

CITY OF NORTON, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

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INTRODUCTORY SECTION

CITY OF NORTON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2019

CITY COUNCIL

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

OTHER OFFICIALS

Fred L. Ramey City Manager
Jeff Shupe Director of Finance
James Lane..... Chief of Police
Steve McElroyDirector of Public Works
Winfred Collins Building Official/Zoning Administrator
Todd Lagow..... Fire Chief and Emergency Services Coordinator
Andrew Greear Superintendent Water Treatment Plant
Michael Knox Director of Parks & Recreation
Barbara Muir..... Treasurer
Judy Miller..... Commissioner of Revenue
Carlos Noaks.....Sheriff
William E. Bradshaw..... Attorney at Law

School Board

Sherry Adams Chair
Mark Leonard Vice-Chair
Carol Caruso
Joseph Stallard
April Fletcher
Dr. Gina Wohlford..... Superintendent

Social Services Advisory Board

Sara Ring..... Director
Tim Ray Adams
Vicki Stidham
Jessica Fultz
Jen Boa
Frank Gravely



Management Discussion and Analysis (Unaudited)

May 5, 2020

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, 2019.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 21,395,090 (net position).
- At June 30, 2019, the City reported combined ending fund balances of \$ 4,029,550 an increase of \$ 611,080 in comparison with the prior year.
- As of June 30, 2019, the General Fund had a total Fund Balance of \$ 3,367,422.
- The total debt outstanding as of June 30, 2019 was \$ 17,478,824 which includes the component units. As of June 30, 2019, the City's Legal Debt Margin was \$ 10,054,687.
- The Water/Sewer Proprietary Fund had a decrease in Net Position for the year of \$ 223,818.

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, 2019

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Current & other assets	\$ 6,558,614	\$ 441,814	\$ 7,000,428
Capital assets	9,705,479	17,282,667	26,988,146
Total Assets	<u>\$ 16,264,093</u>	<u>\$ 17,724,481</u>	<u>\$ 33,988,574</u>
Current & other liabilities	\$ 1,049,196	\$ 462,030	\$ 1,511,226
Long-term liabilities	2,347,481	7,445,376	9,792,857
Total Liabilities	<u>\$ 3,396,677</u>	<u>\$ 7,907,406</u>	<u>\$ 11,304,083</u>
Deferred Inflows	\$ 1,792,631	\$ 81,674	\$ 1,874,305
Less - Deferred Outflows	543,526	41,378	584,904
Total Deferred	<u>\$ 1,249,105</u>	<u>\$ 40,296</u>	<u>\$ 1,289,401</u>
Net Position:			
Invested in Capital assets	\$ 8,560,781	\$ 9,920,024	\$ 18,480,805
Unrestricted	3,057,530	(143,245)	2,914,285
Total Net Position	<u>\$11,618,311</u>	<u>\$ 9,776,779</u>	<u>\$ 21,395,090</u>

Net position serves as a useful indicator of a government's financial position. The City's combined net position total is \$ 21,395,090 excluding discretely presented component units. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$ 18,480,805. The City of Norton uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Governmental Activities – Governmental activities increased the City's net position by \$ 1,434,182. Key elements of this increase are as follows:

Governmental Activities Year Ended June 30, 2019	
Revenues:	
Program Revenues:	
Charges for Services	\$ 537,710
Operating Grants and Contributions	3,223,571
General Revenues:	
Property Taxes	3,156,805
Other Local Taxes	4,889,010
Other	321,709
Total Revenues	<u>\$12,128,805</u>
Expenses:	
General Government	\$ 1,151,715
Judicial Administration	386,536
Public Safety	2,717,698
Public Works	2,134,947
Health and Welfare	1,307,516
Education	2,407,067
Parks, Recreation, Culture	511,651
Community Development	38,483
Interest of Long Term Debt	39,010
Total Expenses	<u>\$ 10,694,623</u>
Increase (Decrease) in Net Position	<u>\$ 1,434,182</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 \$ 1,434,182 for FY2019. A portion of the 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Real Property Tax	\$ 1,977,083	2,029,508	2,111,134	2,062,943	1,699,401
Local Sales and Use Tax	\$ 1,639,810	1,518,284	1,541,644	1,609,549	1,613,223
Restaurant Food Taxes	\$ 1,496,570	1,388,390	1,401,747	1,395,556	1,360,014
Street & Highway Maintenance	\$ 870,286	845,049	860,487	841,655	809,297
Business License Taxes	\$ 789,539	779,120	750,765	842,303	812,125
Personal Property Taxes	\$ 640,982	558,745	557,457	540,191	555,523

The City’s assessed value of real estate for the year was \$ 260,729,950. The real estate tax rate is \$.90 per \$ 100 of assessed value. For the year, the percent of levy collected was 93.29%. 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 increase in net position of \$ 223,818. In addition, cash and cash equivalents increased by \$ 120,550 to \$370,779.

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <i>Favorable</i> <i>(Unfavorable)</i>
Total Revenues	\$ 10,851,823	\$ 10,982,497	\$ 130,674
Total Expenses	10,851,823	<u>10,387,877</u>	\$ 463,946
Excess of Revenues Over Expenses		<u>\$ 594,620</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.

FINANCIAL SECTION

INDEPENDENT AUDITORS' 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, 2019, 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.

Auditors' 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 auditors' 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, 2019, 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.

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 and other post-employment benefit schedules, as listed in the table of contents, 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 May 5, 2020 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.

Rodger Moss & Co, PLLC

Norton, Virginia
May 5, 2020

BASIC FINANCIAL STATEMENTS

CITY OF NORTON, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government			Component Units	
	Governmental	Business-Type	Totals	School Board	Industrial
	Activities	Activities		Development	Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 816,452	\$ 238,523	\$ 1,054,975	\$ 207,018	\$ 1,393,771
Restricted cash (Note 2)	15,388	132,256	147,644	388,191	65,000
Investments	2,870,059	-	2,870,059	-	-
Receivables, net (Note 3)	1,666,038	577,448	2,243,486	-	11,620
Prepays	40	-	40	-	24,813
Inventories	3,008	-	3,008	-	-
Due from other governments (Note 4)	671,998	-	671,998	539,816	60,678
Due from primary government	-	-	-	187,497	-
Due from component units	9,218	-	9,218	-	-
Internal balances (Note 5)	506,413	(506,413)	-	-	-
Net pension asset (Note 12)	-	-	-	348,704	-
Capital assets (Note 7)					
Nondepreciable	1,183,617	887,807	2,071,424	99,087	1,410,703
Depreciable, net	8,521,862	16,394,860	24,916,722	9,709,421	4,629,463
Total assets	16,264,093	17,724,481	33,988,574	11,479,734	7,596,048
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	73,838	-	73,838	-	-
Deferred outflows related to pensions (Note 12)	249,331	37,454	286,785	751,168	-
Deferred outflows related to other postemployment benefits (Note 14)	220,357	3,924	224,281	88,366	-
Total deferred outflows of resources	543,526	41,378	584,904	839,534	-
LIABILITIES					
Accounts payable and other current liabilities	506,519	282,959	789,478	394,809	56,984
Accrued payroll and related liabilities	93,091	13,561	106,652	458,355	-
Accrued interest	12,054	33,254	45,308	120,907	-
Customer security deposits	-	132,256	132,256	-	-
Due to other governmental units	250,035	-	250,035	-	-
Due to primary government	-	-	-	9,218	-
Due to component unit	187,497	-	187,497	-	-
Long-term liabilities:					
Net pension liability (Note 12)	173,395	26,047	199,442	5,218,000	-
Net other postemployment benefits/liabilities (Note 14)	840,419	36,368	876,787	1,231,769	-
Due within one year (Note 9)	217,454	271,608	489,062	751,885	65,000
Due in more than one year (Note 9)	1,116,213	7,111,353	8,227,566	7,945,311	-
Total liabilities	3,396,677	7,907,406	11,304,083	16,130,254	121,984
DEFERRED INFLOWS OF RESOURCES					
Property taxes	1,171,927	-	1,171,927	-	-
Deferred inflows related to pensions (Note 12)	515,883	77,495	593,378	1,301,593	-
Deferred inflows related to other postemployment benefits (Note 14)	104,821	4,179	109,000	135,590	-
Total deferred inflows of resources	1,792,631	81,674	1,874,305	1,437,183	-
NET POSITION					
Net investment in capital assets	8,560,781	9,920,024	18,480,805	1,232,975	6,040,166
Restricted	-	-	-	348,704	65,000
Unrestricted	3,057,530	(143,245)	2,914,285	(6,829,848)	1,368,898
Total net position	\$ 11,618,311	\$ 9,776,779	\$ 21,395,090	\$ (5,248,169)	\$ 7,474,064

CITY OF NORTON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

EXHIBIT 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals	Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			School Board	Economic Development Authority
					Governmental Activities	Business-Type Activities			
Primary Government:									
Governmental activities:									
General government	\$ 1,151,715	\$ -	\$ 192,425	\$ -	\$ (959,290)		\$ (959,290)		
Judicial administration	386,536	-	-	-	(386,536)		(386,536)		
Public safety	2,717,698	104,630	1,015,101	-	(1,597,967)		(1,597,967)		
Public works	2,134,947	411,018	996,935	-	(726,994)		(726,994)		
Health and welfare	1,307,516	-	894,286	-	(413,230)		(413,230)		
Education	2,407,067	-	-	-	(2,407,067)		(2,407,067)		
Parks, recreation, and cultural	511,651	22,062	54,500	-	(435,089)		(435,089)		
Community development	38,483	-	70,324	-	31,841		31,841		
Interest	39,010	-	-	-	(39,010)		(39,010)		
Total governmental activities	10,694,623	537,710	3,223,571	-	(6,933,342)		(6,933,342)		
Business-type activities:									
Water and sewer	2,841,008	2,778,976	-	285,850		223,818	223,818		
Total business-type activities	2,841,008	2,778,976	-	285,850		223,818	223,818		
Total primary government	\$ 13,535,631	\$ 3,316,686	\$ 3,223,571	\$ 285,850	\$ (6,933,342)	\$ 223,818	\$ (6,709,524)		
Discretely Presented Component Units:									
School Board	\$ 8,201,384	\$ -	\$ 6,469,946	\$ -				\$ (1,731,438)	
Industrial Development Authority	543,950	358,833	583,290	-					\$ 398,173
Total component units	\$ 8,865,334	\$ 358,833	\$ 7,053,236	\$ -				\$ (1,731,438)	\$ 398,173
General revenues:									
General property taxes					3,156,805	-	3,156,805	-	-
Local sales & use tax					1,639,810	-	1,639,810	-	-
Utility Taxes					127,413	-	127,413	-	-
Business license taxes					789,539	-	789,539	-	-
Communication taxes					194,619	-	194,619	-	-
Motor vehicle tax					85,205	-	85,205	-	-
Bank stock taxes					50,778	-	50,778	-	-
Recordation taxes					17,026	-	17,026	-	-
Hotel and motel room taxes					158,331	-	158,331	-	-
Restaurant food taxes					1,496,570	-	1,496,570	-	-
Coal road improvement taxes					39,774	-	39,774	-	-
Cigarette tax					168,425	-	168,425	-	-
Other local taxes					121,520	-	121,520	-	-
Unrestricted miscellaneous revenue					26,208	-	26,208	255,421	-
Unrestricted investment earnings					67,717	-	67,717	2,097	30,154
Gain (loss) on sale of materials					2,060	-	2,060	-	-
Insurance recoveries					7,692	-	7,692	-	-
Recovered cost					218,032	-	218,032	-	99,515
Transfers					-	-	-	2,399,609	-
Total general revenues					8,367,524	-	8,367,524	2,657,127	129,669
Change in net position					1,434,182	223,818	1,658,000	925,689	527,842
NET POSITION AT JULY 1 (Note 19)					10,184,129	9,552,961	19,737,090	(6,173,858)	6,946,222
NET POSITION AT JUNE 30					\$ 11,618,311	\$ 9,776,779	\$ 21,395,090	\$ (5,248,169)	\$ 7,474,064

**CITY OF NORTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	General	Virginia Public Assistance Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 146,598	\$ 193,662	\$ 476,192	\$ 816,452
Restricted cash	15,388	-	-	15,388
Investments	2,870,059	-	-	2,870,059
Taxes Receivable	1,445,401	-	-	1,445,401
Accounts receivable	220,637	-	-	220,637
Due from other funds	746,589	78,976	-	825,565
Inventory	3,008	-	-	3,008
Prepaid	40	-	-	40
Due from component unit	9,218	-	-	9,218
Due from other governmental units	580,117	91,881	-	671,998
Total assets	<u>\$ 6,037,055</u>	<u>\$ 364,519</u>	<u>\$ 476,192</u>	<u>\$ 6,877,766</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 483,333	\$ 23,186	\$ -	\$ 506,519
Accrued payroll and related liabilities	79,125	13,966	-	93,091
Due to other funds	177,721	97,359	44,072	319,152
Due to component unit	187,497	-	-	187,497
Due to other governmental units	250,035	-	-	250,035
Total liabilities	<u>1,177,711</u>	<u>134,511</u>	<u>44,072</u>	<u>1,356,294</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable/deferred taxes	1,491,922	-	-	1,491,922
Total deferred inflows of resources	<u>1,491,922</u>	<u>-</u>	<u>-</u>	<u>1,491,922</u>
FUND BALANCES (Note 6)				
Nonspendable	490,562	-	-	490,562
Restricted	-	-	-	-
Committed	-	-	432,120	432,120
Assigned	77,295	230,008	-	307,303
Unassigned	2,799,565	-	-	2,799,565
Total fund balances	<u>3,367,422</u>	<u>230,008</u>	<u>432,120</u>	<u>4,029,550</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,037,055</u>	<u>\$ 364,519</u>	<u>\$ 476,192</u>	<u>\$ 6,877,766</u>

CITY OF NORTON, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total Fund Balance - Governmental Funds		\$ 4,029,550
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.</p>		
Nondepreciable	\$ 1,183,617	
Depreciable, net	<u>8,521,862</u>	9,705,479
<p>Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		
		319,995
<p>Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources - pensions	249,331	
Deferred outflows of resources - other postemployment benefits	220,357	
Deferred inflows of resources - pensions	(515,883)	
Deferred inflows of resources - other postemployment benefits	(104,821)	
Net pension liability	(173,395)	
Net other postemployment benefits liabilities	<u>(840,419)</u>	(1,164,830)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable, including unamortized premiums	(1,028,630)	
Deferred charge on refunding	73,838	
Compensated absences	(188,969)	
Capital lease payable	(116,068)	
Accrued interest payable	<u>(12,054)</u>	(1,271,883)
Total Net Position - Governmental Activities		<u>\$ 11,618,311</u>

CITY OF NORTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	General	Virginia Public Assistance Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 2,990,029	\$ -	\$ -	\$ 2,990,029
Other local taxes	4,767,490	-	-	4,767,490
Permits, privilege fees, and regulatory licenses	16,258	-	-	16,258
Fines and forfeitures	14,146	-	89,783	103,929
Use of money and property	65,846	-	-	65,846
Charges for services	433,782	-	1,871	435,653
Miscellaneous	20,614	5,594	-	26,208
Recovered costs	129,682	-	-	129,682
Intergovernmental	2,331,898	996,935	-	3,328,833
Total revenues	<u>10,769,745</u>	<u>1,002,529</u>	<u>91,654</u>	<u>11,863,928</u>
EXPENDITURES				
Current:				
General government	1,208,856	-	-	1,208,856
Judicial administration	395,899	-	-	395,899
Public safety	3,052,549	-	32,642	3,085,191
Public works	2,227,861	-	-	2,227,861
Health and welfare	105,291	1,267,059	-	1,372,350
Education	2,407,067	-	-	2,407,067
Parks, recreation and cultural	547,053	-	-	547,053
Community development	38,502	-	-	38,502
Debt service:				-
Principal retirement	151,154	-	-	151,154
Interest and fiscal charges	31,667	-	-	31,667
Capital outlays	-	-	-	-
Total expenditures	<u>10,165,899</u>	<u>1,267,059</u>	<u>32,642</u>	<u>11,465,600</u>
Excess (deficiency) of revenues over expenditures	<u>603,846</u>	<u>(264,530)</u>	<u>59,012</u>	<u>398,328</u>
OTHER FINANCING SOURCES (USES)				
Sale of surplus	2,060	-	-	2,060
Insurance recoveries	7,692	-	-	7,692
Loan proceeds	203,000	-	-	203,000
Transfers in	-	221,978	-	221,978
Transfers out	(221,978)	-	-	(221,978)
Total other financing sources (uses)	<u>(9,226)</u>	<u>221,978</u>	<u>-</u>	<u>212,752</u>
Net change in fund balances	594,620	(42,552)	59,012	611,080
FUND BALANCES AT JULY 1	<u>2,772,802</u>	<u>272,560</u>	<u>373,108</u>	<u>3,418,470</u>
FUND BALANCES AT JUNE 30	<u>\$ 3,367,422</u>	<u>\$ 230,008</u>	<u>\$ 432,120</u>	<u>\$ 4,029,550</u>

CITY OF NORTON, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Net Change in Fund Balances - Governmental Funds	\$ 611,080
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 are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	\$ 889,358
Depreciation expense	<u>(484,842)</u>
	404,516
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	166,775
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net position.	(51,846)
Governmental funds report proceeds from the sale of capital assets as an increase in financial resources while governmental activities report the gain or loss on the sale of capital assets.	-
Some expenses reported in the Statement of Activities, such as compensated do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	<u>52,852</u>
	52,852
Governmental funds report employer 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.	287,172
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.	(29,024)
Governmental funds report the effect of bond premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows:	
Amortization of gain/loss from refundings	(9,230)
Change in accrued interest payable	<u>1,887</u>
	<u>(7,343)</u>
Change in Net Position - Governmental Activities	\$ <u>1,434,182</u>

**CITY OF NORTON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019**

	Water and Sewer
ASSETS	
Current assets:	
Cash and investments	\$ 238,523
Receivables, net	577,448
Due from other funds	98,745
Total current assets	914,716
Noncurrent assets:	
Restricted cash	132,256
Capital assets, net	17,282,667
Total noncurrent assets	17,414,923
Total assets	18,329,639
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	37,454
Deferred outflows related to other postemployment benefits	3,924
Total deferred outflows of resources	41,378
LIABILITIES	
Current liabilities:	
Accounts payable	282,959
Accrued payroll and related liabilities	13,561
Accrued interest	33,254
Due to other funds	605,158
Customer security deposits	132,256
Compensated absences	6,095
Debt obligations, current	265,513
Total current liabilities	1,338,796
Noncurrent liabilities:	
Compensated absences	14,223
Net pension liability	26,047
Net other postemployment benefit liabilities	36,368
Debt obligations	7,097,130
Total noncurrent liabilities	7,173,768
Total liabilities	8,512,564
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	77,495
Deferred inflows related to other post employment benefits	4,179
Total deferred inflows of resources	81,674
NET POSITION	
Net investment in capital assets	9,920,024
Restricted	-
Unrestricted	(143,245)
Total net position	\$ 9,776,779

CITY OF NORTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Water and Sewer
OPERATING REVENUES	
Charges for services	
Water:	
Local	\$ 895,088
Non-Local	193,625
Sewer:	
Local	1,219,175
Non-Local	330,608
Connection fees	22,752
Penalties	63,872
Miscellaneous	53,856
Total operating revenues	2,778,976
OPERATING EXPENSES	
Personnel	451,633
Fringe benefits	195,623
Contractual services	845,704
Other charges	440,681
Water purchased for resale	37,087
Depreciation and amortization	666,563
Total operating expenses	2,637,291
Operating income	141,685
NONOPERATING REVENUES (EXPENSES)	
Grant income	285,850
Interconnect expense	(20,971)
Interest expense	(182,746)
Total nonoperating revenues (expenses)	82,133
Change in net position	223,818
NET POSITION AT JULY 1	9,552,961
NET POSITION AT JUNE 30	\$ 9,776,779

**CITY OF NORTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2019**

EXHIBIT 9

	Water and Sewer
OPERATING ACTIVITIES	
Receipts from customers and properties	\$ 2,709,972
Receipts from other sources	53,856
Payments to suppliers	(1,492,436)
Payments to employees	(445,826)
	<u>825,566</u>
Net cash provided by operating activities	
NONCAPITAL FINANCING ACTIVITIES	
Interfund borrowing	6,953
	<u>6,953</u>
Net cash provided by noncapital financing activities	
CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(354,242)
Proceeds from issuance of debt	-
Contributed Capital - grant revenue	115,782
Interconnect expense	(20,971)
Principal paid	(266,814)
Interest paid	(185,723)
	<u>(711,968)</u>
Net cash used in capital and related financing activities	
Net increase (decrease) in cash and cash equivalents	
	120,551
CASH AND CASH EQUIVALENTS	
Beginning at July 1	250,228
Ending at June 30	<u>\$ 370,779</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:	
Cash and investments	\$ 238,523
Restricted cash	132,256
	<u>\$ 370,779</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 141,685
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	666,563
Pension expense net of employer contributions	(60,742)
Other post-employment benefit expense net of employer contributions	(7,967)
Change in assets and liabilities:	
(Increase) decrease in:	
Receivables, net	(17,530)
Due from other governments	-
Increase (decrease) in:	
Accounts payable and other current liabilities	95,368
Accrued payroll and related liabilities	2,755
Customer deposits	2,382
Compensated absences	3,052
	<u>825,566</u>
Net cash provided by operating activities	
	<u>\$ 825,566</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF NORTON, VIRGINIA
 AGENCY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 June 30, 2019**

	Special Welfare Fund
ASSETS	
Cash	\$ 13,119
Total assets	13,119
NET POSITION	
Amounts held for social service clients	13,119
Total net position	\$ 13,119

CITY OF NORTON, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2019

	Special Welfare Fund
ADDITIONS	
Client Receipts	\$ 9,672
Total additions	9,672
DEDUCTIONS	
Payments for clients	9,608
Total deductions	9,608
Change in net position	64
NET POSITION - BEGINNING OF YEAR	13,055
NET POSITION - END OF YEAR	\$ 13,119

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 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 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.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund 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).

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.

Virginia Public Assistance Fund - The *Virginia Public Assistance Fund* accounts for the City's local Department of Social Services.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

The City reports the following non-major governmental 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 RBEG Revolving Loan Fund, 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.

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.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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
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, 2019.

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.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 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. The government defines capital assets 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:

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

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

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 \$323,868 at June 30, 2019, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	\$ 18,079
Allowance for uncollectible garbage taxes	33,727
Total General Fund	51,806
Water and Sewer Fund	
Allowance for uncollectible water and sewer fee billings	272,062
Total Water and Sewer Fund	272,062
Total Allowance for Uncollectible Accounts	\$ 323,868

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.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

M. Other Postemployment Benefits (OPEB)

Local Health

The City and School Board's local health insurance OPEB plan is a single-employer defined benefit OPEB plan administered by the City and the School Board respectively. No assets are accumulated in a trust that meets the criteria under the provisions of Governmental Accounting Standards Board (GASB) Statement 75.

Group Life Insurance

The VRS Group Life Insurance Program is a multiple employer, cost-sharing plan. It provided coverage to state employees, teacher, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

Line of Duty Act Program

The VRS Line of Duty Act Program (LODA) is a multiple employer, cost-sharing plan. The LODA Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members.

Teacher Employee Health Insurance Credit Program

The VRS Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et. Seq. of the *Code of Virginia*, as amended, and which provided the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers.

Teacher Employee Virginia Local Disability Program

The VRS Teacher Employee Virginia Local Disability Program (VLDP) is a multiple-employer, cost-sharing plan.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

M. Other Postemployment Benefits (OPEB) (Continued)

Teacher Employee Virginia Local Disability Program (Continued)

For purposes of measuring the net Group Life Insurance Program, LODA Program, Teacher Employee Health Insurance Credit, and VLDP Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance, LODA, Teacher Employee Health Insurance Credit, and VLDP Programs OPEB, and Group Life Insurance, LODA, Teacher Employee Health Insurance Credit, and VLDP Programs OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance, LODA, Teacher Employee Health Insurance Credit, and VLDP programs OPEB and the additions to/deductions from VRS group Life Insurance, LODA, Teacher Employee Health Insurance Credit, and VLDP Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Long-term Debt

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.

O. Fund Balances

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, 2019 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.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balances (Continued)

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

Reserve 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.

P. 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.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Q. 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 and other postemployment benefit (OPEB) contributions made after the net pension and OPEB liability measurement date of June 30, 2018 and prior to the reporting date of June 30, 2019, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2019. This will be applied to the net pension liability in the next fiscal year.

Differences between the projected and actual pension and OPEB earnings as of the actuarial measurement date of June 30, 2018 have been reported as a deferred inflow of resources. This difference will be recognized in pension or OPEB expense over a closed five-year period.

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 \$73,838 as a deferred outflow of resources on the Governmental Activities and Statement of Net Position as of June 30, 2019.

R. Date of Management Review

Management has evaluated events and transactions occurring subsequent to the statement of net position date for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

Note 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.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. Deposits and Investments (Continued)

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, commercial paper, repurchase agreements which are collateralized with securities that are approved for direct investment, the State Treasurer's Local Government Investment Pool (LGIP), the Virginia Investment Pool (VMLN ACO Pool) and State Non-Arbitrage Program (SNAP). SNAP, VIP, and LGIP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the City's position in the pools is the same as the value of the pool shares.

Concentration of Credit Risk

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

First Bank & Trust	38%
Virginia Investment Pool	61%

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 (Continued)**

Note 2. Deposits and Investments (Continued)

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

	Primary Government	Component Units	
		School	NIDA
Deposits and investments:			
Cash on hand	\$ 950	\$ -	\$ -
Deposits	1,201,669	595,209	137,221
Investments	2,870,059	-	1,321,550
	<u>\$ 4,072,678</u>	<u>\$ 595,209</u>	<u>\$ 1,458,771</u>
Statement of net position:			
Cash and cash equivalents	\$ 1,054,975	\$ 207,018	\$ 1,393,771
Investments	2,870,059	-	-
Restricted cash and cash equivalents	147,644	388,191	65,000
	<u>\$ 4,072,678</u>	<u>\$ 595,209</u>	<u>\$: 1,458,771</u>

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

Note 3. Property Taxes Receivable

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

Note 4. Due From Other Governmental Units

	Primary Government	Component Units	Total
		School Board	
Commonwealth of Virginia			
Local sales tax	\$ 256,110	\$ -	\$ 256,110
Shared expenses	24,106	-	24,106
Communication tax	14,859	-	14,859
E-911 tax	3,491	-	3,491
Other	179,188	-	179,188
School funds	-	539,816	539,816
Welfare funds	91,881	-	91,881
Total Commonwealth of Virginia	<u>\$ 569,635</u>	<u>\$ 539,816</u>	<u>\$ 1,109,451</u>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 4. Due From Other Governmental Units (Continued)

	<u>Primary Government</u>	<u>Component Units School Board</u>	<u>Total</u>
Wise County			
Coal haul road tax	\$ 10,631	\$ -	\$ 10,631
Local Revenue Collections	52,631	-	52,631
Total Wise County	<u>63,262</u>	<u>-</u>	<u>63,262</u>
Southwest Virginia Regional Jail	22,561	-	22,561
Norton Industrial Development Authority	16,540	-	16,540
	<u> </u>	<u> </u>	<u> </u>
Total due from other governmental units	<u>\$ 671,998</u>	<u>\$ 539,816</u>	<u>\$ 1,211,724</u>

Note 5. Interfund Obligations

	<u>Primary Government</u>		<u>School Board Component Unit</u>	
	<u>Due From</u>	<u>Due To</u>	<u>Due From</u>	<u>Due To</u>
General Fund:				
School Operating Fund	\$ 9,218	\$ 141,311	\$ -	\$ -
School Textbook Fund		46,186	-	-
Virginia Public Assistance Fund	97,359	78,976	-	-
Water and Sewer Fund	605,158	98,745	-	-
Drug and Gambling Fund	44,072	-	-	-
Total General Fund	<u>755,807</u>	<u>365,218</u>	<u>-</u>	<u>-</u>
School Operating Fund:				
General Fund-City Operations	-	-	141,311	9,218
Cafeteria Fund	-	-	6,947	4,473
Health Insurance Fund	-	-	-	-
Textbook Fund-Other Funds	-	-	13,477	-
Total Operating School Fund	<u>-</u>	<u>-</u>	<u>161,735</u>	<u>13,691</u>
School Health Insurance Fund:				
School Operating Fund	-	-	-	-
Textbook Fund	-	-	-	-
Total School Cafeteria Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5. Interfund Obligations (Continued)

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
School Text Fund:				
City Operations	-	-	46,186	-
School Operating	-	-	-	13,477
Health Insurance Fund	-	-	-	-
Total School Cafeteria Fund	-	-	46,186	13,477
School Cafeteria Fund:				
City DSS	-	-	-	-
School Operating Fund	-	-	4,473	6,947
Health Insurance Fund	-	-	-	-
Total School Cafeteria Fund	-	-	4,473	6,947
Drug and Gambling Fund:				
General Fund	-	44,072	-	-
Virginia Public Assistance Fund:				
General Fund	78,976	97,359	-	-
Total Virginia Public Assistance Fund	78,976	97,359	-	-
Water and Sewer Fund:				
General Fund	98,745	605,158	-	-
Total Water and Sewer Fund	98,745	605,158	-	-
Totals	\$ 933,528	\$ 1,111,807	\$ 212,394	\$ 34,115

Amounts due to Water and Sewer Fund represent short-term inter-fund 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.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 6. Fund Balance – Governmental Funds

	<u>General Fund</u>	<u>Virginia Assistance Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:	\$ 490,562	\$ -	-	\$ 490,562
Restricted:		-	-	-
Committed:				
Law Enforcement	-	-	116,390	116,390
Parks and Recreation	-	-	2,069	2,069
Planning and Development	-	-	313,661	313,661
Assigned:				
Administration	38,475	-	-	38,475
Parks and Recreation	16,000	-	-	16,000
Public Safety	22,820	-	-	22,820
Public Works-Streets	-	-	-	-
Health and Welfare	-	230,008	-	230,008
Unassigned:	2,799,565	-	-	2,799,565
Total fund balances	<u>\$ 3,367,422</u>	<u>\$ 230,008</u>	<u>\$ 432,120</u>	<u>\$ 4,029,550</u>

As of June 30, 2019, fund balances are composed of the following:

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.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 7. Changes in Capital Assets

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>July 30, 2019</u>
Primary Government				
Buildings	\$ 1,964,951	\$ -	\$ -	\$ 1,964,951
Improvements other than buildings	1,842,950	-	-	1,842,950
Infrastructure	15,425,142	-	-	15,425,142
Equipment	3,976,807	651,175	-	4,627,982
Equipment special revenue	<u>135,479</u>	<u>22,333</u>	-	<u>157,812</u>
Total capital assets, depreciable	<u>23,345,329</u>	<u>673,508</u>	-	<u>24,018,837</u>
Less accumulated depreciation for:				
Buildings	1,504,142	27,393	-	1,531,535
Improvements other than buildings	1,325,136	39,305	-	1,364,441
Infrastructure	8,754,860	211,785	-	8,966,645
Equipment	3,315,202	202,885	-	3,518,087
Equipment special revenue	<u>112,793</u>	<u>3,474</u>	-	<u>116,267</u>
Total accumulated depreciation	<u>15,012,133</u>	<u>484,842</u>	-	<u>15,496,975</u>
Total capital assets, depreciable, net	<u>\$ 8,333,196</u>	<u>\$ 188,666</u>	<u>\$ -</u>	<u>\$ 8,521,862</u>
Component Unit-School Board				
Building	\$ 11,370,171	\$ -	\$ -	\$ 11,370,171
Improvements other than building	3,878,788	7,916	-	3,886,704
Equipment	<u>897,948</u>	<u>242,663</u>	<u>11,290</u>	<u>1,129,321</u>
Total capital assets, depreciable	<u>\$ 16,146,907</u>	<u>250,579</u>	<u>11,290</u>	<u>16,386,196</u>
Less accumulated depreciation for:				
Building	\$ 4,205,540	213,088	-	4,418,628
Improvements other than building	1,267,592	191,185	-	1,458,777
Equipment	<u>730,617</u>	<u>80,043</u>	<u>11,290</u>	<u>799,370</u>
Total accumulated depreciation	<u>6,203,749</u>	<u>484,316</u>	<u>11,290</u>	<u>6,676,775</u>
Total capital assets, depreciation, net	<u>\$ 9,943,158</u>	<u>(233,737)</u>	<u>-</u>	<u>9,709,421</u>

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 7. Changes in Capital Assets (Continued),

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>July 30, 2019</u>
<u>Primary Government</u>				
Component Unit – NIDA				
Building	\$ 7,587,899	\$ 558,294	-	\$ 8,146,193
Equipment	406,353	-	-	406,353
Less accumulated depreciation	<u>(3,731,179)</u>	<u>(191,904)</u>	-	<u>(3,923,083)</u>
Total capital assets, depreciable	<u>\$ 4,263,073</u>	<u>366,390</u>	<u>\$ -</u>	<u>\$ 4,629,463</u>
Business type activities				
Building	\$ 256,454	\$ -	\$ -	\$ 256,454
Improvements other than building	24,331,455	21,000	-	24,352,455
Equipment	<u>1,478,314</u>	<u>42,000</u>	-	<u>1,520,314</u>
Total capital assets, depreciable	<u>26,066,223</u>	<u>63,000</u>	<u>-</u>	<u>26,129,223</u>
Less accumulated depreciation for:				
Building	250,987	319	-	251,306
Improvements other than building	7,666,362	595,498	-	8,261,860
Equipment	<u>1,150,451</u>	<u>70,746</u>	-	<u>1,221,197</u>
Total accumulated depreciation	<u>9,067,800</u>	<u>666,563</u>	<u>-</u>	<u>9,734,363</u>
Total capital assets, depreciable net	<u>\$ 16,998,423</u>	<u>\$ (603,563)</u>	<u>\$ -</u>	<u>\$ 16,394,860</u>

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 7. Changes in Capital Assets (Continued)

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

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>July 30, 2019</u>
<u>Primary Government</u>				
Land	\$ 897,280	\$ -	\$ -	\$ 897,280
Construction in Progress	70,487	215,850	-	286,337
Total Capital Assets, non-depreciable	<u>\$ 967,767</u>	<u>\$ 215,850</u>	<u>\$ -</u>	<u>\$ 1,183,617</u>
<u>Component Unit – School Board</u>				
Land	\$ 65,901	-	-	65,901
Construction in Progress	-	33,186	-	33,186
Total Capital Assets, non-depreciable	<u>\$ 65,901</u>	<u>\$ 33,186</u>	<u>\$ -</u>	<u>\$ 99,087</u>
<u>Component Unit – NIDA</u>				
Land	\$ 1,289,703	\$ 1,000	\$ -	\$ 1,290,703
Construction in Progress	-	120,000	-	120,000
Total Capital Assets, non-depreciable	<u>\$ 1,289,703</u>	<u>\$ 121,000</u>	<u>\$ -</u>	<u>\$ 1,410,703</u>
<u>Business Type Activities</u>				
Land	\$ 588,600	\$ -	\$ -	\$ 588,600
Construction in Progress	7,965	291,242	-	299,207
Total Capital Assets, non-depreciable	<u>\$ 596,565</u>	<u>\$ 291,242</u>	<u>\$ -</u>	<u>\$ 887,807</u>

Note 8. Capital Asset Depreciation

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 6,396
Judicial administration	3,997
Public safety	111,364
Public works	347,057
Health and welfare	3,474
Parks, recreation, and cultural	12,554
Total depreciation expense – governmental activities	<u>\$ 484,842</u>
Business-type Activity	
Total depreciation expense – business-type activity	<u>\$ 666,563</u>

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9. Long-term Debt

Business Type Activities
General Obligations Bonds

Year ending June 30,	2014 GO Bond		2016 Rural Development		2018 Rural Development		2019 Rural Development	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 111,700	\$ 24,544	\$10,453	\$ 371	\$ 5,643	\$ 657	\$ 5,643	\$ 909
2021	109,800	21,532	6,089	174	5,725	575	5,844	708
2022	113,100	18,500	-	-	5,914	386	6,052	500
2023	116,200	15,382	-	-	6,109	191	6,267	285
2024	119,100	12,182	-	-	1,580	21	5,111	68
2025-2028	388,300	15,973	-	-	-	-	-	-
Totals	\$ 958,200	\$ 108,113	\$16,542	\$ 545	\$ 24,971	\$ 1,830	\$28,917	\$ 2,470

Business Type Activities
General Obligations Bonds

Year Ending June 30,	Sewer Facilities Bond		Water Facilities Bond		Sewer Facilities Bond		Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 3,032	\$ 6,688	\$ 39,923	\$ 48,853	\$ 24,835	\$ 26,069	\$ 11,840	\$ 11,174
2021	3,211	6,509	41,374	46,754	25,400	25,504	12,138	10,876
2022	3,277	6,443	42,420	45,708	25,977	24,927	12,444	10,570
2023	3,415	6,305	43,493	44,635	26,568	24,336	12,757	10,257
2024	3,558	6,162	44,593	43,535	27,172	23,732	13,078	9,937
2025-2029	20,165	28,436	240,461	200,179	145,410	109,110	70,492	44,379
2030-2034	24,875	23,725	272,443	168,197	162,707	91,813	79,816	35,255
2035-2039	30,562	18,038	308,678	131,962	182,062	72,458	90,373	24,698
2040-2044	37,548	11,052	349,733	90,908	203,719	50,801	102,057	12,744
2045-2049	33,882	2,602	396,247	44,393	227,952	26,568	50,030	1,403
2050-2054	-	-	150,116	43,868	118,085	3,310	-	-
2055-2058	-	-	-	-	-	-	-	-
Total	\$ 163,525	\$ 115,960	\$1,929,481	\$ 908,992	\$1,169,887	\$478,628	\$455,025	\$171,293

General Obligations Bonds

Year Ending June 30,	Sewer Bond		Refunding Bond		Water Facilities Bond		Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 75,719	\$ -	\$ 75,000	\$ 58,380	\$ 20,297	\$ 22,115	\$ 14,867	\$ 15,740
2021	75,719	-	75,000	54,762	20,910	21,501	15,317	15,291
2022	75,719	-	80,000	51,876	21,542	20,869	15,780	14,828
2023	75,719	-	85,000	48,712	22,193	20,218	16,257	14,351
2024	75,719	-	90,000	44,503	22,864	19,547	16,748	13,859
2025-2029	378,432	-	425,000	161,125	125,113	86,942	91,647	61,391
2030-2034	75,876	-	165,000	98,298	145,199	66,857	106,360	46,678
2035-2039	-	-	210,000	57,393	168,509	43,546	123,435	29,603
2040-2044	-	-	140,000	9,958	192,862	16,494	127,889	9,788
2045-2049	-	-	-	-	-	-	-	-
2050-2054	-	-	-	-	-	-	-	-
2055-2059	-	-	-	-	-	-	-	-
Total	\$832,903	\$ -	\$1,345,000	\$585,007	\$ 739,489	\$ 318,089	\$528,300	\$ 221,529

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9. Long-term Debt (Continued)

The following is a summary of long-term obligations of the primary government for the year ended June 30, 2019:

	Balance 7/1/2018	Additions/ Proceeds	Payments/ Reductions	Balance 6/30/2019
Business-Type Activities:				
General obligation bonds	\$7,421,771	\$ -	\$ 258,161	\$ 7,163,610
Premium on bonds	207,686	-	8,653	199,033
Accrued vacation	17,267	3,051	-	20,318
Total	\$7,646,724	\$ 3,051	\$266,814	\$7,382,961
Governmental Activities:				
General obligation bonds	\$1,093,377	\$ 59,000	\$ 123,747	\$1,028,630
Capital leases	-	144,000	27,932	116,068
Accrued vacation	241,821	-	52,852	188,969
Total	\$1,335,198	\$ 203,000	\$ 204,531	\$1,333,667

Changes in Other Long-Term Debt:

	Amount Outstanding	
	Government Activities	Propriety Fund Types

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. During 2019, the City did not draw on the line of credit.

\$ - \$ -

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9. Long-term Debt (Continued)
Changes in Other Long-Term Debt (Continued):

	Amount Outstanding	
	Government Activities	Propriety Fund Types
<u>Details of Long-Term Indebtedness (Continued):</u>		
General Fund (Continued)		
General Obligation Bonds:		
\$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 began on January 15, 2015 and continues annually until paid in full. Interest is scheduled to be paid semi-annually on January 1st and July 1st 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	\$ 958,200	\$ -
\$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	16,542	-
\$29,000 Rural Development Loan, with interest of 3.25% over the life of the loan. Repayment of the loan began on December 1, 2018 and will continue annually until paid in full. The final payment is on November 1, 2023	24,971	-
\$30,000 Rural Development Loan, with interest of 3.5% over the life of the loan. Repayment of the loan began on April 15, 2019 and will continue annually until paid in full. The final payment is on March 15, 2024	28,917	-
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 1st and December 1st, beginning December 1, 2010. Final payment is due June 1, 2030.	-	832,903

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 9. Long-term Debt (Continued)

Changes in Other Long-Term Debt (Continued):

	Amount Outstanding		
	Government Activities	Propriety Fund Types	
<u>Details of Long-Term Indebtedness (Continued):</u>			
Enterprise Fund (Continued)			
General Obligation Bonds:			
<p>\$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.</p>	\$	-	\$ 163,525
<p>\$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 totaled \$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.</p>		-	1,929,481

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9. Long-term Debt (Continued)

Changes in Other Long-Term Debt (Continued):

	Amount Outstanding	
	Government Activities	Propriety Fund Types
<u>Details of Long-Term Indebtedness (Continued):</u>		
Enterprise Fund (Continued)		
General Obligation Bonds:		
\$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.	\$ -	\$ 1,169,887
\$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 1st and August 1st, beginning 2015. Final payment is due in 2044.	-	528,300
\$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.	-	1,345,000

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9. Long-term Debt (Continued)
Changes in Other Long-Term Debt (Continued):

	Amount Outstanding	
	Government Activities	Propriety Fund Types
<u>Details of Long-Term Indebtedness (Continued):</u>		
<u>Enterprise Fund (Continued)</u>		
General Obligation Bonds:		
\$826,400 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 30 equal semi-annual installments of \$21,206 payable on April 1 and October 1, beginning 2015. Final payment is due in 2044.	\$ -	\$ 739,489
\$483,695 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 2.5 percent. Repayment of the principle is scheduled in 30 equal semi-annual installments of \$11,793 payable on February 1 and August 1, beginning 2016. Final payment is due in 2046.	-	455,025
Total Long-Term Debt	<u>\$ 1,028,630</u>	<u>\$ 7,163,610</u>

The following is a summary of other long-term transactions of the City of Norton for the year ended June 30, 2019:

	Compensated Absences	
	Government Fund Types	Propriety Fund Types
Payable at June 30, 2018	\$ 241,821	\$ 17,267
Additions	-	3,051
Reductions	(52,852)	-
Payable at June 30, 2019	<u>\$ 188,969</u>	<u>\$ 20,318</u>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 9. Long-term Debt (Continued)

Component Unit – School Board

The following is a summary of long-term obligations of the primary government for the year ended June 30, 2019:

<i>Component Unit – School Board</i>	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
Accrued vacation	\$ 59,795	\$ 61,868	\$ -	\$ 121,663
Capital leases	210,554	217,663	153,501	274,716
General obligation bonds	8,250,000	-	540,000	7,710,000
Premium on bonds	636,265	-	45,448	590,817
Total long-term obligations	\$9,156,614	\$ 279,531	\$ 738,949	\$8,697,196

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

Years ending June 30,	General Obligation Bond	
	Principal	Interest
2020	\$ 560,000	\$ 251,490
2021	590,000	225,253
2022	625,000	194,574
2023	655,000	165,529
2024	670,000	142,048
2025-2029	3,420,000	439,965
2030-2032	1,190,000	53,833
Totals	\$ 7,710,000	\$ 1,472,692

Details of Long-Term Indebtedness:

General Obligation Bonds:	<u>Amount Outstanding</u>
\$9,330,000 General Obligation School Bond issued November 15, 2012, payable in annual installments beginning July 15th, 2015 and continuing until January 15, 2031. The bond has variable interest rates ranging from 2.05% to 5.05% and is paid semiannually.	\$ 7,710,000
TOTAL GENERAL LONG-TERM BONDS/LOANS	\$ 7,710,000

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 9. Long-term Debt (Continued)

LEASE OBLIGATION

The City of Norton had one lease obligation outstanding at June 30, 2019.

The City entered into an equipment lease, in the amount of \$144,000, for a Refuse truck. The lease was entered into on July 24, 2018 with Highlands Union Bank. The lease calls for five annual payment of \$31,400 beginning April 30, 2019.

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

June 30, 2020	\$ 27,944
June 30, 2021	28,777
June 30, 2022	29,627
June 30, 2023	29,720
Total	<u>\$ 116,068</u>

The City of Norton School Division has three capital leases outstanding at June 30, 2019.

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.

The School Board entered into an equipment lease, in the amount of \$135,072, for technology equipment. The lease was entered into on October 28, 2018 and extends to November 28, 2020. The lease calls for yearly payments of \$45,024 with the first payment beginning on November 28, 2018

The School Board entered into an equipment lease, in the amount of \$82,591, for energy efficient equipment. The lease was entered into on July 26, 2018 and extends to July 26, 2022. The lease calls for monthly payments in various amounts with the first payment beginning on July 26, 2022.

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

June 30, 2020	\$ 161,469
June 30, 2021	89,230
June 30, 2022	22,127
June 30, 2023	1,890
Total	<u>\$ 274,716</u>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 9. Long-term Debt (Continued)

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, 2019:

	Evans <u>Distributing</u>	<u>Totals</u>
Mortgage loans Payable on July 01, 2018	\$ 130,000	\$ 130,000
Borrowings	-	-
Retirements	<u>(65,000)</u>	<u>(65,000)</u>
Mortgage loans Payable on June 30, 2019	<u>\$ 65,000</u>	<u>\$ 65,000</u>

Mortgage Loans Payable:

Evans Distributing Company - \$195,000 note payable dated April 11, 2017; the note is secured by Certificate of Deposit #20101420 from First Bank and Trust. The note does not bear interest and is payable in three payments of \$65,000, due on April 11th of each year beginning April 11th, 2018. As of June 30, 2019, the amount outstanding totaled:

\$ 65,000

Total Long-Term Debt

\$ 65,000

Note 10. 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 of 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.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 10. Claims, Judgements and Compensated Absences (Continued)

PRIMARY GOVERNMENT (Continued)

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, 2019, the City had outstanding accrued vacation, sick and personal leave of \$188,969 in the Governmental Activities and outstanding accrued vacation leave of \$20,318 in the Water and Sewer Fund.

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, 2019, the School Board had outstanding accrued vacation, sick and personal leave of \$121,663.

Note 11. Deferred Tax Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also defer inflows for resources that have not yet been earned. At June 30, the components of deferred inflows of resources were as follows:

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 11. Deferred Tax Revenue (Continued)

	Government-wide Statements	Balance Sheet
	Governmental Activities	General Fund
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	-	319,995
Tax assessments due after June 30	<u>1,171,927</u>	<u>1,171,927</u>
Total	\$ <u>1,171,927</u>	\$ <u>1,491,922</u>

Note 12. 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 I, 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, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (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</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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</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 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. If eligible deferred members returned to work during the election window, they are also eligible to opt into the Hybrid Retirement</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. If eligible deferred members returned to work during the election window, they were also</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

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Plan.		enhanced benefits for hazardous duty employees.
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.	eligible to opt into the Hybrid Retirement Plan. 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	Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan of 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>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 compensations each month to their member contribution account through a pre-tax salary reduction.</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</p>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

		retirement, if the employer offers the health insurance credit
		<p><u>Defined Contributions Component:</u> Under the defined contributions 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.</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 contributions component of the plan.</p> <p>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.</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.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

		<ul style="list-style-type: none"> • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions • 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: 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 the 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 nonhazardous 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</p>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

		Component: Not applicable.
Normal Retirement Age VRS: Age 65 Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Benefit Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility 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. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivision hazardous duty employees:	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivision hazardous duty employees: Same as Plan 1	Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3%	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2%	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component:

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

<p>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> Form members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying of 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). 	<p>increase in the Consumer Price Index for all Urban Consumers (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><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>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> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<ul style="list-style-type: none"> • 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 		

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

<p>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>		
<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 program for its members.</p> <p>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 a 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 <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 12. Pension Plan-Agent Multiple-Employer (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	School Board Non-Professional Group
Inactive members or their beneficiaries currently receiving benefits	59	33
Inactive members:		
Vested inactive members	7	2
Non-vested inactive members	19	6
Inactive members active elsewhere in VRS	32	7
Total inactive members	58	15
Active members	90	10
Total covered employees	207	58

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, 2019 was 7.14 % for the general governmental and business-type covered employee compensation and 0.28% for the school board non-professional group. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$237,331 and \$292,754.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 12. Pension Plan-Agent Multiple-Employer (Continued)

for the years ended June 30, 2019 and June 30, 2018, respectively and for the school board \$2,190 and \$4,246 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

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, 2017, 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, 2018.

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:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy annuitant Rates at ages 81 and older projected with scale BB To 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 12. Pension Plan-Agent Multiple-Employer (Continued)

Mortality rates (Continued):

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020: males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy annuitant Rates at ages 81 and older projected with scale BB To 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020: males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020: males set forward 2 years, 110% of rates; females 125% of rates.

Actuarial Assumptions - General Employees

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement Healthy, and disabled)	Update to more current mortality table— RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 12. Pension Plan-Agent Multiple-Employer (Continued)

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement Healthy, and disabled)	Update to more current mortality table—RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

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, 2017, 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, 2018.

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 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 12. Pension Plan-Agent Multiple-Employer (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates (Continued):

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020: males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020: males set forward 2 years; Unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy annuitant Rates at ages 81 and older projected with scale BB To 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020: males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020: males set forward 2 years; Unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table— RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 12. Pension Plan-Agent Multiple-Employer (Continued)

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table—RP 2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 12. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue 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	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at June 30, 2017	\$ 17,069,289	\$ 16,510,478	\$ 558,811
Changes for the year:			
Service cost	369,381	-	369,381
Interest	1,169,169	-	1,169,169
Change in benefit terms	-	-	-
Change in assumptions	-	-	-
Differences between expected and actual experience	(242,689)	-	(242,689)
Contributions - employer	-	292,792	(292,792)
Contributions - employee	-	158,958	(158,958)
Net investment income	-	1,215,065	(1,215,065)
Benefit payments, including refunds of employee contributions	(733,748)	(733,748)	-
Administrative expenses	-	(10,503)	10,503
Other changes	-	(1,082)	1,082
Net changes	562,113	921,482	(359,369)
Balance at June 30, 2018	\$ 17,631,402	\$ 17,431,960	\$ 199,442

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 12. Pension Plan-Agent Multiple-Employer (Continued)

Changes in Net Pension Liability (Continued)

School Board Non-Professional Group	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at June 30, 2017	\$ 1,871,294	\$ 2,035,440	\$ (164,146)
Changes for the year:			
Service cost	23,095	-	23,095
Interest	127,099	-	127,099
Change in benefit terms	-	-	-
Change in assumptions	-	-	-
Differences between expected and actual experience	(173,190)	-	(173,190)
Contributions - employer	-	4,214	(4,214)
Contributions - employee	-	10,562	(10,562)
Net investment income	-	148,249	(148,249)
Benefit payments, including refunds of employee contributions	(111,185)	(111,185)	-
Administrative expenses	-	(1,334)	1,334
Other changes	-	(129)	129
Net changes	<u>(134,181)</u>	<u>50,377</u>	<u>(184,558)</u>
Balance at June 30, 2018	<u>\$ 1,737,113</u>	<u>\$ 2,085,817</u>	<u>\$ (348,704)</u>

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	<u>\$ 2,487,279</u>	<u>\$ 199,442</u>	<u>\$ (1,703,172)</u>
School Board Non-Professional Group			
Net Pension Liability	<u>\$ (170,804)</u>	<u>\$ (348,704)</u>	<u>\$ (500,215)</u>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 12. 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, 2019, the City's general government recognized pension expense of \$(110,544). "At June 30, 2019, 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	\$ 49,454	\$ 438,065
Change in assumptions	-	16,360
Net difference between projected and actual earnings on pension plan investments	-	138,953
Employer contributions subsequent to the measurement date	237,331	-
Total	\$ 286,785	\$ 593,378

\$237,331 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, 2020. 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

2020	\$ (131,726)
2021	(185,465)
2022	(212,810)
2023	(13,923)
2024	-
Thereafter	-
	\$ (543,924)

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 12. Pension Plan-Agent Multiple-Employer (Continued)

For the year ended June 30, 2019, the School Board's Non-Professional group recognized pension expense of \$(149,357). At June 30, 2019, the School Board's Non-Professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 49,483
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	14,110
Employer contributions subsequent to the measurement date	2,190	-
Total	\$ 2,190	\$ 63,593

\$2,190 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, 2020. 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

2020	\$ (40,332)
2021	(338)
2022	(21,085)
2023	(1,838)
2024	-
Thereafter	-
	\$ (63,593)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. 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:

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.</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</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</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.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. Pension Plan-Cost Sharing Multiple-Employer-School Board Teachers (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<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 and they have not taken a refund.</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: • School division 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</p>
<p>Hybrid Opt-In Election VRS 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 Employees contribution 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a separate actuarially determined contribution to VRS invests both member and employer</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</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 contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required</p>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. Pension Plan-Cost Sharing Multiple-Employer-School Board Teachers (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<p>contributions to provide funding for the future benefit payment.</p>		<p>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 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 was 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>Defined Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. Pension Plan-Cost Sharing Multiple-Employer-School Board Teachers (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<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 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.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. Pension Plan-Cost Sharing Multiple-Employer-School Board Teachers (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
		<ul style="list-style-type: none"> • 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 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 benefits 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 <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or grated 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 <u>Defined Benefit Component:</u> The retirement multiplier for the defined benefit component 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</p>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. Pension Plan-Cost Sharing Multiple-Employer-School Board Teachers (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
		retirement benefit for service Credited in those plans. Defined Contribution Component: Not applicable.
Normal Retirement Age Age 65	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	Earliest Unreduced Retirement Eligibility Normal Social Security Retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable Service.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: Age 60 with at least five years (60 months) of creditable service. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. Pension Plan-Cost Sharing Multiple-Employer-School Board Teachers (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<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 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 benefits 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 	<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><u>Exceptions to COLA Effective Dates:</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> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. Pension Plan-Cost Sharing Multiple-Employer-School Board Teachers (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<p>causes other than job performance or misconduct and is eligible to retire under the Workforce Transaction Act or the Transitional Benefits Program.</p> <ul style="list-style-type: none"> •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>Disability Coverage Members who are eligible to be Considered for disability Retirement and retire on disability, the retirement multiples 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 multiples is 1.65% on all service regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of school divisions (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</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. <p>Defined Contribution Component: Not applicable.</p>

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 13. 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. Each school division's contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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. Contribution to the pension plan from the school division were \$545,978 and \$574,369 for the years ended June 30, 2019, and June 30, 2018 respectively.

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

At June 30, 2019, the school division reported a liability of \$5,218,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.04437% as compared to 0.04792% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$167,000. 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.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. 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, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 446,000
Change in assumptions	62,000	-
Net difference between projected and actual earnings on pension plan investments	-	111,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	141,000	681,000
Employer contributions subsequent to the measurement date	545,978	-
Total	\$ 748,978	\$ 1,238,000

\$574,369 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, 2019. 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

2020	\$ (216,000)
2021	(226,000)
2022	(342,000)
2023	(184,000)
2024	(67,000)
	\$ (1,035,000)

Actuarial Assumptions - Teachers The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. Pension Plan-Cost Sharing Multiple-Employer-School Board Teachers (Continued)

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-2014 White Collar Employee Rates to age 80, Healthy annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020: males 1 % increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement Healthy, and disabled)	Update to more current mortality table—RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. Pension Plan-Cost Sharing Multiple-Employer-School Board Teachers (Continued)

Net Pension Liability The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Plan
Total Pension Liability	\$ 46,679,555
Plan Fiduciary Net Position	34,919,563
Employers' Net Pension Liability (Asset)	\$ 11,759,992
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%

The total pension liability is calculated by the System's actuary on each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 13. Pension Plan-Cost Sharing Multiple-Employer-School Board Teachers (Continued)

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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 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 which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, school divisions are assumed to continue 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 division'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%)
School divisions' s proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	<u>\$ 7,971,000</u>	<u>\$ 5,218,000</u>	<u>\$ 2,940,000</u>

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 13. Pension Plan-Cost Sharing Multiple-Employer-School Board Teachers (Continued)

Pension Plan Fiduciary Net Position

Information about the VRS Teacher Retirement Plan's Fiduciary Net Position is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019, the School Division reported a payable of \$0ha for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

Note 14. Other Post-Employment Benefits (OPEB)-Local Health Insurance

Plan Description

The Primary Government and School Board provide postemployment medical coverage for retired employees through a single-employer defined benefit plan. The Primary Government and School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors and School Board. The plan does not grant retirees vested health benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

A retiree eligible for post-retirement medical coverage is defined as a full-time employee who retires directly from the City or Schools 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 and Schools. Employees at the City are allowed to stay on the plan until death of the employee and employees at the School Board are allowed to stay on the plan until death of the employee or eligibility for Medicare coverage. Generally, the employee pays 100% of the required premium. A closed group of retirees are receiving a direct subsidy for single coverage from the School Board. The School Board pays the balance of the premium less the amount of VRS Health Insurance. The School Board will also pay up to four percent of the increase in premiums on an annual basis; premium increase in excess of four percent will be paid by the retiree. This direct subsidy ends at age 65.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension and GASB Statement No. 85, Omnibus 2017 establish new accounting and financial reporting requirements for OPEB plans and standardize the valuation methodology. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid.

The City's Primary Government meets the requirements and elects to use the alternative measurement method.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 14. Other Post-Employment Benefits (OPEB)-Local Health Insurance (Continued)

Employees Covered by Benefit Terms

	Primary Government	Component Unit School Board
Active participants	80	98
Retired participants	2	9
Spouses of retirees	0	1
Total covered employees	82	108

Funding Policy and Contributions

The Primary Government and School Board currently fund postemployment health care benefits on a pay-as-you-go basis. The Primary Government and School Board do not accumulate assets in a trust. During fiscal year 2019, the Primary Government and School Board made OPEB benefit payments of \$0 and \$102,991, respectively.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2019.

Actuarial Methods and Assumptions

Primary Government

The City uses the alternative measurement method in accordance with GASB methodology. In the valuation for the year ended June 30, 2019, the cost method used to determine OPEB liability was entry age normal level percentage of payroll. All active and former employees who are potentially eligible to receive healthcare benefits as a retiree were included in the calculations.

All assumptions attempt to represent the best estimate of anticipated experience under the plan. Employer future premium contribution is assumed to remain a level percentage of the total cost over time. Mortality rates are the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity. Turnover rates are derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System. It is assumed that 25% of eligible retirees will elect to receive coverage upon retirement. Other assumptions are as follows:

Discount rate	2.80 percent
Average retirement age	65 years
Salary increases	2.0 percent
Amortization period	20 years

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 14. Other Post-Employment Benefits (OPEB)-Local Health Insurance (Continued)

School Board

In the actuarial valuation for the year ended June 30, 2019, the cost method used to determine OPEB liability was individual entry age normal level percent of salary. All active and former employees who are potentially eligible to receive healthcare benefits as a retiree were included in the calculations.

All assumptions attempt to represent the best estimate of anticipated experience under the plan. Retirement, mortality, and termination rates are the rates used for the June 30, 2017 Actuarial Valuation of the Virginia Retirement System. No disability rates were assumed. Per capita claims costs include medical, dental, and prescription drug coverages and are based on the 2019 healthcare premiums provided by the School Board.

It is assumed that 25% of eligible retirees will elect to receive coverage upon retirement. There is a closed group of retirees who are receiving a direct subsidy until age 65. It is assumed that 80% of active participants will select spouse coverage at retirement. Female spouses are assumed to be 3 years younger than their husbands. Other assumptions are as follows:

Discount rate	3.50 percent
Medical trend rate	5.80 percent – 4.20 percent over 80 years
Salary growth rate	2.0 percent

Funding Status and Funding Progress

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.

Discount Rate and Municipal Bond Rate

Pursuant to GASB 75, the discount rate for unfunded plans should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The Bond Buyer's 20 bond index is often cited as an appropriate benchmark. A discount rate of 2.80% and 3.50% was used for the City and School valuations, respectively.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 14. Other Post-Employment Benefits (OPEB)-Local Health Insurance (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability using the discount rate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1.00% Decrease 1.80%	Baseline Rate 2.80%	1.00% Increase 3.80%
<i>Primary Government</i>			
Total OPEB Liability	\$ 18,972	\$ 18,787	\$ 18,607
	1.00% Decrease 2.50%	Baseline Rate 3.50%	1.00% Increase 4.50%
<i>School Board</i>			
Total OPEB Liability	\$ 397,358	\$ 367,769	\$ 341,397

Changes in Total OPEB Liability

	Increase (Decrease)	
	Primary Government	Component Unit School Board
Balance at June 30, 2018	\$ 19,567	\$ 432,662
Changes for the year:		
Service cost	51,713	12,712
Interest	2,138	15,262
Effect of plan changes	-	-
Effect of economic/demographics	(54,667)	-
Effect of assumptions changes or inputs	36	10,124
Benefit payments	-	(102,991)
Net changes	(780)	(64,893)
Balance at June 30, 2019	\$ 18,787	\$ 367,769

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 14. Other Post-Employment Benefits (OPEB)-Local Health Insurance (Continued)

Sensitivity of the Total OPEB liability to Changes in the Healthcare Trend Rate

The following presents the total OPEB liability using the current healthcare trend rate, which varies by year, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1.00% Decrease	Baseline Rate	1.00% Increase
<i>Primary Government</i>			
Total OPEB Liability	\$ 18,518	\$ 18,787	\$ 19,058
<i>School Board</i>			
Total OPEB Liability	\$ 327,653	\$ 367,769	\$ 416,740

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB - Health Insurance

For the year ended June 30, 2019, the Primary Government recognized OPEB - Health Insurance expense of \$(780). At June 30, 2019, the Primary Government did not report deferred outflows of resources or deferred inflows of resources related to OPEB - Health Insurance because the City is on a pay-as-you-go basis.

For the year ended June 30, 2019, the School Board recognized OPEB - Health Insurance expense of \$74,471. At June 30, 2019, the School Board reported \$8,437 deferred outflows of resources and \$5,590 deferred inflows of resources for changes in assumptions related to OPEB - Health Insurance because the School Board is on a pay-as-you-go basis.

Note 15. Other Post-Employment Benefits Liability- Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the City of Norton and Norton City School Board also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows:

Plan Descriptions

Group Life Insurance Program

All full-time, teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 15. Other Post-Employment Benefits Liability- *Virginia Retirement System Plans (Continued)*

Plan Descriptions (Continued)

Group Life Insurance Program (Continued)

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

Teacher Employee Health Insurance Credit Program

All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

Teacher Employee Virginia Local Disability Program

All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the commonwealth of Virginia. School divisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

Specific information about the Teacher VLDP is available at: <https://www.varetirement.org/hybrid/benefits/disability/virginia-local-disability-program.html>

The GLI, Teacher HIC, and Teacher VLDP are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. These plans are considered multiple employer, cost sharing plans.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 15. Other Post-Employment Benefits Liability- *Virginia Retirement System Plans (Continued)*

Line of Duty Act Program

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in 2012. The employer contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers. The LODA is considered a multiple employer, cost sharing plan.

Specific information about the LODA is available at <https://www.valoda.org/>

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly
Total rate:	1.31 % of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	\$ 17,049-City General Employees \$ 1,256-School Board-Non-Professionals \$ 18,226-School Board-Professionals
June 30, 2018 Contribution	\$ 16,692-City General Employees \$ 1,115-School Board-Non-Professionals \$ 18,591-School Board-Professionals

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 15. Other Post-Employment Benefits Liability-*Virginia Retirement System Plans (Continued)*

Teacher Health Insurance Credit Program

Governed by:	Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.20% of covered employee compensation.
June 30, 2019 Contribution	\$ 42,061
June 30, 2018 Contribution	\$ 43,889

Teacher Employee Virginia Local Disability Program

Governed by:	Code of Virginia 51.1-1178(C) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	0.41 % of covered employee compensation.
June 30, 2019 Contribution	\$ 3,386
June 30, 2018 Contribution	\$ 1,914

Line of Duty Act Program

Governed by:	Code of Virginia 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	\$567.37 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2018 Contribution	\$ 22,232
June 30, 2017 Contribution	\$ 20,426

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 15. Other Post-Employment Benefits Liability-*Virginia Retirement System Plans (Continued)*

Group Life Insurance Program

June 30, 2019 proportionate share of liability	\$257,000-City General Employees \$ 17,000-School Board-Non-Professionals \$286,000-School Board-Professionals
June 30, 2018 proportion	0.01688%-City General Employees 0.00113%-School Board-Non-Professionals 0.01878%-School Board-Professionals
June 30, 2017 proportion	0.01731%-City General Employees 0.00126%-School Board-Non-Professionals 0.02046%-School Board-Professionals
June 30, 2019 expense	\$ 692 -City General Employees \$ (1,885)-School Board-Non-Professionals \$ (3,409)-School Board Professionals

Teacher Health Insurance Credit Program

June 30, 2019 proportionate share of liability	\$560,000
June 30, 2018 proportion	0.04412%
June 30, 2017 proportion	0.04782%
June 30, 2019 expense	\$35,889

Teacher Employee Virginia Local Disability Program

June 30, 2019 proportionate share of liability	\$1,000
June 30, 2018 proportion	0.16569%
June 30, 2017 proportion	0.21792%
June 30, 2019 expense	\$1,914

Line of Duty Act Program

June 30, 2019 proportionate share of liability	\$601,000
June 30, 2018 proportion	0.19177%
June 30, 2017 proportion	0.15782%
June 30, 2019 expense	\$60,425

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 15. Other Post-Employment Benefits Liability- Virginia Retirement System Plans (Continued)

At June 30, 2019, the City of Norton reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program-City General Employees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,000	\$ 5,000
Changes of assumptions	-	11,000
Net difference between projected and actual earnings on OPEB plan investments	-	8,000
Changes in proportion	-	8,000
Employer contributions subsequent to the measurement date	17,049	-
Total	\$ 30,049	\$ 32,000

Group Life Insurance Program-School Board-Non-Professionals

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,000	\$
Changes of assumptions	-	1,000
Net difference between projected and actual earnings on OPEB plan investments	-	1,000
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	1,256	-
Total	\$ 2,256	\$ 2,000

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 15. Other Post-Employment Benefits Liability- Virginia Retirement System Plans (Continued)

Group Life Insurance Program-School Board-Professionals

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,000	\$ 5,000
Changes of assumptions	-	12,000
Net difference between projected and actual earnings on OPEB plan investments	-	9,000
Changes in proportion	-	33,000
Employer contributions subsequent to the measurement date	18,226	-
Total	\$ 32,226	\$ 59,000

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,000
Changes of assumptions	-	5,000
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion	-	61,000
Employer contributions subsequent to the measurement date	42,061	-
Total	\$ 42,061	\$ 69,000

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 15. Other Post-Employment Benefits Liability- Virginia Retirement System Plans (Continued)

Teacher Employee Virginia Local Disability Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	3,386	-
Total	\$ 3,386	\$ -

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,000	\$ -
Changes of assumptions	-	69,000
Net difference between projected and actual earnings on OPEB plan investments	-	2,000
Changes in proportion	86,000	6,000
Employer contributions subsequent to the measurement date	22,232	-
Total	\$ 194,232	\$ 77,000

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 15. Other Post-Employment Benefits Liability- Virginia Retirement System Plans (Continued)

The deferred outflows of resources related to OPEB resulting from the City of Norton and Norton City School's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30	Increase (Reduction of OPEB Expense)		
	City General Employees	School Board Non-Professionals	School Board Professionals
2020	\$ (6,000)	\$ (1,000)	\$ (10,000)
2021	(6,000)	-	(10,000)
2022	(5,000)	-	(10,000)
2023	(2,000)	-	(8,000)
2024	-	-	(4,000)
Thereafter	-	-	(3,000)
	<u>\$ (19,000)</u>	<u>\$ (1,000)</u>	<u>\$ (45,000)</u>

Teacher Health Insurance Credit Program

Year Ending June 30	Increase (Reduction) to OPEB Expense
2020	\$ (11,000)
2021	(11,000)
2022	(11,000)
2023	(11,000)
2024	(10,000)
Thereafter	(15,000)
	<u>\$ (69,000)</u>

Line of Duty Act Program

Year Ending June 30	Increase (Reduction) to OPEB Expense
2020	\$ 13,000
2021	13,000
2022	13,000
2023	13,000
2024	13,000
Thereafter	30,000
	<u>\$ 95,000</u>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 15. Other Post-Employment Benefits Liability- *Virginia Retirement System Plans (Continued)*

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.5%
Salary increases, including inflation:	
• Locality-general employees	3.5 – 5.35%
• Locality - hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Age 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, Including inflation*	GLI, HIC, & VLDP 7.0%; LODA 3.89%

* 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 12.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 15. Other Post-Employment Benefits Liability-*Virginia Retirement System Plans (Continued)*

Changes to LODA Program Associated with HB 1345 {2016} and HB 2243 {2017}

Changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2017 actuarial valuation results which were rolled forward to the measurement date of June 30, 2018. There is limited actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be monitored and factored into future actuarial valuations for the LODA Program if and when sufficient experience develops.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for the periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years

- when the System certifies current income exceeds salary at the time of the disability, indexed for inflation.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC	Teacher Employee VLDP	Line of Duty Act Program
Total OPEB Liability	\$ 3,113,508	\$ 1,381,313	\$ 1,401	\$ 315,395
Plan fiduciary net position	1,594,773	111,639	647	1,889
Employers' net OPEB liability (asset)	\$ 1,518,735	\$ 1,269,674	\$ 754	\$ 313,506
Plan fiduciary net position as a percentage of total OPEB liability	51.22%	8.08%	46.18%	0.60%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 15. Other Post-Employment Benefits Liability-*Virginia Retirement System Plans* (Continued)

Long-Term Expected Rate of Return

Group Life Insurance Program

The long-term expected rate of return on VRS 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 OPEB 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 7.00% assumption noted above. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2018.

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 15. Other Post-Employment Benefits Liability- Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI, HIC, and VLDP OPEB liabilities was 7.00%. The discount rate used to measure the LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance 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 OPEB liabilities 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 OPEB plans' 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 OPEB liability.

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

The following presents the net OPEB liabilities of the City of Norton, as well as what the City's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00% GLI; HIC; VLDP/2.89% LODA) or one percentage point higher (8.00% GLI; HIC; VLDP /4.89% LODA) than the current discount rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB Liability			
City-General Employee	\$ 335,000	\$ 257,000	\$ 193,000
School Board-Non-Professional	22,000	17,000	13,000
School Board-Professional	373,000	286,000	215,000
Teacher HIC Net OPEB Liability	\$ 626,000	\$ 560,000	\$ 505,000
Teacher VLDP Net OPEB Liability	\$ 2,000	\$ 1,000	\$ 1,000
LODA Net OPEB Liability	(2.89%) \$ 688,000	(3.89%) \$ 601,000	(4.89%) \$ 530,000

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 15. Other Post-Employment Benefits Liability- Virginia Retirement System Plans (Continued)

Sensitivity of the LODA Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the LODA net OPEB liability of the City of Norton using health care trend rate of 7.75% decreasing to 5.00%, as well as what the City's LODA net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current healthcare cost trend rates:

	1.00% Decrease (6.75% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
LODA Net OPEB Liability	\$ 512,000	\$ 601,000	\$ 712,000

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**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 16. Summary of Pension and Other Postemployment Benefit Elements

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit (School Board)
Net pension asset				
VRS-Defined Benefit Pension Plan (Schools-Non-Professionals)	-	-	-	348,704
Total net pension asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,704</u>
Deferred outflows of resources - Related to Pensions				
Deferred outflow-Contributions after the measurement date				
VRS-Defined Benefit Pension Plan-General Employees	206,336	30,995	237,331	-
VRS-Defined Benefit Pension Plan-Schools	-	-	-	2,190
VRS- Cost Sharing-Multiple-Employer-School Board Teachers	-	-	-	545,978
Deferred outflow-Differences in expected/ actual and assumptions				
VRS-Defined Benefit Pension Plan	42,995	6,459	49,454	-
VRS- Cost Sharing-Multiple-Employer-School Board Teachers	-	-	-	203,000
Total deferred outflow of resources - Pensions	<u>\$ 249,331</u>	<u>\$ 37,454</u>	<u>\$ 286,785</u>	<u>\$ 751,168</u>
Deferred outflows of resources - OPEB				
Deferred outflow-Differences in expected/ actual and assumptions				
VRS-LODA	\$ 172,000	\$ -	\$ 172,000	\$ -
VRS-GLI-OPEB Program-General Employees	11,303	1,697	13,000	-
VRS-GLI-OPEB Program-Schools-Non-Professionals	-	-	-	1,000
VRS-GLI-OPEB Program-Schools-Professionals	-	-	-	14,000
Local Health	-	-	-	8,437
Deferred outflow-Contributions after the measurement date				
VRS-LODA-OPEB Proram	22,232	-	22,232	-
VRS-GLI-OPEB Program-General Employees	14,822	2,227	17,049	-
VRS-HIC-Schools-Teachers	-	-	-	42,061
VRS-VLDP-Schools-Teachers	-	-	-	3,386
VRS-GLI-OPEB Program-Schools-Non-Professionals	-	-	-	1,256
VRS-GLI-OPEB Program-Schools-Professionals	-	-	-	18,226
Total deferred outflow of resources - OPEB	<u>\$ 220,357</u>	<u>\$ 3,924</u>	<u>\$ 224,281</u>	<u>\$ 88,366</u>
Net pension liability				
VRS-Defined Benefit Pension Plan	\$ 173,395	\$ 26,047	\$ 199,442	\$ -
VRS- Cost Sharing-Multiple-Employer-School Board Teachers	-	-	-	5,218,000
Total net pension liability	<u>\$ 173,395</u>	<u>\$ 26,047</u>	<u>\$ 199,442</u>	<u>\$ 5,218,000</u>
Net OPEB liability				
Local Health	\$ 15,983	\$ 2,804	\$ 18,787	\$ 367,769
VRS-Line of Duty Act	601,000	-	601,000	-
VRS-GLI-General Employees	223,436	33,564	257,000	-
VRS-HIC-Schools-Teachers	-	-	-	560,000
VRS-VLDP-Schools-Teachers	-	-	-	1,000
VRS-GLI-Schools-Non-Professionals	-	-	-	17,000
VRS-GLI-Schools-Professionals	-	-	-	286,000
Total net OPEB liability	<u>\$ 840,419</u>	<u>\$ 36,368</u>	<u>\$ 876,787</u>	<u>\$ 1,231,769</u>
Deferred inflows of resources - Related to Pensions				
Deferred inflow-Differences in expected/ actual and assumptions				
VRS-Defined Benefit Pension Plan	\$ 515,883	\$ 77,495	\$ 593,378	\$ 63,593
VRS- Cost Sharing-Multiple-Employer-School Board Teachers	-	-	-	1,238,000
Total deferred inflow resources - Pensions	<u>\$ 515,883</u>	<u>\$ 77,495</u>	<u>\$ 593,378</u>	<u>\$ 1,301,593</u>
Deferred inflows of resources - OPEB				
Deferred inflows-Differences in expected/actual and assumption				
VRS-Line of Duty Act-Cost Sharing-Multiple-Employer	\$ 77,000	\$ -	\$ 77,000	\$ -
VRS-GLI-Cost Sharing-Multiple-Employer-General Employees	27,821	4,179	32,000	-
VRS-HIC-Schools-Teachers	-	-	-	69,000
VRS-GLI-Cost Sharing-Multiple-Employer-Schools-Non-Professionals	-	-	-	2,000
VRS-GLI-Cost Sharing-Multiple-Employer-Schools-Professionals	-	-	-	59,000
Deferred inflow-Differences in expected/actual and assumptions				
Local Health	-	-	-	5,590
Total deferred inflows of resources - OPEB	<u>\$ 104,821</u>	<u>\$ 4,179</u>	<u>\$ 109,000</u>	<u>\$ 135,590</u>

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 17. 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.

Note 18. Risk Management

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

Note 19. Surety Bonds

Amount	
National Grange Mutual Insurance Company - Surety	
*Barbara Muir, Treasurer	\$ 200,000
Kristy Wells, Deputy Treasurer	100,000
 National Grange Mutual Insurance Company - Surety	
Fred Ramey, City Manager	200,000
Jeffery Shupe, Director of Finance	100,000
Mayor and City Council	\$ 10,000
All City employees – blanket bond	10,000
 Virginia Association of Counties Self Insurance Risk Pool (VaCorp):	
Norton City School Employees – blanket bond	250,000
 Selective Insurance Company of America:	
Sara Ring, Director (Social Services)	100,000
Elizabeth Fleming, Office Manager	100,000
All social workers	100,000
All employees other than Director, Office Manager, and social workers	90,000

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

**CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)**

Note 20. 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, 2019, 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	\$ -	\$ -	\$ 5,000
General Fund for Other Purposes	-	-	72,295
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,295</u>

COMPONENT UNIT-SCHOOL BOARD

	Encumbrances Included In:		
	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
School Fund for Capital Assets	\$ -	\$ -	\$ 48,311
School Fund for Other Purposes	-	-	2,625
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,936</u>

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 21. New Accounting Pronouncements

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

GASB Statement No. 88, Certain Disclosures Related to Debt. Including Direct Borrowings and Direct Placements, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses. This Statement will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement will be effective for the year ending June 30, 2019.

Note 22. Subsequent Events

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHP classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplier, industry, and workforce. Given the daily evolution of the COVID-10 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

The City’s operations are heavily dependent on the ability to raise taxes and assess fees. Additionally, access to grants and contracts from federal, state and other local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation may depress the tax bases and other areas in which the City received revenue during 2019. As such, this may hinder the City’s ability to meet the needs of its constituents.

Although the City cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the City’s results for future operations, financial position and liquidity in fiscal year 2020.

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 23. Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

Statement No. 83, Certain Asset Retirement Obligations, establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this statement were originally set to be effective for reporting periods beginning after June 15, 2018; however, due to the COVID-19 crisis, GASB has issued a proposal draft to determine a revised effective date that is schedule to be determined at GASB's meeting in May 2020.

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement were originally set to be effective for reporting periods beginning after December 15, 2018; however, due to the COVID-19 crisis, GASB has issued a proposal draft to determine a revised effective date that is schedule to be determined at GASB's meeting in May 2020.

Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The requirements of this statement were originally set to be effective for reporting periods beginning after December 15, 2019; however, due to the COVID-19 crisis, GASB has issued a proposal draft to determine a revised effective date that is schedule to be determined at GASB's meeting in May 2020.

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement were originally set to be effective for reporting periods beginning after December 15, 2019; however, due to the COVID-19 crisis, GASB has issued a proposal draft to determine a revised effective date that is schedule to be determined at GASB's meeting in May 2020. The requirements of this statement should be applied prospectively;

Statement No. 90, Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61), defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this statement were originally set to be effective for reporting periods beginning after December 15, 2018; however, due to the COVID-19 crisis, GASB has issued a proposal draft to determine a revised effective date that is schedule to be determined at GASB's meeting in May 2020. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
General property taxes	\$2,977,900	\$ 2,977,900	\$ 2,990,029	\$ 12,129
Other local taxes	4,423,200	4,423,200	4,767,490	344,290
Permits, privilege fees and regulatory licenses	7,010	12,010	16,258	4,248
Fines and forfeitures	20,750	20,750	14,146	(6,604)
Revenue from use of money and property	23,500	23,500	65,846	42,346
Chares for services	419,500	435,000	433,782	(1,218)
Miscellaneous	23,150	24,150	20,614	(3,536)
Recovered costs	123,950	123,950	129,682	5,732
Intergovernmental	1,634,500	2,161,500	2,331,898	170,398
Total revenue	<u>\$9,653,460</u>	<u>\$ 10,201,960</u>	<u>\$ 10,769,745</u>	<u>\$ 567,785</u>
Expenditures				
General government and administration	\$1,642,077	\$ 1,675,765	\$ 1,604,755	\$ 71,010
Public safety	2,472,836	2,993,155	3,052,549	(59,394)
Public works	1,911,925	2,320,925	2,227,861	93,064
Health and welfare	89,878	91,308	105,291	(13,983)
Education	2,467,641	2,620,372	2,407,067	213,305
Parks, recreation and cultural	449,934	510,129	547,053	(36,924)
Community development	78,429	78,429	38,502	39,927
Debt service	210,863	215,863	182,821	33,042
Total expenditures	<u>9,323,583</u>	<u>10,505,946</u>	<u>10,165,899</u>	<u>340,047</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	6,000	6,000	2,060	(3,940)
Insurance recoveries	10,000	10,000	7,692	(2,308)
Loan proceeds	-	173,000	203,000	30,000
Prior year surplus	-	460,863	-	(460,863)
Transfers in (out)	(345,877)	(345,877)	(221,978)	123,899
Total other financing sources (uses)	<u>(329,877)</u>	<u>303,986</u>	<u>(9,226)</u>	<u>(313,212)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594,620</u>	<u>\$ 594,620</u>

Note:

Budgetary Basis Reporting - For financial statement reporting (GAAP-basis), fringe benefits are allocated to each function in the general fund. For budgetary basis reporting, all fringe benefits are reported in the general government function.

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Unaudited)-
PRIMARY GOVERNMENT
June 30, 2019

	Primary Government				
	Plan Year				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 369,381	\$ 371,245	\$ 373,792	\$ 358,130	\$ 344,218
Interest on total pension liability	1,169,169	1,154,900	1,087,779	1,045,595	998,021
Changes of assumptions	-	(36,556)	-	-	-
Difference between expected and actual experience	(242,689)	(584,750)	226,076	(54,102)	-
Benefit payments, including refunds of employee contributions	(733,748)	(668,241)	(789,304)	(704,688)	(620,524)
Net change in total pension liability	562,113	236,598	898,343	644,935	721,715
Total pension liability - beginning	17,069,289	16,832,691	15,934,348	15,289,413	14,567,698
Total pension liability - ending	17,631,402	17,069,289	16,832,691	15,934,348	15,289,413
Plan Fiduciary Net Position					
Contributions - employer	292,792	291,335	342,434	350,650	381,975
Contributions - employee	158,958	158,036	159,362	163,425	156,164
Net investment income	1,215,065	1,812,550	255,995	661,092	1,986,618
Benefit payments, including refunds of employee contributions	(733,748)	(668,241)	(789,304)	(704,688)	(620,524)
Administrative expenses	(10,503)	(10,466)	(9,317)	(9,107)	(10,842)
Other	(1,082)	(1,614)	(109)	(141)	278
Net change in plan fiduciary net position	921,482	1,581,600	(40,939)	461,231	1,893,669
Plan fiduciary net position - beginning	16,510,478	14,928,878	14,969,817	14,508,586	12,614,917
Plan fiduciary net position - ending	17,431,960	16,510,478	14,928,878	14,969,817	14,508,586
Net pension liability - ending	\$ 199,442	\$ 558,811	\$ 1,903,813	\$ 964,531	\$ 780,827
Plan fiduciary net position as a percentage of total pension liability	98.87%	96.73%	88.69%	93.95%	94.89%
Covered payroll	\$ 3,227,215	\$ 3,307,908	\$ 3,188,054	\$ 3,141,999	\$ 3,238,494
Net pension liability as a percentage of covered payroll	6.18%	16.89%	59.72%	30.70%	24.11%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2018 information was presented in the entity's fiscal year 2019 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Unaudited)
June 30, 2019

	Schools – Non-Professional				
	Plan Year				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 23,095	\$ 24,382	\$ 26,225	\$ 25,750	\$ 25,638
Interest on total pension liability	127,099	126,215	124,818	125,981	123,727
Changes of assumptions	-	(3,718)	-	-	-
Difference between expected and actual experience	(173,190)	(14,830)	(3,385)	(42,696)	-
Benefit payments, including refunds of employee contributions	(111,185)	(127,660)	(127,735)	(123,556)	(110,787)
Net change in total pension liability	(134,181)	4,389	19,923	(14,521)	38,578
Total pension liability - beginning	1,871,294	1,866,905	1,846,982	1,861,503	1,822,925
Total pension liability - ending	\$ 1,737,113	\$ 1,871,294	\$ 1,866,905	\$ 1,846,982	\$ 1,861,503
Plan Fiduciary Net Position					
Contributions - employer	\$ 4,214	\$ 4,714	\$ 17,138	\$ 18,142	\$ 9,616
Contributions - employee	10,562	11,619	12,385	13,127	12,521
Net investment income	148,249	226,795	32,002	88,847	278,238
Benefit payments, including refunds of employee contributions	(111,185)	(127,660)	(127,735)	(123,556)	(110,787)
Administrative expenses	(1,334)	(1,389)	(1,277)	(1,292)	(1,561)
Other	(129)	(199)	(14)	(21)	15
Net change in plan fiduciary net position	50,377	113,880	(67,501)	(4,753)	188,042
Plan fiduciary net position - beginning	2,035,440	1,921,560	1,989,061	1,993,814	1,805,772
Plan fiduciary net position - ending	\$ 2,085,817	\$ 2,035,440	\$ 1,921,560	\$ 1,989,061	\$ 1,993,814
Net pension (asset) liability - ending	\$ (348,704)	\$ (164,146)	\$ (54,655)	\$ (142,079)	\$ (132,311)
Plan fiduciary net position as a percentage of total pension liability	120.07%	108.77%	102.93%	107.69%	107.11%
Covered payroll	\$ 206,879	\$ 228,781	\$ 233,281	\$ 262,533	\$ 262,540
Net pension (asset) liability as a percentage of covered payroll	-168.55%	-71.75%	-23.43%	-54.12%	-50.40%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2018 information was presented in the entity's fiscal year 2019 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (Unaudited)
June 30, 2019

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2019	\$ 237,331	\$ 237,331	\$ -	\$ 3,321,537	7.15%
2018	292,754	292,754	-	3,227,215	9.07%
2017	291,699	291,699	-	3,307,908	8.82%
2016	342,434	342,434	-	3,188,054	10.74%
2015	346,292	346,292	-	3,141,999	11.02%
2014	417,409	417,409	-	3,238,494	12.89%
2013	374,267	374,267	-	2,950,434	12.69%
2012	417,409	417,409	-	3,080,986	13.55%
2011	428,371	428,371	-	3,071,355	13.95%
2010	365,000	365,000	-	3,176,357	11.49%
Schools - Nonprofessional Employees					
2019	\$ 2,190	\$ 2,190	\$ -	\$ 241,479	0.91%
2018	4,246	4,246	-	215,981	1.97%
2017	4,714	4,714	-	228,781	2.06%
2016	16,791	16,791	-	233,281	7.20%
2015	18,142	18,142	-	262,533	6.91%
2014	15,506	15,506	-	262,540	5.91%
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	12,398	12,398	-	233,957	5.30%

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY (Unaudited)
VRS TEACHER RETIREMENT PLAN
June 30, 2019

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.04179%	\$ 5,218,000	\$ 3,571,615	146.10%	74.81%
2018	0.04792%	5,893,000	3,773,626	156.16%	72.92%
2017	0.04998%	7,004,000	3,807,613	183.95%	68.28%
2016	0.04765%	5,997,000	3,542,739	169.28%	70.68%
2015	0.50360%	6,086,000	4,073,289	149.41%	70.88%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only four years of data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the school division's fiscal year.

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (Unaudited)
VRS TEACHER RETIREMENT PLAN
June 30, 2019

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 545,978	\$ 545,978	\$ -	\$ 3,505,048	15.58%
2018	574,369	574,369	-	3,571,615	16.08%
2017	544,525	544,525	-	3,773,626	14.43%
2016	530,304	530,304	-	3,807,613	13.93%
2015	511,134	511,134	-	3,542,739	14.43%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only five years of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (Unaudited)-
PRIMARY GOVERNMENT
June 30, 2019

	Primary Government		Schools	
	Plan Year			
	2019	2018	2019	2018
Total OPEB Liability				
Service cost	\$ 51,713	\$ 51,713	\$ 12,712	\$ 13,303
Interest on total pension liability	2,138	18,666	15,262	17,099
Changes of assumptions	36	(191)	10,124	(7,872)
Difference between expected and actual experience	(54,667)	(68,394)	-	-
Benefit payments, including refunds of employee contributions	-	-	(102,991)	(107,441)
Net change in total OPEB liability	(780)	1,794	(64,893)	(84,911)
Total OPEB liability - beginning	19,567	17,773	432,662	517,573
Total OPEB liability - ending	18,787	19,567	367,769	432,662
Covered payroll	<u>\$ 3,278,705</u>	<u>\$ 3,240,720</u>	<u>\$ 3,863,551</u>	<u>\$ 3,863,551</u>
Net OPEB liability as a percentage of covered payroll	<u>0.57%</u>	<u>0.60%</u>	<u>9.52%</u>	<u>11.20%</u>

This schedule is intended to show information for 10 years. Since fiscal year 2018 was the first year for this presentation, no earlier data is

Notes to Schedule:

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS (Unaudited)
June 30, 2019

PRIMARY GOVERNMENT					
Plan Year	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Local Plan					
2019	\$ -	\$ -	\$ -	\$ 3,278,705	0.00%
2018	-	-	-	3,240,720	0.00%

SCHOOL BOARD					
Plan Year	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Local Plan					
2019	102,991	102,991	-	3,863,551	2.67%
2018	107,441	107,441	-	3,863,551	2.78%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (Unaudited)
June 30, 2019

*	Employer's	Employer's	Employer's	Employer's	Plan
Fiscal	Portion	Proportionate	Employer's	Proportionate Share	Fiduciary
Year	of the	Share of the	Covered	of the Net OPEB	Net Position
Ended	Net OPEB	Net OPEB	Payroll	Liability (Asset)	as a % of the
30-Jun	Liability (Asset)	Liability (Asset)	Payroll	as % of its	Total
				Covered Payroll	OPEB Liability
VRS-Group Life Insurance-General Employees					
2019	0.01688%	\$ 257,000	\$3,210,080	8.01%	51.22%
2018	0.01731%	260,000	3,193,228	8.14%	48.86%
VRS- Line of Duty Act (LODA)					
2019	0.19177%	\$ 601,000	\$ 869,874	69.09%	0.60%
2018	0.15782%	415,000	858,463	48.34%	1.30%
VRS-Group Life Insurance-School Board-Teachers					
2019	0.01878%	\$ 286,000	\$3,571,612	8.01%	51.22%
2018	0.02046%	308,000	3,773,626	8.16%	48.86%
VRS-Group Life Insurance-School Board-General Employees					
2019	0.00113%	\$ 17,000	\$ 214,450	7.93%	51.22%
2018	0.00126%	19,000	233,281	8.14%	48.86%
VRS-Health Insurance Credit-Teachers					
2019	0.04412%	\$ 560,000	\$3,569,234	15.69%	8.06%
2018	0.04782%	607,000	3,773,992	16.08%	7.04%
VRS-VLDP-School Board-Teachers					
2019	0.16569%	\$ 1,000	\$ 620,879	0.16%	46.18%
2018	0.21792%	1,000	614,962	0.16%	31.96%

*The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS (Unaudited)
 June 30, 2019

Fiscal Year	Contractually Required Contribution	Contributions Related to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
VRS-Group Life Insurance-General Employees					
2019	\$ 17,049	\$ 17,049	-	\$ 3,278,705	0.52%
2018	16,692	16,692	-	3,210,080	0.52%
2017	16,605	16,605	-	3,193,228	0.52%
2016	15,129	15,129	-	3,151,925	0.48%
2015	15,209	15,209	-	3,168,613	0.48%
2014	14,529	14,529	-	3,026,810	0.48%
2013	14,094	14,094	-	2,936,302	0.48%
2012	7,985	7,985	-	2,851,730	0.28%
2011	8,244	8,244	-	2,944,169	0.28%
2010	6,039	6,039	-	2,236,661	0.27%
VRS- Line of Duty Act					
2019	\$ 20,426	\$ 20,426	-	\$ 906,426	2.25%
2018	20,426	20,426	-	869,874	2.35%
2017	17,021	17,021	-	858,463	1.98%
2016	15,694	15,694	-	802,314	1.96%
2015	17,122	17,122	-	794,579	2.15%
2014	15,790	15,790	-	764,311	2.07%
2013	14,817	14,817	-	964,562	1.54%
2012	10,291	10,291	-	1,016,866	1.01%
VRS-Group Life Insurance-School Board-Teachers					
2019	\$ 18,591	\$ 18,591	-	\$ 3,505,048	0.53%
2018	18,591	18,591	-	3,571,615	0.52%
2017	19,623	19,623	-	3,773,626	0.52%
2016	17,358	17,358	-	3,616,216	0.48%
2015	17,070	17,070	-	3,556,211	0.48%
2014	17,749	17,749	-	3,697,804	0.48%
2013	17,506	17,506	-	3,647,180	0.48%
2012	10,821	10,821	-	3,864,504	0.28%
2011	11,039	11,039	-	3,942,438	0.28%
2010	21,734	21,734	-	3,857,881	0.56%
VRS-Group Life Insurance-School Board-General Employees					
2019	\$ 1,115	\$ 1,115	-	\$ 241,479	0.46%
2018	1,115	1,115	-	214,450	0.52%
2017	1,213	1,213	-	233,281	0.52%
2016	1,210	1,210	-	252,111	0.48%
2015	1,260	1,260	-	262,540	0.48%
2014	1,202	1,202	-	250,414	0.48%
2013	1,194	1,194	-	248,674	0.48%
2012	771	771	-	275,268	0.28%
2011	736	736	-	262,724	0.28%
2010	516	516	-	190,942	0.27%

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS (Unaudited)
June 30, 2019

VRS-Health Insurance Credit-Teachers									
2019	\$	43,889	\$	43,889	\$	-	\$	3,505,048	1.25%
2018		43,889		43,889		-		3,569,234	1.23%
2017		41,891		41,891		-		3,773,992	1.11%
2016		40,394		40,394		-		3,810,793	1.06%
2015		37,553		37,553		-		3,542,739	1.06%
2014		40,879		40,879		-		3,682,807	1.11%
2013		40,484		40,484		-		3,647,180	1.11%
2012		23,187		23,187		-		3,864,504	0.60%
2011		23,655		23,655		-		3,942,438	0.60%
2010		28,368		28,368		-		2,727,667	1.04%

VRS-VLDP-School Board-Teachers									
2018	\$	1,914	\$	1,914	\$	-	\$	825,926	0.23%
2018		1,914		1,914		-		620,879	0.31%
2017		1,906		1,906		-		614,962	0.31%
2016		1,300		1,300		-		448,374	0.29%
2015		743		743		-		256,270	0.29%
2014		50		50		-		17,250	0.29%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, not all ten years of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year-i.e. the covered payroll on which required contributions were based for the same year.

FY2011 was the first year for the Line of Duty Act Program (LODA), however, there were no contributions.

CITY OF NORTON
Notes to Required Supplementary Information
June 30, 2019

Note 1. Change of benefit terms

Pension

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System of benefit provisions since the prior actuarial valuation.

Note 2. Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 -- Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Applicable to:	Pension, GLI OPEB, and VLDP OPEB

All Others (Non 10 Largest) -- Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Applicable to:	Pension, GLI OPEB, and VLDP OPEB

Largest 10 -- Hazardous Duty/Public Safety Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%
Applicable to:	Pension, GLI OPEB, and LODA OPEB

All Others (Non 10 Largest) -- Hazardous Duty/Public Safety Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Applicable to:	Pension, GLI OPEB, and LODA OPEB

**OTHER SUPPLEMENTARY
INFORMATION**

**CITY OF NORTON, VIRGINIA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2019**

	RBE Revolving Loan Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	Total Other Governmental Funds
ASSETS				
Cash and investments	\$ 313,661	\$ 160,462	2,069	\$ 476,192
Restricted cash	-	-	-	-
Investments	-	-	-	-
Taxes Receivable	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	-	-	-	-
Total assets	<u>\$ 313,661</u>	<u>\$ 160,462</u>	<u>\$ 2,069</u>	<u>\$ 476,192</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	-	-	-	-
Due to other funds	-	44,072	-	44,072
Due to component unit	-	-	-	-
Due to other governmental units	-	-	-	-
Total liabilities	<u>-</u>	<u>44,072</u>	<u>-</u>	<u>44,072</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable/deferred taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (Note 6)				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	313,661	116,390	2,069	432,120
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>313,661</u>	<u>116,390</u>	<u>2,069</u>	<u>432,120</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 313,661</u>	<u>\$ 160,462</u>	<u>\$ 2,069</u>	<u>\$ 476,192</u>

CITY OF NORTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	RBEG Revolving Loan Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	Total Other Governmental Funds
REVENUES				
General property taxes	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-
Permits, privilege fees, and regulatory licenses	-	-	-	-
Fines and forfeitures	-	89,783	-	89,783.00
Charges for services	-	-	-	-
Use of money and property	1,871	-	-	1,871.00
Miscellaneous	-	-	-	-
Reimbursement from School Board	-	-	-	-
Intergovernmental	-	-	-	-
Total revenues	<u>1,871</u>	<u>89,783</u>	<u>-</u>	<u>91,654</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial administration	-	-	-	-
Public safety	-	32,642	-	32,642
Public works	-	-	-	-
Health and welfare	-	-	-	-
Parks, recreation, and cultural	-	-	-	-
Community development	-	-	-	-
Education	-	-	-	-
Human services	-	-	-	-
Nondepartmental	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>-</u>	<u>32,642</u>	<u>-</u>	<u>32,642</u>
Excess (deficiency) of revenues over expenditures	<u>1,871</u>	<u>57,141</u>	<u>-</u>	<u>59,012</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,871	57,141	-	59,012
FUND BALANCES AT JULY 1	<u>311,790</u>	<u>59,249</u>	<u>2,069</u>	<u>373,108</u>
FUND BALANCES AT JUNE 30	<u>\$ 313,661</u>	<u>\$ 116,390</u>	<u>\$ 2,069</u>	<u>\$ 432,120</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019**

	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	\$ 2,025,000	\$ 2,025,000	\$ 1,977,214	\$ (47,786)
Real and personal public service corporation property taxes	220,000	220,000	193,058	(26,942)
Personal property taxes	550,400	550,400	640,707	90,307
Machinery and tools taxes	102,500	102,500	115,167	12,667
Penalties and interest	80,000	80,000	63,883	(16,117)
Total General Property Taxes	<u>2,977,900</u>	<u>2,977,900</u>	<u>2,990,029</u>	<u>12,129</u>
Other Local Taxes:				
Local sales and use taxes	1,500,000	1,500,000	1,639,810	139,810
Utility taxes	130,000	130,000	127,413	(2,587)
Business license taxes	748,000	748,000	789,539	41,539
Communication taxes	200,000	200,000	194,619	(5,381)
Motor vehicle licenses	80,000	80,000	85,205	5,205
Bank stock taxes	40,000	40,000	50,778	10,778
Recordation taxes	25,000	25,000	17,026	(7,974)
Tobacco taxes	200	200	-	(200)
Hotel and motel room taxes	170,000	170,000	158,331	(11,669)
Restaurant food taxes	1,350,000	1,350,000	1,496,570	146,570
Coal road improvement taxes	20,000	20,000	39,774	19,774
Cigarette tax	160,000	160,000	168,425	8,425
Total Other Local Taxes	<u>4,423,200</u>	<u>4,423,200</u>	<u>4,767,490</u>	<u>344,290</u>
Permits, Privilege Fees And Regulatory Licenses:				
Animal licenses	500	500	245	(255)
Permits and other licenses	6,510	11,510	16,013	4,503
Total Permits, Privilege Fees and Regulatory Licenses	<u>7,010</u>	<u>12,010</u>	<u>16,258</u>	<u>4,248</u>
Fines and Forfeitures	<u>20,750</u>	<u>20,750</u>	<u>14,146</u>	<u>(6,604)</u>
Revenue From Use Of Money And Property:				
Revenue from use of money	6,000	6,000	51,971	45,971
Revenue from use of property	17,500	17,500	13,875	(3,625)
Total Revenue From Use of Money and Property	<u>23,500</u>	<u>23,500</u>	<u>65,846</u>	<u>42,346</u>
Charges For Services:				
Sheriff's fees	1,000	1,000	702	(298)
Charges for sanitation and waste removal	411,500	411,500	411,018	(482)
Charges for parks and recreation	7,000	22,500	22,062	(438)
NFD revenue recovery	-	-	-	-
Total Charges for Services	<u>419,500</u>	<u>435,000</u>	<u>433,782</u>	<u>(1,218)</u>
Miscellaneous Revenue:				
Miscellaneous	23,149	24,149	20,614	(3,535)
Total Miscellaneous	<u>23,149</u>	<u>24,149</u>	<u>20,614</u>	<u>(3,535)</u>
Recovered Costs:				
Recovered Cost - School Board	5,000	5,000	2,455	(2,545)
Recovered Cost - Streets	50,000	50,000	50,000	-
Recovered Cost-NIDA	55,000	55,000	54,666	(334)
Recoverd Cost-Regional Jail	-	-	22,561	22,561
Cost allocation plan - Water and Sewer Fund	13,950	13,950	-	(13,950)
Total Recovered Costs	<u>123,950</u>	<u>123,950</u>	<u>129,682</u>	<u>5,732</u>
Total Revenue From Local Sources	<u>8,018,959</u>	<u>8,040,459</u>	<u>8,437,847</u>	<u>397,388</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Motor vehicle carriers' taxes	\$ 50,000	\$ 50,000	\$ 55,102	\$ 5,102
Litter grant	5,000	5,000	6,207	1,207
Mobile home titling taxes	5,000	5,000	1,382	(3,618)
Rolling stock taxes	20,000	20,000	42,571	22,571
Total Non-Categorical Aid	<u>80,000</u>	<u>80,000</u>	<u>105,262</u>	<u>25,262</u>
Categorical Aid:				
Shared Expenses:				
Sheriff	151,000	151,000	153,835	2,835
Commissioner of the Revenue	68,000	68,000	66,972	(1,028)
Treasurer	68,000	68,000	66,011	(1,989)
Registrar/electoral board	30,000	30,000	35,755	5,755
Total Shared Expenses	<u>317,000</u>	<u>317,000</u>	<u>322,573</u>	<u>5,573</u>
Other Categorical Aid:				
Law enforcement grant	220,000	220,000	230,848	10,848
School Resource Officer	35,000	85,000	135,437	50,437
Emergency medical services	3,000	3,000	3,032	32
DMV Grant	15,000	15,000	12,127	(2,873)
Street and highway maintenance	845,000	845,000	870,286	25,286
Financial assistance to the arts	5,000	5,000	4,500	(500)
E-911 funding	40,000	40,000	49,377	9,377
Drug task force	17,000	17,000	21,415	4,415
VDOT	-	-	24,000	24,000
Fire funds	25,000	25,000	58,073	33,073
Total Other Categorical Aid	<u>1,205,000</u>	<u>1,255,000</u>	<u>1,409,095</u>	<u>154,095</u>
Total Revenue From the Commonwealth	<u>1,602,000</u>	<u>1,652,000</u>	<u>1,836,930</u>	<u>184,930</u>
Revenue From The Federal Government:				
Payment in lieu of property taxes	25,000	25,000	23,687	(1,313)
Emergency management	7,500	364,500	350,957	(13,543)
USDA Community Facilities Grant	-	25,000	50,000	25,000
Community Development Block Grant	-	95,000	70,324	(24,676)
Total Revenue From The Federal Government	<u>32,500</u>	<u>509,500</u>	<u>494,968</u>	<u>(14,532)</u>
Other financing sources				
Insurance recoveries	10,000	10,000	7,692	(2,308)
Loan proceeds	-	173,000	203,000	30,000
Sale of Surplus	6,000	6,000	2,060	(3,940)
Total other financing sources	<u>16,000</u>	<u>189,000</u>	<u>212,752</u>	<u>23,752</u>
TOTAL GENERAL FUND	<u>9,669,459</u>	<u>10,390,959</u>	<u>10,982,497</u>	<u>591,538</u>
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Revenue From Local Sources:				
Revenue From Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ -	\$ -
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue From The Commonwealth:				
Categorical Aid:				
Welfare:				
Aid to dependent children	44,278	44,278	71,880	27,602
Foster care	61,876	61,876	24,515	(37,361)

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General administration for financial assistance	\$ 230,971	\$ 230,971	\$ 186,700	\$ (44,271)
Supplemental income assistance for the aged, blind and disabled	37,530	37,530	35,538	(1,992)
Employment services	141,751	141,751	99,439	(42,312)
Day care	-	-	-	-
Other purchased services	8,018	8,018	5,594	(2,424)
Direct social services	1,097	1,097	-	(1,097)
Total Categorical Aid	<u>525,522</u>	<u>525,522</u>	<u>423,666</u>	<u>(115,359)</u>
 Total Revenue From the Commonwealth	 <u>525,522</u>	 <u>525,522</u>	 <u>423,666</u>	 <u>(115,359)</u>
Revenue From The Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	44,308	44,308	46,301	1,993
Foster care	73,763	73,763	25,754	(48,009)
General administration for financial assistance	376,204	376,204	493,895	117,691
Community services	-	-	-	-
Assistance to Aged, Blind and Disabled	8,623	8,623	-	(8,623)
Employment services	11,234	11,234	12,913	1,679
Day Care	-	-	-	-
Other purchased services	1,090	1,090	-	(1,090)
Emergency assistance	-	-	-	-
Total Revenue From the Federal Government	<u>515,222</u>	<u>515,222</u>	<u>578,863</u>	<u>63,641</u>
Other financing sources				
Transfers from general fund	345,877	345,877	221,978	(123,899)
Total other financing sources	<u>345,877</u>	<u>345,877</u>	<u>221,978</u>	<u>(123,899)</u>
 Total Virginia Public Assistance Fund	 <u>1,386,621</u>	 <u>1,386,621</u>	 <u>1,224,507</u>	 <u>(175,617)</u>
Drug and Gambling Investigative Funds:				
Revenue From Local Sources:				
Restitution to law enforcement	70,000	70,000	89,783	19,783
Total Revenue From Local Sources	<u>70,000</u>	<u>70,000</u>	<u>89,783</u>	<u>19,783</u>
 Total Revenue Drug and Gambling Investigative Fund	 <u>70,000</u>	 <u>70,000</u>	 <u>89,783</u>	 <u>19,783</u>
Revolving Loan Fund:				
Revenue From Local Sources:				
Revenue from use of money and property	-	-	1,871	1,871
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>1,871</u>	<u>1,871</u>
 Total Revolving Loan Fund	 <u>-</u>	 <u>-</u>	 <u>1,871</u>	 <u>1,871</u>
 TOTAL SPECIAL REVENUE FUNDS	 <u>1,456,621</u>	 <u>1,456,621</u>	 <u>1,316,161</u>	 <u>(153,963)</u>
 GRAND TOTAL - REVENUES - GOVERNMENTAL FUNDS	 <u>\$ 11,126,080</u>	 <u>\$ 11,847,580</u>	 <u>\$ 12,298,658</u>	 <u>\$ 437,575</u>

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
City Council	\$ 51,397	\$ 51,397	\$ 43,544	\$ 7,853
General and Financial Administration:				
City Manager	150,350	150,350	151,125	(775)
Office personnel	113,150	113,150	91,073	22,077
Legal and professional	60,000	60,000	34,020	25,980
Independent Auditor	30,000	45,000	42,595	2,405
Commissioner of the Revenue	150,900	150,900	150,342	558
Assessor	15,000	15,000	-	15,000
Treasurer	164,400	164,400	159,844	4,556
Director of Finance	155,250	155,250	175,626	(20,376)
Data Processing	82,500	101,188	118,710	(17,522)
Automotive/motor pool	170,400	170,400	153,001	17,399
Total General and Financial Administration	1,091,950	1,125,638	1,076,336	49,302
Board of Elections:				
Electoral board and officials	14,200	14,200	11,061	3,139
Registrar	77,600	77,600	77,915	(315)
Total Board of Elections	91,800	91,800	88,976	2,824
Total General Government Administration	1,235,147	1,268,835	1,208,856	59,979
Judicial Administration:				
Courts:				
Circuit court	55,000	55,000	70,774	(15,774)
General district court	1,500	1,500	1,450	50
Clerk of circuit court	40,000	40,000	38,758	1,242
Sheriff	227,930	227,930	216,430	11,500
County courthouse	35,000	35,000	34,648	352
Court and attorney fees	-	-	-	-
Total Courts	359,430	359,430	362,060	(2,630)
Commonwealth's Attorney:				
Commonwealth's attorney	47,500	47,500	33,839	13,661
Total Judicial Administration	406,930	406,930	395,899	11,031
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,180,750	1,285,750	1,386,631	(100,881)
Traffic control	21,000	41,950	34,855	7,095
E-911	478,700	478,700	463,497	15,203
Emergency management funds	9,500	38,195	54,717	(16,522)
Total Law Enforcement and Traffic Control	1,689,950	1,844,595	1,939,700	(95,105)
Fire and Rescue Services:				
Volunteer fire department	236,750	592,424	579,802	12,622
Ambulance and rescue services	30,000	40,000	36,695	3,305
Total Fire and Rescue Services	266,750	632,424	616,497	15,927
Correction and Detention:				
Purchase of service from Wise County	80,000	80,000	70,444	9,556
Juvenile detention	54,384	54,384	54,384	-
Contribution to regional jail	233,752	233,752	231,752	2,000
Total Correction and Detention	368,136	368,136	356,580	11,556
Inspections:				
Building	95,600	95,600	91,157	4,443
Other Protection:				
Animal control	51,400	51,400	47,595	3,805
Emergency medical services	1,000	1,000	1,020	(20)
Total Other Protection	52,400	52,400	48,615	3,785
Total Public Safety	2,472,836	2,993,155	3,052,549	(59,394)

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
General engineering/administration	\$ 93,025	\$ 118,025	\$ 63,361	\$ 54,664
Highways, streets, bridges and sidewalks	900,400	900,400	954,927	(54,527)
Storm drainage	5,000	5,000	8,381	(3,381)
Street lights	117,500	117,500	139,511	(22,011)
Snow and ice removal	45,000	45,000	36,966	8,034
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets Bridges and Sidewalks	1,163,925	1,188,925	1,203,146	(14,221)
Sanitation and Waste Removal:				
Street and road cleaning	8,500	8,500	5,447	3,053
Refuse collection	298,400	442,400	429,636	12,764
Refuse disposal	200,000	200,000	162,894	37,106
Total Sanitation and Waste Removal	506,900	650,900	597,977	52,923
Maintenance of General Buildings and Grounds:				
General properties	241,100	481,100	426,738	54,362
Total Public Works	1,911,925	2,320,925	2,227,861	93,064
Health and Welfare:				
Health:				
Local health department	57,308	57,308	48,942	8,366
Mental Health and Mental Retardation:				
Chapter 10 board	17,250	18,680	18,680	-
Welfare/Social Services:				
Area agency on aging	11,000	11,000	11,000	-
Property tax relief for elderly	-	-	23,049	(23,049)
Contribution to Office on Youth	2,000	2,000	2,000	-
Contribution to Ram Project	700	700	-	700
Contribution to Food Bank	500	500	500	-
Contribution - Hope House	1,120	1,120	1,120	-
Total Welfare/Social Services	15,320	15,320	37,669	(22,349)
Total Health and Welfare	89,878	91,308	105,291	(13,983)
Education:				
Contribution to Mountain Empire Community College	7,458	7,458	7,458	-
Payment to school board	2,460,183	2,612,914	2,399,609	213,305
Total Education	2,467,641	2,620,372	2,407,067	213,305
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	218,300	248,300	287,500	(39,200)
Recreation centers and playgrounds	171,849	198,099	204,234	(6,135)
Total Parks and Recreation	390,149	446,399	491,734	(45,335)
Cultural Enrichment:				
Pro-Art	6,100	6,100	6,100	-
Other events	12,400	16,345	10,211	6,134
Friends and farmers market	10,000	10,000	7,997	2,003
Employee picnic and Christmas party	1,000	1,000	726	274
Total Cultural Enrichment	29,500	33,445	25,034	8,411
Library:				
Payments to regional library	30,285	30,285	30,285	-
Total Parks, Recreation and Cultural	449,934	510,129	547,053	(36,924)

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community Development:				
Planning and Community Development:				
Planning	\$ 59,332	\$ 59,332	\$ 20,614	\$ 38,718
Planning-contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	6,150	6,150	4,941	1,209
Contribution to Chamber of Commerce	1,979	1,979	1,979	-
Contribution to Black Diamond Development	200	200	200	-
Contribution to component unit - NIDA	-	-	-	-
Contribution to Airport Commission	2,645	2,645	2,645	-
Capital outlay	-	-	-	-
Total Planning and Community Development	78,429	78,429	38,502	39,927
Debt Service				
Principal	210,863	215,863	151,154	64,709
Interest	-	-	31,667	(31,667)
Total debt service	210,863	215,863	182,821	33,042
Other financing uses				
Transfers to welfare fund	345,877	345,877	221,978	123,899
Total other financing sources	345,877	345,877	221,978	123,899
TOTAL GENERAL FUND	\$ 9,669,460	\$ 10,851,823	\$ 10,387,877	\$ 463,946
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 1,386,620	\$ 1,386,620	\$ 1,267,059	\$ 119,561
Total Welfare/Social Services	1,386,620	1,386,620	1,267,059	119,561
Total Health and Welfare	1,386,620	1,386,620	1,267,059	119,561
Total Virginia Public Assistance Fund	1,386,620	1,386,620	1,267,059	119,561
Drug and Gambling Investigative Funds:				
Public safety	70,000	70,000	32,642	37,358
Total Drug and Gambling Investigative Funds	70,000	70,000	32,642	37,358
TOTAL SPECIAL REVENUE FUNDS	1,456,620	1,456,620	1,299,701	156,919
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	\$ 11,126,080	\$ 12,308,443	\$ 11,687,578	\$ 620,865
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ -	\$ (460,863)	\$ 611,080	
Net appropriations from fund balance				
Prior year surplus	-	412,361		
Prior year encumbrances	-	48,502		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		

CITY OF NORTON, VIRGINIA
STATEMENT OF NET POSITION BY DEPARTMENT
PROPRIETARY FUNDS
June 30, 2019

	BUSINESS TYPE ACTIVITIES		
	PROPRIETARY FUND		
	<u>Water</u>	<u>Sewer</u>	<u>Water and</u>
	<u>Operation</u>	<u>Operation</u>	<u>Sewer Operation</u>
ASSETS			
Current assets:			
Cash and investments	\$ 98,421	\$ 140,102	\$ 238,523
Receivables, net	351,073	226,375	577,448
Due from other funds	69,747	28,998	98,745
Total current assets	<u>519,241</u>	<u>395,475</u>	<u>914,716</u>
Noncurrent assets:			
Restricted cash	54,572	77,684	132,256
Capital assets, net	9,742,926	7,539,741	17,282,667
Total noncurrent assets	<u>9,797,498</u>	<u>7,617,425</u>	<u>17,414,923</u>
Total assets	<u>10,316,739</u>	<u>8,012,900</u>	<u>18,329,639</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	26,456	10,998	37,454
Deferred outflows related to other postemployment benefits	2,772	1,152	3,924
Total deferred outflows of resources	<u>29,228</u>	<u>12,150</u>	<u>41,378</u>
LIABILITIES			
Current liabilities:			
Accounts payable	199,864	83,095	282,959
Accrued payroll and related liabilities	9,579	3,982	13,561
Accrued interest	23,005	10,249	33,254
Due to other funds	427,445	177,713	605,158
Customer security deposits	54,572	77,684	132,256
Compensated absences	4,305	1,790	6,095
Debt obligations, current	161,927	103,586	265,513
Total current liabilities	<u>880,697</u>	<u>458,099</u>	<u>1,338,796</u>
Noncurrent liabilities:			
Compensated absences	10,046	4,177	14,223
Net pension liability	18,398	7,649	26,047
Net other postemployment benefit liabilities	25,688	10,680	36,368
Debt obligations	4,931,491	2,165,639	7,097,130
Total noncurrent liabilities	<u>4,985,623</u>	<u>2,188,145</u>	<u>7,173,768</u>
Total liabilities	<u>5,866,320</u>	<u>2,646,244</u>	<u>8,512,564</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	54,738	22,757	77,495
Deferred inflows related to other post employment benefits	2,952	1,227	4,179
Total deferred inflows of resources	<u>57,690</u>	<u>23,984</u>	<u>81,674</u>
NET POSITION			
Net investment in capital assets	4,649,508	5,270,516	9,920,024
Restricted	-	-	-
Unrestricted	(227,551)	84,306	(143,245)
Total net position	<u>\$ 4,421,957</u>	<u>\$ 5,354,822</u>	<u>\$ 9,776,779</u>

CITY OF NORTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2019

	BUSINESS TYPE ACTIVITIES		
	PROPRIETARY FUND		
	Water Operation	Sewer Operation	Water and Sewer Operation
OPERATING REVENUES			
Charges for services			
Water:			
Local	\$ 895,088	\$ -	\$ 895,088
Non-Local	193,625	-	193,625
Sewer:			
Local	-	1,219,175	1,219,175
Non-Local	-	330,608	330,608
Connection fees	22,402	350	22,752
Penalties	26,355	37,517	63,872
Miscellaneous	400	53,456	53,856
Total operating revenues	<u>1,137,870</u>	<u>1,641,106</u>	<u>2,778,976</u>
OPERATING EXPENSES			
Personnel	330,667	120,966	451,633
Fringe benefits	126,514	69,109	195,623
Contractual services	7,074	838,630	845,704
Other charges	323,556	117,125	440,681
Water purchased for resale	37,087	-	37,087
Depreciation and amortization	264,039	402,524	666,563
Total operating expenses	<u>1,088,937</u>	<u>1,548,354</u>	<u>2,637,291</u>
Operating income	<u>48,933</u>	<u>92,752</u>	<u>141,685</u>
NONOPERATING REVENUES (EXPENSES)			
Grant income	285,850	-	285,850
Interconnect expense	(20,971)	-	(20,971)
Interest expense	(149,315)	(33,431)	(182,746)
Total nonoperating revenues (expenses)	<u>115,564</u>	<u>(33,431)</u>	<u>82,133</u>
Change in net position	164,497	59,321	223,818
NET POSITION AT JULY 1	4,257,460	5,295,501	9,552,961
NET POSITION AT JUNE 30	<u>\$ 4,421,957</u>	<u>\$ 5,354,822</u>	<u>\$ 9,776,779</u>

CITY OF NORTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2019

	BUSINESS TYPE ACTIVITIES		
	PROPRIETARY FUND		
	<u>Water</u> <u>Operation</u>	<u>Sewer</u> <u>Operation</u>	<u>Water and</u> <u>Sewer Operation</u>
OPERATING ACTIVITIES			
Receipts from customers and properties	\$ 1,118,206	\$ 1,591,766	\$ 2,709,972
Receipts from other sources	(204,370)	(1,288,066)	(1,492,436)
Payments to suppliers	(314,903)	(130,923)	(445,826)
Payments to employees	22,222	31,634	53,856
	<u>621,155</u>	<u>204,411</u>	<u>825,566</u>
Net cash provided by operating activities			
NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowing	2,869	4,084	6,953
	<u>2,869</u>	<u>4,084</u>	<u>6,953</u>
Net cash provided by noncapital financing activities			
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(354,242)	-	(354,242)
Proceeds from issuance of debt	-	-	-
Contributed Capital - grant revenue	115,782	-	115,782
Interconnect expense	(20,971)	-	(20,971)
Principal paid	(163,902)	(102,912)	(266,814)
Interest paid	(152,292)	(33,431)	(185,723)
	<u>(575,625)</u>	<u>(136,343)</u>	<u>(711,968)</u>
Net cash used in capital and related financing activities			
Net increase (decrease) in cash and cash equivalents	48,399	72,152	120,551
CASH AND CASH EQUIVALENTS			
Beginning at July 1	104,594	145,634	250,228
Ending at June 30	<u>\$ 152,993</u>	<u>\$ 217,786</u>	<u>\$ 370,779</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 48,933	\$ 92,752	\$ 141,685
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	264,039	402,524	666,563
Pension expense net of employer contributions	(42,904)	(17,838)	(60,742)
Other post-employment benefit expense net of employer contributions	(5,627)	(2,340)	(7,967)
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(7,233)	(10,297)	(17,530)
Due from other governments	-	-	-
Increase (decrease) in:			
Accounts payable and other current liabilities	360,064	(264,696)	95,368
Accrued payroll and related liabilities	744	2,011	2,755
Customer deposits	983	1,399	2,382
Compensated absences	2,156	896	3,052
	<u>621,155</u>	<u>204,411</u>	<u>825,566</u>
Net cash provided by operating activities			

CITY OF NORTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2019

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	Total School Board
ASSETS					
Cash and investments	\$ 207,018	\$ -	\$ -	\$ -	\$ 207,018
Cash - restricted	-	144,251	36,751	207,189	388,191
Accounts receivable	-	-	-	-	-
Due from other funds	20,424	-	-	4,473	24,897
Due from primary government	141,311	46,186	-	-	187,497
Due from other governments	539,816	-	-	-	539,816
Total assets	<u>\$ 908,569</u>	<u>\$ 190,437</u>	<u>\$ 36,751</u>	<u>\$ 211,662</u>	<u>\$ 1,347,419</u>
LIABILITIES					
Accounts Payable	\$ 385,560	\$ -	\$ -	\$ 9,249	\$ 394,809
Accrued Liabilities	458,355	-	-	-	458,355
Due to other funds	4,473	13,477	-	6,947	24,897
Due to primary government	9,218	-	-	-	9,218
Total liabilities	<u>857,606</u>	<u>13,477</u>	<u>-</u>	<u>16,196</u>	<u>887,279</u>
FUND BALANCE					
Nonspendable	-	-	-	-	-
Restricted	50,963	-	-	-	50,963
Committed	-	176,960	36,751	195,466	409,177
Total fund balance	<u>50,963</u>	<u>176,960</u>	<u>36,751</u>	<u>195,466</u>	<u>460,140</u>
Total liabilities and fund balance	<u>\$ 908,569</u>	<u>\$ 190,437</u>	<u>\$ 36,751</u>	<u>\$ 211,662</u>	<u>\$ 1,347,419</u>
Adjustments for the Statement of Net Position (Exhibit 1):					
Total Fund Balance - School Board					\$ 460,140
Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:					
Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.					
Net pension asset					348,704
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.					
Nondepreciable				99,087	
Depreciable, net				<u>9,709,421</u>	9,808,508
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.					
Deferred outflows related to:					
Pensions				751,168	
Other postemployment benefits				88,366	
Deferred inflows related to:					
Pensions				(1,301,593)	
Other postemployment benefits				(135,590)	
Net pension liability				(5,218,000)	
Net other postemployment benefits liability				<u>(1,231,769)</u>	(7,047,418)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.					
Accrued interest					(120,907)
Compensated absences					<u>(121,663)</u>
Total Net Position - School Board Governmental Activities					<u>\$ (5,248,169)</u>

CITY OF NORTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2019

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	Total School Board
REVENUES					
Revenue from use of money and property	\$ 1,108	\$ 860	\$ 129	\$ -	\$ 2,097
Charges for services	-	-	33,051	15,363	48,414
Miscellaneous	207,007	-	-	-	207,007
Intergovernmental	-	-	-	-	-
Primary government	2,376,946	22,663	-	-	2,399,609
Commonwealth of Virginia	5,421,769	-	-	23,160	5,444,929
Federal government	541,882	-	-	483,135	1,025,017
Total revenue	<u>8,548,712</u>	<u>23,523</u>	<u>33,180</u>	<u>521,658</u>	<u>9,127,073</u>
EXPENDITURES					
Current					
Education	7,814,263	-	73,027	459,808	8,347,098
Debt Service:					
Principal	693,501	-	-	-	693,501
Interest	281,943	-	-	-	281,943
Total expenditures	<u>8,789,707</u>	<u>-</u>	<u>73,027</u>	<u>459,808</u>	<u>9,322,542</u>
OTHER FINANCING SOURCES (USES)					
Capital lease proceeds	217,663	-	-	-	217,663
Transfer in	-	-	40,000	-	40,000
Transfers out	(40,000)	-	-	-	(40,000)
Net change in fund balance	<u>(63,332)</u>	<u>23,523</u>	<u>153</u>	<u>61,850</u>	<u>22,194</u>
FUND BALANCE AT JULY 1	<u>114,295</u>	<u>153,437</u>	<u>36,598</u>	<u>133,616</u>	<u>437,946</u>
FUND BALANCE AT JUNE 30	<u>\$ 50,963</u>	<u>\$ 176,960</u>	<u>\$ 36,751</u>	<u>\$ 195,466</u>	<u>\$ 460,140</u>

Reconciliation to the Statement of Activities (Exhibit 2):

Net Change in Fund Balance - School Board	\$ 22,194
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	283,765
Depreciation and amortization expense	<u>(484,316)</u>
	(200,551)
Governmental funds report the issuance of debt as an increase in financial resources while governmental activities report the debt liability.	(217,663)
Governmental funds report employer 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.	528,156
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefit expense.	106,891
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 the governmental funds.	748,530
Compensated absences	<u>(61,868)</u>
Change in Net Position - School Board Governmental Activities	\$ 925,689

CITY OF NORTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SCHOOL OPERATING FUND
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Revenue from local use of money and property	\$ 400	\$ 400	\$ 1,108	\$ 708
Miscellaneous	202,597	202,597	207,007	4,410
Intergovernmental:				
Primary government	2,469,408	2,409,757	2,376,946	(32,811)
Commonwealth of Virginia	5,161,496	5,442,163	5,421,769	(20,394)
Federal government	477,710	477,710	541,882	64,172
Total revenues	<u>8,311,611</u>	<u>8,532,627</u>	<u>8,548,712</u>	<u>16,085</u>
EXPENDITURES				
Current:				
Education	7,338,458	7,673,769	7,814,263	(140,494)
Debt Service:				
Principal	650,952	650,952	693,501	(42,549)
Interest	282,201	282,201	281,943	258
Total expenditures	<u>8,271,611</u>	<u>8,606,922</u>	<u>8,789,707</u>	<u>(182,785)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 40,000</u>	<u>\$ (74,295)</u>	<u>\$ (240,995)</u>	<u>\$ (166,700)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	\$ -	\$ -	\$ 217,663	\$ 217,663
Operating transfers out	(40,000)	(40,000)	(40,000)	-
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>177,663</u>	<u>217,663</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	(114,295)	(63,332)	50,963
Net appropriations from fund balance				
Prior year encumbrances	-	114,295		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	<u>-</u>	<u>-</u>		
Fund Balance - June 30, 2018			<u>114,295</u>	
Fund Balance - June 30, 2019			<u>\$ 50,963</u>	

CITY OF NORTON
STATEMENT OF TREASURER'S ACCOUNTABILITY
 June 30, 2019

ASSETS HELD BY THE TREASURER:

Cash on hand		\$ 950
Cash in banks:		
Checking:		
First Bank and Trust	\$ 1,781,491	
Total Checking		1,781,491
Certificates of Deposit:		
First Bank and Trust	<u>15,387</u>	
Total Certificates of Deposit		<u>15,387</u>
Total Cash in Banks		1,796,878
Investments:		
Investment in State Treasurer's Local Government Investment Pool-LGIP	21,576	
Virginia Investment Pool-VIP Stable NAV Liquidity Pool	<u>2,848,483</u>	
Total Investments		<u>2,870,059</u>
TOTAL ASSETS		\$ <u>4,667,887</u>

LIABILITIES OF THE TREASURER:

BALANCE OF CITY FUNDS		\$ <u>4,667,887</u>
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NOTE: The variance between this statement and the statement of position for all funds is \$1,393,771. This amount represents cash for the Norton Industrial Development Authority. The funds for the authority are not under the Treasurer's accountability.

SUPPORTING SCHEDULE

CITY OF NORTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Community Facilities Loans and Grants-Cluster	10.780		50,000
Pass-Through Payments:			
State Department of Agriculture:			
Child and Adult Care Food Program	10.558		9,437
Child Nutrition Cluster:			
School Lunch Program (Note D)	10.555		14,523
School Lunch Program	10.555		364,378
School Breakfast Program	10.553		115,296
Summer Food Service Program for Children (Note D)	10.559		557
Summer Food Service Program for Children	10.559		6,486
State Department of Social Services:			
Supplemental Nutrition Assistance Program-SNAP Cluster	10.561		117,994
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-Through Payments:			
State Department of Social Services:			
Foster Care - Title IV-E	93.658		66,621
Social Services Block Grant	93.667		68,010
Adoption Assistance	93.659		50,780
Medical assistance program-Medicaid Cluster	93.778		131,894
Low Income Home Energy Assistance	93.568		15,146
Safe and Stable Families	93.556		7,437
Refugee and Entrant Assistance	93.566		56
Children's Health Insurance Program	93.767		2,768
Stephanie Tubbs Jones Child Welfare Services Program	93.645		112
Chafee Foster Care Independence Program	93.674		1,129
477 Cluster:			
TANF	93.558		100,344
Child Care Mandatory Match	93.596		16,572
DEPARTMENT OF EDUCATION:			
Pass-Through Payments:			
State Department of Education:			
Improving teacher quality state grants	84.367		30,963
Rural Grants	84.358		10,972
Title I Grants	84.010		281,563
Title VI-B:			
Special Education Cluster (IDEA):			
Special Education-Grants to States	84.027	H027A180107	191,770
Special Education-Preschool Grants	84.173	H173A180112	6,476
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		16,137
Student Support and Academic Enrichment Program	84.424		4,000
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT			
Community Development Block Grants	14.228		65,324
DEPARTMENT OF JUSTICE			
Asset Forfeiture			881
Edward Byrne Memorial Justice Assistance Grant	16.738		49,875
ENVIRONMENTAL PROTECTION AGENCY:			
Drinking Water State Revolving Fund Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WSL-037-18	86,931
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WSL-038-18	198,919
DEPARTMENT OF HOMELAND SECURITY			
Emergency Management Performance Grants	97.042		7,500
Assistance to Firefighters	97.044		320,358
Homeland Security Grant Program	97.067	EMW-2018-SS-0093-S01	23,099
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			
High Intensity Drug Trafficking Areas Program	95.001		21,415
DEPARTMENT OF TRANSPORTATION			
Alcohol Open Container Requirements	20.607		12,127
TOTAL			\$ 2,467,850

The accompanying notes are an integral part of this schedule.

CITY OF NORTON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) included the federal award activity of the City of Norton under programs of the federal government of the year ended June 30, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the City of Norton, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Norton.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C--INDIRECT COST RATE

The City of Norton did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D--FOOD DONATION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, the Norton City School Board had no commodities in inventory.

NOTE E--SUBRECIPIENTS

No awards were passed through to subrecipients.

STATISTICAL SECTION

This part of the report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and utility revenues.	5-11
Debt Capacity These tables 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.	12-13
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparison over time and with other governments.	14-15
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	16-17

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Notes

The City implemented GASB Statement 68 and restated beginning net position for 2015. The restatement is not included in the prior year data.

The City implemented GASB Statement 75 and restated beginning net position for 2018. The restatement is not included in the prior year data.

TABLE 1

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 3,943,031	\$ 3,325,755	\$ 3,921,732	\$ 4,136,516	\$ 5,586,395	8,014,749	8,336,774	8,519,840	8,207,586	8,560,781
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,777,107	2,446,292	1,791,952	1,541,677	1,397,414	232,010	763,727	870,666	1,976,543	3,057,530
Total governmental activities net position	6,720,138	5,772,047	5,713,684	5,678,193	6,983,809	8,246,759	9,100,501	9,390,506	10,184,129	11,618,311
Business-type activities										
Net investment in capital assets	4,837,547	6,989,991	7,587,254	9,362,217	10,739,857	10,806,022	10,688,937	10,369,190	9,965,531	9,920,024
Restricted	-	-	-	988,404	112,741	-	-	-	-	-
Unrestricted	(880,931)	(205,952)	(219,531)	(348,054)	(428,312)	(607,646)	(573,330)	(499,430)	(412,570)	(143,245)
Total business-type activities	3,956,616	6,784,039	7,367,723	10,002,567	10,424,286	10,198,376	10,115,607	9,869,760	9,552,961	9,776,779
Primary government										
Net investment in capital assets	8,780,578	10,315,746	11,508,986	13,498,733	16,326,252	18,820,771	19,025,711	18,889,030	18,173,117	18,480,805
Restricted	-	-	-	988,404	112,741	-	-	-	-	-
Unrestricted	1,896,176	2,240,340	1,572,421	1,193,623	969,102	(375,636)	190,397	371,236	1,563,973	2,914,285
Total primary government net position	\$ 10,676,754	\$ 12,556,086	\$ 13,081,407	\$ 15,680,760	\$ 17,408,095	\$ 18,445,135	\$ 19,216,108	\$ 19,260,266	\$ 19,737,090	\$ 21,395,090

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.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
General government	\$ 1,082,088	\$ 1,512,956	\$ 1,624,902	\$ 1,542,855	\$ 1,576,458	\$ 1,516,160	\$ 1,525,411	\$ 1,479,453	\$ 1,100,244	\$ 1,538,251
Public safety	2,874,346	2,355,373	2,376,017	2,423,860	2,579,286	2,491,800	2,564,543	2,717,864	2,873,422	2,717,698
Public works	2,346,618	2,355,511	2,390,227	2,486,780	2,062,845	1,989,571	2,086,952	2,225,978	2,308,395	2,134,947
Health and welfare	1,235,274	1,265,568	1,448,260	1,321,129	1,256,593	1,128,562	1,388,345	1,408,130	1,270,418	1,307,516
Education	2,122,360	1,957,075	1,982,789	1,692,638	2,416,648	2,268,173	2,326,948	2,506,829	2,167,754	2,407,067
Parks, recreation and cultural	495,710	507,768	490,097	477,229	444,729	445,581	474,541	461,053	407,173	511,651
Community development	773,594	711,312	503,961	562,432	514,158	561,290	329,286	78,828	45,218	38,483
Interest on long-term debt	384,818	324,163	328,206	169,304	67,234	109,767	48,915	45,291	39,432	39,010
Non-departmental	-	-	-	-	-	-	-	-	-	-
Total government activities expense	11,314,808	10,989,726	11,144,459	10,676,227	10,917,951	10,510,904	10,744,941	10,923,426	10,212,056	10,694,623
Business-Type Activities:										
Water and Wastewater	2,429,763	2,509,969	4,205,780	2,635,899	2,929,215	2,840,888	2,795,034	2,981,468	2,895,886	2,841,008
Total business-type activities expenses	2,429,763	2,509,969	4,205,780	2,635,899	2,929,215	2,840,888	2,795,034	2,981,468	2,895,886	2,841,008
Total primary government expenses	\$ 13,744,571	\$ 13,499,695	\$ 15,350,239	\$ 13,312,126	\$ 13,847,166	\$ 13,351,792	\$ 13,539,975	\$ 13,904,894	\$ 13,107,942	\$ 13,535,631
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	\$ 6,465	\$ 110,524	\$ 66,569	\$ 15,981	\$ 736	\$ 60,564	\$ 101,979	\$ 98,525	\$ 87,094	\$ 104,630
Public works	363,217	366,667	361,706	358,014	354,338	417,474	416,703	415,282	413,874	411,018
Health and welfare	63,936	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and culture	22,970	17,437	7,510	6,717	7,885	11,896	8,773	11,807	18,273	22,062
Community development	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	2,498,583	2,320,558	2,598,280	2,415,196	2,297,908	2,302,105	2,574,389	2,878,329	2,723,370	3,223,571
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	3,241,184	2,835,627	3,427,377	2,945,908	4,382,923	5,494,187	3,554,852	3,403,943	3,242,611	3,761,281
Business-Type Activities:										
Charges for services										
Water and Wastewater	2,249,376	2,335,900	2,318,868	2,265,444	2,211,146	2,314,041	2,402,922	2,489,776	2,492,506	2,778,976
Operating grants and contributions and other income	-	550,000	-	-	-	-	-	-	-	-
Capital grants and contributions	1,107,004	2,451,492	2,613,979	3,010,774	1,139,788	536,587	309,343	95,845	16,100	285,850
Total business-type activities program revenues	3,356,380	5,337,392	4,932,847	5,276,218	3,350,934	2,850,628	2,712,265	2,585,621	2,508,606	3,064,826
Total primary government program revenues	\$ 6,597,564	\$ 8,173,019	\$ 8,360,224	\$ 8,222,126	\$ 7,733,857	\$ 8,344,815	\$ 6,267,117	\$ 5,989,564	\$ 5,751,217	\$ 6,826,107
Net (Expense)/Revenue										
Governmental Activities	\$ (8,073,624)	\$ (8,154,099)	\$ (7,717,082)	\$ (7,730,319)	\$ (6,535,028)	\$ (5,016,717)	\$ (7,190,089)	\$ (7,519,483)	\$ (6,969,445)	\$ (6,933,342)
Business-Type Activities:	926,617	2,827,423	727,067	2,640,319	421,719	9,740	(82,769)	(395,847)	(387,280)	223,818
Total primary government net (expense)/revenue	\$ (7,147,007)	\$ (5,326,676)	\$ (6,990,015)	\$ (5,090,000)	\$ (6,113,309)	\$ (5,006,977)	\$ (7,272,858)	\$ (7,915,330)	\$ (7,356,725)	\$ (6,709,524)

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 3,282,537	\$ 2,393,798	\$ 2,305,658	\$ 2,736,838	\$ 2,881,300	\$ 2,632,023	\$ 3,034,838	\$ 3,127,830	\$ 3,091,045	\$ 3,156,805
Local sales & use tax	1,887,804	1,882,301	1,918,925	1,762,729	1,606,815	1,613,223	1,609,549	1,541,644	1,518,284	1,639,810
Utility tax	128,412	126,570	117,214	137,995	131,006	131,322	129,032	129,066	128,898	127,413
Business license tax	795,833	773,353	951,248	853,599	887,396	812,125	842,303	750,765	779,120	789,539
Franchise license tax	-	-	-	-	-	-	-	-	-	-
Communication tax	217,788	223,287	211,679	217,316	211,979	211,659	204,591	199,570	193,631	194,619
Motor vehicle license	1,659	-	-	-	63,629	71,174	81,661	85,648	81,767	85,205
Bank stock tax	106,974	126,034	99,820	74,256	72,678	61,913	47,105	42,171	51,591	50,778
Recordation tax	27,055	39,256	39,598	29,516	44,876	22,158	34,009	37,040	21,376	17,026
Tobacco tax	185	165	180	195	41	110	40	30	-	-
Hotel and motel room tax	169,049	195,071	172,866	146,200	133,561	206,815	159,594	161,925	141,171	158,331
Restaurant food tax	1,061,575	1,126,150	1,334,156	1,262,519	1,357,112	1,360,014	1,395,556	1,401,747	1,388,390	1,496,570
Coal road improvement tax	166,571	222,047	244,773	116,498	79,353	56,308	32,928	24,366	25,533	39,774
Cigarette tax	118,930	108,100	99,440	110,245	92,965	88,640	173,067	186,815	159,197	168,425
Other local taxes	101,504	30	-	106,995	107,557	70,125	89,177	88,004	84,265	121,520
Unrestricted miscellaneous revenue	53,609	76,669	90,845	118,702	104,627	99,086	68,352	33,780	41,497	26,208
Unrestricted investment earnings	82,250	39,085	35,699	25,196	28,255	28,480	29,758	26,359	33,899	67,717
Gain on sale of capital assets	-	-	-	-	-	-	-	-	16,475	2,060
Recovered costs	31,314	30,039	36,618	33,660	37,494	39,085	112,271	122,728	121,275	225,724
Transfers-Primary Government	-	-	-	-	-	-	-	(150,000)	-	-
Total governmental activities	8,233,049	7,361,955	7,658,719	7,732,459	7,840,644	7,504,260	8,043,831	7,809,488	7,877,414	8,367,524
Business-Type Activities:										
Unrestricted investment earnings	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	150,000	-	-
Total business-type activities	-	150,000	-	-						
Total primary government	\$ 8,233,049	\$ 7,361,955	\$ 7,658,719	\$ 7,732,459	\$ 7,840,644	\$ 7,504,260	\$ 8,043,831	\$ 7,959,488	\$ 7,877,414	\$ 8,367,524
Change in Net Position										
Governmental Activities	\$ 159,425	\$ (792,144)	\$ (58,363)	\$ 2,140	\$ 1,305,616	\$ 2,487,543	\$ 853,742	\$ 290,005	\$ 907,969	\$ 1,434,182
Business-Type Activities	926,617	2,827,423	727,067	2,640,319	421,719	9,740	(82,769)	(245,847)	(387,280)	223,818
Total primary government	\$ 1,086,042	\$ 2,035,279	\$ 668,704	\$ 2,642,459	\$ 1,727,335	\$ 2,497,283	\$ 770,973	\$ 44,158	\$ 520,689	\$ 1,658,000

TABLE 3

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 468,808	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,130,069	-	-	-	-	-	-	-	-	-
Nonspendable							574,892	490,329	497,058	490,562
Restricted										
Committed										
Assigned		505,569	487,780	431,267	347,416	372,893	97,171	9,504	48,502	82,295
Unassigned		1,710,613	1,691,149	1,250,314	1,332,585	1,210,736	1,158,552	1,408,777	2,227,802	2,794,565
Total general fund	\$ 2,598,877	\$ 2,216,182	\$ 2,178,929	\$ 1,681,581	\$ 1,680,001	\$ 1,583,629	\$ 1,830,615	\$ 1,908,610	\$ 2,773,362	\$ 3,367,422
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue fund	345,705	-	-	-	-	-	-	-	-	-
Nonspendable										
Restricted										
Committed		314,685	318,897	331,190	343,830	344,627	357,780	361,062	373,108	432,120
Assigned							14,205	153,340	272,560	230,008
Unassigned		(59,855)	(96,205)	(124,908)	(120,700)	(55,870)	-	-	-	-
Total all other governmental funds	\$ 345,705	\$ 254,830	\$ 222,692	\$ 206,282	\$ 223,130	\$ 288,757	\$ 371,985	\$ 514,402	\$ 645,668	\$ 662,128

- 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.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
General property taxes	\$ 3,151,837	\$ 2,383,552	\$ 2,469,808	\$ 2,550,475	\$ 2,915,376	\$ 2,679,834	\$ 3,020,812	\$ 3,144,820	\$ 3,027,691	\$ 2,990,029
Other local taxes	4,682,524	4,822,364	5,161,830	4,699,374	4,681,411	4,635,461	4,709,435	4,560,787	4,488,958	4,767,490
Permits and licenses	5,989	5,007	7,569	4,532	7,131	11,133	2,547	2,608	2,177	16,258
Fines and forfeitures	94,826	94,147	62,001	37,115	28,687	26,425	17,698	26,178	18,995	103,929
Investment earnings	82,250	39,085	35,699	25,196	28,255	27,843	29,758	26,359	33,899	65,846
Charges for services	456,588	410,520	380,081	380,712	378,774	479,458	489,628	499,436	500,246	435,653
Other revenues	53,508	60,176	89,177	250,406	104,627	75,415	89,595	25,328	32,153	26,208
Recovered cost	19,058	16,754	23,579	17,277	18,761	20,706	112,271	122,728	121,275	129,682
Intergovernmental	2,784,596	2,340,999	3,026,368	2,492,238	4,105,808	5,074,378	3,099,574	2,963,728	2,805,458	3,328,833
Total revenues	11,331,176	10,172,604	11,256,112	10,457,325	12,268,830	13,030,653	11,571,318	11,371,972	11,030,852	11,863,928
Expenditures										
General government	1,048,146	1,116,081	1,206,033	1,180,843	1,130,587	1,150,354	1,182,299	1,129,015	1,134,746	1,208,856
Judicial administration	418,768	349,229	366,037	353,367	412,859	389,285	377,549	365,591	386,605	395,899
Public safety	2,600,995	2,298,038	2,553,195	2,308,031	2,497,672	2,423,506	2,644,107	2,610,351	2,473,435	3,085,191
Public works	2,015,567	2,191,672	2,606,618	2,294,322	1,742,342	1,776,800	1,843,175	2,296,650	1,952,299	2,227,861
Health and welfare	1,210,767	1,261,980	1,437,933	1,302,277	1,233,314	1,159,055	1,423,325	1,367,288	1,274,952	1,372,350
Education and transfer to school	3,964,745	1,804,736	1,830,450	2,169,025	2,401,810	2,268,173	2,326,948	2,506,829	2,167,754	2,407,067
Parks, recreation and culture	474,833	483,551	468,752	455,638	438,256	427,708	472,460	468,394	480,446	547,053
Community development	776,038	725,216	517,866	554,868	2,229,763	3,342,994	867,911	90,905	44,710	38,502
Non-Departmental	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal	7,652,315	7,684,450	166,689	15,284,397	121,031	1,182,821	124,861	137,359	614,823	151,154
Interest	202,993	376,273	330,574	316,659	66,662	167,718	41,808	37,630	31,443	31,667
Total expenditures	20,365,167	18,291,226	11,484,147	26,219,427	12,274,296	14,288,414	11,304,443	11,010,012	10,561,213	11,465,600
Excess of revenues over (under) expenditures	(9,033,991)	(8,118,622)	(228,035)	(15,762,102)	(5,466)	(1,257,761)	266,875	361,960	469,639	398,328
Other Financing Sources (Uses)										
Proceeds from borrowing	7,500,000	7,615,839	140,000	7,588,375	-	1,208,000	50,000	-	500,000	203,000
Insurance Recoveries	12,256	13,285	13,039	16,383	18,733	18,379	8,761	2,859	-	7,692
Proceeds from sale of assets	101	15,928	5,605	18,296	-	637	4,578	5,593	25,819	2,060
Transfers	-	-	345,877	7,627,291	-	-	-	(150,000)	-	-
Total other financing sources (uses)	7,512,357	7,645,052	504,521	15,250,345	18,733	1,227,016	63,339	(141,548)	525,819	212,752
Net change in fund balance	\$ (1,521,634)	\$ (473,570)	\$ 276,486	\$ (511,757)	\$ 13,267	\$ (30,745)	\$ 330,214	\$ 220,412	\$ 995,458	\$ 611,080
Debt service as a percentage of noncapital expenditures	62.79%	78.79%	4.53%	146.93%	1.55%	10.44%	1.50%	1.62%	6.52%	1.62%

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			
2019	\$ 233,839,000	\$ 29,357,644	\$ 5,381,430	\$ 26,890,950	-	\$ 1,565,287	297,034,311	1.007
2018	235,369,600	28,122,426	5,024,584	25,735,238	-	1,422,747	295,674,595	1.024
2017	235,070,000	29,234,452	5,486,284	25,650,081	-	1,379,667	296,820,484	1.060
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	1.027
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

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
2019	\$ 0.90	\$ 2.05	\$ 2.05	\$ 0.90	\$ 0.90	\$ 2.05
2018	0.90	1.85	1.85	0.90	0.90	1.85
2017	0.90	1.85	1.85	0.90	0.90	1.85
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

1) Rates are presented per \$100 assessed value

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

TABLE 7

June 30, 2019

<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	6.48%
BVC VA KY LLC	Shopping Center	9,336,900	3.97%
Norton SRX LLC	Shopping Center	6,307,600	2.68%
Wellmont Health System	Health Care	5,471,200	2.32%
Norton Community Hospital	Health Care	4,517,400	1.92%
Norton Host, LLC	Hotel/Restaurant	4,308,100	1.83%
601 Commonwealth LLC	Shops/Glass Slipper/G2K/Pizza Hut	3,914,400	1.66%
Khushi Hospitality	Hotel/Restaurant	2,928,500	1.24%
AARMP Hospitality LLC	Hotel/Days Inn	2,175,500	0.92%
Carter Machinery	Retail/Equipment Sales/Repairs	2,036,300	0.87%

June 30, 2009:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
Wellmonth Health Systems	Health Care	\$ 16,511,500	9.10%
Wal-Mart Real Estate Business Trust	Commercial Retailer/Grocer	13,071,040	7.20%
Super Intermediate Co., LLC	Shopping Center	11,306,700	6.23%
Commonwealth-NTN Partners	Shopping Center	9,954,400	5.49%
Nordan, Inc	Hotel	3,699,500	2.04%
Consolidated Investments	Shopping Center	2,863,200	1.58%
W.P. Armistead	Commercial and Residential Rental Property	2,370,200	1.31%
Pepsi Cola	Bottling, Distribution, and Commercial Property	1,787,500	0.99%
George Hunnicutt Mar. Tr.	Commercial and Residential Rental Property	1,678,300	0.92%
Howard & Ward	Hotal	1,670,700	0.92%

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
2019	\$ 3,136,438	\$ 2,840,119	90.55%	\$ 85,936	\$ 2,926,055	93.29%	\$ 470,303	14.99%
2018	3,108,516	2,879,431	92.63%	85,045	2,964,476	95.37%	336,115	10.81%
2017	3,166,319	2,925,590	92.40%	142,234	3,067,824	96.89%	346,570	10.95%
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%

(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		General Obligation					
	Obligation Bonds	Capital Leases	Water and Wastewater Bonds					
2019	\$ 1,028,630	\$ 116,068	\$ 7,362,643		\$ 7,710,000	\$ 16,217,341	10.29%	4,152
2018	1,093,377	-	7,629,457		8,250,000	16,972,834	11.80%	4,343
2017	1,208,200	-	7,893,350		8,765,000	17,866,550	14.07%	4,528
2016	1,316,121	29,438	8,143,884		9,260,000	18,749,443	13.54%	4,672
2015	1,363,000	58,141	8,139,139		9,784,434	19,344,714	12.98%	4,768
2014	1,285,000	110,961	7,804,349		10,341,185	19,541,495	13.58%	4,661
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

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		
2019	\$ 15,902,240	5.35%	\$ 4,071
2018	16,765,144	5.67%	4,290
2017	17,650,210	5.95%	4,576
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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed valuations										
Assessed value of taxed real property	\$ 224,760,835	\$ 228,064,866	\$ 245,536,691	\$ 245,426,183	\$ 246,149,132	\$ 244,929,946	\$ 250,527,769	\$ 260,720,081	\$ 261,104,838	\$ 260,729,950
Legal debt margin										
Debt limit - 10 percent of total assessed value	22,476,084	22,806,487	24,553,669	24,542,618	24,614,913	24,492,995	25,052,777	26,072,008	26,110,484	26,072,995
Debt applicable to limitation:										
Total bonded debt	15,310,629	15,628,228	17,429,612	20,499,274	19,541,495	19,344,714	18,749,443	17,866,550	16,972,834	16,217,341
Less - Business-Type	(4,764,963)	(4,482,116)	(3,793,159)	(2,483,463)	(1,103,284)	(588,689)	(224,994)	(216,340)	(207,686)	(199,033)
Total amount of debt applicable to debt limitation	10,545,666	11,146,112	13,636,453	18,015,811	18,438,211	18,756,025	18,524,449	17,650,210	16,765,148	16,018,308
Legal debt margin	\$ 11,930,418	\$ 11,660,375	\$ 10,917,216	\$ 6,526,807	\$ 6,176,702	\$ 5,736,970	\$ 6,528,328	\$ 8,421,798	\$ 9,345,336	\$ 10,054,687
Total net debt applicable to the limit as a percentage of debt limit	46.92%	48.87%	55.54%	73.41%	74.91%	76.58%	73.94%	67.70%	64.21%	61.44%

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

Fiscal Years Ended June 30	Water and Wastewater Revenue Bonds							Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service				
				Principal	Interest	Total		
2019	\$ 2,778,976	\$ 1,970,728	\$ 808,248	\$ 255,243	\$ 258,160	\$ 513,403	1.57	
2018	2,492,506	2,001,767	490,739	255,243	197,630	452,873	1.08	
2017	2,489,776	2,077,298	412,478	241,878	207,405	449,283	0.92	
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	

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
2019	3,906	157,614,912	\$ 40,352	39.8	784	3.90%
2018	3,908	143,876,928	36,816	40.0	767	5.60%
2017	3,857	126,957,012	32,916	40.0	764	5.90%
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%

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, 2019

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment</u>
Norton Community Hospital	Health Care	250 +/-
Wal Mart	Commercial Retailer/Grocer	250 +/-
Bristol Regional Health System	Health Care	200 +/-
Norton City School Board	Public Agency	175 +/-
City of Norton	Public Agency	100 +/-

June 30, 2009

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment</u>
Norton Community Hospital	Health Care	500
Wal Mart	Commercial Retailer/Grocer	250
Bristol Regional Health System	Health Care	200
Norton City School Board	Public Agency	150
City of Norton	Public Agency	125

1) 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Management services	4	4	4	4	3.5	3.5	3.5	4	4	4
Finance	4	4	4	4	4	4	4	4	4	4
Planning	1.5	2	2	2	1.5	1.5	1.5	1	1	0
Other	5.5	6	6	6	6	6	6	6	6.5	6
Public safety										
Officers	18	17.5	16	16	16	16	16	16	16	16
Dispatchers/Clerks	7	7	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Sheriff's Office	4	3	3	3	3	3	3	3	3	3
Animal Control	1	1	1	1	1	1	1	1	1	1
Building	1	1	1	1	1	1	1	1	1	1
Emergency Management	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0	0
Fire	1	1	1	1	1	1	1	1	1.5	1.5
Public works										
Engineering	1	1	1	1	1	1	1	1	1	1
Streets	13	13	11.5	11.5	10	9	9	9	9	9
Refuse Collections	4	5	5.5	5.5	6	6	6	6	6	6
General Properties	4	4.5	4.5	4.5	5	5	5	3.5	4	4.5
Parks and recreation										
Maintenance	6	5.5	5.5	4.5	4.5	4.5	4	5.5	5.5	6.5
Other	6	1	1	1	1	1	1	1	1	1
Water operations										
Administration	3	3	3	3	3	3	3	3	3	3
Plant Operations	7	7	7	7	6	6	6	7	7.5	7.5
Maintenance	7	7	7	7	7	7	7	7	7	7
Social Services										
Administrative	5	4.5	4.5	4.5	4.5	4.5	5	5	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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Citations issued	2,374	2,433	1,550	876	1,139	1,051	830	1009	629	743
Parking Tickets issued	139	390	116	63	83	31	32	40	23	13
Crime/Arrest/Incident reports filed	787	842	758	661	690	647	579	468	513	635
911 Calls dispatched	5,059	5,469	4,514	4,018	4,075	3,402	3,722	3,614	4,500	4,570
Public Works										
Number of citizen requests for services	2,331	972	883	814	726	651	685	783	668	734
Water operations										
Number of service connections	2,292	2,305	2,301	2,263	2,240	2,222	2,199	2,188	2,202	2,187
Number of citizen requests for services	1,866	2,022	1,887	1,963	2,251	2,052	3,939	3,539	3,548	3,114
Average daily plant output in gallons	.870 Million	.870 Million	.740 Million	.680 Million	.420 Million	.497 Million	.658 Million	.658 Million	.785 Million	.769 Million
Maximum daily capacity of plant in gallons	1.44 Million									
Wastewater operations										
Number of service connections	2,035	2,115	2,116	2,080	2,067	2,169	2,023	2,018	2,030	1,947

TABLE 17

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	15	15	15	16	16	22	24	25	25	25
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	479	479	479	479
Traffic signals	8	8	8	8	9	9	9	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	255	255	255	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

COMPLIANCE SECTION

**Independent Auditors' 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, 2019, 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 May 5, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2019, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001, and 2019-002 to be material weaknesses.

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*.

We noted certain matters that we reported to management of the City of Norton, Virginia in a separate letter dated May 5, 2020.

Response to Findings

The City of Norton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Norton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Rodger Moss & Co, PLLC

Norton, Virginia
May 5, 2020

**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, 2019. 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, 2019.

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.

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.

Roderic Moss & Co, PLLC

Norton, Virginia
May 5, 2020

**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, 2019, and have issued our report thereon dated May 5, 2020.

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

CITY OF NORTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

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. Two material weaknesses are reported.
- 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 Grants for Drinking Water-CFDA No. 66.468
Special Education Cluster (IDEA):
Special Education-Grants to States-CFDA No. 84.027
Special Education-Preschool Grants-CFDA No. 84.173
Title I Grants to Local Educational Agencies-CFDA No. 84.010
Assistance to Firefighters Grant-CFDA No. 97.044
- 8) The threshold for distinguishing types A & B programs was \$750,000.
- 9) The City of Norton, Virginia, was determined not to be a low risk auditee.

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

Material Weaknesses:

2019-001-Audit Completion (Repeated from prior year)

Criteria: *In accordance with the Auditor of Public Accounts Specifications for Counties, Cities, and Towns, the City must submit their audited financial report to the APA in accordance with Section 15.2-2510 of the Code of Virginia.*

Condition: *The City did not submit their audited financial statements to the Auditor of Public Accounts by the required deadline.*

Cause: *The lack of sufficient resources within the City during the year resulted in their inability to have required financial statement information available for audit to allow sufficient time for completion of the audit process by the required due date.*

Effect: *The City is not in compliance with Virginia requirements to submit their audited financial statements.*

Recommendation: *We recommend that the City implement policies and procedures to ensure that the required financial statement schedules and reconciliations are available for audit to allow sufficient time for completion of the audit process by the prescribed deadlines.*

Views of Responsible Officials and Planned Corrective Actions: *Timelines will be set for the City in pre-audit and audit planning to meet the deadlines for completion of a timely audit. In addition, meetings have already been held between the administrative/finance staffs of the City and Norton City Schools to determine the level of assistance needed in meeting those deadlines. The City acknowledges the importance of and is committed to ongoing quality improvement and working to improve internal controls that ensure compliance.*

2019-002-Financial Analysis-Surplus (Repeated from prior year).

Criteria: *The projection and determination of the School Board's operating surplus is used in numerous ways to make major expenditure decisions, determine if any funds are available for use from budgetary appropriations, or if funds remain that will be returned to the City, as the appropriating body, at year end.*

Condition: *The School Board failed to determine the end of year surplus thus effecting the ability to determine accurate amounts available for expenditure with budgetary appropriations.*

Cause: *Internal reports generated through the accounting software were not accurately analyzed to determine the School Board's operating surplus.*

Effect: *Inaccuracies in surplus projects can cause management and the Board to make ill-guided decisions that can have a negative effect on the current fiscal year, as well as have effects that reach into the next fiscal year.*

Recommendation: *We recommend that the School Board implement procedures to ensure the financial reports and information utilized for surplus analysis are accurate.*

Views of Responsible Officials and Planned Corrective Actions: *The School Board has arranged additional support and training for the finance department in the form of additional software and consultant support, as well as supplementary training for the finance supervisor.*

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

NONE

CITY OF NORTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2019

FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

Material Weaknesses:

2018-002-Financial Statement Preparation

Condition: There were statements, disclosures, and trial balances presented for audit that were incomplete or that did not reconcile with what was recorded in the general ledger or supporting documents. As a result, changes, additions, and corrections were proposed during the audit to complete the comprehensive annual financial report (CAFR) that were material to the financial statements.

Recommendation: We recommend that the City establish more effective review and reconciliation policies and procedures as a customary part of their internal controls that enable the financial statements and related disclosures to be completed in accordance with U.S. generally accepted accounting principles. These procedures should include review with the external accountant contracted for year end assistance in reporting to further ensure compliance with reporting standards.

Current Status: The recommendation was adopted and procedures implemented beginning in July 2018. No similar findings were noted in the 2019 audit.

2018-004-Budgetary Controls

Condition: The School Board failed to amend its original fiscal budget to include additional expenditures for FY18 per requirements of the Code of Virginia.

Recommendation: We recommend that the School Board immediately undertake a thorough review and comparison of the budget to current actual fiscal year revenues and expenditures to ensure amendments are proposed and appropriately approved when needed.

Current Status: The School Board adopted the recommendation and actively amended the FY2019 budget to ensure compliance with state budgetary requirements. No similar findings were noted in the 2019 audit.

2018-005-Trial Balance-Closing Balance of Ledger Accounts

Condition: The School Board's year end trial balances were out of balance.

Recommendation: We recommend that the School Board gain an adequate understanding of the accounting and reporting system in order to develop procedures that will quickly identify errors in the trial balance.

Current Status: The School Board changed its closing procedures, and adopted the recommendation. No similar findings were noted in the 2019 audit.

Significant Deficiencies:

2018-006-Verify Bank Reconciliations to General Ledger

Condition: The School Board's allocated reconciled bank balances did not tie to the corresponding general ledger account balances.

Recommendation: We recommend that the School Board change its bank reconciliation format to ensure bank activity is accurately reflected.

Current Status: The School Board adopted the recommendation and has developed a new bank reconciliation format that identifies allocation errors more easily. No similar findings were noted in the 2019 audit.

2018-007-Interfund Allocations

Condition: The School Board's transactions were not always reflected in the correct fund's accounts.

Recommendation: We recommend that the School Board establish a monitoring system to track interfund activity and reconcile activity by fund.

Current Status: The School Board adopted the recommendation and reconciled state revenues to the quarterly Cardinal reports to ensure accuracy of activity across funds. No similar findings were noted in the 2019 audit.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior year findings.

CITY OF NORTON
Management's Corrective Action Plan
June 30, 2019

2019-001-Audit Completion

Response and Corrective Action Plan Prepared by:	Jeff Shupe
Person responsible for implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	Immediate
Repeat Finding:	Yes
Reason why Corrective Action was not taken in prior year:	Lack of full staffing in accounting department on the City and continued transitions in key roles at the school board did not allow for timely correction.

Planned Corrective Action:
Timelines will be set for the City in pre-audit and audit planning to meet the deadlines for completion of a timely audit by management. In addition, meetings have already been held between the administrative/finance staffs of the City and Norton City Schools to determine the level of assistance needed in meeting those deadlines. The City acknowledges the importance of and is committed to ongoing quality improvement and working to improve internal controls that ensure compliance.

2019-002-Financial Analysis-Surplus

Response and Corrective Action Plan Prepared by:	Jacqueline Brooke
Person responsible for implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	Immediate
Repeat Finding:	Yes
Reason why Corrective Action was not taken in prior year:	Management implemented a software conversion designed to assist with tracking financial information and the surplus, but the timing of the implementation did not allow for completion during FY19.

Planned Corrective Action:
The School Board has arranged additional support and training for the finance department in the form of additional software and consultant support, as well as supplementary training for the finance supervisor.