

CITY OF NORTON, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2018

CITY OF NORTON, VIRGINIA

TABLE OF CONTENTS

June 30, 2018

Page #

5 CITY OFFICIALS

6 MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEPENDENT AUDITOR'S REPORTS

9 INDEPENDENT AUDITOR'S REPORT

11 REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

13 REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

COMBINED FINANCIAL STATEMENTS

17 EXHIBIT 1 STATEMENT OF NET POSITION

18 EXHIBIT 2 STATEMENT OF ACTIVITIES

19 EXHIBIT 3 BALANCE SHEET – GOVERNMENTAL FUNDS

20 EXHIBIT 4 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

21 EXHIBIT 5 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS

22 EXHIBIT 6 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS

23 EXHIBIT 7 STATEMENT OF NET POSITION – PROPRIETARY FUNDS

24 EXHIBIT 8 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUNDS

25 EXHIBIT 9 STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS

26 EXHIBIT 10 SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET

27 EXHIBIT 11 STATEMENT OF FIDUCIARY NET POSITION

28 EXHIBIT 12 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

29 EXHIBIT 13 STATEMENT OF NET POSITION – COMPONENT UNITS

30 EXHIBIT 14 STATEMENT OF ACTIVITIES – COMPONENT UNITS

31 NOTES TO FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTAL INFORMATION

99 EXHIBIT 15 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES-BUDGET AND ACTUAL-GENERAL FUND

100 EXHIBIT 16 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED
RATIOS – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

CITY OF NORTON, VIRGINIA

TABLE OF CONTENTS

June 30, 2018

<u>Page #</u>		
101	EXHIBIT 17	SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – SCHOOL BOARD NON-PROFESSIONAL GROUP
102	EXHIBIT 18	SCHEDULE OF EMPLOYER CONTRIBUTIONS – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
103	EXHIBIT 19	SCHEDULE OF EMPLOYER CONTRIBUTIONS – SCHOOL BOARD NON-PROFESSIONAL GROUP
104	EXHIBIT 20	SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – TEACHER RETIREMENT PLAN
105	EXHIBIT 21	SCHEDULE OF EMPLOYER CONTRIBUTIONS – TEACHER RETIREMENT PLAN
106	EXHIBIT 22	SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS-LOCAL HEALTH INSURANCE-GOVERNMENTAL AND SCHOOL BOARD
107	EXHIBIT 23	SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS-LOCAL HEALTH INSURANCE-GOVERNMENTAL AND SCHOOL BOARD
108	EXHIBIT 24	SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY-VRS COST SHARING PLANS
109	EXHIBIT 25	SCHEDULE OF OPEB CONTRIBUTIONS-VRS COST SHARING PLANS
110	NOTES TO REQUIRED SUPPLEMENTAL INFORMATION	
	<u>OTHER SUPPLEMENTAL INFORMATION</u>	
111	SCHEDULE 1	GOVERNMENTAL FUNDS-BUGETARY COMPARISON SCHEDULE
117	SCHEDULE 2	STATEMENT OF NET POSITION BY DEPARTMENT – PROPRIETARY FUNDS
118	SCHEDULE 3	STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY DEPARTMENT-PROPRIETARY FUND
119	SCHEDULE 4	STATEMENT OF CASH FLOWS BY DEPARTMENT –PROPRIETARY FUNDS
120	SCHEDULE 5	COMPONENT UNIT SCHOOL BOARD – COMBINING BALANCE SHEET
121	SCHEDULE 6	COMPONENT UNIT SCHOOL BOARD – COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
122	SCHEDULE 7	COMPONENT UNIT – SCHOOL BOARD – BUDGETARY COMPARISON SCHEDULE – OPERATING FUND
123	SCHEDULE 8	STATEMENT OF TREASURER'S ACCOUNTABILITY
124	SCHEDULE 9	SCHEDULE OF FINDINGS AND QUESTIONED COSTS
126	SCHEDULE 10	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
127	NOTES TO SCHEDULE OF FEDERAL AWARDS	
	<u>STATISTICAL DATA-(UNAUDITED)</u>	
129	TABLE 1	NET POSITION BY COMPONENT
130	TABLE 2	CHANGES IN NET POSITION
132	TABLE 3	FUND BALANCES, GOVERNMENTAL FUNDS

CITY OF NORTON, VIRGINIA

TABLE OF CONTENTS

June 30, 2018

<u>Page #</u>		
133	TABLE 4	CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
134	TABLE 5	ASSESSED VALUE AND ACTUAL VALUE OF ALL PROPERTY
134	TABLE 6	DIRECT PROPERTY TAX RATES
135	TABLE 7	PRINCIPAL PROPERTY TAXPAYERS
136	TABLE 8	PROPERTY TAX LEVIES AND COLLECTIONS
137	TABLE 9	RATIO OF OUTSTANDING DEBT BY TYPE
137	TABLE 10	RATIO OF GENERAL BONDED DEBT OUTSTANDING
138	TABLE 11	LEGAL DEBT MARGIN INFORMATION
139	TABLE 12	PLEDGED-REVENUE COVERAGE
140	TABLE 13	DEMOGRAPHIC AND ECONOMIC STATISTICS
141	TABLE 14	PRINCIPAL EMPLOYERS
142	TABLE 15	FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
143	TABLE 16	OPERATING INDICATORS BY FUNCTION
144	TABLE 17	CAPITAL ASSET STATISTICS BY FUNCTION

CITY OF NORTON, VIRGINIA

CITY OFFICIALS

June 30, 2018

CITY COUNCIL:

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

CITY OFFICIALS:

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

CONSTITUTIONAL OFFICERS:

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

SCHOOL BOARD:

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

Dr. Gina Wohlford, Superintendent

SOCIAL SERVICES ADVISORY BOARD:

Tim Ray Adams
Vicki Stidham
Jessica Fultz
Jen Boa
Frank Gravely

Sara Ring, Director

CITY LEGAL COUNSEL:

William E. Bradshaw, Attorney at Law



Management Discussion and Analysis

April 9, 2019

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, 2018.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 19,737,090 (net position).
- At June 30, 2018, the City reported combined ending fund balances of \$ 3,418,470 an increase of \$ 995,458 in comparison with the prior year.
- As of June 30, 2018, the General Fund had a total Fund Balance of \$ 2,772,802.
- The total debt outstanding as of June 30, 2018 was \$ 19,479,982 which includes the component units. As of June 30, 2018, the City's Legal Debt Margin was \$ 9,345,336.
- The Water/Sewer Proprietary Fund had a decrease in Net Position for the year of \$ 387,280.

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, 2018

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 5,493,503	\$ 140,618	\$ 5,634,121
Capital assets	9,300,963	17,594,988	26,895,951
Total Assets	\$ 14,794,466	\$ 17,735,606	\$ 32,530,072
Current & other liabilities	\$ 1,069,582	\$ 626,350	\$ 1,695,932
Long-term liabilities	2,272,109	7,510,165	9,782,274
Total Liabilities	\$ 3,341,691	\$ 8,136,515	\$ 11,478,206
Deferred Inflows	\$ 1,727,839	\$ 108,204	\$ 1,836,043
Less - Deferred Outflows	459,193	62,074	521,267
Total Deferred	\$ 1,268,646	\$ 46,130	\$ 1,314,776
Net Position:			
Invested in Capital assets	\$ 8,207,586	\$ 9,965,531	\$ 18,173,117
Unrestricted	1,976,543	(412,570)	1,563,973
Total Net Position	\$ 10,184,129	\$ 9,552,961	\$ 19,737,090

Net position serves as a useful indicator of a government's financial position. The City's combined net position total is \$ 19,737,090 excluding discretely presented component units. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$ 18,173,117. The City of Norton uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Governmental Activities – Governmental activities increased the City's net position by \$907,969. Key elements of this increase are as follows:

Governmental Activities Year Ended June 30, 2018	
Revenues:	
Program Revenues:	
Charges for Services	\$ 519,241
Operating Grants and Contributions	2,723,370
Capital Grants and Contributions	- 0 -
General Revenues:	
Property Taxes	3,091,045
Other Local Taxes	4,573,223
Other	213,146
Total Revenues	\$11,120,025
Expenses:	
General Government	\$ 1,100,244
Public Safety	2,873,422
Public Works	2,308,395
Health and Welfare	1,270,418
Education	2,167,754
Parks, Recreation, Culture	407,173
Community Development	45,218
Transfer-Component Unit	- 0 -
Interest of Long Term Debt	39,432
Total Expenses	\$ 10,212,056
Increase (Decrease) in Net Position	\$ 907,969

Included in the Total Expenses are non-cash items including depreciation. In addition, expenditures for capital assets are not included, while Grant Contributions (revenues) for some types of projects are. This means that under the full accrual method, the net position increased by \$907,969 for FY2018. A portion of the increase is accounted for by actual revenues exceeding budgeted projections and a conservative approach to many City expenditures.

Fund Financial Statements

Governmental Funds – The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. The City's governmental funds include the General Fund and the Special Revenue Funds.

Governmental Fund Highlights:

The largest sources of revenue in the General Fund for the year are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Real Property Tax	\$ 2,029,508	2,111,134	2,062,943	1,699,401	1,866,975
Local Sales and Use Tax	\$ 1,518,284	1,541,644	1,609,549	1,613,223	1,606,815
Restaurant Food Taxes	\$ 1,388,390	1,401,747	1,395,556	1,360,014	1,357,112
Street & Highway Maintenance	\$ 845,049	860,487	841,655	809,297	787,645
Business License Taxes	\$ 779,120	750,765	842,303	812,125	887,396
Personal Property Taxes	\$ 558,745	557,457	540,191	555,523	509,969

The City's assessed value of real estate for the year was \$ 261,104,838. The real estate tax rate is \$.90 per \$ 100 of assessed value. For the year, the percent of levy collected was 95.37%. 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 \$ 387,280. A portion of the decrease is accounted for by actual revenues not being sufficient to cover non-cash expenditures such as depreciation. In addition, cash and cash equivalents increased by \$ 63,548 to \$250,228.

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	\$ 12,387,005	\$ 11,902,548	\$ (482,977)
Total Expenses	12,503,419	<u>10,907,090</u>	\$ 1,596,329
Excess of Revenues Over Expenses		<u>\$ 995,458</u>	

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

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

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

Founded 1948

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia as of June 30, 2018, 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 financial statements, in 2018, the City adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. 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 statistical section and compliance section information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2019 on our consideration of the City of Norton's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


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

Norton, Virginia
April 9, 2019

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

& Consultants

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

Founded 1948

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

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

812 Trent Street
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7446

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2018, 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 April 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2018, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the City's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-003, 2018-004 and 2018-005 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-006, and 2018-007 to be significant deficiencies.

Compliance and Other Matters

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

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

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

We noted certain matters that we reported to management of the City of Norton, Virginia in a separate letter dated April 9, 2019.

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.


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

Norton, Virginia
April 9, 2019

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

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

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

Founded 1948

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

**612 Trent Street
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7446**

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Norton, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. 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, 2018.

Report on Internal Control Over Compliance

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

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

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

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

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


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

Norton, Virginia
April 9, 2019

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

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

Founded 1948

MONROE B. THROWER, C.P.A.
(1918-2000)
M. BARDIN THROWER, JR., C.P.A.
(1948-2012)

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

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

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

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

We have audited the general purpose financial statements of the City of Norton, Virginia (the "City") as of and for the year ended June 30, 2018, and have issued our report thereon dated April 9, 2019.

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

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

Code of Virginia

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

State Agency Requirements

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

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

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

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

Thrower, Blanton & Associates, P.C.
THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

April 9, 2019

CITY OF NORTON
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 474,805	\$ 120,354	\$ 595,159	\$ 1,922,977
Restricted cash	645,617	129,874	775,491	451,341
Investments	1,926,548	-	1,926,548	-
Receivable, net	1,438,495	389,850	1,828,345	13,125
Prepaid Expense	-	-	-	23,837
Due from other governmental units	493,197	-	493,197	191,323
Internal balances	499,460	(499,460)	-	-
Due from other funds	15,381	-	15,381	1,339
Due from primary government	-	-	-	76,653
Net pension asset	-	-	-	164,146
Capital assets, non-depreciable	967,767	596,565	1,564,332	1,355,604
Capital assets, depreciable, net	8,333,196	16,998,423	25,331,619	14,206,231
 Total Assets	 \$ 14,794,466	 \$ 17,735,606	 \$ 32,530,072	 \$ 18,406,576
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	341,512	59,570	401,082	863,583
Deferred outflows related to other postemployment benefits	34,613	2,504	37,117	65,509
Deferred loss on debt refunding, net	83,068	-	83,068	-
Total Deferred Outflows of Resources	\$ 459,193	\$ 62,074	\$ 521,267	\$ 929,092
 Total Assets and Deferred Outflows of Resources	 \$ 15,253,659	 \$ 17,797,680	 \$ 33,051,339	 \$ 19,335,668
LIABILITIES				
Accounts payable and accrued liabilities	478,828	187,591	666,419	220,002
Accrued payroll and related liabilities	76,343	10,806	87,149	483,820
Accrued interest payable	13,416	36,231	49,647	130,488
Customer security deposits	-	129,874	129,874	-
Due to other governmental units	231,826	-	231,826	-
Due to other funds	1,339	-	1,339	15,381
Due to component units	76,653	-	76,653	-
Compensated absences				
Due within one year	72,546	4,317	76,863	14,949
Due in more than one year	169,275	12,950	182,224	44,846
Long-term liabilities				
Net pension liability	475,815	82,996	558,811	5,893,000
Net other postemployment benefit liability	652,273	42,294	694,567	1,367,662
Due within one year	118,631	257,531	376,162	696,126
Due in more than one year	974,746	7,371,926	8,346,672	8,530,693
 Total Liabilities	 \$ 3,341,691	 \$ 8,136,515	 \$ 11,478,206	 \$ 17,396,966
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	\$ 1,056,824	\$ -	1,056,824	\$ -
Deferred inflows related to pensions	592,815	103,404	696,219	1,082,606
Deferred inflows related to other postemployment benefits	78,200	4,800	83,000	83,731
 Total Deferred Inflows of Resources	 \$ 1,727,839	 \$ 108,204	 \$ 1,836,043	 \$ 1,166,337
NET POSITION				
Net investment in capital assets	8,207,586	9,965,531	18,173,117	6,465,016
Restricted	-	-	-	294,146
Unrestricted	1,976,543	(412,570)	1,563,973	(5,986,797)
 Total Net Position	 \$ 10,184,129	 \$ 9,552,961	 \$ 19,737,090	 \$ 772,365

CITY OF NORTON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

EXHIBIT 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	NIDA
Governmental Activities									
General government	\$ 1,100,244	\$ -	\$ 188,689	\$ -	\$ (911,555)	\$ -	\$ (911,555)		
Public safety	2,873,422	87,094	560,015	-	(2,226,313)	-	(2,226,313)		
Public works	2,308,395	413,874	943,561	-	(950,960)	-	(950,960)		
Health and welfare	1,270,418	-	938,739	-	(331,679)	-	(331,679)		
Education	2,167,754	-	-	-	(2,167,754)	-	(2,167,754)		
Parks, recreation and cultural	407,173	18,273	8,550	-	(380,350)	-	(380,350)		
Community development	45,218	-	83,816	-	38,598	-	38,598		
Interest on long-term debt	39,432	-	-	-	(39,432)	-	(39,432)		
Contingencies	-	-	-	-	-	-	-		
Total Governmental Activities	10,212,056	519,241	2,723,370	-	(6,969,445)	-	(6,969,445)		
Business-type activities									
Water and Wastewater	2,895,886	2,492,506	-	16,100	-	(387,280)	(387,280)		
Total Business-Type Activities	2,895,886	2,492,506	-	16,100	-	(387,280)	(387,280)		
TOTAL PRIMARY GOVERNMENT	13,107,942	3,011,747	2,723,370	16,100	(6,969,445)	(387,280)	(7,356,725)		
COMPONENT UNITS									
School Board	7,683,339	8,619	6,004,993	-	-	-	-	(1,669,727)	-
NIDA	574,027	350,894	-	-	-	-	-	-	(223,133)
Total Component Units	8,257,366	359,513	6,004,993	-	-	-	-	(1,669,727)	(223,133)
General revenues									
Property taxes					3,091,045	-	3,091,045	-	-
Local sales & use tax					1,518,284	-	1,518,284	-	-
Utility taxes					128,898	-	128,898	-	-
Business license taxes					779,120	-	779,120	-	-
Communication taxes					193,631	-	193,631	-	-
Motor vehicle tax					81,767	-	81,767	-	-
Bank stock taxes					51,591	-	51,591	-	-
Recordation taxes					21,376	-	21,376	-	-
Tobacco taxes					-	-	-	-	-
Hotel and motel room taxes					141,171	-	141,171	-	-
Restaurant food taxes					1,388,390	-	1,388,390	-	-
Coal road improvement taxes					25,533	-	25,533	-	-
Cigarette tax					159,197	-	159,197	-	-
Other local taxes					84,265	-	84,265	-	-
Unrestricted miscellaneous revenue					41,497	-	41,497	289,794	-
Unrestricted investment earnings					33,899	-	33,899	1,423	18,439
Gain (loss) on sale of capital assets					16,475	-	16,475	-	-
Recovered cost					121,275	-	121,275	-	112,568
Transfers-Primary Government					-	-	-	-	-
Transfers-Component Units					-	-	-	2,160,418	-
Total general revenues and transfers					7,877,414	-	7,877,414	2,451,635	131,007
Change in net position					907,969	(387,280)	520,689	781,908	(92,126)
NET POSITION - JULY 1, as Restated					9,276,160	9,940,241	19,216,401	(6,955,765)	7,038,348
NET POSITION - JUNE 30					\$ 10,184,129	\$ 9,552,961	\$ 19,737,090	\$ (6,173,857)	\$ 6,946,222

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

**CITY OF NORTON
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018**

	Nonmajor Governmental		
	General	Funds	Total
ASSETS			
Cash and cash equivalents	\$ 474,805	\$ -	\$ 474,805
Restricted Cash	15,307	630,310	645,617
Investments	1,926,548	-	1,926,548
Taxes receivable	1,231,036	-	1,231,036
Accounts receivable	207,459	-	207,459
Due from other funds	596,513	-	596,513
Due from primary government	-	-	-
Due from other governmental units	414,624	78,573	493,197
Total Assets	<u>\$ 4,866,292</u>	<u>\$ 708,883</u>	<u>\$ 5,575,175</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 472,317	\$ 6,511	\$ 478,828
Accrued payroll and related liabilities	63,731	12,612	76,343
Due to other funds	38,919	44,092	83,011
Due to component units	76,653	-	76,653
Due to other governmental units	231,826	-	231,826
Total Liabilities	<u>883,446</u>	<u>63,215</u>	<u>946,661</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	<u>1,210,044</u>	<u>-</u>	<u>1,210,044</u>
Total Deferred Inflows of Resources	<u>1,210,044</u>	<u>-</u>	<u>1,210,044</u>
FUND BALANCES			
Nonspendable	497,058	-	497,058
Restricted	-	-	-
Committed	-	373,108	373,108
Assigned	48,502	272,560	321,062
Unassigned	<u>2,227,242</u>	<u>-</u>	<u>2,227,242</u>
Total Fund Balances	<u>2,772,802</u>	<u>645,668</u>	<u>3,418,470</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,866,292</u>	<u>\$ 708,883</u>	<u>\$ 5,575,175</u>

CITY OF NORTON
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET
POSITION Year Ended June 30, 2018

EXHIBIT 4

Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds	\$ 3,418,470
Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	9,300,963
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	153,220
Deferred refunding charges are not financial resources and, therefore, not reported in the funds	83,068
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable, net of premiums and discounts	(1,093,377)
Accrued interest payable	(13,416)
Compensated Absences	(241,821)
Financial statement elements related to pensions and other postemployment are applicable to future periods, and therefore, are not reported in the governmental funds.	
Net pension liability	(475,815)
Deferred outflows related to pensions	92,239
Deferred outflows for pension contributions subsequent to the measurement date	249,273
Deferred inflows related to pensions	(592,815)
Other post-employment benefits	(652,273)
Deferred outflows for OPEB contributions subsequent to the measurement date	34,613
Deferred inflows related to OPEB	(78,200)
Net Position of Governmental Activities	<u>\$ 10,184,129</u>

CITY OF NORTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General	Special Revenue	Total Governmental Funds
REVENUES:			
General property taxes	\$ 3,027,691	\$ -	\$ 3,027,691
Other local taxes	4,488,958	-	4,488,958
Permits, privilege fees and regulatory licenses	2,177	-	2,177
Fines and forfeitures	18,995	-	18,995
Revenue from use of money & property	32,489	1,410	33,899
Charges for services	467,609	32,637	500,246
Miscellaneous	32,153	-	32,153
Recovered costs	121,275	-	121,275
Intergovernmental	1,866,719	938,739	2,805,458
Total Revenues	<u>10,058,066</u>	<u>972,786</u>	<u>11,030,852</u>
EXPENDITURES:			
Current:			
General government administration	1,134,746	-	1,134,746
Judicial administration	386,605	-	386,605
Public safety	2,451,434	22,001	2,473,435
Public works	1,952,299	-	1,952,299
Health and welfare	109,556	1,165,396	1,274,952
Education and transfer to school	2,167,754	-	2,167,754
Parks, recreation and cultural	480,446	-	480,446
Community development	44,710	-	44,710
Debt service:			
Principal retirement	614,823	-	614,823
Interest	31,443	-	31,443
Total Expenditures	<u>9,373,816</u>	<u>1,187,397</u>	<u>10,561,213</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>684,250</u>	<u>(214,611)</u>	<u>469,639</u>
OTHER FINANCING SOURCES (USES):			
Sale of surplus	25,819	-	25,819
Insurance recoveries	-	-	-
Loan proceeds	500,000	-	500,000
Operating transfers in	-	345,877	345,877
Operating transfers out	(345,877)	-	(345,877)
Total Other Financing Sources (Uses)	<u>179,942</u>	<u>345,877</u>	<u>525,819</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>864,192</u>	<u>131,266</u>	<u>995,458</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>1,908,610</u>	<u>514,402</u>	<u>2,423,012</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,772,802</u>	<u>\$ 645,668</u>	<u>\$ 3,418,470</u>

CITY OF NORTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

Net Change in Fund Balance Governmental Fund:	\$ 995,458
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital Outlay	104,553
Depreciation expense	(531,630)
	<u>(427,077)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	63,354
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments:	
General obligation debt	114,823
Line of credit	500,000
Capital lease	-
Proceeds from debt	(500,000)
Amortization of deferred amount on refunding	(9,230)
	<u>105,593</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	1,241
Compensated absences	(7,411)
Other post-employment benefits	(3,578)
	<u>(9,748)</u>
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	
Pension expense	180,389
	<u>180,389</u>
Change in Net Position of Governmental Activities	<u>\$ 907,969</u>

CITY OF NORTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities Proprietary Funds
	<u>Water & Sewer Operation</u>
ASSETS	
Cash and cash equivalents	\$ 120,354
Restricted cash	129,874
Receivable, net	389,850
Due from other funds	38,920
Due from other government units	-
Land	596,565
Capital assets, net	<u>16,998,423</u>
Total Assets	<u>\$ 18,273,986</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	59,570
Deferred outflows related to other postemployment benefits	<u>2,504</u>
Total Deferred Outflows of Resources	<u>\$ 62,074</u>
LIABILITIES	
Accounts payable	187,591
Accrued payroll and related liabilities	10,806
Accrued interest payable	36,231
Customer security deposits	129,874
Due to other governmental units	-
Due to other funds	538,380
Compensated absences	17,266
Long-term liabilities	
Net pension liability	82,996
Net other postemployment benefit liability	42,294
Due within one year	257,531
Due in more than one year	<u>7,371,926</u>
Total Liabilities	<u>\$ 8,674,895</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	103,404
Deferred inflows related to other postemployment benefits	<u>4,800</u>
Total Deferred Inflows of Resources	<u>\$ 108,204</u>
NET POSITION	
Net investment in capital assets	9,965,531
Restricted	-
Unrestricted (deficit)	<u>(412,570)</u>
Total Net Position	<u>\$ 9,552,961</u>

CITY OF NORTON
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2018

	PROPRIETARY FUNDS
	Water & Sewer Operation
OPERATING REVENUES:	
Charges For Services:	
Water:	
Local	\$ 818,825
Non-local	177,884
Total Water	996,709
Sewer:	
Local	1,099,564
Non-local	288,222
Total Sewer	1,387,786
Total Charges for Services	2,384,495
Miscellaneous:	
Installations and tap fees	21,840
Penalties	59,815
Other	26,356
Total Miscellaneous	108,011
Total Operating Revenues	2,492,506
OPERATING EXPENSES:	
Personnel services	456,646
Fringe benefits	175,090
Contractual services	842,040
Other charges	513,544
Rent	6,000
Depreciation	675,518
Purchase of water	8,447
Total Operating Expenses	2,677,285
Operating Income (Loss)	(184,779)
NON-OPERATING REVENUES (EXPENSES):	
Grant income	16,100
Transfers from General Fund	-
Interconnect expense	(20,971)
Interest expense	(197,630)
Total Non-Operating Revenues (Expenses)	(202,501)
CHANGE IN NET POSTION	(387,280)
NET POSITION - JULY 1, 2017, as Restated	9,940,241
NET POSITION - JUNE 30, 2018	\$ 9,552,961

CITY OF NORTON
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
Year Ended June 30, 2018

	PROPRIETARY FUNDS	COMPONENT UNIT
	Water & Sewer Operation	Norton Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,357,452	\$ 464,993
Cash payments to suppliers for goods and services	(1,491,382)	(348,437)
Cash payments to employees for services	(461,572)	
Other income	108,011	-
Net Cash provided by (used in) Operating activities	512,509	116,556
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in customer deposits	4,498	-
Contribution - City of Norton	-	-
Increase (decrease) in due to other funds	9,133	-
Net Cash Provided by Non-Capital Financing Activities	13,631	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction in progress	(7,965)	-
Acquisition of capital assets	-	(277,870)
Proceeds from issuance of debt	-	-
Contributed Capital-Grant Revenue	16,100	-
Interconnect expense	(20,971)	-
Principal paid	(255,243)	(65,000)
Interest paid	(194,513)	-
Net Cash provided by (used in) capital and related financing activities	(462,592)	(342,870)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	-	18,494
Net cash provided by (used in) investing activities	-	18,494
Net Increase (Decrease) in Cash and Cash Equivalents	63,548	(207,820)
Cash and Cash Equivalents at Beginning of Year	186,680	1,848,248
Cash and Cash Equivalents at End of Year	\$ 250,228	\$ 1,640,428
Displayed as:		
Cash and Cash Equivalents-Unrestricted	\$ 120,354	1,510,428
Restricted Cash	129,874	130,000
	\$ 250,228	\$ 1,640,428
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (184,779)	\$ (110,565)
Adjustments		
Depreciation and amortization	675,518	215,525
OPEB	(1,902)	-
Bad debts	8,954	-
Pension expenses net of employer contributions	(46,028)	-
Changes in assets and liabilities:		
(Increase) decrease in prepaid expense	-	(1,742)
(Increase) decrease in accounts receivable	(27,043)	1,531
Increase (decrease) in accounts payable	92,715	11,807
Increase (decrease) in accrued liabilities	1,175	-
Increase (decrease) in compensating absences	(6,101)	-
Increase (decrease) in deferred rent	-	-
Total adjustments	697,288	227,121
Net Cash Provided by Non-Capital Financing Activities	\$ 512,509	\$ 116,556

**CITY OF NORTON
SPECIAL REVENUE FUNDS.
COMBINING BALANCE SHEET
JUNE 30, 2018**

	RBE Revolving Loan Fund	Virginia Public Assistance Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	Special Revenue Funds Total
<u>ASSETS</u>					
Cash	\$ 311,790	\$ 245,772	\$ 70,679	\$ 2,069	\$ 630,310
Receivables (Net of Any Allowance For Uncollectibles):					
Accounts	-	-	-	-	-
Note receivable	-	-	-	-	-
Due from other governmental units:					
Commonwealth of Virginia	-	78,573	-	-	78,573
TOTAL ASSETS	\$ 311,790	\$ 324,345	\$ 70,679	\$ 2,069	\$ 708,883
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ 6,511	\$ -	\$ -	\$ 6,511
Accrued liabilities	-	12,612	-	-	12,612
Due to other funds	-	32,662	11,430	-	44,092
Total Liabilities	-	51,785	11,430	-	63,215
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed					
Economic development	311,790	-	-	-	311,790
Law enforcement	-	-	59,249	-	59,249
Parks and recreation	-	-	-	2,069	2,069
Assigned	-	272,560	-	-	272,560
Unassigned	-	-	-	-	-
Total Fund Balances	311,790	272,560	59,249	2,069	645,668
TOTAL LIABILITIES AND FUND BALANCES	\$ 311,790	\$ 324,345	\$ 70,679	\$ 2,069	\$ 708,883

27

**CITY OF NORTON
AGENCY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2018**

	Special Welfare Fund
Additions	
Client receipts	\$ 4,648
Total additions	<u>4,648</u>
Deductions	
Payments for clients	<u>5,894</u>
Total deductions	<u>5,894</u>
Change in net position	(1,246)
Net position - beginning of year	<u>14,301</u>
Net position - end of year	<u>\$ 13,055</u>

CITY OF NORTON
STATEMENT OF NET POSITION - COMPONENT UNITS
JUNE 30, 2018

	Norton City Schools	Norton Industrial Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 412,549	\$ 1,510,428	\$ 1,922,977
Restricted cash	321,341	130,000	451,341
Receivable, net	-	13,125	13,125
Prepaid expense	-	23,837	23,837
Due from primary government	76,653	-	76,653
Due from other governmental units	191,323	-	191,323
Due from other funds	1,339	-	1,339
Net pension asset	164,146	-	164,146
Capital assets, non-depreciable	65,901	1,289,703	1,355,604
Capital assets, depreciable, net	<u>9,943,158</u>	<u>4,263,073</u>	<u>14,206,231</u>
Total Assets	<u>\$ 11,176,410</u>	<u>\$ 7,230,166</u>	<u>\$ 18,406,576</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	863,583	-	863,583
Deferred outflows related to other postemployment benefits	<u>65,509</u>	<u>-</u>	<u>65,509</u>
	<u>\$ 929,092</u>	<u>\$ -</u>	<u>\$ 929,092</u>
LIABILITIES			
Accounts payable and accrued liabilities	66,058	153,944	220,002
Accrued payroll and related liabilities	483,820	-	483,820
Accrued interest payable	130,488	-	130,488
Due to other funds	15,381	-	15,381
Compensated absences:			
Due within one year	14,949	-	14,949
Due in more than one year	44,846	-	44,846
Long-term liabilities:			
Net pension liability	5,893,000	-	5,893,000
Net other postemployment benefit liability	1,367,662	-	1,367,662
Due within one year	631,126	65,000	696,126
Due in more than one year	<u>8,465,693</u>	<u>65,000</u>	<u>8,530,693</u>
Total Liabilities	<u>17,113,022</u>	<u>283,944</u>	<u>17,396,966</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,082,606	-	1,082,606
Deferred inflows related to other postemployment benefits	<u>83,731</u>	<u>-</u>	<u>83,731</u>
	<u>1,166,337</u>	<u>-</u>	<u>1,166,337</u>
NET POSITION			
Net investment in capital assets	912,240	5,552,776	6,465,016
Restricted	164,146	130,000	294,146
Unrestricted (deficit)	<u>(7,250,243)</u>	<u>1,263,446</u>	<u>(5,986,797)</u>
Total Net Position	<u>\$ (6,173,857)</u>	<u>\$ 6,946,222</u>	<u>\$ 772,365</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES - COMPONENT UNITS
Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Norton City Schools	Total Norton Industrial Development Authority	GRAND TOTAL
Governmental Activities							
Norton City Schools							
Education	\$ 7,683,339	\$ 8,619	\$ 6,004,993	\$ -	\$ (1,669,727)	\$ -	\$ (1,669,727)
Business-type activities							
Norton Industrial Development Authority							
Economic Development	574,027	350,894	-	-	-	(223,133)	(223,133)
Total component units	8,257,366	359,513	6,004,993	-	(1,669,727)	(223,133)	(1,892,860)

General revenues

City of Norton	2,160,418	-	2,160,418
Unrestricted investment earnings	1,423	18,439	19,862
Miscellaneous revenues	289,794	-	289,794
Gain (loss) on sale of capital assets	-	-	-
Recovered cost	-	112,568	112,568
Transfers	-	-	-
Total general revenues and transfers	2,451,635	131,007	2,582,642
Change in net position	781,908	(92,126)	689,782
NET POSITION - JULY 1, 2017, as Restated	<u>(6,955,765)</u>	<u>7,038,348</u>	<u>82,583</u>
NET POSITION - JUNE 30, 2018	<u>\$ (6,173,857)</u>	<u>\$ 6,946,222</u>	<u>\$ 772,365</u>

June 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America these financial statements present the City of Norton and its Component Units. The Component Units discussed in Note B are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

B. Individual Component Unit Disclosures

Discretely Presented Component Unit

Component Units are legally separate organizations for which the elected or appointed officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and is able to impose its will on that organization.

Based on the foregoing criteria, the financial activities of the Norton Industrial Development Authority and the Norton City School Board are included in these financial statements as discretely presented Component Units. Included in the Norton City School Board Component Unit are the School Operating, School Cafeteria, Textbook, and Health Insurance Premium Funds. The Norton Industrial Development Authority's financial statements may be obtained by contacting the Authority at P.O. Box 303, Norton, Virginia 24273.

The financial activities of the following organization are excluded from the accompanying financial statements for the reasons indicated:

Norton Redevelopment and Housing Authority - The City Council appoints the Board of Commissioners; however, the City does not have responsibility for the fiscal matters of the Authority, including authorizations of budgetary appropriations, funding of operating deficiencies, control over or use of surplus funds, responsibility for debts and control over the collection and disbursement of funds.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

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

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

June 30, 2018

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

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

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

The City reports the following major governmental funds:

General Fund

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

Special Revenue Funds

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

The City reports the following major proprietary funds:

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

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

D. Basis of Accounting

1. Governmental Funds

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

June 30, 2018

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

D. Basis of Accounting (Continued)

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Interest on long-term debt is recognized when due except for interest due on July 1, which is accrued.

2. Proprietary Funds

The accrual basis of accounting is used for the Water and Sewer Enterprise Fund and the discretely presented component unit, Norton Industrial Development Authority. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

3. Fiduciary Funds

Agency Funds utilize the modified accrual basis of accounting.

E. Budgets and Budgetary Accounting

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the category level. The appropriations for each category can be revised only by the City Council. The City Manager is authorized to transfer budgeted amounts within governmental departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except for the School Fund). The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. For all City units, appropriations lapse on June 30.
8. All budget data presented in the accompanying financial statements is the revised budget as of June 30, 2018.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Deposits and Investments

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

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

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

H. Capital Assets

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

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

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

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

I. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$360,388 at June 30, 2018, and is composed of the following:

General Fund:

Allowance for uncollectible property taxes	\$102,121	
Allowance for uncollectible garbage fees	<u>28,501</u>	
Total General Fund		130,622

Water and Sewer Fund:

Allowance for uncollectible water and sewer fee billings	<u>229,766</u>	
Total Water and Sewer Fund		<u>229,766</u>
Total Allowance for Uncollectible Accounts		<u>\$ 360,388</u>

June 30, 2018

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

J. Interfund Receivables and Payables

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

K. Compensated Absences

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

L. Pensions

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

M. 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.

June 30, 2018

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

M. Other Postemployment Benefits (OPEB) (Continued)

Teacher Employee Virginia Local Disability Program

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

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, 2017 and classified fund balance into the following five categories:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

O. Fund Equity (Continued)

• **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

• **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager through the budgetary process.

• **Unassigned:** This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Resource Flow Policy

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

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

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, 2017 and prior to the reporting date of June 30, 2018, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2018. 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, 2017 have been reported as a deferred inflow of resources. This difference will be recognized in pension expense over a closed five-year period.

NOTES TO FINANCIAL STATEMENTS

 June 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Q. **Deferred Outflows/Inflows of Resources (Continued)**

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

The General Fund reports the deferred loss on debt refunding, net as a deferred outflow of resources presented on the Governmental Activities Statement of Net Position. The deferred loss on refunding results from the net difference in the carrying value of refunded debt and the reacquisition price of the refunding debt. This net difference amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The City has reported a deferred loss on the refunding of debt of \$83,068 as a deferred outflow of resources on the Governmental Activities and Statement of Net Position as of June 30, 2018.

2. **DEPOSITS AND INVESTMENTS****Deposits**

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

Investments**Investment Policy:**

In accordance with the Code of Virginia and other applicable laws, including regulations, the City permits investments in obligations of the United States or agencies thereof, 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 (VML/VACO 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	52%
Virginia Investment Pool	47%

Custodial Credit Risk:

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

Fair Value Measurements:

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

2. DEPOSITS AND INVESTMENTS (Continued)

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

	Primary Government	Component Units	
		School	NIDA
Deposits and investments:			
Cash on hand	\$ 950	\$ -	\$ -
Deposits	1,369,700	733,890	35,266
Investments	1,926,548	-	1,605,162
	<u>\$ 3,297,198</u>	<u>\$ 733,890</u>	<u>\$ 1,640,428</u>
Statement of net position:			
Cash and cash equivalents	\$ 595,159	\$ 412,549	\$ 1,510,428
Investments	1,926,548	-	-
Restricted cash and cash equivalents	775,491	321,341	130,000
	<u>\$ 3,297,198</u>	<u>\$ 733,890</u>	<u>\$ 1,640,428</u>

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

3. PROPERTY TAXES RECEIVABLE

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

4. DUE FROM OTHER GOVERNMENTAL UNITS

	Primary Government	Component Unit School Board	Total
Commonwealth of Virginia			
Local sales tax	\$ 128,533	\$ -	\$ 128,533
Shared expenses	24,100	-	24,100
Communication tax	15,440	-	15,440
E-911 tax	3,727	-	3,727
Other	113,101	-	113,101
School funds	-	191,323	191,323
Welfare funds	78,573	-	78,573
Total Commonwealth of Virginia	<u>363,474</u>	<u>191,323</u>	<u>554,797</u>
Wise County			
Coal haul road tax	7,394	-	7,394
Local Revenue Collections	2,407	-	2,407
Total Wise County	<u>9,801</u>	<u>-</u>	<u>9,801</u>
Southwest Virginia Regional Jail	88,350	-	88,350
Norton Industrial Development Authority	31,572	-	31,572
Total due from other governmental units	<u>\$ 493,197</u>	<u>\$ 191,323</u>	<u>\$ 684,520</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

5. INTERFUND OBLIGATIONS

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	15,381	384,582		
School Textbook Fund		23,523		
Virginia Public Assistance Fund	31,322	-		
Water and Sewer Fund	538,756	39,296		
Special Rev-Drug Gam	11,430	-		
Total General Fund	596,889	447,401	-	-
School Operating Fund:				
General Fund-City Operations	-	-	384,582	15,381
Cafeteria Fund	-	-	6,947	567
Health Insurance Fund	-	-	804	-
Textbook Fund-Other funds	-	-	13,477	-
Total School Operating Fund	-	-	405,810	15,948
School Health Insurance Fund:				
School Operating Fund	-	-	-	804
Textbook Fund	-	-	-	-
Total School Cafeteria Fund	-	-	-	804
School Text Fund:book				
City Operations	-	-	23,523	-
School Operating	-	-		13,477
Health Insurance Fund	-	-		-
Total School Cafeteria Fund	-	-	23,523	13,477
School Cafeteria Fund:				
City DSS	-	-	1,339	
School Operating Fund	-	-	567	6,947
Health Insurance Fund	-	-		-
Total School Cafeteria Fund	-	-	1,906	6,947
Special Revenue Funds				
General Fund	-	11,430	-	-
	-	11,430	-	-
Virginia Public Assistance Fund:				
Cafeteria Fund-School Board	-	1,339	-	-
Water and Sewer Fund	-	-	-	-
General Fund	-	31,322	-	-
	-	32,661	-	-
Water and Sewer Fund:				
Virginia Public Assistance Fund	-	-	-	-
General Fund	39,296	538,756	-	-
	39,296	538,756	-	-
Totals	636,185	1,030,248	431,239	37,176

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

5. **INTERFUND OBLIGATIONS (Continued)**

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

6. **FUND BALANCE - GOVERNMENTAL FUNDS**

As of June 30, 2018, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:	\$ 497,058	\$ —	\$ 497,058
Restricted:	—	—	—
Committed:			
Law Enforcement	—	59,249	59,249
Parks and Recreation	—	2,069	2,069
Planning & Development	—	311,790	311,790
Assigned:			
Administration	11,188	—	11,188
Parks and Recreation	6,000	—	6,000
Public Safety	27,369	—	27,369
Public Works-Streets	3,945	—	3,945
Health and Welfare	—	272,560	272,560
Unassigned	2,227,242	—	2,227,242
Total fund balances	\$2,772,802	\$ 645,668	\$ 3,418,470

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

7. **CHANGES IN CAPITAL ASSETS**

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

PRIMARY GOVERNMENT	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
Buildings	1,964,951	-	-	1,964,951
Improvements other than buildings	1,842,950	-	-	1,842,950
Infrastructure	15,425,142	-	-	15,425,142
Equipment	4,252,723	15,845	291,761	3,976,807
Equipment special revenue	117,258	24,066	5,845	135,479
Total Capital Assets, Depreciable	23,603,024	39,911	297,606	23,345,329
Less Accumulated Depreciation For:				
Buildings	1,476,749	27,393	-	1,504,142
Improvements other than buildings	1,278,552	46,584	-	1,325,136
Infrastructure	8,485,062	269,798	-	8,754,860
Equipment	3,429,028	177,935	291,761	3,315,202
Equipment special revenue	102,873	9,920	-	112,793
Total accumulated depreciation	14,772,264	531,630	291,761	15,012,133
Total Capital Assets, depreciable net	\$ 8,830,760	\$ (491,719)	\$ 5,845	\$ 8,333,196

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

7. CHANGES IN CAPITAL ASSETS (Continued)

PRIMARY GOVERNMENT	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
Component Unit-School Board				
Building	\$ 11,370,171	\$ -	\$ -	\$ 11,370,171
Improvements other than building	3,878,788	-	-	3,878,788
Equipment	970,233	-	72,285	897,948
Total Capital Assets, depreciable	16,219,192	-	72,285	16,146,907
Less Accumulated Depreciation For:				
Building	3,992,452	213,088	-	4,205,540
Improvements other than building	1,076,770	190,822	-	1,267,592
Equipment	742,025	60,877	72,285	730,617
Total Accumulated Depreciation	5,811,247	464,787	72,285	6,203,749
Total Capital Assets, Depreciable, Net	\$ 10,407,945	\$ (464,787)	\$ -	\$ 9,943,158
Component Unit - NIDA				
Building	\$ 7,207,634	\$ 380,265	\$ -	\$ 7,587,899
Equipment	406,353	-	-	406,353
Less Accumulated Depreciation	(3,515,654)	(215,525)	-	(3,731,179)
Total Capital Assets, Depreciable, Net	\$ 4,098,333	\$ 164,740	\$ -	\$ 4,263,073
Business Type Activities				
Building	\$ 256,454	\$ -	\$ -	\$ 256,454
Improvements other than building	24,331,455	-	-	24,331,455
Equipment	1,478,314	-	-	1,478,314
Total Capital Assets, depreciable	26,066,223	-	-	26,066,223
Less Accumulated Depreciation For:				
Building	250,667	320	-	250,987
Improvements other than building	7,075,421	590,941	-	7,666,362
Equipment	1,066,194	84,257	-	1,150,451
Total Accumulated Depreciation	8,392,282	675,518	-	9,067,800
Total Capital Assets, Depreciable, Net	\$ 17,673,941	\$ (675,518)	\$ -	\$ 16,998,423

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

7. **CHANGES IN CAPITAL ASSETS (Continued)**

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

<u>Primary Government</u>	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Land	\$ 897,280	\$ -	\$ -	\$ 897,280
Construction in Progress	-	70,487	-	70,487
Total Capital Assets, non-depreciable	\$ 897,280	\$ 70,487	\$ -	\$ 967,767

<u>Component Unit – School Board</u>	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Land	\$ 65,901	\$ -	\$ -	\$ 65,901
Construction in Progress	-	-	-	-
Total Capital Assets, non-depreciable	\$ 65,901	\$ -	\$ -	\$ 65,901

<u>Component Unit - NIDA</u>	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Land	\$ 1,287,053	\$ 2,650	\$ -	\$ 1,289,703
Total Capital Assets, non-depreciable	\$ 1,287,053	\$ 2,650	\$ -	\$ 1,289,703

<u>Business Type Activities</u>	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Land	\$ 588,600	\$ -	\$ -	\$ 588,600
Construction in Progress	-	7,965	-	7,965
Total Capital Assets, non-depreciable	\$ 588,600	\$ 7,965	\$ -	\$ 596,565

8. **CAPITAL ASSET DEPRECIATION**

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

Governmental activities:		
General government		\$ 16,411
Public safety		91,514
Public works		410,078
Parks, recreation, and cultural		13,119
Community development		508
Total depreciation expense – governmental activities		\$ 531,630
Business-type Activity		
Total depreciation expense – business-type activity		\$ 675,518

9. **LONG-TERM DEBT**

	Governmental Activities General Obligation Bonds	
Year Ending June 30,	Principal	Interest
2019	\$ 118,631	\$ 28,232
2020	122,153	24,915
2021	115,893	21,595
2022	113,100	18,500
2023	116,200	15,382
2024-2028	507,400	28,155
Totals	\$ 1,093,377	\$ 136,779

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. LONG-TERM DEBT (Continued)

Year Ending June 30,	BUSINESS TYPE ACTIVITIES GENERAL OBLIGATION BONDS							
	Sewer Facilities Bond		Water Facilities Bond		Sewer Facilities Bond		Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 2,909	\$ 6,811	\$ 38,938	\$ 49,838	\$ 24,283	\$ 26,621	\$ 11,529	\$ 6,703
2020	3,032	6,688	39,923	48,853	24,835	26,069	11,820	6,534
2021	3,159	6,561	40,932	47,843	25,400	25,504	12,119	6,360
2022	3,292	6,428	41,967	46,808	25,977	24,927	12,425	6,181
2023	3,430	6,290	43,029	45,747	26,568	24,336	12,740	5,999
2024-2028	19,438	29,161	232,026	211,852	142,178	112,343	68,697	27,085
2029-2033	23,884	24,716	262,885	180,992	159,090	95,430	77,833	21,772
2034-2038	29,345	19,255	297,850	146,028	178,015	76,504	88,185	15,753
2039-2043	36,052	12,548	337,465	106,414	199,190	55,330	99,914	8,930
2044-2048	41,892	4,313	382,348	61,531	222,884	31,636	71,446	1,712
2049-2053	-	-	251,472	12,924	165,750	6,551	-	-
2054-2058	-	-	-	-	-	-	-	-
Total	\$ 166,433	\$ 122,771	\$ 1,968,835	\$ 958,830	\$ 1,194,170	\$ 505,251	\$ 466,708	\$ 107,029

Year Ending June 30,	GENERAL OBLIGATION BONDS							
	Sewer Bond		Refunding Bond		Water Facilities Bond		Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 75,719	\$ -	\$ 70,000	\$ 61,771	\$ 19,591	\$ 21,503	\$ 14,431	\$ 16,176
2020	75,719	-	75,000	58,380	20,187	20,941	14,867	15,740
2021	75,719	-	75,000	54,762	20,801	20,362	15,317	15,291
2022	75,719	-	80,000	51,876	21,434	19,765	15,780	14,828
2023	75,719	-	85,000	48,712	22,086	19,149	16,257	14,351
2024-2028	378,595	-	475,000	181,306	120,924	85,841	88,958	64,080
2029-2033	151,432	-	170,000	106,066	140,468	67,398	103,239	49,798
2034-2038	-	-	200,000	66,202	163,169	45,973	119,813	33,223
2039-2043	-	-	185,000	17,703	189,540	21,085	139,049	13,991
2044-2048	-	-	-	-	41,070	888	15,022	226
2049-2053	-	-	-	-	-	-	-	-
2054-2058	-	-	-	-	-	-	-	-
Total	\$ 908,622	\$ -	\$ 1,415,000	\$ 646,778	\$ 759,270	\$ 322,905	\$ 542,733	\$ 237,704

The following is a summary of long-term obligations of the primary government for the year ended June 30, 2018:

	Balance 7/1/2017	Additions/ Proceeds	Payments/ Reductions	Balance 6/30/2018
Business-Type Activities				
General obligation bonds	\$ 7,677,011	\$ -	\$ (255,240)	\$ 7,421,771
Premium on bonds	216,340	-	(8,654)	207,686
Accrued Vacation	23,367	-	(6,100)	17,267
Total	\$ 7,916,718	\$ -	\$ (269,994)	\$ 7,646,724
Governmental Activities				
General obligation bonds	\$ 1,208,200	\$ -	\$ (114,823)	\$ 1,093,377
Line of credit	-	500,000	(500,000)	-
Accrued vacation	234,410	19,743	(12,332)	241,821
Total	\$ 1,442,610	\$ 519,743	\$ (627,155)	\$ 1,335,198

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. LONG-TERM DEBT (Continued)

Changes in Other Long-Term Debt:

Details of Long-Term Indebtedness:
General Fund

General Obligation Notes:

\$2,000,000 General Obligation Taxable Line of Credit Note, Series 2016 issued May 5, 2016 through Carter Bank & Trust. The line of credit is accessible through maturity date of April 30, 2019 and the interest rate will not exceed 2% on any funds advanced. During 2018, the City had drawn and repaid \$500,000 on the line of credit.

Amount Outstanding	
Government Activities	Propriety Fund Types

\$ -

General Obligation Bonds:

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

1,066,700 -

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

26,677 -

Enterprise Fund

General Obligation Bonds:

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

- 908,622

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

- 166,433

\$2,160,000 General Obligation Water Facilities Bond series 2011 issued March 30, 2011 payable to United States of America, USDA Rural Development, with interest at the rate of 2.75%. Interest only is payable on March 28, 2012 and March 28, 2013. Monthly installments of combined principal and interest of \$7,344 are payable beginning April 28, 2013 and continuing on the 28th of each month thereafter until paid in full. The amount of principle advances on the bond total \$2,151,517 at June 30, 2013. The final installment of all unpaid principal and interest shall be due and payable in 38 years on March 28, 2051.

- 1,968,835

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. **LONG-TERM DEBT (Continued)**

Enterprise Funds (continued):

	Amount Outstanding	
	Government Activities	Propriety Fund Types
General Obligation Bonds:		
\$1,297,000 General Obligation Sewer Facilities Bond series 2011 issued 2011 payable to United States of America, USDA Rural Development, with interest at the rate of 2.25%. Interest only was payable on December 15, 2012 and December 15, 2013. Monthly installments of combined principal and interest of \$4,242 are payable beginning January 15, 2014 and continuing on the 15th of each month thereafter until paid in full. The final installment of all unpaid principal and interest shall be due and payable in 38 years on November 15, 2051.	-	1,194,170
\$596,402 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 3.0 percent. Repayment of the principle is scheduled in 40 equal semi-annual installments of \$15,304 payable on February 1 and August 1, beginning 2015. Final payment is due in 2044.	-	542,733
\$1,610,000 General Obligation Public Improvement and Utility Refunding Bond, is payable to the Virginia Resource Authority, with interest at various rates ranging from 2.048 percent to 4.858 percent. Repayment of the principle is scheduled in 27 annual principal payments and semi-annual interest payments payable on April 1 and October 1. Interest only payments beginning on October 1, 2013 with principle payments beginning October 1, 2015. Final payment is due in 2042.	-	1,415,000
\$826,400 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 3.0 percent. Repayment of the principle is scheduled in 30 equal semi-annual installments of \$21,206 payable on April 1 and October 1, beginning 2015. Final payment is due in 2044.	-	759,270
\$483,695 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 2.5 percent. Repayment of the principle is scheduled in 30 equal semi-annual installments of \$11,793 payable on February 1 and August 1, beginning 2016. Final payment is due in 2046.	-	466,708
Total Long-Term Debt	<u>\$ 1,093,377</u>	<u>\$ 7,421,771</u>

The following is a summary of other long-term debt transactions of the City of Norton for the year ended June 30, 2018:

	Compensated Absences	
	Governmental Fund Types	Propriety Fund Types
Payable at June 30, 2017	\$ 234,410	\$ 23,367
Additions	19,743	-
Reductions	(12,332)	(6,100)
Payable at June 30, 2018	<u>\$ 241,821</u>	<u>\$ 17,267</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. **LONG-TERM DEBT (Continued)****Component Unit - School Board**

The following is a summary of long-term obligations of the Component Unit – School Board for the year ended June 30, 2018.

<i>Component Unit - School Board</i>	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Accrued vacation	\$ 62,391	\$ -	\$ (2,596)	\$ 59,795
Capital leases	308,667	-	(98,113)	210,554
General obligation bonds	8,765,000	-	(515,000)	8,250,000
Premium on bonds	681,712	-	(45,447)	636,265
Total long-term obligations	<u>\$ 9,817,770</u>	<u>\$ -</u>	<u>\$ (661,156)</u>	<u>\$ 9,156,614</u>

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

Years Ending June 30,	General Obligation Bond	
	Principal	Interest
2019	\$ 540,000	273,765
2020	560,000	251,490
2021	590,000	225,253
2022	625,000	194,574
2023	655,000	165,529
2024-2028	3,675,000	536,389
2029-2033	1,605,000	96,456
Totals	<u>\$ 8,250,000</u>	<u>\$ 1,743,456</u>

Details of Long-Term Indebtedness:**General Obligation Bonds:**

\$9,330,000 General Obligation School Bond issued November 15, 2012, payable in annual installments beginning July 15th, 2015 and continuing until January 15, 2031. See accompanying amortization schedule for payment details. The bond has variable interest rates ranging from 2.05% to 5.05% and is paid semiannually.

Amount
Outstanding

\$ 8,250,000

TOTAL GENERAL LONG-TERM BONDS/LOANS

\$ 8,250,000

LEASE OBLIGATION

The City of Norton School Division has one capital leases outstanding at June 30, 2018.

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. **LONG-TERM DEBT (Continued)**

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

June 30, 2019	\$ 91,126
June 30, 2020	96,419
June 30, 2021	<u>23,009</u>
Total	<u>\$210,554</u>

Component Unit – NIDA**Changes in Long-Term Debt:**

The following is a summary of long-term debt transactions of the Industrial Development Authority of the City of Norton for the year ended June 30, 2018:

	<u>Evans Distributing</u>	<u>Totals</u>
Mortgage loans Payable on July 01, 2017	\$ 195,000	\$ 195,000
Borrowings	-	-
Retirements	(<u>65,000</u>)	(<u>65,000</u>)
Mortgage loans Payable on June 30, 2018	<u>\$ 130,000</u>	<u>\$ 130,000</u>

Details of Long-Term Indebtedness:

<u>Year(s) Ending June 30</u>	<u>Evans Distributing Company</u>		<u>Total Long – Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 65,000	\$ -	\$ 65,000	\$ -
2020	65,000	-	65,000	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024-2028	-	-	-	-
TOTALS	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ -</u>

Mortgage Loans Payable:

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

\$ 130,000

Total Long-Term Debt

\$ 130,000

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the City had outstanding accrued vacation, sick and personal leave of \$224,637 in the Governmental Activities and outstanding accrued vacation leave of \$16,039 in the Water and Sewer Fund. The City had outstanding accrued payroll taxes of \$17,184 in the Governmental Activities and \$1,228 in the Water and Sewer Fund related to the accrued leave.

COMPONENT UNIT - SCHOOL BOARD

All twelve-month classified, certified, administrative, and supervisory employees of the School Board earn twelve (12) vacation leave days per year. Such vacation leave may be accumulated to a maximum of twenty-five (25) days.

All certified and administrative employees (professional staff) of the School Board earn three (3) days of personal leave per year. Unused personal leave days may be transferred to sick leave days.

All certified and administrative employees of the School Board may earn one sick leave day per month worked each year based on the number of contracted days. (180-200 day contract = 10 days, September – June; 220 day contract = 11 days, August – June; 240-260 day contract = 12 days, July-June). Such personnel shall be able to accumulate an unlimited number of such days. Upon retirement from the Norton City Schools under the VRS, all professional, administrative and support staff (full-time employees) are eligible to receive sick leave funds as follows:

For accumulated days on June 30, 1998:

0-90	\$12.00/day
91-200	\$24.00/day

For additional days accumulated after June 30, 1998, the rate will be \$45.00/day. Most recent sick days accumulated must be used first.

At June 30, 2018, the School Board had outstanding accrued vacation, sick and personal leave of \$55,545 and \$4,250 of accrued payroll taxes related to the accrued leave.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>General Fund</u>
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 153,220
Tax assessments due after June 30	1,056,824	1,056,824
Total	<u>\$ 1,056,824</u>	<u>\$ 1,210,044</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

June 30, 2018

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

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.	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.	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.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contributions component, creditable service is used to determine vesting for the employer contribution portion of the

June 30, 2018

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

		plan.
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contributions component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a</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. <u>Defined Contribution Component:</u></p>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. 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.		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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85% Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. 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. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving

June 30, 2018

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

		employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% 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%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (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%. Eligibility: Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

 June 30, 2018

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

Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.
--	---	---

The remainder of this page left blank intentionally

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	General Government	School Board Non-Professional Group
Inactive members or their beneficiaries currently receiving benefits	<u>55</u>	<u>33</u>
Inactive members:		
Vested inactive members	7	3
Non-vested inactive members	21	6
Inactive members active elsewhere in VRS	<u>36</u>	<u>6</u>
Total inactive members	64	15
Active members	<u>87</u>	<u>12</u>
Total covered employees	<u>206</u>	<u>60</u>

Contributions

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

The City's contractually required contribution rate for the year ended June 30, 2018 was 9.19 % for the general governmental and business-type covered employee compensation and 2.04% for the school board non-professional group. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$292,754 and \$291,699 for the years ended June 30, 2018 and June 30, 2017, respectively and for the school board \$4,246 and \$4,714 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Actuarial Assumptions – General Employees

The total pension liability for Governmental and Business-Type Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

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.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Actuarial Assumptions – General Employees

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

Largest 10 -- Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages 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%

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation 2.5 percent

Salary increases, including
inflation 3.5 percent – 4.75 percent

Investment rate of return 7.0 percent, net of pension plan investment
expense, including inflation*

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Actuarial Assumptions – Public Safety Employees (continued)

Mortality rates:

Largest 10 – Hazardous Duty: 70% 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.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 -- Non-Hazardous Duty:

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

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%

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the City's retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Governmental & Business-Type</u>	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at June 30, 2016	\$ 16,832,691	\$ 14,928,878	\$ 1,903,813
Changes for the year:			
Service cost	371,245	-	371,245
Interest	1,154,900	-	1,154,900
Change in benefit terms	-		-
Change in assumptions	(36,556)		(36,556)
Differences between expected and actual experience	(584,750)	-	(584,750)
Contributions - employer	-	291,335	(291,335)
Contributions - employee	-	158,036	(158,036)
Net investment income	-	1,812,550	(1,812,550)
Benefit payments, including refunds of employee contributions	(668,241)	(668,241)	-
Administrative expenses	-	(10,466)	10,466
Other changes	-	(1,614)	1,614
Net changes	236,598	1,581,600	(1,345,002)
Balance at June 30, 2017	\$ 17,069,289	\$ 16,510,478	\$ 558,811

The remainder of this page left blank intentionally

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Changes in Net Pension Liability (Continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
School Board Non-Professional Group			
Balance at June 30, 2016	\$ 1,866,905	\$ 1,921,560	\$ (54,655)
Changes for the year:			
Service cost	24,382	-	24,382
Interest	126,215	-	126,215
Change in benefit terms	-		-
Change in assumptions	(3,718)		(3,718)
Differences between expected and actual experience	(14,830)	-	(14,830)
Contributions - employer	-	4,714	(4,714)
Contributions - employee	-	11,619	(11,619)
Net investment income	-	226,795	(226,795)
Benefit payments, including refunds of employee contributions	(127,660)	(127,660)	-
Administrative expenses	-	(1,389)	1,389
Other changes	-	(199)	199
Net changes	4,389	113,880	(109,491)
Balance at June 30, 2017	\$ 1,871,294	\$ 2,035,440	\$ (164,146)

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Governmental & Business-Type			
Net Pension Liability	\$ 2,816,859	\$ 558,811	\$ (1,316,776)
School Board Non-Professional Group			
Net Pension Liability	\$ 24,102	\$ (164,146)	\$ (324,834)

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the City's general government recognized pension expense of \$65,973. At June 30, 2018, the City's general government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 108,328	\$ 435,808
Change in assumptions	-	26,458
Net difference between projected and actual earnings on pension plan investments	-	233,953
Employer contributions subsequent to the measurement date	292,754	-
Total	<u>\$ 401,082</u>	<u>\$ 696,219</u>

\$292,754 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2019	\$ (276,034)
2020	(51,497)
2021	(105,236)
2022	(155,124)
2023	-
Thereafter	-
	<u>\$ (587,891)</u>

The remainder of this page left blank intentionally

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

For the year ended June 30, 2018, the School Board's Non-Professional group recognized pension expense of \$(24,085). At June 30, 2018, 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	\$ -	\$ 4,672
Change in assumptions	-	1,171
Net difference between projected and actual earnings on pension plan investments	-	26,763
Employer contributions subsequent to the measurement date	4,214	-
Total	<u>\$ 4,214</u>	<u>\$ 32,606</u>

\$4,214 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2019	(25,851)
2020	10,990
2021	1,501
2022	(19,246)
2023	-
Thereafter	-
	<u>\$ (32,606)</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

13. PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER-SCHOOL BOARD TEACHERS

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 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:</p> <ul style="list-style-type: none"> • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 20, 2014; the plan's effective date for opt-in member was July 1, 2014
<p>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</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</p>	

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

<p>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>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</p> <p>Employees contribute 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 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 compensation 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>Creditable Service</p> <p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the</p>	<p>Creditable Service</p> <p>Same as Plan 1.</p>	<p>Creditable Service</p> <p><u>Defined Benefit Component:</u></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count</p>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

		<p>50% of employer contributions.</p> <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 until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1</p> <p>Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier 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 creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier Defined Benefit Component: 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 retirement benefit for service credited in those plans.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement</p>	<p>Normal Retirement Age Defined Benefit Component:</p>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

	age.	Same as Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	Earliest Unreduced Retirement Eligibility Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Age 60 with at least five years (60 months) of creditable service.. <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 (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%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.	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%. <u>Eligibility:</u> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

<p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement 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 Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p>

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

		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.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

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, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The 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 \$574,369 and \$544,525 for the years ended June 30, 2018, and June 30, 2017 respectively.

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

At June 30, 2018 the school division reported a liability of \$5,893,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017 the school division's proportion was .04792% as compared to .04998% at June 30, 2016.

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**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)**

For the year ended June 30, 2018, the school division recognized pension expense of \$362,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 417,000
Change in assumptions	86,000	-
Net difference between projected and actual earnings on pension plan investments	-	214,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	199,000	419,000
Employer contributions subsequent to the measurement date	574,369	-
Total	<u>\$ 859,369</u>	<u>\$ 1,050,000</u>

\$574,369 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2019	(304,000)
2020	(85,000)
2021	(99,000)
2022	(224,000)
2023	(53,000)
	<u>\$ (765,000)</u>

CITY OF NORTON**NOTES TO FINANCIAL STATEMENTS****June 30, 2018****13. - PENSION PLAN-COST SHARING MULTIPLE-EMPLOYER-SCHOOL BOARD TEACHERS
(CONTINUED)****Actuarial Assumptions – Teachers**

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Mortality rates:**Pre-Retirement:**

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

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**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, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Plan</u>
Total Pension Liability	\$ 45,417,520
Plan Fiduciary Net Position	<u>33,119,545</u>
Employers' Net Pension Liability (Asset)	<u>\$ 12,297,975</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 72.92%

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:

The remainder of this page left blank intentionally

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

CITY OF NORTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

	1.00 % Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	<u>\$ 8,800,000</u>	<u>\$ 5,893,000</u>	<u>\$ 3,488,000</u>

Pension Plan Fiduciary Net Position

Information about the VRS Teacher Retirement Plan's Fiduciary Net Position is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018, 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, 2018.

The remainder of this page left blank intentionally

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 and Schools retrospectively adopted the requirements of GASB Statement No. 75 during the year ended June 30, 2018. The liability accumulated from prior years is recognized as a prior period adjustment for the year ended June 30, 2018.

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

Employees Covered by Benefit Terms

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

Funding Policy and Contributions

The Primary Government and School Board currently fund postemployment health care benefits on a pay-as-you-go basis. The Primary Government and School Board do not accumulate assets in a trust. During fiscal year 2018, the Primary Government and School Board made OPEB benefit payments of \$0 and \$107,441, respectively.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2018.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

14. **OTHER POST-EMPLOYMENT BENEFITS (OPEB)-LOCAL HEALTH INSURANCE (Continued)**

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, 2018, the cost method used to determine OPEB liability was entry age normal level percentage of payroll. All active and former employees who are potentially eligible to receive healthcare benefits as a retiree were included in the calculations.

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

Discount rate	3.00 percent
Average retirement age	65 years
Salary increases	2.0 percent
Amortization period	20 years

School Board

In the actuarial valuation for the year ended June 30, 2018, the cost method used to determine OPEB liability was individual entry age normal level percent of salary. All active and former employees who are potentially eligible to receive healthcare benefits as a retiree were included in the calculations.

All assumptions attempt to represent the best estimate of anticipated experience under the plan. Retirement, mortality, and termination rates are the rates used for the June 30, 2017 Actuarial Valuation of the Virginia Retirement System. No disability rates were assumed. Per capita claims costs include medical, dental, and prescription drug coverages and are based on the 2018 healthcare premiums provided by the School Board.

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

Discount rate	3.87 percent
Medical trend rate	5.80 percent – 4.20 percent over 80 years
Salary growth rate	2.0 percent

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

14. **OTHER POST-EMPLOYMENT BENEFITS (OPEB)-LOCAL HEALTH INSURANCE (Continued)****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 3.00% and 3.58% was used for the City and School valuations, respectively.

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 2.00%	Baseline Rate 3.00%	1.00% Increase 4.00%
<i>Primary Government</i>			
Total OPEB Liability	\$ 19,952	\$ 19,567	\$ 19,193
	1.00% Decrease 2.87%	Baseline Rate 3.87%	1.00% Increase 4.87%
<i>School Board</i>			
Total OPEB Liability	\$ 460,899	\$ 432,662	\$ 407,418

Changes in Total OPEB Liability

	Increase (Decrease)	
	Primary Government	Component Unit School Board
Balance at June 30, 2017	\$ 17,773	\$ 517,573
Changes for the year:		
Service cost	51,713	13,303
Interest	18,666	17,099
Effect of plan changes	-	-
Effect of economic/demographics	(68,394)	-
Effect of assumptions changes or inputs	(191)	(7,872)
Benefit payments	-	(107,441)
Net changes	1,794	(84,911)
Balance at June 30, 2018	\$ 19,567	\$ 432,662

CITY OF NORTON, VIRGINIA**NOTES TO FINANCIAL STATEMENTS****June 30, 2018****14. OTHER POST-EMPLOYMENT BENEFITS (OPEB)-LOCAL HEALTH INSURANCE (Continued)*****Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate***

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

	<u>1.00% Decrease</u>	<u>Baseline Rate</u>	<u>1.00% Increase</u>
<i>Primary Government</i>			
Total OPEB Liability	<u>\$ 19,287</u>	<u>\$ 19,567</u>	<u>\$ 19,849</u>
<i>School Board</i>			
Total OPEB Liability	<u>\$ 398,718</u>	<u>\$ 432,662</u>	<u>\$ 473,705</u>

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

For the year ended June 30, 2018, the Primary Government recognized OPEB – Health Insurance expense of \$1,794. At June 30, 2018, 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, 2018, the School Board recognized OPEB – Health Insurance expense of \$29,261. At June 30, 2018, the School Board reported \$0 deferred outflows of resources and \$6,731 deferred inflows of resources for changes in assumptions related to OPEB – Health Insurance because the School Board is on a pay-as-you-go basis.

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, salaried permanent 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.

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

June 30, 2018

15. ***OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)***

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)

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.

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

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/>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. **OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)**Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. 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:	<i>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.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$ 16,692-City General Employees \$ 1,115-School Board-Non-Professionals \$ 18,591-School Board-Professionals
June 30, 2017 Contribution	\$ 16,605-City General Employees \$ 1,213-School Board-Non-Professionals \$ 19,623-School Board-Professionals

Teacher Health Insurance Credit Program

Governed by:	<i>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.</i>
Total rate:	1.23% of covered employee compensation.
June 30, 2018 Contribution	\$ 43,889
June 30, 2017 Contribution	\$ 41,891

Teacher Employee Virginia Local Disability Program

Governed by:	<i>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.</i>
Total rate:	0.31% of covered employee compensation.
June 30, 2018 Contribution	\$ 1,914
June 30, 2017 Contribution	\$ 1,906

Line of Duty Act Program

Governed by:	<i>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.</i>
Total rate:	\$567.37 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2018 Contribution	\$ 20,426
June 30, 2017 Contribution	\$ 17,021

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. **OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)****OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**

The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 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.

Group Life Insurance Program

June 30, 2018 proportionate share of liability	\$ 260,000-City General Employees \$ 19,000-School Board-Non-Professionals \$ 308,000-School Board-Professionals
June 30, 2017 proportion	0.01731 %-City General Employees 0.00126%-School Board-Non-Professionals 0.02046%-School Board-Professionals
June 30, 2016 proportion	0.01754 %-City General Employees 0.00140%-School Board-Non-Professionals 0.02121%-School Board Professionals
June 30, 2018 expense	\$ 2,000-City General Employees \$(2,000)-School Board-Non-Professionals \$ 1,000-School Board Professionals

Teacher Health Insurance Credit Program

June 30, 2018 proportionate share of liability	\$ 607,000
June 30, 2017 proportion	0.04782%
June 30, 2016 proportion	0.04998 %
June 30, 2018 expense	\$ 45,000

Teacher Employee Virginia Local Disability Program

June 30, 2018 proportionate share of liability	\$ 1,000
June 30, 2017 proportion	0.21792 %
June 30, 2016 proportion	0.24272%
June 30, 2018 expense	\$ 1,000

Line of Duty Act Program

June 30, 2018 proportionate share of liability	\$ 415,000
June 30, 2017 proportion	0.15782 %
June 30, 2016 proportion	0.16086 %
June 30, 2018 expense	\$ 35,000

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

June 30, 2018

15. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)

At June 30, 2018, 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	\$ -	\$ 16,000
Changes of assumptions	-	13,000
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion		3,000
Employer contributions subsequent to the measurement date	16,692	-
Total	<u>\$ 16,692</u>	<u>\$ 32,000</u>

Group Life Insurance Program-School Board-Non-Professionals

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,000
Changes of assumptions	-	1,000
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	1,115	-
Total	<u>\$ 1,115</u>	<u>\$ 2,000</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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	\$ -	\$ 6,000
Changes of assumptions	-	16,000
Net difference between projected and actual earnings on OPEB plan investments	-	12,000
Changes in proportion	-	11,000
Employer contributions subsequent to the measurement date	18,591	-
Total	<u>\$ 18,591</u>	<u>\$ 45,000</u>

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	6,000
Net difference between projected and actual earnings on OPEB plan investments	-	1,000
Changes in proportion	-	23,000
Employer contributions subsequent to the measurement date	43,889	-
Total	<u>\$ 43,889</u>	<u>\$ 30,000</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. **OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)****Teacher Employee Virginia Local Disability Program**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	1,914	-
Total	<u>\$ 1,914</u>	<u>\$ -</u>

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	43,000
Net difference between projected and actual earnings on OPEB plan investments	-	1,000
Changes in proportion	-	7,000
Employer contributions subsequent to the measurement date	20,425	-
Total	<u>\$ 20,425</u>	<u>\$ 51,000</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30	Increase (Reduction) to OPEB Expense		
	City General	<u>School</u> <u>Board</u>	<u>School</u> <u>Board</u>
	Employees	Non-Professionals	Professionals
2019	\$ (7,000)	\$ (2,000)	\$ (9,000)
2020	(7,000)	-	(9,000)
2021	(7,000)	-	(9,000)
2022	(6,000)	-	(9,000)
2023	(4,000)	-	(6,000)
Thereafter	(1,000)	-	(3,000)
	<u>\$ (32,000)</u>	<u>\$ (2,000)</u>	<u>\$ (45,000)</u>

Teacher Health Insurance Credit Program

Year Ending June 30	Increase (Reduction) to OPEB Expense
2019	\$ (5,000)
2020	(5,000)
2021	(5,000)
2022	(5,000)
2023	(5,000)
Thereafter	(5,000)
	<u>\$ (30,000)</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. **OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)**Line of Duty Act Program

Year Ending June 30	Increase (Reduction) to OPEB Expense
2019	\$ (6,000)
2020	(6,000)
2021	(6,000)
2022	(6,000)
2023	(6,000)
Thereafter	(21,000)
	\$ (51,000)

Actuarial Assumptions and Other Inputs

Inflation 2.5%

Salary increases, including inflation:

- Locality- general employees 3.5 – 5.35%
- Locality – hazardous duty employees 3.5 – 4.75%
- Teachers 3.5 – 5.95%

Healthcare cost trend rates:

- Under age 65 7.75 – 5.00%
- Ages 65 and older 5.75 – 5.00%

Investment rate of return, net of expenses, including inflation* GLI, HIC, & VLDP 7.0%; LODA 3.56%

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

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)

Changes to LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

Changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes, available at https://www.vml.org/wp-content/uploads/2017/06/SummaryChangesHB1345_LODA02.12.16.pdf and <https://www.varetire.org/pdf/publications/legislative-summary-2017.pdf>, will be factored into future actuarial valuations for the LODA Program.

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, 2017, 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	\$ 2,942,426	\$ 1,364,702	\$ 873	\$ 266,252
Plan fiduciary net position	1,437,586	96,091	279	3,461
Employers' net OPEB liability (asset)	\$ 1,504,840	\$ 1,268,611	\$ 594	262,791
Plan fiduciary net position as a percentage of total OPEB liability	48.86%	7.04%	31.96%	1.30%

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:

June 30, 2018

15. **OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	<u>100.00%</u>		<u>4.80%</u>
	Inflation		2.50%
	* Expected arithmetic nominal return		<u>7.30%</u>

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 7.00% assumption noted above. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

Discount Rate

The discount rate used to measure the GLI, HIC, and VLDP OPEB liabilities was 7.00%. The discount rate used to measure the LODA OPEB liability was 3.56%. 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, 2019, 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, 2019 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.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. **OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)****Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liabilities of the City of Norton, as well as what the City's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00% GLI/2.56% LODA) or one percentage point higher (8.00% GLI/4.56% LODA) than the current discount rate:

	1.00 % Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB Liability			
City-General Employee	\$ 337,000	\$ 260,000	\$ 198,000
School Board-Non-Professional	25,000	19,000	15,000
School Board-Professional	398,000	308,000	235,000
Teacher HIC Net OPEB Liability	\$ 677,000	\$ 607,000	\$ 547,000
Teacher VLDP Net OPEB Liability	\$ 1,000	\$ 1,000	\$ 1,000
LODA Net OPEB Liability	(2.56%) \$ 471,000	(3.56%) \$ 415,000	(4.56%) \$ 369,000

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

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

	1.00% Decrease (6.75% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
Net LODA OPEB Liability	\$ 352,000	\$ 415,000	\$ 493,000

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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)	-	-	-	164,146
Total net pension asset	\$ -	\$ -	\$ -	\$ 164,146
Deferred outflows of resources - Related to Pensions				
Deferred outflow-Contributions after the measurement date				
VRS-Defined Benefit Pension Plan-General Employees	249,273	43,481	292,754	-
VRS-Defined Benefit Pension Plan-Schools	-	-	-	4,214
VRS- Cost Sharing-Multiple-Employer-School Board Teachers	-	-	-	574,369
Deferred outflow-Differences in expected/ actual and assumptions				
VRS-Defined Benefit Pension Plan	92,239	16,089	108,328	-
VRS- Cost Sharing-Multiple-Employer-School Board Teachers	-	-	-	285,000
Total deferred outflow of resources - Pensions	\$ 341,512	\$ 59,570	\$ 401,082	\$ 863,583
Deferred outflows of resources - OPEB				
Deferred outflow-Differences in expected/ actual and assumptions				
VRS-LODA	\$ -	\$ -	\$ -	\$ -
Deferred outflow-Contributions after the measurement date				
VRS-LODA-OPEB Proram	20,425	-	20,425	-
VRS-GLI-OPEB Program-General Employees	14,188	2,504	16,692	-
VRS-HIC-Schools-Teachers	-	-	-	43,889
VRS-VLDP-Schools-Teachers	-	-	-	1,914
VRS-GLI-OPEB Program-Schools-Non-Professionals	-	-	-	1,115
VRS-GLI-OPEB Program-Schools-Professionals	-	-	-	18,591
Total deferred outflow of resources - OPEB	\$ 34,613	\$ 2,504	\$ 37,117	\$ 65,509
Net pension liability				
VRS-Defined Benefit Pension Plan	\$ 475,815	\$ 82,996	\$ 558,811	\$ -
VRS- Cost Sharing-Multiple-Employer-School Board Teachers	-	-	-	5,893,000
Total net pension liability	\$ 475,815	\$ 82,996	\$ 558,811	\$ 5,893,000
Net OPEB liability				
Local Health	\$ 16,273	\$ 3,294	\$ 19,567	\$ 432,662
VRS-Line of Duty Act	415,000	-	415,000	-
VRS-GLI-General Employees	221,000	39,000	260,000	-
VRS-HIC-Schools-Teachers	-	-	-	607,000
VRS-VLDP-Schools-Teachers	-	-	-	1,000
VRS-GLI-Schools-Non-Professionals	-	-	-	19,000
VRS-GLI-Schools-Professionals	-	-	-	308,000
Total net OPEB liability	\$ 652,273	\$ 42,294	\$ 694,567	\$ 1,367,662
Deferred inflows of resources - Related to Pensions				
Deferred inflow-Differences in expected/ actual and assumptions				
VRS-Defined Benefit Pension Plan	\$ 592,815	\$ 103,404	\$ 696,219	\$ 32,606
VRS- Cost Sharing-Multiple-Employer-School Board Teachers	-	-	-	1,050,000
Total deferred inflow of resources - Pensions	\$ 592,815	\$ 103,404	\$ 696,219	\$ 1,082,606
Deferred inflows of resources - OPEB				
Deferred inflows-Differences in expected/actual and assumptions				
VRS-Line of Duty Act-Cost Sharing-Multiple-Employer	\$ 51,000	\$ -	\$ 51,000	\$ -
VRS-GLI-Cost Sharing-Multiple-Employer-General Employees	27,200	4,800	32,000	-
VRS-HIC-Schools-Teachers	-	-	-	30,000
VRS-GLI-Cost Sharing-Multiple-Employer-Schools-Non-Professionals	-	-	-	2,000
VRS-GLI-Cost Sharing-Multiple-Employer-Schools-Professionals	-	-	-	45,000
Deferred inflow-Differences in expected/actual and assumptions				
Local Health	-	-	-	6,731
Total deferred inflow of resources - OPEB	\$ 78,200	\$ 4,800	\$ 83,000	\$ 83,731

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

18. RISK MANAGEMENT

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

19. SURETY BONDS

Amount

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

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

CITY OF NORTON, VIRGINIA**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

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, 2018, 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	Committed	Assigned
	Fund Balance	Fund Balance	Fund Balance
General Fund for Capital Assets	\$ -	\$ -	\$ -
General Fund for Other Purposes	-	-	48,502
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,502</u>

COMPONENT UNIT-SCHOOL BOARD

	Encumbrances Included In:		
	Restricted	Committed	Assigned
	Fund Balance	Fund Balance	Fund Balance
School Fund for Capital Assets	\$ -	\$ -	\$ -
School Fund for Other Purposes	114,295	-	-
Total Encumbrances	<u>\$ 114,295</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

21. RESTATEMENT OF NET POSITION

The City implemented the financial reporting provisions of Statement 75 described in Notes 12 and 13 for the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures relating to other post-employment benefits (OPEB). Note disclosures and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for OPEB. The implementation of this Statement resulted in the following restatement of net position:

	General Government	Proprietary Fund	School Board
Net Position as reported at June 30, 2017	\$ 9,390,506	\$ 9,869,760	\$ (5,982,895)
Implementation of GASB 75			
Locality Health Plan	563,154	113,981	(5,870)
Group Life (GLI)-VRS	(246,500)	(43,500)	(375,000)
Teacher Health Insurance Credit (HIC)	-	-	(592,000)
Line of Duty (LODA)	<u>(431,000)</u>	<u>-</u>	<u>-</u>
Net Position as restated at June 30, 2017	<u>9,276,160</u>	<u>9,940,241</u>	<u>(6,955,765)</u>

22. NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

June 30, 2018

22. NEW ACCOUNTING PRONOUNCEMENTS(Continued)

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

GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics: (1) blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, (2) measuring certain money market investments and participating interest-earning investment contracts at amortized cost, (3) timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, (4) recognizing on-behalf payments for pension or OPEB in employer financial statements, (5) presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, (6) classifying employer-paid member contributions for OPEB, (7) simplifying certain aspects of the alternative measurement method for OPEB, (8) accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. The City adopted this Statement for fiscal year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The City adopted this Statement for fiscal year ending June 30, 2018.

23. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 9, 2019, the date which the financial statements were available to be issued.

24. FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. Management has not yet evaluated their effect on the City's financial report.

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

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018

EXHIBIT 15

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
General property taxes	\$ 2,892,900	\$ 2,892,900	\$ 3,027,691	\$ 134,791
Other local taxes	4,528,200	4,528,200	4,488,958	(39,242)
Permits, privilege fees and regulatory licenses	8,960	8,960	2,177	(6,783)
Fines and forfeitures	20,750	20,750	18,995	(1,755)
Revenue from use of money and property	22,000	22,000	32,489	10,489
Charges for services	419,500	423,258	467,609	44,351
Miscellaneous	23,150	26,050	32,153	6,103
Recovered costs	128,450	128,450	121,275	(7,175)
Intergovernmental	1,555,666	2,228,817	1,866,719	(362,098)
Total Revenues	9,599,576	10,279,385	10,058,066	(221,319)
EXPENDITURES:				
General government administration	1,605,377	1,619,876	1,521,351	98,525
Public safety	2,566,220	3,076,310	2,451,434	624,876
Public works	1,869,425	2,309,180	1,952,299	356,881
Health and welfare	90,565	111,396	109,556	1,840
Education	2,499,205	2,499,205	2,167,754	331,451
Parks, recreation and cultural	418,544	457,592	480,446	(22,854)
Community development	51,097	51,097	44,710	6,387
Debt Service	171,266	646,266	646,266	-
Total Expenditures	9,271,699	10,770,922	9,373,816	1,397,106
OTHER FINANCING SOURCES (USES):				
Sale of property	6,000	6,000	25,819	19,819
Insurance recoveries	12,000	12,000	-	(12,000)
Loan proceeds	-	703,000	500,000	(203,000)
Prior Year Surplus	-	116,414	-	(116,414)
Transfers in (out)	(345,877)	(345,877)	(345,877)	-
Total Other Financing Sources (Uses)	(327,877)	491,537	179,942	(311,595)
Net Change in Fund Balance	\$ -	\$ -	\$ 864,192	\$ 864,192

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 371,245	\$ 373,792	\$ 358,130	\$ 344,218
Interest	1,154,900	1,087,779	1,045,595	998,021
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(584,750)	226,076	(54,102)	-
Changes in assumptions	(36,556)	-	-	-
Benefit payments, including refunds of employee contributions	(668,241)	(789,304)	(704,688)	(620,524)
Net change in total pension liability	236,598	898,343	644,935	721,715
Total pension liability - beginning	16,832,691	15,934,348	15,289,413	14,567,698
Total pension liability - ending	\$ 17,069,289	\$ 16,832,691	\$ 15,934,348	\$ 15,289,413
Plan fiduciary net position				
Contributions - employer	\$ 291,335	\$ 342,434	\$ 350,650	\$ 381,975
Contributions - employee	158,036	159,362	163,425	156,164
Net investment income	1,812,550	255,995	661,092	1,986,618
Benefit payments, including refunds of employee contributions	(668,241)	(789,304)	(704,688)	(620,524)
Administrative expense	(10,466)	(9,317)	(9,107)	(10,842)
Other	(1,614)	(109)	(141)	278
Net change in total pension liability	1,581,600	(40,939)	461,231	1,893,669
Total pension liability - beginning	14,928,878	14,969,817	14,508,586	12,614,917
Total pension liability - ending	\$ 16,510,478	\$ 14,928,878	\$ 14,969,817	\$ 14,508,586
Political subdivision's net pension liability - ending	\$ 558,811	\$ 1,903,813	\$ 964,531	\$ 780,827
Plan fiduciary net position as a percentage of the total pension liability	96.73%	88.69%	93.95%	94.89%
Covered - employee payroll	\$ 3,307,908	\$ 3,188,054	\$ 3,141,999	\$ 3,238,494
Political subdivision's net pension liability as a percentage of covered-employee payroll	16.89%	59.72%	30.70%	24.11%

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

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SCHOOL BOARD NON-PROFESSIONAL GROUP
JUNE 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 24,382	\$ 26,225	\$ 25,750	\$ 25,638
Interest	126,215	124,818	125,981	123,727
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(14,830)	(3,385)	(42,696)	-
Changes in assumptions	(3,718)	-	-	-
Benefit payments, including refunds of employee contributions	(127,660)	(127,735)	(123,556)	(110,787)
Net change in total pension liability	4,389	19,923	(14,521)	38,578
Total pension liability - beginning	1,866,905	1,846,982	1,861,503	1,822,925
Total pension liability - ending	\$ 1,871,294	\$ 1,866,905	\$ 1,846,982	\$ 1,861,503
Plan fiduciary net position				
Contributions - employer	\$ 4,714	\$ 17,138	\$ 18,142	\$ 9,616
Contributions - employee	11,619	12,385	13,127	12,521
Net investment income	226,795	32,002	88,847	278,238
Benefit payments, including refunds of employee contributions	(127,660)	(127,735)	(123,556)	(110,787)
Administrative expense	(1,389)	(1,277)	(1,292)	(1,561)
Other	(199)	(14)	(21)	15
Net change in total pension liability	113,880	(67,501)	(4,753)	188,042
Total pension liability - beginning	1,921,560	1,989,061	1,993,814	1,805,772
Total pension liability - ending	\$ 2,035,440	\$ 1,921,560	\$ 1,989,061	\$ 1,993,814
Political subdivision's net pension liability - ending	\$ (164,146)	\$ (54,655)	\$ (142,079)	\$ (132,311)
Plan fiduciary net position as a percentage of the total pension liability	108.77%	102.93%	107.69%	107.11%
Covered - employee payroll	\$ 228,781	\$ 233,281	\$ 262,533	\$ 262,540
Political subdivision's net pension liability as a percentage of covered-employee payroll	-71.75%	-23.43%	-54.12%	-50.40%

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

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2018

Date	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2018	\$ 292,754	\$ 292,754	-	\$ 3,240,720	9.0%
2017	291,699	291,699	-	3,307,908	8.8%
2016	342,434	342,434	-	3,188,054	10.7%
2015	346,292	346,292	-	3,141,999	11.0%
2014	417,409	417,409	-	3,238,494	12.9%
2013	374,267	374,267	-	2,950,434	12.7%
2012	417,409	417,409	-	3,080,986	13.5%
2011	428,371	428,371	-	3,071,355	13.9%
2010	365,000	365,000	-	3,176,357	11.5%
2009	361,137	361,137	-	3,083,436	11.7%

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SCHOOL BOARD NON-PROFESSIONAL GROUP
JUNE 30, 2018

Date	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2018	\$ 4,246	\$ 4,246	\$ -	\$ 215,981	1.97%
2017	4,714	4,714	-	228,781	2.06%
2016	16,791	16,791	-	233,281	7.20%
2015	18,142	18,142	-	262,533	6.91%
2014	15,506	15,506	-	262,540	5.91%
2013	9,552	9,552	-	249,992	3.82%
2012	12,974	12,974	-	261,728	4.96%
2011	12,864	12,864	-	268,008	4.80%
2010	12,979	12,979	-	260,117	4.99%
2009	12,398	12,398	-	233,957	5.30%

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SCHOOL DIVISION-TEACHER RETIREMENT PLAN
JUNE 30, 2018

	2018 *	2017 *	2016 *	2015 *
School's Proportion of the Net Pension Liability (Asset)	0.04792%	0.04998%	0.04765%	0.05036%
School's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,893,000	\$ 7,004,000	\$ 5,997,000	\$ 6,086,000
School's Covered - employee payroll	\$ 3,773,626	\$ 3,807,613	\$ 3,542,739	\$ 4,073,289
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	156.16%	183.95%	169.28%	149.41%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

1) Schedule is intended to show information for 10 years. Since 2018 is the fourth year for presentation, there are only four years available. However, additional years will be included as they become available.

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

**CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SCHOOL DIVISION-TEACHER RETIREMENT PLAN
JUNE 30, 2018**

Date	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
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%
2014	525,281	525,281	-	3,682,808	14.26%
2013	425,312	425,312	-	3,647,180	11.66%
2012	437,848	437,848	-	3,864,504	11.33%
2011	352,060	352,060	-	3,942,438	8.93%
2010	433,201	433,201	-	3,857,881	11.23%
2009	514,373	514,373	-	3,724,639	13.81%

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2018

	Plan Year 2018	
	Governmental & Business-Type Local Plan	School Board Local Plan
Total OPEB liability		
Service cost	\$ 51,713	\$ 13,303
Interest	18,666	17,099
Changes of benefit terms	-	-
Differences between expected and actual experience	(68,394)	-
Changes in assumptions	(191)	(7,872)
Benefit payments, including refunds of employee contributions	-	(107,441)
Net change in total OPEB liability	<u>1,794</u>	<u>(84,911)</u>
Total OPEB liability - beginning	<u>17,773</u>	<u>517,573</u>
Total OPEB liability - ending	<u><u>\$ 19,567</u></u>	<u><u>\$ 432,662</u></u>
Covered - employee payroll	\$ 3,240,720	\$ 3,863,551
Total OPEB liability as a percentage of covered-employee payroll	0.60%	11.20%

1) Fiscal year 2018 was the first year of GASB 75 implementation; therefore only one year is shown herein.

Notes to Schedule:

Changes to assumptions: Changes to assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

	Governmental & Business-Type Local Plan	School Board Local Plan
2018	3.000%	3.870%
2017	2.500%	3.580%

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
June 30, 2018

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES					
<u>Plan Year</u>	<u>Actuarially Determined Employer Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
Local Plan					
2018	\$ -	\$ -	-	#####	0.00%

SCHOOL BOARD					
<u>Plan Year</u>	<u>Actuarially Determined Employer Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
Local Plan					
2018	\$ 107,441	\$ 107,441	\$ -	#####	2.78%

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

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

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2018

* Fiscal Year Ended 30-Jun	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					
2018	0.01731%	\$ 260,000	\$3,193,228	8.14%	48.86%
VRS- Line of Duty Act (LODA)					
2018	0.15782%	\$ 415,000	\$ 858,463	48.34%	1.30%
VRS-Group Life Insurance-School Board-Teachers					
2018	0.02046%	\$ 308,000	\$3,773,626	8.16%	48.86%
VRS-Group Life Insurance-School Board-General Employees					
2018	0.00126%	\$ 19,000	\$ 233,281	8.14%	48.86%
VRS-Health Insurance Credit-Teachers					
2018	0.04782%	\$ 607,000	\$3,773,992	16.08%	7.04%
VRS-VLDP-School Board-Teachers					
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 one year of data is available. Additional years will be included as they become available.

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

CITY OF NORTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2018

Fiscal Year	Contractually Required Contribution	Contributions Related to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
VRS-Group Life Insurance-General Employees					
2018	\$ 16,692	\$ 16,692	\$ -	\$ 3,210,080	0.52%
2017	16,605	16,605	-	3,193,228	0.52%
2016	15,129	15,129	-	3,151,925	0.48%
2015	15,209	15,209	-	3,168,613	0.48%
2014	14,529	14,529	-	3,026,810	0.48%
2013	14,094	14,094	-	2,936,302	0.48%
2012	7,985	7,985	-	2,851,730	0.28%
2011	8,244	8,244	-	2,944,169	0.28%
2010	6,039	6,039	-	2,236,661	0.27%
2009	7,765	7,765	-	2,875,757	0.27%
VRS- Line of Duty Act					
2018	\$ 20,426	\$ 20,426	\$ -	\$ 869,874	2.35%
2017	17,021	17,021	-	858,463	1.98%
2016	15,694	15,694	-	802,314	1.96%
2015	17,122	17,122	-	794,579	2.15%
2014	15,790	15,790	-	764,311	2.07%
2013	14,817	14,817	-	964,562	1.54%
2012	10,291	10,291	-	1,016,866	1.01%
VRS-Group Life Insurance-School Board-Teachers					
2018	\$ 18,591	\$ 18,591	\$ -	\$ 3,571,615	0.52%
2017	19,623	19,623	-	3,773,626	0.52%
2016	17,358	17,358	-	3,616,216	0.48%
2015	17,070	17,070	-	3,556,211	0.48%
2014	17,749	17,749	-	3,697,804	0.48%
2013	17,506	17,506	-	3,647,180	0.48%
2012	10,821	10,821	-	3,864,504	0.28%
2011	11,039	11,039	-	3,942,438	0.28%
2010	21,734	21,734	-	3,857,881	0.56%
VRS-Group Life Insurance-School Board-General Employees					
2018	\$ 1,115	\$ 1,115	\$ -	\$ 214,450	0.52%
2017	1,213	1,213	-	233,281	0.52%
2016	1,210	1,210	-	252,111	0.48%
2015	1,260	1,260	-	262,540	0.48%
2014	1,202	1,202	-	250,414	0.48%
2013	1,194	1,194	-	248,674	0.48%
2012	771	771	-	275,268	0.28%
2011	736	736	-	262,724	0.28%
2010	516	516	-	190,942	0.27%
2009	669	669	-	247,841	0.27%
VRS-Health Insurance Credit-Teachers					
2018	\$ 43,889	\$ 43,889	\$ -	\$ 3,569,234	1.23%
2017	41,891	41,891	-	3,773,992	1.11%
2016	40,394	40,394	-	3,810,793	1.06%
2015	37,553	37,553	-	3,542,739	1.06%
2014	40,879	40,879	-	3,682,807	1.11%
2013	40,484	40,484	-	3,647,180	1.11%
2012	23,187	23,187	-	3,864,504	0.60%
2011	23,655	23,655	-	3,942,438	0.60%
2010	28,368	28,368	-	2,727,667	1.04%
2009	40,203	40,203	-	3,722,473	1.08%
VRS-VLDP-School Board-Teachers					
2018	\$ 1,914	\$ 1,914	\$ -	\$ 620,879	0.31%
2017	1,906	1,906	-	614,962	0.31%
2016	1,300	1,300	-	448,374	0.29%
2015	743	743	-	256,270	0.29%
2014	50	50	-	17,250	0.29%

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

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

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

CITY OF NORTON
Notes to Required Supplementary Information
June 30, 2018

Note 1. Change of benefit terms

Pension

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Other Postemployment Benefits (OPEB)

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

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

Largest 10 -- Non-Hazardous Duty:

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

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

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

Largest 10 -- Hazardous Duty/Public Safety Employees:

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

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

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

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue From Local Sources:				
General Property Taxes:				
Real property taxes	\$ 1,975,000	\$ 1,975,000	\$ 2,029,508	\$ 54,508
Real and personal public service corporation property taxes	205,000	205,000	265,069	60,069
Personal property taxes	540,400	540,400	558,745	18,345
Machinery and tools taxes	102,500	102,500	111,112	8,612
Penalties and interest	70,000	70,000	63,257	(6,743)
Total General Property Taxes	2,892,900	2,892,900	3,027,691	134,791
Other Local Taxes:				
Local sales and use taxes	1,525,000	1,525,000	1,518,284	(6,716)
Utility taxes	130,000	130,000	128,898	(1,102)
Business license taxes	813,000	813,000	779,120	(33,880)
Communication taxes	210,000	210,000	193,631	(16,369)
Motor vehicle licenses	80,000	80,000	81,767	1,767
Bank stock taxes	50,000	50,000	51,591	1,591
Recordation taxes	20,000	20,000	21,376	1,376
Tobacco taxes	200	200	-	(200)
Hotel and motel room taxes	170,000	170,000	141,171	(28,829)
Restaurant food taxes	1,350,000	1,350,000	1,388,390	38,390
Coal road improvement taxes	20,000	20,000	25,533	5,533
Cigarette tax	160,000	160,000	159,197	(803)
Total Other Local Taxes	4,528,200	4,528,200	4,488,958	(39,242)
Permits, Privilege Fees And Regulatory Licenses:				
Animal licenses	500	500	532	32
Permits and other licenses	8,460	8,460	1,645	(6,815)
Total Permits, Privilege Fees and Regulatory Licenses	8,960	8,960	2,177	(6,783)
Fines and Forfeitures	20,750	20,750	18,995	(1,755)
Revenue From Use Of Money And Property:				
Revenue from use of money	4,500	4,500	13,824	9,324
Revenue from use of property	17,500	17,500	18,665	1,165
Total Revenue From Use of Money and Property	22,000	22,000	32,489	10,489
Charges For Services:				
Court cost	-	-	-	-
Sheriff's fees	1,000	1,000	702	(298)
Charges for sanitation and waste removal	411,500	411,500	413,874	2,374
Charges for parks and recreation	7,000	10,758	18,273	7,515
NFD revenue recovery	-	-	34,760	34,760
Total Charges for Services	419,500	423,258	467,609	44,351
Miscellaneous Revenue:				
Miscellaneous	23,150	26,050	32,153	6,103
Total Miscellaneous	23,150	26,050	32,153	6,103
Recovered Costs:				
Recovered Cost - School Board	7,500	7,500	2,212	(5,288)
Recovered Cost - Streets	50,000	50,000	50,000	-
Recovered Cost-NIDA	57,000	57,000	55,113	(1,887)
Cost allocation plan - Water and Sewer Fund	13,950	13,950	13,950	-
Total Recovered Costs	128,450	128,450	121,275	(7,175)
Total Revenue From Local Sources	8,043,910	8,050,568	8,191,347	140,779

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Motor vehicle carriers' taxes	\$ 40,000	\$ 40,000	\$ 47,610	\$ 7,610
Litter grant	-	-	6,038	6,038
Mobile home titling taxes	5,000	5,000	7,155	2,155
Rolling stock taxes	25,000	25,000	21,285	(3,715)
Total Non-Categorical Aid	70,000	70,000	82,088	12,088
Categorical Aid:				
Shared Expenses:				
Sheriff	150,980	150,980	153,326	2,346
Commissioner of the Revenue	67,577	67,577	66,645	(932)
Treasurer	67,249	67,249	65,306	(1,943)
Registrar/electoral board	29,860	29,860	35,656	5,796
Total Shared Expenses	315,666	315,666	320,933	5,267
Other Categorical Aid:				
Law enforcement grant	220,000	220,000	222,612	2,612
School Resource Officer	-	35,715	35,715	-
Emergency medical services	3,000	3,000	2,876	(124)
DMV Grant	15,000	15,000	20,384	5,384
Street and highway maintenance	825,000	825,000	845,049	20,049
Financial assistance to the arts	5,000	5,000	3,550	(1,450)
E-911 funding	35,000	35,000	44,704	9,704
Drug task force	17,000	17,000	20,591	3,591
Department of Health	-	20,831	20,831	-
VDOT	-	149,900	73,681	(76,219)
VML Risk Management Grant	-	4,000	4,000	-
Parks and Rec Grant	-	5,000	5,000	-
Building Collaborative Community Grant	-	47,000	47,000	-
Fire funds	25,000	25,000	52,307	27,307
Total Other Categorical Aid	1,145,000	1,407,446	1,398,300	(9,146)
Total Revenue From the Commonwealth	1,530,666	1,793,112	1,801,321	8,209
Revenue From The Federal Government:				
Payment in lieu of property taxes	25,000	25,000	21,082	(3,918)
Emergency management	-	343,875	7,500	(336,375)
USDA Community Facilities Grant	-	50,000	-	(50,000)
Community Development Block Grant	-	16,830	36,816	19,986
Total Revenue From The Federal Government	25,000	435,705	65,398	(370,307)
Other financing sources				
Insurance recoveries	12,000	12,000	-	(12,000)
Loan proceeds	-	703,000	500,000	(203,000)
Sale of Surplus	6,000	6,000	25,819	19,819
Total other financing sources	18,000	721,000	525,819	(195,181)
TOTAL GENERAL FUND	9,617,576	11,000,385	10,583,885	(416,500)
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Revenue From Local Sources:				
Revenue From Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ -	\$ -
Total Revenue From Local Sources	-	-	-	-
Revenue From The Commonwealth:				
Categorical Aid:				
Welfare:				
Aid to dependent children	44,278	44,278	47,717	3,439
Foster care	61,877	61,877	35,175	(26,702)

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General administration for financial assistance	\$ 230,971	\$ 230,971	\$ 160,456	\$ (70,515)
Supplemental income assistance for the aged, blind and disabled	37,530	37,530	33,762	(3,768)
Employment services	7,751	7,751	7,084	(667)
Day care	-	-	-	-
Other purchased services	8,018	8,018	3,175	(4,843)
Direct social services	134,000	134,000	71,766	(62,234)
Total Categorical Aid	<u>524,425</u>	<u>524,425</u>	<u>359,135</u>	<u>(165,290)</u>
Total Revenue From the Commonwealth	<u>524,425</u>	<u>524,425</u>	<u>359,135</u>	<u>(165,290)</u>
Revenue From The Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	44,308	44,308	50,580	6,272
Foster care	73,762	73,762	35,165	(38,597)
General administration for financial assistance	376,204	376,204	483,593	107,389
Community services	1,097	1,097	-	(1,097)
Assistance to Aged, Blind and Disabled	8,623	8,623	-	(8,623)
Employment services	11,234	11,234	10,266	(968)
Day Care	-	-	-	-
Other purchased services	1,090	1,090	-	(1,090)
Emergency assistance	-	-	-	-
Total Revenue From the Federal Government	<u>516,318</u>	<u>516,318</u>	<u>579,604</u>	<u>63,286</u>
Other financing sources				
Transfers from general fund	<u>345,877</u>	<u>345,877</u>	<u>345,877</u>	<u>-</u>
Total other financing sources	<u>345,877</u>	<u>345,877</u>	<u>345,877</u>	<u>-</u>
Total Virginia Public Assistance Fund	<u>1,386,620</u>	<u>1,386,620</u>	<u>1,284,616</u>	<u>(102,004)</u>
Drug and Gambling Investigative Funds:				
Revenue From Local Sources:				
Restitution to law enforcement	-	-	32,637	32,637
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>32,637</u>	<u>32,637</u>
Total Revenue Drug and Gambling Investigative Fund	<u>-</u>	<u>-</u>	<u>32,637</u>	<u>32,637</u>
Revolving Loan Fund:				
Revenue From Local Sources:				
Revenue from use of money and property	-	-	1,410	1,410
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>1,410</u>	<u>1,410</u>
Total Revolving Loan Fund	<u>-</u>	<u>-</u>	<u>1,410</u>	<u>1,410</u>
TOTAL SPECIAL REVENUE FUNDS	<u>1,386,620</u>	<u>1,386,620</u>	<u>1,318,663</u>	<u>(67,957)</u>
GRAND TOTAL - REVENUES - GOVERNMENTAL FUNDS	<u>\$ 11,004,196</u>	<u>\$ 12,387,005</u>	<u>\$ 11,902,548</u>	<u>\$ (484,457)</u>

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
City Council	\$ 47,897	\$ 47,897	\$ 50,341	\$ (2,444)
General and Financial Administration:				
City Manager	148,950	148,950	152,193	(3,243)
Office personnel	113,350	113,350	77,524	35,826
Legal and professional	55,000	55,000	48,511	6,489
Independent Auditor	25,000	25,000	26,125	(1,125)
Commissioner of the Revenue	151,000	151,000	152,551	(1,551)
Assessor	-	-	-	-
Treasurer	162,300	162,300	164,325	(2,025)
Director of Finance	167,550	167,550	141,542	26,008
Data Processing	74,500	86,500	89,964	(3,464)
Automotive/motor pool	165,300	167,799	140,565	27,234
Total General and Financial Administration	1,062,950	1,077,449	993,300	84,149
Board of Elections:				
Electoral board and officials	14,200	14,200	14,660	(460)
Registrar	81,400	81,400	76,445	4,955
Total Board of Elections	95,600	95,600	91,105	4,495
Total General Government Administration	1,206,447	1,220,946	1,134,746	86,200
Judicial Administration:				
Courts:				
Circuit court	50,000	50,000	67,976	(17,976)
General district court	1,500	1,500	1,066	434
Clerk of circuit court	40,000	40,000	40,062	(62)
Sheriff	224,930	224,930	210,611	14,319
County courthouse	35,000	35,000	32,709	2,291
Court and attorney fees	-	-	750	(750)
Total Courts	351,430	351,430	353,174	(1,744)
Commonwealth's Attorney:				
Commonwealth's attorney	47,500	47,500	33,431	14,069
Total Judicial Administration	398,930	398,930	386,605	12,325
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,181,850	1,333,065	1,180,779	152,286
Traffic control	16,000	16,000	10,638	5,362
E-911	468,700	468,700	490,227	(21,527)
Emergency management funds	9,500	17,000	15,325	1,675
Total Law Enforcement and Traffic Control	1,676,050	1,834,765	1,696,969	137,796
Fire and Rescue Services:				
Volunteer fire department	239,850	591,225	222,336	368,889
Ambulance and rescue services	30,000	30,000	30,311	(311)
Total Fire and Rescue Services	269,850	621,225	252,647	368,578
Correction and Detention:				
Purchase of service from Wise County	80,000	80,000	56,584	23,416
Juvenile detention	113,692	113,692	113,692	-
Contribution to regional jail	282,028	282,028	193,677	88,351
Total Correction and Detention	475,720	475,720	363,953	111,767
Inspections:				
Building	85,800	85,800	80,365	5,435
Other Protection:				
Animal control	57,800	57,800	56,500	1,300
Emergency medical services	1,000	1,000	1,000	-
Total Other Protection	58,800	58,800	57,500	1,300
Total Public Safety	2,566,220	3,076,310	2,451,434	624,876

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
General engineering/administration	\$ 73,125	\$ 120,150	\$ 135,295	\$ (15,145)
Highways, streets, bridges and sidewalks	888,000	1,037,900	901,703	136,197
Storm drainage	5,000	5,000	1,850	3,150
Street lights	112,500	112,500	119,978	(7,478)
Snow and ice removal	45,000	55,000	38,906	16,094
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets Bridges and Sidewalks	<u>1,126,625</u>	<u>1,333,550</u>	<u>1,197,732</u>	<u>135,818</u>
Sanitation and Waste Removal:				
Street and road cleaning	8,500	8,500	4,849	3,651
Refuse collection	305,700	474,700	277,229	197,471
Refuse disposal	200,000	200,000	160,197	39,803
Total Sanitation and Waste Removal	<u>514,200</u>	<u>683,200</u>	<u>442,275</u>	<u>240,925</u>
Maintenance of General Buildings and Grounds:				
General properties	228,600	292,430	312,292	(19,862)
Total Public Works	<u>1,869,425</u>	<u>2,309,180</u>	<u>1,952,299</u>	<u>356,881</u>
Health and Welfare:				
Health:				
Local health department	<u>57,045</u>	<u>57,045</u>	<u>43,396</u>	<u>13,649</u>
Mental Health and Mental Retardation:				
Chapter 10 board	<u>16,200</u>	<u>16,200</u>	<u>16,200</u>	<u>-</u>
Welfare/Social Services:				
Area agency on aging	13,000	13,000	13,000	-
Property tax relief for elderly	-	-	24,524	(24,524)
PHHS grant	-	20,831	9,936	10,895
Contribution to Office on Youth	2,000	2,000	2,000	-
Contribution to Ram Project	700	700	-	700
Contribution to Food Bank	500	500	500	-
Contribution - Hope House	1,120	1,120	-	1,120
Total Welfare/Social Services	<u>17,320</u>	<u>38,151</u>	<u>49,960</u>	<u>(11,809)</u>
Total Health and Welfare	<u>90,565</u>	<u>111,396</u>	<u>109,556</u>	<u>1,840</u>
Education:				
Contribution to Mountain Empire Community College	7,334	7,334	7,335	(1)
Payment to school board	2,491,871	2,491,871	2,160,419	331,452
Total Education	<u>2,499,205</u>	<u>2,499,205</u>	<u>2,167,754</u>	<u>331,451</u>
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	186,300	201,852	221,601	(19,749)
Recreation centers and playgrounds	<u>170,649</u>	<u>180,407</u>	<u>188,883</u>	<u>(8,476)</u>
Total Parks and Recreation	<u>356,949</u>	<u>382,259</u>	<u>410,484</u>	<u>(28,225)</u>
Cultural Enrichment:				
Pro-Art	7,100	7,100	7,100	-
Other events	9,210	22,948	18,192	4,756
Friends and farmers market	10,000	10,000	9,543	457
Employee picnic and Christmas party	<u>1,000</u>	<u>1,000</u>	<u>842</u>	<u>158</u>
Total Cultural Enrichment	<u>27,310</u>	<u>41,048</u>	<u>35,677</u>	<u>5,371</u>
Library:				
Payments to regional library	<u>34,285</u>	<u>34,285</u>	<u>34,285</u>	<u>-</u>
Total Parks, Recreation and Cultural	<u>418,544</u>	<u>457,592</u>	<u>480,446</u>	<u>(22,854)</u>

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community Development:				
Planning and Community Development:				
Planning	\$ 31,500	\$ 31,500	\$ 28,945	\$ 2,555
Planning-contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	6,650	6,650	2,818	3,832
Contribution to Chamber of Commerce	1,979	1,979	1,979	-
Contribution to Black Diamond Development	200	200	200	-
Contribution to component unit - NIDA	-	-	-	-
Contribution to Airport Commission	2,645	2,645	2,645	-
Capital outlay	-	-	-	-
Total Planning and Community Development	<u>51,097</u>	<u>51,097</u>	<u>44,710</u>	<u>6,387</u>
Debt Service				
Principal	139,823	614,823	614,823	-
Interest	31,443	31,443	31,443	-
Total debt service	<u>171,266</u>	<u>646,266</u>	<u>646,266</u>	<u>-</u>
Other financing uses				
Transfers to welfare fund	345,877	345,877	345,877	-
Total other financing sources	<u>345,877</u>	<u>345,877</u>	<u>345,877</u>	<u>-</u>
TOTAL GENERAL FUND	<u>\$ 9,617,576</u>	<u>\$ 11,116,799</u>	<u>\$ 9,719,693</u>	<u>\$ 1,397,106</u>
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 1,386,620	\$ 1,386,620	\$ 1,165,396	\$ 221,224
Total Welfare/Social Services	<u>1,386,620</u>	<u>1,386,620</u>	<u>1,165,396</u>	<u>221,224</u>
Total Health and Welfare	<u>1,386,620</u>	<u>1,386,620</u>	<u>1,165,396</u>	<u>221,224</u>
Total Virginia Public Assistance Fund	<u>1,386,620</u>	<u>1,386,620</u>	<u>1,165,396</u>	<u>221,224</u>
Drug and Gambling Investigative Funds:				
Public safety	-	-	22,001	(22,001)
Total Drug and Gambling Investigative Funds	<u>-</u>	<u>-</u>	<u>22,001</u>	<u>(22,001)</u>
TOTAL SPECIAL REVENUE FUNDS	<u>1,386,620</u>	<u>1,386,620</u>	<u>1,187,397</u>	<u>199,223</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	<u>\$ 11,004,196</u>	<u>\$ 12,503,419</u>	<u>\$ 10,907,090</u>	<u>\$ 1,596,329</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ -	\$ (116,414)	\$ 995,458	
Net appropriations from fund balance				
Prior year surplus	-	106,910		
Prior year encumbrances	-	9,504		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	<u>-</u>	<u>-</u>		

CITY OF NORTON
STATEMENT OF NET POSITION BY DEPARTMENT
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities		
	Proprietary Funds		
	Water Operation	Sewer Operation	Water & Sewer Operation
ASSETS			
Cash and cash equivalents	\$ 50,307	\$ 70,047	\$ 120,354
Restricted cash	54,287	75,587	129,874
Receivable, net	170,180	219,670	389,850
Due from other funds	26,394	12,526	38,920
Due from other government units	-	-	-
Land	588,600	-	588,600
Capital assets, net	<u>9,386,008</u>	<u>7,620,380</u>	<u>17,006,388</u>
Total Assets	<u>\$ 10,275,776</u>	<u>\$ 7,998,210</u>	<u>\$ 18,273,986</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	40,400	19,170	59,570
Deferred outflows related to other postemployment benefits	<u>1,698</u>	<u>806</u>	<u>2,504</u>
Total Deferred Outflows of Resources	<u>\$ 42,098</u>	<u>\$ 19,976</u>	<u>\$ 62,074</u>
LIABILITIES			
Accounts payable	77,939	109,652	187,591
Accrued payroll and related liabilities	7,328	3,478	10,806
Accrued interest payable	25,455	10,776	36,231
Customer security deposits	54,287	75,587	129,874
Due to other governmental units	-	-	-
Due to other funds	365,114	173,266	538,380
Compensated absences	11,709	5,557	17,266
Long-term liabilities	-	-	-
Net pension liability	56,286	26,710	82,996
Net other postemployment benefits	28,683	13,611	42,294
Due within one year	154,620	102,911	257,531
Due in more than one year	<u>5,205,612</u>	<u>2,166,314</u>	<u>7,371,926</u>
Total Liabilities	<u>\$ 5,987,033</u>	<u>\$ 2,687,862</u>	<u>\$ 8,674,895</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	70,126	33,278	103,404
Deferred inflows related to other postemployment benefits	<u>3,255</u>	<u>1,545</u>	<u>4,800</u>
Total Deferred Inflows of Resources	<u>\$ 73,381</u>	<u>\$ 34,823</u>	<u>\$ 108,204</u>
NET POSITION			
Net investment in capital assets	4,614,376	5,351,155	9,965,531
Restricted	-	-	-
Unrestricted (deficit)	<u>(356,916)</u>	<u>(55,654)</u>	<u>(412,570)</u>
Total Net Position	<u>\$ 4,257,460</u>	<u>\$ 5,295,501</u>	<u>\$ 9,552,961</u>

CITY OF NORTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY DEPARTMENT
PROPRIETARY FUNDS
Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>TOTAL</u> <u>Water & Sewer</u> <u>Operation</u>
OPERATING REVENUES:			
Charges For Services:			
Water:			
Local	\$ 818,825	\$ -	\$ 818,825
Non-local	177,884	-	177,884
Total Water	996,709	-	996,709
Sewer:			
Local	-	1,099,564	1,099,564
Non-local	-	288,222	288,222
Total Sewer	-	1,387,786	1,387,786
Total Charges for Services	996,709	1,387,786	2,384,495
Miscellaneous:			
Installations and tap fees	20,790	1,050	21,840
Penalties	25,002	34,813	59,815
Other	499	25,857	26,356
Total Miscellaneous	46,291	61,720	108,011
Total Operating Revenues	1,043,000	1,449,506	2,492,506
OPERATING EXPENSES:			
Personnel services	313,345	143,301	456,646
Fringe benefits	115,081	60,009	175,090
Contractual services	5,555	836,485	842,040
Other charges	351,335	162,209	513,544
Rent	2,508	3,492	6,000
Depreciation	272,966	402,552	675,518
Purchase of water	8,447	-	8,447
Total Operating Expenses	1,069,237	1,608,048	2,677,285
Operating Income (Loss)	(26,237)	(158,542)	(184,779)
NON-OPERATING REVENUES (EXPENSES):			
Grant income	16,100	-	16,100
Transfer from General Fund	-	-	-
Interconnect expense	(20,971)	-	(20,971)
Interest expense	(166,436)	(31,194)	(197,630)
Total Non-Operating Revenues (Expenses)	(171,307)	(31,194)	(202,501)
CHANGE IN NET POSITION	\$ (197,544)	\$ (189,736)	\$ (387,280)
NET POSITION - JULY 1, 2017, as Restated	4,455,004	5,485,237	9,940,241
NET POSITION - JUNE 30, 2018	\$ 4,257,460	\$ 5,295,501	\$ 9,552,961

CITY OF NORTON
STATEMENT OF CASH FLOWS BY DEPARTMENT
ALL PROPRIETARY FUNDS
Year Ended June 30, 2018

	BUSINESS TYPE ACTIVITIES		
	PROPRIETARY FUND		
	Water Operation	Sewer Operation	Water & Sewer Operation
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 985,405	\$ 1,372,047	\$ 2,357,452
Cash payments to suppliers for goods and services	(367,297)	(1,124,085)	(1,491,382)
Cash payments to employees for services	(313,025)	(148,547)	(461,572)
Other income	45,148	62,863	108,011
Net Cash provided by (used in) Operating activities	<u>350,231</u>	<u>162,278</u>	<u>512,509</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Increase (decrease) in customer deposits	1,880	2,618	4,498
Contribution - City of Norton	-	-	-
Increase (decrease) in due to other funds	<u>3,818</u>	<u>5,315</u>	<u>9,133</u>
Net Cash Provided by Non-Capital Financing Activities	<u>5,698</u>	<u>7,933</u>	<u>13,631</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Construction in progress	(7,965)	-	(7,965)
Acquisition of capital assets	-	-	-
Proceeds from issuance of debt	-	-	-
Contributed Capital-Grant Revenue	16,100	-	16,100
Interconnect expense	(20,971)	-	(20,971)
Principal paid	(152,990)	(102,253)	(255,243)
Interest paid	(163,540)	(30,973)	(194,513)
Net Cash provided by (used in) capital and related financing activities	<u>(329,366)</u>	<u>(133,226)</u>	<u>(462,592)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	-	-	-
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	26,563	36,985	63,548
Cash and Cash Equivalents at Beginning of Year	<u>78,031</u>	<u>108,649</u>	<u>186,680</u>
Cash and Cash Equivalents at End of Year	<u>\$ 104,594</u>	<u>\$ 145,634</u>	<u>\$ 250,228</u>
Displayed as:			
Cash and Cash Equivalents-Unrestricted	\$ 50,307	\$ 70,047	\$ 120,354
Restricted Cash	<u>54,287</u>	<u>75,587</u>	<u>129,874</u>
	<u>\$ 104,594</u>	<u>\$ 145,634</u>	<u>\$ 250,228</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (26,237)	\$ (158,542)	\$ (184,779)
Adjustments			
Depreciation and amortization	272,966	402,552	675,518
OPEB	(1,290)	(612)	(1,902)
Bad debts	3,743	5,211	8,954
Pension expenses net of employer contributions	(31,215)	(14,813)	(46,028)
Changes in assets and liabilities:			
(Increase) decrease in prepaid expense	-	-	-
(Increase) decrease in accounts receivable	(11,304)	(15,739)	(27,043)
Increase (decrease) in accounts payable	147,389	(54,674)	92,715
Increase (decrease) in accrued liabilities	317	858	1,175
Increase (decrease) in compensating absences	(4,138)	(1,963)	(6,101)
Increase (decrease) in deferred rent	-	-	-
Total adjustments	<u>376,468</u>	<u>320,820</u>	<u>697,288</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 350,231</u>	<u>\$ 162,278</u>	<u>\$ 512,509</u>

**CITY OF NORTON
COMPONENT UNIT SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2018**

	GOVERNMENTAL ACTIVITIES				TOTALS
	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	June 30, 2018
ASSETS					
Cash and cash equivalents	\$ 412,549	\$ -	\$ -	\$ -	\$ 412,549
Cash - restricted	-	143,391	37,402	140,548	321,341
Accounts receivable	-	-	-	-	-
Due from other funds	21,228	-	-	4,464	25,692
Due from primary government	53,130	23,523	-	-	76,653
Due from other governmental units	191,323	-	-	-	191,323
TOTAL ASSETS	\$ 678,230	\$ 166,914	\$ 37,402	\$ 145,012	\$ 1,027,558
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ 61,609	\$ -	\$ -	\$ 4,449	\$ 66,058
Accrued liabilities	483,822	-	-	-	483,822
Due to other funds	18,504	13,477	804	6,947	39,732
Total Liabilities	563,935	13,477	804	11,396	589,612
FUND BALANCE:					
Restricted	114,295	-	-	-	114,295
Committed	-	153,437	36,598	133,616	323,651
Total Fund Balance	114,295	153,437	36,598	133,616	437,946
TOTAL LIABILITIES AND FUND BALANCE	\$ 678,230	\$ 166,914	\$ 37,402	\$ 145,012	\$ 1,027,558
Reconciliation of Component Units Combining Balance Sheet to Statement of Net Position - Component Unit-School Board					
			\$ 437,946		
Total fund balances- component unit					
Amounts reported for component unit activities in the Statement of Net Position are different because:					
Other assets/liabilities not paid from current-period revenues are not reported in funds for:					
Net pension asset			164,146		
Deferred outflows			929,092		
Accrued interest			(130,488)		
Accrued compensated absences			(59,794)		
Deferred inflows			(1,166,337)		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation					
			10,009,059		
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds					
			(16,357,481)		
Total net position - component unit-School Board			\$ (6,173,857)		

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2018

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	Total School Board
REVENUES:					
Revenue from use of money and property	\$ 716	\$ 644	\$ 62	\$ 1	\$ 1,423
Charges for services	-	-	-	8,619	8,619
Miscellaneous	244,208	-	40,432	5,154	289,794
Intergovernmental					
Primary government	2,136,895	23,523	-	-	2,160,418
Commonwealth of Virginia	5,063,915	-	-	21,670	5,085,585
Federal Government	463,397	-	-	456,011	919,408
Total Revenues	<u>7,909,131</u>	<u>24,167</u>	<u>40,494</u>	<u>491,455</u>	<u>8,465,247</u>
EXPENDITURES:					
Current:					
Education	6,853,580	11,898	78,939	368,905	7,313,322
Debt Service:					
Principal	612,657	-	-	-	612,657
Interest	305,482	-	-	-	305,482
Total Expenditures	<u>7,771,719</u>	<u>11,898</u>	<u>78,939</u>	<u>368,905</u>	<u>8,231,461</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>137,412</u>	<u>12,269</u>	<u>(38,445)</u>	<u>122,550</u>	<u>233,786</u>
OTHER FINANCING SOURCES (USES):					
Loan Proceeds	-	-	-	-	-
Operating transfers in	-	-	40,000	-	40,000
Operating transfers out	(40,000)	-	-	-	(40,000)
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	97,412	12,269	1,555	122,550	233,786
Fund Balance at June 30, 2017	16,883	141,168	35,043	11,066	204,160
Fund Balance at June 30, 2018	<u>\$ 114,295</u>	<u>\$ 153,437</u>	<u>\$ 36,598</u>	<u>\$ 133,616</u>	<u>\$ 437,946</u>

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

Net Change in fund balances - total school board funds 233,786

Amounts reported for governmental activities in the statement

of net assets are different because:

Governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and is reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation. (464,787)

Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. Proceeds of debt is an income item in the governmental funds but the receipt of proceeds increases long-term liabilities. This is the amount principal payments exceeded new debt proceeds. 658,560

The funds report pension and other post employment benefits as expenditures. In the statement of activities, the cost of pension and opeb benefits earned net of employee contributions is reported as expense 1,227,911

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (873,562)

Change in net position of governmental activities \$ 781,908

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
Year Ended June 30, 2018

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES:				
Revenue from use of money and property	\$ 400	\$ 400	\$ 716	\$ 1,116
Charges for services	-	-	-	-
Miscellaneous	212,127	212,127	244,208	32,081
Intergovernmental				
Primary government	2,468,348	2,468,348	2,136,895	(331,453)
Commonwealth of Virginia	4,991,459	4,991,459	5,063,915	72,456
Federal Government	457,850	457,850	463,397	5,547
Total Revenues	8,130,184	8,130,184	7,909,131	(221,053)
EXPENDITURES:				
Current:				
Community Development	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	7,171,988	7,188,871	6,853,580	335,291
Debt Service:				
Principal	612,657	612,657	612,657	-
Interest	305,539	305,539	305,482	57
Total Expenditures	8,090,184	8,107,067	7,771,719	335,348
Excess (Deficiency) of Revenues Over Expenditures	40,000	23,117	137,412	114,295
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(40,000)	(40,000)	(40,000)	-
Total Other Financing Sources (Uses)	(40,000)	(40,000)	(40,000)	-
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	(16,883)	97,412	114,295
Net appropriations from fund balance				
Prior year encumbrances	-	16,883		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		
Fund Balance - June 30, 2017			16,883	
Fund Balance - June 30 , 2018			\$ 114,295	

CITY OF NORTON
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2018

ASSETS HELD BY THE TREASURER:

Cash on hand	\$	950
--------------	----	-----

Cash in banks:**Checking:**

First Bank and Trust	\$ 2,088,283	
Total Checking		2,088,283

Certificates of Deposit:

First Bank and Trust	15,307	
Total Certificates of Deposit		15,307

Total Cash in Banks		2,103,590
---------------------	--	-----------

Investments:

Investment in State Treasurer's Local Government Investment Pool-LGIP	21,066	
Virginia Investment Pool-VIP Stable NAV Liquidity Pool	1,905,482	

Total Investments		1,926,548
-------------------	--	-----------

TOTAL ASSETS	\$	4,031,088
---------------------	-----------	------------------

LIABILITIES OF THE TREASURER:

BALANCE OF CITY FUNDS	\$	4,031,088
------------------------------	-----------	------------------

NOTE: The variance between this statement and the statement of position for all funds is \$1,640,428. This amount represents cash for the Norton Industrial Development Authority. The funds for the authority are not under the Treasurer's accountability.

CITY OF NORTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

A) SUMMARY OF AUDIT RESULTS

- 1) The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Norton, Virginia were prepared in accordance with GAAP.
- 2) Two 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. Five material weaknesses are reported.
- 3) No instances of non-compliance material to the financial statements of the City of Norton, Virginia, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4) No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable for each Major Program and on Internal Control over Compliance in Accordance Required by the Uniform Guidance. No material weaknesses are reported.
- 5) The Auditor's report on Compliance for the Major Federal Award Programs for the City of Norton, Virginia, expresses an unmodified opinion on all major federal programs.
- 6) Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- 7) The programs tested as major programs were:
Supplemental Nutrition Assistance Program-CFDA No. 10.561
Temporary Assistance for Needy Families (TANF)-CFDA No. 93.558
Medical Assistance Program-CFDA No. 93.778
- 8) The threshold for distinguishing types A & B programs was \$750,000.
- 9) The City of Norton, Virginia, was determined to be a low risk auditee.

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

Material Weaknesses:

2018-001-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: *The City will enhance existing policies and procedures as well as administrative oversight which includes meetings between the administrative staffs of the City and Norton City Schools. Additionally, the City is fully staffed as compared to the prior fiscal year which will enhance their ability to have required financial information available on a timely basis. The City acknowledges the importance of and is committed to ongoing quality improvement and working to improve internal controls that ensure compliance.*

2018-002-Financial Statement Preparation

Criteria: *According to Statement of Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Additionally, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls.*

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

Cause: *The lack of adequate review of documents, and overall reconciliation procedures resulted in the failure to identify and record necessary adjustments and produce financial statements in accordance with standards. Furthermore, staff was limited due to the departure of an accounting staff position that was not refilled before year end.*

Effect: *There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the internal controls over financial reporting.*

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

Views of Responsible Officials and Planned Corrective Actions: *The City will continue to refine its closing schedule and reconciliation process for the issuance of financial statements within the required standards. The City is currently in the RFP process for accounting services to assist with year-end closing procedures and issuance of financial statements. The City feels it is imperative that communication between the selected firm and the City be ongoing and consistent going forward to outline the responsibilities for both City and School Board staff in relation to the consulting firm to provide an adequate combined effort for the production of financial statements in compliance with applicable reporting standards.*

CITY OF NORTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT (Continued)

Material Weaknesses: (Continued)

2018-003-Financial Analysis-Surplus

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

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

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

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

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

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

2018-004-Budgetary Controls

Criteria: *Per §15.2-2506 of the Code of Virginia: No money shall be paid out or become available to be paid out for any contemplated expenditures unless and until there has first been made an annual, semiannual, quarterly, or monthly appropriation for such contemplated expenditure by the governing body.*

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

Cause: *There was a lack of control procedures for budgetary analysis to determine when amendments to the budget were necessary per state budgetary guidelines.*

Effect: *Expenditures were made that were not included in the original fiscal budget that had not been appropriated by the governing body.*

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

Views of Responsible Officials and Planned Corrective Actions: *The School Board agrees and has begun actively taking steps to amend the 2018-2019 budget to ensure compliance with state budgetary requirements.*

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

Criteria: *An entity's trial balance is an internal control that is produced to check the arithmetical accuracy of the general ledger and is the first step in the successful preparation of financial statements.*

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

Cause: *The School Board's control process for reviewing trial balances and the mathematical accuracy of their balances failed.*

Effect: *Trial balances were presented for audit that were out of balance on more than one fund without management's awareness.*

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

Views of Responsible Officials and Planned Corrective Actions: *The School Board agrees and has consulted software support to change its closing procedures, and has additionally established procedures to ensure trial balances are summed on reports to identify and correct posting errors early.*

Significant Deficiencies:

2018-006-Verify Bank Reconciliations to General Ledger

Criteria: *In order to ensure accuracy of reporting reconciled bank balances should be reflected in correlating general ledger account balances.*

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

Cause: *The School Board's control process failed to detect errors in the reconciliation process across centralized bank accounts.*

Effect: *General ledger cash account balances did not match bank statement reconciliations.*

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

Views of Responsible Officials and Planned Corrective Actions: *The School Board agrees and has developed a new bank reconciliation format that will identify allocation errors more easily.*

2018-007-Interfund Allocations

Criteria: *In order to ensure accuracy of reporting, transactions must be allocated to the appropriate specific funds.*

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

Cause: *The lack of a reconciliation process for fund allocations caused errors to occur in the accounting records.*

Effect: *A significant amount of transactions had to be reclassified to the appropriate fund during the audit process.*

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

Views of Responsible Officials and Planned Corrective Actions: *The School Board agrees and will be reconciling all state revenues to the quarterly Cardinal reports to ensure accuracy of activity across funds.*

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

NONE

CITY OF NORTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass-Through Payments:			
State Department of Agriculture:			
Child and Adult Care Food Program	10.558		1,340
Child Nutrition Cluster:			
School Lunch Program (Note D)	10.555		25,919
School Lunch Program	10.555		343,038
School Breakfast Program	10.553		105,705
Summer Food Service Program for Children (Note D)	10.559		538
Summer Food Service Program for Children	10.559		2,557
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-Through Payments:			
State Department of Social Services:			
Supplemental Nutrition Assistance Program	10.561		125,400
Foster Care - Title IV-E	93.658		82,849
TANF	93.558		96,934
Social Services Block Grant	93.667		59,513
Adoption Assistance	93.659		40,297
Medical assistance program	93.778		126,757
Child Care Mandatory Match	93.596		14,424
Low Income Home Energy Assistance	93.568		12,492
Safe and Stable Families	93.556		14,714
Refugee and Entrant Assistance	93.566		141
State Children's Insurance Program	93.767		5,013
Child Welfare Services State Grant	93.645		285
Chafee Foster Care Independence Program	93.674		565
Preventive Health & Human Services Block Grant	93.758		20,831
DEPARTMENT OF EDUCATION:			
Pass-Through Payments:			
State Department of Education:			
Improving teacher quality state grants	84.367		32,507
Rural Grants	84.358		20,112
Title I Grants	84.010		227,689
Title VI-B:			
Special Education Cluster (IDEA):			
Special Education-Grants to States	84.027		161,087
Special Education-Preschool Grants	84.173		6,599
Special Projects:			
State Grants for Strengthening the Skills of Teachers and Instruction in Mathematics, Foreign Languages and Computer			
Vocational Education - Basic Grants to States	84.048		15,402
Mathematics and Science Partnerships	84.366		-
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT			
Downtown Planning Grant	14.228		36,816
DEPARTMENT OF HOMELAND SECURITY			
Emergency Management Performance Grants	97.042		7,500
DEPARTMENT OF TRANSPORTATION			
National Priority Safety Program	20.616		10,012
Alcohol Open Container Requirements	20.607	154AL1656235	8,571
TOTAL			\$ 1,605,607

The accompanying notes are an integral part of this schedule.

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

CITY OF NORTON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the City of Norton, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Norton.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C--INDIRECT COST RATE

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

NOTE D--FOOD DONATION:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the Norton City School Board had no commodities in inventory.

NOTE E--SUBRECIPIENTS

No awards were passed through to subrecipients.

STATISTICAL SECTION

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

CONTENTS	PAGE
FINANCIAL TRENDS	129
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
REVENUE CAPACITY	134
These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	
DEBT CAPACITY	137
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
ECONOMIC AND DEMOGRAPHIC INFORMATION	140
These schedules offer economic and demographic indicators to help the reader understand the Environment within which the city's financial activities take place.	
OPERATING INFORMATION	142
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

TABLE 1

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities										
Net investment in capital assets	\$ 3,998,176	\$ 3,943,031	\$ 3,325,755	\$ 3,921,732	\$ 4,136,516	\$ 5,586,395	8,014,749	8,336,774	8,519,840	8,207,586
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(3,212,039)	2,777,107	2,446,292	1,791,952	1,541,677	1,397,414	232,010	763,727	870,666	1,976,543
Total governmental activities net position	<u>786,137</u>	<u>6,720,138</u>	<u>5,772,047</u>	<u>5,713,684</u>	<u>5,678,193</u>	<u>6,983,809</u>	<u>8,246,759</u>	<u>9,100,501</u>	<u>9,390,506</u>	<u>10,184,129</u>
Business-type activities										
Net investment in capital assets	3,329,251	4,837,547	6,989,991	7,587,254	9,362,217	10,739,857	10,806,022	10,688,937	10,369,190	9,965,531
Restricted	-	-	-	-	988,404	112,741	-	-	-	-
Unrestricted	(299,252)	(880,931)	(205,952)	(219,531)	(348,054)	(428,312)	(607,646)	(573,330)	(499,430)	(412,570)
Total business-type activities	<u>3,029,999</u>	<u>3,956,616</u>	<u>6,784,039</u>	<u>7,367,723</u>	<u>10,002,567</u>	<u>10,424,286</u>	<u>10,198,376</u>	<u>10,115,607</u>	<u>9,869,760</u>	<u>9,552,961</u>
Primary government										
Net investment in capital assets	7,327,427	8,780,578	10,315,746	11,508,986	13,498,733	16,326,252	18,820,771	19,025,711	18,889,030	18,173,117
Restricted	-	-	-	-	988,404	112,741	-	-	-	-
Unrestricted	(3,511,291)	1,896,176	2,240,340	1,572,421	1,193,623	969,102	(375,636)	190,397	371,236	1,563,973
Total primary government net position	<u>\$ 3,816,136</u>	<u>\$ 10,676,754</u>	<u>\$ 12,556,086</u>	<u>\$ 13,081,407</u>	<u>\$ 15,680,760</u>	<u>\$ 17,408,095</u>	<u>\$ 18,445,135</u>	<u>\$ 19,216,108</u>	<u>\$ 19,260,266</u>	<u>\$ 19,737,090</u>

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

TABLE 2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General government	\$ 1,117,202	\$ 1,082,088	\$ 1,512,956	\$ 1,624,902	\$ 1,542,855	\$ 1,576,458	\$ 1,516,160	\$ 1,525,411	\$ 1,479,453	\$ 1,100,244
Public safety	2,583,856	2,874,346	2,355,373	2,376,017	2,423,860	2,579,286	2,491,800	2,564,543	2,717,864	2,873,422
Public works	2,018,546	2,346,618	2,355,511	2,390,227	2,486,780	2,062,845	1,989,571	2,086,952	2,225,978	2,308,395
Health and welfare	1,244,716	1,235,274	1,265,568	1,448,260	1,321,129	1,256,593	1,128,562	1,388,345	1,408,130	1,270,418
Education	7,117,018	2,122,360	1,957,075	1,982,789	1,692,638	2,416,648	2,268,173	2,326,948	2,506,829	2,167,754
Parks, recreation and cultural	462,658	495,710	507,768	490,097	477,229	444,729	445,581	474,541	461,053	407,173
Community development	736,667	773,594	711,312	503,961	562,432	514,158	561,290	329,286	78,828	45,218
Interest on long-term debt	326,666	384,818	324,163	328,206	169,304	67,234	109,767	48,915	45,291	39,432
Non-departmental	-	-	-	-	-	-	-	-	-	-
Total government activities expense	15,607,329	11,314,808	10,989,726	11,144,459	10,676,227	10,917,951	10,510,904	10,744,941	10,923,426	10,212,056
Business-Type Activities:										
Water and Wastewater	2,579,351	2,429,763	2,509,969	4,205,780	2,635,899	2,929,215	2,840,888	2,795,034	2,981,468	2,895,886
Total business-type activities expenses	2,579,351	2,429,763	2,509,969	4,205,780	2,635,899	2,929,215	2,840,888	2,795,034	2,981,468	2,895,886
Total primary government expenses	\$ 18,186,680	\$ 13,744,571	\$ 13,499,695	\$ 15,350,239	\$ 13,312,126	\$ 13,847,166	\$ 13,351,792	\$ 13,539,975	\$ 13,904,894	\$ 13,107,942
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	\$ 7,719	\$ 6,465	\$ 110,524	\$ 66,569	\$ 15,981	\$ 736	\$ 60,564	\$ 101,979	\$ 98,525	\$ 87,094
Public works	373,518	363,217	366,667	361,706	358,014	354,338	417,474	416,703	415,282	413,874
Health and welfare	137,454	63,936	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and culture	26,700	22,970	17,437	7,510	6,717	7,885	11,896	8,773	11,807	18,273
Community development	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	2,231,229	2,498,583	2,320,558	2,598,280	2,415,196	2,297,908	2,302,105	2,574,389	2,878,329	2,723,370
Capital grants and contributions	-	286,013	20,441	393,312	150,000	1,722,056	2,702,148	453,008	-	-
Total governmental activities program revenues	2,776,620	3,241,184	2,835,627	3,427,377	2,945,908	4,382,923	5,494,187	3,554,852	3,403,943	3,242,611
Business-Type Activities:										
Charges for services										
Water and Wastewater	2,346,475	2,249,376	2,335,900	2,318,868	2,265,444	2,211,146	2,314,041	2,402,922	2,489,776	2,492,506
Operating grants and contributions and other income	-	-	550,000	-	-	-	-	-	-	-
Capital grants and contributions	104,927	1,107,004	2,451,492	2,613,979	3,010,774	1,139,788	536,587	309,343	95,845	16,100
Total business-type activities program revenues	2,451,402	3,356,380	5,337,392	4,932,847	5,276,218	3,350,934	2,850,628	2,712,265	2,585,621	2,508,606
Total primary government program revenues	\$ 5,228,022	\$ 6,597,564	\$ 8,173,019	\$ 8,360,224	\$ 8,222,126	\$ 7,733,857	\$ 8,344,815	\$ 6,267,117	\$ 5,989,564	\$ 5,751,217
Net (Expense)/Revenue										
Governmental Activities	\$ (12,830,709)	\$ (8,073,624)	\$ (8,154,099)	\$ (7,717,082)	\$ (7,730,319)	\$ (6,535,028)	\$ (5,016,717)	\$ (7,190,089)	\$ (7,519,483)	\$ (6,969,445)
Business-Type Activities:	(127,949)	926,617	2,827,423	727,067	2,640,319	421,719	9,740	(82,769)	(395,847)	(387,280)
Total primary government net (expense)/revenue	\$ (12,958,658)	\$ (7,147,007)	\$ (5,326,676)	\$ (6,990,015)	\$ (5,090,000)	\$ (6,113,309)	\$ (5,006,977)	\$ (7,272,858)	\$ (7,915,330)	\$ (7,356,725)

TABLE 2 cont.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 2,378,851	\$ 3,282,537	\$ 2,393,798	\$ 2,305,658	\$ 2,736,838	\$ 2,881,300	\$ 2,632,023	\$ 3,034,838	\$ 3,127,830	\$ 3,091,045
Local sales & use tax	2,023,409	1,887,804	1,882,301	1,918,925	1,762,729	1,606,815	1,613,223	1,609,549	1,541,644	1,518,284
Utility tax	164,698	128,412	126,570	117,214	137,995	131,006	131,322	129,032	129,066	128,898
Business license tax	901,209	795,833	773,353	951,248	853,599	887,396	812,125	842,303	750,765	779,120
Franchise license tax	-	-	-	-	-	-	-	-	-	-
Communication tax	185,889	217,788	223,287	211,679	217,316	211,979	211,659	204,591	199,570	193,631
Motor vehicle license	28,882	1,659	-	-	-	63,629	71,174	81,661	85,648	81,767
Bank stock tax	74,068	106,974	126,034	99,820	74,256	72,678	61,913	47,105	42,171	51,591
Recordation tax	34,284	27,055	39,256	39,598	29,516	44,876	22,158	34,009	37,040	21,376
Tobacco tax	60	185	165	180	195	41	110	40	30	-
Hotel and motel room tax	161,753	169,049	195,071	172,866	146,200	133,561	206,815	159,594	161,925	141,171
Restaurant food tax	1,025,155	1,061,575	1,126,150	1,334,156	1,262,519	1,357,112	1,360,014	1,395,556	1,401,747	1,388,390
Coal road improvement tax	234,263	166,571	222,047	244,773	116,498	79,353	56,308	32,928	24,366	25,533
Cigarette tax	81,900	118,930	108,100	99,440	110,245	92,965	88,640	173,067	186,815	159,197
Other local taxes	128,743	101,504	30	-	106,995	107,557	70,125	89,177	88,004	84,265
Unrestricted miscellaneous revenue	97,951	53,609	76,669	90,845	118,702	104,627	99,086	68,352	33,780	41,497
Unrestricted investment earnings	192,440	82,250	39,085	35,699	25,196	28,255	28,480	29,758	26,359	33,899
Gain on sale of capital assets	8,903	-	-	-	-	-	-	-	-	16,475
Recovered costs	47,266	31,314	30,039	36,618	33,660	37,494	39,085	112,271	122,728	121,275
Transfers-Primary Government	-	-	-	-	-	-	-	-	(150,000)	-
Total governmental activities	7,769,724	8,233,049	7,361,955	7,658,719	7,732,459	7,840,644	7,504,260	8,043,831	7,809,488	7,877,414
Business-Type Activities:										
Unrestricted investment earnings	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	150,000	-
Total business-type activities	-	-	-	-	-	-	-	-	150,000	-
Total primary government	\$ 7,769,724	\$ 8,233,049	\$ 7,361,955	\$ 7,658,719	\$ 7,732,459	\$ 7,840,644	\$ 7,504,260	\$ 8,043,831	\$ 7,959,488	\$ 7,877,414
Change in Net Position										
Governmental Activities	\$ (5,060,985)	\$ 159,425	\$ (792,144)	\$ (58,363)	\$ 2,140	\$ 1,305,616	\$ 2,487,543	\$ 853,742	\$ 290,005	\$ 907,969
Business-Type Activities	(127,949)	926,617	2,827,423	727,067	2,640,319	421,719	9,740	(82,769)	(245,847)	(387,280)
Total primary government	\$ (5,188,934)	\$ 1,086,042	\$ 2,035,279	\$ 668,704	\$ 2,642,459	\$ 1,727,335	\$ 2,497,283	\$ 770,973	\$ 44,158	\$ 520,689

TABLE 3

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund										
Reserved	\$ 463,743	\$ 468,808	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,761,182	2,130,069	-	-	-	-	-	-	-	-
Nonspendable			-	-	-	-	-	574,892	490,329	497,058
Restricted			-	-	-	-	-	-	-	-
Committed			-	-	-	-	-	-	-	-
Assigned			505,569	487,780	431,267	347,416	372,893	97,171	9,504	48,502
Unassigned			1,710,613	1,691,149	1,250,314	1,332,585	1,210,736	1,158,552	1,408,777	2,227,802
Total general fund	\$ 4,224,925	\$ 2,598,877	\$ 2,216,182	\$ 2,178,929	\$ 1,681,581	\$ 1,680,001	\$ 1,583,629	\$ 1,830,615	\$ 1,908,610	\$ 2,773,362
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue fund	241,291	345,705	-	-	-	-	-	-	-	-
Nonspendable			-	-	-	-	-	-	-	-
Restricted			-	-	-	-	-	-	-	-
Committed			314,685	318,897	331,190	343,830	344,627	357,780	361,062	373,108
Assigned			-	-	-	-	-	14,205	153,340	272,560
Unassigned			(59,855)	(96,205)	(124,908)	(120,700)	(55,870)	-	-	-
Total all other governmental funds	\$ 241,291	\$ 345,705	\$ 254,830	\$ 222,692	\$ 206,282	\$ 223,130	\$ 288,757	\$ 371,985	\$ 514,402	\$ 645,668

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

TABLE 4

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
General property taxes	\$ 2,370,593	\$ 3,151,837	\$ 2,383,552	\$ 2,469,808	\$ 2,550,475	\$ 2,915,376	\$ 2,679,834	\$ 3,020,812	\$ 3,144,820	\$ 3,027,691
Other local taxes	4,915,570	4,682,524	4,822,364	5,161,830	4,699,374	4,681,411	4,635,461	4,709,435	4,560,787	4,488,958
Permits and licenses	9,758	5,989	5,007	7,569	4,532	7,131	11,133	2,547	2,608	2,177
Fines and forfeitures	118,985	94,826	94,147	62,001	37,115	28,687	26,425	17,698	26,178	18,995
Investment earnings	192,440	82,250	39,085	35,699	25,196	28,255	27,843	29,758	26,359	33,899
Charges for services	545,391	456,588	410,520	380,081	380,712	378,774	479,458	489,628	499,436	500,246
Other revenues	97,951	53,508	60,176	89,177	250,406	104,627	75,415	89,595	25,328	32,153
Recovered cost	14,003	19,058	16,754	23,579	17,277	18,761	20,706	112,271	122,728	121,275
Intergovernmental	2,231,229	2,784,596	2,340,999	3,026,368	2,492,238	4,105,808	5,074,378	3,099,574	2,963,728	2,805,458
Total revenues	10,495,920	11,331,176	10,172,604	11,256,112	10,457,325	12,268,830	13,030,653	11,571,318	11,371,972	11,030,852
Expenditures										
General government	1,114,690	1,048,146	1,116,081	1,206,033	1,180,843	1,130,587	1,150,354	1,182,299	1,129,015	1,134,746
Judicial administration	432,678	418,768	349,229	366,037	353,367	412,859	389,285	377,549	365,591	386,605
Public safety	2,199,811	2,600,995	2,298,038	2,553,195	2,308,031	2,497,672	2,423,506	2,644,107	2,610,351	2,473,435
Public works	1,995,754	2,015,567	2,191,672	2,606,618	2,294,322	1,742,342	1,776,800	1,843,175	2,296,650	1,952,299
Health and welfare	1,249,969	1,210,767	1,261,980	1,437,933	1,302,277	1,233,314	1,159,055	1,423,325	1,367,288	1,274,952
Education and transfer to school	7,117,018	3,964,745	1,804,736	1,830,450	2,169,025	2,401,810	2,268,173	2,326,948	2,506,829	2,167,754
Parks, recreation and culture	437,326	474,833	483,551	468,752	455,638	438,256	427,708	472,460	468,394	480,446
Community development	739,284	776,038	725,216	517,866	554,868	2,229,763	3,342,994	867,911	90,905	44,710
Non-Departmental	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal	190,026	7,652,315	7,684,450	166,689	15,284,397	121,031	1,182,821	124,861	137,359	614,823
Interest	328,594	202,993	376,273	330,574	316,659	66,662	167,718	41,808	37,630	31,443
Total expenditures	15,805,150	20,365,167	18,291,226	11,484,147	26,219,427	12,274,296	14,288,414	11,304,443	11,010,012	10,561,213
Excess of revenues over (under) expenditures	(5,309,230)	(9,033,991)	(8,118,622)	(228,035)	(15,762,102)	(5,466)	(1,257,761)	266,875	361,960	469,639
Other Financing Sources (Uses)										
Proceeds from borrowing	-	7,500,000	7,615,839	140,000	7,588,375	-	1,208,000	50,000	-	500,000
Insurance Recoveries	33,263	12,256	13,285	13,039	16,383	18,733	18,379	8,761	2,859	-
Proceeds from sale of assets	26,912	101	15,928	5,605	18,296	-	637	4,578	5,593	25,819
Transfers	-	-	-	345,877	7,627,291	-	-	-	(150,000)	-
Total other financing sources (uses)	60,175	7,512,357	7,645,052	504,521	15,250,345	18,733	1,227,016	63,339	(141,548)	525,819
Net change in fund balance	\$ (5,249,055)	\$ (1,521,634)	\$ (473,570)	\$ 276,486	\$ (511,757)	\$ 13,267	\$ (30,745)	\$ 330,214	\$ 220,412	\$ 995,458
Debt service as a percentage of noncapital expenditures	3.39%	62.79%	78.79%	4.53%	146.93%	1.55%	10.44%	1.50%	1.62%	6.52%

TABLE 5

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
				Real Estate	Personal Property			
2018	\$ 235,369,600	\$ 28,122,426	\$ 5,024,584	\$ 25,735,238	\$ -	\$ 1,422,747	295,674,595	1.024
2017	235,070,000	29,234,452	5,486,284	25,650,081	-	1,379,667	296,820,484	1.060
2016	225,828,836	29,049,973	5,087,058	24,698,933	-	1,601,097	286,265,897	1.055
2015	218,737,522	29,431,057	5,185,961	26,192,424	124,975	1,541,202	281,213,141	0.953
2014	219,165,572	30,450,311	5,373,264	26,983,560	131,432	1,631,722	283,735,861	1.027
2013	219,917,050	27,704,382	5,140,577	25,509,133	137,719	1,662,142	280,071,003	0.911
2012	220,246,000	25,632,421	5,101,639	25,290,691	130,980	1,846,346	278,248,077	0.888
2011	202,774,175	24,275,249	5,534,737	25,290,691	128,859	1,829,482	259,833,193	0.917
2010	200,402,000	22,747,754	5,181,036	24,358,835	128,859	1,877,582	254,696,066	1.237
2009	203,528,195	22,228,011	4,471,807	26,302,792	140,301	1,948,259	258,619,365	0.917

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

TABLE 6

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities	
					Real Estate	Personal Property
2018	\$ 0.90	\$ 1.85	\$ 1.85	\$ 0.90	\$ 0.90	\$ 1.85
2017	0.90	1.85	1.85	0.90	0.90	1.85
2016	0.90	1.85	1.85	0.90	0.90	1.85
2015	0.80	1.85	1.85	0.80	0.80	1.85
2014	0.80	1.85	1.85	0.80	0.80	1.85
2013	0.80	1.85	1.85	0.80	0.80	1.85
2012	0.80	1.85	1.85	0.80	0.80	1.85
2011	0.80	1.85	1.85	0.80	0.80	1.85
2010	0.80	1.85	1.85	0.80	0.80	1.85
2009	0.80	1.85	1.85	0.80	0.80	1.85

1) Rates are presented per \$100 assessed value

TABLE 7

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

June 30, 2018

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
Wal-Mart Real Estate Trust	Commercial Retailer/Grocery	\$ 15,241,400	6.48%
BRE NON CORE Owner LLC	Shopping Center	9,336,900	3.97%
Norton SRX LLC	Shopping Center	6,307,600	2.68%
Wellmont Health	Health Care	5,471,200	2.32%
Wellmont Health System	Health Care	4,517,400	1.92%
Norton Host, LLC	Hotel/Restaurant	4,308,100	1.83%
601 Commonwealth LLC	Shops/Glass Slipper/G2K/Pizza Hut	3,914,400	1.66%
Khushi Hospitality	Hotel/Restaurant	2,928,500	1.24%
AARMP Hospitality LLC	Hotel/Days Inn	2,175,500	0.92%
Carter Machinery	Retail/Equipment Sales/Repairs	2,036,300	0.87%

June 30, 2008:

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

TABLE 8

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

Fiscal Years Ended June 30	Total Tax Levy (1)(2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections(3)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2018	\$ 3,108,516	\$ 2,879,431	92.63%	\$ 85,045	2,964,476	95.37%	\$ 336,115	10.81%
2017	3,166,319	2,925,590	92.40%	142,234	3,067,824	96.89%	346,570	10.95%
2016	3,106,353	2,780,558	89.51%	140,006	2,920,564	94.02%	369,906	11.91%
2015	2,731,203	2,545,590	93.20%	56,280	2,601,870	95.26%	320,961	11.75%
2014	2,800,408	2,559,728	91.41%	247,834	2,807,562	100.26%	257,050	9.18%
2013	2,579,781	2,384,644	92.44%	109,433	2,494,077	96.68%	378,758	14.68%
2012	2,378,441	2,212,823	93.04%	165,549	2,378,372	100.00%	320,362	13.47%
2011	2,470,143	2,240,426	90.70%	61,974	2,302,400	93.21%	310,935	12.59%
2010	3,319,804	3,061,824	92.23%	33,651	3,095,475	93.24%	230,997	6.96%
2009	2,372,555	2,317,343	97.67%	22,769	2,340,112	98.63%	91,330	3.85%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

TABLE 9

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

Fiscal Years Ended June 30	Governmental Activities		Business-Type Activities		Component Unit Bonds	Total Debt	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	General Obligation					
			Water and Wastewater					
			Bonds					
			\$	\$				
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	
2011	9,113,731	125,972	3,761,934	2,626,591	15,628,228	9.40%	3,949	
2010	9,236,731	71,582	2,866,944	3,135,372	15,310,629	10.79%	3,977	
2009	9,352,298	108,330	2,281,907	3,742,384	15,484,919	11.48%	4,022	

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

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt		Percentage of Actual Taxable Value of Property	Per Capita
	Outstanding			
	General			
	Obligation Bonds			
2018	\$	16,765,144	5.67%	\$ 4,290
2017		17,650,210	5.95%	4,576
2016		18,495,011	6.46%	4,687
2015		18,697,886	6.65%	4,659
2014		18,327,250	6.46%	4,517
2013		17,853,819	6.37%	4,258
2012		13,411,630	4.82%	3,272
2011		11,020,140	4.24%	2,784
2010		10,474,084	4.11%	2,721
2009		10,055,175	3.89%	2,612

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed valuations										
Assessed value of taxed real property	\$ 229,830,987	\$ 224,760,835	\$ 228,064,866	\$ 245,536,691	\$ 245,426,183	\$ 246,149,132	\$ 244,929,946	\$ 250,527,769	\$ 260,720,081	\$ 261,104,838
Legal debt margin										
Debt limit - 10 percent of total assessed value	22,983,099	22,476,084	22,806,487	24,553,669	24,542,618	24,614,913	24,492,995	25,052,777	26,072,008	26,110,484
Debt applicable to limitation: Total bonded debt	15,484,919	15,310,629	15,628,228	17,429,612	20,499,274	19,541,495	19,344,714	18,749,443	17,866,550	16,972,834
Less - Business-Type	(5,321,414)	(4,764,963)	(4,482,116)	(3,793,159)	(2,483,463)	(1,103,284)	(588,689)	(224,994)	(216,340)	(207,686)
Total amount of debt applicable to debt limitation	10,163,505	10,545,666	11,146,112	13,636,453	18,015,811	18,438,211	18,756,025	18,524,449	17,650,210	16,765,148
Legal debt margin	\$ 12,819,594	\$ 11,930,418	\$ 11,660,375	\$ 10,917,216	\$ 6,526,807	\$ 6,176,702	\$ 5,736,970	\$ 6,528,328	\$ 8,421,798	\$ 9,345,336
Total net debt applicable to the limit as a percentage of debt limit	44.22%	46.92%	48.87%	55.54%	73.41%	74.91%	76.58%	73.94%	67.70%	64.21%

TABLE 12

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

Fiscal Years Ended June 30	Water and Wastewater Revenue Bonds						
	Utility	Less:	Net	Debt Service			Coverage
	Service Charges	Operating Expenses	Available Revenue	Principal	Interest	Total	
2018	\$ 2,492,506	\$ 2,001,767	\$ 490,739	\$ 255,243	\$ 197,630	\$ 452,873	1.08
2017	2,489,776	2,077,298	412,478	241,878	207,405	449,283	0.92
2016	2,402,922	1,960,348	442,574	229,906	180,693	410,599	1.08
2015	2,314,041	2,107,896	206,145	158,950	120,455	279,405	0.74
2014	2,211,146	2,132,102	79,044	1,022,913	195,404	1,218,317	0.06
2013	2,265,444	2,082,646	182,798	1,017,797	180,356	1,198,153	0.15
2012	2,318,868	2,303,377	15,491	121,871	123,995	245,866	0.06
2011	2,336,189	2,147,590	188,599	155,096	93,546	248,642	0.76
2010	2,249,376	2,065,484	183,892	81,143	93,895	175,038	1.05
2009	2,346,475	2,213,375	133,100	81,768	96,443	178,211	0.75

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

TABLE 13

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

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2018	3,908	143,876,928	\$ 36,816	40.0	767	4.60%
2017	3,857	126,957,012	32,916	40.0	764	5.90%
2016	3,946	138,504,600	35,100	39.0	814	6.50%
2015	4,013	148,994,664	37,128	38.0	820	7.80%
2014	4,057	154,425,648	38,064	38.0	828	8.20%
2013	4,193	143,903,760	34,320	39.0	887	8.70%
2012	4,099	146,858,972	35,828	39.0	882	8.10%
2011	3,958	143,247,936	36,192	40.0	852	7.60%
2010	3,850	139,539,400	36,244	40.0	823	8.60%
2009	3,850	135,335,200	35,152	40.0	784	6.60%

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

TABLE 14

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

June 30, 2018

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

June 30, 2008

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

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

2) Source: Virginia Employment Commission - Community Profile

TABLE 15

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	2	1.5	2	2	2	1.5	1.5	1.5	1	1
Other	6	5.5	6	6	6	6	6	6	6	6.5
Public safety										
Officers	17.5	18	17.5	16	16	16	16	16	16	16
Dispatchers/Clerks	7	7	7	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Sheriff's Office	4	4	3	3	3	3	3	3	3	3
Animal Control	1	1	1	1	1	1	1	1	1	1
Building	2	1	1	1	1	1	1	1	1	1
Emergency Management	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0
Fire	1	1	1	1	1	1	1	1	1	1.5
Public works										
Engineering	1	1	1	1	1	1	1	1	1	1
Streets	12	13	13	11.5	11.5	10	9	9	9	9
Refuse Collections	4.5	4	5	5.5	5.5	6	6	6	6	6
General Properties	5	4	4.5	4.5	4.5	5	5	5	3.5	4
Parks and recreation										
Maintenance	5	6	5.5	5.5	4.5	4.5	4.5	4	5.5	5.5
Other	6	6	1	1	1	1	1	1	1	1
Water operations										
Administration	3	3	3	3	3	3	3	3	3	3
Plant Operations	6.5	7	7	7	7	6	6	6	7	7.5
Maintenance	7	7	7	7	7	7	7	7	7	7
Social Services										
Administrative	5	5	4.5	4.5	4.5	4.5	4.5	5	5	5
Eligibility	7	7	7	7	7	7	7	7	7	7
Social Worker	3	3	3	3	3	3	3	3	3	3

1) Source: City of Norton's Finance Department

TABLE 16

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

<u>Function</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public safety										
Citations issued	2,762	2,374	2,433	1,550	876	1,139	1,051	830	1009	629
Parking Tickets issued	215	139	390	116	63	83	31	32	40	23
Crime/Arrest/Incident reports filed	866	787	842	758	661	690	647	579	468	513
911 Calls dispatched	5,260	5,059	5,469	4,514	4,018	4,075	3,402	3,722	3,614	4,500
Public Works										
Number of citizen requests for services	852	2,331	972	883	814	726	651	685	783	668
Water operations										
Number of service connections	2,279	2,292	2,305	2,301	2,263	2,240	2,222	2199	2188	2202
Number of citizen requests for services	2,349	1,866	2,022	1,887	1,963	2,251	2,052	3939	3539	3548
Average daily plant output in gallons	.870 Million	.870 Million	.870 Million	.740 Million	.680 Million	.420 Million	.497 Million	.658 Million	.658 Million	.785 Million
Maximum daily capacity of plant in gallons	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million
Wastewater operations										
Number of service connections	2,033	2,035	2,115	2,116	2,080	2,067	2,169	2,023	2,018	2,030

TABLE 17

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	13	15	15	15	16	16	22	24	25	25
Public works										
Streets (lane miles)	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73
Streetlights	440	440	440	440	440	440	440	479	479	479
Traffic signals	8	8	8	8	8	9	9	9	9	9
Water operations										
Miles of water main	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31
Number of fire hydrants	250	250	250	250	255	255	255	255	255	255
Wastewater operations										
Miles of sanitary sewers	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16
Miles of storm sewers	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2