

CITY OF NORTON, VIRGINIA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ended June 30, 2021

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INTRODUCTORY SECTION

CITY OF NORTON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2021

CITY COUNCIL

Joseph Fawbush, Mayor
Mark Caruso, Vice-Mayor
Sarah Davis
William Mays
Robbie Fultz

OTHER OFFICIALS

Fred L. RameyCity Manager
Jeff Shupe Director of Finance
James LaneChief 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
Michele Knox Director of Parks & Recreation
Barbara Muir.....Treasurer
Judy Miller.....Commissioner of Revenue
Carlos Noaks.....Sheriff
William E. Bradshaw Attorney at Law

School Board

Cody McElroyChair
Dr. Wes Campbell..... Vice-Chair
Carol Caruso
Cheryl Redman
Mark Sturgill
Dr. Gina Wohlford Superintendent

Social Services Advisory Board

Abe Rutherford.....Director
June Jones
Vicki Stidham
Sundy Adams
Jen Boa
Frank Gravely



Management Discussion and Analysis

June 21, 2022

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, 2021.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 20,697,638 (net position).
- At June 30, 2021, the City reported combined ending fund balances of \$ 3,258,277 a decrease of \$ 543,179 in comparison with the prior year.
- As of June 30, 2021, the General Fund had a total Fund Balance of \$ 2,669,622.
- The total debt outstanding as of June 30, 2021 was \$ 16,382,950 which includes the component units. As of June 30, 2021, the City's Legal Debt Margin was \$ 11,292,850.
- The Water/Sewer Proprietary Fund had a decrease in Net Position for the year of \$ 353,930.

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, 2021

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 8,743,644	\$ 617,017	\$ 9,360,661
Capital assets	9,532,891	16,590,486	26,123,377
Total Assets	<u>\$ 18,276,535</u>	<u>\$ 17,207,503</u>	<u>\$ 35,484,038</u>
Current & other liabilities	\$ 3,957,368	\$ 348,879	\$ 4,306,247
Long-term liabilities	3,323,643	7,208,589	10,532,232
Total Liabilities	<u>\$ 7,281,011</u>	<u>\$ 7,557,468</u>	<u>\$ 14,838,479</u>
Deferred Inflows	\$ 1,532,324	\$ 33,754	\$ 1,566,078
Less - Deferred Outflows	1,545,030	73,127	1,618,157
Total Deferred	<u>\$ (12,706)</u>	<u>\$ (39,373)</u>	<u>\$ (52,079)</u>
Net Position:			
Invested in Capital assets	\$ 8,655,962	\$ 9,614,810	\$ 18,270,772
Unrestricted	2,352,268	74,598	2,426,866
Total Net Position	<u>\$11,008,230</u>	<u>\$ 9,689,408</u>	<u>\$ 20,697,638</u>

Net position serves as a useful indicator of a government's financial position. The City's combined net position total is \$ 20,697,638 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 \$ 18,270,772. The City of Norton uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Governmental Activities – Governmental activities decreased the City's net position by \$ 376,271. Key elements of this decrease are as follows:

Governmental Activities
Year Ended June 30, 2021

Revenues:

Program Revenues:

Charges for Services	\$ 435,932
Operating Grants and Contributions	5,813,650
Capital Grants and Contributions	102,062

General Revenues:

Property Taxes	3,171,973
Other Local Taxes	4,758,138
Other	188,157
Total Revenues	<u>\$14,469,912</u>

Expenses:

General Government	\$ 1,422,481
Judicial Administration	488,140
Public Safety	3,161,237
Public Works	2,209,334
Health and Welfare	1,752,950
Education	2,600,645
Parks, Recreation, Culture	583,825
Community Development	2,627,350
Interest of Long Term Debt	40,221
Total Expenses	<u>\$ 14,846,183</u>

Increase (Decrease) in Net Position **\$ (376,271)**

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 decreased by \$ 376,271 for FY2021. A portion of the decrease is accounted for by the planned use of prior years' surplus to fund local match need to complete ongoing grant funded projects around the City, in particular the Downtown Revitalization Project.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Real Property Tax	\$ 1,978,724	2,107,104	1,977,083	2,029,508	2,111,134
Local Sales and Use Tax	\$ 1,726,064	1,664,033	1,639,810	1,518,284	1,541,644
Restaurant Food Taxes	\$ 1,515,515	1,479,388	1,496,570	1,388,390	1,401,747
Street & Highway Maintenance	\$ 896,920	870,897	870,286	845,049	860,487
Business License Taxes	\$ 690,659	801,979	789,539	779,120	750,765
Personal Property Taxes	\$ 615,296	614,014	640,982	558,745	557,457

The City's assessed value of taxable property for the year was \$ 293,866,830. The real estate tax rate is \$.90 per \$ 100 of assessed value and the personal property tax rate is \$ 2.05 per \$ 100 of assessed value. For the year, the percent of levy collected was 92.46%. This includes collections of prior year's delinquencies in addition to current year assessments, but is calculated as a percentage of the current year tax base.

The City's business type activity is the Water/Sewer Proprietary Fund. During the year this fund had a decrease in net position of \$ 353,930. In addition, cash and cash equivalents increased by \$ 17,025 to \$267,970.

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	\$ 15,317,680	\$ 15,355,289	\$ 37,609
Total Expenses	16,032,762	<u>15,898,468</u>	\$ 134,294
Excess of Revenues Over Expenses		<u>\$ (543,179)</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, 2021, 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, 2021, 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.

Change in Accounting Principle

As described in Note 22 to the financials statements, in 2021, the City adopted new accounting guidance GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 directory of principal official, 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 directory of principal officials, 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 June 21, 2022 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.

Roderick Mass & Co, PLLC

Norton, Virginia
June 21, 2022

BASIC FINANCIAL STATEMENTS

CITY OF NORTON, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	School Board	Industrial Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 2,902,592	\$ 126,016	\$ 3,028,608	\$ 215,118	\$ 1,781,173
Restricted cash (Note 2)	15,565	141,954	157,519	419,605	690,595
Cash in custody of others	-	-	-	350,480	-
Investments	2,823,318	-	2,823,318	-	-
Receivables, net (Note 3)	1,759,717	357,891	2,117,608	-	54,638
Prepays	140,799	26,511	167,310	-	9,941
Inventories	2,113	-	2,113	-	-
Due from other governments (Note 4)	1,044,424	9,438	1,053,862	234,204	150,663
Due from primary government	-	-	-	845,376	-
Due from component units	10,323	-	10,323	-	-
Internal balances (Note 5)	44,793	(44,793)	-	-	-
Net pension asset (Note 12)	-	-	-	367,937	-
Capital assets: (Note 7)					
Nondepreciable	981,434	611,121	1,592,555	106,062	5,960,916
Depreciable, net	8,551,457	15,979,365	24,530,822	9,834,776	5,266,916
Total assets	18,276,535	17,207,503	35,484,038	12,373,558	13,914,842
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	55,378	-	55,378	-	-
Deferred outflows related to pensions (Note 12)	988,913	66,272	1,055,185	1,677,052	-
Deferred outflows related to other postemployment benefits (Note 14)	500,739	6,855	507,594	227,396	-
Total deferred outflows of resources	1,545,030	73,127	1,618,157	1,904,448	-
LIABILITIES					
Accounts payable and other current liabilities	253,077	182,905	435,982	218,304	243,701
Accrued payroll and related liabilities	132,025	22,510	154,535	306,405	-
Accrued interest	2,412	5,647	8,059	1,114	-
Customer security deposits	-	137,817	137,817	-	-
Due to other governmental units	272,669	-	272,669	-	-
Due to primary government	-	-	-	10,323	-
Due to component unit	845,376	-	845,376	-	-
Unearned revenue - ARPA Funds	2,451,809	-	2,451,809	-	-
Noncurrent liabilities:					
Net pension liability (Note 12)	1,047,825	154,914	1,202,739	6,176,134	-
Net other postemployment benefits/liabilities (Note 14)	1,114,286	49,423	1,163,709	1,248,109	-
Due within one year (Note 9)	240,144	261,157	501,301	692,526	19,174
Due in more than one year (Note 9)	921,388	6,743,095	7,664,483	6,542,741	962,725
Total liabilities	7,281,011	7,557,468	14,838,479	15,195,656	1,225,600
DEFERRED INFLOWS OF RESOURCES					
Property taxes	1,090,874	-	1,090,874	-	-
Deferred inflows related to pensions (Note 12)	205,751	30,419	236,170	874,249	-
Deferred inflows related to other postemployment benefits (Note 14)	235,699	3,335	239,034	116,657	-
Total deferred inflows of resources	1,532,324	33,754	1,566,078	990,906	-
NET POSITION					
Net investment in capital assets	8,655,962	9,614,810	18,270,772	2,856,900	11,227,832
Restricted	-	-	-	367,937	613,537
Unrestricted	2,352,268	74,598	2,426,866	(5,133,393)	847,873
Total net position	\$ 11,008,230	\$ 9,689,408	\$ 20,697,638	\$ (1,908,556)	\$ 12,689,242

EXHIBIT 2

**CITY OF NORTON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

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 Governmental Activities	Business- Type Activities		School Board	Industrial Development Authority
Primary Government:									
Governmental activities									
General government	\$ 1,422,481	\$ -	\$ 921,713	\$ -	\$ (500,768)		\$ (500,768)		
Judicial administration	448,140	-	-	-	(448,140)		(448,140)		
Public safety	3,161,237	11,428	616,126	50,000	(2,483,683)		(2,483,683)		
Public works	2,209,334	407,722	1,330,353	-	(471,259)		(471,259)		
Health and welfare	1,752,950	-	1,254,565	-	(498,385)		(498,385)		
Education	2,600,645	-	-	-	(2,600,645)		(2,600,645)		
Parks, recreation, and cultural	583,825	16,782	12,708	-	(554,335)		(554,335)		
Community development	2,627,350	-	1,678,185	52,062	(897,103)		(897,103)		
Interest	40,221	-	-	-	(40,221)		(40,221)		
Total governmental activities	14,846,183	435,932	5,813,650	102,062	(8,494,539)		(8,494,539)		
Business-type activities									
Water and sewer	3,178,492	2,672,146	-	152,416		\$ (353,930)	(353,930)		
Total business-type activities	3,178,492	2,672,146	-	152,416		(353,930)	(353,930)		
Total primary government	\$ 18,024,675	\$ 3,108,078	\$ 5,813,650	\$ 254,478	(8,494,539)	(353,930)	(8,848,469)		
Discretely Presented Component Units:									
School Board	\$ 9,750,910	\$ -	\$ 8,318,073	\$ -				\$ (1,432,837)	
Industrial Development Authority	896,057	371,191	413,324	1,816,352					\$ 1,704,810
Total component units	\$ 10,646,967	\$ 371,191	\$ 8,731,397	\$ 1,816,352				\$ (1,679,596)	\$ 1,704,810
General revenues									
Property taxes					3,171,973	-	3,171,973	-	-
Sales taxes					1,726,064	-	1,726,064	-	-
Utility taxes					125,047	-	125,047	-	-
Business license taxes					690,659	-	690,659	-	-
Communication taxes					155,422	-	155,422	-	-
Motor vehicle taxes					79,289	-	79,289	-	-
Bank stock taxes					54,166	-	54,166	-	-
Recordation taxes					29,897	-	29,897	-	-
Hotel and motel room taxes					77,946	-	77,946	-	-
Restaurant food taxes					1,515,515	-	1,515,515	-	-
Coal road improvement taxes					67,216	-	67,216	-	-
Cigarette tax					157,460	-	157,460	-	-
Other local taxes					79,457	-	79,457	-	-
Gain on sale of property					19,808	-	19,808	-	-
Miscellaneous					46,416	-	46,416	609,277	214,621
Unrestricted investment earnings					16,596	-	16,596	-	2,867
Recovered Cost					91,018	-	91,018	-	113,623
Insurance recoveries					14,319	-	14,319	-	-
Transfers					-	-	-	2,593,018	-
Total general revenues					8,118,268	-	8,118,268	3,202,295	331,111
Change in net position					(376,271)	(353,930)	(730,201)	1,769,458	2,035,921
NET POSITION AT JULY 1 (Note 22)					11,384,501	10,043,338	21,427,839	(3,678,014)	10,653,321
NET POSITION AT JUNE 30					\$ 11,008,230	\$ 9,689,408	\$ 20,697,638	\$ (1,908,556)	\$ 12,689,242

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

CITY OF NORTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General	Virginia Public Assistance Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,681,518	\$ 118,083	\$ 102,991	\$ 2,902,592
Restricted cash	15,565	-	-	15,565
Investments	2,823,318	-	-	2,823,318
Taxes Receivable	1,561,966	-	-	1,561,966
Accounts receivable	197,751	-	-	197,751
Due from other funds	122,191	20,000	-	142,191
Inventory	2,113	-	-	2,113
Prepaid	140,799	-	-	140,799
Due from component unit	10,323	-	-	10,323
Due from other governmental units	593,880	140,544	310,000	1,044,424
Total assets	<u>\$ 8,149,424</u>	<u>\$ 278,627</u>	<u>\$ 412,991</u>	<u>\$ 8,841,042</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 183,038	\$ 70,039	\$ -	\$ 253,077
Accrued payroll and related liabilities	111,715	20,310	-	132,025
Unearned revenue - ARPA Funds	2,451,809	-	-	2,451,809
Due to other funds	84,784	8,270	4,344	97,398
Due to component unit	845,376	-	-	845,376
Due to other governmental units	272,669	-	-	272,669
Total liabilities	<u>3,949,391</u>	<u>98,619</u>	<u>4,344</u>	<u>4,052,354</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable/deferred taxes	1,530,411	-	-	1,530,411
Total deferred inflows of resources	<u>1,530,411</u>	<u>-</u>	<u>-</u>	<u>1,530,411</u>
FUND BALANCES (Note 6)				
Nonspendable	189,876	-	-	189,876
Restricted	-	-	-	-
Committed	-	-	408,647	408,647
Assigned	87,263	180,008	-	267,271
Unassigned	2,392,483	-	-	2,392,483
Total fund balances	<u>2,669,622</u>	<u>180,008</u>	<u>408,647</u>	<u>3,258,277</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,149,424</u>	<u>\$ 278,627</u>	<u>\$ 412,991</u>	<u>\$ 8,841,042</u>

CITY OF NORTON, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total Fund Balance - Governmental Funds **\$ 3,258,277**

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

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.

Nondepreciable	\$ 981,434	
Depreciable, net	<u>8,551,457</u>	
		9,532,891

Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.

439,537

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 of resources - pensions	988,913	
Deferred outflows of resources - other postemployment benefits	500,739	
Deferred inflows of resources - pensions	(205,751)	
Deferred inflows of resources - other postemployment benefits	(235,699)	
Net pension liability	(1,047,825)	
Net other postemployment benefits liabilities	<u>(1,114,286)</u>	
		(1,113,909)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable, including unamortized premiums	(817,147)	
Deferred charge on refunding	55,378	
Compensated absences	(284,603)	
Capital lease payable	(59,782)	
Accrued interest payable	<u>(2,412)</u>	
		<u>(1,108,566)</u>

Total Net Position - Governmental Activities **\$ 11,008,230**

CITY OF NORTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	General	Virginia Public Assistance Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 3,026,350	\$ -	\$ -	\$ 3,026,350
Other local taxes	4,678,681	-	-	4,678,681
Permits, privilege fees, and regulatory licenses	2,382	-	-	2,382
Fines and forfeitures	577	-	10,726	11,303
Use of money and property	16,595	-	1	16,596
Charges for services	425,206	-	-	425,206
Miscellaneous	42,054	4,063	300	46,417
Recovered costs	91,018	-	-	91,018
Intergovernmental	4,737,645	1,254,564	-	5,992,209
Total revenues	13,020,508	1,258,627	11,027	14,290,162
EXPENDITURES				
Current:				
General government	1,401,679	-	-	1,401,679
Judicial administration	448,140	-	-	448,140
Public safety	3,103,689	-	15,824	3,119,513
Public works	2,422,419	-	-	2,422,419
Health and welfare	189,339	1,549,742	-	1,739,081
Education	2,600,645	-	-	2,600,645
Parks, recreation and cultural	568,165	-	-	568,165
Community development	2,422,390	-	-	2,422,390
Debt service:				
Principal retirement	897,749	-	-	897,749
Interest and fiscal charges	38,687	-	-	38,687
Total expenditures	14,092,902	1,549,742	15,824	15,658,468
Excess (deficiency) of revenues over expenditures	(1,072,394)	(291,115)	(4,797)	(1,368,306)
OTHER FINANCING SOURCES (USES)				
Sale of surplus	19,808	-	-	19,808
Insurance recoveries	14,319	-	-	14,319
Loan proceeds	791,000	-	-	791,000
Transfers in	-	240,000	-	240,000
Transfers out	(240,000)	-	-	(240,000)
Total other financing sources (uses)	585,127	240,000	-	825,127
Net change in fund balances	(487,267)	(51,115)	(4,797)	(543,179)
FUND BALANCES AT JULY 1	3,156,889	231,123	413,444	3,801,456
FUND BALANCES AT JUNE 30	\$ 2,669,622	\$ 180,008	\$ 408,647	\$ 3,258,277

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, 2021

Net Change in Fund Balances - Governmental Funds **\$ (543,179)**

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	\$ 522,007	
Depreciation expense	<u>(515,016)</u>	
		6,991

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.

-

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

145,623

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.

106,749

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>(32,539)</u>	
		(32,539)

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.

61,030

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.

(119,412)

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>7,696</u>	
		<u>(1,534)</u>

Change in Net Position - Governmental Activities

\$ (376,271)

**CITY OF NORTON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021**

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and investments	\$ 126,016
Receivables, net	357,891
Prepays	26,511
Due from other governments	9,438
Due from other funds	64,784
Total current assets	<u>584,640</u>
Noncurrent assets:	
Restricted cash	141,954
Capital assets, net	16,590,486
Total noncurrent assets	<u>16,732,440</u>
Total assets	<u>17,317,080</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	66,272
Deferred outflows related to other postemployment benefits	6,855
Total deferred outflows of resources	<u>73,127</u>
LIABILITIES	
Current liabilities:	
Accounts payable	182,905
Accrued payroll and related liabilities	22,510
Accrued interest	5,647
Due to other funds	109,577
Customer security deposits	137,817
Compensated absences	8,573
Debt obligations, current	252,584
Total current liabilities	<u>719,613</u>
Noncurrent liabilities:	
Compensated absences	20,003
Net pension liability	154,914
Net other postemployment benefit liabilities	49,423
Debt obligations	6,723,092
Total noncurrent liabilities	<u>6,947,432</u>
Total liabilities	<u>7,667,045</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	30,419
Deferred inflows related to other post employment benefits	3,335
Total deferred inflows of resources	<u>33,754</u>
NET POSITION	
Net investment in capital assets	9,614,810
Restricted	-
Unrestricted	74,598
Total net position	<u>\$ 9,689,408</u>

EXHIBIT 8

CITY OF NORTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2021

	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services	
Water:	
Local	\$ 880,079
Non-Local	194,801
Sewer:	
Local	1,208,304
Non-Local	308,722
Connection fees	4,030
Penalties	63,165
Miscellaneous	13,045
Total operating revenues	<u>2,672,146</u>
OPERATING EXPENSES	
Personnel	616,038
Fringe benefits	329,952
Contractual services	842,461
Other charges	476,138
Water purchased for resale	40,104
Depreciation and amortization	669,117
Total operating expenses	<u>2,973,810</u>
Operating loss	<u>(301,664)</u>
NONOPERATING REVENUES (EXPENSES)	
Grant income	152,416
Interconnect expense	(20,971)
Interest expense	(183,711)
Total nonoperating revenues (expenses)	<u>(52,266)</u>
Change in net position	(353,930)
NET POSITION AT JULY 1	<u>10,043,338</u>
NET POSITION AT JUNE 30	<u><u>\$ 9,689,408</u></u>

**CITY OF NORTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2021**

EXHIBIT 9

	<u>Water and Sewer</u>
OPERATING ACTIVITIES	
Receipts from customers and properties	\$ 2,624,746
Receipts from other sources	13,045
Payments to suppliers	(1,580,693)
Payments to employees	(602,063)
Net cash provided by operating activities	<u>455,035</u>
NONCAPITAL FINANCING ACTIVITIES	
Interfund borrowing	(239,957)
Net cash used in noncapital financing activities	<u>(239,957)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(212,970)
Contributed Capital - grant revenue	380,785
Interconnect expense	(20,971)
Proceeds from issuance of debt	2,705,644
Principal paid	(2,817,800)
Interest paid	(232,741)
Net cash used in capital and related financing activities	<u>(198,053)</u>
Net increase (decrease) in cash and cash equivalents	17,025
CASH AND CASH EQUIVALENTS	
Beginning at July 1	<u>250,945</u>
Ending at June 30	<u><u>\$ 267,970</u></u>
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:	
Cash and investments	\$ 126,016
Restricted cash	141,954
Total	<u><u>\$ 267,970</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (301,664)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	669,117
Pension expense net of employer contributions	70,915
Other post-employment benefit expense net of employer contributions	13,005
Change in assets and liabilities:	
(Increase) decrease in:	
Receivables, net	(34,355)
Due from other governments	-
Increase (decrease) in:	
Accounts payable and other current liabilities	21,094
Accrued payroll and related liabilities	7,627
Customer deposits	2,948
Compensated absences	6,348
Net cash provided by operating activities	<u><u>\$ 455,035</u></u>

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

EXHIBIT 10

**CITY OF NORTON, VIRGINIA
AGENCY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021**

	<u>Special Welfare Fund</u>
ASSETS	
Cash	<u>\$ 10,371</u>
Total assets	<u>10,371</u>
 NET POSITION	
Amounts held for social service clients	<u>10,371</u>
Total net position	<u><u>\$ 10,371</u></u>

CITY OF NORTON, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2021

	<u>Special Welfare Fund</u>
ADDITIONS	
Client Receipts	\$ 4,652
Total additions	<u>4,652</u>
DEDUCTIONS	
Payments for clients	<u>9,852</u>
Total deductions	<u>9,852</u>
Change in net position	<u>(5,200)</u>
NET POSITION - BEGINNING OF YEAR	<u>15,571</u>
NET POSITION - END OF YEAR	<u><u>\$ 10,371</u></u>

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, Health Insurance Premium Funds and the School Activity 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.
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, 2021.

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

Buildings	35 years
Improvements other than bulidings	20 - 35 years
Infrastructure	30 - 50 years
Utility transmission lines and mains	35 years
Equipment	3 - 18 years

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 \$418,561 at June 30, 2021, and is composed of the following:

General Fund	
Allowance for uncollectable property taxes	\$ 16,842
Allowance for uncollectable garbage fees	44,860
Total General Fund	<u>61,702</u>
 Water and Sewer Fund	
Allowance for uncollectable water and sewer fee billings	<u>356,859</u>
Total Water and Sewer Fund	<u>356,859</u>
 Total	<u><u>\$ 418,561</u></u>

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, 2020 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, 2020 and prior to the reporting date of June 30, 2021, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2021. 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, 2020 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 \$55,378 as a deferred outflow of resources on the Governmental Activities and Statement of Net Position as of June 30, 2021.

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

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	57%
Virginia Investment Pool	42%

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:

		Component Units	
	Primary Government	School	NIDA
Deposits and investments			
Cash on hand	\$ 950	\$ -	\$ -
Deposits	3,185,177	985,203	151,174
Investments	2,823,318	-	-
	<u>\$ 6,009,445</u>	<u>\$ 985,203</u>	<u>\$ 151,174</u>
Statement of net position			
Cash and cash equivalents	\$ 3,028,608	\$ 215,118	\$ 1,781,173
Investments	2,823,318	-	-
Cash in custody of others	-	350,480	-
Restricted cash and cash equivalents	157,519	419,605	690,595
	<u>\$ 6,009,445</u>	<u>\$ 985,203</u>	<u>\$ 2,471,768</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

		Component Unit	
	Primary Government	School Board	Total
Commonwealth of Virginia			
Local sales tax	\$ 284,671	\$ -	\$ 284,671
Shared expenses	24,862	-	24,862
Communication tax	24,242	-	24,242
E-911 tax	7,501	-	7,501
Other	200,318	-	200,318
School funds	-	234,204	234,204
Welfare fund	140,545	-	140,545
Total Commonwealth of Virginia	<u>\$ 682,139</u>	<u>\$ 234,204</u>	<u>\$ 916,343</u>

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

Note 4. Due From Other Governmental Units (Continued)

Wise County			
Coal haul road tax	3,809	-	3,809
Local revenue collections	<u>3,523</u>	<u>-</u>	<u>3,523</u>
Total Wise County	7,332	-	7,332
Friends of Southwest Virginia	17,632	-	17,632
Heart of Appalachia	10,000	-	10,000
Southwest Regional Jail Authority	36,004	-	36,004
Norton Industrial Development Authority	<u>318,387</u>	<u>-</u>	<u>318,387</u>
Total due from other Governmental Units	<u>\$ 1,053,862</u>	<u>\$ 234,204</u>	<u>\$ 1,288,066</u>

Note 5. Interfund Obligations

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	\$ 10,323	\$ 631,372	-	-
School Capital Improvement		145,384	-	-
School Textbook Fund		68,620	-	-
Virginia Public Assistance Fund	8,270	20,000	-	-
Water and Sewer Fund	109,577	64,784	-	-
Special Revenue	<u>4,344</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund	<u>132,514</u>	<u>930,160</u>	<u>-</u>	<u>-</u>
School Operating Fund:				
General Fund-City Operations	-	-	631,372	10,323
Cafeteria Fund	-	-	6,947	14,296
School Activity Fund	-	-	7,346	-
Textbook Fund	<u>-</u>	<u>-</u>	<u>13,477</u>	<u>-</u>
Total School Operating Funds	<u>-</u>	<u>-</u>	<u>659,142</u>	<u>24,619</u>
School Textbook Fund				
City Operations	-	-	68,620	-
School Operating	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,477</u>
Total School Textbook Fund	<u>-</u>	<u>-</u>	<u>68,620</u>	<u>13,477</u>
School Capital Project Fund				
City Operations	<u>-</u>	<u>-</u>	<u>145,384</u>	<u>-</u>
Total Capital Project Fund	<u>-</u>	<u>-</u>	<u>145,384</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 Cafeteria Fund				
City Operations	-	-	14,296	6,947
Total Cafeteria Fund	-	-	14,296	6,947
School Activity Fund				
School Operating	-	-	-	7,346
Total School Activity Fund	-	-	-	7,346
Special Revenue Funds				
General Fund	-	4,344	-	-
Total Special Revenue Funds	-	4,344	-	-
Virginia Public Assistance Fund:				
General Fund	20,000	8,270	-	-
Total Virginia Public Assistance Funds	20,000	8,270	-	-
Water and Sewer Fund				
General Fund	64,784	109,577	-	-
Total Water and Sewer Funds	64,784	109,577	-	-
Totals	\$ 217,298	\$ 1,052,351	\$ 887,442	\$ 52,389

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

As of June 30, 2021, fund balances are composed of the following:

	General Fund	Virginia Public Assistance Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 2,113	\$ -	\$ -	\$ 2,113
Prepaid	140,799	-	-	140,799
Intercompany receivables	46,964	-	-	46,964
Restricted:	-	-	-	-
Committed:				
Law Enforcement	-	-	91,590	91,590
Parks and Recreation	-	-	2,369	2,369
Planning and Development	-	-	314,688	314,688
Assigned:				
Parks and Recreation	8,750	-	-	8,750
Public Safety	78,513	-	-	78,513
Health and Welfare	-	180,008	-	180,008
Unassigned	2,392,483	-	-	2,392,483
Total fund balances	<u>\$ 2,669,622</u>	<u>\$ 180,008</u>	<u>\$ 408,647</u>	<u>\$ 3,258,277</u>

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>Governmental Activities</u>	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Buildings	1,964,951	-	-	1,964,951
Improvements other than buildings	2,086,157	556,943	-	2,643,100
Infrastructure	15,425,142	-	-	15,425,142
Equipment	4,661,429	162,858	(371,464)	4,452,823
Equipment - special revenue	183,017	-	(20,895)	162,122
Total Capital assets, depreciable	24,320,696	719,801	(392,359)	24,648,138
Less accumulated depreciation for				
Buildings	1,558,928	27,393	-	1,586,321
Improvements other than buildings	1,409,939	62,147	-	1,472,086
Infrastructure	9,178,430	211,785	-	9,390,215
Equipment	3,703,084	204,741	(371,464)	3,536,361
Equipment - special revenue	123,642	8,951	(20,895)	111,698
Total accumulated depreciation	15,974,023	515,017	(392,359)	16,096,681
Governmental activities				
Total capital assets, depreciable net	<u>\$ 8,346,673</u>	<u>\$ 204,784</u>	<u>\$ -</u>	<u>\$ 8,551,457</u>
<u>Business-Type Activities</u>	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Buildings	256,454	-	-	256,454
Improvements other than buildings	24,964,521	219,422	-	25,183,943
Equipment	1,612,263	-	-	1,612,263
Total Capital assets, depreciable	26,833,238	219,422	-	27,052,660
Less accumulated depreciation for				
Buildings	251,626	320	-	251,946
Improvements other than buildings	8,858,413	606,659	-	9,465,072
Equipment	1,294,139	62,138	-	1,356,277
Total accumulated depreciation	10,404,178	669,117	-	11,073,295
Business-Type activities				
Total capital assets, depreciable net	<u>\$ 16,429,060</u>	<u>\$ (449,695)</u>	<u>\$ -</u>	<u>\$ 15,979,365</u>

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

Note 7. Changes in Capital Assets (Continued)

<u>Component Unit - School Board</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Buildings	11,546,928	24,750	-	11,571,678
Improvements other than buildings	3,913,263	450,238	-	4,363,501
Equipment	1,203,062	286,334	(11,068)	1,478,328
Total Capital assets, depreciable	16,663,253	761,322	(11,068)	17,413,507
Less accumulated depreciation for				
Buildings	4,634,764	221,470	-	4,856,234
Improvements other than buildings	1,651,096	193,040	-	1,844,136
Equipment	780,316	109,113	(11,068)	878,361
Total accumulated depreciation	7,066,176	523,623	(11,068)	7,578,731
Component Unit - School Board				
Total capital assets, depreciable net	\$ 9,597,077	\$ 237,699	\$ -	\$ 9,834,776

<u>Component Unit - NIDA</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Buildings and improvements	9,255,109	-	-	9,255,109
Equipment	406,353	-	-	406,353
Less: Accumulated depreciation	(4,155,862)	(238,684)	-	(4,394,546)
Component Unit - NIDA				
Total Capital assets, depreciable net	\$ 5,505,600	\$ (238,684)	\$ -	\$ 5,266,916

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:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<u>Governmental Activities</u>				
Land	\$ 897,280	\$ -	\$ -	\$ 897,280
Construction in progress	282,328	405,043	(603,217)	84,154
Total capital assets, non-depreciable	<u>\$ 1,179,608</u>	<u>\$ 405,043</u>	<u>\$ (603,217)</u>	<u>\$ 981,434</u>
<u>Component Unit - School Board</u>				
Land	\$ 65,901	\$ -	\$ -	\$ 65,901
Construction in progress	-	40,161	-	40,161
Total capital assets, non-depreciable	<u>\$ 65,901</u>	<u>\$ 40,161</u>	<u>\$ -</u>	<u>\$ 106,062</u>
<u>Component Unit - NIDA</u>				
Land	\$ 3,712,071	\$ -	\$ -	\$ 3,712,071
Construction in progress	348,315	1,900,530	-	2,248,845
Total capital assets, non-depreciable	<u>\$ 4,060,386</u>	<u>\$ 1,900,530</u>	<u>\$ -</u>	<u>\$ 5,960,916</u>
<u>Business Type Activities</u>				
Land	\$ 588,600	\$ -	\$ -	\$ 588,600
Construction in progress	28,973	212,970	(219,422)	22,521
Total capital assets, non-depreciable	<u>\$ 617,573</u>	<u>\$ 212,970</u>	<u>\$ (219,422)</u>	<u>\$ 611,121</u>

Note 8. Capital Asset Depreciation

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

Governmental activities	
General government	\$ 7,795
Public safety	121,151
Public works	354,783
Health and welfare	8,951
Parks, recreation and cultural	20,842
Community development	1,495
Total depreciation expense - governmental activities	<u>\$ 515,017</u>
Business-type activities	<u>\$ 669,117</u>
Component Units	
School Board - Education	<u>\$ 523,623</u>
NIDA	<u>\$ 238,684</u>

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

Note 9. Long-term Debt

Years Ending June 30,	Governmental Activities					
	Direct Borrowing and Direct Placements					
	2021C GO Refunding Bond		2018 Rural Development		2019 Rural Development	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 105,000	\$ 7,172	\$ 5,914	\$ 386	\$ 6,052	\$ 500
2023	124,000	7,275	6,109	191	6,267	285
2024	125,000	5,719	2,110	21	5,103	68
2025	131,000	4,119	-	-	-	-
2026	132,000	2,475	-	-	-	-
2027-2031	132,000	825	-	-	-	-
Totals	<u>\$ 749,000</u>	<u>\$ 27,585</u>	<u>\$ 14,133</u>	<u>\$ 598</u>	<u>\$ 17,422</u>	<u>\$ 853</u>

Years Ending June 30,	Governmental Activities			
	Direct Borrowing and Direct Placements			
	Rural Development		Totals	
	Principal	Interest	Principal	Interest
2022	\$ 8,170	\$ 698	\$ 125,136	\$ 8,756
2023	8,345	523	144,721	8,274
2024	8,524	344	140,737	6,152
2025	8,707	161	139,707	4,280
2026	2,846	11	134,846	2,486
2027-2031	-	-	132,000	825
Totals	<u>\$ 36,592</u>	<u>\$ 1,737</u>	<u>\$ 817,147</u>	<u>\$ 30,773</u>

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

Note 9. Long-term Debt (Continued)

Years Ending June 30,	Business-Type Activities					
	Direct Borrowing and Direct Placements					
	2021A GO Refunding Bond		2021B GO Refunding Bond		GO Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 44,000	\$ 29,233	\$ 51,000	\$ 35,832	\$ 42,420	\$ 45,708
2023	49,000	28,254	48,000	34,418	43,493	44,635
2024	56,000	27,254	43,000	33,178	44,593	43,535
2025	53,000	26,112	48,000	32,070	45,721	42,407
2026	55,000	25,031	48,000	30,830	46,877	41,251
2027-2031	380,000	105,978	249,000	137,178	252,777	187,864
2032-2036	481,000	61,546	540,000	88,624	286,397	154,243
2037-2041	311,000	12,750	358,000	18,654	324,487	116,153
2042-2046	-	-	-	-	367,645	72,995
2047-2051	-	-	-	-	393,352	24,092
2052-2056	-	-	-	-	-	-
Totals	<u>\$ 1,429,000</u>	<u>\$ 316,158</u>	<u>\$ 1,385,000</u>	<u>\$ 410,784</u>	<u>\$ 1,847,762</u>	<u>\$ 772,883</u>

Years Ending June 30,	Business-Type Activities					
	Direct Borrowing and Direct Placements					
	GO Sewer Facilities Bond		GO Water Facilities Bond		GO Sewer Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 25,977	\$ 24,927	\$ 12,520	\$ 10,494	\$ 75,719	\$ -
2023	26,568	24,336	12,836	10,178	75,719	-
2024	27,172	23,732	13,161	9,853	75,719	-
2025	27,789	23,114	13,494	9,520	75,719	-
2026	28,421	22,483	13,744	9,270	75,719	-
2027-2031	152,096	102,424	74,084	40,988	302,872	-
2032-2036	170,189	84,331	83,882	31,189	-	-
2037-2041	190,433	64,087	94,976	20,093	-	-
2042-2046	213,087	41,434	112,076	7,530	-	-
2047-2051	238,433	16,086	-	-	-	-
2052-2056	19,485	104	-	-	-	-
Totals	<u>\$ 1,119,650</u>	<u>\$ 427,058</u>	<u>\$ 430,773</u>	<u>\$ 149,115</u>	<u>\$ 681,467</u>	<u>\$ -</u>

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

Note 9. Long-term Debt (Continued)

Years Ending June 30,	Business-Type Activities			
	Direct Borrowing and Direct Placements			
	GO Waterline Replacement		Totals	
	Principal	Interest	Principal	Interest
2022	\$ 2,040	\$ 1,854	\$ 253,676	\$ 148,048
2023	1,906	1,988	257,522	143,809
2024	1,954	1,940	261,599	139,492
2025	2,003	1,891	265,726	135,114
2026	2,054	1,840	269,815	130,705
2027-2031	11,072	8,401	1,421,901	582,833
2032-2036	12,535	6,936	1,574,003	426,869
2037-2041	14,192	5,278	1,293,088	237,015
2042-2046	16,070	3,400	708,878	125,359
2047-2051	18,198	1,271	649,983	41,449
2052-2056	-	-	19,485	104
Totals	<u>\$ 82,024</u>	<u>\$ 34,799</u>	<u>\$ 6,975,676</u>	<u>\$ 2,110,797</u>

The following is a summary of long-term obligations of the primary government for the year ended June 30, 2021:

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

	Balance July 1, 2020	Additions / Proceeds	Payments / Reductions	Balance June 30, 2021
Governmental Activities:				
Direct Borrowings and Placements:				
General obligation bonds	\$ 895,712	\$ 791,000	\$ (869,565)	\$ 817,147
Total Direct Borrowings and Placements	\$ 895,712	\$ 791,000	\$ (869,565)	\$ 817,147
Capital leases	88,347	-	(28,565)	59,782
Accrued compensated absences	252,064	32,539	-	284,603
Total Governmental Activities	<u>\$ 1,236,123</u>	<u>\$ 823,539</u>	<u>\$ (898,130)</u>	<u>\$ 1,161,532</u>
Business-Type Activities				
Direct Borrowings and Placements:				
General obligation bonds	\$ 6,897,452	\$ 2,896,024	\$ (2,817,800)	\$ 6,975,676
Premium on bond	190,380	-	(190,380)	-
Total Direct Borrowings and Placements	\$ 7,087,832	\$ 2,896,024	\$ (3,008,180)	\$ 6,975,676
Accrued compensated absences	22,228	6,348	-	28,576
Total Business-Type Activities	<u>\$ 7,110,060</u>	<u>\$ 2,902,372</u>	<u>\$ (3,008,180)</u>	<u>\$ 7,004,252</u>

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

Note 9. Long-term Debt (Continued)

Details Long-Term Debt:

Direct Borrowings and Placements:

<u>Governmental Type Activities:</u>	<u>Total Due</u>	<u>Due within One year</u>
\$3,000,000 General Obligation Taxable Line of Credit Note, through Powell Valley National Bank. The line of credit is accessible through maturity date.	\$ -	\$ -
\$749,000 General Obligation refunding Bond, Series 2021C, with interest rate of 1.25% over the life of the bond. Repayment of the principal began on August 1, 2021 and continues annually until paid in full. Interest is schedule to be paid semi-annually on August 1st and February 1st, beginning with the first principal payment. Final maturity is August 1, 2026.	749,000	105,000
\$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. Final maturity is November 1, 2023.	14,133	5,914
\$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. Final maturity is March 15, 2024	17,422	6,052
\$42,000 Rural Development Community Facilities Loan, with interest of 2.125% over the life of the loan. Repayment of the loan began on November 26, 2020 and will continue annually until paid in full. Final maturity is October 26, 2025.	36,592	8,170
Total General Obligation - Governmental Activities	\$ 817,147	\$ 125,136
<u>Business-Type Activities:</u>	<u>Total Due</u>	<u>Due within One year</u>
\$1,429,000 General Obligation Refunding Bond, Series 2021A, with interest rate of 2.04% over the life of the bond. Repayment of the principal began on October 1, 2021 and continues annually until paid in full. Interest is schedule to be paid semi-annually on October 1st and April 1st, beginning with the first principal payment. Final maturity is August 1, 2039.	\$ 1,429,000	\$ 44,000
\$1,385,000 General Obligation Advance Refunding Bond, Series 2021B, with interest rate of 2.58% over the life of the bond. Repayment of the principal began on October 1, 2021 and continues annually until paid in full. Interest is schedule to be paid semi-annually on October 1st and April 1st, beginning with the first principal payment. Final maturity is August 1, 2039.	1,385,000	51,000

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

Note 9. Long-term Debt (Continued)

Details Long-Term Debt (Continued):

Direct Borrowings and Placements (Continued):

<u>Business-Type Activities (Continued):</u>	<u>Total Due</u>	<u>Due within One year</u>
\$1,514,370 General Obligation Sewer Bond, is payable to Virginia Resource Authority, with interest at zero percent. Repayment of the principal 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.	681,467	75,719
\$2,160,000 General Obligation Water Facilities Bond series 2011 issued March 30, 2011 payable to United State 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 interst of \$7,344 are payable beginning April 28, 2013 and continuing on the 28th of each month thereafter until paid in full. The final installment of unpaid principal and interest shall be due and payable in 38 years on march 28, 2051.	1,847,762	42,420
\$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	1,119,650	25,977
\$483,695 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 2.5%. Repayment of the principal is scheduled in 30 equal semi-annual installments of \$11,793 payable on February 1 and Augst 1, beginning 2016. Final payment is due in 2046.	430,773	12,520
\$42,000 Rural Development Community Facilities Loan, with interest of 2.125% over the life of the loan. Repayment of the loan began on November 26, 2020 and will continue annually until paid in full. Final maturity is October 26, 2025.	82,024	2,040
Total General Obligation - Business-Type Activities	<u>\$ 6,975,676</u>	<u>\$ 253,676</u>

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

Note 9. Long-term Debt (Continued)

Changes in Other Long-Term Debt (Continued):

The following is a summary of other long-term transactions of the City of Norton for the year ended June 30, 2021:

	Compensated Absences	
	Government Fund Types	Proprietary Fund Types
Payable at July 1, 2020	\$ 252,064	\$ 22,228
Increases	32,539	6,348
Decreases	-	-
Payable at June 30, 2021	<u>\$ 284,603</u>	<u>\$ 28,576</u>

Component Unit – School Board

The following is a summary of long-term obligations of the primary government for the year ended June 30, 2021:

	Balance July 1, 2020	Additions / Proceeds	Payments / Reductions	Balance June 30, 2021
<u>Component Unit - School Board</u>				
Direct Borrowings and Placements:				
General obligation bonds	\$ 7,150,000	\$ -	\$ (590,000)	\$ 6,560,000
Premium on bonds	<u>545,369</u>	<u>-</u>	<u>(45,447)</u>	<u>499,922</u>
Total Direct Borrowings and Placements	\$ 7,695,369	\$ -	\$ (635,447)	\$ 7,059,922
Capital leases	113,247	-	(89,231)	24,016
Accrued compensated absences	<u>128,330</u>	<u>22,999</u>	<u>-</u>	<u>151,329</u>
Total Component Unit - School Board	<u>\$ 7,936,946</u>	<u>\$ 22,999</u>	<u>\$ (724,678)</u>	<u>\$ 7,235,267</u>

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

Component Unit - School Board	Direct Borrowings and Direct Placements	
	General Obligation	
	Principal	Interest
Year Ending June 30,		
2022	\$ 625,000	\$ 90,596
2023	655,000	78,867
2024	670,000	95,385
2025	690,000	124,291
2026	705,000	107,210
2027-2031	2,830,000	238,628
2032-2036	<u>385,000</u>	<u>866</u>
Totals	<u>\$ 6,560,000</u>	<u>\$ 735,843</u>

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

Note 9. Long-term Debt (Continued)

Component Unit – School Board (Continued):

Details of Long-Term Indebtedness:

<u>Component Unit - School Board:</u>	<u>Total Due</u>	<u>Due within One year</u>
\$9,330,000 General Obligation School Bond issued November 15, 2012, payable in annual installments beginning July 15, 2015 and continuing until July 15, 2031. The bond has a variable interest rate and is paid semiannually.	\$ 6,560,000	\$ 625,000
School Board -Total General Obligation Long-term Bonds	\$ 6,560,000	\$ 625,000

On October 7, 2020 the City agreed to allow the Virginia Public School Authority (VPSA) to refinance its 2013 bond issuance. The refinance was performed at no cost to the City and provided savings of \$257,105 to be credited against interest payments from FY21 – FY32. Interest shown in the previous schedule is net of those savings credits.

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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, 2021.:

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:

Governmental Activities	
Year Ending June 30,	Capital Leases Payments
2022	\$ 29,627
2023	<u>30,155</u>
Totals	<u>\$ 59,782</u>

The City of Norton School Division has three capital leases outstanding at June 30, 2021:

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:

Component Unit -School Board	
Year Ending June 30,	Capital Leases Payments
2022	\$ 22,127
2023	<u>1,889</u>
Totals	<u>\$ 24,016</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, 2021:

Details of Long-Term Indebtedness:

Component Unit -

NIDA	Direct Borrowings and Direct Placements	
	Notes Payable	
	Principal	Interest
Year Ending		
June 30,		
2022	\$ 19,174	\$ 32,499
2023	20,105	31,568
2024	21,081	30,592
2025	20,296	29,601
2026	25,262	47,792
2027-2031	225,090	140,181
2032-2036	262,747	102,524
2037-2041	285,808	55,949
2042-2046	102,336	8,186
Totals	\$ 981,899	\$ 478,892

	Virginia Community Capital Bank	City of Norton	VCEDA	Totals
July 1, 2020	\$ 711,324	\$ 310,000	\$ 40,000	\$ 1,061,324
Additions/Borrowings	-	-	-	-
Deletions/Retirements	(39,425)	-	(40,000)	(79,425)
June 30, 2021	<u>\$ 671,899</u>	<u>\$ 310,000</u>	<u>\$ -</u>	<u>\$ 981,899</u>

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

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 or 5 days each year if the employee has been with the City less than 1 year.
- B. .833 days per month or 10 days each year if the employee has been with the City for as long as 1 year but less than 10 years.
- C. 1.25 days per month or 15 days each year if the employee has been with the City for 10 years or longer.

Employees of the Department of Social Services accumulate vacation and sick leave in accordance with the Virginia Department of Social Services Personnel Manual.

At June 30, 2021, the City had outstanding accrued vacation, sick and personal leave of \$284,603 in the Governmental Activities and outstanding accrued vacation leave of \$28,576 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, 2021, the School Board had outstanding accrued vacation, sick and personal leave of \$151,329.

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

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:

	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	\$ -	\$ 439,537
Tax assessments due after June 30	1,090,874	1,090,874
Total	\$ <u>1,090,874</u>	\$ <u>1,530,411</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)

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit 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, service credit 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, service credit 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</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

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

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

opt into the Hybrid Retirement Plan.		employees who are covered by 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.	<p>eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP</p>	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</p> <p>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</p> <p>Employees contribute 5% of their compensations each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions</p> <p>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>Service credit</p> <p>Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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</p>	<p>Service credit</p> <p>Same as Plan 1.</p>	<p>Service credit</p> <p>Defined Benefit Component:</p> <p>Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It</p>

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

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

the health insurance credit.		also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit
		<p><u>Defined Contributions Component:</u></p> <p>Under the defined contributions component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting</p> <p>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 service credit. 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</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component:</u></p> <p>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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u></p> <p>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

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

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

		<p>75% of employer contributions.</p> <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</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 service credit 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>

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

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

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

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

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

<p>(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> Form members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, 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 service credit, 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>(COLA) matches the first 2% 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><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>
<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 		

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

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

<p>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>		
<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 service credit in their plan. Prior service credit 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 12. Pension Plan-Agent Multiple-Employer (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2019 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	64	32
Inactive members		
Vested inactive members	9	2
Non-vested Inactive members	21	7
Active elsewhere in VRS	30	8
Total inactive members	60	17
Active members	90	11
Total covered employees	214	60

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.

The City's contractually required contribution rate for the year ended June 30, 2021 was 7.08 % 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, 2019.

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 \$260,673 and \$247,785

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

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

for the years ended June 30, 2021 and June 30, 2020, respectively and for the school board \$0 and \$739 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

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, 2019, 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, 2020.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2019, 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, 2020.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	6.75 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board Action 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%
Discount rate	Decrease rate from 7.00% to 6.75%

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%
Discount rate	Decrease rate from 7.00% to 6.75%

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	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compile for the FY2020 actuarial valuations, provide a median return of 6.81%.

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 6.75%. 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, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2019	\$ 18,392,750	\$ 18,086,227	\$ 306,523
Changes for the year			
Service Cost	380,177	-	380,177
Interest	1,215,091	-	1,215,091
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Differences between expected and actual experience	42,691	-	42,691
Contributions - employer	-	240,700	(240,700)
Contributions - employee	-	168,996	(168,996)
Net investment income	-	344,251	(344,251)
Benefit payments, including refunds of employee contributions	(782,794)	(782,794)	-
Administrative expenses	-	(11,797)	11,797
Other changes	-	(407)	407
Net changes	855,165	(41,051)	896,216
Balance at June 30, 2020	\$ 19,247,915	\$ 18,045,176	\$ 1,202,739

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

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

Changes in Net Pension Liability (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2019	\$ 1,796,953	\$ 2,125,774	\$ (328,821)
Changes for the year			
Service Cost	23,949	-	23,949
Interest	117,880	-	117,880
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Differences between expected and actual experience	(130,843)	-	(130,843)
Contributions - employer	-	498	(498)
Contributions - employee	-	12,333	(12,333)
Net investment income	-	40,105	(40,105)
Benefit payments, including refunds of employee contributions	(101,152)	(101,152)	-
Administrative expenses	-	(1,418)	1,418
Other changes	-	(1,416)	1,416
Net changes	(90,166)	(51,050)	(39,116)
Balance at June 30, 2020	\$ 1,706,787	\$ 2,074,724	\$ (367,937)

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Governmental & Business-Type Net Pension Liability	\$ 3,636,116	\$ 1,202,739	\$ (823,268)
School Board Non-Professional Group Net Pension Liability	\$ (194,191)	\$ (367,937)	\$ (516,362)

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, 2021, the City's general government recognized pension expense of \$262,888. At June 30, 2021, 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	\$ 30,281	\$ 236,170
Change in assumptions	223,576	-
Net difference between projected and actual earnings on pension plan investments	540,655	-
Employer contributions subsequent to the measurement date	260,673	-
Total	<u>\$ 1,055,185</u>	<u>\$ 236,170</u>

\$260,673 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2022	\$ 4,883
2023	191,647
2024	189,099
2025	172,713
2026	-
Thereafter	-
	<u>\$ 558,342</u>

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

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

For the year ended June 30, 2021, the School Board's Non-Professional group recognized pension expense (benefit) of \$(95,695). At June 30, 2021, 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	\$ -	\$ 21,807
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	61,611	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 61,611</u>	<u>\$ 21,807</u>

\$0 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2022	\$ (21,401)
2023	19,653
2024	21,491
2025	20,061
2026	-
Thereafter	-
	<u>\$ 39,804</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2020-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 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:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit 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 I 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		
contributions to provide funding for the future benefit payment.		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.
Service credit Service credit 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 service credit 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.	Service credit Same as Plan 1.	Service credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn service credit 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. <u>Defined Contributions Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

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 service credit. 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 granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit 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 service credit or at age 50 with at least 30 years of service credit.	Earliest Unreduced Retirement Eligibility Normal Social Security Retirement age and have at least five years (60 months) of service credit 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 service credit 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 service credit or age 50 with at least 10 years of service credit.	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 service credit. 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 service credit, 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 multiplies 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 multiplies 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 service credit in their plan. Prior service credit 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, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$656,554 and \$581,822 for the years ended June 30, 2021, and June 30, 2020 respectively.

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

At June 30, 2021, the school division reported a liability of \$6,176,134 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.04244% as compared to 0.04203% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$541,809. 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, 2021, 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	\$ 469,763	\$ 362,017
Change in assumptions	421,599	-
Net difference between projected and actual earnings on pension plan investments	67,525	490,425
Employer contributions subsequent to the measurement date	<u>656,554</u>	<u>-</u>
Total	<u>\$ 1,615,441</u>	<u>\$ 852,442</u>

\$656,554 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2022	\$ (152,099)
2023	1,389
2024	116,108
2025	146,046
2026	(4,999)
Thereafter	<u>-</u>
	<u>\$ 106,445</u>

Actuarial Assumptions - Teachers The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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	6.75 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Plan</u>
Total Pension Liability	\$ 51,001,855
Plan Fiduciary Net Position	<u>36,449,229</u>
Employers' Net Pension Liability (Asset)	<u>\$ 14,552,626</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%

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:

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

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

Long-Term Expected Rate of Return (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compile for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2020, 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, 2020 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.

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

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

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS			
<u>Teacher Employee Retirement Plan</u>			
Net Pension Liability	\$ 9,061,776	\$ 6,176,134	\$ 3,789,344

Pension Plan Fiduciary Net Position

Information about the VRS Teacher Retirement Plan's Fiduciary Net Position is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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, 2021, the School Division reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

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

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.

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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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Active participants	94	100
Retired participants	<u>2</u>	<u>10</u>
Total covered employees	<u><u>96</u></u>	<u><u>110</u></u>

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 2021, the Primary Government and School Board made OPEB benefit payments of \$0 and \$67,865, respectively.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation performed as of July 1, 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, 2021, 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 RP2010 Mortality Table for Males and Females Projected 10 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	2.16 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, 2021, 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, 2019 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 2020 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	2.16 percent
Medical trend rate	6.20 percent – 4.10 percent over 54 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 2.16% and 2.16% 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 (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
Primary Government			
Total OPEB Liability	\$ 99,349	\$ 95,883	\$ 92,606
	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
School Board			
Total OPEB Liability	\$ 380,510	\$ 345,208	\$ 313,442

Changes in Total OPEB Liability

	Primary Government	Component Unit School Board
Balances at June 30, 2020	\$ 9,217	\$ 382,172
Changes for the year		
Service cost	51,713	21,062
Interest	1,706	8,165
Effect of plan changes	-	-
Effect of economic/demographics gains or losses	31,129	-
Effect of assumptions changes or inputs	2,118	1,674
Benefit payments, including refunds of employee contributions	-	(67,865)
Net changes	86,666	(36,964)
Balances at June 30, 2021	\$ 95,883	\$ 345,208

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:

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 (Continued)

	1.00% Decrease in Trend Rate	Current Trend Rate	1.00% Increase in Trend Rate
Primary Government			
Total OPEB Liability	\$ 92,206	\$ 95,883	\$ 99,705
School Board			
Total OPEB Liability	\$ 296,211	\$ 345,208	\$ 406,208

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

For the year ended June 30, 2021, the Primary Government recognized OPEB - Health Insurance expense of \$86,666. At June 30, 2021, 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, 2021, the School Board recognized OPEB - Health Insurance expense of \$42,623. At June 30, 2021, the School Board reported \$75,765 deferred outflows of resources and \$(3,308) deferred inflows of resources for changes in assumptions related to OPEB - Health Insurance. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

Year ended June 30	
2022	\$ 13,396
2023	13,396
2024	13,513
2025	12,850
2026	12,850
Thereafter	6,452
	<u>\$ 72,457</u>

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 provided 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, 2019. 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:	1.34 % of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	\$ 19,691-City General Employees \$ 1,707-School Board-Non-Professionals \$ 21,332-School Board-Professionals
June 30, 2020 Contribution	\$ 17,911-City General Employees \$ 1,372-School Board-Non-Professionals \$ 19,295-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:	1.21% of covered employee compensation.
June 30, 2021 Contribution	\$ 47,800
June 30, 2020 Contribution	\$ 44,527

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:	0.47 % of covered employee compensation.
June 30, 2021 Contribution	\$ 7,068
June 30, 2020 Contribution	\$ 4,893

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:	\$717.31 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2021 Contribution	\$ 24,926
June 30, 2020 Contribution	\$ 25,484

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

The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 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, 2021 proportionate share of liability	\$279,363-City General Employees \$ 21,361-School Board-Non-Professionals \$300,891-School Board-Professionals
June 30, 2020 proportion	0.01674%-City General Employees 0.00128%-School Board-Non-Professionals 0.01803%-School Board-Professionals
June 30, 2019 proportion	0.01672%-City General Employees 0.00123%-School Board-Non-Professionals 0.01788%-School Board-Professionals
June 30, 2021 expense	\$ 9,030-City General Employees \$ 1,209-School Board-Non-Professionals \$ 3,418-School Board Professionals

Teacher Health Insurance Credit Program

June 30, 2021 proportionate share of liability	\$552,202
June 30, 2020 proportion	0.04233%
June 30, 2019 proportion	0.04179%
June 30, 2021 expense	\$32,736

Teacher Employee Virginia Local Disability Program

June 30, 2021 proportionate share of liability	\$1,618
June 30, 2020 proportion	0.20176%
June 30, 2019 proportion	0.17222%
June 30, 2021 expense	\$4,424

Line of Duty Act Program

June 30, 2021 proportionate share of liability	\$788,462
June 30, 2020 proportion	0.18826%
June 30, 2019 proportion	0.16565%
June 30, 2021 expense	\$81,295

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, 2021, 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	\$ 17,919	\$ 2,510
Net difference between projected and actual earnings OPEB plan investments	8,392	-
Changes in assumptions	13,971	5,833
Changes in proportion and differences between Employer contributions and proportionate share of contributions	255	6,607
Employer contributions subsequent to the measurement date	19,691	-
Total	<u>\$ 60,228</u>	<u>\$ 14,950</u>

Group Life Insurance Program-School Board-Non-Professionals

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,370	\$ 191
Net difference between projected and actual earnings OPEB program investments	642	446
Changes in assumptions	1,068	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,723	-
Employer contributions subsequent to the measurement date	1,707	-
Total	<u>\$ 6,510</u>	<u>\$ 637</u>

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	\$ 19,299	\$ 2,703
Net difference between projected and actual earnings OPEB program investments	9,039	-
Changes in assumptions	15,048	6,283
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,914	29,758
Employer contributions subsequent to the measurement date	21,332	-
Total	<u>\$ 66,632</u>	<u>\$ 38,744</u>

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,374
Net difference between projected and actual earnings OPEB program investments	2,447	-
Changes in assumptions	10,916	3,017
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,045	63,451
Employer contributions subsequent to the measurement date	47,800	-
Total	<u>\$ 67,208</u>	<u>\$ 73,842</u>

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	\$ 765	\$ 126
Net difference between projected and actual earnings OPEB program investments	175	-
Changes in assumptions	182	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	191	-
Employer contributions subsequent to the measurement date	7,068	-
Total	<u>\$ 8,381</u>	<u>\$ 126</u>

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 83,697	\$ 107,494
Net difference between projected and actual earnings OPEB program investments	-	1,121
Changes in assumptions	211,077	49,133
Changes in proportion and differences between Employer contributions and proportionate share of contributions	127,665	66,336
Employer contributions subsequent to the measurement date	24,927	-
Total	<u>\$ 447,366</u>	<u>\$ 224,084</u>

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, 2022. 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 ended June 30	Increase (Reduction) to OPEB Expense		
	City General Employees	School Board Non-Professionals	School Board Professionals
2022	\$ 2,585	\$ 716	\$ (3,524)
2023	4,954	897	(971)
2024	7,362	1,063	2,468
2025	8,353	1,070	6,250
2026	2,165	379	2,078
Thereafter	168	41	255
	<u>\$ 25,587</u>	<u>\$ 4,166</u>	<u>\$ 6,556</u>

Teacher Health Insurance Credit Program

Year ended June 30	Increase (Reduction) to OPEB Expense
2022	\$ (12,486)
2023	(12,243)
2024	(12,324)
2025	(10,791)
2026	(5,766)
Thereafter	(824)
	<u>\$ (54,434)</u>

Line of Duty Act Program

Year ended June 30	Increase (Reduction) to OPEB Expense
2022	\$ 27,585
2023	27,792
2024	28,013
2025	28,078
2026	28,147
Thereafter	58,740
	<u>\$ 198,355</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, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

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	7.25 – 4.75%
• Age 65 and older	5.5 – 4.75%
Investment rate of return, net of expenses, Including inflation*	GLI, HIC, & VLDP 6.75%; LODA 2.21%

- * 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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)

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	\$ 3,523,937	\$ 1,448,676	\$ 3,687	\$ 423,147
Plan fiduciary net position	1,855,102	144,160	2,886	4,333
Employers' net OPEB liability (asset)	\$ 1,668,835	\$ 1,304,516	\$ 801	\$ 418,814
Plan fiduciary net position as a percentage of total OPEB liability	52.64%	9.95%	78.28%	1.02%

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.

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:

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 (Continued)

Group Life Insurance Program (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides for a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6/75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 6.75% assumption noted above. Instead, the assumed annual rate of return of 2.21% 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 as of the measurement date of June 30, 2020.

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 6.75%. The discount rate used to measure the LODA OPEB liability was 2.21%. 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, 2020, 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, 2020 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 (5.75% GLI; HIC; VLDP/1.21% LODA) or one percentage point higher (7.75% GLI; HIC; VLDP /3.21% LODA) than the current discount rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
GLI Net OPEB Liability			
City - General Employee	\$ 367,244	\$ 279,363	\$ 207,996
School Board - Non-Professionals	28,081	21,361	15,904
School Board - Professionals	<u>395,544</u>	<u>300,891</u>	<u>224,024</u>
Teacher HIC Net OPEB Liability	<u>\$ 618,132</u>	<u>\$ 552,202</u>	<u>\$ 496,166</u>
Teacher VLDP Net OPEB Liability	<u>\$ 2,520</u>	<u>\$ 1,618</u>	<u>\$ 840</u>
	1% Decrease (1.21%)	Current Rate (2.21%)	1% Increase (3.21%)
LODA Net OPEB Liability	<u>\$ 935,894</u>	<u>\$ 788,462</u>	<u>\$ 677,331</u>

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 7.00% decreasing to 4.75%, 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 (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current healthcare cost trend rates:

	1.00% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered employers proportionate share of the LODA Net OPEB Liability	\$ 651,689	\$ 788,462	\$ 967,358

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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)	\$ -	\$ -	\$ -	\$ 367,937
Total net pension asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,937</u>
Deferred outflows of resources - Related to Pensions				
Changes in assumptions				
VRS-Defined Benefit Pension Plan-General Employees	\$ 761,815	\$ 32,697	794,512	\$ -
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	958,887
VRS-Defined Benefit Pension Plan-School Board Non-Prof	-	-	-	-
Change in proportion and difference between Employer				
Difference in projected and actual expenses:				
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	61,611
Employer Contributions after the measurement date:				
VRS-Defined Benefit Pension Plan-General Employees	227,098	33,575	260,673	-
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	656,554
VRS-Defined Benefit Pension Plan-School Board Non-Prof	-	-	-	-
Total deferred outflow of resources - Pensions	<u>\$ 988,913</u>	<u>\$ 66,272</u>	<u>\$ 1,055,185</u>	<u>\$ 1,677,052</u>
Deferred outflows of resources - OPEB				
Deferred outflow-Differences in expected/actual and assumptions				
VRS-LODA	\$ 422,439	\$ -	\$ 422,439	\$ -
VRS-GLI-General Employees	35,994	4,543	40,537	-
HIC-Schools-Teachers	-	-	-	19,408
VLDP-Schools-Teachers	-	-	-	1,313
VRS-GLI-Schools-non-Professionals	-	-	-	4,803
VRS-GLI-Schools-Professionals	-	-	-	45,300
Local Health	-	-	-	75,765
Deferred outflow-Contributions after the measurement date				
VRS-LODA	24,927	-	24,927	-
VRS-GLI-General Employees	17,379	2,312	19,691	-
HIC-Schools-Teachers	-	-	-	47,800
HIC-Schools-Non-Professionals	-	-	-	2,900
VLDP-Schools-Teachers	-	-	-	7,068
VRS-GLI-Schools-non-Professionals	-	-	-	1,707
VRS-GLI-Schools-Professionals	-	-	-	21,332
Total deferred outflow of resources - OPEB	<u>\$ 500,739</u>	<u>\$ 6,855</u>	<u>\$ 507,594</u>	<u>\$ 227,396</u>
Net pension liability				
VRS-Defined Benefit Pension Plan	\$ 1,047,825	\$ 154,914	\$ 1,202,739	\$ -
VRS-Cost Sharing-Multiple Employer-School Board Teachers	-	-	-	6,176,134
Total net pensino liability	<u>\$ 1,047,825</u>	<u>\$ 154,914</u>	<u>\$ 1,202,739</u>	<u>\$ 6,176,134</u>

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

Note 16. Summary of Pension and Other Postemployment Benefit Elements (Continued)

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit (School Board)
Net OPEB liability				
Local Health	\$ 81,501	\$ 14,382	\$ 95,883	\$ 345,208
VRS-LODA	788,462	-	788,462	-
VRS-GLI-General Employees	244,323	35,041	279,364	-
HIC-Schools-Teachers	-	-	-	552,202
HIC-Schools-Non-Professionals	-	-	-	26,829
VLDP-Schools-Teachers	-	-	-	1,618
VRS-GLI-Schools-non-Professionals	-	-	-	21,361
VRS-GLI-Schools-Professionals	-	-	-	300,891
Total net OPEB liability	<u>\$ 1,114,286</u>	<u>\$ 49,423</u>	<u>\$ 1,163,709</u>	<u>\$ 1,248,109</u>
Deferred inflows of resources - Related to Pensions				
Deferred inflow-Differences in expected/ actual and assumptions				
VRS-Defined Benefit Pension Plan-General Employees	\$ 205,751	\$ 30,419	236,170	\$ -
VRS-Defined Benefit Pension Plan-School Board Teachers			-	-
VRS-Defined Benefit Pension Plan-School Board Non-Prof			-	21,807
Changes in Assumptions				
VRS-Defined Benefit Pension Plan-General Employees			-	-
VRS-Defined Benefit Pension Plan-School Board Teachers			-	362,017
VRS-Defined Benefit Pension Plan-School Board Non-Prof			-	-
Change in proportion and difference between Employer				
Contributions and proportionat share of contributions:				
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	490,425
Total deferred inflow of resources - Pensions	<u>\$ 205,751</u>	<u>\$ 30,419</u>	<u>\$ 236,170</u>	<u>\$ 874,249</u>
Deferred inflows of resources - OPEB				
Deferred inflow-Differences in expected/actual and assumptions				
Local Health	\$ -	\$ -	-	\$ 3,308
VRS-LODA	224,084	-	224,084	-
VRS-GLI-General Employees	11,615	3,335	14,950	-
HIC-Schools-Teachers			-	73,842
VLDP-Schools-Teachers			-	126
VRS-GLI-Schools-non-Professionals			-	637
VRS-GLI-Schools-Professionals	-	-	-	38,744
Total deferred inflow of resources - OPEB	<u>\$ 235,699</u>	<u>\$ 3,335</u>	<u>\$ 239,034</u>	<u>\$ 116,657</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:	
Abe Rutherford, 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, 2021, 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	\$ -	\$ -	\$ 73,090
General Fund for Other Purposes	-	-	14,173
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,263</u>

COMPONENT UNIT-SCHOOL BOARD

	Encumbrances Included In:		
	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
School Fund for Capital Assets	\$ 470,529	\$ -	\$ -
School Fund for Other Purposes	97,809	-	-
Total Encumbrances	<u>\$ 568,368</u>	<u>\$ -</u>	<u>\$ -</u>

Note 21. Risks and Uncertainties

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 WHO 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-19 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 2021.

Note 22. Restatement of Prior Financial Statements:

The City implemented provisions of Governmental Accounting Standards Board No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement established criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how these activities should be reported. The Discretely Presented Component Unit – School Board added the School Activity Funds as a Special Revenue fund.

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

Note 22. Restatement of Prior Financial Statements (Continued):

The items mentioned above resulted in the following restatement of net position and fund balance:

	<u>Net Position</u>	<u>Fund Balance</u>
	Discretely Presented Component Unit - School Board	School Activity Fund
Fund equity, as previously reported	\$ (3,968,941)	\$ -
Implementation of GASB 84	<u>290,927</u>	<u>290,927</u>
Fund equity, as restated	<u>\$ (3,678,014)</u>	<u>\$ 290,927</u>

Note 23. Subsequent Events

ARPA Funding – On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recover Fund (CSLFRF). Local governments are to receive funds in two sections, with 50% provided beginning May 2021 and the balance delivered approximately 12 months later.

In June 2021, the City received its share of the first portion of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$2,451,809 from the initial allocation are reported as unearned revenue as of June 30, 2021.

ESF Funding – The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief fund: 1) a Governor's Emergency Education Relief (GEER) Fund, 2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and 3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

Note 24. New Accounting Pronouncements

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

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2019.

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

Note 25. Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In June 2017, The GASB issued **Statement No. 87, Leases**. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

The GASB issued **Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*** in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It 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. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. 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.

The GASB issued **Statement No. 91, *Conduit Debt Obligations*** in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In January 2020, the GASB issued **Statement No. 92, Omnibus**. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

Note 25. Future Accounting Pronouncements (Continued)

In March 2020, the GASB issued **Statement No. 93**, Replacement of Interbank Offered Rates. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

**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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
General property taxes	\$ 3,007,900	\$ 3,007,900	\$ 3,026,350	\$ 18,450
Other local taxes	4,548,000	4,548,000	4,678,681	130,681
Permits, privilege fees and regulatory licenses	5,850	7,350	2,382	(4,968)
Fines and forfeitures	20,750	20,750	577	(20,173)
Revenue from use of money and property	42,500	42,500	16,595	(25,905)
Chares for services	419,500	423,115	425,206	2,091
Miscellaneous	24,650	37,650	42,054	4,404
Recovered costs	103,950	110,650	91,018	(19,632)
Intergovernmental	1,731,424	4,812,215	4,737,645	(74,570)
Total revenue	<u>\$ 9,904,524</u>	<u>\$ 13,010,130</u>	<u>\$ 13,020,508</u>	<u>\$ 10,378</u>
Expenditures				
General government and administration	\$ 1,755,727	\$ 1,912,587	\$ 1,849,819	\$ 62,768
Public safety	2,644,312	2,946,637	3,103,689	(157,052)
Public works	1,898,400	2,419,626	2,422,419	(2,793)
Health and welfare	106,864	180,430	189,339	(8,909)
Education	2,599,216	2,792,396	2,600,645	191,751
Parks, recreation and cultural	492,184	524,557	568,165	(43,608)
Community development	124,647	2,579,805	2,422,390	157,415
Debt service	181,647	933,647	936,436	(2,789)
Total expenditures	<u>9,802,997</u>	<u>14,289,685</u>	<u>14,092,902</u>	<u>196,783</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	6,000	6,000	19,808	13,808
Insurance recovories	10,000	10,000	14,319	4,319
Loan proceeds	-	791,000	791,000	-
Prior year surplus	125,000	715,082	-	(715,082)
Transfers in (out)	(242,527)	(242,527)	(240,000)	2,527
Total other financing sources (uses)	<u>(101,527)</u>	<u>1,279,555</u>	<u>585,127</u>	<u>(694,428)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (487,267)</u>	<u>\$ (487,267)</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, 2021

	Primary Government						
	Plan Year						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	380,177	358,254	369,381	371,245	373,792	358,130	344,218
Interest on total pension liability	1,215,091	1,203,575	1,169,169	1,154,900	1,087,779	1,045,595	998,021
Changes of assumptions	-	534,098	-	(36,556)	-	-	-
Difference between expected and actual experience	42,691	(459,633)	(242,689)	(584,750)	226,076	(54,102)	-
Benefit payments, including refunds of employee contributions	(782,794)	(874,946)	(733,748)	(668,241)	(789,304)	(704,688)	(620,524)
Net change in total pension liability	855,165	761,348	562,113	236,598	898,343	644,935	721,715
Total pension liability - beginning	18,392,750	17,631,402	17,069,289	16,832,691	15,934,348	15,289,413	14,567,698
Total pension liability - ending	19,247,915	18,392,750	17,631,402	17,069,289	16,832,691	15,934,348	15,289,413
Plan Fiduciary Net Position							
Contributions - employer	240,700	231,118	292,792	291,335	342,434	350,650	381,975
Contributions - employee	168,996	162,026	158,958	158,036	159,362	163,425	156,164
Net investment income	344,251	1,148,328	1,215,065	1,812,550	255,995	661,092	1,986,618
Benefit payments, including refunds of employee contributions	(782,794)	(874,946)	(733,748)	(668,241)	(789,304)	(704,688)	(620,524)
Administrative expenses	(11,797)	(11,537)	(10,503)	(10,466)	(9,317)	(9,107)	(10,842)
Other	(407)	(722)	(1,082)	(1,614)	(109)	(141)	278
Net change in plan fiduciary net position	(41,051)	654,267	921,482	1,581,600	(40,939)	461,231	1,893,669
Plan fiduciary net position - beginning	18,086,227	17,431,960	16,510,478	14,928,878	14,969,817	14,508,586	12,614,917
Plan fiduciary net position - ending	18,045,176	18,086,227	17,431,960	16,510,478	14,928,878	14,969,817	14,508,586
Net pension liability - ending	\$ 1,202,739	\$ 306,523	\$ 199,442	\$ 558,811	\$ 1,903,813	\$ 964,531	\$ 780,827
Plan fiduciary net position as a percentage of total pension liability	94%	98%	99%	97%	89%	94%	95%
Covered payroll	\$ 3,470,385	\$ 3,321,537	\$ 3,240,720	\$ 3,307,908	\$ 3,188,054	\$ 3,141,999	\$ 3,283,494
Net pension liability as a percentage of covered payroll	35%	9%	6%	17%	60%	31%	24%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2020 information was presented in the entity's fiscal year 2021 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, 2021

	Schools – Non-Professional						
	Plan Year						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 23,949	\$ 20,611	\$ 23,095	\$ 24,382	\$ 26,225	\$ 25,750	\$ 25,638
Interest on total pension liability	117,880	117,881	127,099	126,215	124,818	125,981	123,727
Changes of assumptions	-	41,046	-	(3,718)	-	-	-
Difference between expected and actual experience	(130,843)	(13,492)	(173,190)	(14,830)	(3,385)	(42,696)	-
Benefit payments, including refunds of employee contributions	(101,152)	(106,206)	(111,185)	(127,660)	(127,735)	(123,556)	(110,787)
Net change in total pension liability	(90,166)	59,840	(134,181)	4,389	19,923	(14,521)	38,578
Total pension liability - beginning	1,796,953	1,737,113	1,871,294	1,866,905	1,846,982	1,861,503	1,822,925
Total pension liability - ending	1,706,787	1,796,953	1,737,113	1,871,294	1,866,905	1,846,982	1,861,503
Plan Fiduciary Net Position							
Contributions - employer	498	543	4,214	4,714	17,138	18,142	9,616
Contributions - employee	12,333	11,597	10,562	11,619	12,385	13,127	12,521
Net investment income	40,105	135,517	148,249	226,795	32,002	88,847	278,238
Benefit payments, including refunds of employee contributions	(101,152)	(106,206)	(111,185)	(127,660)	(127,735)	(123,556)	(110,787)
Administrative expenses	(1,418)	(1,409)	(1,334)	(1,389)	(1,277)	(1,292)	(1,561)
Other	(1,416)	(85)	(129)	(199)	(14)	(21)	15
Net change in plan fiduciary net position	(51,050)	39,957	50,377	113,880	(67,501)	(4,753)	188,042
Plan fiduciary net position - beginning	2,125,774	2,085,817	2,035,440	1,921,560	1,989,061	1,993,814	1,805,772
Plan fiduciary net position - ending	2,074,724	2,125,774	2,085,817	2,035,440	1,921,560	1,989,061	1,993,814
Net pension (asset) liability - ending	\$ (367,937)	\$ (328,821)	\$ (348,704)	\$ (164,146)	\$ (54,655)	\$ (142,079)	\$ (132,311)
Plan fiduciary net position as a percentage of total pension liability	122%	118%	120%	109%	103%	108%	107%
Covered payroll	\$ 263,849	\$ 241,479	\$ 215,981	\$ 228,781	\$ 233,281	\$ 262,533	\$ 262,540
Net pension (asset) liability as a percentage of covered payroll	-139.45%	-136.17%	-161.45%	-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 2020 information was presented in the entity's fiscal year 2021 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, 2021

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					
2021	\$ 260,673	\$ 260,673	\$ -	\$ 3,681,822	7.08%
2020	247,785	247,785	-	3,470,385	7.14%
2019	237,331	237,331	-	3,321,537	7.15%
2018	292,754	292,754	-	3,240,720	9.03%
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	417,419	417,419	-	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%
Schools - Nonprofessional Employees					
2021	-	-	-	311,855	0.00%
2020	739	739	-	263,849	0.28%
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%

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, 2021

* 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
2021	0.04244%	\$ 6,176,134	\$ 3,710,600	166.45%	71.47%
2020	0.04203%	5,531,387	3,505,048	157.81%	73.51%
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 seven 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, 2021

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
2021	\$ 656,554	\$ 656,554	\$ -	\$ 3,950,387	16.62%
2020	581,822	581,822	-	3,710,600	15.68%
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 six 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) –
LOCAL PLANS
June 30, 2021

	Primary Government				Schools			
	Plan Year							
	2021	2020	2019	2018	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 51,713	\$ 51,713	\$ 51,713	\$ 51,713	\$ 21,062	\$ 16,662	\$ 12,712	\$ 13,303
Interest on total pension liability	1,706	2,138	2,138	18,666	8,165	11,576	15,262	17,099
Changes of assumptions	2,118	36	36	(191)	1,674	31,861	10,124	(7,872)
Difference between expected and actual experience	31,129	(63,457)	(54,667)	(68,394)	-	62,613	-	-
Benefit payments, including refunds of employee contributions	-	-	-	-	(67,865)	(108,309)	(102,991)	(107,441)
Net change in total OPEB liability	86,666	(9,570)	(780)	1,794	(36,964)	14,403	(64,893)	(84,911)
Total OPEB liability - beginning	9,217	18,787	19,567	17,773	382,172	367,769	432,662	517,573
Total OPEB liability - ending	95,883	9,217	18,787	19,567	345,208	382,172	367,769	432,662
Covered payroll	\$ 3,444,338	\$ 3,278,705	\$ 3,278,705	\$ 3,240,720	\$ 4,071,821	\$ 4,071,821	\$ 3,863,551	\$ 3,863,551
Net OPEB liability as a percentage of covered payroll	2.78%	0.28%	0.57%	0.60%	8.48%	9.39%	9.52%	11.20%

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 available. Additional years will be included as they become available.

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS (Unaudited)
LOCAL PLANS
June 30, 2021

PRIMARY GOVERNMENT					
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
2021	\$ -	\$ -	\$ -	\$ 3,444,338	0.00%
2020	-	-	-	3,278,705	0.00%
2019	-	-	-	3,278,705	0.00%
2018	-	-	-	3,240,720	0.00%

SCHOOL BOARD					
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
2021	\$ 67,865	\$ 67,865	\$ -	\$ 4,071,821	1.67%
2020	108,309	108,309	-	4,071,821	2.66%
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 four 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 EMPLOYER'S SHARE OF NET OPEB LIABILITY (Unaudited)
June 30, 2021

*Entity Fiscal Year Ended June 30	Employer's Portion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total OPEB Liability
VRS-Group Life Insurance-General Employees					
2021	0.01674%	\$ 279,363	3,444,338	8.11%	52.64%
2020	0.01672%	272,079	3,278,705	8.30%	52.00%
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)					
2021	0.18826%	\$ 788,462	905,054	87.12%	1.02%
2020	0.16565%	594,329	906,426	65.57%	0.79%
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					
2021	0.01803%	\$ 300,891	3,710,600	8.11%	52.64%
2020	0.01788%	290,656	3,505,048	8.29%	52.00%
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					
2021	0.00128%	\$ 21,361	263,849	8.10%	52.64%
2020	0.00123%	20,015	241,479	8.29%	52.00%
2019	0.00113%	17,000	214,450	7.93%	51.22%
2018	0.00126%	19,000	233,281	8.14%	48.86%
VRS-Health Credit-Teachers					
2021	0.04233%	\$ 552,202	3,710,600	14.88%	9.95%
2020	0.04179%	547,072	3,505,048	15.61%	8.97%
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					
2021	0.20176%	\$ 1,618	1,193,351	0.14%	78.28%
2020	0.17222%	1,001	825,926	0.12%	49.21%
2019	0.16569%	1,000	617,806	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 four 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 twelve months prior to the entity's fiscal year end.

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS (Unaudited)
June 30, 2021

Entity Fiscal Year Ended June 30	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					
2021	\$ 19,691	19,691	-	3,646,524	0.54%
2020	17,911	17,911	-	3,444,338	0.52%
2019	17,049	17,049	-	3,278,705	0.52%
2018	16,692	16,692	-	3,210,080	0.52%
VRS-Line of Duty Act (LODA)					
2021	\$ 24,926	\$ 24,926	-	927,331	2.69%
2020	25,584	25,584	-	905,054	2.83%
2019	22,232	22,232	-	906,426	2.45%
2018	20,426	20,426	-	869,874	2.35%
VRS-Group Life Insurance-School Board-Teachers					
2021	\$ 21,332	\$ 21,332	-	3,950,387	0.54%
2020	19,295	19,295	-	3,710,600	0.52%
2019	18,226	18,226	-	3,505,048	0.52%
2018	18,591	18,591	-	3,571,615	0.52%
VRS-Group Life Insurance-School Board-General Employees					
2021	\$ 1,707	\$ 1,707	-	316,194	0.54%
2020	1,372	1,372	-	263,849	0.52%
2019	1,256	1,256	-	241,479	0.52%
2018	1,115	1,115	-	214,450	0.52%
VRS-Health Credit-Teachers					
2021	\$ 47,800	\$ 47,800	-	3,950,387	1.21%
2020	44,527	44,527	-	3,710,600	1.20%
2019	42,061	42,061	-	3,505,048	1.20%
2018	43,889	43,889	-	3,569,234	1.23%
VRS-VLDP-School Board-Teachers					
2021	\$ 7,068	\$ 7,068	-	1,503,877	0.47%
2020	4,893	4,893	-	1,193,351	0.41%
2019	3,386	3,386	-	825,926	0.41%
2018	1,915	1,915	-	617,806	0.31%

*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 four 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 twelve months prior to the entity's fiscal year end.

CITY OF NORTON, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Note 1. Changes of Benefit Terms

Pension - There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB) - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2106, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Mortality rates - Update to more current mortality table – RP 2014 projected to 2020
- Retirement Rates - Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates -Adjusted rate to better fit experience at each year age and service through 9 years of service
- Disability rates - Lowered rates
- No changes to salary scale
- Line of Duty Disability – Increase rate from 14% to 20%
- Discount Rate – Decrease rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 –Hazardous Duty/Public Safety Employees:

- Mortality rates - Update to more current mortality table – RP 2014 projected to 2020
- Retirement Rates - Lowered rates at older ages
- Withdrawal rates -Adjusted rate to better fit experience
- Disability rates - Increased rates
- No changes to salary scale
- Line of Duty Disability – Increase rate from 60% to 75%
- Discount Rate – Decrease rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

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

- Mortality rates - Update to more current mortality table – RP 2014 projected to 2020
- Retirement Rates - Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates -Adjusted rate to better fit experience at each year age and service through 9 years of service
- Disability rates - Lowered rates
- No changes to salary scale
- Line of Duty Disability – Increase rate from 14% to 20%
- Discount Rate – Decrease rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

CITY OF NORTON, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Note 2. Changes of Assumptions (Continued)

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

- Mortality rates - 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 rate to better fit experience at each year age and service through 9 years of service
- Disability rates – Adjusted rates to better fit experience
- No changes to salary scale
- Line of Duty Disability – Decrease rate from 60% to 45%
- Discount Rate – Decrease rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Teacher cost-sharing pool

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

OTHER SUPPLEMENTARY INFORMATION

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.

Contents

Table

Financial Trends

1-4

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

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These tables contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and utility revenues.

Debt Capacity

12-13

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.

Demographic and Economic Information

14-15

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.

Operating Information

16-17

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.

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.

CITY OF NORTON, VIRGINIA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2021

	RBE Revolving Loan Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	Total Other Governmental Funds
ASSETS				
Cash and investments	\$ 4,688	\$ 95,934	\$ 2,369	\$ 102,991
Restricted cash	-	-	-	-
Investments	-	-	-	-
Taxes Receivable	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	310,000	-	-	310,000
Total assets	<u>\$ 314,688</u>	<u>\$ 95,934</u>	<u>\$ 2,369</u>	<u>\$ 412,991</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	-	-	-	-
Due to other funds	-	4,344	-	4,344
Due to component unit	-	-	-	-
Due to other governmental units	-	-	-	-
Total liabilities	<u>-</u>	<u>4,344</u>	<u>-</u>	<u>4,344</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	314,688	91,590	2,369	408,647
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>314,688</u>	<u>91,590</u>	<u>2,369</u>	<u>408,647</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 314,688</u>	<u>\$ 95,934</u>	<u>\$ 2,369</u>	<u>\$ 412,991</u>

CITY OF NORTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	RBE 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	-	10,726	-	10,726
Charges for services	-	-	-	-
Use of money and property	1	-	-	1
Miscellaneous	-	-	300	300
Reimbursement from School Board	-	-	-	-
Intergovernmental	-	-	-	-
Total revenues	1	10,726	300	11,027
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial administration	-	-	-	-
Public safety	-	15,824	-	15,824
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	-	15,824	-	15,824
Excess (deficiency) of revenues over expenditures	1	(5,098)	300	(4,797)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	1	(5,098)	300	(4,797)
FUND BALANCES AT JULY 1	314,687	96,688	2,069	413,444
FUND BALANCES AT JUNE 30	\$ 314,688	\$ 91,590	\$ 2,369	\$ 408,647

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2021

SCHEDULE 3

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 2,050,000	\$ 2,050,000	\$ 1,978,724	\$ (71,276)
Real and personal public service corporation property	235,000	235,000	287,677	52,677
Personal property	540,400	540,400	615,296	74,896
Machinery and tools taxes	102,500	102,500	97,391	(5,109)
Penalties and interest	80,000	80,000	47,262	(32,738)
Total general property taxes	3,007,900	3,007,900	3,026,350	18,450
Other local taxes:				
Local sales and use taxes	1,575,000	1,575,000	1,726,064	151,064
Utility taxes	130,000	130,000	125,047	(4,953)
Business license taxes	773,000	773,000	690,659	(82,341)
Communication taxes	200,000	200,000	155,422	(44,578)
Motor vehicle lenses	80,000	80,000	79,289	(711)
Bank stock taxes	40,000	40,000	54,166	14,166
Recordation taxes	20,000	20,000	29,897	9,897
Hotel and motel room taxes	150,000	150,000	77,946	(72,054)
Restaurant food taxes	1,400,000	1,400,000	1,515,515	115,515
Coal road improvement taxes	20,000	20,000	67,216	47,216
Cigarette tax	160,000	160,000	157,460	(2,540)
Total other local taxes	4,548,000	4,548,000	4,678,681	130,681
Permits, fees, and licenses:				
Animal licenses	500	500	145	(355)
Permits and other licenses	5,350	6,850	2,237	(4,613)
Total permits, fees, and licenses	5,850	7,350	2,382	(4,968)
Fines and forfeitures	20,750	20,750	577	(20,173)
Revenue from use of money and property:				
Revenue from use of money	30,000	30,000	5,925	(24,075)
Revenue from use of property	12,500	12,500	10,670	(1,830)
Total use of money and property	42,500	42,500	16,595	(25,905)
Charges for services:				
Sheriff's fees	1,000	1,000	702	(298)
Charges for sanitation and waste removal	411,500	411,500	407,722	(3,778)
Charges for parks and recreation	7,000	10,615	16,782	6,167
Total charges for services	419,500	423,115	425,206	2,091
Miscellaneous	24,650	37,650	42,054	4,404
Recovered costs:				
Recovered cost - School Board	35,000	35,000	29,890	(5,110)
Recovered Cost - Police	-	6,700	6,956	256
Recovered Cost - NIDA	55,000	55,000	18,168	(36,832)
Recovered Cost - Regional Jail	-	-	36,004	36,004
Cost allocation plan - Water and Sewer Fund	13,950	13,950	-	(13,950)

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2021

SCHEDULE 3
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
GENERAL FUND (Continued)				
Total Recovered Costs	103,950	110,650	91,018	(19,632)
Total revenue from local sources	8,173,100	8,197,915	8,282,863	84,948
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Motor vehicle carriers' taxes	\$ 50,000	\$ 50,000	\$ 48,382	\$ (1,618)
Litter grant	5,000	5,000	5,608	608
Mobile home titling taxes	5,000	5,000	2,228	(2,772)
Rolling stock taxes	20,000	20,000	20,280	280
Total non-categorical aid	80,000	80,000	76,498	(3,502)
Categorical aid:				
Shared Expenses:				
Sheriff	159,930	159,930	158,694	(1,236)
Commissioner of the revenue	69,497	69,497	69,347	(150)
Treasurer	69,497	69,497	67,899	(1,598)
Registrar/electoral board	35,000	35,000	38,103	3,103
Total shared expenses	333,924	333,924	334,043	119
Other Categorical Aid:				
Law enforcement grant	225,000	225,000	250,609	25,609
School recourse officer	51,000	51,000	51,030	30
Emergency medical services	3,000	3,000	-	(3,000)
DMV grant	15,000	15,000	2,120	(12,880)
Street and highway maintenance	870,000	870,000	896,920	26,920
Financial assistance to the arts	5,000	5,000	4,500	(500)
E-911 funding	45,000	45,000	53,283	8,283
Drug task force	17,000	17,000	22,709	5,709
DMV Sales tax	-	-	505	505
VDOT	-	500,000	433,433	(66,567)
VML risk management grant	4,000	4,000	4,000	-
Games of Skill	-	-	8,208	8,208
Fire funds	50,000	50,000	69,676	19,676
Total other categorical aid	1,285,000	1,785,000	1,796,993	11,993
Total revenue from the Commonwealth	1,698,924	2,198,924	2,207,534	8,610
Revenue from federal government:				
Payment in lieu of property taxes	25,000	25,000	28,051	3,051
Emergency management	7,500	7,500	7,500	-
ARC Funding	-	60,000	52,062	(7,938)
USDA community facilities grant	-	50,000	50,000	-
Community development block grant	-	56,476	56,476	-
DHCD - Regional SBRA CRF	-	1,700,000	1,621,709	(78,291)
CARES Act Funding - Election	-	37,740	37,740	-
CARES Act Funding	-	676,575	676,573	(2)
Total revenue from the federal government	32,500	2,613,291	2,530,111	(83,180)

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2021

SCHEDULE 3
(Continued)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
GENERAL FUND: (Continued)				
Other financing sources				
Insurance recoveries	10,000	10,000	14,319	4,319
Loan proceeds	-	791,000	791,000	
Sale of surplus	6,000	6,000	19,808	13,808
Total other financing sources	16,000	807,000	825,127	18,127
TOTAL GENERAL FUND	9,920,524	13,817,130	13,845,635	28,505
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund				
Revenue from the Commonwealth				
Categorical Aid:				
Welfare:				
Aid to dependent children	\$ 74,097	\$ 74,097	\$ 77,034	\$ 2,937
Foster care	11,807	11,807	9,631	(2,176)
General admission for financial assistance	273,162	273,162	211,695	(61,467)
Supplemental income assistance for the aged, blind and disabled	39,976	39,976	47,405	7,429
Employment services	143,379	143,379	235,101	91,722
Day care	2,225	2,225	-	(2,225)
Total Categorical Aid	544,646	544,646	580,866	36,220
Total Revenue from the Commonwealth	544,646	544,646	580,866	36,220
Revenue from the Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	53,816	53,816	71,325	17,509
Foster care	11,753	11,753	12,357	604
General admission for financial assistance	492,999	492,999	583,191	90,192
Employment services	13,593	13,593	6,826	(6,767)
Day care	1,275	1,275	-	(1,275)
Total Revenue from the Federal Government	573,436	573,436	673,699	100,263
Miscellaneous	-	-	4,062	4,062
Other financing sources				
Transfers from general fund	312,468	312,468	240,000	(72,468)
Total other financing sources	312,468	312,468	240,000	(72,468)
Total Virginia Public Assistance Fund	1,430,550	1,430,550	1,498,627	68,077
Drug and Gambling Investigative Funds:				
Revenue from Local Sources:				
Restitution to law enforcement	70,000	70,000	10,726	(59,274)
Total Revenue from Local Sources	70,000	70,000	10,726	(59,274)
Total Revenue Drug and Gambling Investigative Fund	70,000	70,000	10,726	(59,274)

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2021

SCHEDULE 3
(Continued)

	Budgeted Amounts			Variance with Fiscal Budget Positive (Negative)
	Original	Final	Actual	
SPECIAL REVENUE FUNDS: (Continued)				
Flag Rock fund:				
Revenue from local sources:				
Miscellaneous	-	-	300	300
Total Revenue from Local Sources	-	-	300	300
Total Flag Rock Fund	-	-	300	300
Revolving loan fund:				
Revenue from local sources:				
Revenue from use of money and property	-	-	1	1
Total Revenue from Local Sources	-	-	1	1
Total Revolving Loan Fund	-	-	1	1
TOTAL SPECIAL REVENUE FUNDS	1,500,550	1,500,550	1,509,654	9,104
GRAND TOTALS - REVENUES - GOVERNMENTAL FUNDS	11,421,074	15,317,680	15,355,289	37,609
PRIMARY GOVERNMENT				
General Fund:				
General Governmental Administration:				
Legislative:				
City Council	\$ 58,997	\$ 58,997	\$ 51,104	\$ 7,893
General and Financial Administration:				
City Manager	161,200	161,200	165,547	(4,347)
Office personnel	141,400	145,090	118,271	26,819
Legal and professional	55,000	70,000	70,463	(463)
Independent auditor	40,000	40,000	34,050	5,950
Commissioner of the Revenue	156,350	166,350	164,762	1,588
Treasurer	169,900	169,900	169,164	736
Director of finance	186,250	186,250	186,435	(185)
Data processing	87,500	116,629	116,847	(218)
Automotive/motor pool	186,800	209,500	193,016	16,484
Total General and Financial Administration	1,184,400	1,264,919	1,218,555	46,364
Board of Election:				
Electoral board and officials	20,700	26,038	20,174	5,864
Registrar	86,500	115,503	111,846	3,657
Total Board of Elections	107,200	141,541	132,020	9,521
Total General Government Administration	1,350,597	1,465,457	1,401,679	63,778
Judicial Administration:				
Courts:				
Circuit court	60,000	60,000	53,632	6,368
General district court	1,500	1,500	6,728	(5,228)
Clerk of circuit court	40,000	40,000	40,886	(886)
Sheriff	236,130	278,130	271,533	6,597
County courthouse	35,000	35,000	31,501	3,499
Total Courts	372,630	414,630	404,280	10,350

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2021

SCHEDULE 3
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
GENERAL FUND (Continued):				
Commonwealth's attorney	32,500	32,500	43,860	(11,360)
Total Judicial Administration	405,130	447,130	448,140	(1,010)
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,240,950	1,299,306	1,320,174	(20,868)
Traffic control	27,500	32,300	26,493	5,807
E-911	499,100	529,542	608,520	(78,978)
Emergency management funds	9,500	9,500	53,131	(43,631)
Total Law Enforcement and Traffic Control	1,777,050	1,870,648	2,008,318	(137,670)
Fire and Rescue Services:				
Volunteer fire department	252,350	281,527	311,454	(29,927)
Ambulance and rescue services	30,000	200,462	179,877	20,585
Total Fire and Rescue Services	282,350	481,989	491,331	(9,342)
Correction and Detention				
Purchase of service from Wise County	\$ 70,000	\$ 70,000	\$ 95,306	\$ (25,306)
Juvenile detention	85,776	85,776	75,516	10,260
Contribution to regional jail	267,886	272,886	268,359	4,527
Total Correction and Detention	423,662	428,662	439,181	(10,519)
Inspections:				
Building	100,000	101,441	87,333	14,108
Other Protection:				
Animal control	59,700	62,347	76,476	(14,129)
Emergency medical services	1,550	1,550	1,050	500
Total Other Protection	61,250	63,897	77,526	(13,629)
Total Public Safety	2,644,312	2,946,637	3,103,689	(157,052)
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
General engineering/administration	30,000	56,500	118,682	(62,182)
Highways, streets, bridges and sidewalks	957,100	1,261,972	1,244,585	17,387
Storm drainage	5,000	30,658	45,676	(15,018)
Street lights	120,000	120,000	118,444	1,556
Snow and ice removal	45,000	76,265	77,018	(753)
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets, Bridges and Sidewalks	1,160,100	1,548,395	1,604,405	(56,010)

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2021

SCHEDULE 3
(Continued)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
GENERAL FUND (Continued):				
Sanitation and Waste Removal				
Street and road cleaning	8,500	8,500	6,623	1,877
Refuse collection	332,800	332,800	334,037	(1,237)
Refuse disposal	175,000	175,000	158,258	16,742
Total Sanitation and Waste Removal	516,300	516,300	498,918	17,382
Maintenance of General Buildings and Grounds:				
General properties	222,000	354,931	319,096	35,835
Total Public Works	1,898,400	2,419,626	2,422,419	(2,793)
Health and Welfare:				
Health:				
Local health department	60,357	60,357	58,553	1,804
Mental Health and Mental Retardation:				
Chapter 10 board	24,200	24,200	24,200	-
Welfare/Social Services:				
Area agency on aging	11,000	11,000	11,000	-
Property tax relief for elderly	-	-	20,586	(20,586)
Contribution to Office on Youth	2,000	2,000	2,000	-
Contribution to Ram Project	700	700	-	700
Contribution to Food Bank	500	24,500	24,000	500
Contribution - Hope House	8,107	57,673	49,000	8,673
Total Welfare/Social Services	22,307	95,873	106,586	(10,713)
Total Health and Welfare	106,864	180,430	189,339	(8,909)
Education:				
Contribution to Mountain Empire Community College	\$ 7,628	\$ 7,628	\$ 7,628	\$ -
Payment to school board	2,591,588	2,784,768	2,593,017	191,751
Total Education	2,599,216	2,792,396	2,600,645	191,751
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	242,300	250,641	278,454	(27,813)
Recreation centers and playgrounds	190,099	214,131	240,818	(26,687)
Total Parks and Recreation	432,399	464,772	519,272	(54,500)
Cultural Enrichment:				
Pro-Art	6,100	6,100	6,100	-
Other events	12,400	12,400	5,973	6,427
Friends and farmers market	10,000	10,000	5,584	4,416
Employee picnic and Christmas party	1,000	1,000	951	49
Total Cultural Enrichment	29,500	29,500	18,608	10,892

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2021

SCHEDULE 3
(Continued)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
GENERAL FUND (Continued):				
Library:				
Payments to regional library	30,285	30,285	30,285	-
Total Parks, Recreation and Cultural	492,184	524,557	568,165	(43,608)
Community Development:				
Planning and Community Development:				
Planning	105,700	373,135	405,123	(31,988)
Planning-contribution to Lenowisco	8,123	8,123	8,123	-
Regional Small Business Recovery	-	1,700,000	1,618,339	81,661
Community access channel	6,000	6,000	1,328	4,672
Contribution to Chamber of Commerce	1,979	1,979	1,979	-
Contribution to Black Diamond Development	200	200	200	-
Contribution to Airport Commission	2,645	2,645	2,645	-
Capital outlay	-	487,723	384,653	103,070
Total Planning and Community Development	124,647	2,579,805	2,422,390	157,415
Debt Service:				
Principal	142,960	894,960	897,749	(2,789)
Interest	38,687	38,687	38,687	-
Total Debt Service	181,647	933,647	936,436	(2,789)
Other Financing Uses:				
Transfer to welfare fund	242,527	242,527	240,000	2,527
Total Financing Sources	242,527	242,527	240,000	2,527
TOTAL GENERAL FUND	10,045,524	14,532,212	14,332,902	199,310
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 1,430,550	\$ 1,430,550	\$ 1,549,742	\$ (119,192)
Total Welfare/Social Services	1,430,550	1,430,550	1,549,742	(119,192)
Total Health and Welfare	1,430,550	1,430,550	1,549,742	(119,192)
Total Virginia Public Assistance Fund	1,430,550	1,430,550	1,549,742	(119,192)
Revolving Loan Fund:				
Community Development:				
Planning and Community Development:				
Contribution to componet unit - NIDA	-	-	-	-
Total Welfare/Social Services	-	-	-	-
Total Community Development	-	-	-	-
Total Revolving Loan Fund	-	-	-	-
Drug and Gambling Investigative Funds:				
Public safety	70,000	70,000	15,824	54,176
Total Drug and Gambling Investigative Funds	70,000	70,000	15,824	54,176
TOTAL SPECIAL REVENUE FUNDS	1,500,550	1,500,550	1,565,566	(65,016)
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	\$ 11,546,074	\$ 16,032,762	\$ 15,898,468	\$ 134,294
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ (125,000)	\$ (715,082)	\$ (543,179)	
Net appropriations from fund balance				
Prior year surplus	125,000	664,628		
Prior year encumbrances	-	50,454		
Budget - excess of revnue, 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, 2021

	BUSINESS TYPE ACTIVITIES PROPRIETARY FUND		
	Water Operation	Sewer Operation	Water and Sewer Operation
ASSETS			
Current assets:			
Cash and investments	\$ 52,260	\$ 73,756	\$ 126,016
Receivables, net	159,264	198,627	357,891
Prepays	17,264	9,247	26,511
Due from other governments	9,438	-	9,438
Due from other funds	42,188	22,596	64,784
Total current assets	280,414	304,226	584,640
Noncurrent assets:			
Restricted cash	58,869	83,085	141,954
Capital assets, net	9,983,798	6,606,688	16,590,486
Total noncurrent assets	10,042,667	6,689,773	16,732,440
Total assets	10,323,081	6,993,999	17,317,080
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	43,158	23,114	66,272
Deferred outflows related to other postemployment benefits	4,464	2,391	6,855
Total deferred outflows of resources	47,622	25,505	73,127
LIABILITIES			
Current liabilities:			
Accounts payable	55,148	127,757	182,905
Accrued payroll and related liabilities	14,659	7,851	22,510
Accrued interest	4,220	1,427	5,647
Due to other funds	71,358	38,219	109,577
Customer security deposits	57,154	80,663	137,817
Compensated absences	5,583	2,990	8,573
Debt obligations, current	150,888	101,696	252,584
Total current liabilities	359,010	360,603	719,613
Noncurrent liabilities:			
Compensated absences	13,026	6,977	20,003
Net pension liability	100,882	54,032	154,914
Net other postemployment benefit liabilities	32,185	17,238	49,423
Debt obligations	5,023,671	1,699,421	6,723,092
Total noncurrent liabilities	5,169,764	1,777,668	6,947,432
Total liabilities	5,528,774	2,138,271	7,667,045
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	19,809	10,610	30,419
Deferred inflows related to other post employment benefits	2,172	1,163	3,335
Total deferred inflows of resources	21,981	11,773	33,754
NET POSITION			
Net investment in capital assets	4,809,239	4,805,571	9,614,810
Restricted	-	-	-
Unrestricted	10,709	63,889	74,598
Total net position	\$ 4,819,948	\$ 4,869,460	\$ 9,689,408

CITY OF NORTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2021

	BUSINESS TYPE ACTIVITIES		
	PROPRIETARY FUND		
	Water Operation	Sewer Operation	Water and Sewer Operation
OPERATING REVENUES			
Charges for services			
Water:			
Local	\$ 880,079	\$ -	\$ 880,079
Non-Local	194,801	-	194,801
Sewer:			
Local	-	1,208,304	1,208,304
Non-Local	-	308,722	308,722
Connection fees	3,330	700	4,030
Penalties	26,195	36,970	63,165
Miscellaneous	3,182	9,863	13,045
Total operating revenues	<u>1,107,587</u>	<u>1,564,559</u>	<u>2,672,146</u>
OPERATING EXPENSES			
Personnel	413,100	202,938	616,038
Fringe benefits	202,938	127,014	329,952
Contractual services	6,624	835,837	842,461
Other charges	333,083	143,055	476,138
Rent	-	-	-
Water purchased for resale	40,104	-	40,104
Depreciation and amortization	267,628	401,489	669,117
Total operating expenses	<u>1,263,477</u>	<u>1,710,333</u>	<u>2,973,810</u>
Operating income	<u>(155,890)</u>	<u>(145,774)</u>	<u>(301,664)</u>
NONOPERATING REVENUES (EXPENSES)			
Grant income	152,416	-	152,416
Interconnect expense	(20,971)	-	(20,971)
Interest expense	(87,658)	(96,053)	(183,711)
Total nonoperating revenues (expenses)	<u>43,787</u>	<u>(96,053)</u>	<u>(52,266)</u>
Change in net position	(112,103)	(241,827)	(353,930)
NET POSITION AT JULY 1	<u>4,932,051</u>	<u>5,111,287</u>	<u>10,043,338</u>
NET POSITION AT JUNE 30	<u>\$ 4,819,948</u>	<u>\$ 4,869,460</u>	<u>\$ 9,689,408</u>

**CITY OF NORTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2021**

SCHEDULE 6

	BUSINESS TYPE ACTIVITIES PROPRIETARY FUND		
	Water Operation	Sewer Operation	Water and Sewer Operation
OPERATING ACTIVITIES			
Receipts from customers and properties	\$ 1,089,722	\$ 1,535,024	\$ 2,624,746
Receipts from other sources	3,182	9,863	13,045
Payments to suppliers	(536,879)	(1,043,814)	(1,580,693)
Payments to employees	(407,163)	(194,900)	(602,063)
Net cash provided by operating activities	\$ 148,862	\$ 306,173	\$ 455,035
NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowing	\$ (101,950)	\$ (138,007)	\$ (239,957)
Net cash provided by noncapital financing activities	\$ (101,950)	\$ (138,007)	\$ (239,957)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	\$ (212,970)	\$ -	\$ (212,970)
Contributed Capital - grant revenue	380,785	-	380,785
Interconnect expense	(20,971)	-	(20,971)
Proceeds from issuance of debt	2,547,073	158,571	2,705,644
Principal paid	(2,556,188)	(261,612)	(2,817,800)
Interest paid	(124,294)	(108,447)	(232,741)
Net cash used in capital and related financing activities	\$ 13,435	\$ (211,488)	\$ (198,053)
Net increase (decrease) in cash and cash equivalents	\$ 60,347	\$ (43,322)	\$ 17,025
CASH AND CASH EQUIVALENTS			
Beginning at July 1	\$ 133,610	\$ 117,335	\$ 250,945
Ending at June 30	\$ 193,957	\$ 74,013	\$ 267,970
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ (155,890)	\$ (145,774)	\$ (301,664)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	267,628	401,489	669,117
Pension expense net of employer contributions	30,130	40,785	70,915
Other post-employment benefit expense net of employer contributions	5,383	7,622	13,005
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(14,123)	(20,232)	(34,355)
Due from other governments	-	-	-
Increase (decrease) in:			
Accounts payable and other current liabilities	8,730	12,364	21,094
Accrued payroll and related liabilities	3,157	4,470	7,627
Customer deposits	1,220	1,728	2,948
Compensated absences	2,627	3,721	6,348
Net cash provided by operating activities	\$ 148,862	\$ 306,173	\$ 455,035

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

CITY OF NORTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2021

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Capital Project Fund	School Activity Fund	School Cafeteria Fund	Total School Board
ASSETS							
Cash and investments	\$ 215,118	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,118
Cash - restricted	-	145,074	8,595	-	-	265,936	419,605
Cash in custody of others	-	-	-	-	350,480	-	350,480
Prepays	-	-	-	-	-	-	-
Due from other funds	27,771	-	-	-	-	14,296	42,067
Due from primary government	631,372	68,620	-	145,384	-	-	845,376
Due from other governments	234,204	-	-	-	-	-	234,204
Total assets	<u>\$ 1,108,465</u>	<u>\$ 213,694</u>	<u>\$ 8,595</u>	<u>\$ 145,384</u>	<u>\$ 350,480</u>	<u>\$ 280,232</u>	<u>\$ 2,106,850</u>
LIABILITIES							
Accounts Payable	\$ 209,073	\$ -	\$ -	\$ -	\$ -	\$ 9,231	\$ 218,304
Accrued Liabilities	306,405	-	-	-	-	-	306,405
Due to other funds	14,296	13,477	-	-	7,347	6,947	42,067
Due to primary government	10,323	-	-	-	-	-	10,323
Total liabilities	<u>540,097</u>	<u>13,477</u>	<u>-</u>	<u>-</u>	<u>7,347</u>	<u>16,178</u>	<u>577,099</u>
FUND BALANCE							
Nonspendable	-	-	-	-	-	-	-
Restricted	568,368	-	-	-	-	-	568,368
Committed	-	200,217	8,595	145,384	343,133	264,054	961,383
Total fund balance	<u>568,368</u>	<u>200,217</u>	<u>8,595</u>	<u>145,384</u>	<u>343,133</u>	<u>264,054</u>	<u>1,529,751</u>
Total liabilities and fund balance	<u>\$ 1,108,465</u>	<u>\$ 213,694</u>	<u>\$ 8,595</u>	<u>\$ 145,384</u>	<u>\$ 350,480</u>	<u>\$ 280,232</u>	<u>\$ 2,106,850</u>

Adjustments for the Statement of Net Position (Exhibit I):

Total Fund Balance - School Board **\$ 1,529,751**

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

367,937

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Nondepreciable

106,062

Depreciable, net

9,834,776

9,940,838

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

1,677,052

Other postemployment benefits

227,396

Deferred inflows related to:

Pensions

(874,249)

Other postemployment benefits

(116,657)

Net pension liability

(6,176,134)

Net other postemployment benefits liability

(1,248,109)

(6,510,701)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

(7,083,938)

Accrued interest

(1,114)

Compensated absences

(151,329)

Total Net Position - School Board Governmental Activities

\$ (1,908,556)

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, 2021

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Capital Project Fund	School Activity Fund	School Cafeteria Fund	Total School Board
REVENUES							
Revenue from use of money and property	\$ 206	\$ 290	\$ 9	\$ -	\$ -	\$ -	\$ 505
Miscellaneous	270,486	-	60,827	-	268,554	8,905	608,772
Intergovernmental							
Primary government	2,545,165	-	-	47,853	-	-	2,593,018
Commonwealth of Virginia	6,895,249	-	-	-	-	6,196	6,901,445
Federal government	898,186	-	-	-	-	518,442	1,416,628
Total revenue	10,609,292	290	60,836	47,853	268,554	533,543	11,520,368
EXPENDITURES							
Current							
Education	9,335,113	-	81,184	-	216,348	530,233	10,162,878
Debt Service:							
Principal	679,230	-	-	-	-	-	679,230
Interest	226,900	-	-	-	-	-	226,900
Total expenditures	10,241,243	-	81,184	-	216,348	530,233	11,069,008
OTHER FINANCING SOURCES (USES)							
Capital lease proceeds	-	-	-	-	-	-	-
Transfer in	-	-	-	97,531	-	-	97,531
Transfers out	(97,531)	-	-	-	-	-	(97,531)
Net change in fund balance	270,518	290	(20,348)	145,384	52,206	3,310	451,360
Fund balances - beginning, as restated	297,850	199,927	28,943	-	290,927	260,744	1,078,391
Fund balances - ending	\$ 568,368	\$ 200,217	\$ 8,595	\$ 145,384	\$ 343,133	\$ 264,054	\$ 1,529,751

Reconciliation to the Statement of Activities (Exhibit 2):

Net Change in Fund Balance - School Board	\$ 451,360
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	755,485
Depreciation and amortization expense	(523,623)
	231,862
Governmental funds report the issuance of debt as an increase in financial resources while governmental activities report the debt liability.	-
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.	191,884
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, the transaction has no effect on net position.	833,835
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.	37,518
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.	
Compensated absences	22,999
Change in Net Position - School Board Governmental Activities	\$ 1,769,458

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, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Revenue from local use of money and property	\$ 600	\$ 600	\$ 206	\$ (394)
Miscellaneous	200,597	200,597	270,486	69,889
Intergovernmental:				
Primary government	2,569,017	3,009,765	2,545,165	(464,600)
Commonwealth of Virginia	5,741,154	6,592,541	6,895,249	302,708
Federal government	514,630	932,418	898,186	(34,232)
Total revenues	9,025,998	10,735,921	10,609,292	(126,629)
EXPENDITURES				
Current:				
Education	8,119,590	10,127,363	9,530,175	597,188
Debt Service:				
Principal	679,230	679,230	679,230	-
Interest	227,178	227,178	226,900	278
Total expenditures	9,025,998	11,033,771	10,436,305	597,466
Excess (Deficiency) of Revenues over Expenditures	\$ -	\$ (297,850)	\$ 172,987	\$ 470,837
OTHER FINANCING SOURCES (USES)				
Operating transfers out	\$ -	\$ -	\$ (97,531)	\$ (97,531)
Total Other Financing Sources (Uses)	-	-	(97,531)	(97,531)
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	(297,850)	270,518	568,368
Net appropriations from fund balance				
Prior year encumbrances	-	297,850		
Budget-excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		
Fund Balance - June 30, 2020			\$ 297,850	
Fund Balance - June 30, 2021			\$ 568,368	

TABLE 1

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities										
Net investment in capital assets	\$ 8,655,962	\$ 8,542,222	\$ 8,560,781	\$ 8,207,586	\$ 8,519,840	\$ 8,336,774	\$ 8,014,749	\$ 5,586,395	\$ 4,136,516	\$ 3,921,732
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,352,268	2,842,279	2,821,064	1,976,543	870,666	763,727	232,010	1,397,414	1,541,677	1,791,952
Total governmental activities net position	<u>\$ 11,008,230</u>	<u>\$ 11,384,501</u>	<u>\$ 11,381,845</u>	<u>\$ 10,184,129</u>	<u>\$ 9,390,506</u>	<u>\$ 9,100,501</u>	<u>\$ 8,246,759</u>	<u>\$ 6,983,809</u>	<u>\$ 5,678,193</u>	<u>\$ 5,713,684</u>
Business-type activities										
Net investment in capital assets	\$ 9,614,810	\$ 9,958,801	\$ 9,920,024	\$ 9,965,531	\$ 10,369,190	\$ 10,688,937	\$ 10,806,022	\$ 10,739,857	\$ 9,362,217	\$ 7,587,254
Restricted	-	-	-	-	-	-	-	112,741	988,404	-
Unrestricted	74,598	84,537	(313,313)	(412,570)	(499,430)	(573,330)	(607,646)	(428,312)	(348,054)	(219,531)
Total business-type activities net position	<u>\$ 9,689,408</u>	<u>\$ 10,043,338</u>	<u>\$ 9,606,711</u>	<u>\$ 9,552,961</u>	<u>\$ 9,869,760</u>	<u>\$ 10,115,607</u>	<u>\$ 10,198,376</u>	<u>\$ 10,424,286</u>	<u>\$ 10,002,567</u>	<u>\$ 7,367,723</u>
Primary government										
Net investment in capital assets	\$ 18,270,772	\$ 18,501,023	\$ 18,480,805	\$ 18,173,117	\$ 18,889,030	\$ 19,025,711	\$ 18,820,771	\$ 16,326,252	\$ 13,498,733	\$ 11,508,986
Restricted	-	-	-	-	-	-	-	112,741	988,404	-
Unrestricted	2,426,866	2,926,816	2,507,751	1,563,973	371,236	190,397	(375,636)	969,102	1,193,623	1,572,421
Total primary government net position	<u>\$ 20,697,638</u>	<u>\$ 21,427,839</u>	<u>\$ 20,988,556</u>	<u>\$ 19,737,090</u>	<u>\$ 19,260,266</u>	<u>\$ 19,216,108</u>	<u>\$ 18,445,135</u>	<u>\$ 17,408,095</u>	<u>\$ 15,680,760</u>	<u>\$ 13,081,407</u>

Notes:

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

TABLE 2

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses										
Governmental activities										
General government	\$ 1,422,481	\$ 1,412,791	\$ 1,538,251	\$ 1,100,244	\$ 1,479,453	\$ 1,525,411	\$ 1,516,160	\$ 1,576,458	\$ 1,542,855	\$ 1,624,902
Judicial administration	448,140	415,276	2,717,698	2,873,422	2,717,864	2,564,543	2,491,800	2,579,286	2,423,860	2,376,017
Public safety	3,161,237	2,819,987	2,134,947	2,308,395	2,225,978	2,086,952	1,989,571	2,062,845	2,486,780	2,390,227
Public works	2,209,334	2,531,163	1,307,516	1,270,418	1,408,130	1,388,345	1,128,562	1,256,593	1,321,129	1,448,260
Health and welfare	1,752,950	1,409,848	2,407,067	2,167,754	2,506,829	2,326,948	2,268,173	2,416,648	1,692,638	1,982,789
Education	2,600,645	2,505,966	511,651	407,173	461,053	474,541	445,581	444,729	477,229	490,097
Parks, recreation, and cultural	583,825	81,357	38,483	45,218	78,828	329,286	561,290	514,158	562,432	503,961
Community development	2,627,350	1,411,696	39,010	39,432	45,291	48,915	109,767	67,234	169,304	328,206
Interest	40,221	37,756	-	-	-	-	-	-	-	-
Total governmental activities	14,846,183	12,625,840	10,694,623	10,212,056	10,923,426	10,744,941	10,510,904	10,917,951	10,676,227	11,144,459
Business-type activities										
Water and Wastewater	3,178,492	2,975,950	2,841,008	2,895,886	2,981,468	2,795,034	2,840,888	2,929,215	2,635,899	4,205,780
Total business-type activities expenses	3,178,492	2,975,950	2,841,008	2,895,886	2,981,468	2,795,034	2,840,888	2,929,215	2,635,899	4,205,780
Total primary government expenses	18,024,675	15,601,790	13,535,631	13,107,942	13,904,894	13,539,975	13,351,792	13,847,166	13,312,126	15,350,239
Program revenues										
Governmental activities										
Charges for services										
Public safety	\$ 11,428	\$ 14,679	\$ 104,630	\$ 87,094	\$ 98,525	\$ 101,979	\$ 60,564	\$ 736	\$ 15,981	\$ 66,569
Public works	407,722	410,676	411,018	413,874	415,282	416,703	417,474	354,338	358,014	361,706
Health and welfare	-	-	-	-	-	-	-	-	-	-
Parks, recreation and culture	16,782	17,400	22,062	18,273	11,807	8,773	11,896	7,885	6,717	7,510
Operating grants and contributions	5,813,650	3,777,142	3,223,571	2,723,370	2,878,329	2,574,389	2,302,105	2,297,908	2,415,196	2,598,280
Capital grants and contributions	102,062	-	-	-	-	453,008	2,702,148	1,722,056	150,000	393,312
Total governmental activities program revenues	6,351,644	4,219,897	3,761,281	3,242,611	3,403,943	3,554,852	5,494,187	4,382,923	2,945,908	3,427,377
Business-type activities										
Charges for services										
Water and Wastewater	2,672,146	2,754,849	2,778,976	2,492,506	2,489,776	2,402,922	2,314,041	2,211,146	2,265,444	2,318,868
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	152,416	487,660	285,850	16,100	95,845	309,343	536,587	1,139,788	3,010,774	2,613,979
Total business-type activities program revenues	2,824,562	3,242,509	3,064,826	2,508,606	2,585,621	2,712,265	2,850,628	3,350,934	5,276,218	4,932,847
Total primary government program revenues	9,176,206	7,462,406	6,826,107	5,751,217	5,989,564	6,267,117	8,344,815	7,733,857	8,222,126	8,360,224
Net (expense) revenue										
Governmental activities	\$ (8,494,539)	\$ (8,405,943)	\$ (6,933,342)	\$ (6,969,445)	\$ (7,519,483)	\$ (7,190,089)	\$ (5,016,717)	\$ (6,535,028)	\$ (7,730,319)	\$ (7,717,082)
Business-type activities	(353,930)	266,559	223,818	(387,280)	(395,847)	(82,769)	9,740	421,719	2,640,319	727,067
Total primary government net expense	(8,848,469)	(8,139,384)	(6,709,524)	(7,356,725)	(7,915,330)	(7,272,858)	(5,006,977)	(6,113,309)	(5,090,000)	(6,990,015)

TABLE 2
(Continued)

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	3,171,973	3,128,984	3,156,805	3,091,045	3,127,830	3,034,838	2,632,023	2,881,300	2,736,838	2,305,658
Local sales and use	1,726,064	1,664,033	1,639,810	1,518,284	1,541,644	1,609,549	1,613,223	1,606,815	1,762,729	1,918,925
Utility tax	125,047	125,415	127,413	128,898	129,066	129,032	131,322	131,006	137,995	117,214
Business license tax	690,659	801,979	789,539	779,120	750,765	842,303	812,125	887,396	853,599	951,248
Communication tax	155,422	174,981	194,619	193,631	199,570	204,591	211,659	211,979	217,316	211,679
Motor vehicle tax	79,289	80,937	85,205	81,767	85,648	81,661	71,174	63,629	-	-
Bank stock tax	54,166	40,193	50,778	51,591	42,171	47,105	61,913	72,678	74,256	99,820
Recordation tax	29,897	16,012	17,026	21,376	37,040	34,009	22,158	44,876	29,516	39,598
Tobacco tax	-	-	-	-	30	40	110	41	195	180
Hotel and motel room tax	77,946	104,019	158,331	141,171	161,925	159,594	206,815	133,561	146,200	172,866
Restaurant food tax	1,515,515	1,479,388	1,496,570	1,388,390	1,401,747	1,395,556	1,360,014	1,357,112	1,262,519	1,334,156
Coal road improvement tax	67,216	31,997	39,774	25,533	24,366	32,928	56,308	79,353	116,498	244,773
Cigarette tax	157,460	157,455	168,425	159,197	186,815	173,067	88,640	92,965	110,245	99,440
Other local taxes	79,457	87,222	121,520	84,265	88,004	89,177	70,125	107,557	106,995	-
Unrestricted miscellaneous revenue	46,416	75,883	26,208	41,497	33,780	68,352	99,086	104,627	118,702	90,845
Unrestricted investment earnings	16,596	53,134	67,717	33,899	26,359	29,758	28,480	28,255	25,196	35,699
Gain on sale of capital assets	19,808	3,004	2,060	16,475	-	-	-	-	-	-
Insurance recoveries	14,319	21,706	7,692	-	-	-	-	-	-	-
Recovered costs	91,018	125,791	218,032	121,275	122,728	112,271	39,085	37,494	33,660	36,618
Transfers - primary government	-	-	-	-	(150,000)	-	-	-	-	-
Total governmental activities	8,118,268	8,172,133	8,367,524	7,877,414	7,809,488	8,043,831	7,504,260	7,840,644	7,732,459	7,658,719
Business-type activities										
Other	-	-	-	-	150,000	-	-	-	-	-
Total business-type activities	-	-	-	-	150,000	-	-	-	-	-
Total primary government	8,118,268	8,172,133	8,367,524	7,877,414	7,959,488	8,043,831	7,504,260	7,840,644	7,732,459	7,658,719
Changes in Net Position										
Governmental activities	(376,271)	(233,810)	1,434,182	907,969	290,005	853,742	2,487,543	1,305,616	2,140	(58,363)
Business-type activities	(353,930)	266,559	223,818	(387,280)	(245,847)	(82,769)	9,740	421,719	2,640,319	727,067
Total primary government	(730,201)	32,749	1,658,000	520,689	44,158	770,973	2,497,283	1,727,335	2,642,459	668,704

TABLE 3

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Post-GASB 54 implementation:										
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	189,876	355,486	490,562	497,058	490,329	574,892	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	87,263	50,454	82,295	48,502	9,504	-	372,893	347,416	431,267	487,780
Unassigned	2,392,483	2,750,949	2,794,565	2,227,802	1,408,777	-	1,210,736	1,332,585	1,250,314	1,691,149
Total general fund	<u>\$ 2,669,622</u>	<u>\$ 3,156,889</u>	<u>\$ 3,367,422</u>	<u>\$ 2,773,362</u>	<u>\$ 1,908,610</u>	<u>\$ 574,892</u>	<u>\$ 1,583,629</u>	<u>\$ 1,680,001</u>	<u>\$ 1,681,581</u>	<u>\$ 2,178,929</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special Revenue fund	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	408,647	413,444	432,120	373,108	361,062	357,780	344,627	343,830	331,190	318,897
Assigned	180,008	231,123	230,008	272,560	153,340	14,205	-	-	-	-
Unassigned	-	-	-	-	-	-	(55,870)	(120,700)	(124,908)	(96,205)
Total all other governmental funds	<u>\$ 588,655</u>	<u>\$ 644,567</u>	<u>\$ 662,128</u>	<u>\$ 645,668</u>	<u>\$ 514,402</u>	<u>\$ 371,985</u>	<u>\$ 288,757</u>	<u>\$ 223,130</u>	<u>\$ 206,282</u>	<u>\$ 222,692</u>

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

TABLE 4

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues										
General property taxes	\$ 3,026,350	\$ 3,155,065	\$ 2,990,029	\$ 3,027,691	\$ 3,144,820	\$ 3,020,812	\$ 2,679,834	\$ 2,915,376	\$ 2,550,475	\$ 2,469,808
Other local taxes	4,678,681	4,676,409	4,767,490	4,488,958	4,560,787	4,709,435	4,635,461	4,681,411	4,699,374	5,161,830
Permits, fees, and licenses	2,382	12,391	16,258	2,177	2,608	2,547	11,133	7,131	4,532	7,569
Fines and forfeitures	11,303	13,978	103,929	18,995	26,178	17,698	26,425	28,687	37,115	62,001
Use of money and property	16,596	53,134	65,846	33,899	26,359	29,758	27,843	28,255	25,196	35,699
Charges for services	425,206	428,777	435,653	500,246	499,436	489,628	479,458	378,774	380,712	380,081
Other revenues	46,417	75,883	26,208	32,153	25,328	89,595	75,415	104,627	250,406	89,177
Recovered cost	91,018	125,791	129,682	121,275	122,728	112,271	20,706	18,761	17,277	23,579
Intergovernmental	5,992,209	3,851,973	3,328,833	2,805,458	2,963,728	3,099,574	5,074,378	4,105,808	2,492,238	3,026,368
Total revenues	14,290,162	12,393,401	11,863,928	11,030,852	11,371,972	11,571,318	13,030,653	12,268,830	10,457,325	11,256,112
Expenditures										
General government	1,401,679	1,419,446	1,208,856	1,134,746	1,129,015	1,182,299	1,150,354	1,130,587	1,180,843	1,206,033
Judicial administration	448,140	417,257	395,899	386,605	365,591	377,549	389,285	412,859	353,367	366,037
Public safety	3,119,513	2,746,657	3,085,191	2,473,435	2,610,351	2,644,107	2,423,506	2,497,672	2,308,031	2,553,195
Public works	2,422,419	2,372,797	2,227,861	1,952,299	2,296,650	1,843,175	1,776,800	1,742,342	2,294,322	2,606,618
Health and welfare	1,739,081	1,434,345	1,372,350	1,274,952	1,367,288	1,423,325	1,159,055	1,233,314	1,302,277	1,437,933
Education and transfer to school	2,600,645	2,505,966	2,407,067	2,167,754	2,506,829	2,326,948	2,268,173	2,401,810	2,169,025	1,830,450
Parks, recreation, and cultural	568,165	497,794	547,053	480,446	468,394	472,460	427,708	438,256	455,638	468,752
Community development	2,422,390	1,060,832	38,502	44,710	90,905	867,911	3,342,994	2,229,763	554,868	517,866
Debt service:										
Principal retirement	897,749	181,439	151,154	614,823	137,359	124,861	1,182,821	121,031	15,284,397	166,689
Interest and fiscal charges	38,687	30,472	31,667	31,443	37,630	41,808	167,718	66,662	316,659	330,574
Total expenditures	15,658,468	12,667,005	11,465,600	10,561,213	11,010,012	11,304,443	14,288,414	12,274,296	26,219,427	11,484,147
Excess of revenues over (under), expenditures	(1,368,306)	(273,604)	398,328	469,639	361,960	266,875	(1,257,761)	(5,466)	(15,762,102)	(228,035)
Other Financing Sources (Uses)										
Proceeds from borrowing	791,000	20,800	203,000	500,000	-	50,000	1,208,000	-	7,588,375	140,000
Insurance recoveries	14,319	21,706	7,692	-	2,859	8,761	18,379	18,733	16,383	13,039
Proceeds from sale of capital assets	19,808	3,004	2,060	25,819	5,593	4,578	637	-	18,296	5,605
Transfers	-	-	-	-	(150,000)	-	-	-	7,627,291	345,877
Total other financing sources (uses)	825,127	45,510	212,752	525,819	(141,548)	63,339	1,227,016	18,733	15,250,345	504,521
Net change in fund balances	\$ (543,179)	\$ (228,094)	\$ 611,080	\$ 995,458	\$ 220,412	\$ 330,214	\$ (30,745)	\$ 13,267	\$ (511,757)	\$ 276,486
Debt service as a percentage of noncapital expenditures:	6.19%	1.75%	1.62%	6.52%	1.62%	1.50%	10.44%	1.55%	146.93%	4.53%

TABLE 5

**CITY OF NORTON, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Calendar Year	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Mobile Homes	Total Taxable Assessed Value	Total Direct Tax Rate Per \$100
				Real Estate	Personal Property			
2021	\$ 226,170,000	\$ 29,414,974	\$ 5,696,467	\$ 30,884,551	-	1,700,838	\$ 293,866,830	1.030
2020	229,302,650	29,986,495	5,553,055	28,781,153	-	1,480,815	295,104,168	1.069
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

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**

Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities	
					Real Estate	Personal Property
2021	0.90	2.05	2.05	0.90	0.90	2.05
2020	0.90	2.05	2.05	0.90	0.90	2.05
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

Notes: 1) Rates are presented per \$100 assessed value

TABLE 7

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

June 30, 2021

Taxpayer	Nature of Business	Assessed Value	Percent of Real Estate Levy
Wal-Mart Real Estate Trust	Commercial Retail/ Grocery	15,314,800	6.77%
Norton Community Hospital	Health Care	7,331,600	3.24%
Norton (Norton) SRX LLC	Shops/Maurices/Hibbitts	6,216,600	2.75%
Norton Host	Hotel	4,308,100	1.90%
601 Commonwealth LLC	Shops/Glass Slipper/Pizza Hut	3,914,400	1.73%
Wellmont Health System	Health Care	3,168,300	1.40%
BVC VA KY LLC	Shopping Center/HWY 58	3,143,500	1.39%
R.E. Green Ent. Inc.	Medical/Health Care	2,029,600	0.90%
Carter Machinery Company	Retail/Eq. Sales/Repair	2,037,300	0.90%
S&P Norton LLC	Hotel	1,473,900	0.65%

June 30, 2011

Taxpayer	Nature of Business	Assessed Value	Percent of Real Estate Levy
Wal-Mart Real Estate Trust	Shopping Center	14,370,100	6.52%
Super Intermediate Co., LLC	Commercial Retailer/Grocer	9,324,100	4.23%
Commonwealth Norton Partners	Shopping Center	6,612,300	3.00%
Norton SRX LLC	Hotel	6,060,600	2.75%
Wellmont Health System	Hotel/Restaurant	5,192,700	2.36%
Norton Community Hospital	Health Care	4,712,300	2.14%
Norton Host	Hotel	4,254,600	1.93%
Nordan, Inc	Health Care	3,854,000	1.75%
W.P. Amrinstead	Commercial and Residential Rental Property	2,455,800	1.12%
AARMP Hospitality (Days Inn)	Hotel	1,606,200	0.73%

TABLE 8

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

Fiscal Years Ended June 30	Taxes Levied for the Year (1) (2)	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections (3)	Percent of Total Tax Collections	Outstanding Delinquent Taxes	Percent of Delinquent of Levy
2021	\$ 3,221,949	\$ 2,940,393	91.26%	\$ 38,709	2,979,102	92.46%	438,565	13.61%
2020	3,158,804	3,091,469	97.87%	12,517	3,103,986	98.26%	397,967	12.60%
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%

(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
RATIOS OF OUTSTANDING DEBT BY TYPE
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 & Wastwater					
			Bonds					
2021	\$ 817,147	\$ 59,782	\$	6,975,676	\$ 6,560,000	14,412,605	8.10%	3,695
2020	895,712	88,347		7,087,832	7,150,000	15,221,891	9.10%	3,897
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%	4,632
2016	1,316,121	29,438		8,143,884	9,260,000	18,749,443	13.54%	4,752
2015	1,363,000	58,141		8,139,139	9,784,434	19,344,714	12.98%	4,821
2014	1,285,000	110,961		7,804,349	10,341,185	19,541,495	12.65%	4,817
2013	1,355,000	161,992		8,080,638	10,901,644	20,499,274	12.13%	4,889
2012	8,988,191	224,823		6,108,271	2,108,327	17,429,612	10.55%	4,252

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 Bonded Obligation Bonds		
2021	14,352,823	4.88%	3,679
2020	14,943,164	5.06%	3,826
2019	15,902,240	5.35%	4,152
2018	16,765,144	5.67%	4,343
2017	17,650,210	5.95%	4,632
2016	18,495,011	6.46%	4,752
2015	18,697,886	6.65%	4,821
2014	18,327,250	6.46%	4,817
2013	17,853,819	6.37%	4,889
2012	13,411,630	4.82%	4,252

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

TABLE 11

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assessed valuations										
Assessed value of taxed real property	<u>\$ 257,054,551</u>	<u>\$ 258,083,803</u>	<u>\$ 260,729,950</u>	<u>\$ 261,104,838</u>	<u>\$ 260,720,081</u>	<u>\$ 250,527,769</u>	<u>\$ 244,929,946</u>	<u>\$ 246,149,132</u>	<u>\$ 245,426,183</u>	<u>\$ 245,536,691</u>
Legal debt margin										
Debt limit - 10 percent of total assessed value	<u>25,705,455</u>	<u>25,808,380</u>	<u>26,072,995</u>	<u>26,110,484</u>	<u>26,072,008</u>	<u>25,052,777</u>	<u>24,492,995</u>	<u>24,614,913</u>	<u>24,542,618</u>	<u>24,553,669</u>
Debt applicable to limitation										
Total bonded debt	<u>14,412,605</u>	<u>15,221,891</u>	<u>16,217,341</u>	<u>16,972,834</u>	<u>17,866,550</u>	<u>18,749,443</u>	<u>19,344,714</u>	<u>19,541,495</u>	<u>20,499,274</u>	<u>17,429,612</u>
Less - Business-Type	<u>-</u>	<u>(190,380)</u>	<u>(199,033)</u>	<u>(207,686)</u>	<u>(216,340)</u>	<u>(224,994)</u>	<u>(588,689)</u>	<u>(1,103,284)</u>	<u>(2,483,463)</u>	<u>(3,793,159)</u>
Total amount of debt applicable to debt limitation	<u>14,412,605</u>	<u>15,031,511</u>	<u>16,018,308</u>	<u>16,765,148</u>	<u>17,650,210</u>	<u>18,524,449</u>	<u>18,756,025</u>	<u>18,438,211</u>	<u>18,015,811</u>	<u>13,636,453</u>
Legal debt margin	<u>\$ 11,292,850</u>	<u>\$ 10,776,869</u>	<u>\$ 10,054,687</u>	<u>\$ 9,345,336</u>	<u>\$ 8,421,798</u>	<u>\$ 6,528,328</u>	<u>\$ 5,736,970</u>	<u>\$ 6,176,702</u>	<u>\$ 6,526,807</u>	<u>\$ 10,917,216</u>
Total net debt as applicable to the limit as a percentage of debt limit	56.07%	58.24%	61.44%	64.21%	67.70%	73.94%	76.58%	74.91%	73.41%	55.54%

TABLE 12

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

Fiscal Years Ended June 30	Utility Service Charges		Less: Operating Expenses		Net Available Revenue	Principal	Interest	Total	Coverage
2021	\$	2,672,146	\$	2,304,693	\$ 367,453	269,528	183,711	453,239	0.81
2020		2,754,849		2,110,916	643,933	266,158	174,248	440,406	1.46
2019		2,778,976		1,970,728	808,248	258,161	182,746	440,907	1.83
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

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 Year	Population	Personal Income (in thousands)	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2021	3,901	177,901,204	45,604	39.8	810	5.30%
2020	3,906	167,364,288	42,848	39.8	776	9.80%
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%

Sources: Weldon Cooper Center for 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, 2021

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

June 30, 2011

Employer	Product or Service	Total Estimated Employment
Norton Community Hospital	Health Care	500 +/-
Wal Mart	Commercial Retailer/Grocer	250 +/-
Mountain View Regional Medical	Health Care	200 +/-
Norton City School Board	Public Agency	151 +/-
City of Norton	Public Agency	114 +/-

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General government										
Management services	4	4	4	4	4	3.5	3.5	3.5	4	4
Finance	4	4	4	4	4	4	4	4	4	4
Planning	1	1	0	1	1	1.5	1.5	1.5	2	2
Other	6	6	6	6.5	6	6	6	6	6	6
Public safety										
Officers	16	16	16	16	16	16	16	16	16	16
Dispatchers/Clerks	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Sheriff's Office	3	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	0	0	0	0.5	0.5	0.5	0.5	0.5	0.5
Fire	1.5	1.5	1.5	1.5	1	1	1	1	1	1
Public works										
Engineering	0	0	1	1	1	1	1	1	1	1
Streets	9	9	9	9	9	9	9	10	11.5	11.5
Refuse Collections	6	6	6	6	6	6	6	6	5.5	5.5
General Properties	3.5	3.5	4.5	4	3.5	5	5	5	4.5	4.5
Parks and recreation										
Maintenance	6.5	6.5	6.5	5.5	5.5	4	4.5	4.5	4.5	5.5
Other	1	1	1	1	1	1	1	1	1	1
Water operations										
Administration	3	3	3	3	3	3	3	3	3	3
Plant Operations	7.5	7.5	7.5	7.5	7	6	6	6	7	7
Maintenance	7	7	7	7	7	7	7	7	7	7
Social Services										
Administrative	5	5	5	5	5	5	4.5	4.5	4.5	4.5
Eligibility	7	7	7	7	7	7	7	7	7	7
Social Worker	3	3	3	3	3	3	3	3	3	3

Source: City of Norton's Finance Department

TABLE 16

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

Function	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety										
Citations issued	476	741	743	629	1,009	830	1,051	1,139	876	1,550
Parking Tickets issued	1	4	16	23	40	32	31	83	63	116
Crime/Arrest/Incident reports filed	695	700	635	513	468	579	647	690	661	758
911 Calls dispatched	5,876	4,761	4,570	4,500	3,614	3,722	3,402	4,075	4,018	4,514
Public Works										
Number of citizen requests for services	734	758	734	668	783	685	651	726	814	883
Water operations										
Number of service connections	2,204	2,157	2,187	2,202	2,188	2,199	2,222	2,240	2,263	2,301
Number of citizen requests for services	2,389	2,482	3,114	3,548	3,539	3,939	2,052	2,251	196	1,887
Average daily plant output in gallons	.759 Million	.709 Million	.769 Million	.785 Million	.658 Million	.658 Million	.497 Million	.420 Million	.680 Million	.740 Million
Maximum daily capacity of plant in gallons	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million
Wastewater operations										
Number of service connections	1,955	1,916	1,947	2,030	2,018	2,023	2,169	2,067	2,080	2,116

TABLE 17

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

Function	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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	25	25	25	25	25	24	22	16	16	15
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	479	479	479	479	479	479	440	440	440	440
Traffic signals	9	9	9	9	9	9	9	9	8	8
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	257	257	255	255	255	255	255	255	255	250
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, 2021, 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 June 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2021, 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 were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a 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 June 21, 2022.

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
June 21, 2022

**Independent Auditors' 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, 2021. 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, 2021.

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.

Roderick Moss & Co, PLLC

Norton, Virginia
June 21, 2022

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 financial statements of the City of Norton, Virginia (the "City") as of and for the year ended June 30, 2021, and have issued our report thereon dated June 21, 2022.

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

Compliance with Commonwealth of Virginia laws, regulations, contracts and grants applicable to the City is the responsibility of management of the City. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. Following is a summary of the Commonwealth of Virginia's laws, regulations, contracts and grants (as specified in *Specifications for Audits of Counties, Cities and Towns*, Chapter Three) for which we performed tests of compliance.

Code of Virginia

- | | |
|------------------------------------|------------------------------------|
| * Budget and Appropriation Laws | * Debt Provisions |
| * Cash and Investment Laws | * Procurement Laws |
| * Conflicts Retirement Systems | * Uniform Disposition of Unclaimed |
| * Local Retirement Systems | Property Act |
| * Personal Property Tax Relief Act | |

State Agency Requirements

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

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

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

Roderick Mass & Co, PLLC

Norton, Virginia
June 21, 2022

CITY OF NORTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass-Through Payments:			
Community Facilities Grant-Police/Sheriff	10 766		50,000
Child Nutrition Cluster:			
School Lunch Program (Note D)	10 555		
School Lunch Program	10 555		29,152
School Breakfast Program	10 553		10,187
Summer Food Service Program for Children (Note D)	10 559		675
Summer Food Service Program for Children	10 559		501,033
State Department of Social Services:			
Supplemental Nutrition Assistance Program-SNAP Cluster	10 561		155,876
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-Through Payments:			
State Department of Social Services:			
Foster Care - Title IV-E	93 658		53,772
Social Services Block Grant	93 667		74,532
Adoption Assistance	93 659		69,509
Medical assistance program-Medicaid Cluster	93 778		120,791
Low Income Home Energy Assistance	93 568		14,178
Safe and Stable Families	93 556		13,005
Refugee and Entrant Assistance	93 566		200
Children's Health Insurance Program	93 767		1,544
Stephanie Tubbs Jones Child Welfare Services Program	93 645		44
Chafee Foster Care Independence Program	93 674		1,241
477 Cluster:			
TANF -Temporary Assistance for Needy Families	93 558		90,054
Child Care Mandatory Match	93 596		18,881
DEPARTMENT OF EDUCATION:			
Pass-Through Payments:			
State Department of Education:			
Rural Education	84 358		24,155
Title I Grants	84 010		262,089
Title II-Part A Grants	84 367		32,256
Title IV-Part A Grants	84 010		51,964
ESSER	84 425		275,965
Title VI-B:			
Special Education Cluster (IDEA):			
Special Education-Grants to States	84 027	H027A1R0107	227,442
Special Education-Preschool Grants	84 173	H173A1R0112	6,578
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		17,738
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT			
Community Development Block Grants	14 228		43,722
Pass-Through Payments:			
State Department of Emergency Management	97 042	EMP-202-EP-00005-501	7,500
Local Emergency Management Performance Grant	97 042		
DEPARTMENT OF HOMELAND SECURITY			
Assistance for Firefighters Grant Program - COVID 19	97 044		35,138
ENVIRONMENTAL PROTECTION AGENCY:			
Drinking Water State Revolving Fund Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds	66 468	WSL-044-20	97,978
Capitalization Grants for Drinking Water State Revolving Funds	66 468	WSL-044-20	85,978
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			
High Intensity Drug Trafficking Areas Program	95 001	G20AP0001A	10,727
High Intensity Drug Trafficking Areas Program	95 001	G21AP0001A	11,981
APPALACHIAN REGIONAL COMMISSION			
Appalachian Area Development	23 002		52,062
DEPARTMENT OF TRANSPORTATION			
Alcohol Open Container Requirements	20 607		2,121
Highway Planning and Construction Cluster			
Highway Planning and Construction	20 205	FL18-146-131	89,137
Highway Planning and Construction	20 205	FL18-146-133	6,150
Highway Planning and Construction	20 205	UPC 114651	277,281
Highway Planning and Construction	20 205	FL18-146-126	38,356
DEPARTMENT OF THE TREASURY			
Coronavirus Relief Fund-General COVID-19	21 019	SLT0022	676,573
Coronavirus Relief Fund-Election	21 019	SLT0022	37,740
Coronavirus Relief Fund-Small Business Recovery	21 019	SLT0022	1,618,339
Coronavirus Relief Fund-Municipal Utility Relief Fund	21 019	SLT0022	32,577
Coronavirus Relief Fund-K-12 Schools	21 019		136,483
TOTAL			\$ 5,362,704

The accompanying notes are an integral part of this schedule.

CITY OF NORTON
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2021

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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 28, *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, 2021, the Norton City School Board had commodities in inventory.

NOTE E - SUBRECIPIENTS

No awards were passed through to subrecipients.

CITY OF NORTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

A) SUMMARY OF AUDIT RESULTS

- 1) The auditors' 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. One material weakness is 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 Auditors' 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:
CFDA 21.019 - Coronavirus Relief Fund
- 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:

2021-001-Audit Completion

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.*

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

NONE

**CITY OF NORTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021**

FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

There were no prior year findings.

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, 2021

2021-001-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:	No

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.