



CITY OF NORTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2012

TABLE OF CONTENTS

June 30, 2012

<u>Page #</u>	
4	CITY OFFICIALS
5	MANAGEMENT'S DISCUSSION AND ANALYSIS
	<u>INDEPENDENT AUDITOR'S REPORTS</u>
8	REPORT OF INDEPENDENT AUDITORS
9	REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
10	REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A- 133
12	REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS AND GRANTS
	<u>COMBINED FINANCIAL STATEMENTS</u>
14	EXHIBIT 1 STATEMENT OF NET POSITION
15	EXHIBIT 2 STATEMENT OF ACTIVITIES
16	EXHIBIT 3 BALANCE SHEET – GOVERNMENTAL FUND
17	EXHIBIT 4 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS AND RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
19	EXHIBIT 5 STATEMENT OF NET POSITION – PROPRIETARY FUNDS
20	EXHIBIT 6 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
21	EXHIBIT 7 STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
22	EXHIBIT 8 SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET
23	EXHIBIT 9 STATEMENT OF FIDUCIARY NET POSITION
24	EXHIBIT 10 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
25	EXHIBIT 11 STATEMENT OF NET POSITION – COMPONENT UNITS
26	EXHIBIT 12 STATEMENT OF ACTIVITIES – COMPONENT UNITS
27	NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Page #

SUPPORTING SCHEDULES

55	SCHEDULE 1	GOVERNMENTAL FUNDS – BUDGETARY COMPARISON SCHEDULE
61	SCHEDULE 2	COMPONENT UNIT SCHOOL BOARD – COMBINING BALANCE SHEET
62	SCHEDULE 3	COMPONENT UNIT SCHOOL BOARD – COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
63	SCHEDULE 4	COMPONENT UNIT – SCHOOL BOARD – BUDGETARY COMPARISON SCHEDULE – OPERATING FUND
64	SCHEDULE 5	STATEMENT OF TREASURER’S ACCOUNTABILITY
65	SCHEDULE 6	SCHEDULE OF FINDINGS AND QUESTIONED COSTS
66	SCHEDULE 7	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STATISTICAL DATA

68	TABLE 1	NET POSITION BY COMPONENT
69	TABLE 2	CHANGES IN NET POSITION
71	TABLE 3	FUND BALANCES, GOVERNMENTAL FUNDS
72	TABLE 4	CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
73	TABLE 5	ASSESSED VALUE AND ACTUAL VALUE OF ALL PROPERTY
73	TABLE 6	DIRECT PROPERTY TAX RATES
74	TABLE 7	PRINCIPAL PROPERTY TAX PAYERS
75	TABLE 8	PROPERTY TAX LEVIES AND COLLECTIONS
76	TABLE 9	RATIO OF OUTSTANDING DEBT BY TYPE
76	TABLE 10	RATIO OF GENERAL BONDED DEBT OUTSTANDING
77	TABLE 11	LEGAL DEBT MARGIN INFORMATION
78	TABLE 12	PLEDGED-REVENUE COVERAGE
79	TABLE 13	DEMOGRAPHIC AND ECONOMIC STATISTICS
80	TABLE 14	PRINCIPAL EMPLOYERS
81	TABLE 15	FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
82	TABLE 16	OPERATING INDICATORS BY FUNCTION
83	TABLE 17	CAPITAL ASSET STATISTICS BY FUNCTION

CITY OF NORTON, VIRGINIA

CITY OFFICIALS

June 30, 2012

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
Steve McElroy
Valerie Brown
Ron McCall

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

January 31, 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, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 13,081,407 (net position).
- At June 30, 2012, the City reported combined ending fund balances of \$ 2,401,621, a decrease of \$ 68,236 in comparison with the prior year. This decrease is mainly the result of a budgeted drawdown of prior year reserves to balance the FY2012 budget and funds used to cover FY2011 encumbrances.
- As of June 30, 2012, the General Fund had a total Fund Balance of \$ 2,178,929.
- The total debt outstanding as of June 30, 2012 was \$ 18,166,784, which includes the component units. As of June 30, 2012, the City's Legal Debt Margin was \$ 10,917,216.
- The Water/Sewer Proprietary Fund had an increase in Net Position for the year of \$ 727,067. The completion of a number of major sewer improvement projects and the improvements to the Upper Norton Reservoir over the next several years, including FY2012, will continue to increase 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, 2012

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 4,355,044	\$ 1,194,736	\$ 5,549,780
Capital assets	13,134,746	13,747,605	26,882,351
Other noncurrent assets	<u>37,631</u>	<u>5,475</u>	<u>43,106</u>
Total Assets	<u>\$ 17,527,421</u>	<u>\$ 14,947,816</u>	<u>\$ 32,475,237</u>
Current & other liabilities	\$ 9,940,354	\$ 1,531,998	\$ 11,472,352
Long-term liabilities	<u>1,873,383</u>	<u>6,048,095</u>	<u>7,921,478</u>
Total Liabilities	<u>\$ 11,813,737</u>	<u>\$ 7,580,093</u>	<u>\$ 19,393,830</u>
Net Position:			
Invested in Capital assets (Net of related debt)	\$ 3,921,732	\$ 7,587,254	\$ 11,508,986
Restricted	-0-	-0-	-0-
Unrestricted	<u>1,791,952</u>	<u>(219,531)</u>	<u>1,572,421</u>
Total Net Position	<u>\$ 5,713,684</u>	<u>\$ 7,367,723</u>	<u>\$ 13,081,407</u>

Net position serves as a useful indicator of a government's financial position. The City's combined net position total \$ 13,081,407 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 \$ 11,508,986. 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 decreased the City's net position by \$ 58,363. Key elements of this decrease are as follows:

Governmental Activities Year Ended June 30, 2012	
Revenues:	
Program Revenues:	
Charges for Services	\$ 435,785
Operating Grants and Contributions	2,598,280
Capital Grants and Contributions	393,312
General Revenues:	
Property Taxes	2,305,658
Other Local Taxes	5,189,899
Other	<u>163,162</u>
Total Revenues	<u>\$11,086,096</u>
Expenses:	
General Government	1,624,902
Public Safety	2,376,017
Public Works	2,390,227
Health and Welfare	1,448,260
Education	1,982,789
Parks, Recreation, Culture	490,097
Community Development	503,961
Interest of Long Term Debt	<u>328,206</u>
Total Expenses	<u>\$ 11,144,459</u>
Increase (Decrease) in Net Position	<u>\$ (58,363)</u>

Included in the Total Expenses are non-cash items including depreciation. This means that under the full accrual method, net position decreased by \$ 58,363.

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Local Sales and Use Tax	\$ 1,918,925	\$ 1,882,301	\$1,887,804	\$ 2,023,409	\$ 1,901,018
Real Property Tax	\$ 1,723,587	1,605,349	2,273,409	1,601,572	1,443,286
Restaurant Food Taxes	\$ 1,334,156	1,126,150	1,061,575	1,025,155	930,578
Business License Taxes	\$ 951,248	773,353	795,833	901,209	826,412
Street & Highway Maintenance	\$ 750,796	723,930	698,460	703,053	730,086
Personal Property Taxes	\$ 461,230	443,631	429,833	439,822	412,756

The City’s assessed value of real estate for the year was \$ 245,536,691. The real estate tax rate is \$.80 per \$ 100 of assessed value. For the year, the percent of levy collected was 100%. 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 \$ 727,067. In addition, cash and cash equivalents increased by \$ 25,312 to \$ 148,214.

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	\$ 11,167,225	\$ 11,682,581	\$ 515,293
Total Expenses	11,838,898	<u>11,751,909</u>	\$ 86,989
Excess of Revenues Over Expenses		<u>\$ (69,391)</u>	

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

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

& Consultants

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

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

Founded 1998

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

P. O. Box 1266
612 Trent Street
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

REPORT OF INDEPENDENT AUDITORS

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

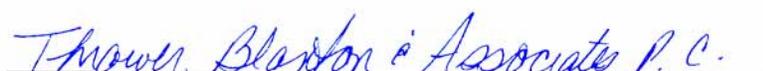
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specifications for Audits of Counties, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2013 on our consideration of the City of Norton's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of our testing on internal controls 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and other statistical information on pages 5 through 7 and 68 through 83, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information listed as other supplementary information and compliance section information in the accompanying table of contents, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.


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

January 31, 2013

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

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Fax: (276) 679-7445

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND 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 the financial statements of the City of Norton, Virginia, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 31, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit for the year ended June 30, 2012, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the City's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

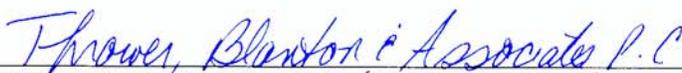
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the City of Norton, Virginia in a separate letter dated January 31, 2013.

This report is solely intended for the information and use of management, others within the Organization, City Council and federal awarding agencies and pass-through entities 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
January 31, 2013

THROWER, BLANTON & ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Norton, Virginia, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of Federal Awards section of the accompanying supplemental schedules. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the City of Norton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

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.

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

Page 2

(Independent Auditor's report on Compliance with
Requirements Applicable to Each Major Program and
Internal Control Over Compliance in Accordance with
OMB Circular A-133)

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the Organization, City Council and federal awarding agencies and pass-through entities 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

January 31, 2013

THROWER, BLANTON & ASSOCIATES, P.C.

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& Consultants*

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Fax: (276) 679-7445

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

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

We have audited the general purpose financial statements of the City of Norton, Virginia (the "City") as of and for the year ended June 30, 2012, and have issued our report thereon dated January 31, 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
- * Cash and Investment Laws
- * Conflicts Retirement Systems
- * Local Retirement Systems
- * Personal Property Tax Relief Act
- * Debt Provisions
- * Procurement Laws
- * Uniform Disposition of Unclaimed Property Act

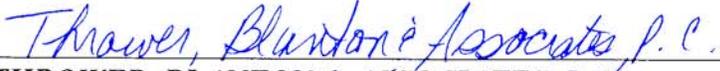
State Agency Requirements

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

The Honorable Members of the City Council
City of Norton
Norton, Virginia 24273
(Report on Compliance with Commonwealth of
Virginia Laws, Regulations, Contracts and Grants)
Page 2

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

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



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

January 31, 2013

CITY OF NORTON
STATEMENT OF NET POSITION
JUNE 30, 2012

	Primary Government			Component Units
	Governmental	Business-Type	Total	
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 2,045,328	\$ 37,612	\$ 2,082,940	\$ 2,455,147
Restricted cash	230,983	110,602	341,585	-
Investments	20,458	-	20,458	-
Receivable, net	1,209,632	355,035	1,564,667	51,154
Note receivable	58,251	-	58,251	-
Due from other governmental units	457,979	691,388	1,149,367	505,345
Due from other funds	332,413	99	332,512	45,184
Due from primary government	-	-	-	380,523
Deferred bond cost	37,631	5,475	43,106	-
Capital assets, non-depreciable	897,280	5,401,000	6,298,280	833,006
Capital assets, depreciable, net	<u>12,237,466</u>	<u>8,346,605</u>	<u>20,584,071</u>	<u>5,967,014</u>
Total Assets	<u>\$ 17,527,421</u>	<u>\$ 14,947,816</u>	<u>\$ 32,475,237</u>	<u>\$ 10,237,373</u>
LIABILITIES				
Accounts payable and accrued liabilities	230,448	905,226	1,135,674	258,981
Accrued payroll and related liabilities	132,904	21,566	154,470	653,307
Accrued interest payable	170,865	35,205	206,070	19,084
Deferred revenue	977,226	-	977,226	-
Deferred bond revenue	51,498	-	51,498	10,866
Customer security deposits	-	110,602	110,602	-
Due to other governmental units	232,223	-	232,223	-
Due to other funds	99	323,413	323,512	45,184
Due to component units	380,523	-	380,523	-
Compensated absences				
Due within one year	131,377	16,611	147,988	31,089
Due in more than one year	56,305	7,119	63,424	32,728
Long-term liabilities				
Due within one year	7,633,191	135,986	7,769,177	550,089
Due in more than one year	<u>1,817,078</u>	<u>6,024,365</u>	<u>7,841,443</u>	<u>2,006,075</u>
Total Liabilities	<u>11,813,737</u>	<u>7,580,093</u>	<u>19,393,830</u>	<u>3,607,403</u>
NET POSITION				
Invested in capital assets, net of related debt	3,921,732	7,587,254	11,508,986	4,691,693
Restricted	-	-	-	-
Unrestricted	<u>1,791,952</u>	<u>(219,531)</u>	<u>1,572,421</u>	<u>1,938,277</u>
Total Net Position	<u>5,713,684</u>	<u>7,367,723</u>	<u>13,081,407</u>	<u>6,629,970</u>
Total Liabilities and Net Position	<u>\$ 17,527,421</u>	<u>\$ 14,947,816</u>	<u>\$ 32,475,237</u>	<u>\$ 10,237,373</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government			School Board	NIDA		
						Business-Type Activities	Total					
Governmental Activities												
General government	\$ 1,624,902	\$ -	\$ 184,055	\$ -	\$ (1,440,847)	\$ -	\$ (1,440,847)					
Public safety	2,376,017	66,569	608,211	278,875	(1,422,362)	-	(1,422,362)					
Public works	2,390,227	361,706	763,546	114,437	(1,150,538)	-	(1,150,538)					
Health and welfare	1,448,260	-	1,019,190	-	(429,070)	-	(429,070)					
Education	1,982,789	-	-	-	(1,982,789)	-	(1,982,789)					
Parks, recreation and cultural	490,097	7,510	23,278	-	(459,309)	-	(459,309)					
Community development	503,961	-	-	-	(503,961)	-	(503,961)					
Interest on long-term debt	328,206	-	-	-	(328,206)	-	(328,206)					
Contingencies	-	-	-	-	-	-	-					
Total Governmental Activities	11,144,459	435,785	2,598,280	393,312	(7,717,082)	-	(7,717,082)					
Business-type activities												
Water and Wastewater	4,205,780	2,318,868	-	2,613,979	-	727,067	727,067					
Total Business-Type Activities	4,205,780	2,318,868	-	2,613,979	-	727,067	727,067					
TOTAL PRIMARY GOVERNMENT	15,350,239	2,754,653	2,598,280	3,007,291	(7,717,082)	727,067	(6,990,015)					
COMPONENT UNITS												
School Board	8,452,870	107,577	6,228,459	-	-	-	-	\$ (2,116,834)	\$ -			
NIDA	520,038	412,178	14,077	-	-	-	-	-	(93,783)			
Total Component Units	8,972,908	519,755	6,242,536	-	-	-	-	(2,116,834)	(93,783)			
General revenues												
Property taxes					2,305,658		2,305,658					
Local sales & use tax					1,918,925		1,918,925					
Utility taxes					117,214		117,214					
Business license taxes					951,248		951,248					
Communication taxes					211,679		211,679					
Bank stock taxes					99,820		99,820					
Recordation taxes					39,598		39,598					
Tobacco taxes					180		180					
Hotel and motel room taxes					172,866		172,866					
Restaurant food taxes					1,334,156		1,334,156					
Coal road improvement taxes					244,773		244,773					
Cigarette tax					99,440		99,440					
Unrestricted miscellaneous revenue					90,845		90,845		93,827			
Unrestricted investment earnings					35,699		35,699		1,859			9,699
Rental of Town property					-		-		-			(550,000)
Gain (loss) on sale of capital assets					-		-		-			36,893
Recovered cost					36,618		36,618		-			-
Transfers-Primary Government					-		-		-			-
Transfers-Component Units					-		-		1,823,759			392,142
Total general revenues and transfers					7,658,719		7,658,719		1,919,445			(111,266)
Change in net position					(58,363)		(58,363)		727,067			668,704
PRIOR PERIOD ADJUSTMENT					-		-		(143,383)			(205,049)
NET POSITION - JULY 1					5,772,047		5,772,047		6,784,039			1,373,028
NET POSITION - JUNE 30					5,713,684		5,713,684		7,367,723			13,081,407
					\$ -		\$ -		\$ 1,175,639			\$ 5,454,331

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

**CITY OF NORTON
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,045,328	\$ -	\$ 2,045,328
Restricted Cash	44,899	186,084	230,983
Investments	20,458	-	20,458
Taxes receivable	1,018,300	-	1,018,300
Accounts receivable	191,332	-	191,332
Notes receivable	-	58,251	58,251
Due from other funds	469,239	-	469,239
Due from primary government	-	-	-
Due from other governmental units	302,827	162,009	464,836
Total Assets	<u>\$ 4,092,383</u>	<u>\$ 406,344</u>	<u>\$ 4,498,727</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 200,645	\$ 27,561	\$ 228,206
Accrued payroll and related liabilities	111,057	21,847	132,904
Deferred revenue	977,226	-	977,226
Due to other funds	99	134,244	134,343
Due to component units	392,204	-	392,204
Due to other governmental units	232,223	-	232,223
Total Liabilities	<u>1,913,454</u>	<u>183,652</u>	<u>2,097,106</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	318,897	318,897
Assigned	487,780	-	487,780
Unassigned	1,691,149	(96,205)	1,594,944
Total Fund Balances	<u>2,178,929</u>	<u>222,692</u>	<u>2,401,621</u>
Total Liabilities and Fund Balances	<u>\$ 4,092,383</u>	<u>\$ 406,344</u>	<u>\$ 4,498,727</u>
Total Fund Balances			\$ 2,401,621
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			13,134,746
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds			37,631
Other liabilities are not required to be paid out of current financial resources and therefore are not reported in the governmental funds			(410,045)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			<u>(9,450,269)</u>
Net Position of Governmental Activities			<u>\$ 5,713,684</u>

CITY OF NORTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES:			
General property taxes	\$ 2,469,808	\$ -	\$ 2,469,808
Other local taxes	5,161,830	-	5,161,830
Permits, privilege fees and regulatory licenses	7,569	-	7,569
Fines and forfeitures	62,001	-	62,001
Revenue from use of money & property	33,737	1,962	35,699
Charges for services	374,556	5,525	380,081
Miscellaneous	89,177	-	89,177
Recovered costs	23,579	-	23,579
Intergovernmental	2,007,178	1,019,190	3,026,368
Total Revenues	<u>10,229,435</u>	<u>1,026,677</u>	<u>11,256,112</u>
EXPENDITURES:			
Current:			
General government administration	1,206,033	-	1,206,033
Judicial administration	366,037	-	366,037
Public safety	2,549,920	3,275	2,553,195
Public works	2,606,618	-	2,606,618
Health and welfare	114,631	1,323,302	1,437,933
Education and transfer to school	1,830,450	-	1,830,450
Parks, recreation and cultural	468,752	-	468,752
Community development	517,866	-	517,866
Debt service:			
Principal retirement	166,689	-	166,689
Interest	330,574	-	330,574
Total Expenditures	<u>10,157,570</u>	<u>1,326,577</u>	<u>11,484,147</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>71,865</u>	<u>(299,900)</u>	<u>(228,035)</u>
OTHER FINANCING SOURCES (USES):			
Sale of surplus	5,605	-	5,605
Sale of real property	-	-	-
Loan proceeds	140,000	-	140,000
Insurance recoveries	13,039	-	13,039
Operating transfers in	-	267,762	267,762
Operating transfers out	<u>(267,762)</u>	<u>-</u>	<u>(267,762)</u>
Total Other Financing Sources (Uses)	<u>(109,118)</u>	<u>267,762</u>	<u>158,644</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(37,253)	(32,138)	(69,391)
FUND BALANCE AT BEGINNING OF YEAR	<u>2,216,182</u>	<u>254,830</u>	<u>2,471,012</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,178,929</u>	<u>\$ 222,692</u>	<u>\$ 2,401,621</u>

CITY OF NORTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

Net Change in Fund Balance Governmental Fund:	\$ (69,391)
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.	
	252,948
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(328,660)
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.	166,689
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>(79,949)</u>
Change in Net Position of Governmental Activities	<u>\$ (58,363)</u>

CITY OF NORTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-Type Activities Proprietary Funds
	Water & Sewer Operation
ASSETS	
Cash and cash equivalents	\$ 37,612
Restricted cash	110,602
Receivable, net	355,035
Due from other funds	99
Due from other government units	691,388
Deferred bond expense	5,475
Land	588,600
Construction in progress	4,812,400
Capital assets, net	8,346,605
 Total Assets	 \$ 14,947,816
LIABILITIES	
Accounts payable	905,226
Accrued payroll and related liabilities	21,566
Accrued interest payable	35,205
Deferred revenue	-
Customer security deposits	110,602
Due to other governmental units	-
Due to other funds	323,413
Compensated absences	23,730
Long-term liabilities	
Due within one year	135,986
Due in more than one year	6,024,365
 Total Liabilities	 7,580,093
NET POSITION	
Invested in capital assets, net of related debt	7,587,254
Restricted	-
Unrestricted	(219,531)
 Total Net Position	 7,367,723
 Total Liabilities and Net Position	 \$ 14,947,816

CITY OF NORTON
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2012

	PROPRIETARY FUNDS
	Water & Sewer Operation
OPERATING REVENUES:	
Charges For Services:	
Water:	
Local	\$ 758,020
Non-local	273,710
Total Water	1,031,730
Sewer:	
Local	968,874
Non-local	244,092
Total Sewer	1,212,966
Total Charges for Services	2,244,696
Miscellaneous:	
Installations and tap fees	20,135
Penalties	52,321
Other	1,716
Total Miscellaneous	74,172
Total Operating Revenues	2,318,868
OPERATING EXPENSES:	
Personal services	490,796
Fringe benefits	187,219
Contractual services	1,186,134
Other charges	322,766
Rent	6,000
Depreciation	333,250
Purchase of water	110,462
Amortization	332
Total Operating Expenses	2,636,959
Operating Income (Loss)	(318,091)
NON-OPERATING REVENUES (EXPENSES):	
Grant income	2,613,979
Interconnect expense	(31,583)
Contribution to Wise County	(1,413,243)
Interest expense	(123,995)
Total Non-Operating Revenues (Expenses)	1,045,158
CHANGE IN NET POSTION	727,067
PRIOR PERIOD ADJUSTMENT	(143,383)
NET POSITION - JULY 1, 2011	6,784,039
NET POSITION - JUNE 30, 2012	\$ 7,367,723

CITY OF NORTON
STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUNDS
Year Ended June 30, 2012

	PROPRIETARY FUNDS	COMPONENT UNIT
	Water & Sewer Operation	Norton Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,293,640	\$ 417,217
Cash payments to suppliers for goods and services	(1,602,056)	(253,029)
Cash payments to employees for services	(655,438)	-
Net Cash provided by (used in) Operating activities	<u>36,146</u>	<u>164,188</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in customer deposits	212	-
Contribution - City of Norton	-	392,141
Increase (decrease) in due to other funds	(567,806)	-
Net Cash Provided by Non-Capital Financing Activities	<u>(567,594)</u>	<u>392,141</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction in progress	(3,908,092)	-
Acquisition of capital assets	(218,554)	(80,042)
Proceeds from issuance of debt	2,471,368	-
Contributed Capital-Grant Revenue	2,472,591	700,000
Interconnect expense	(31,583)	-
Principal paid	(121,871)	(432,045)
Interest paid	(107,099)	(85,534)
Net Cash provided by (used in) capital and related financing activities	<u>556,760</u>	<u>102,379</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	-	10,919
Net cash provided by (used in) investing activities	<u>-</u>	<u>10,919</u>
Net Increase (Decrease) in Cash and Cash Equivalents	25,312	669,627
Cash and Cash Equivalents at Beginning of Year	<u>122,902</u>	<u>1,407,705</u>
Cash and Cash Equivalents at June 30, 2012		
Unrestricted	\$ 37,612	2,077,332
Restricted	110,602	-
Cash and Cash Equivalents at End of Year	<u>\$ 148,214</u>	<u>\$ 2,077,332</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (318,091)	\$ 30,472
Adjustments		
Depreciation and amortization	333,582	221,907
OPEB	17,360	-
Bad debts	12,617	-
Changes in assets and liabilities:		
(Increase) decrease in prepaid expense	-	(15,730)
(Increase) decrease in accounts receivable	(25,228)	(12,771)
Increase (decrease) in accounts payable	10,689	(26,530)
Increase (decrease) in accrued liabilities	4,329	-
Increase (decrease) in compensating absences	888	-
Increase (decrease) in deferred rent	-	(33,160)
Total adjustments	<u>354,237</u>	<u>133,716</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 36,146</u>	<u>\$ 164,188</u>

**CITY OF NORTON
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

	CDBG Revolving Loan Fund	Virginia Public Assistance Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	TOTALS June 30, 2012
<u>ASSETS</u>					
Cash	\$ 246,013	\$ (74,562)	\$ 12,564	\$ 2,069	\$ 186,084
Receivables (Net of Any Allowance For Uncollectibles):					
Accounts	-	-	-	-	-
Note receivable	58,251	-	-	-	58,251
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units:					
Commonwealth of Virginia	-	162,009	-	-	162,009
TOTAL ASSETS	<u>\$ 304,264</u>	<u>\$ 87,447</u>	<u>\$ 12,564</u>	<u>\$ 2,069</u>	<u>\$ 406,344</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ 27,561	\$ -	\$ -	\$ 27,561
Accrued liabilities	-	21,847	-	-	21,847
Due to other funds	-	134,244	-	-	134,244
Total Liabilities	-	183,652	-	-	183,652
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed					
Economic development	304,264	-	-	-	304,264
Law enforcement	-	-	12,564	-	12,564
Parks and recreation	-	-	-	2,069	2,069
Assigned	-	-	-	-	-
Unassigned	-	(96,205)	-	-	(96,205)
Total Fund Balances	304,264	(96,205)	12,564	2,069	222,692
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 304,264</u>	<u>\$ 87,447</u>	<u>\$ 12,564</u>	<u>\$ 2,069</u>	<u>\$ 406,344</u>

CITY OF NORTON
AGENCY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
Year Ended June 30, 2012

	<u>Special Welfare Fund</u>
<u>ASSETS</u>	
Cash	<u>\$ 16,997</u>
<u>NET POSITION</u>	
Amounts held for social service clients	<u>\$ 16,997</u>

CITY OF NORTON
 AGENCY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Year Ended June 30, 2012

	<u>Special Welfare Fund</u>
Additions	
Client receipts	\$ 14,346
Total additions	<u>14,346</u>
Deductions	
Payments for clients	<u>9,693</u>
Total deductions	<u>9,693</u>
Change in net position	4,653
Net position - beginning of year	<u>12,344</u>
Net position - end of year	<u>\$ 16,997</u>

CITY OF NORTON
STATEMENT OF NET POSITION - COMPONENT UNITS
JUNE 30, 2012

	Norton City Schools	Norton Industrial Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 377,815	\$ 2,077,332	\$ 2,455,147
Restricted cash	-	-	-
Investments	-	-	-
Receivable, net	695	22,016	22,711
Prepaid expense	-	28,443	28,443
Due from primary government	380,523	-	380,523
Due from other governmental units	505,345	-	505,345
Due from other funds	45,184	-	45,184
Deferred bond expense	-	-	-
Capital assets, non-depreciable	95,900	737,106	833,006
Capital assets, depreciable, net	<u>1,616,064</u>	<u>4,350,950</u>	<u>5,967,014</u>
 Total Assets	 <u>\$ 3,021,526</u>	 <u>\$ 7,215,847</u>	 <u>\$ 10,237,373</u>
LIABILITIES			
Accounts payable and accrued liabilities	233,630	25,351	258,981
Accrued payroll and related liabilities	653,307	-	653,307
Accrued interest payable	9,708	9,376	19,084
Deferred revenue	-	-	-
Deferred Bond revenue	10,866	-	10,866
Customer security deposits	-	-	-
Due to other governmental units	-	-	-
Due to other funds	45,184	-	45,184
Compensated absences			
Due within one year	31,089	-	31,089
Due in more than one year	32,728	-	32,728
Long-term liabilities:			
Due within one year	91,831	458,258	550,089
Due in more than one year	<u>737,544</u>	<u>1,268,531</u>	<u>2,006,075</u>
 Total Liabilities	 <u>1,845,887</u>	 <u>1,761,516</u>	 <u>3,607,403</u>
NET POSITION			
Invested in capital assets, net of related debt	1,330,426	3,361,267	4,691,693
Restricted	-	-	-
Unrestricted	<u>(154,787)</u>	<u>2,093,064</u>	<u>1,938,277</u>
 Total Net Position	 <u>1,175,639</u>	 <u>5,454,331</u>	 <u>6,629,970</u>
 Total Liabilities and Net Position	 <u>\$ 3,021,526</u>	 <u>\$ 7,215,847</u>	 <u>\$ 10,237,373</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES - COMPONENT UNITS
Year Ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Norton City Schools	Industrial Development Authority	GRAND TOTAL
Functions/Programs Governmental Activities						
Norton City Schools Education	\$ 8,452,870	\$ 107,577	\$ 6,228,459	\$ -	\$ (2,116,834)	\$ -
	520,038	412,178	14,077	-	(93,783)	(93,783)
	<u>8,972,908</u>	<u>519,755</u>	<u>6,242,536</u>	<u>-</u>	<u>(93,783)</u>	<u>(2,210,617)</u>
Business-type activities						
Norton Industrial Development Authority						
Economic Development						
Total component units						
				1,823,759	392,142	2,215,901
				1,859	9,699	11,558
				93,827	-	93,827
				-	-	-
				-	-	-
				-	(550,000)	(550,000)
				-	36,893	36,893
				-	-	-
				1,919,445	(111,266)	1,808,179
				(197,389)	(205,049)	(402,438)
				<u>1,373,028</u>	<u>5,659,380</u>	<u>7,032,408</u>
				\$ 1,175,639	\$ 5,454,331	\$ 6,629,970
General revenues						
City of Norton						
Unrestricted investment earnings						
Miscellaneous revenues						
Unrestricted investment earnings						
Rental of Town property						
Gain (loss) on sale of capital assets						
Recovered cost						
Transfers						
Total general revenues and transfers						
Change in net position						
NET POSITION - JULY 1, 2011						
NET POSITION - JUNE 30, 2012						

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012

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, 2012

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, 2012.

F. Encumbrances

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

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

H. Property, Plant and Equipment

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

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

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

I. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$267,388 at June 30, 2012, and is composed of the following:

General Fund:		
Allowance for uncollectible property taxes	135,352	
Allowance for uncollectible garbage fees	<u>13,181</u>	
Total General Fund		\$ 148,533
Water and Sewer Fund:		
Allowance for uncollectible water and sewer fee billings	<u>118,855</u>	
Total Water and Sewer Fund		<u>118,855</u>
Total Allowance for Uncollectible Accounts		<u>\$ 267,388</u>

J. Cash Equivalents

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

June 30, 2012

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

K. Fund Equity

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. The new standard (implemented in 2011) has not affected the total amount reported as fund balance but has substantially changed the categories and terminology used to describe their components. GASB Statement No. 54 requires that fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The City of Norton, Virginia, evaluated its funds at June 30, 2012 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, 2012

2. **DEPOSITS AND INVESTMENTS**

Deposits

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

Investments

Investment Policy:

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

Concentration of Credit Risk:

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

First Bank & Trust 99%

Custodial Credit Risk:

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

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

	Primary Government	Component Units	
		School	NIDA
Deposits and investments:			
Cash on hand	\$ 950	\$ -	\$ -
Deposits	2,378,676	377,815	2,077,332
Investments	65,357	-	-
	<u>\$ 2,444,983</u>	<u>\$ 377,815</u>	<u>\$ 2,077,332</u>
Statement of net position:			
Cash and cash equivalents	\$ 2,082,940	\$ 377,815	\$ 2,077,332
Investments	20,458	-	-
Restricted cash and cash equivalents	341,585	-	-
	<u>\$ 2,444,983</u>	<u>\$ 377,815</u>	<u>\$ 2,077,332</u>

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 to be paid February 25, 2014.

5. **DUE FROM OTHER GOVERNMENTAL UNITS**

	<u>Primary Government</u>	<u>Component Unit- School Board</u>	<u>Total</u>
Commonwealth of Virginia:			
Local sales tax	\$ 157,020	\$ -	\$ 157,020
Shared expenses	23,401	-	23,401
Communication tax	17,907	-	17,907
E-911 tax	3,333	-	3,333
Other	3,755	-	3,755
School funds	-	505,345	505,345
Welfare funds	<u>162,009</u>	<u>-</u>	<u>162,009</u>
Total Commonwealth of Virginia	<u>367,425</u>	<u>505,345</u>	<u>872,770</u>
Wise County:			
Coal haul road taxes	51,071	-	51,071
Court fines/transfer fees	<u>5,399</u>	<u>-</u>	<u>5,399</u>
Total Wise County	<u>56,470</u>	<u>-</u>	<u>56,470</u>
Norton Industrial Development Authority	<u>21,507</u>	<u>-</u>	<u>21,507</u>
Southwest Virginia Regional Jail Authority	<u>12,577</u>	<u>-</u>	<u>12,577</u>
Total Due From Other Governmental Units	<u>\$ 457,979</u>	<u>\$ 505,345</u>	<u>\$ 963,324</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

6. INTERFUND OBLIGATIONS

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	\$ 11,582	\$ 392,105	\$ -	\$ -
Virginia Public Assistance Fund	134,244	-	-	-
Water and Sewer Fund	323,413	99	-	-
Total General Fund	<u>469,239</u>	<u>392,204</u>	<u>-</u>	<u>-</u>
School Operating Fund:				
General Fund	-	-	392,105	11,582
Cafeteria Fund	-	-	19,948	25,236
Health Insurance Fund	-	-	-	-
Total School Operating Fund	<u>-</u>	<u>-</u>	<u>412,053</u>	<u>36,818</u>
School Cafeteria Fund:				
School Operating Fund	-	-	25,236	19,948
Health Insurance Fund	-	-	-	-
Total School Cafeteria Fund	<u>-</u>	<u>-</u>	<u>25,236</u>	<u>19,948</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	-	134,244	-	-
Water and Sewer Fund:				
General Fund	99	323,413	-	-
Totals	<u>\$ 469,338</u>	<u>\$ 849,861</u>	<u>\$ 437,289</u>	<u>\$ 56,766</u>

7. CHANGES IN CAPITAL ASSETS

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

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
PRIMARY GOVERNMENT				
Buildings	1,964,951	-	-	1,964,951
Improvements other than buildings	1,523,332	183,698	-	1,707,030
Infrastructure	9,993,241	-	-	9,993,241
Equipment	3,221,041	719,945	-	3,940,986
Equipment special revenue	141,378	-	-	141,378
Tenancy in Common-School Board	7,616,961	-	-	7,616,961
Total Capital Assets, Depreciable	<u>24,460,904</u>	<u>903,643</u>	<u>-</u>	<u>25,364,547</u>
Less Accumulated Depreciation For:				
Buildings	1,312,393	27,393	-	1,339,786
Improvements other than buildings	1,041,079	45,791	-	1,086,870
Infrastructure	7,438,020	154,819	-	7,592,839
Equipment	2,285,287	269,735	-	2,555,022
Equipment special revenue	94,929	618	-	95,547
Tenancy in Common-School Board	304,678	152,339	-	457,017
Total accumulated depreciation	<u>12,476,386</u>	<u>650,695</u>	<u>-</u>	<u>13,127,081</u>
Total Capital Assets, depreciable net	<u>\$ 11,984,518</u>	<u>\$ 252,948</u>	<u>\$ -</u>	<u>\$ 12,237,466</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

7. CHANGES IN CAPITAL ASSETS (Continued)

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
PRIMARY GOVERNMENT				
Other Costs				
Bond Issue Cost	\$ 56,079	\$ -	\$ -	\$ 56,079
Less: Accumulated Amortization	(15,488)	(2,960)	-	(18,448)
Net Bond Issue Cost	<u>\$ 40,591</u>	<u>\$ (2,960)</u>	<u>\$ -</u>	<u>\$ 37,631</u>
Component Unit-School Board				
Building	\$ 3,500,844	\$ -	\$ -	\$ 3,500,844
Improvements other than building	716,776	-	-	716,776
Equipment	640,163	13,599	28,077	625,685
Total Capital Assets, depreciable	<u>4,857,783</u>	<u>13,599</u>	<u>28,077</u>	<u>4,843,305</u>
Less Accumulated Depreciation For:				
Building	2,417,075	72,221	-	2,489,296
Improvements other than building	273,352	6,138	-	279,490
Equipment	430,429	53,026	25,000	458,455
Total Accumulated Depreciation	<u>3,120,856</u>	<u>131,385</u>	<u>25,000</u>	<u>3,227,241</u>
Total Capital Assets, Depreciable, Net	<u>\$ 1,736,927</u>	<u>\$ (117,786)</u>	<u>\$ 3,077</u>	<u>\$ 1,616,064</u>
Component Unit - NIDA				
Building	\$ 6,395,610	\$ 76,442	\$ -	\$ 6,472,052
Equipment	384,133	-	-	384,133
Less Accumulated Depreciation	(2,288,548)	(216,687)	-	(2,505,235)
Total Capital Assets, Depreciable, Net	<u>\$ 4,491,195</u>	<u>\$ (140,245)</u>	<u>\$ -</u>	<u>\$ 4,350,950</u>
Business Type Activities				
Building	\$ 256,454	\$ -	\$ -	\$ 256,454
Improvements other than building	12,508,237	15,240	-	12,523,477
Equipment	925,250	203,314	-	1,128,564
Total Capital Assets, depreciable	<u>13,689,941</u>	<u>218,554</u>	<u>-</u>	<u>13,908,495</u>
Less Accumulated Depreciation For:				
Building	248,660	406	-	249,066
Improvements other than building	4,296,624	283,675	-	4,580,299
Equipment	683,356	49,169	-	732,525
Total Accumulated Depreciation	<u>5,228,640</u>	<u>333,250</u>	<u>-</u>	<u>5,561,890</u>
Total Capital Assets, Depreciable, Net	<u>\$ 8,461,301</u>	<u>\$ (114,696)</u>	<u>\$ -</u>	<u>\$ 8,346,605</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Land	\$ 897,280	\$ -	\$ -	\$ 897,280
Total Capital Assets, non-depreciable	\$ 897,280	\$ -	\$ -	\$ 897,280
<u>Component Unit – School Board</u>	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Land	\$ 65,900	\$ -	\$ -	\$ 65,900
Construction in Progress	-	30,000	-	30,000
Total Capital Assets, non-depreciable	\$ 65,900	\$ 30,000	\$ -	\$ 95,900
<u>Component Unit - NIDA</u>	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Land	\$ 1,983,506	\$ 3,600	\$ (1,250,000)	\$ 737,106
Total Capital Assets, non-depreciable	\$ 1,983,506	\$ 3,600	\$ (1,250,000)	\$ 737,106
<u>Business Type Activities</u>	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Land	\$ 588,600	\$ -	\$ -	\$ 588,600
Construction in Progress	1,736,744	4,488,899	(1,413,243)	4,812,400
Total Capital Assets, non-depreciable	\$ 2,325,344	\$ 4,488,899	\$ (1,413,243)	\$ 5,401,000

8. **LONG-TERM DEBT**

Year Ending June 30,	Governmental Activities General Obligation Bonds					
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 70,000	\$ 68,226	\$ 63,191	\$ 2,768	\$ -	\$ 225,000
2014	70,000	65,250	-	-	-	225,000
2015	75,000	62,626	-	-	7,500,000	225,000
2016	75,000	59,626	-	-	-	-
2017	80,000	56,626	-	-	-	-
2018-2022	465,000	220,376	-	-	-	-
2023-2027	590,000	91,750	-	-	-	-
Totals	\$ 1,425,000	\$ 624,480	\$ 63,191	\$ 2,768	\$ 7,500,000	\$ 675,000

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

8. LONG-TERM DEBT (Continued)

Year Ending June 30,	BUSINESS TYPE ACTIVITIES GENERAL OBLIGATION BONDS							
	Water Improvement Bond		Water Facilities Bond		Sewer Facilities Bond		Water Improvement Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 36,810	\$ 44,103	\$ 14,536	\$ 39,944	\$ 2,272	\$ 7,448	\$ 6,649	\$ 27,285
2014	45,000	43,727	15,204	39,276	2,369	7,352	26,858	21,536
2015	45,000	41,648	15,903	38,577	2,467	7,253	27,286	21,109
2106	45,000	39,550	16,633	37,847	2,571	7,149	27,720	20,674
2017	50,000	37,221	17,397	37,083	2,679	7,041	28,161	20,233
2018-2022	270,000	147,256	99,736	172,664	15,184	33,416	147,672	94,299
2023-2027	350,000	69,238	124,848	147,552	18,654	29,945	159,803	82,168
2028-2032	95,000	3,137	156,285	116,115	22,920	25,680	172,932	69,040
2033-2037	-	-	195,637	76,763	28,161	20,439	187,138	54,834
2038-2042	-	-	238,071	27,503	34,598	14,002	202,510	39,461
2043-2047	-	-	-	-	42,508	6,092	219,146	22,826
2048-2052	-	-	-	-	7,198	125	176,093	5,386
Total	\$ 936,810	\$ 425,880	\$ 894,250	\$ 733,324	\$ 181,581	\$ 165,942	\$ 1,381,968	\$ 478,851

Year Ending June 30,	GENERAL OBLIGATION BOND Water Facilities Bond		REVENUE BONDS Sewer Facilities Bond	
	Principal	Interest	Principal	Interest
	2013	\$ -	\$ 29,183	\$ 75,719
2014	10,912	43,723	75,719	-
2015	22,195	28,709	75,719	-
2106	22,700	28,204	75,719	-
2017	23,216	27,688	75,719	-
2018-2022	124,238	130,282	378,595	-
2023-2027	139,018	115,503	378,595	-
2028-2032	155,554	98,966	227,149	-
2033-2037	174,058	80,462	-	-
2038-2042	194,762	59,757	-	-
2043-2047	217,930	36,590	-	-
2048-2052	212,417	10,852	-	-
Total	\$ 1,297,000	\$ 689,919	\$ 1,362,934	\$ -

	Balance 07-01-11	Additions/ Proceeds	Payments/ Reductions	Balance 06-30-12
Business-Type Activities:				
General obligation bonds	\$ 3,705,046	\$ 2,471,368	\$ (121,871)	\$ 6,054,543
Deferred gain of refunding	56,888	-	(3,160)	53,728
OPEB	34,720	17,360	-	52,080
Accrued vacation	22,842	29,120	(28,232)	23,730
	<u>3,819,496</u>	<u>2,517,848</u>	<u>(153,263)</u>	<u>6,184,081</u>
Governmental Activities:				
General obligation bonds	9,113,731	-	(125,540)	8,988,191
Capital lease	125,972	140,000	(41,149)	224,823
OPEB	158,170	79,085	-	237,255
Accrued vacation	184,450	205,395	(202,163)	187,682
	<u>9,582,323</u>	<u>424,480</u>	<u>(368,852)</u>	<u>9,637,951</u>
Totals	\$13,401,819	\$ 2,942,328	\$ (522,115)	\$15,822,032

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

8. LONG-TERM DEBT (Continued)

Enterprise Funds:

Amount Outstanding	
Government Activities	Propriety Fund Types

General Obligation Bonds:

<p>\$1,514,370 General Obligation Sewer Bond, is payable to the Virginia Resource Authority, with interest at zero percent. The amount of principle advances on the bond total \$1,514,370 at June 30, 2011. 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.</p>	-	1,362,934
<p>\$1,000,000 Water Facilities Bonds issued October 9, 2002, payable to United States of America, USDA Rural Development, with interest at the rate of 4.5% per annum. Accrued interest only is payable on October 9, 2003. Monthly installments of combined principal and interest of \$4,540 are payable beginning on November 9, 2003 and continuing on the 9th of each month thereafter until paid in full. Monthly payments are to be 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 October 9, 2042.</p>	-	894,250
<p>\$190,000 Sewer Facilities Bond issued June 6, 2008 payable to Unites States of America, USDA Rural Development, with interest at the rate of 4.10%. Monthly installments of Combined principal and interest of \$810 are payable beginning July 7, 2008 and continuing on the 7th of each month thereafter until paid in full. Monthly payments are applied first to interest accrued to such payment date and then to principal. The final installment of all unpaid principal and interest shall be due and payable in 40 years on June 7, 2048.</p>	-	181,581
<p>\$2,160,000 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 \$1,381,968 at June 30, 2012. The final installment of all unpaid principal and interest shall be due and payable in 38 years on March 28, 2051.</p>	-	1,381,968
<p>\$1,297,000 Water 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.</p>	-	1,297,000
<p>Total Long-Term Debt</p>	<p><u>\$ 8,988,191</u></p>	<p><u>\$ 6,054,543</u></p>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 LONG-TERM DEBT					
	Bonds		General Obligation VPSA		Retirement	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 55,000	\$ 10,328	\$ 36,031	\$ 6,769	\$ 800	\$ -
2015	55,000	7,522	37,096	4,904	-	-
2015	60,000	4,590	38,216	2,984	-	-
2016	60,000	1,530	39,395	1,005	-	-
2017-2021	-	-	-	-	-	-
Totals	\$ 230,000	\$ 23,970	\$ 150,738	\$ 15,662	\$ 800	\$ -

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, 2012:

	GENERAL OBLIGATION			
	General Obligation Bonds	Retirement Payable	VPSA Payable	Totals
Bonds/loans payable at June 30, 2011	\$ 280,000	\$ 2,000	\$ 185,757	\$ 467,757
Issuances	-	-	-	-
Retirements	(50,000)	(1,200)	(35,019)	(86,219)
Bonds/loans payable at June 30, 2012	\$ 230,000	\$ 800	\$ 150,738	\$ 381,538

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, 2012:

	Compensated Absences	OPEB
	Component Unit-School Board	Component Unit-School Board
Payable at June 30, 2011	\$ 63,173	\$ 298,558
Additions	48,231	149,279
Reductions	(47,587)	-
Payable at June 30, 2012	\$ 63,817	\$ 447,837

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

8. LONG-TERM DEBT (Continued)

Details of Long-Term Indebtedness:

	<u>Amount Outstanding</u>
General Obligation Bonds:	
\$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>230,000</u>
Total General Obligation Bonds	<u>230,000</u>
Retirement Costs:	
\$359,622 Early Retirement Costs, payable over 11 year period with monthly installments of \$5,095; first installment due in the year ending June 30, 2000	<u>800</u>
Virginia Public School Authority:	
\$613,165 interest subsidy loan dated December 01, 1995 payable to the Virginia Public School in semi-annual payments. Principal and interest payments are due on July 15th and interest only payments are due on January 15th. The Loan carries an interest rate of 5.1% through January 15, 2003. For payments from July 15, 2003 to January 15, 2006 the applicable rate is 6.1%. The payments from July 15, 2006 to maturity at July 15, 2016 is 5.1%	<u>150,738</u>
TOTAL GENERAL LONG-TERM BONDS/LOANS	<u>\$ 381,538</u>

COMPONENT 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	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 28,981	\$ 583	\$ 429,277	\$ 58,739	\$458,258	\$ 59,322
2014	29,270	293	449,035	38,981	478,305	39,274
2015	-	-	469,701	18,315	469,701	18,315
2016	-	-	320,525	1,241	320,525	1,241
2017	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Totals	<u>\$ 58,251</u>	<u>\$ 876</u>	<u>\$1,668,538</u>	<u>\$ 117,276</u>	<u>\$1,726,789</u>	<u>\$ 118,152</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012:

	<u>City of Norton</u>	<u>Powell Valley National Bank</u>	<u>Totals</u>
Mortgage loans payable at June 30, 2011	\$ 86,944	\$ 2,071,890	\$ 2,158,834
Borrowings	-	-	-
Retirements	<u>(28,693)</u>	<u>(403,352)</u>	<u>(432,045)</u>
Mortgage loans payable at June 30, 2012	<u>\$ 58,251</u>	<u>\$ 1,668,538</u>	<u>\$ 1,726,789</u>

Details of Long-Term Indebtedness:

Principal Balance
at June 30, 2012

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.

1,668,638

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.

58,251

Total Mortgage Loans Payable at June 30, 2012

\$ 1,726,789

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012, the City had outstanding accrued vacation, sick and personal leave of \$174,345 in the Governmental Activities and outstanding accrued vacation leave of \$22,044 in the Water and Sewer Fund. The City had outstanding accrued payroll taxes of \$13,337 in the Governmental Activities and \$1,686 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, 2012, the School Board had outstanding accrued vacation, sick and personal leave of \$59,282 and \$4,535 of accrued payroll taxes related to the accrued leave.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

10. FUND BALANCE - GOVERNMENTAL FUNDS

As of June 30, 2012, 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	—	12,564	12,564
Parks and Recreation	—	2,069	2,069
Planning & Development	—	304,264	304,264
Assigned:			
Law Enforcement	31,109	—	31,109
Fire Department	33,144	—	33,144
Public Works-Streets	405,021	—	405,021
General Administration	8,573	—	8,573
Planning & Development	9,933	—	9,933
Unassigned	1,691,149	(96,205)	1,594,944
Total fund balances	<u>\$2,178,929</u>	<u>\$ 222,692</u>	<u>\$ 2,401,621</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is 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, 2012

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 have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit at age 65 with 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 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 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. 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 election the Survivor Option, PLOP or Advanced Pension Option or those retiring with a reduce 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/2011-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, 2012

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. 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 2012 was 13.71% of annual covered payroll for the City's government employees and 5.00% for City of Norton School Board non-professional employees.

The public school divisions professional employees contribution rate for fiscal 2012 was 6.33% of covered payroll for year ended 2012. 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>
2012	\$ 437,848	100%
2011	352,060	100
2010	433,201	100

The required contribution for the year ended June 30, 2012 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>
2012	\$ 12,974	100.0%
2011	12,864	100.0
2010	12,979	100.0

C. Annual Pension Cost

For fiscal year 2012, the City's annual pension cost of \$417,409 was equal to the City's required and actual contributions. The FY 2012 required contributions were determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. In fiscal year 2012, the City School Board's annual pension cost for the Board's non-professional employees was \$12,975 which was equal to Board's required and actuarial contributions. The required contributions were determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions as of June 30, 2009 included (a) 7.50% 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 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 cost-of-living adjustments. Both (a) and (b) included 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, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

C. Annual Pension Cost(Continued)

City:	Fiscal Year Ending	Trend Information for City of Norton		Net Pension Obligation
		Annual Pension Cost (APC)	Percentage of APC Contributed	
	6/30/12	\$ 417,409	100%	\$ -
	6/30/11	428,371	100	-
	6/30/10	365,000	100	-

D. Funding Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date the plan was 77.7% funded for the City and was 105.1% funded for the School Board non-professional employees. The City's actuarial accrued liability for benefits was \$15,031,569 and the actuarial value of assets was \$11,683,042, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,348,527. The covered payroll (annual payroll of active employees covered by the plan) was \$3,071,355 and the ratio of the UAAL to the covered payroll was 109.02%. The School Board's Non-Professional Employee's actuarial accrued liability for benefits was \$1,678,673 and the actuarial value of assets was \$1,764,512, resulting in an unfunded actuarial accrued liability (UAAL) of \$(85,839). The covered payroll (annual payroll of active employees covered by the plan) was \$269,008 and the ratio of the UAAL to the covered payroll was (31.91)%.

Schedule of Funding for the City and School Board:

City:	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)
	6/30/11	\$11,683,042	\$15,031,569	\$3,348,527	77.7%	\$3,071,355	109.0 %
	6/30/10	11,475,914	14,958,851	3,482,937	76.7%	3,176,357	109.6%
	6/30/09	11,526,774	13,086,643	1,559,870	88.0%	3,083,436	50.6%

School Board:
Non-Professional Employees

	6/30/11	\$ 1,764,512	\$ 1,678,673	\$ (85,839)	105.1%	\$ 269,008	(31.9)%
	6/30/10	1,765,589	1,600,634	(164,955)	110.3%	260,117	(63.4)%
	6/30/09	1,805,641	1,483,622	(322,019)	121.7%	233,957	(137.6)%

June 30, 2012

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, 2012, the City's annual OPEB costs of \$685,092 for governmental activities and \$52,080 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>School Board</u>
Annual required contribution	\$ 79,085	\$ 17,360	\$ 174,311
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB cost	79,085	17,360	174,311
Contributions made	-	-	(25,032)
Increase in net OPEB obligation	79,085	17,360	149,279
Net OPEB obligation-beginning of year	158,170	34,720	298,558
Net OPEB obligation-end of year	<u>\$ 237,255</u>	<u>\$ 52,080</u>	<u>\$ 447,837</u>

Plan Description

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

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 79,085	0%	\$ 237,255
June 30, 2011	79,085	0%	158,170
June 30, 2010	79,085	0%	79,085

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 Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 17,360	0%	\$ 52,080
June 30, 2011	17,360	0%	34,720
June 30, 2010	17,360	0%	17,360

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 Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 149,279	0%	\$ 447,837
June 30, 2011	149,279	0%	298,558
June 30, 2010	149,279	0%	149,279

NOTES TO FINANCIAL STATEMENTS

 June 30, 2012

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

The funding status of the plan as of June 30, 2012 was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>School Board</u>
Actuarial Accrued Liability (AAL)	\$ 577,884	\$ 126,852	\$ 1,825,884
Actuarial Value of Plan Assets	-	-	188,072
Unfunded Actuarial Accrued Liability (UAAL)	577,884	126,852	1,637,812
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	10.30%
Covered Payroll (Active Plan Members)	2,677,645	587,776	2,915,517
UAAL as a Percentage of Covered Payroll	21.58%	21.58%	56.18%

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 2.5%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2011 is 28 years.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

The City currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2012, the City had not designated any funding for the OPEB liability.

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 \$977,226 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$977,226 at June 30, 2012.

14. **COMMITMENTS AND CONTINGENCIES**
Litigation

In regard to litigation involving the City of Norton, Virginia, there are two pending lawsuits in which the potential for loss payment exists. At this time no specific valuation has been determined in regard to either lawsuit.

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, 2012

16. **LEASE OBLIGATION**

The City of Norton has three capital leases outstanding at June 30, 2012.

The City leases a 2007 Volvo backhoe from Koch Financial Corporation. The lease was entered into on February 8, 2008 and extends to February 8, 2013. The lease calls for monthly payments of \$1,724 with the first payment beginning on March 8, 2008.

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

June 30, 2013	<u>\$ 13,528</u>
Total	<u>\$ 13,528</u>

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, 2013	\$ 22,707
June 30, 2014	23,750
June 30, 2015	<u>24,839</u>
Total	<u>\$ 71,295</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, 2013	\$ 26,597
June 30, 2014	27,281
June 30, 2015	27,982
June 30, 2016	28,702
June 30, 2017	<u>29,438</u>
Total	<u>\$140,000</u>

NOTES TO FINANCIAL STATEMENTS

 June 30, 2012

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, 2012, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Encumbrances included in governmental fund balances as follows:

PRIMARY GOVERNMENT

	Encumbrances Included In:		
	Restricted	Committed	Assigned
	Fund	Fund	Fund
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
General Fund for Capital Assets	\$ -	\$ -	\$ 477,847
General Fund for Other Purposes	<u>-</u>	<u>-</u>	<u>9,933</u>
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 487,780</u>

COMPONENT UNIT-SCHOOL BOARD

	Encumbrances Included In:		
	Restricted	Committed	Assigned
	Fund	Fund	Fund
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
School Fund for Capital Assets	\$ -	\$ -	\$ -
School Fund for Other Purposes	<u>2,591</u>	<u>-</u>	<u>-</u>
Total Encumbrances	<u>\$ 2,591</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2012

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 \$143,383 was made to the Water and Sewer Fund to properly record a grant receivable. This amount was recorded as a grant receivable in the prior year but was subsequently determined to be loan proceeds under a combination award of debt and debt forgiveness funding.

20. **SUSEQUENT EVENTS**

- A. On August 3, 2012, the City issued \$7,588,375 General Obligation Refunding Bonds, Series 2012 to pay off the General Obligation Refunding Bonds issued November 17, 2010. Interest is due semi-annually beginning January 15, 2013 at a rate of 1.81% and the principal is payable in full on January 1, 2015.
- B. On November 15, 2012, the City issued \$9,330,000 General Obligation School Bond Series 2012. The Bond was sold to the Virginia Public School Authority at a premium of \$863,502 of the principal amount resulting in an issue price of \$10,193,502. The proceeds will be used to (1) finance the acquisition, construction, and equipping of public school facilities of the City, (2) current refund (retire) a portion of the \$7,588,375 General Obligation Refunding Bond, Series 2012 the proceeds of which were used to refinance prior obligations which financed the acquisition, construction, and equipping of public school facilities of the City of Norton and (3) pay certain costs of issuance of the Bond. The Bond matures in annual installments beginning July 15, 2015. Interest is payable semiannually on July 15 and January 15, beginning July 15, 2013.

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue From Local Sources:				
General Property Taxes:				
Real property taxes	\$ 1,649,331	\$ 1,649,331	\$ 1,723,587	\$ 74,256
Real and personal public service corporation property taxes	215,000	215,000	99,644	(115,356)
Personal property taxes	407,500	407,500	461,230	53,730
Machinery and tools taxes	96,000	96,000	109,472	13,472
Penalties and interest	35,000	35,000	75,875	40,875
Total General Property Taxes	<u>2,402,831</u>	<u>2,402,831</u>	<u>2,469,808</u>	<u>66,977</u>
Other Local Taxes:				
Local sales and use taxes	1,957,410	1,957,410	1,918,925	(38,485)
Utility taxes	-	-	117,214	117,214
Business license taxes	838,600	838,600	951,248	112,648
Communication taxes	350,000	350,000	211,679	(138,321)
Motor vehicle licenses	-	-	-	-
Bank stock taxes	85,000	85,000	99,820	14,820
Recordation taxes	30,000	30,000	11,529	(18,471)
Tobacco taxes	200	200	180	(20)
Hotel and motel room taxes	180,000	180,000	172,866	(7,134)
Restaurant food taxes	1,350,000	1,350,000	1,334,156	(15,844)
Coal road improvement taxes	160,000	160,000	244,773	84,773
Franchise licenses tax	-	-	-	-
Cigarette tax	140,000	140,000	99,440	(40,560)
Total Other Local Taxes	<u>5,091,210</u>	<u>5,091,210</u>	<u>5,161,830</u>	<u>70,620</u>
Permits, Privilege Fees And Regulatory Licenses:				
Animal licenses	1,000	1,000	1,051	51
Permits and other licenses	6,760	6,760	6,518	(242)
Total Permits, Privilege Fees and Regulatory Licenses	<u>7,760</u>	<u>7,760</u>	<u>7,569</u>	<u>(191)</u>
Fines and Forfeitures				
	<u>95,000</u>	<u>95,000</u>	<u>62,001</u>	<u>(32,999)</u>
Revenue From Use Of Money And Property:				
Revenue from use of money	20,000	20,000	11,204	(8,796)
Revenue from use of property	26,250	26,250	22,533	(3,717)
Total Revenue From Use of Money and Property	<u>46,250</u>	<u>46,250</u>	<u>33,737</u>	<u>(12,513)</u>
Charges For Services:				
Court cost	5,000	5,000	772	(4,228)
Attorney fees	5,000	5,000	4,568	(432)
Charges for sanitation and waste removal	368,500	368,500	361,706	(6,794)
Charges for parks and recreation	22,000	22,000	7,510	(14,490)
NFD revenue recovery	30,000	30,000	-	(30,000)
Total Charges for Services	<u>430,500</u>	<u>430,500</u>	<u>374,556</u>	<u>(55,944)</u>
Miscellaneous Revenue:				
Miscellaneous	46,150	46,150	89,177	43,027
Total Miscellaneous	<u>46,150</u>	<u>46,150</u>	<u>89,177</u>	<u>43,027</u>
Recovered Costs:				
Recovered Cost - School Board	20,000	20,000	4,078	(15,922)
Recovered Cost - Special Welfare	-	-	5,551	5,551
Cost allocation plan - Water and Sewer Fund	13,950	13,950	13,950	-
Cost allocation plan	6,350	6,350	-	(6,350)
Total Recovered Costs	<u>40,300</u>	<u>40,300</u>	<u>23,579</u>	<u>(16,721)</u>
Total Revenue From Local Sources	<u>8,160,001</u>	<u>8,160,001</u>	<u>8,222,257</u>	<u>62,256</u>

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Motor vehicle carriers' taxes	\$ 35,000	\$ 35,000	\$ 24,474	\$ (10,526)
Litter grant	-	-	6,000	6,000
Mobile home titling taxes	5,000	5,000	28,069	23,069
Reduction of state aid	(20,168)	(20,168)	-	20,168
Rolling stock taxes	15,000	15,000	36	(14,964)
Total Non-Categorical Aid	34,832	34,832	58,579	23,747
Categorical Aid:				
Shared Expenses:				
Sheriff	138,953	138,953	138,559	(394)
Commissioner of the Revenue	61,256	61,256	61,323	67
Treasurer	60,432	60,432	60,572	140
Medical examiner	300	300	-	(300)
Registrar/electoral board	32,000	32,000	29,781	(2,219)
Total Shared Expenses	292,941	292,941	290,235	(2,706)
Other Categorical Aid:				
Law enforcement grant	220,667	220,667	216,829	(3,838)
Emergency medical services	1,100	1,100	3,019	1,919
DMV Grant	31,500	31,500	15,993	(15,507)
Street and highway maintenance	705,000	705,000	750,796	45,796
Financial assistance to the arts	5,000	5,000	5,000	-
DMME highwall project	-	-	114,437	114,437
State Board of Elections	-	-	2,206	2,206
E-911 funding	40,000	40,000	40,000	-
Safe routes to school	-	-	49,942	49,942
Emergency response and recovery	-	3,272	17,769	14,497
Fire programs fund	20,000	20,000	6,798	(13,202)
Total Other Categorical Aid	1,023,267	1,026,539	1,222,789	196,250
Total Revenue From the Commonwealth	1,351,040	1,354,312	1,571,603	217,291
Revenue From The Federal Government:				
Payment in lieu of property taxes	34,000	34,000	30,173	(3,827)
USDA E-911 grant	-	200,000	200,000	-
Department of Emergency Management	-	12,500	12,750	250
Emergency response and recovery	-	58,728	60,577	1,849
Homeland security	-	53,200	53,200	-
USDA Community facilities grant	-	25,000	78,875	53,875
Total Revenue From The Federal Government	34,000	383,428	435,575	52,147
Other financing sources				
Insurance recoveries	7,000	7,000	13,039	6,039
Loan proceeds	-	140,000	140,000	-
Sale of Real Property	-	-	-	-
Sale of Surplus	2,500	2,500	5,605	3,105
Total other financing sources	9,500	149,500	158,644	9,144
TOTAL GENERAL FUND	9,554,541	10,047,241	10,388,079	340,838
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	-	-	-	-
Revenue From The Commonwealth:				
Categorical Aid:				
Welfare:				
Aid to dependent children	31,014	31,014	39,707	8,693
Foster care	12,409	12,409	25,938	13,529

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General administration for financial assistance	\$ 114,028	\$ 114,028	\$ 118,576	\$ 4,548
Community services	69,644	69,644	231,960	162,316
Supplemental income assistance for the aged, blind and disabled	22,312	22,312	28,702	6,390
Employment services	2,782	2,782	3,762	980
Day care	14,845	14,845	6,949	(7,896)
Other purchased services	4,743	4,743	68,441	63,698
Direct social services	100,226	100,226	-	(100,226)
General relief	1,048	1,048	-	(1,048)
Emergency services	-	-	-	-
View-Welfare reform	-	-	-	-
Total Categorical Aid	<u>373,051</u>	<u>373,051</u>	<u>524,035</u>	<u>150,984</u>
Total Revenue From the Commonwealth	<u>373,051</u>	<u>373,051</u>	<u>524,035</u>	<u>150,984</u>
Revenue From The Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	27,069	27,069	38,408	11,339
Foster care	20,677	20,677	34,067	13,390
General administration for financial assistance	220,491	220,491	221,965	1,474
Supplemental income assistance for the aged, blind and disabled	-	-	-	-
Employment services	4,033	4,033	5,514	1,481
Day Care	38,688	38,688	17,769	(20,919)
Other purchased services	23,420	23,420	177,432	154,012
Direct social services	144,028	144,028	-	(144,028)
Emergency assistance	765	765	-	(765)
Special revenue	-	-	-	-
View -Welfare reform	-	-	-	-
ARRA	-	-	-	-
Total Revenue From the Federal Government	<u>479,171</u>	<u>479,171</u>	<u>495,155</u>	<u>15,984</u>
Other financing sources				
Transfers from general fund	<u>200,000</u>	<u>267,762</u>	<u>267,762</u>	<u>-</u>
Total other financing sources	<u>200,000</u>	<u>267,762</u>	<u>267,762</u>	<u>-</u>
Total Virginia Public Assistance Fund	<u>1,052,222</u>	<u>1,119,984</u>	<u>1,286,952</u>	<u>166,968</u>
Drug and Gambling Investigative Funds:				
Revenue From Local Sources:				
Restitution to law enforcement	-	-	5,525	5,525
Total Revenue From Local Sources	-	-	5,525	5,525
Total Revenue Drug and Gambling Investigative Fund	-	-	5,525	5,525
Revolving Loan Fund:				
Revenue From Local Sources:				
Revenue from use of money and property	-	-	1,962	1,962
Total Revenue From Local Sources	-	-	1,962	1,962
Total Revolving Loan Fund	-	-	1,962	1,962
Farmers Market Fund				
Revenue From Local Sources:				
Miscellaneous	-	-	-	-
Total Revenue From Local Sources	-	-	-	-
Total Flag Rock Lighting Fund	-	-	-	-
TOTAL SPECIAL REVENUE FUNDS	<u>1,052,222</u>	<u>1,119,984</u>	<u>1,294,439</u>	<u>174,455</u>
GRAND TOTAL - REVENUES - GOVERNMENTAL FUNDS	<u>\$ 10,606,763</u>	<u>\$ 11,167,225</u>	<u>\$ 11,682,518</u>	<u>\$ 515,293</u>

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
City Council	\$ 45,337	\$ 45,337	\$ 33,533	\$ 11,804
General and Financial Administration:				
City Manager	205,900	206,200	203,001	3,199
Office personnel	96,550	96,850	95,742	1,108
Legal and professional	47,500	47,500	66,957	(19,457)
Independent Auditor	25,000	25,000	27,250	(2,250)
Commissioner of the Revenue	138,650	138,950	140,871	(1,921)
Assessor	-	34,889	34,889	-
Treasurer	131,450	131,750	127,937	3,813
Director of Finance	142,350	142,650	144,101	(1,451)
Data Processing	62,500	78,929	77,346	1,583
Automotive/motor pool	155,500	155,950	175,329	(19,379)
Total General and Financial Administration	1,005,400	1,058,668	1,093,423	(34,755)
Board of Elections:				
Electoral board and officials	13,000	13,000	12,819	181
Registrar	64,900	65,200	66,258	(1,058)
Total Board of Elections	77,900	78,200	79,077	(877)
Total General Government Administration	1,128,637	1,182,205	1,206,033	(23,828)
Judicial Administration:				
Courts:				
Circuit court	40,000	40,000	36,458	3,542
General district court	1,500	1,500	1,457	43
Clerk of circuit court	35,000	35,000	39,442	(4,442)
Sheriff	209,830	210,280	203,928	6,352
County courthouse	25,000	25,000	27,660	(2,660)
Court and attorney fees	20,000	20,000	12,130	7,870
Total Courts	331,330	331,780	321,075	10,705
Commonwealth's Attorney:				
Commonwealth's attorney	25,000	25,000	44,962	(19,962)
Total Judicial Administration	356,330	356,780	366,037	(9,257)
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,499,700	1,930,410	1,917,760	12,650
Traffic control	13,000	13,000	17,031	(4,031)
Emergency management funds	-	90,700	53,782	36,918
Total Law Enforcement and Traffic Control	1,512,700	2,034,110	1,988,573	45,537
Fire and Rescue Services:				
Volunteer fire department	140,450	148,902	228,896	(79,994)
Ambulance and rescue services	-	-	12,563	(12,563)
Total Fire and Rescue Services	140,450	148,902	241,459	(92,557)
Correction and Detention:				
Purchase of service from Wise County	45,000	45,000	92,303	(47,303)
Juvenile detention	84,604	84,604	84,604	-
Contribution to regional jail	95,000	95,000	50,599	44,401
Total Correction and Detention	224,604	224,604	227,506	(2,902)
Inspections:				
Building	76,850	77,000	74,326	2,674
Other Protection:				
Animal control	46,100	46,100	16,916	29,184
Emergency medical services	1,000	1,000	1,140	(140)
Total Other Protection	47,100	47,100	18,056	29,044
Total Public Safety	2,001,704	2,531,716	2,549,920	(18,204)

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works:				
Maintenance of Highways, Street, Bridges and Sidewalks:				
General engineering/administration	\$ 72,225	\$ 72,375	\$ 68,217	\$ 4,158
Highways, streets, bridges and sidewalks	917,200	1,577,955	1,409,951	168,004
Storm drainage	5,000	5,000	8,520	(3,520)
Street lights	87,500	87,500	110,461	(22,961)
Snow and ice removal	35,000	35,000	35,180	(180)
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets Bridges and Sidewalks	1,119,925	1,780,830	1,632,329	148,501
Sanitation and Waste Removal:				
Street and road cleaning	8,500	8,500	13,074	(4,574)
Refuse collection	263,400	264,300	315,223	(50,923)
Refuse disposal	245,000	245,000	202,825	42,175
Total Sanitation and Waste Removal	516,900	517,800	531,122	(13,322)
Maintenance of General Buildings and Grounds:				
General properties	212,800	424,315	443,167	(18,852)
Total Public Works	1,849,625	2,722,945	2,606,618	116,327
Health and Welfare:				
Health:				
Local health department	52,731	52,731	49,487	3,244
Mental Health and Mental Retardation:				
Chapter 10 board	23,803	23,803	23,803	-
Welfare/Social Services:				
Disability Board	750	750	-	750
Area agency on aging	20,000	20,000	20,000	-
Property tax relief for elderly	-	-	15,541	(15,541)
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	41,341	(11,091)
Total Health and Welfare	106,784	106,784	114,631	(7,847)
Education:				
Contribution to Mountain Empire Community College	6,691	6,691	6,691	-
Payment to school board	2,032,903	2,032,903	1,823,759	209,144
Total Education	2,039,594	2,039,594	1,830,450	209,144
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	193,000	194,050	190,936	3,114
Recreation centers and playgrounds	173,650	198,200	210,070	(11,870)
Total Parks and Recreation	366,650	392,250	401,006	(8,756)
Cultural Enrichment:				
Pro-Art	10,000	10,000	10,000	-
Other events	7,500	7,500	5,678	1,822
School functions	-	1,300	1,300	-
Employee picnic and Christmas party	3,000	3,000	2,268	732
Total Cultural Enrichment	20,500	21,800	19,246	2,554
Library:				
Payments to regional library	48,500	48,500	48,500	-
Total Parks, Recreation and Cultural	435,650	462,550	468,752	(6,202)

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Community Development:				
Planning and Community Development:				
Planning	\$ 494,216	\$ 528,078	\$ 107,457	\$ 420,621
Planning - contribution to Lenowisco			8,123	(8,123)
Community access channel	10,550	10,850	3,493	7,357
Contribution to Chamber of Commerce			1,952	(1,952)
Contribution to Black Diamond Development			200	(200)
Contribution to component unit - NIDA			392,141	(392,141)
Contribution to Airport Commission	10,000	8,700	4,500	4,200
Capital outlay	467,167	-	-	-
Total Planning and Community Development	981,933	547,628	517,866	29,762
Debt Service				
Principal	454,284	500,950	497,263	3,687
Interest	-	-	-	-
Total debt service	454,284	500,950	497,263	3,687
Other financing uses				
Transfers to water/sewer fund	-	-	-	-
Transfers to welfare fund	200,000	267,762	267,762	-
Total other financing sources	200,000	267,762	267,762	-
TOTAL GENERAL FUND	\$ 9,554,541	\$ 10,718,914	\$ 10,425,332	\$ 293,582
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 1,052,222	\$ 1,119,984	\$ 1,323,302	\$ (203,318)
Total Welfare/Social Services	1,052,222	1,119,984	1,323,302	(203,318)
Total Health and Welfare	1,052,222	1,119,984	1,323,302	(203,318)
Total Virginia Public Assistance Fund	1,052,222	1,119,984	1,323,302	(203,318)
Drug and Gambling Investigative Funds:				
Public safety	-	-	3,275	(3,275)
Total Drug and Gambling Investigative Funds	-	-	3,275	(3,275)
TOTAL SPECIAL REVENUE FUNDS	1,052,222	1,119,984	1,326,577	(206,593)
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	\$ 10,606,763	\$ 11,838,898	\$ 11,751,909	\$ 86,989
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ -	\$ (671,673)	\$ (69,391)	
Net appropriations from fund balance				
Prior year surplus	-	166,104		
Prior year encumbrances	-	505,569		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		

**CITY OF NORTON
COMPONENT UNIT SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2012**

	GOVERNMENTAL ACTIVITIES				TOTALS
	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	June 30, 2012
ASSETS					
Cash and cash equivalents	\$ 8,253	\$ 76,337	\$ 141,730	\$ 151,495	\$ 377,815
Accounts receivable	695				695
Due from other funds	19,948	-	-	25,236	45,184
Due from primary government	380,523	-	-	-	380,523
Due from other governmental units	505,345	-	-	-	505,345
TOTAL ASSETS	\$ 914,764	\$ 76,337	\$ 141,730	\$ 176,731	\$ 1,309,562
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 233,630	\$ -	\$ -	\$ -	\$ 233,630
Accrued liabilities	653,307	-	-	-	653,307
Due to other funds	25,236	-	-	19,948	45,184
Deferred Revenue	-	-	-	-	-
Total Liabilities	912,173	-	-	19,948	932,121
FUND BALANCE:					
Restricted	2,591	-	-	-	2,591
Committed	-	76,337	141,730	156,783	374,850
Total Fund Balance	2,591	76,337	141,730	156,783	377,441
TOTAL LIABILITIES AND FUND BALANCE	\$ 914,764	\$ 76,337	\$ 141,730	\$ 176,731	\$ 1,309,562

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

\$ 377,441

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	(9,708)
Accrued compensated absences	(63,817)
Deferred revenue	(10,866)

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

1,711,964

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

\$ (829,375)

Total net position - component unit-School Board

\$ 1,175,639

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2012

	<u>School Operating Fund</u>	<u>School Textbook Fund</u>	<u>School Health Retirement Fund</u>	<u>School Cafeteria Fund</u>	<u>Total School Board</u>
REVENUES:					
Revenue from use of money and property	\$ 612	\$ 396	\$ 689	\$ 162	\$ 1,859
Charges for services	-	-	-	107,577	107,577
Miscellaneous	91,749	-	-	2,078	93,827
Intergovernmental					
Primary government	1,823,759	-	-	-	1,823,759
Commonwealth of Virginia	4,548,368	-	-	-	4,548,368
Federal Government	1,680,091	-	-	-	1,680,091
Total Revenues	<u>8,144,579</u>	<u>396</u>	<u>689</u>	<u>109,817</u>	<u>8,255,481</u>
EXPENDITURES:					
Current:					
Education	7,740,904	97,193	45,419	318,975	8,202,491
Debt Service:					
Principal	86,219	-	-	-	86,219
Interest	21,586	-	-	-	21,586
Total Expenditures	<u>7,848,709</u>	<u>97,193</u>	<u>45,419</u>	<u>318,975</u>	<u>8,310,296</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>295,870</u>	<u>(96,797)</u>	<u>(44,730)</u>	<u>(209,158)</u>	<u>(54,815)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	15,000	25,000	266,442	306,442
Operating transfers out	(306,442)	-	-	-	(306,442)
Total Other Financing Sources (Uses)	<u>(306,442)</u>	<u>15,000</u>	<u>25,000</u>	<u>266,442</u>	<u>-</u>
Net change in fund balance	(10,572)	(81,797)	(19,730)	57,284	(54,815)
Fund Balance at June 30, 2011	13,163	158,134	161,460	99,499	432,256
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>

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 (54,815)

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. (90,864)

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 (63,060)

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 11,350

Change in net position of governmental activities \$ (197,389)

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
Year Ended June 30, 2012

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Revenue from use of money and property	\$ -	\$ -	\$ 612	\$ 612
Charges for services	-	-	-	-
Miscellaneous	2,800	80,250	91,749	11,499
Intergovernmental				
Primary government	2,032,903	2,032,903	1,823,759	(209,144)
Commonwealth of Virginia	4,708,237	4,828,073	4,548,368	(279,705)
Federal Government	1,360,681	1,368,793	1,680,091	311,298
Total Revenues	8,104,621	8,310,019	8,144,579	(165,440)
EXPENDITURES:				
Current:				
Community Development	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	7,786,316	7,980,377	7,740,904	239,473
Debt Service:				
Principal	86,219	91,219	86,219	5,000
Interest	22,086	21,586	21,586	-
Total Expenditures	7,894,621	8,093,182	7,848,709	244,473
Excess (Deficiency) of Revenues Over Expenditures	210,000	216,837	295,870	79,033
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(210,000)	(230,000)	(306,442)	(76,442)
Total Other Financing Sources (Uses)	(210,000)	(230,000)	(306,442)	(76,442)
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	(13,163)	(10,572)	2,591
Net appropriations from fund balance				
Prior year encumbrances	-	13,163		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		
Fund Balance - July 1, 2011			13,163	
Fund Balance - June 30, 2012			\$ 2,591	

CITY OF NORTON
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2012

ASSETS HELD BY THE TREASURER:

Cash on hand	\$	950
Cash in banks:		
Checking:		
First Bank and Trust	2,773,488	
Total Checking		2,773,488
Certificates of Deposit:		
First Bank and Trust	44,899	
Total Certificates of Deposit		44,899
Total Cash in Banks		2,818,387
Investments:		
Investment in State Treasurer's Local Government		
Investment Pool		20,458
TOTAL ASSETS	\$	<u>2,839,795</u>

LIABILITIES OF THE TREASURER:

BALANCE OF CITY FUNDS	\$	<u>2,839,795</u>
------------------------------	-----------	-------------------------

NOTE: The variance between this statement and the balance sheet for all funds is \$2,077,332. 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, 2012

A) SUMMARY OF AUDIT RESULTS

- 1) The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Norton, Virginia.
- 2) No significant deficiencies relating to the audit of the general purpose 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 general purpose 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 unqualified opinion.
- 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, 2012

	<u>Federal Catalogue #</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Direct Payments:		
Community Facilities Grant	10.780	\$ 225,000 *
Water and Waste Disposal Systems for Rural Communities	10.781	4,543,828 *
Pass-Through Payments:		
State Department of Agriculture:		
School Lunch Program	10.555	214,987
School Breakfast Program	10.553	59,561
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass-Through Payments:		
State Department of Social Services:		
Food stamp administration	10.561	123,487
Foster Care - Title IV-E	93.658	56,928
TANF	93.558	93,865
Social Services Block Grant	93.667	56,141
Adoption Assistance	93.659	42,190
Child Care Assistance	93.575	8,568
Medical assistance program	93.778	74,261
Child Care Mandatory Match	93.596	23,643
Low Income Home Energy Assist.	93.568	10,083
Safe and Stable Families	93.556	12,641
Refuge and Entrant Asst	93.566	236
State Children's Insurance Program	93.767	3,460
Child Welfare Services State Grant	93.645	257
Chafee Foster Care Independence Program	93.674	727
DEPARTMENT OF EDUCATION:		
Pass-Through Payments:		
State Department of Education:		
Improving teacher quality state grants	84.367	44,314
Rural Grants	84.358	14,335
Title I Grants	84.010	238,779
Title VI-B:		
Special Education:		
Title VIB Idea -611	84.027	167,529
Preschool	84.173	6,383
Special Projects:		
State Grants for Strengthening the Skills of Teachers and Instruction in Mathematics, Foreign Languages and Computer		
Vocational Education - Basic Grants to States	84.048	14,552
Improvement of Education-History Grant	84.215	577,755
Gear Up	84.334	11,396
Education Jobs Fund ARRA	84.410	200,361 *
DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT:		
Community Development Grants	14.228	137,955
DEPARTMENT OF EMERGENCY SERVICES		
Emergency Response & Recovery	97.036	60,577
Emergency Preparedness	97.042	12,750
Assistance to Firefighters	97.044	53,200
DEPARTMENT OF TRANSPORTATION		
Occupant Protection DUI Enforcement	20.607	<u>15,993</u>
TOTAL		\$ <u>7,105,742</u>

* Denotes Major Program or Major Program Cluster

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

STATISTICAL SECTION

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

CONTENTS	PAGE
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	68
REVENUE CAPACITY These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	73
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.	76
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.	79
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.	81

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 NINE FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities									
Invested in capital assets, net of related debt	\$ 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
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
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
Business-type activities									
Invested in capital assets, net of related debt	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
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	(284,875)	31,937	85,662	(123,892)	(210,607)	(299,252)	(880,931)	(205,952)	(219,531)
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
Primary government									
Invested in capital assets, net of related debt	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
Restricted	-	-	-	-	-	-	-	-	-
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
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

- 1) Trend data is only available for the last nine 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: invested in capital assets, net of related debt; 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 ASSETS (UNAUDITED)
LAST NINE FISCAL YEARS**

	2004	2005	2006	2007	2008	2009	2010	2011	2012
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
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
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
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
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
Parks, recreation and cultural	381,141	374,018	379,457	468,812	409,566	462,658	495,710	507,768	490,097
Community development	705,781	1,578,560	791,142	944,522	778,848	736,667	773,594	711,312	503,961
Interest on long-term debt	43,744	26,695	21,580	76,117	230,739	326,666	384,818	324,163	328,206
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
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
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
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
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
Public safety	287,212	287,924	289,949	363,084	375,362	373,518	363,217	366,667	361,706
Public works	674	-	-	1,044	27,327	137,454	63,936	-	-
Health and welfare	-	-	-	-	-	-	-	-	-
Education	18,141	21,952	21,194	24,419	23,642	26,700	22,970	17,437	7,510
Parks, recreation and culture	-	-	-	-	-	-	-	-	-
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
Capital grants and contributions	-	-	-	-	-	-	286,013	20,441	393,312
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
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
Water and Wastewater	-	-	-	-	-	-	-	550,000	-
Operating grants and contributions and other income	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	304,863	482,685	130,625	428,657	104,927	1,107,004	2,451,492	2,613,979
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
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
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)
Business-Type Activities:	31,403	218,875	230,759	(28,838)	(106,048)	(127,949)	926,617	2,827,423	727,067
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)

TABLE 2 cont.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012
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
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
Utility tax	263,954	263,918	266,300	213,873	184,079	164,698	128,412	126,570	117,214
Business license tax	775,319	658,845	692,083	813,906	826,412	901,209	795,833	773,353	951,248
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
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
Recordation tax	25,997	5,219	20,653	40,602	26,036	34,284	27,055	39,256	39,598
Tobacco tax	48	48	45	45	38	60	185	165	180
Hotel and motel room tax	102,050	127,921	117,186	104,176	125,638	161,753	169,049	195,071	172,866
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
Coal road improvement tax	148,765	178,532	208,566	188,529	186,512	234,263	166,571	222,047	244,773
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
Other local taxes	73,610	92,422	110,720	118,607	141,741	128,743	101,504	30	-
Unrestricted miscellaneous revenue	50,001	48,618	21,092	58,630	70,321	97,951	53,609	76,669	90,845
Rental of Town property	27,655	79,961	103,191	137,690	256,139	192,440	82,250	39,085	35,699
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
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
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
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)
Business-Type Activities	31,470	218,980	331,113	(27,312)	(56,048)	(127,949)	926,617	2,827,423	727,067
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

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
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
Unassigned								1,710,613	1,691,149
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	\$ 2,216,182
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
Assigned								-	-
Unassigned								(59,855)	(96,205)
Total all other governmental funds	\$ 226,947	\$ 247,341	\$ 279,864	\$ 290,215	\$ 257,346	\$ 241,291	\$ 345,705	\$ 254,830	\$ 222,692

- 1) Trend data is only available for the last nine 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.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General property taxes	\$ 1,703,108	\$ 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
Other local taxes	3,232,978	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
Permits and licenses	3,899	2,265	14,270	4,666	5,026	9,499	7,558	5,989	5,007	7,569
Fines and forfeitures	71,573	71,345	78,152	106,054	113,581	132,242	118,985	94,826	94,147	62,001
Investment earnings	58,197	51,098	79,961	103,191	137,690	256,139	192,440	82,250	39,085	35,699
Charges for services	313,579	312,311	313,482	317,447	396,692	432,088	545,391	456,588	410,520	380,081
Other revenues	16,740	50,001	48,618	21,092	58,630	70,321	97,951	53,508	60,176	89,177
recovered cost	59,733	-	13,950	29,123	15,510	19,825	14,003	19,058	16,754	23,579
Intergovernmental	2,064,070	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
Total revenues	7,523,877	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
Expenditures										
General government	756,677	781,596	788,786	850,732	1,009,235	1,090,825	1,114,690	1,048,146	1,116,081	1,206,033
Judicial administration	282,184	253,801	290,126	294,444	380,049	403,468	432,678	418,768	349,229	366,037
Public safety	1,535,834	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
Public works	1,427,472	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
Health and welfare	1,010,429	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
Education and transfer to school	8,418	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
Parks, recreation and culture	373,870	356,407	362,547	373,368	465,087	395,917	437,326	474,833	483,551	468,752
Community development	178,896	705,781	1,578,158	791,267	938,486	786,560	739,284	776,038	725,216	517,866
Non-Departmental	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	36,766	27,724	106,155	106,731	118,738	168,746	190,026	7,652,315	7,684,450	166,689
Interest	26,647	29,362	25,253	28,774	102,547	224,755	328,594	202,993	376,273	330,574
Total expenditures	5,637,193	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
Excess of revenues over (under) expenditures	1,886,684	143,356	(619,560)	(213,516)	(1,245,495)	(999,060)	(5,309,230)	(9,033,991)	(8,118,622)	(228,035)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	420,300	1,803,566	7,500,000	-	7,500,000	7,615,839	140,000
Insurance Recoveries	-	-	7,422	-	6,823	19,449	33,263	12,256	13,285	13,039
Proceeds from sale of assets	2,901	616	123	23,807	7,809	44,000	26,912	101	15,928	5,605
Transfers	(1,537,701)	-	-	(100,000)	-	(50,000)	-	-	-	-
Total other financing sources (uses)	(1,534,800)	616	7,545	344,107	1,818,198	7,513,449	60,175	7,512,357	7,645,052	158,644
Net change in fund balance	\$ 351,884	\$ 143,972	\$ (612,015)	\$ 130,591	\$ 572,703	\$ 6,514,389	\$ (5,249,055)	\$ (1,521,634)	\$ (473,570)	\$ (69,391)
Debt service as a percentage of noncapital expenditures	1.14%	0.73%	1.46%	1.49%	1.97%	3.74%	3.39%	62.79%	78.79%	4.53%

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				Machinery and Tools	Real Estate		Personal Property	Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
	Real Estate	Personal Property	Real Estate	Personal Property							
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			
2003	136,867,000	20,741,289	3,143,600	27,412,952	254,802	2,483,300	190,902,943	0.892			

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

TABLE 6

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Mobile Homes		Public Utilities	
				Real Estate	Personal Property	Real Estate	Personal Property
2012	\$ 0.80	\$ 1.85	\$ 1.85	\$ 0.80	\$ 0.80	\$ 0.80	\$ 1.85
2011	0.80	1.85	1.85	0.80	0.80	0.80	1.85
2010	0.80	1.85	1.85	0.80	0.80	0.80	1.85
2009	0.80	1.85	1.85	0.80	0.80	0.80	1.85
2008	0.80	1.85	1.85	0.80	0.80	0.80	1.85
2007	0.70	1.85	1.85	0.70	0.70	0.70	1.85
2006	0.70	1.85	1.85	0.70	0.70	0.70	1.85
2005	0.70	1.85	1.85	0.70	0.70	0.70	1.85
2004	0.70	1.85	1.85	0.70	0.70	0.70	1.85
2003	0.70	1.85	1.85	0.70	0.70	0.70	1.85

1) Rates are presented per \$100 assessed value

**CITY OF NORTON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
June 30, 2012 and June 30, 2006**

TABLE 7

June 30, 2012

<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	7,305,300	3.32%
G.E. Credit Equities	Shopping Center	6,060,600	2.75%
Wellmont Health System	Health Care	5,192,700	2.36%
Norton Community Hospital	Health Care	4,994,200	2.27%
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.

**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
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%
2003	1,590,001	1,454,053	91.45%	201,756	1,655,809	104.14%	89,646	5.64%

- (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 NINE 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					
2012	\$ 8,988,191	\$ 224,823	\$ 6,108,271		\$ 2,108,327	17,429,612	10.31%	4,157
2011	9,113,731	125,972	3,761,934		2,626,591	15,628,228	9.40%	3,813
2010	9,236,731	71,582	2,866,944		3,135,372	15,310,629	10.50%	3,868
2009	9,352,298	108,330	2,281,907		3,742,384	15,484,919	10.90%	3,820
2008	9,465,533	185,121	2,366,835		4,341,228	16,358,717	12.26%	4,048
2007	2,071,535	156,892	2,252,664		4,927,391	9,408,482	7.49%	2,412
2006	390,397	135,962	2,330,131		6,336,596	9,193,086	7.80%	2,437
2005	437,209	195,881	2,409,050		6,126,941	9,169,081	7.88%	2,387
2004	480,505	64,405	2,485,183		6,383,285	9,413,378	8.33%	2,414

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 NINE FISCAL YEARS

Fiscal Years Ended June 30	General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2012	\$ 8,988,191	3.23%	\$ 2,144
2011	9,113,731	3.51%	\$ 2,223
2010	9,236,731	3.63%	\$ 2,334
2009	9,352,298	3.62%	\$ 2,307
2008	9,465,533	4.04%	\$ 2,342
2007	2,071,535	0.89%	\$ 531
2006	390,397	0.17%	\$ 103
2005	437,209	0.22%	\$ 114
2004	480,505	0.25%	\$ 123

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed valuations										
Assessed value of taxed real property	\$ 164,279,952	\$ 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
Legal debt margin										
Debt limit - 10 percent of total assessed value	16,427,995	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
Debt applicable to limitation:										
Total bonded debt	5,968,171	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
Less - Enterprise Debt	(3,299,055)	(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)
Total amount of debt applicable to debt limitation	2,669,116	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
Legal debt margin	\$ 13,758,879	\$ 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
Total net debt applicable to the limit as a percentage of debt limit	16.25%	8.68%	8.86%	8.39%	15.55%	50.96%	44.22%	46.92%	48.87%	55.54%

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

Fiscal Years Ended June 30	Water and Wastewater Revenue Bonds							Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Total		
				Principal	Interest			
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	
2003	1,892,813	1,716,270	176,543	63,745	77,858	141,603	1.25	

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

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

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2012	4,193	\$168,973,707	40,299	39.0	882	6.90%
2011	4,099	166,255,440	40,645	40.0	852	6.40%
2010	3,958	145,844,384	36,848	40.2	823	6.60%
2009	4,054	142,068,376	35,044	39.0	784	5.20%
2008	4,041	133,417,656	33,016	39.0	780	4.10%
2007	3,901	125,690,220	32,220	39.0	731	5.10%
2006	3,773	117,823,244	31,228	39.0	713	5.40%
2005	3,842	116,427,968	30,304	39.0	718	5.30%
2004	3,900	113,068,800	28,992	39.0	700	5.30%
2003	3,904	109,272,960	27,990	39.0	704	4.90%

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

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

June 30, 2012

<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 +/-
City of Norton	Public Agency	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

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

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

1) Source: City of Norton's Finance department

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

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public safety							
Citations issued	2,086	1,973	2,521	2,762	2,374	2,433	1,550
Parking Tickets issued	418	523	387	215	139	390	116
Crime/Arrest/Incident reports filed	747	874	868	866	787	842	758
911 Calls dispatched	4,006	3,848	4,176	5,260	5,059	5,469	4,514
Public Works							
Number of citizen requests for services	1,054	1,026	858	852	2,331	972	883
Water operations							
Number of service connections	2,241	2,286	2,271	2,279	2,292	2,305	2,301
Number of citizen requests for services	2,387	2,483	2,483	2,349	1,866	2,022	1,887
Average daily plant output in gallons	1.0 Million	1.10 Million	1.084 Million	.870 Million	.870 Million	.870 Million	.740 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
Wastewater operations							
Number of service connections	2,022	2,040	2,029	2,033	2,035	2115	2116

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

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public safety							
Police stations	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2
Number of patrol units	11	11	11	13	15	15	15
Public works							
Streets (lane miles)	82.73	82.73	82.73	82.73	82.73	82.73	82.73
Streetlights	440	440	440	440	440	440	440
Traffic signals	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
Number of fire hydrants	250	250	250	250	250	250	250
Wastewater operations							
Miles of sanitary sewers	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