

CITY OF NORTON, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016

CITY OF NORTON, VIRGINIA

TABLE OF CONTENTS

June 30, 2016

Page #

5	CITY OFFICIALS
6	MANAGEMENT'S DISCUSSION AND ANALYSIS
	<u>INDEPENDENT AUDITOR'S REPORTS</u>
9	INDEPENDENT AUDITOR'S REPORT
11	REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
13	REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
15	REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS AND GRANTS
	<u>COMBINED FINANCIAL STATEMENTS</u>
17	EXHIBIT 1 STATEMENT OF NET POSITION
18	EXHIBIT 2 STATEMENT OF ACTIVITIES
19	EXHIBIT 3 BALANCE SHEET – GOVERNMENTAL FUNDS
20	EXHIBIT 4 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
21	EXHIBIT 5 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
22	EXHIBIT 6 RECONCILIATION OF THE REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
23	EXHIBIT 7 STATEMENT OF NET POSITION – PROPRIETARY FUNDS
24	EXHIBIT 8 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
25	EXHIBIT 9 STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
26	EXHIBIT 10 SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET
27	EXHIBIT 11 STATEMENT OF FIDUCIARY NET POSITION
28	EXHIBIT 12 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
29	EXHIBIT 13 STATEMENT OF NET POSITION – COMPONENT UNITS
30	EXHIBIT 14 STATEMENT OF ACTIVITIES – COMPONENT UNITS
31	NOTES TO FINANCIAL STATEMENTS
	<u>REQUIRED SUPPLEMENTAL INFORMATION</u>
87	EXHIBIT 15 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-GENERAL FUND
88	EXHIBIT 16 SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS

CITY OF NORTON, VIRGINIA

TABLE OF CONTENTS

June 30, 2016

<u>Page #</u>		
89	EXHIBIT 17	SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
90	EXHIBIT 18	SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – SCHOOL BOARD NON-PROFESSIONAL GROUP
91	EXHIBIT 19	SCHEDULE OF EMPLOYER CONTRIBUTIONS – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
92	EXHIBIT 20	SCHEDULE OF EMPLOYER CONTRIBUTIONS – SCHOOL BOARD NON-PROFESSIONAL GROUP
93	EXHIBIT 21	SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – TEACHER RETIREMENT PLAN
94	EXHIBIT 22	SCHEDULE OF EMPLOYER CONTRIBUTIONS – TEACHER RETIREMENT PLAN
95	NOTES TO REQUIRED SUPPLEMENTAL INFORMATION	
		<u>OTHER SUPPLEMENTAL INFORMATION</u>
96	SCHEDULE 1	GOVERNMENTAL FUNDS-BUDGETARY COMPARISON SCHEDULE
102	SCHEDULE 2	STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY DEPARTMENT-PROPRIETARY FUND
103	SCHEDULE 3	COMPONENT UNIT SCHOOL BOARD – COMBINING BALANCE SHEET
104	SCHEDULE 4	COMPONENT UNIT SCHOOL BOARD – COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
105	SCHEDULE 5	COMPONENT UNIT – SCHOOL BOARD – BUDGETARY COMPARISON SCHEDULE – OPERATING FUND
106	SCHEDULE 6	STATEMENT OF TREASURER’S ACCOUNTABILITY
107	SCHEDULE 7	SCHEDULE OF FINDINGS AND QUESTIONED COSTS
108	SCHEDULE 8	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
		<u>STATISTICAL DATA-(UNAUDITED)</u>
110	TABLE 1	NET POSITION BY COMPONENT
111	TABLE 2	CHANGES IN NET POSITION
113	TABLE 3	FUND BALANCES, GOVERNMENTAL FUNDS
114	TABLE 4	CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
115	TABLE 5	ASSESSED VALUE AND ACTUAL VALUE OF ALL PROPERTY
115	TABLE 6	DIRECT PROPERTY TAX RATES
116	TABLE 7	PRINCIPAL PROPERTY TAXPAYERS
117	TABLE 8	PROPERTY TAX LEVIES AND COLLECTIONS
118	TABLE 9	RATIO OF OUTSTANDING DEBT BY TYPE
118	TABLE 10	RATIO OF GENERAL BONDED DEBT OUTSTANDING

CITY OF NORTON, VIRGINIA

TABLE OF CONTENTS

June 30, 2016

<u>Page #</u>		
119	TABLE 11	LEGAL DEBT MARGIN INFORMATION
120	TABLE 12	PLEDGED-REVENUE COVERAGE
121	TABLE 13	DEMOGRAPHIC AND ECONOMIC STATISTICS
122	TABLE 14	PRINCIPAL EMPLOYERS
123	TABLE 15	FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
124	TABLE 16	OPERATING INDICATORS BY FUNCTION
125	TABLE 17	CAPITAL ASSET STATISTICS BY FUNCTION

CITY OF NORTON, VIRGINIA

CITY OFFICIALS

June 30, 2016

CITY COUNCIL:

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

CITY OFFICIALS:

Fred L. Ramey, Jr, City Manager
Jeff Shupe, Director of Finance
James Lane, Chief of Police
Steve McElroy, Director of Public Works
Winfred Collins, Building Official/Zoning Administrator
Todd Lagow, Fire Chief and Emergency Services Coordinator
Andrew Greear, Superintendent Water Treatment Plant
Michele Knox, Director of Parks & Recreation

CONSTITUTIONAL OFFICERS:

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

SCHOOL BOARD:

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

Dr. Keith Perrigan, Superintendent

SOCIAL SERVICES ADVISORY BOARD:

Tim Ray Adams
Lann Malesky
Ethel Daniels
Ann Holbrook
Frank Gravely

Christine Blair, Director

CITY LEGAL COUNSEL:

William E. Bradshaw, Attorney at Law



Management Discussion and Analysis

November 30, 2016

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, 2016.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 19,216,108 (net position).
- At June 30, 2016, the City reported combined ending fund balances of \$ 2,202,600 an increase of \$ 330,214 in comparison with the prior year.
- As of June 30, 2016, the General Fund had a total Fund Balance of \$ 1,830,615.
- The total debt outstanding as of June 30, 2016 was \$ 21,054,310 which includes the component units. As of June 30, 2016, the City's Legal Debt Margin was \$ 6,528,328.
- The Water/Sewer Proprietary Fund had a decrease in Net Position for the year of \$ 82,769.

Overview of Financial Statements

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis – Primary Government
Summary Statement of Net Position – June 30, 2016

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Current & other assets	\$ 4,512,170	\$ 9,163	\$ 4,521,333
Capital assets	<u>9,682,333</u>	<u>18,832,820</u>	<u>28,515,153</u>
Total Assets	<u>\$ 14,194,503</u>	<u>\$ 18,841,983</u>	<u>\$ 33,036,486</u>
Current & other liabilities	\$ 1,303,651	\$ 534,998	\$ 1,838,649
Long-term liabilities	<u>2,744,264</u>	<u>8,170,847</u>	<u>10,915,112</u>
Total Liabilities	<u>\$ 4,047,915</u>	<u>\$ 8,705,845</u>	<u>\$ 12,753,760</u>
Deferred Inflows	\$ 1,446,678	\$ 63,901	\$ 1,510,579
Less - Deferred Outflows	<u>400,591</u>	<u>43,370</u>	<u>443,961</u>
Total Deferred	<u>\$ 1,046,087</u>	<u>\$ 20,531</u>	<u>\$ 1,066,618</u>
Net Position:			
Invested in Capital assets	\$ 8,336,774	\$ 10,688,937	\$ 19,025,711
Unrestricted	<u>763,727</u>	<u>(573,330)</u>	<u>190,397</u>
Total Net Position	<u>\$ 9,100,501</u>	<u>\$ 10,115,607</u>	<u>\$ 19,216,108</u>

Net position serves as a useful indicator of a government's financial position. The City's combined net position total is \$ 19,216,108 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 \$ 19,025,711. The City of Norton uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Governmental Activities – Governmental activities increased the City's net position by \$853,742. Key elements of this increase are as follows:

Governmental Activities Year Ended June 30, 2016	
Revenues:	
Program Revenues:	
Charges for Services	\$ 527,455
Operating Grants and Contributions	2,574,389
Capital Grants and Contributions	453,008
General Revenues:	
Property Taxes	3,034,838
Other Local Taxes	4,798,612
Other	<u>210,381</u>
Total Revenues	<u>\$11,598,683</u>
Expenses:	
General Government	\$ 1,525,411
Public Safety	2,564,543
Public Works	2,086,952
Health and Welfare	1,388,345
Education	2,326,948
Parks, Recreation, Culture	474,541
Community Development	329,286
Interest of Long Term Debt	<u>48,915</u>
Total Expenses	<u>\$ 10,744,941</u>
Increase (Decrease) in Net Position	<u>\$ 853,742</u>

Included in the Total Expenses are non-cash items including depreciation. In addition, expenditures for capital assets are not included, while Grant Contributions (revenues) for some types of projects are. This means that under the full accrual method, the net position increased by \$853,742 for FY2016. A portion of that increase was due to Grant Proceeds received for the Safe Routes to School Project reflected in the Total Revenues Category while the construction expenditures are not reflected in Total Expenses, but are rather included in Capital Assets in the Summary Statement of Net Position at the top of the page. The Remaining increase is accounted for by actual revenues exceeding budgeted projections and a conservative approach to many City expenditures.

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Real Property Tax	\$ 2,062,943	1,699,401	1,866,975	1,698,699	1,723,587
Local Sales and Use Tax	\$ 1,609,549	1,613,223	1,606,815	1,762,729	1,918,925
Restaurant Food Taxes	\$ 1,395,556	1,360,014	1,357,112	1,262,519	1,334,156
Business License Taxes	\$ 842,303	812,125	887,396	853,599	951,248
Street & Highway Maintenance	\$ 841,655	809,297	787,645	765,118	750,796
Personal Property Taxes	\$ 540,191	555,523	509,969	471,214	461,230

The City’s assessed value of real estate for the year was \$ 250,527,769. The real estate tax rate is \$.90 per \$ 100 of assessed value. For the year, the percent of levy collected was 94.02%. 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 a decrease in net position of \$ 82,769. This is due, like in the General Fund, to a portion of the revenues being proceeds for construction projects, either from loans or grants, while the construction expenditures are not reflected in Total Expenses, but are rather included in Capital Assets in the Summary Statement of Net Position and a conservative approach to the remaining expenditures in the Water/Sewer Fund. In addition, cash and cash equivalents increased by \$ 89,343 to \$226,711.

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	\$ 11,483,881	\$ 11,988,522	\$ 504,641
Total Expenses	11,966,203	<u>11,658,308</u>	\$ 307,895
Excess of Revenues Over Expenses		<u>\$ 330,214</u>	

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

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

& Consultants

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

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

Founded 1948

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, in fiscal year 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*⁷³. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and required pension schedules on pages 6-8, and 87-95, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statistical section and compliance section information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 on our consideration of the City of Norton's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


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

Norton, Virginia
November 30, 2016

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

& Consultants

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

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

Founded 1948

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Norton, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2016, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the City's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

The Honorable Members of the City Council
City of Norton
Norton, Virginia 24273
Page 2

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

We noted certain matters that we reported to management of the City of Norton, Virginia in a separate letter dated November 30, 2016.

Purpose of this Report

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



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

Norton, Virginia
November 30, 2016

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Norton, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

The Honorable Members of the City Council
City of Norton
Norton, Virginia 24273
Page 2
(Independent Auditor's report on Compliance for
Each Major Program and on Internal Control Over Compliance
Required by the Uniform Guidance)

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

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

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



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

Norton, Virginia
November 30, 2016

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 1968

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

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

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

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

We have audited the general purpose financial statements of the City of Norton, Virginia (the "City") as of and for the year ended June 30, 2016, and have issued our report thereon dated November 30, 2016.

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

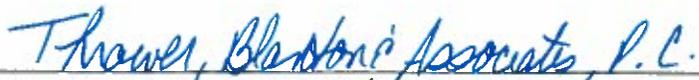
State Agency Requirements

- * 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.. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

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



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

November 30, 2016

CITY OF NORTON
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,673,593	\$ 104,833	\$ 1,778,426	\$ 2,191,285
Restricted cash	437,304	121,878	559,182	-
Investments	20,602	-	20,602	-
Receivable, net	1,459,822	353,373	1,813,195	79,366
Prepaid Expense	3,971	-	3,971	21,349
Due from other governmental units	342,576	-	342,576	10,952
Internal balances	570,921	(570,921)	-	-
Due from other funds	3,381	-	3,381	423,295
Due from primary government	-	-	-	138,959
Net pension asset	-	-	-	142,079
Capital assets, non-depreciable	5,929,509	588,600	6,518,109	852,607
Capital assets, depreciable, net	<u>3,752,824</u>	<u>18,244,220</u>	<u>21,997,044</u>	<u>15,301,990</u>
Total Assets	<u>\$ 14,194,503</u>	<u>\$ 18,841,983</u>	<u>\$ 33,036,486</u>	<u>\$ 19,161,882</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	299,064	43,370	342,434	547,095
Deferred loss on debt refunding, net	<u>101,527</u>	<u>-</u>	<u>101,527</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>\$ 400,591</u>	<u>\$ 43,370</u>	<u>\$ 443,961</u>	<u>\$ 547,095</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 14,595,094</u>	<u>\$ 18,885,353</u>	<u>\$ 33,480,447</u>	<u>\$ 19,708,977</u>
LIABILITIES				
Accounts payable and accrued liabilities	277,169	108,142	385,311	153,880
Accrued payroll and related liabilities	188,333	26,155	214,488	522,979
Accrued interest payable	16,226	26,038	42,264	153,865
Customer security deposits	-	121,878	121,878	-
Due to other governmental units	229,690	-	229,690	-
Due to other funds	423,295	-	423,295	14,333
Due to component units	-	-	-	-
Compensated absences				
Due within one year	61,020	6,114	67,133	18,980
Due in more than one year	142,379	18,341	160,720	56,938
Long-term liabilities				
Net pension liability	819,825	144,706	964,531	5,997,000
Due within one year	107,918	246,671	354,589	600,133
Due in more than one year	<u>1,782,060</u>	<u>8,007,801</u>	<u>9,789,861</u>	<u>10,309,727</u>
Total Liabilities	<u>\$ 4,047,915</u>	<u>\$ 8,705,845</u>	<u>\$ 12,753,760</u>	<u>\$ 17,827,835</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	\$ 1,084,228	\$ -	\$ 1,084,228	\$ -
Pension related deferred inflows	<u>362,450</u>	<u>63,901</u>	<u>426,351</u>	<u>868,217</u>
Total Deferred Inflows of Resources	<u>\$ 1,446,678</u>	<u>\$ 63,901</u>	<u>\$ 1,510,579</u>	<u>\$ 868,217</u>
NET POSITION				
Net investment in capital assets	8,336,774	10,688,937	19,025,711	5,753,637
Restricted	-	-	-	142,079
Unrestricted	<u>763,727</u>	<u>(573,330)</u>	<u>190,397</u>	<u>(4,882,791)</u>
Total Net Position	<u>\$ 9,100,501</u>	<u>\$ 10,115,607</u>	<u>\$ 19,216,108</u>	<u>\$ 1,012,925</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

EXHIBIT 2

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	Primary Government		School Board	NIDA
					Governmental Activities	Business-Type Activities		
Governmental Activities								
General government	\$ 1,525,411	\$ -	\$ 188,515	\$ -	\$ (1,336,896)	\$ -	\$ (1,336,896)	
Public safety	2,564,543	101,979	481,672	50,000	(1,930,892)	-	(1,930,892)	
Public works	2,086,952	416,703	870,329	403,008	(396,912)	-	(396,912)	
Health and welfare	1,388,345	-	1,014,420	-	(373,925)	-	(373,925)	
Education	2,326,948	-	-	-	(2,326,948)	-	(2,326,948)	
Parks, recreation and cultural	474,541	8,773	19,453	-	(446,315)	-	(446,315)	
Community development	329,286	-	-	-	(329,286)	-	(329,286)	
Interest on long-term debt	48,915	-	-	-	(48,915)	-	(48,915)	
Contingencies	-	-	-	-	-	-	-	
Total Governmental Activities	10,744,941	527,455	2,574,389	453,008	(7,190,089)	-	(7,190,089)	
Business-type activities								
Water and Wastewater	2,795,034	2,402,922	-	309,343	-	(82,769)	(82,769)	
Total Business-Type Activities	2,795,034	2,402,922	-	309,343	-	(82,769)	(82,769)	
TOTAL PRIMARY GOVERNMENT	13,539,975	2,930,377	2,574,389	762,351	(7,190,089)	(82,769)	(7,272,858)	
COMPONENT UNITS								
School Board	8,280,916	62,673	5,935,630	-	-	-	\$ (2,282,613)	\$ -
NIDA	485,254	325,935	-	-	-	-	-	(159,319)
Total Component Units	8,766,170	388,608	5,935,630	-	-	-	(2,282,613)	(159,319)
General revenues								
Property taxes				3,034,838	-	3,034,838	-	-
Local sales & use tax				1,609,549	-	1,609,549	-	-
Utility taxes				129,032	-	129,032	-	-
Business license taxes				842,303	-	842,303	-	-
Communication taxes				204,591	-	204,591	-	-
Motor vehicle tax				81,661	-	81,661	-	-
Bank stock taxes				47,105	-	47,105	-	-
Recordation taxes				34,009	-	34,009	-	-
Tobacco taxes				40	-	40	-	-
Hotel and motel room taxes				159,594	-	159,594	-	-
Restaurant food taxes				1,395,556	-	1,395,556	-	-
Coal road improvement taxes				32,928	-	32,928	-	-
Cigarette tax				173,067	-	173,067	-	-
Other local taxes				89,177	-	89,177	-	-
Unrestricted miscellaneous revenue				68,352	-	68,352	359,403	-
Unrestricted investment earnings				29,758	-	29,758	613	8,399
Gain (loss) on sale of capital assets				-	-	-	-	-
Recovered cost				112,271	-	112,271	-	67,879
Transfers-Primary Government				-	-	-	-	-
Transfers-Component Units				-	-	-	2,319,488	307,756
Total general revenues and transfers				8,043,831	-	8,043,831	2,679,504	384,034
Change in net position				853,742	(82,769)	770,973	396,891	224,715
NET POSITION - JULY 1				8,246,759	10,198,376	18,445,135	(6,363,259)	6,754,578
NET POSITION - JUNE 30				\$ 9,100,501	\$ 10,115,607	\$ 19,216,108	\$ (5,966,368)	\$ 6,979,293

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

**CITY OF NORTON
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,673,593	\$ -	\$ 1,673,593
Restricted Cash	15,208	422,096	437,304
Investments	20,602	-	20,602
Taxes receivable	1,251,825	-	1,251,825
Accounts receivable	207,997	-	207,997
Prepaid expenses	3,971	-	3,971
Due from other funds	688,707	-	688,707
Due from primary government	-	-	-
Due from other governmental units	237,556	105,020	342,576
Total Assets	<u>\$ 4,099,459</u>	<u>\$ 527,116</u>	<u>\$ 4,626,575</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 260,550	\$ 16,619	\$ 277,169
Accrued payroll and related liabilities	159,075	29,258	188,333
Due to other funds	428,446	109,254	537,700
Due to component units	-	-	-
Due to other governmental units	229,690	-	229,690
Total Liabilities	<u>1,077,761</u>	<u>155,131</u>	<u>1,232,892</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable/unearned revenue	<u>1,191,083</u>	<u>-</u>	<u>1,191,083</u>
Total Deferred Inflows of Resources	<u>1,191,083</u>	<u>-</u>	<u>1,191,083</u>
FUND BALANCES			
Nonspendable	574,892	-	574,892
Restricted	-	-	-
Committed	-	357,780	357,780
Assigned	97,171	14,205	111,376
Unassigned	<u>1,158,552</u>	<u>-</u>	<u>1,158,552</u>
Total Fund Balances	<u>1,830,615</u>	<u>371,985</u>	<u>2,202,600</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,099,459</u>	<u>\$ 527,116</u>	<u>\$ 4,626,575</u>
Total Fund Balances			\$ 2,202,600

CITY OF NORTON
 RECONCILIATION TO THE BALANCE SHEET OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 Year Ended June 30, 2016

EXHIBIT 4

Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds	\$ 2,202,600
Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	9,682,333
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	106,855
Deferred refunding charges are not financial resources and, therefore, not reported in the funds	101,527
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable, net of premiums and discounts	(1,316,121)
Accrued interest payable	(16,226)
Capital leases payable	(29,438)
Other post-employment benefits	(544,419)
Compensated Absences	(203,399)
Financial statement elements related to pensions are applicable to future periods, and therefore, are not reported in the funds.	
Deferred outflows of resources for 2016 employer contributions	299,064
Deferred inflows of resources for the net difference between projected and actual earnings on pension plan investments	(362,450)
Net pension liability	(819,825)
 Net Position of Governmental Activities	 \$ 9,100,501

CITY OF NORTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Special Revenue	Total Governmental Funds
REVENUES:			
General property taxes	\$ 3,020,812	\$ -	\$ 3,020,812
Other local taxes	4,709,435	-	4,709,435
Permits, privilege fees and regulatory licenses	2,547	-	2,547
Fines and forfeitures	17,698	-	17,698
Revenue from use of money & property	28,675	1,083	29,758
Charges for services	457,966	31,662	489,628
Miscellaneous	89,595	-	89,595
Recovered costs	112,271	-	112,271
Intergovernmental	2,085,154	1,014,420	3,099,574
Total Revenues	<u>10,524,153</u>	<u>1,047,165</u>	<u>11,571,318</u>
EXPENDITURES:			
Current:			
General government administration	1,182,299	-	1,182,299
Judicial administration	377,549	-	377,549
Public safety	2,624,515	19,592	2,644,107
Public works	1,843,175	-	1,843,175
Health and welfare	125,115	1,298,210	1,423,325
Education and transfer to school	2,326,948	-	2,326,948
Parks, recreation and cultural	472,460	-	472,460
Community development	867,911	-	867,911
Debt service:			
Principal retirement	124,861	-	124,861
Interest	41,808	-	41,808
Total Expenditures	<u>9,986,641</u>	<u>1,317,802</u>	<u>11,304,443</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>537,512</u>	<u>(270,637)</u>	<u>266,875</u>
OTHER FINANCING SOURCES (USES):			
Sale of surplus	4,578	-	4,578
Loan proceeds	50,000	-	50,000
Insurance recoveries	8,761	-	8,761
Operating transfers in	-	353,865	353,865
Operating transfers out	(353,865)	-	(353,865)
Total Other Financing Sources (Uses)	<u>(290,526)</u>	<u>353,865</u>	<u>63,339</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	246,986	83,228	330,214
FUND BALANCE AT BEGINNING OF YEAR	<u>1,583,629</u>	<u>288,757</u>	<u>1,872,386</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,830,615</u>	<u>\$ 371,985</u>	<u>\$ 2,202,600</u>

CITY OF NORTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

Net Change in Fund Balance Governmental Fund:	\$ 330,214
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.	
Capital Outlay	693,712
Depreciation expense	<u>(447,269)</u>
	<u>246,443</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	14,026
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments:	
General obligation debt	96,879
Capital lease	28,702
Proceeds from debt	(50,000)
Proceeds from capital lease	
Amortization of deferred amount on refunding	<u>(9,230)</u>
	<u>66,351</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	1,403
Compensated absences	(13,183)
Other post-employment benefits	<u>(33,516)</u>
	<u>(45,296)</u>
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	
Employer pension contributions	299,064
Pension expense	<u>(57,060)</u>
	<u>242,004</u>
Change in Net Position of Governmental Activities	\$ <u>853,742</u>

CITY OF NORTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities
	Proprietary Funds
	Water & Sewer Operation
ASSETS	
Cash and cash equivalents	\$ 104,833
Restricted cash	121,878
Receivable, net	353,373
Due from other funds	10,995
Due from other government units	-
Land	588,600
Capital assets, net	<u>18,244,220</u>
 Total Assets	 <u>\$ 19,423,899</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	<u>\$ 43,370</u>
 LIABILITIES	
Accounts payable	108,142
Accrued payroll and related liabilities	26,155
Accrued interest payable	26,038
Customer security deposits	121,878
Due to other governmental units	-
Due to other funds	581,916
Compensated absences	24,454
Long-term liabilities	
Net pension liability	144,706
Due within one year	246,671
Due in more than one year	<u>8,007,801</u>
 Total Liabilities	 <u>\$ 9,287,761</u>
 DEFERRED INFLOWS OF RESOURCES	
Net difference between projected and actual investment earnings on pension plan investments	<u>63,901</u>
 Total Deferred Inflows of Resources	 <u>\$ 63,901</u>
 NET POSITION	
Net investment in capital assets	10,688,937
Restricted	-
Unrestricted (deficit)	<u>(573,330)</u>
 Total Net Position	 <u>\$ 10,115,607</u>

CITY OF NORTON
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	PROPRIETARY FUNDS
	Water & Sewer Operation
OPERATING REVENUES:	
Charges For Services:	
Water:	
Local	\$ 785,933
Non-local	164,983
Total Water	950,916
Sewer:	
Local	1,031,836
Non-local	296,511
Total Sewer	1,328,347
Total Charges for Services	2,279,263
Miscellaneous:	
Installations and tap fees	30,433
Penalties	60,193
Other	33,033
Total Miscellaneous	123,659
Total Operating Revenues	2,402,922
OPERATING EXPENSES:	
Personnel services	534,879
Fringe benefits	153,659
Contractual services	906,196
Other charges	319,176
Rent	6,000
Depreciation	633,022
Purchase of water	40,438
Total Operating Expenses	2,593,370
Operating Income (Loss)	(190,448)
NON-OPERATING REVENUES (EXPENSES):	
Grant income	309,343
Interconnect expense	(20,971)
Interest expense	(180,693)
Total Non-Operating Revenues (Expenses)	107,679
CHANGE IN NET POSTION	(82,769)
NET POSITION - JULY 1, 2015	10,198,376
NET POSITION - JUNE 30, 2016	\$ 10,115,607

CITY OF NORTON
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
Year Ended June 30, 2016

	PROPRIETARY FUNDS	COMPONENT UNIT
	Water & Sewer Operation	Norton Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,388,923	\$ 377,781
Cash payments to suppliers for goods and services	(1,329,138)	(248,451)
Cash payments to employees for services	(723,722)	-
Net Cash provided by (used in) Operating activities	<u>336,063</u>	<u>129,330</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in customer deposits	7,224	-
Contribution - City of Norton	-	307,756
Increase (decrease) in due to other funds	221,102	-
Net Cash Provided by Non-Capital Financing Activities	<u>228,326</u>	<u>307,756</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction in progress	(540,644)	-
Acquisition of capital assets	(130,075)	(466,921)
Proceeds from issuance of debt	243,305	-
Contributed Capital-Grant Revenue	400,125	-
Interconnect expense	(20,971)	-
Principal paid	(229,906)	(355,039)
Interest paid	(196,880)	(8,088)
Net Cash provided by (used in) capital and related financing activities	<u>(475,046)</u>	<u>(830,048)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	-	9,807
Net cash provided by (used in) investing activities	<u>-</u>	<u>9,807</u>
Net Increase (Decrease) in Cash and Cash Equivalents	89,343	(383,155)
Cash and Cash Equivalents at Beginning of Year	<u>137,368</u>	<u>2,209,218</u>
Cash and Cash Equivalents at End of Year	<u>\$ 226,711</u>	<u>\$ 1,826,063</u>
Displayed as:		
Cash and Cash Equivalents-Unrestricted	\$ 104,833	1,826,063
Restricted Cash	<u>121,878</u>	<u>-</u>
	<u>\$ 226,711</u>	<u>\$ 1,826,063</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (190,448)	\$ (84,593)
Adjustments		
Depreciation and amortization	633,022	194,429
OPEB	6,384	-
Bad debts	17,860	-
Pension expenses net of employer contributions	(32,719)	-
Changes in assets and liabilities		
(Increase) decrease in prepaid expense	-	(714)
(Increase) decrease in accounts receivable	(13,999)	(16,033)
Increase (decrease) in accounts payable	(75,188)	36,241
Increase (decrease) in accrued liabilities	(5,645)	-
Increase (decrease) in compensating absences	(3,204)	-
Increase (decrease) in deferred rent	-	-
Total adjustments	<u>526,511</u>	<u>213,923</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 336,063</u>	<u>\$ 129,330</u>

**CITY OF NORTON
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	CDBG Revolving Loan Fund	Virginia Public Assistance Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	TOTALS June 30, 2016
<u>ASSETS</u>					
Cash	\$ 309,289	\$ 64,316	\$ 46,422	\$ 2,069	\$ 422,096
Receivables (Net of Any Allowance For Uncollectibles):					
Accounts	-	-	-	-	-
Note receivable	-	-	-	-	-
Due from other governmental units:					
Commonwealth of Virginia	-	105,020	-	-	105,020
TOTAL ASSETS	<u>\$ 309,289</u>	<u>\$ 169,336</u>	<u>\$ 46,422</u>	<u>\$ 2,069</u>	<u>\$ 527,116</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ 16,619	\$ -	\$ -	\$ 16,619
Accrued liabilities	-	29,258	-	-	29,258
Due to other funds	-	109,254	-	-	109,254
Total Liabilities	<u>-</u>	<u>155,131</u>	<u>-</u>	<u>-</u>	<u>155,131</u>
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed					
Economic development	309,289	-	-	-	309,289
Law enforcement	-	-	46,422	-	46,422
Parks and recreation	-	-	-	2,069	2,069
Assigned	-	14,205	-	-	14,205
Unassigned	-	-	-	-	-
Total Fund Balances	<u>309,289</u>	<u>14,205</u>	<u>46,422</u>	<u>2,069</u>	<u>371,985</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 309,289</u>	<u>\$ 169,336</u>	<u>\$ 46,422</u>	<u>\$ 2,069</u>	<u>\$ 527,116</u>

**CITY OF NORTON
AGENCY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
Year Ended June 30, 2016**

	<u>Special Welfare Fund</u>
<u>ASSETS</u>	
Cash	<u>\$ 12,065</u>
<u>NET POSITION</u>	
Amounts held for social service clients	<u>\$ 12,065</u>

CITY OF NORTON
AGENCY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2016

	<u>Special Welfare Fund</u>
Additions	
Client receipts	\$ 6,082
Total additions	<u>6,082</u>
Deductions	
Payments for clients	<u>8,867</u>
Total deductions	<u>8,867</u>
Change in net position	(2,785)
Net position - beginning of year	<u>14,850</u>
Net position - end of year	<u>\$ 12,065</u>

CITY OF NORTON
STATEMENT OF NET POSITION - COMPONENT UNITS
JUNE 30, 2016

	Norton City Schools	Norton Industrial Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 365,222	\$ 1,826,063	\$ 2,191,285
Restricted cash	-	-	-
Receivable, net	54,412	24,954	79,366
Prepaid expense	-	21,349	21,349
Due from primary government	138,959	-	138,959
Due from other governmental units	10,952	-	10,952
Due from other funds	423,295	-	423,295
Net pension asset	142,079	-	142,079
Capital assets, non-depreciable	65,901	786,706	852,607
Capital assets, depreciable, net	<u>10,883,719</u>	<u>4,418,271</u>	<u>15,301,990</u>
 Total Assets	 <u>\$ 12,084,539</u>	 <u>\$ 7,077,343</u>	 <u>\$ 19,161,882</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	<u>\$ 547,095</u>	<u>\$ -</u>	<u>\$ 547,095</u>
LIABILITIES			
Accounts payable and accrued liabilities	55,830	98,050	153,880
Accrued payroll and related liabilities	522,979	-	522,979
Accrued interest payable	153,865	-	153,865
Due to other funds	14,333	-	14,333
Compensated absences:			
Due within one year	18,980	-	18,980
Due in more than one year	56,938	-	56,938
Long-term liabilities:			
Net pension liability	5,997,000	-	5,997,000
Due within one year	600,133	-	600,133
Due in more than one year	<u>10,309,727</u>	<u>-</u>	<u>10,309,727</u>
 Total Liabilities	 <u>\$ 17,729,785</u>	 <u>\$ 98,050</u>	 <u>\$ 17,827,835</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	<u>\$ 868,217</u>	<u>\$ -</u>	<u>\$ 868,217</u>
NET POSITION			
Invested in capital assets, net of related debt	548,660	5,204,977	5,753,637
Restricted	142,079	-	142,079
Unrestricted (deficit)	<u>(6,657,107)</u>	<u>1,774,316</u>	<u>(4,882,791)</u>
 Total Net Position	 <u>\$ (5,966,368)</u>	 <u>\$ 6,979,293</u>	 <u>\$ 1,012,925</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES - COMPONENT UNITS
 Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Norton City Schools	Industrial Development Authority	GRAND TOTAL
Governmental Activities							
Norton City Schools Education	\$ 8,280,916	\$ 62,673	\$ 5,935,630	\$ -	\$ (2,282,613)	\$ -	\$ (2,282,613)
Business-type activities							
Norton Industrial Development Authority Economic Development	483,254	325,935	-	-	-	(159,319)	(159,319)
Total component units	8,766,170	388,608	5,935,630	-	(2,282,613)	(159,319)	(2,441,932)
General revenues							
City of Norton			2,319,488			307,756	2,627,244
Unrestricted investment earnings			613			8,399	9,012
Miscellaneous revenues			359,403			-	359,403
Gain (loss) on sale of capital assets			-			-	-
Recovered cost			-			67,879	67,879
Transfers			-			-	-
Total general revenues and transfers			2,679,504			384,034	3,063,538
Change in net position			396,891			224,715	621,606
NET POSITION - JULY 1, 2015			(6,363,259)			6,754,578	391,319
NET POSITION - JUNE 30, 2016			\$ (5,966,368)			\$ 6,979,293	\$ 1,012,925

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

June 30, 2016

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. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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.

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories – 1) net investment in capital asset; 2) restricted; and 3) unrestricted.

Statement of Activities – The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

June 30, 2016

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 Lighting 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, 2016

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, 2016.

F. Encumbrances and Commitments

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

June 30, 2016

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

G. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act").

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measure at amortized cost. All other investments are reported at fair value.

H. Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statement. Capital assets are defined by the government as assets with an initial cost of \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available if purchased or constructed. 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. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

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 \$308,621 at June 30, 2016, and is composed of the following:

General Fund:		
Allowance for uncollectible property taxes	\$ 91,172	
Allowance for uncollectible garbage fees	<u>23,587</u>	
Total General Fund		114,759
Water and Sewer Fund:		
Allowance for uncollectible water and sewer fee billings	<u>193,862</u>	
Total Water and Sewer Fund		<u>193,862</u>
Total Allowance for Uncollectible Accounts		<u>\$ 308,621</u>

June 30, 2016

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

J. Interfund Receivables and Payables

Activity between the funds is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are referred to as "due to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused compensated absences. For government-wide reporting, a liability is recorded for compensated absences when services are rendered and employees have earned the right to receive compensation for such services.

L. Pensions

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

M. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Fund Equity

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The City of Norton, Virginia, evaluated its funds at June 30, 2016 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.

June 30, 2016

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

N. Fund Equity (Continued)

- **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.

Resource Flow Policy

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.

O. Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets- consist of historical cost of capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.
- Restricted-consist of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on share revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted-all other net position is reported in this category

P. Deferred Outflows/Inflows of Resources

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

Employer pension contributions made after the net pension liability measurement date of June 30, 2015 and prior to the reporting date of June 30, 2016, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2016. This will be applied to the net pension liability in the next fiscal year.

Differences between the projected and actual pension earnings as of the actuarial measurement date of June 30, 2015 have been reported as a deferred inflow of resources. This difference will be recognized in pension expense over a closed five-year period.

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Deferred Outflows/Inflows of Resources (Continued)

The City additionally reports unavailable/unearned revenue from property taxes and other receivables not collected within 45 day of year-end and property taxes levied to fund future years. Unavailable/unearned revenue may also represent revenue that has been received, but the earnings process is not year complete. These amounts are deferred and recognized as an inflow of resources in the period they become available.

The General Fund reports the deferred loss on debt refunding, net as a deferred outflow of resources presented on the Governmental Activities Statement of Net Position. The deferred loss on refunding results from the net difference in the carrying value of refunded debt and the reacquisition price of the refunding debt. This net difference amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The City has reported a deferred loss on the refunding of debt of \$101,527 as a deferred outflow of resources on the Governmental Activities and Statement of Net Position as of June 30, 2016.

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 laws, including regulations, the City permits investments in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, and certain notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), the Virginia Investment Pool (VML/VACO Pool) and State Non-Arbitrage Program (SNAP).

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.

Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City has measured fair value of the investments below at the net asset value (NAV).

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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

	Primary Government	Component Units	
		School	NIDA
Deposits and investments:			
Cash on hand	\$ 950	\$ -	\$ -
Deposits	2,336,658	365,222	198,800
Investments	20,602	-	1,627,263
	<u>\$ 2,358,210</u>	<u>\$ 365,222</u>	<u>\$ 1,826,063</u>
Statement of net position:			
Cash and cash equivalents	\$ 1,778,426	\$ 365,222	\$ 1,826,063
Investments	20,602	-	-
Restricted cash and cash equivalents	559,182	-	-
	<u>\$ 2,358,210</u>	<u>\$ 365,222</u>	<u>\$ 1,826,063</u>

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

3. **INTERFUND OBLIGATIONS**

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	\$ 3,381	\$ 423,295	\$ -	\$ -
Virginia Public Assistance Fund	103,410	-	-	-
Water and Sewer Fund	581,916	5,151	-	-
Total General Fund	<u>688,707</u>	<u>428,446</u>	<u>-</u>	<u>-</u>
School Operating Fund:				
General Fund	-	-	423,295	3,381
Cafeteria Fund	-	-	10,920	32
Health Retirement Fund	-	-	-	-
Textbook Fund	-	-	-	-
Total School Operating Fund	<u>-</u>	<u>-</u>	<u>434,215</u>	<u>3,413</u>
School Cafeteria Fund:				
School Operating Fund	-	-	32	10,920
Total School Cafeteria Fund	<u>-</u>	<u>-</u>	<u>32</u>	<u>10,290</u>
School Textbook Fund:				
School Textbook Fund	-	-	-	-
Total Textbook Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School Health Retirement Fund:				
School Health Retirement Fund	-	-	-	-
Total Health Retirement Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Virginia Public Assistance Fund:				
General Fund	-	103,410	-	-
Water and Sewer Fund	-	5,844	-	-
Total Virginia Public Assistance	<u>-</u>	<u>109,254</u>	<u>-</u>	<u>-</u>
Water and Sewer Fund:				
Virginia Public Assistance Fund	5,844	-	-	-
General Fund	5,151	581,916	-	-
Total Water and Sewer Fund	<u>10,995</u>	<u>581,916</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 699,702</u>	<u>\$1,119,616</u>	<u>\$ 434,247</u>	<u>\$ 14,333</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

3. **INTERFUND OBLIGATIONS (Continued)**

Amounts due to Water and Sewer Fund represent short-term interfund advances for operating and capital needs. This allows the City to utilize one primary bank account for payment of all invoices and costs before the respective revenues are received in the given fund or program.

4. **PROPERTY TAXES RECEIVABLE**

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

5. **DUE FROM OTHER GOVERNMENTAL UNITS**

	Primary Government	Component Unit <u>School Board</u>	<u>Total</u>
Commonwealth of Virginia			
Local sales tax	\$ 127,250	\$ -	\$ 127,250
Shared expenses	24,463	-	24,463
Communication tax	16,873	-	16,873
E-911 tax	3,520	-	3,520
Other	24,385	-	24,385
School funds	-	138,959	138,959
Welfare funds	105,020	-	105,020
	<u>301,511</u>	<u>138,959</u>	<u>440,470</u>
Wise County			
Coal haul road tax	6,248	-	6,248
Court fines	7,158	-	7,158
	<u>13,406</u>	<u>-</u>	<u>13,406</u>
Norton Industrial Development Authority			
	<u>27,659</u>	<u>-</u>	<u>27,659</u>
Total due from other governmental units	<u>\$ 342,576</u>	<u>\$ 138,959</u>	<u>\$ 481,535</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

6. FUND BALANCE - GOVERNMENTAL FUNDS

As of June 30, 2016, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:	\$ 574,892	\$ —	\$ 574,892
Restricted:	—	—	—
Committed:			
Law Enforcement	—	46,422	46,422
Parks and Recreation	—	2,069	2,069
Planning & Development	—	309,289	309,289
Assigned:			
Public Works-Streets	91,171	—	91,171
Parks and Recreation	6,000	—	6,000
Health and Welfare	—	14,205	14,205
Unassigned	1,158,552	—	1,158,552
Total fund balances	\$1,830,615	\$ 371,985	\$ 2,202,600

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

7. CHANGES IN CAPITAL ASSETS

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

PRIMARY GOVERNMENT	7/1/2015	Additions	Deletions	6/30/2016
Buildings	1,964,951	-	-	1,964,951
Improvements other than buildings	1,842,950	-	-	1,842,950
Infrastructure	10,021,741	-	-	10,021,741
Equipment	3,954,175	168,164	-	4,122,339
Equipment special revenue	117,258	-	-	117,258
Total Capital Assets, Depreciable	17,901,075	168,164	-	18,069,239
Less Accumulated Depreciation For:				
Buildings	1,421,964	27,393	-	1,449,357
Improvements other than buildings	1,232,789	40,614	-	1,273,403
Infrastructure	8,065,697	164,705	-	8,230,402
Equipment	3,046,619	209,265	-	3,255,884
Equipment special revenue	102,077	5,292	-	107,369
Total accumulated depreciation	13,869,146	447,269	-	14,316,415
Total Capital Assets, depreciable net	\$ 4,031,929	\$ (279,105)	\$ -	\$ 3,752,824

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

7. CHANGES IN CAPITAL ASSETS (Continued)

PRIMARY GOVERNMENT	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
Component Unit-School Board				
Building	\$ 11,370,171	\$ -	\$ -	\$ 11,370,171
Improvements other than building	3,878,788	-	-	3,878,788
Equipment	858,556	111,677	-	970,233
Total Capital Assets, depreciable	16,107,515	111,677	-	16,219,192
Less Accumulated Depreciation For:				
Building	3,566,902	212,775	-	3,779,677
Improvements other than building	694,500	191,135	-	885,635
Equipment	598,297	71,864	-	670,161
Total Accumulated Depreciation	4,859,699	475,774	-	5,335,473
Total Capital Assets, Depreciable, Net	\$ 11,247,816	\$ (364,097)	\$ -	\$ 10,883,719
Component Unit - NIDA				
Building	\$ 6,841,730	\$ 466,921	\$ -	\$ 7,308,651
Equipment	406,353	-	-	406,353
Less Accumulated Depreciation	(3,102,739)	(193,994)	-	(3,296,733)
Total Capital Assets, Depreciable, Net	\$ 4,145,344	\$ 272,927	\$ -	\$ 4,418,271
Business Type Activities				
Building	\$ 256,454	\$ -	\$ -	\$ 256,454
Improvements other than building	21,567,388	2,696,475	-	24,263,863
Equipment	1,310,316	130,075	-	1,440,391
Total Capital Assets, depreciable	23,134,158	2,826,550	-	25,960,708
Less Accumulated Depreciation For:				
Building	250,026	320	-	250,346
Improvements other than building	5,928,747	555,460	-	6,484,207
Equipment	904,694	77,241	-	981,935
Total Accumulated Depreciation	7,083,467	633,021	-	7,716,488
Total Capital Assets, Depreciable, Net	\$ 16,050,691	\$ 2,193,529	\$ -	\$ 18,244,220

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Land	\$ 897,280	\$ -	\$ -	\$ 897,280
Construction in Progress	4,506,681	525,548	-	5,032,229
Total Capital Assets, non-depreciable	\$ 5,403,961	\$ 525,548	\$ -	\$ 5,929,509
<u>Component Unit – School Board</u>	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Land	\$ 65,901	\$ -	\$ -	\$ 65,901
Construction in Progress	-	-	-	-
Total Capital Assets, non-depreciable	\$ 65,901	\$ -	\$ -	\$ 65,901
<u>Component Unit - NIDA</u>	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Land	\$ 786,706	\$ -	\$ -	\$ 786,706
Total Capital Assets, non-depreciable	\$ 783,506	\$ 3,200	\$ -	\$ 786,706
<u>Business Type Activities</u>	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Land	\$ 588,600	\$ -	\$ -	\$ 588,600
Construction in Progress	2,305,869	413,214	(2,719,083)	-
Total Capital Assets, non-depreciable	\$ 2,894,469	\$ 413,214	\$ (2,719,083)	\$ 588,600

8. LONG-TERM DEBT

Year Ending June 30,	Governmental Activities General Obligation Bonds	
	Principal	Interest
2017	\$ 107,918	\$ 36,626
2018	114,820	31,446
2019	118,631	28,232
2020	122,153	24,915
2021	115,899	21,595
2022-2026	604,900	60,245
2027-2031	131,800	1,792
Totals	\$ 1,316,121	\$ 204,851

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

8. LONG-TERM DEBT (Continued)

Year Ending June 30.	BUSINESS TYPE ACTIVITIES GENERAL OBLIGATION BONDS							
	Sewer Facilities Bond		Water Facilities Bond		Sewer Facilities Bond		Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,679	\$ 7,041	\$ 37,041	\$ 51,735	\$ 23,216	\$ 27,688	\$ 10,967	\$ 7,030
2018	2,792	6,928	37,978	50,798	23,743	27,161	11,244	6,869
2019	2,909	6,811	38,938	49,838	24,283	26,621	11,529	6,703
2020	3,032	6,688	39,923	48,853	24,835	26,069	11,820	6,534
2021	3,159	6,561	40,932	47,843	25,400	25,504	12,119	6,360
2022-2026	17,902	30,698	220,721	223,153	135,928	118,593	65,350	29,032
2027-2031	21,995	26,604	250,077	193,800	152,096	102,424	74,041	23,977
2032-2036	27,025	21,575	283,339	160,540	170,189	84,331	83,888	18,251
2037-2041	33,202	15,398	321,023	122,856	190,433	64,086	95,047	11,762
2042-2046	40,793	7,807	363,720	80,159	213,086	41,434	107,690	4,410
2047-2051	16,416	629	410,964	31,785	238,433	16,087	-	-
2052-2055	-	-	-	-	19,488	102	-	-
Total	\$ 171,904	\$ 136,740	\$ 2,044,656	\$ 1,061,360	\$ 1,241,130	\$ 560,100	\$ 483,695	\$ 120,928

Year Ending June 30.	GENERAL OBLIGATION BONDS							
	Sewer Bond		Refunding Bond		Water Facilities Bond		Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 75,719	\$ -	\$ 65,000	\$ 67,393	\$ 18,452	\$ 22,579	\$ 13,597	\$ 17,011
2018	75,719	-	70,000	65,034	19,013	22,049	14,008	16,600
2019	75,719	-	70,000	61,771	19,591	21,503	14,431	16,176
2020	75,719	-	75,000	58,380	20,187	20,941	14,867	15,740
2021	75,719	-	75,000	54,762	20,801	20,362	15,317	15,291
2022-2026	378,595	-	435,000	221,979	113,891	92,480	83,815	69,224
2027-2031	302,869	-	305,000	128,153	132,297	75,107	97,271	55,767
2032-2036	-	-	185,000	82,651	153,679	54,931	112,885	40,150
2037-2041	-	-	225,000	38,004	178,515	31,489	131,010	22,029
2042-2046	-	-	45,000	1,078	120,679	6,092	73,139	3,327
2047-2051	-	-	-	-	-	-	-	-
2052-2055	-	-	-	-	-	-	-	-
Total	\$ 1,060,059	\$ -	\$ 1,550,000	\$ 779,205	\$ 797,105	\$ 367,533	\$ 570,340	\$ 271,315

	Balance 7/1/2015	Additions/ Proceeds	Payments/ Reductions	Balance 6/30/2016
Business-Type Activities				
General obligation bonds	\$ 7,905,491	\$ 243,305	\$ (229,907)	\$ 7,918,889
Premium on bonds	233,648	-	(8,654)	224,994
Net Pension Liability	117,150	27,556	-	144,706
OPEB	104,205	6,384	-	110,589
Accrued Vacation	30,099	-	(5,644)	24,455
Total	\$ 8,390,593	\$ 277,245	\$ (244,205)	\$ 8,423,633
Governmental Activities				
General obligation bonds	\$ 1,363,000	\$ 50,000	\$ (96,879)	\$ 1,316,121
Capital lease	58,141	-	(28,703)	29,438
Net Pension Liability	663,850	155,975	-	819,825
OPEB	510,903	33,516	-	544,419
Accrued vacation	190,216	13,183	-	203,399
Total	\$ 2,786,110	\$ 252,674	\$ (125,582)	\$ 2,913,202

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

8. LONG-TERM DEBT (Continued)

Changes in Other Long-Term Debt:

Details of Long-Term Indebtedness:

General Fund

General Obligation Notes:

\$2,000,000 General Obligation Taxable Line of Credit Note, Series 2016 issued May 5, 2016 through Carter Bank & Trust. The line of credit is accessible through maturity date of April 30, 2019 and the interest rate will not exceed 2% on any funds advanced. As of June 30, 2016, the City had not drawn any proceeds on the line of credit.

Amount Outstanding	
Government Activities	Propriety Fund Types

\$ -

General Obligation Bonds:

\$1,730,000 Public Improvement Bond, Series 2007, is payable to VML/VACo, with weighted average interest of 4.2155% over the life of the bond. The total bond issue was for \$1,803,566 which included a premium of \$73,566 and bond issue cost of \$52,954. Repayment of the principal was scheduled to begin on August 1, 2007 and continue annually until paid in full. Interest is scheduled to be paid semi-annually on August 1 and February 1 beginning with the first principal payment. This loan was partially refunded in 2014. The remaining amount not refunded will be paid in full in February 2017.

80,000 -

\$1,208,000 General Obligation Bond, Series 2014, with interest of 2.72% over the life of the bond. The total bond issue was for \$1,174,988 which included bond issue costs of \$33,012. Repayment of the principal was scheduled to begin on January 15, 2015 and continue annually until paid in full. Interest is scheduled to be paid semi-annually on January 1 and July 1 beginning with the first principal payment. The final installment of unpaid principal and interest shall be due and payable in 12 years on July 15, 2026

1,190,100 -

\$50,000 Rural Development Loan, with interest of 3.16% over the life of the loan. Repayment of the loan began on February 14, 2016 and will continue annually until paid in full. The final payment is on January 1, 2021

46,021 -

Enterprise Fund

General Obligation Bonds:

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

- 1,060,059

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

- 171,904

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

8. **LONG-TERM DEBT (Continued)**
Enterprise Funds (continued):

	Amount Outstanding	
	<u>Government Activities</u>	<u>Propriety Fund Types</u>
General Obligation Bonds:		
\$2,160,000 General Obligation Water Facilities Bond series 2011 issued March 30, 2011 payable to United States of America, USDA Rural Development, with interest at the rate of 2.75%. Interest only is payable on March 28, 2012 and March 28, 2013. Monthly installments of combined principal and interest of \$7,344 are payable beginning April 28, 2013 and continuing on the 28th of each month thereafter until paid in full. The amount of principle advances on the bond total \$2,151,517 at June 30, 2013. The final installment of all unpaid principal and interest shall be due and payable in 38 years on March 28, 2051.	-	2,044,656
\$1,297,000 General Obligation Sewer Facilities Bond series 2011 issued 2011 payable to United States of America, USDA Rural Development, with interest at the rate of 2.25%. Interest only was payable on December 15, 2012 and December 15, 2013. Monthly installments of combined principal and interest of \$4,242 are payable beginning January 15, 2014 and continuing on the 15th of each month thereafter until paid in full. The final installment of all unpaid principal and interest shall be due and payable in 38 years on November 15, 2051.	-	1,241,130
\$596,402 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 3.0 percent. Repayment of the principle is scheduled in 40 equal semi-annual installments of \$15,304 payable on February 1 and August 1, beginning 2015. Final payment is due in 2044.	-	570,340
\$1,610,000 General Obligation Public Improvement and Utility Refunding Bond, is payable to the Virginia Resource Authority, with interest at various rates ranging from 2.048 percent to 4.858 percent. Repayment of the principle is scheduled in 27 annual principal payments and semi-annual interest payments payable on April 1 and October 1. Interest only payments beginning on October 1, 2013 with principle payments beginning October 1, 2015. Final payment is due in 2042.	-	1,550,000
\$826,400 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 3.0 percent. The amount of principle advances on the bond total \$797,105 at June 30, 2016. Repayment of the principle is scheduled in 30 equal semi-annual installments of \$21,206 payable on April 1 and October 1, beginning 2015. Final payment is due in 2044.	-	797,105
\$483,695 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 2.5 percent. The amount of principle advances on the bond total \$483,695 at June 30, 2016. Repayment of the principle is scheduled in 30 equal semi-annual installments of \$11,267 payable on February 1 and August 1, beginning 2016. Final payment is due in 2046.	-	483,695
	-	483,695
Total Long-Term Debt	<u>\$ 1,316,121</u>	<u>\$ 7,918,889</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

8. LONG-TERM DEBT (Continued)

Advance Refundings

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

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

At June 30, 2016, the following defeased bonds from advance refunding are still outstanding:

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

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

	<u>Compensated Absences</u>	
	<u>Governmental</u>	<u>Propriety</u>
	<u>Fund</u>	<u>Fund</u>
	<u>Types</u>	<u>Types</u>
Payable at June 30, 2015	\$ 190,216	\$ 30,099
Additions	13,183	-
Reductions	(-)	(5,644)
Payable at June 30, 2016	<u>\$ 203,399</u>	<u>\$ 24,455</u>

Component Unit - School Board

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

Years Ending June 30,	<u>General Obligation Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 495,000	\$ 323,205
2018	515,000	297,704
2019	540,000	273,765
2020	560,000	251,490
2021	590,000	225,253
2022-2026	3,345,000	736,387
2027-2031	2,830,000	250,600
2032-2035	385,000	5,871
Totals	<u>\$ 9,260,000</u>	<u>\$ 2,364,275</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

8. LONG-TERM DEBT (Continued)

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, 2016:

	General Obligation Bonds	Premium on Bonds	VPSA Payable	Totals
Bonds/loans payable at June 30, 2015	\$ 9,390,000	\$ 772,608	\$ 39,395	\$ 10,202,003
Issuances	-	-	-	-
Retirements	(130,000)	(45,448)	(39,395)	(214,843)
Bonds/loans payable at June 30, 2016	<u>\$ 9,260,000</u>	<u>\$ 727,160</u>	<u>\$ -</u>	<u>\$ 9,987,160</u>

The following is a summary of other long-term debt transactions of the Component Unit - School Board of the City of Norton for the year ended June 30, 2016:

	<u>Compensated Absences</u> Component Unit- School Board	<u>OPEB</u> Component Unit- School Board
Payable at June 30, 2015	\$ 58,998	\$ 530,048
Additions	16,920	-
Reductions	-	(21,148)
Payable at June 30, 2016	<u>\$ 75,918</u>	<u>\$ 508,900</u>

Details of Long-Term Indebtedness:

General Obligation Bonds:	Amount Outstanding
\$9,330,000 General Obligation School Bond issued November 15, 2012, payable in annual installments beginning July 15 th , 2015 and continuing until January 15, 2031. See accompanying amortization schedule for payment details. The bond has variable interest rates ranging from 2.05% to 5.05% and is paid semiannually.	<u>\$ 9,260,000</u>
TOTAL GENERAL LONG-TERM BONDS/LOANS	<u>\$ 9,260,000</u>

COMPONENT UNIT - NIDA

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, 2016:

	Powell Valley National Bank	Totals
Mortgage loans payable at June 30, 2015	\$ 355,039	\$ 355,039
Borrowings	-	-
Retirements	(355,039)	(355,039)
Mortgage loans payable at June 30, 2016	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

9. CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES

PRIMARY GOVERNMENT

The City has a policy to allow the accumulation and vesting of limited amounts of paid leave and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary statements. A liability for these amounts is reported in the governmental funds when the amounts are due for payment.

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, 2016, the City had outstanding accrued vacation, sick and personal leave of \$188,944 in the Governmental Activities and outstanding accrued vacation leave of \$22,717 in the Water and Sewer Fund. The City had outstanding accrued payroll taxes of \$14,455 in the Governmental Activities and \$1,738 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, 2016, the School Board had outstanding accrued vacation, sick and personal leave of \$70,523 and \$5,395 of accrued payroll taxes related to the accrued leave.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

10. **DEFERRED/ UNAVAILABLE REVENUE**

Deferred and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$1,084,228 is comprised of the following:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Fund</u>
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 106,855
Tax assessments due after June 30	1,084,228	1,084,228
Total	<u>\$ 1,084,228</u>	<u>\$ 1,191,083</u>

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

Plan Description

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

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

June 30, 2016

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced

June 30, 2016

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

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

June 30, 2016

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

		<p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. </p>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

		Distribution is not required by law until age 70½.
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1 Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p>

June 30, 2016

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

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

<p>benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable</p>

June 30, 2016

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

<p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <p>Defined Contribution Component: Not applicable.</p>

The remainder of this page left blank intentionally

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>General Government</u>	<u>School Board Non-Professional Group</u>
Inactive members or their beneficiaries currently receiving benefits	<u>52</u>	<u>30</u>
Inactive members:		
Vested inactive members	6	5
Non-vested inactive members	27	7
Inactive members active elsewhere in VRS	<u>36</u>	<u>8</u>
Total inactive members	69	20
Active members	<u>91</u>	<u>13</u>
Total covered employees	<u>212</u>	<u>63</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2016 was 10.70 % for the general governmental and business-type covered employee compensation and 6.91% for the school board non-professional group. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the general government were \$ 342,434 and \$346,292 for the years ended June 30, 2016 and June 30, 2015, respectively and for the school board \$16,791 and \$18,142 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

June 30, 2016

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

Actuarial Assumptions – General Employees

The total pension liability for Governmental and Business-Type Employees in the City’s Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Actuarial Assumptions – General Employees

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

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

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Actuarial Assumptions – Public Safety Employees (continued)

Post-Disablement:

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

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

The remainder of this page left blank intentionally

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Long-Term Expected Rate of Return

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

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

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Discount Rate

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

Changes in Net Pension Liability

Governmental & Business Type Activities	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 15,289,413	\$ 14,508,586	\$ 780,827
Changes for the year:			
Service Cost	358,130	-	358,130
Interest	1,045,595	-	1,045,595
Differences between expected and actual experience	(54,102)	-	(54,102)
Contributions - employer	-	350,650	(350,650)
Contributions - employee	-	163,425	(163,425)
Net investment income	-	661,092	(661,092)
Benefit payments, including refunds of employee contributions	(704,688)	(704,688)	-
Administrative expenses	-	(9,107)	9,107
Other changes	-	(141)	141
Net changes	644,935	461,231	183,704
Balance at June 30, 2015	\$ 15,934,348	\$ 14,969,817	\$ 964,531

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Changes in Net Pension Liability (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
School Board Non-Professional Group			
Balance at June 30, 2014	\$ 1,861,503	\$ 1,993,814	\$ (132,311)
Changes for the year:			
Service Cost	25,750	-	25,750
Interest	125,981	-	125,981
Differences between expected and actual experience	(42,696)	-	(42,696)
Contributions - employer	-	18,142	(18,142)
Contributions - employee	-	13,127	(13,127)
Net investment income	-	88,847	(88,847)
Benefit payments, including refunds of employee contributions	(123,556)	(123,556)	-
Administrative expenses	-	(1,292)	1,292
Other changes	-	(21)	21
Net changes	(14,521)	(4,753)	(9,768)
Balance at June 30, 2015	\$ 1,846,982	\$ 1,989,061	\$ (142,079)

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Governmental & Business-Type			
Net Pension Liability	\$ 3,118,176	\$ 964,531	\$ (941,950)
School Board Non-Professional Group			
Net Pension Liability	\$ 48,666	\$ (142,079)	\$ (304,183)

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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

For the year ended June 30, 2016, the City's general government recognized pension expense of \$75,243. At June 30, 2016, the City's general government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 40,265
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	386,086
Employer contributions subsequent to the measurement date	342,434	-
Total	<u>\$ 342,434</u>	<u>\$ 426,351</u>

\$426,351 reported as deferred outflows of resources related to pensions resulting from the City's general government contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2017	\$ (165,699)
2018	(165,699)
2019	(164,455)
2020	69,502
2021	-
Thereafter	<u>0</u>
	<u>\$ (426,351)</u>

The remainder of this page left blank intentionally

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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

For the year ended June 30, 2016, the School Board's Non-Professional group recognized pension expense of \$(44,402). At June 30, 2016, the School Board's Non-Professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 16,177
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	55,040
Employer contributions subsequent to the measurement date	16,791	-
Total	<u>\$ 16,791</u>	<u>\$ 71,217</u>

\$71,217 reported as deferred outflows of resources related to pensions resulting from the School Board's non-professional group contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2017	\$ (37,686)
2018	(21,509)
2019	(21,510)
2020	9,488
2021	-
Thereafter	-

12. **PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER-SCHOOL BOARD TEACHERS**

Plan Description

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

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

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER-SCHOOL BOARD TEACHERS
(CONTINUED)**

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 20, 2014: the plan's effective date for opt-in member was July 1, 2014

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER-SCHOOL BOARD TEACHERS
(CONTINUED)**

<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional</p>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

<p>factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>		<p>creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to</p>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

		<p>withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1</p> <p>Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier is 1.00%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for</p>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

		<p>service credited in those plans.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p>	<p>Normal Retirement Age Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service..</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER-SCHOOL BOARD TEACHERS
(CONTINUED)**

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

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

<p>Disability Coverage N/A</p>	<p>Disability Coverage N/A</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service a approximate normal cost./After that one-year period, the rate for most categories of service will change to actuarial cost. <p>Defined Contribution Component: Not applicable.</p>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER-SCHOOL BOARD TEACHERS
(CONTINUED)**

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.2%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contribution to the pension plan from the school division were \$530,304 and \$511,134 for the years ended June 30, 2016, and June 30, 2015 respectively.

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

At June 30, 2015 the school division reported a liability of \$5,997,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015 the school division's proportion was .04765% as compared to .05036% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$358,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

The remainder of this page left blank intentionally

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER-SCHOOL BOARD TEACHERS
(CONTINUED)**

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

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 83,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	367,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions		347,000
Employer contributions subsequent to the measurement date	530,304	-
Total	<u>\$ 530,304</u>	<u>\$ 797,000</u>

\$530,304 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2017	(290,034)
2018	(290,034)
2019	(290,034)
2020	88,486
2021	(15,384)
	<u>\$ (797,000)</u>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER-SCHOOL BOARD TEACHERS
(CONTINUED)**

Actuarial Assumptions – Teachers

The total pension liability for the VRS Teacher Retirement Plan Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Long-Term Expected Rate of Return

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

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

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

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**12. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER-SCHOOL BOARD TEACHERS
(CONTINUED)**

Discount Rate

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

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

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

	<u>1.00 % Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 8,776,000	\$ 5,997,000	\$ 3,709,000

Pension Plan Fiduciary Net Position

Detailed information about VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2015, the School Division reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

13. OTHER POST-EMPLOYMENT BENEFITS

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

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

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2016, the City's annual OPEB costs of \$43,439 for governmental activities and \$8,274 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	Governmental Activities	Business-type Activities	School Board
Annual required contribution	\$ 49,085	\$ 9,349	\$ 16,244
Interest on net OPEB obligation	12,917	2,460	4,293
Adjustment to annual required contribution	(18,562)	(3,536)	(24,311)
Annual OPEB cost	43,439	8,274	(3,775)
Contributions made	(9,923)	(1,890)	(17,373)
Increase in net OPEB obligation	33,516	6,384	(21,148)
Net OPEB obligation-beginning of year	510,903	104,205	530,048
Net OPEB obligation-end of year	<u>\$ 544,419</u>	<u>\$ 110,589</u>	<u>\$ 508,900</u>

Plan Description

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

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

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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

Fiscal Year Ending	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 43,439	0%	\$ 544,419
6/30/2015	91,216	0%	510,903
6/30/2014	91,216	0%	419,687

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

Fiscal Year Ending	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 8,274	0%	\$ 110,589
6/30/2015	17,375	0%	104,205
6/30/2014	17,375	0%	86,830

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

Fiscal Year Ending	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ (3,775)	0%	\$ 508,900
6/30/2015	(3,775)	0%	530,900
6/30/2014	(3,775)	0%	551,196

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Funding Status and Funding Progress

The funding status of the Governmental Activities and Business-type Activities plan as of June 30, 2016, the date of last actuarial report, is as follows. The funding status of the School Board plan as of June 30, 2014, the date of last actuarial report, is as follows.

Schedule of Funding Progress

Governmental Activities

Fiscal Year Ending	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2016	\$ 756,496	-	\$ 756,496	0%	\$ 2,923,487	25.88%
6/30/2015	756,496	-	756,496	0%	2,923,487	25.88%
6/30/2014	756,496	-	756,496	0%	2,923,487	25.88%

Schedule of Funding Progress

Business-Type Activities

Fiscal Year Ending	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2016	\$ 144,095	-	\$ 144,095	0%	\$ 556,855	25.88%
6/30/2015	144,095	-	144,095	0%	556,855	25.88%
6/30/2014	144,095	-	144,095	0%	556,855	25.88%

Schedule of Funding Progress

School Board

Fiscal Year Ending	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2016	\$ 641,746	105,763	\$ 535,983	16.48%	\$ 164,464	325.90%
6/30/2015	641,746	105,763	535,983	16.48%	164,464	325.90%
6/30/2014	641,746	105,763	535,983	16.48%	164,464	325.90%

June 30, 2016

13. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 62 which is the historical average age of retirement for employees of the City. Active employees age 62 or older who have qualified post-employment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the City included: inflation at 2.5% and an investment rate of return of 0.0%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The City currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2015, the City had not designated any funding for the OPEB liability.

14. COMMITMENTS AND CONTINGENCIES**Litigation**

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

15. RISK MANAGEMENT

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

16. SURETY BONDS

Amount

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

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

17. LEASE OBLIGATION

The City of Norton has one capital lease outstanding at June 30, 2016.

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, 2017	<u>\$ 29,438</u>
Total	<u>\$ 29,438</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

17. **LEASE OBLIGATION (Continued)**

The City of Norton School Division has two capital leases outstanding at June 30, 2016.

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

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

June 30, 2017	\$ 81,187
June 30, 2018	86,053
June 30, 2019	91,127
June 30, 2020	96,420
June 30, 2021	<u>22,683</u>
Total	<u>\$377,470</u>

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

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

June 30, 2017	\$ 23,946
June 30, 2018	<u>12,384</u>
Total	<u>\$ 36,330</u>

18. **ENCUMBRANCES OUTSTANDING**

Outstanding encumbrances of the proprietary fund types are not reflected in the accompanying financial statements as a reservation of retained earnings, in keeping with the fund type's measurement focus. However, encumbrances accounting is employed as an extension of formal budgetary integration for the City's governmental type funds. At June 30, 2016, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Encumbrances included in governmental fund balances are as follows:

PRIMARY GOVERNMENT

	Encumbrances Included In:		
	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund for Capital Assets	\$ -	\$ -	\$ 97,171
General Fund for Other Purposes	-	-	-
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,171</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

18. *ENCUMBRANCES OUTSTANDING (Continued)*

COMPONENT UNIT-SCHOOL BOARD

	Encumbrances Included In:		
	Restricted	Committed	Assigned
	Fund Balance	Fund Balance	Fund Balance
School Fund for Capital Assets	\$ -	\$ -	\$ -
School Fund for Other Purposes	18,543	-	-
Total Encumbrances	<u>\$ 18,543</u>	<u>\$ -</u>	<u>\$ -</u>

19. *NEW ACCOUNTING PRONOUNCEMENTS*

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

The City implemented the provisions of GASB No. 72, *Fair Value Measurement and Application*. The statement generally requires investments to be measured at fair value. The Statement requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure *fair value*. There was no material impact on the City's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 2, as applicable.

The City implemented the provisions of GASB No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the City's financial statement as a result of the implementation of Statement No. 79.

20. *SUBSEQUENT EVENTS*

The City issued a lease in an amount not to exceed \$56,000 for parks and recreation, and election equipment through VML/VACO subsequent to June 30, 2016, and is the closing process on the lease as of the audit report date.

June 30, 2016

21. **FUTURE ACCOUNTING PRONOUNCEMENTS**

In June 2016, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The City has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The City will adopt this Statement for fiscal year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement will be effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement will be effective for the year ending June 30, 2017.

June 30, 2016

21. *FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)*

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

CITY OF NORTON
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2016

EXHIBIT 15

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General property taxes	\$ 2,742,260	\$ 2,742,260	\$ 3,020,812	\$ 278,552
Other local taxes	4,573,200	4,573,200	4,709,435	136,235
Permits, privilege fees and regulatory licenses	7,760	7,760	2,547	(5,213)
Fines and forfeitures	32,500	32,500	17,698	(14,802)
Revenue from use of money and property	22,500	22,500	28,675	6,175
Charges for services	428,500	432,771	457,966	25,195
Miscellaneous	88,150	89,150	89,595	445
Recovered costs	23,950	119,411	112,271	(7,140)
Intergovernmental	1,541,367	2,144,483	2,085,154	(59,329)
Total Revenues	<u>9,460,187</u>	<u>10,164,035</u>	<u>10,524,153</u>	<u>360,118</u>
EXPENDITURES:				
General government administration	1,559,964	1,595,536	1,559,848	35,688
Public safety	2,433,247	2,622,711	2,624,515	(1,804)
Public works	1,795,825	1,894,861	1,843,175	51,686
Health and welfare	91,254	151,185	125,115	26,070
Education	2,307,942	2,326,948	2,326,948	-
Parks, recreation and cultural	401,744	436,942	472,460	(35,518)
Community development	386,385	1,109,348	867,911	241,437
Debt Service	172,961	172,961	166,669	6,292
Total Expenditures	<u>9,149,322</u>	<u>10,310,492</u>	<u>9,986,641</u>	<u>323,851</u>
OTHER FINANCING SOURCES (USES):				
Sale of property	6,000	6,000	4,578	(1,422)
Insurance recoveries	12,000	12,000	8,761	(3,239)
Loan proceeds	-	-	50,000	50,000
Prior Year Surplus	-	482,322	-	(482,322)
Transfers in (out)	(328,865)	(353,865)	(353,865)	-
Total Other Financing Sources (Uses)	<u>(310,865)</u>	<u>146,457</u>	<u>(290,526)</u>	<u>(436,983)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,986</u>	<u>\$ 246,986</u>

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS- PENSION AND OTHER POST-EMPLOYMENT BENEFITS
June 30, 2016

GOVERNMENTAL ACTIVITIES
OTHER POST-EMPLOYEMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2016	-	607,458	607,458	0.00%	3,204,819	18.95%
June 30, 2013	-	756,496	756,496	0.00%	2,923,487	25.88%
June 30, 2010	-	577,884	577,884	0.00%	2,677,645	21.58%

BUSINESS-TYPE ACTIVITIES
OTHER POST-EMPLOYEMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2016	-	124,419	124,419	0.00%	656,409	18.95%
June 30, 2013	-	144,095	144,095	0.00%	556,855	25.88%
June 30, 2010	-	126,852	126,852	0.00%	587,776	21.58%

SCHOOL BOARD
OTHER POST-EMPLOYEMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2014	105,763	641,746	535,983	16.48%	164,464	325.90%
June 30, 2013	188,072	1,825,884	1,637,812	10.30%	2,831,769	57.84%
June 30, 2010	188,072	1,825,884	1,637,812	10.30%	2,915,517	56.18%

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2016

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 358,130	\$ 344,218
Interest	1,045,595	998,021
Changes of benefit terms	-	-
Differences between expected and actual experience	(54,102)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(704,688)</u>	<u>(620,524)</u>
Net change in total pension liability	644,935	721,715
Total pension liability - beginning	15,289,413	14,567,698
Total pension liability - ending	<u>\$ 15,934,348</u>	<u>\$ 15,289,413</u>
Plan fiduciary net position		
Contributions - employer	\$ 350,650	\$ 381,975
Contributions - employee	163,425	156,164
Net investment income	661,092	1,986,618
Benefit payments, including refunds of employee contributions	(704,688)	(620,524)
Administrative expense	(9,107)	(10,842)
Other	<u>(141)</u>	<u>278</u>
Net change in total pension liability	461,231	1,893,669
Total pension liability - beginning	14,508,586	12,614,917
Total pension liability - ending	<u>\$ 14,969,817</u>	<u>\$ 14,508,586</u>
Political subdivision's net pension liability - ending	\$ 964,531	\$ 780,827
Plan fiduciary net position as a percentage of the total pension liability	93.95%	94.89%
Covered - employee payroll	\$ 3,141,999	\$ 3,238,494
Political subdivision's net pension liability as a percentage of covered-employee payroll	30.70%	24.11%

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SCHOOL BOARD NON-PROFESSIONAL GROUP
JUNE 30, 2016

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 25,750	\$ 25,638
Interest	125,981	123,727
Changes of benefit terms	-	-
Differences between expected and actual experience	(42,696)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(123,556)	(110,787)
Net change in total pension liability	<u>(14,521)</u>	<u>38,578</u>
Total pension liability - beginning	<u>1,861,503</u>	<u>1,822,925</u>
Total pension liability - ending	<u>\$ 1,846,982</u>	<u>\$ 1,861,503</u>
Plan fiduciary net position		
Contributions - employer	\$ 18,142	\$ 9,616
Contributions - employee	13,127	12,521
Net investment income	88,847	278,238
Benefit payments, including refunds of employee contributions	(123,556)	(110,787)
Administrative expense	(1,292)	(1,561)
Other	(21)	15
Net change in total pension liability	<u>(4,753)</u>	<u>188,042</u>
Total pension liability - beginning	<u>1,993,814</u>	<u>1,805,772</u>
Total pension liability - ending	<u>\$ 1,989,061</u>	<u>\$ 1,993,814</u>
Political subdivision's net pension liability - ending	\$ (142,079)	\$ (132,311)
Plan fiduciary net position as a percentage of the total pension liability	107.69%	107.11%
Covered - employee payroll	\$ 262,533	\$ 262,540
Political subdivision's net pension liability as a percentage of covered-employee payroll	-54.12%	-50.40%

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2016

Date	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2016	\$ 342,434	\$ 342,434	\$ -	\$ 3,141,999	10.9%
2015	346,292	346,292	-	3,239,494	10.7%
2014	417,409	417,409	-	3,256,829	12.8%
2013	374,267	374,267	-	2,950,434	12.7%
2012	417,409	417,409	-	3,080,986	13.5%
2011	428,371	428,371	-	3,071,355	13.9%
2010	365,000	365,000	-	3,176,357	11.5%
2009	361,137	361,137	-	3,083,436	11.7%
2008	333,485	333,485	-	2,776,096	12.0%
2007	352,336	352,336	-	2,654,953	13.3%

**CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SCHOOL BOARD NON-PROFESSIONAL GROUP
JUNE 30, 2016**

Date	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2016	\$ 16,791	\$ 16,791	\$ -	\$ 262,533	6.40%
2015	18,142	18,142	-	262,540	6.91%
2014	15,506	15,506	-	259,205	5.98%
2013	9,552	9,552	-	249,992	3.82%
2012	12,974	12,974	-	261,728	4.96%
2011	12,864	12,864	-	268,008	4.80%
2010	12,979	12,979	-	260,117	4.99%
2009	12,398	12,398	-	233,957	5.30%
2008	11,791	11,791	-	233,925	5.04%
2007	9,821	9,821	-	195,635	5.02%

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SCHOOL DIVISION-TEACHER RETIREMENT PLAN
JUNE 30, 2016

	2016	2015
School's Proportion of the Net Pension Liability (Asset)	0.4765%	0.5036%
School's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,997,000	\$ 6,086,000
School's Covered - employee payroll	\$ 3,807,613	\$ 4,073,289
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	157.50%	149.41%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	70.68%	70.88%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only two years are shown herein.

**CITY OF NORTON
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 SCHOOL DIVISION-TEACHER RETIREMENT PLAN
 JUNE 30, 2016**

Date	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2016	\$ 530,304	\$ 530,304	\$ -	\$ 3,807,613	13.93%
2015	511,134	511,134	-	3,542,739	14.43%
2014	525,281	525,281	-	3,682,808	14.26%
2013	425,312	425,312	-	3,647,180	11.66%
2012	437,848	437,848	-	3,864,504	11.33%
2011	352,060	352,060	-	3,942,438	8.93%
2010	433,201	433,201	-	3,857,881	11.23%
2009	514,373	514,373	-	3,724,639	13.81%
2008	548,084	548,084	-	3,591,835	15.26%
2007	494,080	494,080	-	3,477,411	14.21%

CITY OF NORTON
Notes to Required Supplemental Information
For the Year Ended June 30, 2016

Change of benefit terms - There have been no actuarially material changes to the System benefits provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The Hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a new benefit and the number of participants was relatively small the impact on liabilities as of the measurement date of June 30, 2015 are not material.

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

Largest 10 - Non-LEOS

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

Largest 10 - LEOS

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS

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

All Others (Non 10 Largest) - LEOS

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

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue From Local Sources:				
General Property Taxes:				
Real property taxes	\$ 1,798,060	\$ 1,798,060	\$ 2,062,943	\$ 264,883
Real and personal public service corporation property taxes	214,700	214,700	203,986	(10,714)
Personal property taxes	565,100	565,100	540,191	(24,909)
Machinery and tools taxes	104,400	104,400	113,666	9,266
Penalties and interest	60,000	60,000	100,026	40,026
Total General Property Taxes	<u>2,742,260</u>	<u>2,742,260</u>	<u>3,020,812</u>	<u>278,552</u>
Other Local Taxes:				
Local sales and use taxes	1,550,000	1,550,000	1,609,549	59,549
Utility taxes	130,000	130,000	129,032	(968)
Business license taxes	803,000	803,000	842,303	39,303
Communication taxes	220,000	220,000	204,591	(15,409)
Motor vehicle licenses	80,000	80,000	81,661	1,661
Bank stock taxes	60,000	60,000	47,105	(12,895)
Recordation taxes	30,000	30,000	34,009	4,009
Tobacco taxes	200	200	40	(160)
Hotel and motel room taxes	205,000	205,000	159,594	(45,406)
Restaurant food taxes	1,330,000	1,330,000	1,395,556	65,556
Coal road improvement taxes	30,000	30,000	32,928	2,928
Cigarette tax	135,000	135,000	173,067	38,067
Total Other Local Taxes	<u>4,573,200</u>	<u>4,573,200</u>	<u>4,709,435</u>	<u>136,235</u>
Permits, Privilege Fees And Regulatory Licenses:				
Animal licenses	1,000	1,000	387	(613)
Permits and other licenses	6,760	6,760	2,160	(4,600)
Total Permits, Privilege Fees and Regulatory Licenses	<u>7,760</u>	<u>7,760</u>	<u>2,547</u>	<u>(5,213)</u>
Fines and Forfeitures	<u>32,500</u>	<u>32,500</u>	<u>17,698</u>	<u>(14,802)</u>
Revenue From Use Of Money And Property:				
Revenue from use of money	5,000	5,000	5,415	415
Revenue from use of property	17,500	17,500	23,260	5,760
Total Revenue From Use of Money and Property	<u>22,500</u>	<u>22,500</u>	<u>28,675</u>	<u>6,175</u>
Charges For Services:				
Court cost	1,000	1,000	-	(1,000)
Sheriff's fees	1,000	1,000	588	(412)
Charges for sanitation and waste removal	417,000	417,000	416,703	(297)
Charges for parks and recreation	9,500	13,771	12,398	(1,373)
NFD revenue recovery	-	-	28,277	28,277
Total Charges for Services	<u>428,500</u>	<u>432,771</u>	<u>457,966</u>	<u>25,195</u>
Miscellaneous Revenue:				
Miscellaneous	88,150	89,150	89,595	445
Total Miscellaneous	<u>88,150</u>	<u>89,150</u>	<u>89,595</u>	<u>445</u>
Recovered Costs:				
Recovered Cost - School Board	10,000	10,000	2,860	(7,140)
Recovered Cost - Streets	-	95,461	95,461	-
Cost allocation plan - Water and Sewer Fund	13,950	13,950	13,950	-
Total Recovered Costs	<u>23,950</u>	<u>119,411</u>	<u>112,271</u>	<u>(7,140)</u>
Total Revenue From Local Sources	<u>7,918,820</u>	<u>8,019,552</u>	<u>8,438,999</u>	<u>419,447</u>

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive Negative
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Motor vehicle carriers' taxes	\$ 40,000	\$ 40,000	\$ 49,426	\$ 9,426
Litter grant	-	9,427	9,427	-
Mobile home titling taxes	5,000	5,000	3,860	(1,140)
Rolling stock taxes	25,000	25,000	23,917	(1,083)
Total Non-Categorical Aid	70,000	79,427	86,630	7,203
Categorical Aid:				
Shared Expenses:				
Sheriff	147,000	147,000	146,618	(382)
Commissioner of the Revenue	65,000	65,000	65,252	252
Treasurer	65,000	65,000	64,918	(82)
Registrar/electoral board	31,200	31,200	29,274	(1,926)
Total Shared Expenses	308,200	308,200	306,062	(2,138)
Other Categorical Aid:				
Law enforcement grant	220,667	220,667	218,769	(1,898)
Emergency medical services	3,000	3,000	2,896	(104)
DMV Grant	15,000	15,000	18,101	3,101
Street and highway maintenance	810,000	810,000	841,655	31,655
Financial assistance to the arts	5,000	5,000	5,000	-
DMME highwall project	-	529,758	403,008	(126,750)
E-911 funding	35,000	35,000	42,015	7,015
VML Risk Mangement Grant	-	4,000	4,000	-
Department of Health	-	59,931	28,674	(31,257)
Drug task force	17,000	17,000	17,326	326
Fire funds	25,000	25,000	28,447	3,447
Total Other Categorical Aid	1,130,667	1,724,356	1,609,891	(114,465)
Total Revenue From the Commonwealth	1,508,867	2,111,983	2,002,583	(109,400)
Revenue From The Federal Government:				
Payment in lieu of property taxes	25,000	25,000	25,071	71
Emergency management	7,500	7,500	7,500	-
USDA Community facilities grant	-	-	50,000	50,000
Total Revenue From The Federal Government	32,500	32,500	82,571	50,071
Other financing sources				
Insurance recoveries	12,000	12,000	8,761	(3,239)
Loan proceeds	-	-	50,000	50,000
Sale of Surplus	6,000	6,000	4,578	(1,422)
Total other financing sources	18,000	18,000	63,339	45,339
TOTAL GENERAL FUND	9,478,187	10,182,035	10,587,492	405,457
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	1,490	1,490	53,032	51,542
Foster care	59,355	59,355	44,243	(15,112)

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General administration for financial assistance	\$ 211,797	\$ 211,797	\$ 151,860	\$ (59,937)
Supplemental income assistance for the aged, blind and disabled	-	-	38,809	38,809
Employment services	5,073	5,073	6,045	972
Day care	-	-	(558)	(558)
Other purchased services	2,613	2,613	4,041	1,428
Direct social services	82,449	82,449	114,480	32,031
Total Categorical Aid	<u>362,777</u>	<u>362,777</u>	<u>411,952</u>	<u>49,175</u>
 Total Revenue From the Commonwealth	 <u>362,777</u>	 <u>362,777</u>	 <u>411,952</u>	 <u>49,175</u>
Revenue From The Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	510	510	62,042	61,532
Foster care	52,120	52,120	44,017	(8,103)
General administration for financial assistance	389,104	389,104	487,603	98,499
Supplemental income assistance for the aged, blind and disabled	-	-	-	-
Employment services	35,002	35,002	9,071	(25,931)
Day Care	7,351	7,351	(265)	(7,616)
Other purchased services	30,862	30,862	-	(30,862)
Emergency assistance	255	255	-	(255)
Total Revenue From the Federal Government	<u>515,204</u>	<u>515,204</u>	<u>602,468</u>	<u>87,264</u>
Other financing sources				
Transfers from general fund	<u>328,865</u>	<u>353,865</u>	<u>353,865</u>	<u>-</u>
Total other financing sources	<u>328,865</u>	<u>353,865</u>	<u>353,865</u>	<u>-</u>
 Total Virginia Public Assistance Fund	 <u>1,206,846</u>	 <u>1,231,846</u>	 <u>1,368,285</u>	 <u>136,439</u>
Drug and Gambling Investigative Funds:				
Revenue From Local Sources:				
Restitution to law enforcement	70,000	70,000	31,662	(38,338)
Total Revenue From Local Sources	<u>70,000</u>	<u>70,000</u>	<u>31,662</u>	<u>(38,338)</u>
 Total Revenue Drug and Gambling Investigative Fund	 <u>70,000</u>	 <u>70,000</u>	 <u>31,662</u>	 <u>(38,338)</u>
Revolving Loan Fund:				
Revenue From Local Sources:				
Revenue from use of money and property	-	-	1,083	1,083
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>1,083</u>	<u>1,083</u>
 Total Revolving Loan Fund	 <u>-</u>	 <u>-</u>	 <u>1,083</u>	 <u>1,083</u>
 TOTAL SPECIAL REVENUE FUNDS	 <u>1,276,846</u>	 <u>1,301,846</u>	 <u>1,401,030</u>	 <u>99,184</u>
 GRAND TOTAL - REVENUES - GOVERNMENTAL FUNDS	 <u>\$ 10,755,033</u>	 <u>\$ 11,483,881</u>	 <u>\$ 11,988,522</u>	 <u>\$ 504,641</u>

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
City Council	\$ 43,384	\$ 43,384	\$ 40,300	\$ 3,084
General and Financial Administration:				
City Manager	144,750	144,750	146,970	(2,220)
Office personnel	102,750	102,750	119,284	(16,534)
Legal and professional	55,000	55,000	67,450	(12,450)
Independent Auditor	25,000	25,000	25,125	(125)
Commissioner of the Revenue	151,550	151,550	148,206	3,344
Assessor	-	35,572	29,031	6,541
Treasurer	157,350	157,350	154,567	2,783
Director of Finance	157,950	157,950	150,261	7,689
Data Processing	74,500	74,500	79,334	(4,834)
Automotive/motor pool	176,700	176,700	146,016	30,684
Total General and Financial Administration	1,045,550	1,081,122	1,066,244	14,878
Board of Elections:				
Electoral board and officials	14,200	14,200	9,792	4,408
Registrar	69,600	69,600	65,963	3,637
Total Board of Elections	83,800	83,800	75,755	8,045
Total General Government Administration	1,172,734	1,208,306	1,182,299	26,007
Judicial Administration:				
Courts:				
Circuit court	35,000	35,000	58,577	(23,577)
General district court	1,500	1,500	972	528
Clerk of circuit court	40,000	40,000	37,010	2,990
Sheriff	228,230	228,230	211,861	16,369
County courthouse	35,000	35,000	33,904	1,096
Court and attorney fees	-	-	-	-
Total Courts	339,730	339,730	342,324	(2,594)
Commonwealth's Attorney:				
Commonwealth's attorney	47,500	47,500	35,225	12,275
Total Judicial Administration	387,230	387,230	377,549	9,681
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,160,150	1,263,520	1,234,811	28,709
Traffic control	13,000	13,000	37,124	(24,124)
E-911	461,200	461,200	488,195	(26,995)
Emergency management funds	24,600	27,954	29,013	(1,059)
Total Law Enforcement and Traffic Control	1,658,950	1,765,674	1,789,143	(23,469)
Fire and Rescue Services:				
Volunteer fire department	147,050	159,361	148,627	10,734
Ambulance and rescue services	30,000	42,000	39,211	2,789
Total Fire and Rescue Services	177,050	201,361	187,838	13,523
Correction and Detention:				
Purchase of service from Wise County	80,000	80,000	74,003	5,997
Juvenile detention	142,560	142,560	142,560	-
Contribution to regional jail	231,637	290,066	281,834	8,232
Total Correction and Detention	454,197	512,626	498,397	14,229
Inspections:				
Building	84,450	84,450	83,657	793
Other Protection:				
Animal control	57,600	57,600	64,380	(6,780)
Emergency medical services	1,000	1,000	1,100	(100)
Total Other Protection	58,600	58,600	65,480	(6,880)
Total Public Safety	2,433,247	2,622,711	2,624,515	(1,804)

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
General engineering/administration	\$ 76,025	\$ 76,025	\$ 67,768	\$ 8,257
Highways, streets, bridges and sidewalks	830,700	926,161	953,009	(26,848)
Storm drainage	5,000	5,000	3,188	1,812
Street lights	102,500	102,500	119,163	(16,663)
Snow and ice removal	45,000	45,000	67,335	(22,335)
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets Bridges and Sidewalks	1,062,225	1,157,686	1,210,463	(52,777)
Sanitation and Waste Removal:				
Street and road cleaning	8,500	8,500	5,343	3,157
Refuse collection	300,100	300,100	266,504	33,596
Refuse disposal	200,000	200,000	180,965	19,035
Total Sanitation and Waste Removal	508,600	508,600	452,812	55,788
Maintenance of General Buildings and Grounds:				
General properties	225,000	228,575	179,900	48,675
Total Public Works	1,795,825	1,894,861	1,843,175	51,686
Health and Welfare:				
Health:				
Local health department	53,602	53,602	46,582	7,020
Mental Health and Mental Retardation:				
Chapter 10 board	14,000	14,000	14,896	(896)
Welfare/Social Services:				
Area agency on aging	16,200	16,200	16,200	-
Property tax relief for elderly	-	-	22,023	(22,023)
PHHS grant	-	59,931	18,772	41,159
Contribution to Office on Youth	4,050	4,050	4,050	-
Contribution to Advocate Center	567	567	567	-
Contribution to Ram Project	810	810	-	810
Contribution to Food Bank	405	405	405	-
Contribution - Hope House	1,620	1,620	1,620	-
Total Welfare/Social Services	23,652	83,583	63,637	19,946
Total Health and Welfare	91,254	151,185	125,115	26,070
Education:				
Contribution to Mountain Empire Community College	7,460	7,460	7,460	-
Payment to school board	2,300,482	2,319,488	2,319,488	-
Total Education	2,307,942	2,326,948	2,326,948	-
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	164,000	165,000	211,292	(46,292)
Recreation centers and playgrounds	170,049	194,320	191,841	2,479
Total Parks and Recreation	334,049	359,320	403,133	(43,813)
Cultural Enrichment:				
Pro-Art	8,100	8,100	8,100	-
Other events	9,310	19,237	10,284	8,953
Friends and farmers market	10,000	10,000	11,068	-
Employee picnic and Christmas party	1,000	1,000	590	410
Total Cultural Enrichment	28,410	38,337	30,042	9,363
Library:				
Payments to regional library	39,285	39,285	39,285	-
Total Parks, Recreation and Cultural	401,744	436,942	472,460	(34,450)

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community Development:				
Planning and Community Development:				
Planning	\$ 29,570	\$ 29,570	\$ 15,566	\$ 14,004
Planning-contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	10,150	10,150	5,094	5,056
Contribution to Chamber of Commerce	1,979	1,979	1,979	-
Contribution to Black Diamond Development	162	162	200	(38)
Contribution to component unit - NIDA	307,756	307,756	307,756	-
Contribution to Airport Commission	3,645	3,645	3,645	-
Capital outlay	25,000	747,963	525,548	222,415
Total Planning and Community Development	386,385	1,109,348	867,911	241,437
Debt Service				
Principal	124,861	124,861	124,861	-
Interest	48,100	48,100	41,808	6,292
Total debt service	172,961	172,961	166,669	6,292
Other financing uses				
Transfers to welfare fund	328,865	353,865	353,865	-
Total other financing sources	328,865	353,865	353,865	-
TOTAL GENERAL FUND	\$ 9,478,187	\$ 10,664,357	\$ 10,340,506	\$ 324,919
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 1,206,846	\$ 1,231,846	\$ 1,298,210	\$ (66,364)
Total Welfare/Social Services	1,206,846	1,231,846	1,298,210	(66,364)
Total Health and Welfare	1,206,846	1,231,846	1,298,210	(66,364)
Total Virginia Public Assistance Fund	1,206,846	1,231,846	1,298,210	(66,364)
Drug and Gambling Investigative Funds:				
Public safety	70,000	70,000	19,592	50,408
Total Drug and Gambling Investigative Funds	70,000	70,000	19,592	50,408
TOTAL SPECIAL REVENUE FUNDS	1,276,846	1,301,846	1,317,802	(15,956)
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	\$ 10,755,033	\$ 11,966,203	\$ 11,658,308	\$ 308,963
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ -	\$ (482,322)	\$ 330,214	
Net appropriations from fund balance				
Prior year surplus	-	109,429		
Prior year encumbrances	-	372,893		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		

CITY OF NORTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY DEPARTMENT
PROPRIETARY FUNDS
Year Ended June 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>TOTAL</u> <u>Water & Sewer</u> <u>Operation</u>
OPERATING REVENUES:			
Charges For Services:			
Water:			
Local	\$ 785,933	\$ -	\$ 785,933
Non-local	164,983	-	164,983
Total Water	<u>950,916</u>	<u>-</u>	<u>950,916</u>
Sewer:			
Local	-	1,031,836	1,031,836
Non-local	-	296,511	296,511
Total Sewer	<u>-</u>	<u>1,328,347</u>	<u>1,328,347</u>
Total Charges for Services	<u>950,916</u>	<u>1,328,347</u>	<u>2,279,263</u>
Miscellaneous:			
Installations and tap fees	23,550	625	24,175
Penalties	25,113	35,080	60,193
Other	6,858	32,433	39,291
Total Miscellaneous	<u>55,521</u>	<u>68,138</u>	<u>123,659</u>
Total Operating Revenues	<u>1,006,437</u>	<u>1,396,485</u>	<u>2,402,922</u>
OPERATING EXPENSES:			
Personnel services	350,469	184,410	534,879
Fringe benefits	97,675	55,984	153,659
Contractual services	38,145	868,051	906,196
Other charges	224,537	94,637	319,174
Rent	2,503	3,497	6,000
Depreciation	252,967	380,057	633,024
Purchase of water	40,438	-	40,438
Total Operating Expenses	<u>1,006,734</u>	<u>1,586,636</u>	<u>2,593,370</u>
Operating Income (Loss)	<u>(297)</u>	<u>(190,151)</u>	<u>(190,448)</u>
NON-OPERATING REVENUES (EXPENSES):			
Grant income	309,343	-	309,343
Interconnect expense	(20,971)	-	(20,971)
Interest expense	(148,324)	(32,369)	(180,693)
Total Non-Operating Revenues (Expenses)	<u>140,048</u>	<u>(32,369)</u>	<u>107,679</u>
CHANGE IN NET POSITION	<u>139,751</u>	<u>(222,520)</u>	<u>(82,769)</u>

**CITY OF NORTON
COMPONENT UNIT SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2016**

	GOVERNMENTAL ACTIVITIES				TOTALS
	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	June 30, 2016
ASSETS					
Cash and cash equivalents	\$ 205,000	\$ 72,996	\$ 53,569	\$ 33,657	\$ 365,222
Cash - restricted	-	-	-	-	-
Accounts receivable	54,412	-	-	-	54,412
Due from other funds	10,920	-	-	32	10,952
Due from primary government	423,295	-	-	-	423,295
Due from other governmental units	138,959	-	-	-	138,959
TOTAL ASSETS	\$ 832,586	\$ 72,996	\$ 53,569	\$ 33,689	\$ 992,840
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 48,001	\$ 7,829	\$ -	\$ -	\$ 55,830
Accrued liabilities	522,979	-	-	-	522,979
Due to other funds	3,413	-	-	10,920	14,333
Total Liabilities	574,393	7,829	-	10,920	593,142
FUND BALANCE:					
Restricted	258,193	-	-	-	258,193
Committed	-	65,167	53,569	22,769	141,505
Total Fund Balance	258,193	65,167	53,569	22,769	399,698
TOTAL LIABILITIES AND FUND BALANCE	\$ 832,586	\$ 72,996	\$ 53,569	\$ 33,689	\$ 992,840

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

\$ 399,698

Total fund balances- component unit

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

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

Net pension asset	142,079
Deferred outflows	547,095
Accrued interest	(153,865)
Accrued compensated absences	(75,918)
Deferred inflows	(868,217)

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

10,949,620

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

(16,906,860)

Total net position - component unit-School Board

\$ (5,966,368)

**CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2016**

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	Total School Board
REVENUES:					
Revenue from use of money and property	\$ 338	\$ 111	\$ 147	\$ 17	\$ 613
Charges for services	-	-	-	62,673	62,673
Miscellaneous	256,750	-	62,342	40,311	359,403
Intergovernmental					
Primary government	2,319,488	-	-	-	2,319,488
Commonwealth of Virginia	5,133,230	53,994	-	-	5,187,224
Federal Government	738,327	-	-	-	738,327
Total Revenues	<u>8,448,133</u>	<u>54,105</u>	<u>62,489</u>	<u>103,001</u>	<u>8,667,728</u>
EXPENDITURES:					
Current:					
Education	7,405,857	39,782	134,544	353,798	7,933,981
Debt Service:					
Principal	266,528	-	-	-	266,528
Interest	353,270	-	-	-	353,270
Total Expenditures	<u>8,025,655</u>	<u>39,782</u>	<u>134,544</u>	<u>353,798</u>	<u>8,553,779</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>422,478</u>	<u>14,323</u>	<u>(72,055)</u>	<u>(250,797)</u>	<u>113,949</u>
OTHER FINANCING SOURCES (USES):					
Loan Proceeds	-	-	-	-	-
Operating transfers in	-	24,326	42,500	251,451	318,277
Operating transfers out	(318,277)	-	-	-	(318,277)
Total Other Financing Sources (Uses)	<u>(318,277)</u>	<u>24,326</u>	<u>42,500</u>	<u>251,451</u>	<u>-</u>
Net change in fund balance	104,201	38,649	(29,555)	654	113,949
Fund Balance at June 30, 2015	153,992	26,518	83,124	22,115	285,749
Fund Balance at June 30, 2016	<u>\$ 258,193</u>	<u>\$ 65,167</u>	<u>\$ 53,569</u>	<u>\$ 22,769</u>	<u>\$ 399,698</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	113,949
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and is reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.	(364,097)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	10,079
Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. Proceeds of debt is an income item in the governmental funds but the receipt of proceeds increases long-term liabilities. This is the amount principal payments exceeded new debt proceeds.	266,527
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 reported as expenditures in governmental funds.	370,433
Change in net position of governmental activities	<u>\$ 396,891</u>

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
Year Ended June 30, 2016

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES:				
Revenue from use of money and property	\$ 600	\$ 600	\$ 338	\$ 938
Charges for services	-	-	-	-
Miscellaneous	13,134	186,594	256,750	70,156
Intergovernmental				
Primary government	2,300,482	2,350,480	2,319,488	(30,992)
Commonwealth of Virginia	4,964,921	5,163,946	5,133,230	(30,716)
Federal Government	<u>705,225</u>	<u>780,144</u>	<u>738,327</u>	<u>(41,817)</u>
Total Revenues	<u>7,984,362</u>	<u>8,481,764</u>	<u>8,448,133</u>	<u>(33,631)</u>
EXPENDITURES:				
Current:				
Community Development	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	6,986,906	7,484,308	7,405,857	78,451
Debt Service:				
Principal	266,526	266,528	266,528	-
Interest	<u>353,272</u>	<u>353,270</u>	<u>353,270</u>	<u>-</u>
Total Expenditures	<u>7,606,704</u>	<u>8,104,106</u>	<u>8,025,655</u>	<u>78,451</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>377,658</u>	<u>377,658</u>	<u>422,478</u>	<u>44,820</u>
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	<u>(377,658)</u>	<u>(377,658)</u>	<u>(318,277)</u>	<u>59,381</u>
Total Other Financing Sources (Uses)	<u>(377,658)</u>	<u>(377,658)</u>	<u>(318,277)</u>	<u>59,381</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	-	104,201	104,201
Net appropriations from fund balance				
Prior year encumbrances	-	-	-	-
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-	-	-
Fund Balance - June 30, 2015			<u>153,992</u>	
Fund Balance - June 30, 2016			<u>\$ 258,193</u>	

CITY OF NORTON
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2016

ASSETS HELD BY THE TREASURER:

Cash on hand		\$ 950
Cash in banks:		
Checking:		
First Bank and Trust	\$ 2,698,737	
Total Checking		2,698,737
Certificates of Deposit:		
First Bank and Trust	15,208	
Total Certificates of Deposit		<u>15,208</u>
Total Cash in Banks		2,713,945
Investments:		
Investment in State Treasurer's Local Government Investment Pool		<u>20,602</u>
TOTAL ASSETS		<u>\$ 2,735,497</u>

LIABILITIES OF THE TREASURER:

BALANCE OF CITY FUNDS		<u>\$ 2,735,497</u>
------------------------------	--	---------------------

NOTE: The variance between this statement and the statement of position for all funds is \$1,826,063. This amount represents cash for the Norton Industrial Development Authority. The funds for the authority are not under the Treasurer's accountability.

CITY OF NORTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

A) SUMMARY OF AUDIT RESULTS

- 1) The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Norton, Virginia were prepared in accordance with GAAP.
- 2) No significant deficiencies relating to the audit of the financial statements of the City of Norton, Virginia, are reported in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- 3) No instances of non-compliance material to the financial statements of the City of Norton, Virginia, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4) No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable for each Major Program and on Internal Control over Compliance in Accordance Required by the Uniform Guidance. No material weaknesses are reported.
- 5) The Auditor's report on Compliance for the Major Federal Award Programs for the City of Norton, Virginia, expresses an unmodified opinion on all major federal programs.
- 6) Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- 7) The programs tested as major programs were:
Capitalization for Drinking Water State Revolving Fund—CFDA No. 66.468
Title I Grants to Local Educational Agencies—CFDA No. 84.010
- 8) The threshold for distinguishing types A & B programs was \$750,000.
- 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, 2016

	<u>Federal Catalogue #</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Pass-Through Payments:		
State Department of Agriculture:		
School Lunch Program	10.555	199,802
School Breakfast Program	10.553	47,314
Community Facilities Loans and Grants	10.780	50,000
Water and Waste Disposal Systems for Rural Communities-ARRA	10.781	113,734
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass-Through Payments:		
State Department of Social Services:		
Supplemental Nutrition Assistance Program	10.561	115,139
Foster Care - Title IV-E	93.658	86,152
TANF	93.558	100,311
Social Services Block Grant	93.667	64,430
Adoption Assistance	93.659	44,000
Medical assistance program	93.778	143,030
Child Care Mandatory Match	93.596	13,698
Low Income Home Energy Assistance	93.568	10,809
Safe and Stable Families	93.556	18,991
Refugee and Entrant Assistance	93.566	109
State Children's Insurance Program	93.767	4,647
Child Welfare Services State Grant	93.645	627
Chafee Foster Care Independence Program	93.674	525
Preventive Health & Human Services Block Grant	93.758	28,674
DEPARTMENT OF EDUCATION:		
Pass-Through Payments:		
State Department of Education:		
Improving teacher quality state grants	84.367	42,632
Rural Grants	84.358	19,737
Title I Grants	84.010	234,480
Title VI-B:		
Special Education:		
Title VI-B Idea -611	84.027	159,781
Preschool	84.173	6,555
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	16,812
Mathematics and Science Partnerships	84.366	11,215
ENVIRONMENTAL PROTECTION AGENCY		
Capitalization for Drinking Water State Revolving Funds	66.468	252,331
DEPARTMENT OF HOMELAND SECURITY		
Emergency Management Performance Grants	97.042	7,500
DEPARTMENT OF JUSTICE		
Byrne Justice Assistance Grant	16.738	3,446
DEPARTMENT OF TRANSPORTATION		
Highway Planning and Construction	20.205	-
Alcohol Open Container Requirements	20.607	18,101
		<u>18,101</u>
 TOTAL		 \$ 1,814,582

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.	110
REVENUE CAPACITY These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	115
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.	118
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.	121
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.	123

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 1,867,263	\$ 3,824,570	\$ 3,998,176	\$ 3,943,031	\$ 3,325,755	\$ 3,921,732	\$ 4,136,516	\$ 5,586,395	8,014,749	8,336,774
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	3,009,412	2,022,552	(3,212,039)	2,777,107	2,446,292	1,791,952	1,541,677	1,397,414	232,010	763,727
Total governmental activities net position	4,876,675	5,847,122	786,137	6,720,138	5,772,047	5,713,684	5,678,193	6,983,809	8,246,759	9,100,501
Business-type activities										
Net investment in capital assets	3,337,888	3,368,555	3,329,251	4,837,547	6,989,991	7,587,254	9,362,217	10,739,857	10,806,022	10,688,937
Restricted	-	-	-	-	-	-	988,404	112,741	-	-
Unrestricted	(123,892)	(210,607)	(299,252)	(880,931)	(205,952)	(219,531)	(348,054)	(428,312)	(607,646)	(573,330)
Total business-type activities	3,213,996	3,157,948	3,029,999	3,956,616	6,784,039	7,367,723	10,002,567	10,424,286	10,198,376	10,115,607
Primary government										
Net investment in capital assets	5,205,151	7,193,125	7,327,427	8,780,578	10,315,746	11,508,986	13,498,733	16,326,252	18,820,771	19,025,711
Restricted	-	-	-	-	-	-	988,404	112,741	-	-
Unrestricted	2,885,520	1,811,945	(3,511,291)	1,896,176	2,240,340	1,572,421	1,193,623	969,102	(375,636)	190,397
Total primary government net position	\$ 8,090,671	\$ 9,005,070	\$ 3,816,136	\$ 10,676,754	\$ 12,556,086	\$ 13,081,407	\$ 15,680,760	\$ 17,408,095	\$ 18,445,135	\$ 19,216,108

- 1) Accounting standards require net position be reported in three categories in the financial statements: net investment in capital assets, restricted; and unrestricted. Net position is considered restricted when 1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

TABLE 2

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses										
Governmental Activities:										
General government	\$ 991,715	\$ 1,079,594	\$ 1,117,202	\$ 1,082,088	\$ 1,512,956	\$ 1,624,902	\$ 1,542,855	1,576,458	1,516,160	1,525,411
Public safety	2,505,427	2,392,658	2,583,856	2,874,346	2,355,373	2,376,017	2,423,860	2,579,286	2,491,800	2,564,543
Public works	3,491,340	2,032,771	2,018,546	2,346,618	2,355,511	2,390,227	2,486,780	2,062,845	1,989,571	2,086,952
Health and welfare	1,119,205	1,222,082	1,244,716	1,235,274	1,265,568	1,448,260	1,321,129	1,256,593	1,128,562	1,388,345
Education	1,904,743	2,721,651	7,117,018	2,122,360	1,957,075	1,982,789	1,692,638	2,416,648	2,268,173	2,326,948
Parks, recreation and cultural	468,812	409,566	462,658	495,710	507,768	490,097	477,229	444,729	445,581	474,541
Community development	944,522	778,848	736,667	773,594	711,312	503,961	562,432	514,158	561,290	329,286
Interest on long-term debt	76,117	230,739	326,666	384,818	324,163	328,206	169,304	67,234	109,767	48,915
Non-departmental	-	-	-	-	-	-	-	-	-	-
Total government activities expense	11,501,881	10,867,909	15,607,329	11,314,808	10,989,726	11,144,459	10,676,227	10,917,951	10,510,904	10,744,941
Business-Type Activities:										
Water and Wastewater	2,232,955	2,526,365	2,579,351	2,429,763	2,509,969	4,205,780	2,635,899	2,929,215	2,840,888	2,795,034
Total business-type activities expenses	2,232,955	2,526,365	2,579,351	2,429,763	2,509,969	4,205,780	2,635,899	2,929,215	2,840,888	2,795,034
Total primary government expenses	\$ 13,734,836	\$ 13,394,274	\$ 18,186,680	\$ 13,744,571	\$ 13,499,695	\$ 15,350,239	\$ 13,312,126	\$ 13,847,166	\$ 13,351,792	\$ 13,539,975
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	\$ 8,145	\$ 5,757	\$ 7,719	\$ 6,465	\$ 110,524	\$ 66,569	\$ 15,981	\$ 736	\$ 60,564	\$ 101,979
Public works	363,084	375,362	373,518	363,217	366,667	361,706	358,014	354,338	417,474	416,703
Health and welfare	1,044	27,327	137,454	63,936	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and culture	24,419	23,642	26,700	22,970	17,437	7,510	6,717	7,885	11,896	8,773
Community development	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	3,119,462	2,368,891	2,231,229	2,498,583	2,320,558	2,598,280	2,415,196	2,297,908	2,302,105	2,574,389
Capital grants and contributions	-	-	-	286,013	20,441	393,312	150,000	1,722,056	2,702,148	453,008
Total governmental activities program revenues	3,516,154	2,800,979	2,776,620	3,241,184	2,835,627	3,427,377	2,945,908	4,382,923	5,494,187	3,554,852
Business-Type Activities:										
Charges for services										
Water and Wastewater	2,073,492	1,991,660	2,346,475	2,249,376	2,335,900	2,318,868	2,265,444	2,211,146	2,314,041	2,402,922
Operating grants and contributions and other income	-	-	-	-	550,000	-	-	-	-	-
Capital grants and contributions	130,625	428,657	104,927	1,107,004	2,451,492	2,613,979	3,010,774	1,139,788	536,587	309,343
Total business-type activities program revenues	2,204,117	2,420,317	2,451,402	3,356,380	5,337,392	4,932,847	5,276,218	3,350,934	2,850,628	2,712,265
Total primary government program revenues	\$ 5,720,271	\$ 5,221,296	\$ 5,228,022	\$ 6,597,564	\$ 8,173,019	\$ 8,360,224	\$ 8,222,126	\$ 7,733,857	\$ 8,344,815	\$ 6,267,117
Net (Expense)/Revenue										
Governmental Activities	\$ (7,985,727)	\$ (8,066,930)	\$ (12,830,709)	\$ (8,073,624)	\$ (8,154,099)	\$ (7,717,082)	\$ (7,730,319)	\$ (6,535,028)	\$ (5,016,717)	\$ (7,190,089)
Business-Type Activities:	(28,838)	(106,048)	(127,949)	926,617	2,827,423	727,067	2,640,319	421,719	9,740	(82,769)
Total primary government net (expense)/revenue	\$ (8,014,565)	\$ (8,172,978)	\$ (12,958,658)	\$ (7,147,007)	\$ (5,326,676)	\$ (6,990,015)	\$ (5,090,000)	\$ (6,113,309)	\$ (5,006,977)	\$ (7,272,858)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 1,963,597	\$ 2,197,629	\$ 2,378,851	\$ 3,282,537	\$ 2,393,798	\$ 2,305,658	\$ 2,736,838	\$ 2,881,300	\$ 2,632,023	\$ 3,034,838
Local sales & use tax	1,889,055	1,901,018	2,023,409	1,887,804	1,882,301	1,918,925	1,762,729	1,606,815	1,613,223	1,609,549
Utility tax	213,873	184,079	164,698	128,412	126,570	117,214	137,995	131,006	131,322	129,032
Business license tax	813,906	826,412	901,209	795,833	773,353	951,248	853,599	887,396	812,125	842,303
Franchise license tax	38,342	9	-	-	-	-	-	-	-	-
Communication tax	67,190	179,988	185,889	217,788	223,287	211,679	217,316	211,979	211,659	204,591
Motor vehicle license	28,995	29,580	28,882	1,659	-	-	-	63,629	71,174	81,661
Bank stock tax	81,000	6,082	74,068	106,974	126,034	99,820	74,256	72,678	61,913	47,105
Recordation tax	40,602	26,036	34,284	27,055	39,256	39,598	29,516	44,876	22,158	34,009
Tobacco tax	45	38	60	185	165	180	195	41	110	40
Hotel and motel room tax	104,176	125,638	161,753	169,049	195,071	172,866	146,200	133,561	206,815	159,594
Restaurant food tax	848,702	930,578	1,025,155	1,061,575	1,126,150	1,334,156	1,262,519	1,357,112	1,360,014	1,395,556
Coal road improvement tax	188,529	186,512	234,263	166,571	222,047	244,773	116,498	79,353	56,308	32,928
Emergency telephone services tax	17,009	-	-	-	-	-	-	-	-	-
Cigarette tax	41,160	41,574	81,900	118,930	108,100	99,440	110,245	92,965	88,640	173,067
Other local taxes	118,607	141,741	128,743	101,504	30	-	106,995	107,557	70,125	89,177
Unrestricted miscellaneous revenue	58,630	70,321	97,951	53,609	76,669	90,845	118,702	104,627	99,086	68,352
Unrestricted investment earnings	137,690	256,139	192,440	82,250	39,085	35,699	25,196	28,255	28,480	29,758
Rental of Town property	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	-	34,300	8,903	-	-	-	-	-	-	-
Recovered costs	22,333	39,274	47,266	31,314	30,039	36,618	33,660	37,494	39,085	112,271
Transfers-Primary Government	-	(50,000)	-	-	-	-	-	-	-	-
Total governmental activities	6,673,441	7,126,948	7,769,724	8,233,049	7,361,955	7,658,719	7,732,459	7,840,644	7,504,260	8,043,831
Business-Type Activities:										
Unrestricted investment earnings	1,526	-	-	-	-	-	-	-	-	-
Other	-	50,000	-	-	-	-	-	-	-	-
Total business-type activities	1,526	50,000	-	-	-	-	-	-	-	-
Total primary government	\$ 6,674,967	\$ 7,176,948	\$ 7,769,724	\$ 8,233,049	\$ 7,361,955	\$ 7,658,719	\$ 7,732,459	\$ 7,840,644	\$ 7,504,260	\$ 8,043,831
Change in Net Position										
Governmental Activities	\$ (1,312,286)	\$ (939,982)	\$ (5,060,985)	\$ 159,425	\$ (792,144)	\$ (58,363)	\$ 2,140	\$ 1,305,616	\$ 2,487,543	\$ 853,742
Business-Type Activities	(27,312)	(56,048)	(127,949)	926,617	2,827,423	727,067	2,640,319	421,719	9,740	(82,769)
Total primary government	\$ (1,339,598)	\$ (996,030)	\$ (5,188,934)	\$ 1,086,042	\$ 2,035,279	\$ 668,704	\$ 2,642,459	\$ 1,727,335	\$ 2,497,283	\$ 770,973

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved	\$ 442,895	\$ 614,801	\$ 463,743	\$ 468,808	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,467,772	8,843,124	3,761,182	2,130,069	-	-	-	-	-	-
Nonspendable										574,892
Restricted										
Committed										
Assigned					505,569	487,780	431,267	347,416	372,893	97,171
Unassigned					1,710,613	1,691,149	1,250,314	1,332,585	1,210,736	1,158,552
Total general fund	\$ 2,910,667	\$ 9,457,925	\$ 4,224,925	\$ 2,598,877	\$ 2,216,182	\$ 2,178,929	\$ 1,681,581	\$ 1,680,001	\$ 1,583,629	\$ 1,830,615
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue fund	290,215	257,346	241,291	345,705	-	-	-	-	-	-
Nonspendable										
Restricted										
Committed					314,685	318,897	331,190	343,830	344,627	357,780
Assigned										14,205
Unassigned					(59,855)	(96,205)	(124,908)	(120,700)	(55,870)	-
Total all other governmental funds	\$ 290,215	\$ 257,346	\$ 241,291	\$ 345,705	\$ 254,830	\$ 222,692	\$ 206,282	\$ 223,130	\$ 288,757	\$ 371,985

- 1) GASB 54 was enacted for the year ended June 30, 2011 which changed the method of reporting fund balance.
- 2) Prior year amounts have not been restated for the implementation of Statement 54.

TABLE 4

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
General property taxes	\$ 1,974,554	\$ 2,177,005	\$ 2,370,593	\$ 3,151,837	\$ 2,383,552	\$ 2,469,808	\$ 2,550,475	\$ 2,915,376	\$ 2,679,834	\$ 3,020,812
Other local taxes	4,372,584	4,437,544	4,915,570	4,682,524	4,822,364	5,161,830	4,699,374	4,681,411	4,635,461	4,709,435
Permits and licenses	5,026	9,499	9,758	5,989	5,007	7,569	4,532	7,131	11,133	2,547
Fines and forfeitures	113,581	132,242	118,985	94,826	94,147	62,001	37,115	28,687	26,425	17,698
Investment earnings	137,690	256,139	192,440	82,250	39,085	35,699	25,196	28,255	27,843	29,758
Charges for services	396,692	432,088	545,391	456,588	410,520	380,081	380,712	378,774	479,458	489,628
Other revenues	58,630	70,321	97,951	53,508	60,176	89,177	250,406	104,627	75,415	89,595
Recovered cost	15,510	19,825	14,003	19,058	16,754	23,579	17,277	18,761	20,706	112,271
Intergovernmental	3,119,462	2,368,891	2,231,229	2,784,596	2,340,999	3,026,368	2,492,238	4,105,808	5,074,378	3,099,574
Total revenues	10,193,729	9,903,554	10,495,920	11,331,176	10,172,604	11,256,112	10,457,325	12,268,830	13,030,653	11,571,318
Expenditures										
General government	1,009,235	1,090,825	1,114,690	1,048,146	1,116,081	1,206,033	1,180,843	1,130,587	1,150,354	1,182,299
Judicial administration	380,049	403,468	432,678	418,768	349,229	366,037	353,367	412,859	389,285	377,549
Public safety	2,101,934	1,956,180	2,199,811	2,600,995	2,298,038	2,553,195	2,308,031	2,497,672	2,423,506	2,644,107
Public works	3,266,850	1,951,478	1,995,754	2,015,567	2,191,672	2,606,618	2,294,322	1,742,342	1,776,800	1,843,175
Health and welfare	1,151,555	1,203,034	1,249,969	1,210,767	1,261,980	1,437,933	1,302,277	1,233,314	1,159,055	1,423,325
Education and transfer to school	1,904,743	2,721,651	7,117,018	3,964,745	1,804,736	1,830,450	2,169,025	2,401,810	2,268,173	2,326,948
Parks, recreation and culture	465,087	395,917	437,326	474,833	483,551	468,752	455,638	438,256	427,708	472,460
Community development	938,486	786,560	739,284	776,038	725,216	517,866	554,868	2,229,763	3,342,994	867,911
Non-Departmental	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal	118,738	168,746	190,026	7,652,315	7,684,450	166,689	15,284,397	121,031	1,182,821	124,861
Interest	102,547	224,755	328,594	202,993	376,273	330,574	316,659	66,662	167,718	41,808
Total expenditures	11,439,224	10,902,614	15,805,150	20,365,167	18,291,226	11,484,147	26,219,427	12,274,296	14,288,414	11,304,443
Excess of revenues over (under) expenditures	(1,245,495)	(999,060)	(5,309,230)	(9,033,991)	(8,118,622)	(228,035)	(15,762,102)	(5,466)	(1,257,761)	266,875
Other Financing Sources (Uses)										
Proceeds from borrowing	1,803,566	7,500,000	-	7,500,000	7,615,839	140,000	7,588,375	-	1,208,000	50,000
Insurance Recoveries	6,823	19,449	33,263	12,256	13,285	13,039	16,383	18,733	18,379	8,761
Proceeds from sale of assets	7,809	44,000	26,912	101	15,928	5,605	18,296	-	637	4,578
Transfers	-	(50,000)	-	-	-	-	7,627,291	-	-	-
Total other financing sources (uses)	1,818,198	7,513,449	60,175	7,512,357	7,645,052	158,644	15,250,345	18,733	1,227,016	63,339
Net change in fund balance	\$ 572,703	\$ 6,514,389	\$ (5,249,055)	\$ (1,521,634)	\$ (473,570)	\$ (69,391)	\$ (511,757)	\$ 13,267	\$ (30,745)	\$ 330,214
Debt service as a percentage of noncapital expenditures	1.97%	3.74%	3.39%	62.79%	78.79%	4.53%	146.93%	1.55%	10.44%	1.50%

TABLE 5

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
				Real Estate	Personal Property			
2016	\$ 225,828,836	\$ 29,049,973	\$ 5,087,058	\$ 24,698,933	\$ -	\$ 1,601,097	\$ 286,265,897	1.055
2015	218,737,522	29,431,057	5,185,961	26,192,424	124,975	1,541,202	281,213,141	0.953
2014	219,165,572	30,450,311	5,373,264	26,983,560	131,432	1,631,722	283,735,861	0.944
2013	219,917,050	27,704,382	5,140,577	25,509,133	137,719	1,662,142	280,071,003	0.911
2012	220,246,000	25,632,421	5,101,639	25,290,691	130,980	1,846,346	278,248,077	0.888
2011	202,774,175	24,275,249	5,534,737	25,290,691	128,859	1,829,482	259,833,193	0.917
2010	200,402,000	22,747,754	5,181,036	24,358,835	128,859	1,877,582	254,696,066	1.237
2009	203,528,195	22,228,011	4,471,807	26,302,792	140,301	1,948,259	258,619,365	0.917
2008	181,461,721	21,629,450	4,571,874	24,413,178	157,861	2,103,400	234,337,484	0.929
2007	180,101,130	16,733,091	7,006,663	26,523,134	184,423	2,086,500	232,634,941	0.849

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
2016	\$ 0.90	\$ 1.85	\$ 1.85	\$ 0.90	\$ 0.90	\$ 1.85
2015	0.80	1.85	1.85	0.80	0.80	1.85
2014	0.80	1.85	1.85	0.80	0.80	1.85
2013	0.80	1.85	1.85	0.80	0.80	1.85
2012	0.80	1.85	1.85	0.80	0.80	1.85
2011	0.80	1.85	1.85	0.80	0.80	1.85
2010	0.80	1.85	1.85	0.80	0.80	1.85
2009	0.80	1.85	1.85	0.80	0.80	1.85
2008	0.80	1.85	1.85	0.80	0.80	1.85
2007	0.70	1.85	1.85	0.70	0.70	1.85

1) Rates are presented per \$100 assessed value

TABLE 7

**CITY OF NORTON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
CURRENT YEAR AND TEN YEARS AGO**

June 30, 2016

<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	\$ 15,241,400	6.97%
BRE NON CORE Owner LLC	Shopping Center	9,336,900	4.27%
Norton SRX LLC	Shopping Center	6,307,600	2.88%
Camden Norton Associates LLC	Shopping Center	5,642,300	2.58%
Wellmont Health System	Health Care	5,471,200	2.50%
Norton Community Hospital	Health Care	4,562,700	2.09%
Norton Host, LLC	Hotel/Restaurant	4,128,100	1.89%
Khushi Hospitality (Quality Inn)	Hotel	2,928,500	1.34%
W. P. Armistead	Commercial and Residential Rental Property	2,653,800	1.21%
Carter Machinery	Retail	20,363,000	9.31%

June 30, 2006:

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

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

TABLE 8

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

Fiscal Years Ended June 30	Total Tax Levy (1)(2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections(3)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2016	\$ 3,106,353	\$ 2,780,558	89.51%	\$ 140,006	2,920,564	94.02%	\$ 369,906	11.91%
2015	2,731,203	2,545,590	93.20%	56,280	2,601,870	95.26%	320,961	11.75%
2014	2,800,408	2,559,728	91.41%	247,834	2,807,562	100.26%	257,050	9.18%
2013	2,579,781	2,384,644	92.44%	109,433	2,494,077	96.68%	378,758	14.68%
2012	2,378,441	2,212,823	93.04%	165,549	2,378,372	100.00%	320,362	13.47%
2011	2,470,143	2,240,426	90.70%	61,974	2,302,400	93.21%	310,935	12.59%
2010	3,319,804	3,061,824	92.23%	33,651	3,095,475	93.24%	230,997	6.96%
2009	2,372,555	2,317,343	97.67%	22,769	2,340,112	98.63%	91,330	3.85%
2008	2,142,563	2,117,885	98.85%	37,259	2,155,144	100.59%	67,622	3.16%
2007	1,936,503	1,910,346	98.65%	35,736	1,946,082	100.49%	63,713	3.29%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

TABLE 9

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

Fiscal Years Ended June 30	Governmental Activities		Business-Type Activities		Component Unit Bonds	Total Debt	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	General Obligation					
			Water and Wastewater Bonds					
2016	\$ 1,316,121	\$ 29,438	\$ 8,143,884	9,260,000	18,749,443	13.54%	\$ 4,752	
2015	1,363,000	58,141	8,139,139	9,784,434	19,344,714	12.98%	4,821	
2014	1,285,000	110,961	7,804,349	10,341,185	19,541,495	12.65%	4,817	
2013	1,355,000	161,992	8,080,638	10,901,644	20,499,274	12.13%	4,889	
2012	8,988,191	224,823	6,108,271	2,108,327	17,429,612	10.55%	4,252	
2011	9,113,731	125,972	3,761,934	2,626,591	15,628,228	9.40%	3,949	
2010	9,236,731	71,582	2,866,944	3,135,372	15,310,629	10.79%	3,977	
2009	9,352,298	108,330	2,281,907	3,742,384	15,484,919	11.48%	4,022	
2008	9,465,533	185,121	2,366,835	4,341,228	16,358,717	13.26%	4,376	
2007	2,071,535	156,892	2,252,664	4,927,391	9,408,482	8.03%	2,588	

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

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	Outstanding		
	General Obligation Bonds		
2016	\$ 18,495,011	6.46%	\$ 4,687
2015	18,697,886	6.65%	4,659
2014	18,327,250	6.46%	4,517
2013	17,853,819	6.37%	4,258
2012	13,411,630	4.82%	3,272
2011	11,020,140	4.24%	2,784
2010	10,474,084	4.11%	2,721
2009	10,055,175	3.89%	2,612
2008	10,307,042	4.40%	2,757
2007	3,055,569	1.31%	840

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

TABLE 11

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed valuations										
Assessed value of taxed real property	\$ 206,624,264	\$ 205,874,899	\$ 229,830,987	\$ 224,760,835	\$ 228,064,866	\$ 245,536,691	\$ 245,426,183	\$ 246,149,132	\$ 244,929,946	\$ 250,527,769
Legal debt margin										
Debt limit - 10 percent of total assessed value	20,662,426	20,587,490	22,983,099	22,476,084	22,806,487	24,553,669	24,542,618	24,614,913	24,492,995	25,052,777
Debt applicable to limitation:										
Total bonded debt	9,408,482	16,358,717	15,484,919	15,310,629	15,628,228	17,429,612	20,499,274	19,541,495	19,344,714	18,749,443
Less - Enterprise Debt	(6,196,021)	(5,866,554)	(5,321,414)	(4,764,963)	(4,482,116)	(3,793,159)	(2,483,463)	(1,103,284)	(588,689)	(224,994)
Total amount of debt applicable to debt limitation	3,212,461	10,492,163	10,163,505	10,545,666	11,146,112	13,636,453	18,015,811	18,438,211	18,756,025	18,524,449
Legal debt margin	\$ 17,449,965	\$ 10,095,327	\$ 12,819,594	\$ 11,930,418	\$ 11,660,375	\$ 10,917,216	\$ 6,526,807	\$ 6,176,702	\$ 5,736,970	\$ 6,528,328
Total net debt applicable to the limit as a percentage of debt limit	15.55%	50.96%	44.22%	46.92%	48.87%	55.54%	73.41%	74.91%	76.58%	73.94%

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

Fiscal Years Ended June 30	Water and Wastewater Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2016	\$ 2,402,922	\$ 1,960,348	\$ 442,574	\$ 229,906	\$ 180,693	\$ 410,599	1.08
2015	2,314,041	2,107,896	206,145	158,950	120,455	279,405	0.74
2014	2,211,146	2,132,102	79,044	1,022,913	195,404	1,218,317	0.06
2013	2,265,444	2,082,646	182,798	1,017,797	180,356	1,198,153	0.15
2012	2,318,868	2,303,377	15,491	121,871	123,995	245,866	0.06
2011	2,336,189	2,147,590	188,599	155,096	93,546	248,642	0.76
2010	2,249,376	2,065,484	183,892	81,143	93,895	175,038	1.05
2009	2,346,475	2,213,375	133,100	81,768	96,443	178,211	0.75
2008	1,991,660	2,150,133	(158,473)	72,670	89,362	162,032	(0.98)
2007	2,073,492	1,882,789	190,703	74,306	99,757	174,063	1.10

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

TABLE 13

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

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2016	3,946	138,504,600	\$ 35,100	39.0	814	6.50%
2015	4,013	148,994,664	37,128	38.0	820	7.80%
2014	4,057	154,425,648	38,064	38.0	828	8.20%
2013	4,193	143,903,760	34,320	39.0	887	8.70%
2012	4,099	146,858,972	35,828	39.0	882	8.10%
2011	3,958	143,247,936	36,192	40.0	852	7.60%
2010	3,850	139,539,400	36,244	40.0	823	8.60%
2009	3,850	135,335,200	35,152	40.0	784	6.60%
2008	3,738	127,316,280	34,060	39.0	780	5.20%
2007	3,636	119,871,648	32,968	39.0	731	4.10%

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

TABLE 14

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

June 30, 2016		Total Estimated Employment
<u>Employer</u>	<u>Product or Service</u>	
Norton Community Hospital	Health Care	250 +/-
Wal Mart	Commercial Retailer/Grocer	225 +/-
Bristol Regional Health System	Health Care	200 +/-
Norton City School Board	Public Agency	175 +/-
City of Norton	Public Agency	100 +/-
June 30, 2006		Total Estimated Employment
<u>Employer</u>	<u>Product or Service</u>	
Norton Community Hospital	Health Care	500
Wal Mart	Commercial Retailer/Grocer	250
Mountain View Regional Medical	Health Care	200
Norton City School Board	Public Agency	151
City of Norton	Public Agency	114

1) Fiscal year 2005-06 is first year of data available

2) Source: Virginia Employment Commission - Community Profile

TABLE 15

CITY OF NORTON, VIRGINIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Management services	3.5	4	4	4	4	4	4	3.5	3.5	3.5
Finance	5	5	4	4	4	4	4	4	4	4
Planning	1	2	2	1.5	2	2	2	1.5	1.5	1.5
Other	6.5	6	6	5.5	6	6	6	6	6	6
Public safety										
Officers	15.5	17.5	17.5	18	17.5	16	16	16	16	16
Dispatchers/Clerks	6	7	7	7	7	8.5	8.5	8.5	8.5	8.5
Sheriff's Office	4	4	4	4	3	3	3	3	3	3
Animal Control	1	1	1	1	1	1	1	1	1	1
Building	1	2	2	1	1	1	1	1	1	1
Emergency Management	0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Fire	1	1	1	1	1	1	1	1	1	1
Public works										
Engineering	1	1	1	1	1	1	1	1	1	1
Streets	18	11	12	13	13	11.5	11.5	10	9	9
Refuse Collections	4.5	4	4.5	4	5	5.5	5.5	6	6	6
General Properties	5	4	5	4	4.5	4.5	4.5	5	5	5
Parks and recreation										
Maintenance	9	5	5	6	5.5	5.5	4.5	4.5	4.5	4
Other	7	6	6	6	1	1	1	1	1	1
Water operations										
Administration	2	2	3	3	3	3	3	3	3	3
Plant Operations	6	6.5	6.5	7	7	7	7	6	6	6
Maintenance	5	7	7	7	7	7	7	7	7	7
Social Services										
Administrative	5	5	5	5	4.5	4.5	4.5	4.5	4.5	5
Eligibility	7	7	7	7	7	7	7	7	7	7
Social Worker	3	3	3	3	3	3	3	3	3	3

1) Source: City of Norton's Finance department

TABLE 16

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Citations issued	1,973	2,521	2,762	2,374	2,433	1,550	876	1,139	1,051	830
Parking Tickets issued	523	387	215	139	390	116	63	83	31	32
Crime/Arrest/Incident reports filed	874	868	866	787	842	758	661	690	647	579
911 Calls dispatched	3,848	4,176	5,260	5,059	5,469	4,514	4,018	4,075	3,402	3722
Public Works										
Number of citizen requests for services	1,026	858	852	2,331	972	883	814	726	651	685
Water operations										
Number of service connections	2,286	2,271	2,279	2,292	2,305	2,301	2,263	2,240	2,222	2199
Number of citizen requests for services	2,483	2,483	2,349	1,866	2,022	1,887	1,963	2,251	2,052	3939
Average daily plant output in gallons	1.10 Million	1.084 Million	.870 Million	.870 Million	.870 Million	.740 Million	.680 Million	.420 Million	.497 Million	.658 Million
Maximum daily capacity of plant in gallons	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million
Wastewater operations										
Number of service connections	2,040	2,029	2,033	2,035	2,115	2,116	2,080	2,067	2,169	2023

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

<u>Function</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Number of patrol units	11	11	13	15	15	15	16	16	22	24
Public works										
Streets (lane miles)	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73
Streetlights	440	440	440	440	440	440	440	440	440	479
Traffic signals	8	8	8	8	8	8	8	9	9	9
Water operations										
Miles of water main	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31
Number of fire hydrants	250	250	250	250	250	250	255	255	255	255
Wastewater operations										
Miles of sanitary sewers	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16
Miles of storm sewers	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2