employment services	-	-	2,338	2,338
Day care	-	-	(309)	(309)
Other purchased services	8,269	8,269	57,264	48,995
Direct social services	83,729	100,350	93,212	(7,138)
General relief	-	-	-	-
Reimbursements from TANF	-	-	620	620
View-Welfare reform	-	-	-	-
Total Categorical Aid	396,374	412,995	373,073	(39,922)
Total Revenue From the Commonwealth	396,374	412,995	373,073	(39,922)
Revenue From The Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	765	765	41,373	40,608
Foster care	62,759	62,759	42,686	(20,073)
General administration for financial assistance	334,189	334,190	271,341	(62,849)
Supplemental income assistance for the aged, blind and disabled	-	-	-	-
Employment services	-	-	3,388	3,388
Day Care	-	-	(311)	(311)
Other purchased services	35,850	35,850	149,929	114,079
Direct social services	-	-	-	-
Emergency assistance	-	-	-	-
Special revenue	-	-	8,743	8,743
View -Welfare reform	-	-	-	-
ARRA	-	-	-	-
Total Revenue From the Federal Government	433,563	433,564	517,149	83,585
Other financing sources				
Transfers from general fund	263,903	271,725	271,725	-
Total other financing sources	263,903	271,725	271,725	-
Total Virginia Public Assistance Fund	1,093,840	1,118,284	1,161,947	43,663
Drug and Gambling Investigative Funds:				
Revenue From Local Sources:				
Restitution to law enforcement	-	-	15,441	15,441
Total Revenue From Local Sources	-	-	15,441	15,441
Total Revenue Drug and Gambling Investigative Fund	-	-	15,441	15,441
Revolving Loan Fund:				
Revenue From Local Sources:				
Revenue from use of money and property	-	-	1,555	1,555
Total Revenue From Local Sources	-	-	1,555	1,555
Total Revolving Loan Fund	-	-	1,555	1,555
Flag Rock Lighting Fund				
Revenue From Local Sources:				
Miscellaneous	-	-	-	-
Total Flag Rock Lighting Fund	-	-	-	-
TOTAL SPECIAL REVENUE FUNDS	1,093,840	1,118,284	1,178,943	60,659
GRAND TOTAL - REVENUES - GOVERNMENTAL FUNDS	\$ 10,754,620	\$ 10,968,758	\$ 25,979,395	\$ 15,010,637

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
City Council	\$ 30,347	\$ 30,347	\$ 35,775	\$ (5,428)
General and Financial Administration:				
City Manager	245,600	245,600	185,666	59,934
Office personnel	101,650	101,650	99,632	2,018
Legal and professional	55,000	55,000	62,226	(7,226)
Independent Auditor	25,000	25,000	23,750	1,250
Commissioner of the Revenue	145,950	145,950	146,463	(513)
Assessor	-	-	-	-
Treasurer	137,650	137,650	137,468	182
Director of Finance	149,750	149,750	143,803	5,947
Data Processing	70,000	78,573	89,994	(11,421)
Automotive/motor pool	171,600	171,600	184,042	(12,442)
Total General and Financial Administration	1,102,200	1,110,773	1,073,044	37,729
Board of Elections:				
Electoral board and officials	13,000	13,000	11,013	1,987
Registrar	68,100	68,100	61,011	7,089
Total Board of Elections	81,100	81,100	72,024	9,076
Total General Government Administration	1,213,647	1,222,220	1,180,843	41,377
Judicial Administration:				
Courts:				
Circuit court	25,000	25,000	33,246	(8,246)
General district court	1,500	1,500	1,788	(288)
Clerk of circuit court	40,000	40,000	36,999	3,001
Sheriff	221,830	221,830	205,846	15,984
County courthouse	30,000	30,000	32,552	(2,552)
Court and attorney fees	20,000	20,000	-	20,000
Total Courts	338,330	338,330	310,431	27,899
Commonwealth's Attorney:				
Commonwealth's attorney	45,000	45,000	42,936	2,064
Total Judicial Administration	383,330	383,330	353,367	29,963
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,641,100	1,672,209	1,675,988	(3,779)
Traffic control	13,000	13,000	8,784	4,216
Emergency management funds	-	39,694	1,117	38,577
Total Law Enforcement and Traffic Control	1,654,100	1,724,903	1,685,889	39,014
Fire and Rescue Services:				
Volunteer fire department	150,650	183,794	191,538	(7,744)
Ambulance and rescue services	5,000	5,000	4,855	145
Total Fire and Rescue Services	155,650	188,794	196,393	(7,599)
Correction and Detention:				
Purchase of service from Wise County	65,000	65,000	93,769	(28,769)
Juvenile detention	88,224	88,224	88,224	-
Contribution to regional jail	95,000	95,000	115,892	(20,892)
Total Correction and Detention	248,224	248,224	297,885	(49,661)
Inspections:				
Building	82,050	82,050	81,438	612
Other Protection:				
Animal control	38,700	38,700	43,681	(4,981)
Emergency medical services	1,000	1,000	40	960
Total Other Protection	39,700	39,700	43,721	(4,021)
Total Public Safety	2,179,724	2,283,671	2,305,326	(21,655)

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works:				
Maintenance of Highways, Street, Bridges and Sidewalks:				
General engineering/administration	\$ 75,325	\$ 78,165	\$ 79,668	\$ (1,503)
Highways, streets, bridges and sidewalks	1,025,300	1,471,411	1,157,571	313,840
Storm drainage	5,000	5,000	11,435	(6,435)
Street lights	97,500	97,500	109,866	(12,366)
Snow and ice removal	35,000	35,000	73,746	(38,746)
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets Bridges and Sidewalks	1,241,125	1,690,076	1,432,286	257,790
Sanitation and Waste Removal:				
Street and road cleaning	13,500	13,500	16,751	(3,251)
Refuse collection	278,700	278,700	310,106	(31,406)
Refuse disposal	230,000	230,000	204,348	25,652
Total Sanitation and Waste Removal	522,200	522,200	531,205	(9,005)
Maintenance of General Buildings and Grounds:				
General properties	290,000	355,000	330,831	24,169
Total Public Works	2,053,325	2,567,276	2,294,322	272,954
Health and Welfare:				
Health:				
Local health department	50,668	50,668	43,907	6,761
Mental Health and Mental Retardation:				
Chapter 10 board	24,500	24,500	24,500	-
Welfare/Social Services:				
Disability Board	750	750	-	750
Area agency on aging	20,000	20,000	20,000	-
Property tax relief for elderly	-	-	16,523	(16,523)
Contribution to Office on Youth	5,000	5,000	5,000	-
Contribution to Advocate Center	700	700	700	-
Contribution to Brain Injury Service	300	300	-	300
Contribution to Food Bank	500	500	-	500
Contribution - RAM Project	1,000	1,000	1,000	-
Contribution - Hope House	2,000	2,000	-	2,000
Total Welfare/Social Services	30,250	30,250	43,223	(12,973)
Total Health and Welfare	105,418	105,418	111,630	(6,212)
Education:				
Contribution to Mountain Empire Community College	9,018	9,018	9,018	-
Payment to school board	2,010,978	2,160,978	2,160,007	971
Total Education	2,019,996	2,169,996	2,169,025	971
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	170,700	170,700	191,810	(21,110)
Recreation centers and playgrounds	175,850	175,850	183,396	(7,546)
Total Parks and Recreation	346,550	346,550	375,206	(28,656)
Cultural Enrichment:				
Pro-Art	10,000	10,000	10,000	-
Other events	2,500	2,500	12,302	(9,802)
School functions	10,000	10,000	9,000	1,000
Employee picnic and Christmas party	3,000	3,000	630	2,370
Total Cultural Enrichment	25,500	25,500	31,932	(6,432)
Library:				
Payments to regional library	48,500	48,500	48,500	-
Total Parks, Recreation and Cultural	420,550	420,550	455,638	(35,088)

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Community Development:				
Planning and Community Development:				
Planning	\$ 114,100	\$ 124,033	\$ 40,192	\$ 83,841
Planning - contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	10,550	10,550	12,057	(1,507)
Contribution to Chamber of Commerce	2,679	2,679	1,979	700
Contribution to Black Diamond Development	200	200	-	200
Contribution to component unit - NIDA	488,016	488,016	488,017	(1)
Contribution to Airport Commission	4,500	4,500	4,500	-
Capital outlay	-	-	-	-
Total Planning and Community Development	<u>628,168</u>	<u>638,101</u>	<u>554,868</u>	<u>83,233</u>
Debt Service				
Principal	196,022	196,022	15,284,397	(15,088,375)
Interest	<u>303,129</u>	<u>303,129</u>	<u>316,659</u>	<u>(13,530)</u>
Total debt service	<u>499,151</u>	<u>499,151</u>	<u>15,601,056</u>	<u>(15,101,905)</u>
Other financing uses				
Transfers to water/sewer fund	-	-	-	-
Transfers to welfare fund	<u>263,903</u>	<u>271,725</u>	<u>271,725</u>	<u>-</u>
Total other financing sources	<u>263,903</u>	<u>271,725</u>	<u>271,725</u>	<u>-</u>
TOTAL GENERAL FUND	<u>\$ 9,767,212</u>	<u>\$ 10,561,438</u>	<u>\$ 25,297,800</u>	<u>\$ (14,736,362)</u>
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 1,093,840	\$ 1,118,284	\$ 1,190,647	\$ (72,363)
Total Welfare/Social Services	<u>1,093,840</u>	<u>1,118,284</u>	<u>1,190,647</u>	<u>(72,363)</u>
Total Health and Welfare	<u>1,093,840</u>	<u>1,118,284</u>	<u>1,190,647</u>	<u>(72,363)</u>
Total Virginia Public Assistance Fund	<u>1,093,840</u>	<u>1,118,284</u>	<u>1,190,647</u>	<u>(72,363)</u>
Drug and Gambling Investigative Funds:				
Public safety	-	-	2,705	(2,705)
Total Drug and Gambling Investigative Funds	<u>-</u>	<u>-</u>	<u>2,705</u>	<u>(2,705)</u>
TOTAL SPECIAL REVENUE FUNDS	<u>1,093,840</u>	<u>1,118,284</u>	<u>1,193,352</u>	<u>(75,068)</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	<u>\$ 10,861,052</u>	<u>\$ 11,679,722</u>	<u>\$ 26,491,152</u>	<u>\$ (14,811,430)</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ (106,432)	\$ (710,964)	\$ (511,757)	
Net appropriations from fund balance				
Prior year surplus	106,432	223,184		
Prior year encumbrances	<u>-</u>	<u>487,780</u>		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	<u>-</u>	<u>-</u>		

**CITY OF NORTON
COMPONENT UNIT SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2013**

	GOVERNMENTAL ACTIVITIES				TOTALS
	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	June 30, 2013
ASSETS					
Cash and cash equivalents	\$ 421,322	\$ 113,638	\$ 150,593	\$ 158,405	\$ 843,958
Cash - restricted	1,542,403	-	-	-	1,542,403
Accounts receivable	72,508	-	-	-	72,508
Due from other funds	37,914	-	-	3,671	41,585
Due from primary government	661,335	-	-	-	661,335
Due from other governmental units	274,436	-	-	-	274,436
TOTAL ASSETS	\$ 3,009,918	\$ 113,638	\$ 150,593	\$ 162,076	\$ 3,436,225
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ 203,954	\$ -	\$ -	\$ -	\$ 203,954
Accrued liabilities	627,670	-	-	-	627,670
Due to other funds	11,936	-	-	37,914	49,850
Total Liabilities	843,560	-	-	37,914	881,474
FUND BALANCE:					
Restricted	2,166,358	-	-	-	2,166,358
Committed	-	113,638	150,593	124,162	388,393
Total Fund Balance	2,166,358	113,638	150,593	124,162	2,554,751
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,009,918	\$ 113,638	\$ 150,593	\$ 162,076	\$ 3,436,225

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

\$ 2,554,751

Total fund balances- component unit

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

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

Accrued interest	(219,530)
Accrued compensated absences	(62,905)
Deferred revenue	(7,244)

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

9,763,053

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

\$ (11,623,508)

Total net position - component unit-School Board

\$ 404,617

CITY OF NORTON
 COMPONENT UNIT - SCHOOL BOARD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 Year Ended June 30, 2013

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	Total School Board
REVENUES:					
Revenue from use of money and property	\$ 3,915	\$ 189	\$ 467	\$ 138	\$ 4,709
Charges for services	-	-	-	93,035	93,035
Miscellaneous	96,662	-	-	8,788	105,450
Intergovernmental					
Primary government	2,160,007	-	-	-	2,160,007
Commonwealth of Virginia	4,751,516	-	-	-	4,751,516
Federal Government	922,717	-	-	-	922,717
Total Revenues	<u>7,934,817</u>	<u>189</u>	<u>467</u>	<u>101,961</u>	<u>8,037,434</u>
EXPENDITURES:					
Current:					
Education	8,689,919	39,287	57,904	362,855	9,149,965
Debt Service:					
Principal	91,831	-	-	-	91,831
Interest	17,097	-	-	-	17,097
Total Expenditures	<u>8,798,847</u>	<u>39,287</u>	<u>57,904</u>	<u>362,855</u>	<u>9,258,893</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(864,030)</u>	<u>(39,098)</u>	<u>(57,437)</u>	<u>(260,894)</u>	<u>(1,221,459)</u>
OTHER FINANCING SOURCES (USES):					
Insurance recoveries	264,602				264,602
Loan Proceeds	10,761,458	-	-	-	10,761,458
Transfers to City	(7,627,291)				(7,627,291)
Operating transfers in	-	76,399	66,300	228,273	370,972
Operating transfers out	(370,972)	-	-	-	(370,972)
Total Other Financing Sources (Uses)	<u>3,027,797</u>	<u>76,399</u>	<u>66,300</u>	<u>228,273</u>	<u>3,398,769</u>
Net change in fund balance	2,163,767	37,301	8,863	(32,621)	2,177,310
Fund Balance at June 30, 2012	<u>2,591</u>	<u>76,337</u>	<u>141,730</u>	<u>156,783</u>	<u>377,441</u>
Fund Balance at June 30, 2013	<u>\$ 2,166,358</u>	<u>\$ 113,638</u>	<u>\$ 150,593</u>	<u>\$ 124,162</u>	<u>\$ 2,554,751</u>

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

Net Change in fund balances - total school board funds 2,177,310

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.

8,051,090

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.

(10,794,135)

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.

(205,287)

Change in net position of governmental activities

\$ (771,022)

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
Year Ended June 30, 2013

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Revenue from use of money and property	\$ -	\$ -	\$ 3,915	\$ 3,915
Charges for services	-	-	-	-
Miscellaneous	2,800	2,800	96,662	93,862
Intergovernmental				
Primary government	2,010,978	2,160,978	2,160,007	(971)
Commonwealth of Virginia	4,701,809	4,701,809	4,751,516	49,707
Federal Government	745,690	745,690	922,717	177,027
Total Revenues	7,461,277	7,611,277	7,934,817	323,540
EXPENDITURES:				
Current:				
Community Development	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	7,077,049	7,229,640	8,689,919	(1,460,279)
Debt Service:				
Principal	91,831	91,831	91,831	-
Interest	17,097	17,097	17,097	-
Total Expenditures	7,185,977	7,338,568	8,798,847	(1,460,279)
Excess (Deficiency) of Revenues Over Expenditures	275,300	272,709	(864,030)	(1,136,739)
OTHER FINANCING SOURCES (USES):				
Insurance recoveries	-	-	264,602	264,602
Loan proceeds	-	-	10,761,458	10,761,458
Transfers to City	-	-	(7,627,291)	(7,627,291)
Operating transfers in	-	-	-	-
Operating transfers out	(275,300)	(275,300)	(370,972)	(95,672)
Total Other Financing Sources (Uses)	(275,300)	(275,300)	3,027,797	3,303,097
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	(2,591)	2,163,767	2,166,358
Net appropriations from fund balance				
Prior year encumbrances	-	2,591		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		
Fund Balance - July 1, 2012			2,591	
Fund Balance - June 30, 2013			\$ 2,166,358	

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

CITY OF NORTON
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2013

ASSETS HELD BY THE TREASURER:

Cash on hand	\$	950
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Cash in banks:**Checking:**

First Bank and Trust	3,175,986	
Total Checking		3,175,986

Certificates of Deposit:

First Bank and Trust	<u>15,091</u>	
Total Certificates of Deposit		15,091

Total Cash in Banks		3,191,077
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Investments:

SNAP	1,542,403	
Investment in State Treasurer's Local Government		
Investment Pool	<u>896,268</u>	
Total Investments		<u>2,438,671</u>

TOTAL ASSETS	\$	<u>5,630,698</u>
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LIABILITIES OF THE TREASURER:

BALANCE OF CITY FUNDS	\$	<u>5,630,698</u>
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NOTE: The variance between this statement and the balance sheet for all funds is \$2,093,537. This amount represents cash for the Norton Industrial Development Authority. The funds for the authority are not under the Treasurer's accountability and are included as a result of Norton Industrial Development Authority being a component unit.

CITY OF NORTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

A) SUMMARY OF AUDIT RESULTS

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

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

NONE

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

NONE

CITY OF NORTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

	<u>Federal Catalogue #</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Direct Payments:		
Water and Waste Disposal Systems for Rural Communities-ARRA	10.781	\$ 3,454,896 *
Pass-Through Payments:		
State Department of Agriculture:		
School Lunch Program	10.555	170,584
School Breakfast Program	10.553	52,142
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass-Through Payments:		
State Department of Social Services:		
Food stamp administration	10.561	131,627
Foster Care - Title IV-E	93.658	65,281
TANF	93.558	89,122
Social Services Block Grant	93.667	59,499
Adoption Assistance	93.659	44,474
Medical assistance program	93.778	78,886
Child Care Mandatory Match	93.596	13,362
Low Income Home Energy Assist.	93.568	9,159
Safe and Stable Families	93.556	12,656
Refuge and Entrant Asst	93.566	416
State Children's Insurance Program	93.767	3,107
Child Welfare Services State Grant	93.645	420
Chafee Foster Care Independence Program	93.674	396
DEPARTMENT OF EDUCATION:		
Pass-Through Payments:		
State Department of Education:		
Improving teacher quality state grants	84.367	44,870
Rural Grants	84.358	12,626
Title I Grants	84.010	233,871
Title VI-B:		
Special Education:		
Title VIB Idea -611	84.027	160,829
Preschool	84.173	6,362
Special Projects:		
State Grants for Strengthening the Skills of Teachers and		
Instruction in Mathematics, Foreign Languages and Computer		
Vocational Education - Basic Grants to States	84.048	15,825
Improvement of Education-History Grant	84.215	188,519
Environmental Protection Agency		
Storm Water Management Grant		1,468
DEPARTMENT OF TRANSPORTATION		
Occupant Protection DUI Enforcement	20.607	18,929
TOTAL		\$ 4,869,326

* Denotes Major Program or Major Program Cluster

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

STATISTICAL SECTION

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

CONTENTS	PAGE
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	70
REVENUE CAPACITY These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	75
DEBT CAPACITY These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	78
ECONOMIC AND DEMOGRAPHIC INFORMATION These schedules offer economic and demographic indicators to help the reader understand the Environment within which the city's financial activities take place.	81
OPERATING INFORMATION These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	83

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$3,818,395	\$ 3,851,437	\$3,706,233	\$ 1,867,263	\$3,824,570	\$ 3,998,176	\$ 3,943,031	\$ 3,325,755	\$ 3,921,732	\$ 4,136,516
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,965,127	2,366,905	2,482,728	3,009,412	2,022,552	(3,212,039)	2,777,107	2,446,292	1,791,952	1,541,677
Total governmental activities net position	6,783,522	6,218,342	6,188,961	4,876,675	5,847,122	786,137	6,720,138	5,772,047	5,713,684	5,678,193
Business-type activities										
Net investment in capital assets	2,976,090	2,878,258	3,155,646	3,337,888	3,368,555	3,329,251	4,837,547	6,989,991	7,587,254	9,362,217
Restricted	-	-	-	-	-	-	-	-	-	988,404
Unrestricted	(284,875)	31,937	85,662	(123,892)	(210,607)	(299,252)	(880,931)	(205,952)	(219,531)	(348,054)
Total business-type activities	2,691,215	2,910,195	3,241,308	3,213,996	3,157,948	3,029,999	3,956,616	6,784,039	7,367,723	10,002,567
Primary government										
Net investment in capital assets	6,794,485	6,729,695	6,861,879	5,205,151	7,193,125	7,327,427	8,780,578	10,315,746	11,508,986	13,498,733
Restricted	-	-	-	-	-	-	-	-	-	988,404
Unrestricted	2,680,252	2,398,842	2,568,390	2,885,520	1,811,945	(3,511,291)	1,896,176	2,240,340	1,572,421	1,193,623
Total primary government net position	\$9,474,737	\$ 9,128,537	\$9,430,269	\$ 8,090,671	\$9,005,070	\$ 3,816,136	\$ 10,676,754	\$ 12,556,086	\$ 13,081,407	\$ 15,680,760

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

TABLE 2

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General government	\$ 813,926	\$ 768,157	\$ 835,440	\$ 991,715	\$ 1,079,594	\$ 1,117,202	\$ 1,082,088	\$ 1,512,956	\$ 1,624,902	\$ 1,542,855
Public safety	1,965,885	2,057,783	2,210,803	2,505,427	2,392,658	2,583,856	2,874,346	2,355,373	2,376,017	2,423,860
Public works	1,786,214	1,799,382	1,776,567	3,491,340	2,032,771	2,018,546	2,346,618	2,355,511	2,390,227	2,486,780
Health and welfare	1,029,967	966,126	1,050,245	1,119,205	1,222,082	1,244,716	1,235,274	1,265,568	1,448,260	1,321,129
Education	1,659,671	1,512,024	1,886,323	1,904,743	2,721,651	7,117,018	2,122,360	1,957,075	1,982,789	1,692,638
Parks, recreation and cultural	381,141	374,018	379,457	468,812	409,566	462,658	495,710	507,768	490,097	477,229
Community development	705,781	1,578,560	791,142	944,522	778,848	736,667	773,594	711,312	503,961	562,432
Interest on long-term debt	43,744	26,695	21,580	76,117	230,739	326,666	384,818	324,163	328,206	169,304
Non-departmental	-	-	-	-	-	-	-	-	-	-
Total government activities expense	8,386,329	9,082,745	8,951,557	11,501,881	10,867,909	15,607,329	11,314,808	10,989,726	11,144,459	10,676,227
Business-Type Activities:										
Water and Wastewater	1,901,676	2,003,887	2,229,328	2,232,955	2,526,365	2,579,351	2,429,763	2,509,969	4,205,780	2,635,899
Total business-type activities expenses	1,901,676	2,003,887	2,229,328	2,232,955	2,526,365	2,579,351	2,429,763	2,509,969	4,205,780	2,635,899
Total primary government expenses	\$10,288,005	\$11,086,632	\$11,180,885	\$13,734,836	\$13,394,274	\$18,186,680	\$13,744,571	\$13,499,695	\$15,350,239	\$13,312,126
Program Revenues										
Governmental Activities:										
Charges for services	\$ 6,284	\$ 3,606	\$ 6,304	\$ 8,145	\$ 5,757	\$ 7,719	\$ 6,465	\$ 110,524	\$ 66,569	\$ 15,981
Public safety	287,212	287,924	289,949	363,084	375,362	373,518	363,217	366,667	361,706	358,014
Public works	674	-	-	1,044	27,327	137,454	63,936	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and culture	18,141	21,952	21,194	24,419	23,642	26,700	22,970	17,437	7,510	6,717
Community development	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	2,104,325	2,580,207	2,458,079	3,119,462	2,368,891	2,231,229	2,498,583	2,320,558	2,598,280	2,415,196
Capital grants and contributions	-	-	-	-	-	-	286,013	20,441	393,312	150,000
Total governmental activities program revenues	2,416,636	2,893,689	2,775,526	3,516,154	2,800,979	2,776,620	3,241,184	2,835,627	3,427,377	2,945,908
Business-Type Activities:										
Charges for services	1,933,079	1,917,899	1,977,402	2,073,492	1,991,660	2,346,475	2,249,376	2,335,900	2,318,868	2,265,444
Water and Wastewater	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions and other income	-	-	-	-	-	-	-	550,000	-	-
Capital grants and contributions	-	304,863	482,685	130,625	428,657	104,927	1,107,004	2,451,492	2,613,979	3,010,774
Total business-type activities program revenues	1,933,079	2,222,762	2,460,087	2,204,117	2,420,317	2,451,402	3,356,380	5,337,392	4,932,847	5,276,218
Total primary government program revenues	\$ 4,349,715	\$ 5,116,451	\$ 5,235,613	\$ 5,720,271	\$ 5,221,296	\$ 5,228,022	\$ 6,597,564	\$ 8,173,019	\$ 8,360,224	\$ 8,222,126
Net (Expense)/Revenue										
Governmental Activities	\$ (5,969,693)	\$ (6,189,056)	\$ (6,176,031)	\$ (7,985,727)	\$ (8,066,930)	\$ (12,830,709)	\$ (8,073,624)	\$ (8,154,099)	\$ (7,717,082)	\$ (7,730,319)
Business-Type Activities:	31,403	218,875	230,759	(28,838)	(106,048)	(127,949)	926,617	2,827,423	727,067	2,640,319
Total primary government net (expense)/revenue	\$ (5,938,290)	\$ (5,970,181)	\$ (5,945,272)	\$ (8,014,565)	\$ (8,172,978)	\$ (12,958,658)	\$ (7,147,007)	\$ (5,326,676)	\$ (6,990,015)	\$ (5,090,000)

TABLE 2 cont.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 1,681,198	\$ 1,696,066	\$ 1,875,457	\$ 1,963,597	\$ 2,197,629	\$ 2,378,851	\$ 3,282,537	\$ 2,393,798	\$ 2,305,658	\$ 2,736,838
Local sales & use tax	1,506,248	1,497,058	1,722,453	1,889,055	1,901,018	2,023,409	1,887,804	1,882,301	1,918,925	1,762,729
Utility tax	263,954	263,918	266,300	213,873	184,079	164,698	128,412	126,570	117,214	137,995
Business license tax	775,319	658,845	692,083	813,906	826,412	901,209	795,833	773,353	951,248	853,599
Franchise license tax	41,925	51,323	51,935	38,342	9	-	-	-	-	-
Communication tax	-	-	-	67,190	179,988	185,889	217,788	223,287	211,679	217,316
Motor vehicle license	29,148	29,486	28,996	28,995	29,580	28,882	1,659	-	-	-
Bank stock tax	58,806	65,962	125,958	81,000	6,082	74,068	106,974	126,034	99,820	74,256
Recordation tax	25,997	5,219	20,653	40,602	26,036	34,284	27,055	39,256	39,598	29,516
Tobacco tax	48	48	45	45	38	60	185	165	180	195
Hotel and motel room tax	102,050	127,921	117,186	104,176	125,638	161,753	169,049	195,071	172,866	146,200
Restaurant food tax	694,465	721,995	788,336	848,702	930,578	1,025,155	1,061,575	1,126,150	1,334,156	1,262,519
Coal road improvement tax	148,765	178,532	208,566	188,529	186,512	234,263	166,571	222,047	244,773	116,498
Emergency telephone services tax	40,709	38,602	35,411	17,009	-	-	-	-	-	-
Cigarette tax	44,504	46,405	49,145	41,160	41,574	81,900	118,930	108,100	99,440	110,245
Other local taxes	73,610	92,422	110,720	118,607	141,741	128,743	101,504	30	-	106,995
Unrestricted miscellaneous revenue	50,001	48,618	21,092	58,630	70,321	97,951	53,609	76,669	90,845	118,702
Unrestricted investment earnings	27,655	79,961	103,191	137,690	256,139	192,440	82,250	39,085	35,699	25,196
Rental of Town property	23,443	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	616	7,545	-	-	34,300	8,903	-	-	-	-
Recoverd cost	-	13,950	29,123	22,333	39,274	47,266	31,314	30,039	36,618	33,660
Transfers-Primary Government	-	-	(100,000)	-	(50,000)	-	-	-	-	-
Total governmental activities	5,588,461	5,623,876	6,146,650	6,673,441	7,126,948	7,769,724	8,233,049	7,361,955	7,658,719	7,732,459
Business-Type Activities:										
Unrestricted investment earnings	67	105	354	1,526	-	-	-	-	-	-
Other	-	-	100,000	-	50,000	-	-	-	-	-
Total business-type activities	67	105	100,354	1,526	50,000	-	-	-	-	-
Total primary government	\$ 5,588,528	\$ 5,623,981	\$ 6,247,004	\$ 6,674,967	\$ 7,176,948	\$ 7,769,724	\$ 8,233,049	\$ 7,361,955	\$ 7,658,719	\$ 7,732,459
Change in Net Position										
Governmental Activities	\$ (381,232)	\$ (565,180)	\$ (29,381)	\$ (1,312,286)	\$ (939,982)	\$ (5,060,985)	\$ 159,425	\$ (792,144)	\$ (58,363)	\$ 2,140
Business-Type Activities	31,470	218,980	331,113	(27,312)	(56,048)	(127,949)	926,617	2,827,423	727,067	2,640,319
Total primary government	\$ (349,762)	\$ (346,200)	\$ 301,732	\$ (1,339,598)	\$ (996,030)	\$ (5,188,934)	\$ 1,086,042	\$ 2,035,279	\$ 668,704	\$ 2,642,459

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

TABLE 3

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 523,722	\$ 435,870	\$ 456,740	\$ 442,895	\$ 614,801	\$ 463,743	\$ 468,808	\$ -	\$ -	\$ -
Unreserved	2,358,936	1,814,377	1,891,575	2,467,772	8,843,124	3,761,182	2,130,069	-	-	-
Nonspendable										
Restricted										
Committed										
Assigned								505,569	487,780	431,267
Unassigned								1,710,613	1,691,149	1,250,314
Total general fund	\$ 2,882,658	\$ 2,250,247	\$ 2,348,315	\$ 2,910,667	\$ 9,457,925	\$ 4,224,925	\$ 2,598,877	\$ 2,216,182	\$ 2,178,929	\$ 1,681,581
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue fund	226,947	247,341	279,864	290,215	257,346	241,291	345,705	-	-	-
Nonspendable										
Restricted										
Committed								314,685	318,897	333,190
Assigned								-	-	-
Unassigned								(59,855)	(96,205)	(124,907)
Total all other governmental funds	\$ 226,947	\$ 247,341	\$ 279,864	\$ 290,215	\$ 257,346	\$ 241,291	\$ 345,705	\$ 254,830	\$ 222,692	\$ 208,283

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

TABLE 4

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General property taxes	\$ 1,670,250	\$ 1,689,883	\$ 1,878,863	\$ 1,974,554	\$ 2,177,005	\$ 2,370,593	\$ 3,151,837	\$ 2,383,552	\$ 2,469,808	\$ 2,550,475
Other local taxes	3,731,938	3,685,314	4,107,067	4,372,584	4,437,544	4,915,570	4,682,524	4,822,364	5,161,830	4,699,374
Permits and licenses	2,265	14,270	4,666	5,026	9,499	9,758	5,989	5,007	7,569	4,532
Fines and forfeitures	71,345	78,152	106,054	113,581	132,242	118,985	94,826	94,147	62,001	37,115
Investment earnings	51,098	79,961	103,191	137,690	256,139	192,440	82,250	39,085	35,699	25,196
Charges for services	312,311	313,482	317,447	396,692	432,088	545,391	456,588	410,520	380,081	380,712
Other revenues	50,001	48,618	21,092	58,630	70,321	97,951	53,508	60,176	89,177	250,406
Recovered cost	-	13,950	29,123	15,510	19,825	14,003	19,058	16,754	23,579	17,277
Intergovernmental	2,104,325	2,580,207	2,458,079	3,119,462	2,368,891	2,231,229	2,784,596	2,340,999	3,026,368	2,492,238
Total revenues	7,993,533	8,503,837	9,025,582	10,193,729	9,903,554	10,495,920	11,331,176	10,172,604	11,256,112	10,457,325
Expenditures										
General government	781,596	788,786	850,732	1,009,235	1,090,825	1,114,690	1,048,146	1,116,081	1,206,033	1,180,843
Judicial administration	253,801	290,126	294,444	380,049	403,468	432,678	418,768	349,229	366,037	353,367
Public safety	1,578,494	1,871,632	1,815,252	2,101,934	1,956,180	2,199,811	2,600,995	2,298,038	2,553,195	2,308,031
Public works	1,427,374	1,591,831	1,642,996	3,266,850	1,951,478	1,995,754	2,015,567	2,191,672	2,606,618	2,294,322
Health and welfare	1,029,967	996,885	1,028,911	1,151,555	1,203,034	1,249,969	1,210,767	1,261,980	1,437,933	1,302,277
Education and transfer to school	1,659,671	1,512,024	2,306,623	1,904,743	2,721,651	7,117,018	3,964,745	1,804,736	1,830,450	2,169,025
Parks, recreation and culture	356,407	362,547	373,368	465,087	395,917	437,326	474,833	483,551	468,752	455,638
Community development	705,781	1,578,158	791,267	938,486	786,560	739,284	776,038	725,216	517,866	554,868
Non-Departmental	-	-	-	-	-	-	-	-	-	-
Debt service	27,724	106,155	106,731	118,738	168,746	190,026	7,652,315	7,684,450	166,689	15,284,397
Principal	29,362	25,253	28,774	102,547	224,755	328,594	202,993	376,273	330,574	316,659
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	7,850,177	9,123,397	9,239,098	11,439,224	10,902,614	15,805,150	20,365,167	18,291,226	11,484,147	26,219,427
Excess of revenues over (under) expenditures	143,356	(619,560)	(213,516)	(1,245,495)	(999,060)	(5,309,230)	(9,033,991)	(8,118,622)	(228,035)	(15,762,102)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	420,300	1,803,566	7,500,000	-	7,500,000	7,615,839	140,000	7,588,375
Insurance Recoveries	-	7,422	-	6,823	19,449	33,263	12,256	13,285	13,039	16,383
Proceeds from sale of assets	616	123	23,807	7,809	44,000	26,912	101	15,928	5,605	18,296
Transfers	-	-	(100,000)	-	(50,000)	-	-	-	-	7,627,291
Total other financing sources (uses)	616	7,545	344,107	1,818,198	7,513,449	60,175	7,512,357	7,645,052	158,644	15,250,345
Net change in fund balance	\$ 143,972	\$ (612,015)	\$ 130,591	\$ 572,703	\$ 6,514,389	\$ (5,249,055)	\$ (1,521,634)	\$ (473,570)	\$ (69,391)	\$ (511,757)
Debt service as a percentage of noncapital expenditures	0.73%	1.46%	1.49%	1.97%	3.74%	3.39%	62.79%	78.79%	4.53%	146.93%

TABLE 5

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

Fiscal Years Ended June 30	Public Utilities					Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property			
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
2005	141,741,519	18,742,980	3,397,275	31,147,200	217,235	2,183,700	197,429,909	0.856
2004	137,192,000	20,340,630	3,293,184	30,676,915	295,160	2,468,300	194,266,189	0.860

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

TABLE 6

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

Fiscal Years Ended June 30	Public Utilities					Mobile Homes	Real Estate	Personal Property
	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property			
2013	\$ 0.80	\$ 1.85	\$ 1.85	\$ 0.80	\$ 1.85	0.80	0.80	1.85
2012	0.80	1.85	1.85	0.80	1.85	0.80	0.80	1.85
2011	0.80	1.85	1.85	0.80	1.85	0.80	0.80	1.85
2010	0.80	1.85	1.85	0.80	1.85	0.80	0.80	1.85
2009	0.80	1.85	1.85	0.80	1.85	0.80	0.80	1.85
2008	0.80	1.85	1.85	0.80	1.85	0.80	0.80	1.85
2007	0.70	1.85	1.85	0.70	1.85	0.70	0.70	1.85
2006	0.70	1.85	1.85	0.70	1.85	0.70	0.70	1.85
2005	0.70	1.85	1.85	0.70	1.85	0.70	0.70	1.85
2004	0.70	1.85	1.85	0.70	1.85	0.70	0.70	1.85

1) Rates are presented per \$100 assessed value

CITY OF NORTON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
June 30, 2013 and June 30, 2006

TABLE 7

June 30, 2013

<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	6.52%
Super Intermediate Co., LLC	Shopping Center	9,324,100	4.23%
Commonwealth Norton Partners	Shopping Center	6,612,300	3.00%
Norton SRX LLC	Shopping Center	6,060,600	2.75%
Wellmont Health System	Health Care	5,192,700	2.36%
Norton Community Hospital	Health Care	4,712,300	2.14%
Norton Host, LLC	Hotel/Restaurant	4,254,600	1.93%
Nordan, Inc.	Hotel	3,854,000	1.75%
W. P. Armistead Estate	Commercial and Residential Rental Property	2,455,800	1.12%
Pepsi Cola Bottling Co.	Bottling Plant/Residential & Commercial Rentals	1,606,200	0.73%

June 30, 2006:

<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
2013	\$ 2,579,781	\$ 2,384,644	92.44%	\$ 109,433	2,494,077	96.68%	\$ 378,758	14.68%
2012	2,378,441	2,212,823	93.04%	165,549	2,378,372	100.00%	320,362	13.47%
2011	2,470,143	2,240,426	90.70%	61,974	2,302,400	93.21%	310,935	12.59%
2010	3,319,804	3,061,824	92.23%	33,651	3,095,475	93.24%	230,997	6.96%
2009	2,372,555	2,317,343	97.67%	22,769	2,340,112	98.63%	91,330	3.85%
2008	2,142,563	2,117,885	98.85%	37,259	2,155,144	100.59%	67,622	3.16%
2007	1,936,503	1,910,346	98.65%	35,736	1,946,082	100.49%	63,713	3.29%
2006	1,846,506	1,827,354	98.96%	25,705	1,853,059	100.35%	57,091	3.09%
2005	1,646,156	1,621,764	98.52%	33,689	1,655,453	100.56%	64,268	3.90%
2004	1,599,875	1,577,589	98.61%	30,246	1,607,835	100.50%	79,526	4.97%

(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					
2013	1,355,000	161,992	8,080,638	10,901,644	20,499,274	12.13%	4,889	
2012	8,988,191	224,823	6,108,271	2,108,327	17,429,612	10.55%	4,252	
2011	9,113,731	125,972	3,761,934	2,626,591	15,628,228	9.40%	3,949	
2010	9,236,731	71,582	2,866,944	3,135,372	15,310,629	10.79%	3,977	
2009	9,352,298	108,330	2,281,907	3,742,384	15,484,919	11.48%	4,022	
2008	9,465,533	185,121	2,366,835	4,341,228	16,358,717	13.26%	4,376	
2007	2,071,535	156,892	2,252,664	4,927,391	9,408,482	8.03%	2,588	
2006	390,397	135,962	2,330,131	6,336,596	9,193,086	7.90%	2,468	
2005	437,209	195,881	2,409,050	6,126,941	9,169,081	8.06%	2,441	
2004	480,505	64,405	2,485,183	6,383,285	9,413,378	8.52%	2,470	

Notes:

- (1) Center for Public Service at the University of Virginia.
(2) Includes all general long-term debt obligations.

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt		Percentage of Actual Taxable Value of Property	Per Capita
	Outstanding General Obligation Bonds			
2013	\$ 17,853,819		6.37%	\$ 4,258
2012	13,411,630		4.82%	\$ 3,272
2011	11,020,140		4.24%	\$ 2,784
2010	10,474,084		4.11%	\$ 2,721
2009	10,055,175		3.89%	\$ 2,612
2008	10,307,042		4.40%	\$ 2,757
2007	3,055,569		1.31%	\$ 840
2006	1,526,811		0.68%	\$ 410
2005	1,335,183		0.68%	\$ 355
2004	1,392,579		0.72%	\$ 365

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed valuations										
Assessed value of taxed real property	\$ 167,868,915	\$ 172,888,719	\$ 198,114,221	\$ 206,624,264	\$ 205,874,899	\$ 229,830,987	\$ 224,760,835	\$ 228,064,866	\$ 245,536,691	\$ 245,426,183
Legal debt margin										
Debt limit - 10 percent of total assessed value	16,786,892	17,288,872	19,811,422	20,662,426	20,587,490	22,983,099	22,476,084	22,806,487	24,553,669	24,542,618
Debt applicable to limitation:										
Total bonded debt	9,413,378	9,169,081	9,193,086	9,408,482	16,358,717	15,484,919	15,310,629	15,628,228	17,429,612	20,499,274
Less - Enterprise Debt	(7,956,394)	(7,638,017)	(7,530,313)	(6,196,021)	(5,866,554)	(5,321,414)	(4,764,963)	(4,482,116)	(3,793,159)	(2,483,463)
Total amount of debt applicable to debt limitation	1,456,984	1,531,064	1,662,773	3,212,461	10,492,163	10,163,505	10,545,666	11,146,112	13,636,453	18,015,811
Legal debt margin	\$ 15,329,908	\$ 15,757,808	\$ 18,148,649	\$ 17,449,965	\$ 10,095,327	\$ 12,819,594	\$ 11,930,418	\$ 11,660,375	\$ 10,917,216	\$ 6,526,807
Total net debt applicable to the limit as a percentage of debt limit	8.68%	8.86%	8.39%	15.55%	50.96%	44.22%	46.92%	48.87%	55.54%	73.41%

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	Operating	Available				
	Charges	Expenses	Revenue	Principal	Interest	Total	
2013	\$ 2,265,444	\$ 2,082,646	\$ 182,798	\$ 1,017,797	\$ 180,356	\$ 1,198,153	0.15
2012	2,318,868	2,303,377	15,491	121,871	123,995	245,866	0.06
2011	2,336,189	2,147,590	188,599	155,096	93,546	248,642	0.76
2010	2,249,376	2,065,484	183,892	81,143	93,895	175,038	1.05
2009	2,346,475	2,213,375	133,100	81,768	96,443	178,211	0.75
2008	1,991,660	2,150,133	(158,473)	72,670	89,362	162,032	(0.98)
2007	2,073,492	1,882,789	190,703	74,306	99,757	174,063	1.10
2006	1,977,402	1,892,174	85,228	75,759	91,571	167,330	0.51
2005	1,917,899	1,702,307	215,592	72,973	64,701	137,674	1.57
2004	1,933,079	1,613,487	319,592	1,284,214	77,043	1,361,257	0.23

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
2013	4,193	\$168,973,707	40,299	39.0	887	6.70%
2012	4,099	165,185,601	40,299	39.0	882	6.40%
2011	3,958	166,255,440	40,645	40.0	852	7.30%
2010	3,850	141,864,800	36,848	40.2	823	6.60%
2009	3,850	134,919,400	35,044	39.0	784	5.20%
2008	3,738	123,413,808	33,016	39.0	780	4.10%
2007	3,636	117,151,920	32,220	39.0	731	5.10%
2006	3,725	116,324,300	31,228	39.0	713	5.50%
2005	3,756	113,821,824	30,304	39.0	718	5.40%
2004	3,811	110,488,512	28,992	39.0	700	5.40%

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

TABLE 14

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

June 30, 2013

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</u>
Norton Community Hospital	Health Care	250 +/-
Wal Mart	Commercial Retailer/Grocer	225 +/-
Wellmont Regional Health System	Health Care	200 +/-
Norton City School Board	Public Agency	175 +/-
Pepsi Cola Bottle Company	Bottling Plant	100 +/-

June 30, 2006

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</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 (UNADITED)
LAST EIGHT FISCAL YEARS

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

1) Source: City of Norton's Finance department

TABLE 16

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

Function	2006	2007	2008	2009	2010	2011	2012	2013
Public safety								
Citations issued	2,086	1,973	2,521	2,762	2,374	2,433	1,550	876
Parking Tickets issued	418	523	387	215	139	390	116	63
Crime/Arrest/Incident reports filed	747	874	868	866	787	842	758	661
911 Calls dispatched	4,006	3,848	4,176	5,260	5,059	5,469	4,514	4,018
Public Works								
Number of citizen requests for services	1,054	1,026	858	852	2,331	972	883	814
Water operations								
Number of service connections	2,241	2,286	2,271	2,279	2,292	2,305	2,301	2,263
Number of citizen requests for services	2,387	2,483	2,483	2,349	1,866	2,022	1,887	1,963
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
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
Wastewater operations								
Number of service connections	2,022	2,040	2,029	2,033	2,035	2,115	2,116	2,080

TABLE 17

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

Function	2006	2007	2008	2009	2010	2011	2012	2013
Public safety								
Police stations	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2
Number of patrol units	11	11	11	13	15	15	15	16
Public works								
Streets (lane miles)	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
Traffic signals	8	8	8	8	8	8	8	8
Water operations								
Miles of water main	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
Wastewater operations								
Miles of sanitary sewers	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