

CITY OF NORTON, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2020

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INTRODUCTORY SECTION

CITY OF NORTON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2020

CITY COUNCIL

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

OTHER OFFICIALS

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

School Board

Cody McElroy Chair
Dr. Wes Campbell Vice-Chair
Carol Caruso
Sherry Adams
Mark Lenoard
Dr. Gina Wohlford Superintendent

Social Services Advisory Board

Abe Rutherford.....Director
June Jones
Vicki Stidham
Jane Sandt
Jen Boa
Frank Gravely



Management Discussion and Analysis

March 31, 2021

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, 2020.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 21,427,839 (net position).
- At June 30, 2020, the City reported combined ending fund balances of \$ 3,801,456 a decrease of \$ 228,094 in comparison with the prior year.
- As of June 30, 2020, the General Fund had a total Fund Balance of \$ 3,156,889.
- The total debt outstanding as of June 30, 2020 was \$ 17,344,453 which includes the component units. As of June 30, 2020, the City's Legal Debt Margin was \$ 10,776,869.
- The Water/Sewer Proprietary Fund had an increase in Net Position for the year of \$ 266,559.

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, 2020

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 6,588,157	\$ 527,538	\$ 7,115,695
Capital assets	9,526,281	17,046,633	26,572,914
Total Assets	\$ 16,114,438	\$ 17,574,171	\$ 33,688,609
Current & other liabilities	\$ 1,360,574	\$ 339,729	\$ 1,700,303
Long-term liabilities	2,342,377	7,185,954	9,528,331
Total Liabilities	\$ 3,702,951	\$ 7,525,683	\$ 11,228,634
Deferred Inflows	\$ 1,898,707	\$ 92,781	\$ 1,991,488
Less - Deferred Outflows	871,721	87,631	959,352
Total Deferred	\$ 1,026,986	\$ 5,150	\$ 1,032,136
Net Position:			
Invested in Capital assets	\$ 8,542,222	\$ 9,958,801	\$ 18,501,023
Unrestricted	2,842,279	84,537	2,926,816
Total Net Position	\$11,384,501	\$10,043,338	\$ 21,427,839

Net position serves as a useful indicator of a government's financial position. The City's combined net position total is \$ 21,427,839 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 \$ 18,501,023. The City of Norton uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Governmental Activities – Governmental activities decreased the City's net position by \$ 233,810. Key elements of this decrease are as follows:

Governmental Activities
Year Ended June 30, 2020

Revenues:	
Program Revenues:	
Charges for Services	\$ 442,755
Operating Grants and Contributions	3,777,142
General Revenues:	
Property Taxes	3,128,984
Other Local Taxes	4,763,631
Other	279,518
Total Revenues	\$12,392,030
Expenses:	
General Government	\$ 1,412,791
Judicial Administration	415,276
Public Safety	2,819,987
Public Works	2,531,163
Health and Welfare	1,409,848
Education	2,505,966
Parks, Recreation, Culture	81,357
Community Development	1,411,696
Interest of Long Term Debt	37,756
Total Expenses	\$ 12,625,840
Increase (Decrease) in Net Position	\$ (233,810)

Included in the Total Expenses are non-cash items including depreciation. In addition, expenditures for capital assets are not included, while Grant Contributions (revenues) for some types of projects are. This means that under the full accrual method, the net position decreased by \$ 233,810 for FY2020. A portion of the decrease is accounted for by the planned use of prior years' surplus to fund local match need to complete ongoing grant funded projects around the City, in particular the Downtown Revitalization Project.

Fund Financial Statements

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

Governmental Fund Highlights:

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Real Property Tax	\$ 2,107,104	1,977,083	2,029,508	2,111,134	2,062,943
Local Sales and Use Tax	\$ 1,664,033	1,639,810	1,518,284	1,541,644	1,609,549
Restaurant Food Taxes	\$ 1,479,388	1,496,570	1,388,390	1,401,747	1,395,556
Street & Highway Maintenance	\$ 870,897	870,286	845,049	860,487	841,655
Business License Taxes	\$ 801,979	789,539	779,120	750,765	842,303
Personal Property Taxes	\$ 614,014	640,982	558,745	557,457	540,191

The City's assessed value of taxable property for the year was \$ 295,104,168. The real estate tax rate is \$.90 per \$ 100 of assessed value and the personal property tax rate is \$ 2.05 per \$ 100 of assessed value. For the year, the percent of levy collected was 98.26%. This includes collections of prior year's delinquencies in addition to current year assessments, but is calculated as a percentage of the current year tax base.

The City's business type activity is the Water/Sewer Proprietary Fund. During the year this fund had an increase in net position of \$ 266,559. In addition, cash and cash equivalents decreased by \$ 119,834 to \$250,945.

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	\$ 12,387,567	\$ 12,678,911	\$ 291,344
Total Expenses	13,304,225	<u>12,907,005</u>	\$ 397,220
Excess of Revenues Over Expenses		<u>\$ (228,094)</u>	

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

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

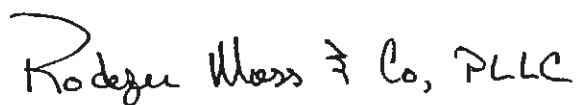
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The directory of principal official, statistical section and compliance section information are presented for purposes of additional analysis and are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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021 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.



Norton, Virginia
March 31, 2021

BASIC FINANCIAL STATEMENTS

CITY OF NORTON, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	School Board	Industrial Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 263,087	\$ 116,076	\$ 379,163	\$ 572,716	\$ 1,727,769
Restricted cash (Note 2)	15,503	134,869	150,372	416,576	107,781
Investments	3,010,245	-	3,010,245	-	-
Receivables, net (Note 3)	1,681,421	323,536	2,004,957	-	270,118
Prepays	-	-	-	1,320	25,965
Inventories	-	-	-	-	-
Due from other governments (Note 4)	1,287,329	237,807	1,525,136	280,869	56,775
Due from primary government	-	-	-	68,620	-
Due from component units	45,822	-	45,822	-	-
Internal balances (Note 5)	284,750	(284,750)	-	-	-
Net pension asset (Note 12)	-	-	-	328,821	-
Capital assets: (Note 7)					
Nondepreciable	1,179,608	617,573	1,797,181	65,901	4,060,386
Depreciable, net	8,346,673	16,429,060	24,775,733	9,597,077	5,505,599
Total assets	16,114,438	17,574,171	33,688,609	11,331,900	11,754,393
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	64,608	-	64,608	-	-
Deferred outflows related to pensions (Note 12)	546,431	80,776	627,207	1,213,440	-
Deferred outflows related to other postemployment benefits (Note 14)	260,682	6,855	267,537	213,351	-
Total deferred outflows of resources	871,721	87,631	959,352	1,426,791	-
LIABILITIES					
Accounts payable and other current liabilities	614,647	161,811	776,458	161,720	39,748
Accrued payroll and related liabilities	117,016	14,883	131,899	276,475	-
Accrued interest	10,108	28,166	38,274	110,271	-
Customer security deposits	-	134,869	134,869	-	-
Due to other governmental units	289,557	-	289,557	-	-
Due to primary government	-	-	-	114,442	-
Due to component unit	-	-	-	-	-
Deferred revenue - Grants	329,246	-	329,246	-	-
Noncurrent liabilities:					
Net pension liability (Note 12)	267,047	39,476	306,523	5,531,387	-
Net other postemployment benefits/liabilities (Note 14)	839,207	36,418	875,625	1,241,216	-
Due within one year (Note 9)	215,354	284,850	500,204	713,418	18,417
Due in more than one year (Note 9)	1,020,769	6,825,210	7,845,979	7,223,528	1,042,907
Total liabilities	3,702,951	7,525,683	11,228,634	15,372,457	1,101,072
DEFERRED INFLOWS OF RESOURCES					
Property taxes	1,142,321	-	1,142,321	-	-
Deferred inflows related to pensions (Note 12)	605,077	89,446	694,523	1,208,152	-
Deferred inflows related to other postemployment benefits (Note 14)	151,309	3,335	154,644	147,023	-
Total deferred inflows of resources	1,898,707	92,781	1,991,488	1,355,175	-
NET POSITION					
Net investment in capital assets	8,542,222	9,958,801	18,501,023	9,662,978	9,565,985
Restricted	-	-	-	-	107,781
Unrestricted	2,842,279	84,537	2,926,816	(13,631,919)	979,555
Total net position	\$ 11,384,501	\$ 10,043,338	\$ 21,427,839	\$ (3,968,941)	\$ 10,653,321

EXHIBIT 2

CITY OF NORTON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	School Board	Industrial Development Authority
					Governmental Activities	Business- Type Activities			
Primary Government:									
Governmental activities:									
General government	\$ 1,412,791	\$ -	\$ 224,841	\$ -	\$ (1,187,950)		\$ (1,187,950)		
Judicial administration	415,276	-	-	-	(415,276)		(415,276)		
Public safety	2,819,987	14,679	641,972	-	(2,163,336)		(2,163,336)		
Public works	2,531,163	410,676	1,073,588	-	(1,046,899)		(1,046,899)		
Health and welfare	1,409,848	-	1,290,857	-	(118,991)		(118,991)		
Education	2,505,966	-	-	-	(2,505,966)		(2,505,966)		
Parks, recreation, and cultural	81,357	17,400	4,500	-	(59,457)		(59,457)		
Community development	1,411,696	-	541,384	-	(870,312)		(870,312)		
Interest	37,756	-	-	-	(37,756)		(37,756)		
Total governmental activities	12,625,840	442,755	3,777,142	-	(8,405,943)		(8,405,943)		
Business-type activities:									
Water and sewer	2,975,950	2,754,849	-	487,660		\$ 266,559	266,559		
Storm water management	-	-	-	-		-	-		
Total business-type activities	2,975,950	2,754,849	-	487,660		266,559	266,559		
Total primary government	\$ 15,601,790	\$ 3,197,604	\$ 3,777,142	\$ 487,660	(8,405,943)	266,559	(8,139,384)		
Discretely Presented Component Units:									
School Board	\$ 8,303,545	\$ -	\$ 6,623,949	\$ -				\$ (1,679,596)	
Industrial Development Authority	597,070	341,614	699,927	2,588,883.00					\$ 3,033,354
Total component units	\$ 8,900,615	\$ 341,614	\$ 7,323,876	\$ 2,588,883				\$ (1,679,596)	\$ 3,033,354
General revenues:									
Property taxes					3,128,984	-	3,128,984	-	-
Sales taxes					1,664,033	-	1,664,033	-	-
Utility taxes					125,415	-	125,415	-	-
Business license taxes					801,979	-	801,979	-	-
Communication taxes					174,981	-	174,981	-	-
Motor vehicle taxes					80,937	-	80,937	-	-
Bank stock taxes					40,193	-	40,193	-	-
Recordation taxes					16,012	-	16,012	-	-
Hotel and motel room taxes					104,019	-	104,019	-	-
Restaurant food taxes					1,479,388	-	1,479,388	-	-
Coal road improvement taxes					31,997	-	31,997	-	-
Cigarette tax					157,455	-	157,455	-	-
Other local taxes					87,222	-	87,222	-	-
Gain on sale of property					3,004	-	3,004	458,945	-
Miscellaneous					75,883	-	75,883	1,068	-
Unrestricted investment earnings					53,134	-	53,134	-	27,707
Recovered Cost					125,791	-	125,791	-	118,196
Insurance recoveries					21,706	-	21,706	-	-
Transfers					-	-	-	2,498,811	-
Total general revenues					8,172,133	-	8,172,133	2,958,824	145,903
Change in net position					(233,810)	266,559	32,749	1,279,228	3,179,257
NET POSITION AT JULY 1 (Note 19)					11,618,311	9,776,779	21,395,090	(5,248,169)	7,474,064
NET POSITION AT JUNE 30					\$ 11,384,501	\$ 10,043,338	\$ 21,427,839	\$ (3,968,941)	\$ 10,653,321

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

CITY OF NORTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Virginia Public Assistance Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,812	\$ 128,506	\$ 132,769	\$ 263,087
Restricted cash	15,503	-	-	15,503
Investments	3,010,245	-	-	3,010,245
Taxes Receivable	1,501,501	-	-	1,501,501
Accounts receivable	179,920	-	-	179,920
Due from other funds	470,338	99,343	-	569,681
Inventory	-	-	-	-
Prepaid	-	-	-	-
Due from component unit	45,822	-	-	45,822
Due from other governmental units	892,173	85,156	310,000	1,287,329
Total assets	<u>\$ 6,117,314</u>	<u>\$ 313,005</u>	<u>\$ 442,769</u>	<u>\$ 6,873,088</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 591,426	\$ 23,221	\$ -	\$ 614,647
Accrued payroll and related liabilities	98,419	18,597	-	117,016
Due to other funds	215,542	40,064	29,325	284,931
Due to component unit	-	-	-	-
Due to other governmental units	289,557	-	-	289,557
Total liabilities	<u>1,194,944</u>	<u>81,882</u>	<u>29,325</u>	<u>1,306,151</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue - Grants	329,246	-	-	329,246
Unavailable/deferred taxes	1,436,235	-	-	1,436,235
Total deferred inflows of resources	<u>1,765,481</u>	<u>-</u>	<u>-</u>	<u>1,765,481</u>
FUND BALANCES (Note 6)				
Nonspendable	355,486	-	-	355,486
Restricted	-	-	-	-
Committed	-	-	413,444	413,444
Assigned	50,454	231,123	-	281,577
Unassigned	2,750,949	-	-	2,750,949
Total fund balances	<u>3,156,889</u>	<u>231,123</u>	<u>413,444</u>	<u>3,801,456</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,117,314</u>	<u>\$ 313,005</u>	<u>\$ 442,769</u>	<u>\$ 6,873,088</u>

CITY OF NORTON, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total Fund Balance - Governmental Funds **\$ 3,801,456**

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

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

Nondepreciable	\$ 1,179,608	
Depreciable, net	8,346,673	
		9,526,281

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

293,914

Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources - pensions	546,431	
Deferred outflows of resources - other postemployment benefits	260,682	
Deferred inflows of resources - pensions	(605,077)	
Deferred inflows of resources - other postemployment benefits	(151,309)	
Net pension liability	(267,047)	
Net other postemployment benefits liabilities	(839,207)	
		(1,055,527)

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

Bonds payable, including unamortized premiums	(895,712)	
Deferred charge on refunding	64,608	
Compensated absences	(252,064)	
Capital lease payable	(88,347)	
Accrued interest payable	(10,108)	
		(1,181,623)

Total Net Position - Governmental Activities **\$ 11,384,501**

CITY OF NORTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	General	Virginia Public Assistance Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 3,155,065	\$ -	\$ -	\$ 3,155,065
Other local taxes	4,676,409	-	-	4,676,409
Permits, privilege fees, and regulatory licenses	12,391	-	-	12,391
Fines and forfeitures	3,075	-	10,903	13,978
Use of money and property	52,108	-	1,026	53,134
Charges for services	428,777	-	-	428,777
Miscellaneous	75,268	615	-	75,883
Recovered costs	125,791	-	-	125,791
Intergovernmental	2,778,386	1,073,587	-	3,851,973
Total revenues	11,307,270	1,074,202	11,929	12,393,401
EXPENDITURES				
Current:				
General government	1,419,446	-	-	1,419,446
Judicial administration	417,257	-	-	417,257
Public safety	2,716,052	-	30,605	2,746,657
Public works	2,372,797	-	-	2,372,797
Health and welfare	121,258	1,313,087	-	1,434,345
Education	2,505,966	-	-	2,505,966
Parks, recreation and cultural	497,794	-	-	497,794
Community development	1,060,832	-	-	1,060,832
Debt service:				
Principal retirement	181,439	-	-	181,439
Interest and fiscal charges	30,472	-	-	30,472
Total expenditures	11,323,313	1,313,087	30,605	12,667,005
Excess (deficiency) of revenues over expenditures	(16,043)	(238,885)	(18,676)	(273,604)
OTHER FINANCING SOURCES (USES)				
Sale of surplus	3,004	-	-	3,004
Insurance recoveries	21,706	-	-	21,706
Loan proceeds	20,800	-	-	20,800
Transfers in	-	240,000	-	240,000
Transfers out	(240,000)	-	-	(240,000)
Total other financing sources (uses)	(194,490)	240,000	-	45,510
Net change in fund balances	(210,533)	1,115	(18,676)	(228,094)
FUND BALANCES AT JULY 1	3,367,422	230,008	432,120	4,029,550
FUND BALANCES AT JUNE 30	\$ 3,156,889	\$ 231,123	\$ 413,444	\$ 3,801,456

CITY OF NORTON, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020**

Net Change in Fund Balances - Governmental Funds **\$ (228,094)**

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

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 1,072,159	
Depreciation expense	<u>(485,750)</u>	

586,409

Governmental funds report proceeds from the sale of capital assets as an increase in financial resources while governmental activities report the gain or loss on the sale of capital assets.

(765,607)

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

(26,081)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net position.

160,639

Some expenses reported in the Statement of Activities, such as compensated do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	<u>(63,095)</u>	
--------------------------------	-----------------	--

(63,095)

Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

114,254

Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.

(4,951)

Governmental funds report the effect of bond premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows:

Amortization of gain/loss from refundings	(9,230)	
Change in accrued interest payable	<u>1,946</u>	

(7,284)

Change in Net Position - Governmental Activities

\$ (233,810)

EXHIBIT 7

CITY OF NORTON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and investments	\$ 116,076
Receivables, net	323,536
Due from other governments	237,807
Due from other funds	116,199
Total current assets	<u>793,618</u>
Noncurrent assets:	
Restricted cash	134,869
Capital assets, net	17,046,633
Total noncurrent assets	<u>17,181,502</u>
Total assets	<u>17,975,120</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	80,776
Deferred outflows related to other postemployment benefits	6,855
Total deferred outflows of resources	<u>87,631</u>
LIABILITIES	
Current liabilities:	
Accounts payable	161,811
Accrued payroll and related liabilities	14,883
Accrued interest	28,166
Due to other funds	400,949
Customer security deposits	134,869
Compensated absences	6,669
Debt obligations, current	278,181
Total current liabilities	<u>1,025,528</u>
Noncurrent liabilities:	
Compensated absences	15,559
Net pension liability	39,476
Net other postemployment benefit liabilities	36,418
Debt obligations	6,809,651
Total noncurrent liabilities	<u>6,901,104</u>
Total liabilities	<u>7,926,632</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	89,446
Deferred inflows related to other post employment benefits	3,335
Total deferred inflows of resources	<u>92,781</u>
NET POSITION	
Net investment in capital assets	9,958,801
Restricted	-
Unrestricted	84,537
Total net position	<u>\$ 10,043,338</u>

EXHIBIT 8

CITY OF NORTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2020

	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services	
Water:	
Local	\$ 904,336
Non-Local	195,270
Sewer:	
Local	1,232,258
Non-Local	333,437
Connection fees	11,960
Penalties	48,846
Miscellaneous	28,742
Total operating revenues	<u>2,754,849</u>
OPERATING EXPENSES	
Personnel	515,887
Fringe benefits	206,587
Contractual services	865,753
Other charges	461,560
Rent	6,000
Water purchased for resale	55,129
Depreciation and amortization	669,815
Total operating expenses	<u>2,780,731</u>
Operating loss	<u>(25,882)</u>
NONOPERATING REVENUES (EXPENSES)	
Grant income	487,660
Interconnect expense	(20,971)
Interest expense	(174,248)
Total nonoperating revenues (expenses)	<u>292,441</u>
Change in net position	266,559
NET POSITION AT JULY 1	<u>9,776,779</u>
NET POSITION AT JUNE 30	<u><u>\$ 10,043,338</u></u>

**CITY OF NORTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2020**

EXHIBIT 9

	<u>Water and Sewer</u>
OPERATING ACTIVITIES	
Receipts from customers and properties	\$ 2,982,632
Receipts from other sources	(209,065)
Payments to suppliers	(1,737,844)
Payments to employees	(512,655)
Net cash provided by operating activities	<u>523,068</u>
NONCAPITAL FINANCING ACTIVITIES	
Interfund borrowing	(221,663)
Net cash used in noncapital financing activities	<u>(221,663)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(433,781)
Contributed Capital - grant revenue	487,660
Interconnect expense	(20,971)
Principal paid	(274,811)
Interest paid	(179,336)
Net cash used in capital and related financing activities	<u>(421,239)</u>
Net increase (decrease) in cash and cash equivalents	(119,834)
CASH AND CASH EQUIVALENTS	
Beginning at July 1	<u>370,779</u>
Ending at June 30	<u>\$ 250,945</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:	
Cash and investments	\$ 116,076
Restricted cash	134,869
Total	<u>\$ 250,945</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (25,882)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	669,815
Pension expense net of employer contributions	(17,942)
Other post-employment benefit expense net of employer contributions	(3,725)
Change in assets and liabilities:	
(Increase) decrease in:	
Receivables, net	253,912
Due from other governments	(237,807)
Increase (decrease) in:	
Accounts payable and other current liabilities	(121,148)
Accrued payroll and related liabilities	1,322
Customer deposits	2,613
Compensated absences	1,910
Net cash provided by operating activities	<u>\$ 523,068</u>

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

EXHIBIT 10

**CITY OF NORTON, VIRGINIA
AGENCY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020**

	Special Welfare Fund
ASSETS	
Cash	\$ 15,571
Total assets	<u>15,571</u>
NET POSITION	
Amounts held for social service clients	<u>15,571</u>
Total net position	<u><u>\$ 15,571</u></u>

EXHIBIT 11

CITY OF NORTON, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2020

	<u>Special Welfare Fund</u>
ADDITIONS	
Client Receipts	\$ 11,988
Total additions	<u>11,988</u>
DEDUCTIONS	
Payments for clients	<u>9,536</u>
Total deductions	<u>9,536</u>
Change in net position	<u>2,452</u>
NET POSITION - BEGINNING OF YEAR	<u>13,119</u>
NET POSITION - END OF YEAR	<u><u>\$ 15,571</u></u>

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Individual Component Disclosures

Discretely Presented Component Unit

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-Wide and Fund Financial Statements

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following non-major governmental funds:

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

The City reports the following major proprietary funds:

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

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

D. Basis of Accounting

1. Governmental Funds

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

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

2. Proprietary Funds

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

3. Fiduciary Funds

Agency Funds utilize the modified accrual basis of accounting.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

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

1. Prior to March 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1.
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, 2020.

F. Encumbrances and Commitments

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments

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

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

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

H. Capital Assets

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

I. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$388,975 at June 30, 2020, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	\$ 13,487
Allowance for uncollectible garbage taxes	41,952
Total General Fund	<u>55,439</u>
Water and Sewer Fund	
Allowance for uncollectible water and sewer fee billings	333,536
Total Water and Sewer Fund	<u>333,536</u>
Total Allowance for Uncollectible Accounts	<u>\$ 388,975</u>

J. Interfund Receivables and Payables

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

K. Compensated Absences

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

L. Pensions

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

M. Other Postemployment Benefits (OPEB)

Local Health

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

Group Life Insurance

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

Line of Duty Act Program

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

Teacher Employee Health Insurance Credit Program

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

Teacher Employee Virginia Local Disability Program

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

M. Other Postemployment Benefits (OPEB) (Continued)

Teacher Employee Virginia Local Disability Program (Continued)

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

N. Long-term Debt

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

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

O. Fund Balances

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The City of Norton, Virginia, evaluated its funds at June 30, 2020 and classified fund balance into the following five categories:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balances (Continued)

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

Reserve Flow Policy

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

P. Net Position

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Deferred Outflows/Inflows of Resources

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

Employer pension and other postemployment benefit (OPEB) contributions made after the net pension and OPEB liability measurement date of June 30, 2019 and prior to the reporting date of June 30, 2020, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2020. 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, 2019 have been reported as a deferred inflow of resources. This difference will be recognized in pension or OPEB expense over a closed five-year period.

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

The General Fund reports the deferred loss on debt refunding, net as a deferred outflow of resources presented on the Governmental Activities Statement of Net Position. The deferred loss on refunding results from the net difference in the carrying value of refunded debt and the reacquisition price of the refunding debt. This net difference amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The City has reported a deferred loss on the refunding of debt of \$64,608 as a deferred outflow of resources on the Governmental Activities and Statement of Net Position as of June 30, 2020.

R. Date of Management Review

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

Note 2. Deposits and Investments

Deposits

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

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

Note 2. Deposits and Investments

Investments

Investment Policy - In accordance with the Code of Virginia and other applicable laws, including regulations, the City permits investments in obligations of the United States or agencies thereof, commercial paper, repurchase agreements which are collateralized with securities that are approved for direct investment, the State Treasurer's Local Government Investment Pool (LGIP), the Virginia Investment Pool (VMLN ACO Pool) and State Non-Arbitrage Program (SNAP). SNAP, VIP, and LGIP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the City's position in the pools is the same as the value of the pool shares.

Concentration of Credit Risk

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

First Bank & Trust	18%
Virginia Investment Pool	82%

Custodial Credit Risk

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

Fair Value Measurements

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

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

Note 2. Deposits and Investments (Continued)

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

		Component Units	
	Primary Government	School	NIDA
Deposits and investments:			
Cash on hand	\$ 950	\$ -	\$ -
Deposits	528,585	989,292	141,667
Investments	3,010,245	-	1,693,883
	<u>\$ 3,539,780</u>	<u>\$ 989,292</u>	<u>\$ 1,835,550</u>
Statement of net position:			
Cash and cash equivalents	\$ 379,163	\$ 572,716	\$ 1,727,769
Investments	3,010,245	-	-
Restricted cash and cash equivalents	150,372	416,576	107,781
	<u>\$ 3,539,780</u>	<u>\$ 989,292</u>	<u>\$ 1,835,550</u>

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

Note 3. Property Taxes Receivable

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

Note 4. Due From Other Governmental Units

	Primary Government	Component Units School Board	Total
Commonwealth of Virginia			
Local sales tax	\$ 286,536	\$ -	\$ 286,536
Shared expenses	24,862	-	24,862
Communication tax	14,231	-	14,231
E-911 tax	3,596	-	3,596
Other	536,977	-	536,977
School funds	-	280,869	280,869
Welfare funds	85,156	-	85,156
Total Commonwealth of Virginia	<u>\$ 951,358</u>	<u>\$ 280,869</u>	<u>\$ 1,232,227</u>

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

Note 4. Due From Other Governmental Units (Continued)

	<u>Primary Government</u>	<u>Component Units School Board</u>	<u>Total</u>
Wise County			
Coal haul road tax	\$ 6,605	\$ -	\$ 6,605
Local Revenue Collections	1,579	-	1,579
Total Wise County	8,184	-	8,184
Lenowisco	237,807	-	237,807
Norton Industrial Development Authority	327,787	-	327,787
Total due from other governmental units	<u>\$ 1,525,136</u>	<u>\$ 280,869</u>	<u>\$ 1,806,005</u>

Note 5. Interfund Obligations

	<u>Primary Government</u>		<u>School Board Component Unit</u>	
	<u>Due From</u>	<u>Due To</u>	<u>Due From</u>	<u>Due To</u>
General Fund:				
School Operating Fund	\$ 5,818	\$ 84,219	\$ -	\$ -
School Textbook Fund	-	68,620	-	-
Virginia Public Assistance Fund	40,064	99,343	-	-
Water and Sewer Fund	400,949	116,199	-	-
Drug and Gambling Fund	29,325	-	-	-
Total General Fund	476,156	368,381	-	-
School Operating Fund:				
General Fund-City Operations	-	-	84,219	5,818
Cafeteria Fund	-	-	6,947	36,226
Health Insurance Fund	-	-	-	-
Textbook Fund-Other Funds	-	-	13,477	-
Total Operating School Fund	-	-	104,643	42,044
School Health Insurance Fund:	-	-	-	-
School Operating Fund	-	-	-	-
Textbook Fund	-	-	-	-
Total School Cafeteria Fund	-	-	-	-

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

Note 5. Interfund Obligations (Continued)

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
School Text Fund:				
City Operations	-	-	68,620	-
School Operating	-	-	-	13,477
Health Insurance Fund	-	-	-	-
Total School Cafeteria Fund	-	-	68,620	13,477
School Cafeteria Fund:				
City DSS	-	-	-	-
School Operating Fund	-	-	36,226	6,947
Health Insurance Fund	-	-	-	-
Total School Cafeteria Fund	-	-	36,226	6,947
Drug and Gambling Fund:				
General Fund	-	29,325	-	-
Virginia Public Assistance Fund:				
General Fund	99,343	40,064	-	-
Total Virginia Public Assistance Fund	99,343	40,064	-	-
Water and Sewer Fund:				
General Fund	116,199	400,949	-	-
Total Water and Sewer Fund	116,199	400,949	-	-
Totals	\$ 691,698	\$ 838,719	\$ 209,489	\$ 62,468

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

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

Note 6. Fund Balance – Governmental Funds

As of June 30, 2020, fund balances are composed of the following:

	<u>General Fund</u>	<u>Virginia Public Assistance Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:	\$ 355,486	-	-	355,486
Restricted:	-	-	-	-
Committed:				
Law Enforcement	-	-	96,688	96,688
Parks and Recreation	-	-	2,069	2,069
Planning and Development	-	-	314,687	314,687
Assigned:				
Administration	-	-	-	-
Parks and Recreation	10,000	-	-	10,000
Public Safety	40,454	-	-	40,454
Public Works-Streets	-	-	-	-
Health and Welfare	-	231,123	-	231,123
Unassigned:	2,750,949	-	-	2,750,949
Total fund balances	\$ 3,156,889	\$ 231,123	\$ 413,444	\$ 3,801,456

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

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

Note 7. Changes in Capital Assets

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

	Balance July 1, 2019	Additions	Deletions	Balance July 30, 2020
<u>Primary Government</u>				
Buildings	\$ 1,964,951	\$ -	\$ -	\$ 1,964,951
Improvements other than buildings	1,842,950	243,207	-	2,086,157
Infrastructure	15,425,142	-	-	15,425,142
Equipment	4,627,982	42,149	8,702	4,661,429
Equipment special revenue	157,812	25,205	-	183,017
Total capital assets, depreciable	<u>24,018,837</u>	<u>310,561</u>	<u>8,702</u>	<u>24,320,696</u>
Less accumulated depreciation for:				
Buildings	1,531,535	27,393	-	1,558,928
Improvements other than buildings	1,364,441	45,498	-	1,409,939
Infrastructure	8,966,645	211,785	-	9,178,430
Equipment	3,518,087	193,699	8,702	3,711,786
Equipment special revenue	116,267	7,375	-	123,642
Total accumulated depreciation	<u>15,496,975</u>	<u>485,750</u>	<u>8,702</u>	<u>15,974,023</u>
Total capital assets, depreciable, net	<u>\$ 8,521,862</u>	<u>\$ (175,189)</u>	<u>\$ -</u>	<u>\$ 8,346,673</u>
<u>Component Unit-School Board</u>				
Building	\$ 11,370,171	\$ 176,757	\$ -	\$ 11,546,928
Improvements other than building	3,886,704	26,559	-	3,913,263
Equipment	1,129,321	176,055	102,314	1,203,062
Total capital assets, depreciable	<u>\$ 16,386,196</u>	<u>\$ 379,371</u>	<u>\$ 102,314</u>	<u>\$ 16,663,253</u>
Less accumulated depreciation for:				
Building	\$ 4,418,628	216,136	-	4,634,764
Improvements other than building	1,458,777	192,319	-	1,651,096
Equipment	799,370	\$ 83,260	\$ 102,314	\$ 780,316
Total accumulated depreciation	<u>6,676,775</u>	<u>491,715</u>	<u>102,314</u>	<u>\$ 7,066,176</u>
Total capital assets, depreciation, net	<u>\$ 9,709,421</u>	<u>\$ (112,344)</u>	<u>\$ -</u>	<u>\$ 9,597,077</u>

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

Note 7. Changes in Capital Assets (Continued),

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance July 30, 2020</u>
<u>Primary Government</u>				
Component Unit – NIDA				
Building	\$ 8,146,193	\$ 1,108,915	\$ -	\$ 9,255,108
Equipment	406,353	-	-	406,353
Less accumulated depreciation	<u>(3,923,083)</u>	<u>(232,779)</u>	<u>-</u>	<u>(4,155,862)</u>
Total capital assets, depreciable	<u>\$ 4,629,463</u>	<u>\$ 876,136</u>	<u>\$ -</u>	<u>\$ 5,505,599</u>
<u>Business type activities</u>				
Building	\$ 256,454	\$ -	\$ -	\$ 256,454
Improvements other than building	24,352,455	612,066	-	24,964,521
Equipment	<u>1,520,314</u>	<u>91,949</u>	<u>-</u>	<u>1,612,263</u>
Total capital assets, depreciable	<u>26,129,223</u>	<u>704,015</u>	<u>-</u>	<u>26,833,238</u>
Less accumulated depreciation for:				
Building	251,306	320	-	251,626
Improvements other than building	8,261,860	596,553	-	8,858,413
Equipment	<u>1,221,197</u>	<u>72,942</u>	<u>-</u>	<u>1,294,139</u>
Total accumulated depreciation	<u>9,734,363</u>	<u>669,815</u>	<u>-</u>	<u>10,404,178</u>
Total capital assets, depreciable net	<u>\$ 16,394,860</u>	<u>\$ 34,201</u>	<u>\$ -</u>	<u>\$ 16,429,060</u>

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

Note 7. Changes in Capital Assets (Continued)

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

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>July 30, 2020</u>
<u>Primary Government</u>				
Land	\$ 897,280	\$ -	\$ -	\$ 897,280
Construction in Progress	286,337	890,743	894,752	282,328
Total Capital Assets, non-depreciable	<u>\$ 1,183,617</u>	<u>\$ 890,743</u>	<u>\$ 894,752</u>	<u>\$ 1,179,608</u>
<u>Component Unit – School Board</u>				
Land	\$ 65,901	-	-	65,901
Construction in Progress	33,186	-	33,186	-
Total Capital Assets, non-depreciable	<u>\$ 99,087</u>	<u>\$ -</u>	<u>\$ 33,186</u>	<u>\$ 65,901</u>
<u>Component Unit – NIDA</u>				
Land	\$ 1,290,703	\$ 2,421,368	\$ -	\$ 3,712,071
Construction in Progress	120,000	228,315	-	348,315
Total Capital Assets, non-depreciable	<u>\$ 1,410,703</u>	<u>\$ 2,649,683</u>	<u>\$ -</u>	<u>\$ 4,060,386</u>
<u>Business Type Activities</u>				
Land	\$ 588,600	\$ -	\$ -	\$ 588,600
Construction in Progress	299,207	341,832	612,066	28,973
Total Capital Assets, non-depreciable	<u>\$ 887,807</u>	<u>\$ 341,832</u>	<u>\$ 612,066</u>	<u>\$ 617,573</u>

Note 8. Capital Asset Depreciation

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

Governmental activities:	
General government	\$ 6,396
Judicial administration	3,997
Public safety	101,788
Public works	350,352
Health and welfare	7,375
Parks, recreation, and cultural	15,094
Community Development	748
Total depreciation expense – governmental activities	<u>\$ 485,750</u>
Business-type Activity	
Total depreciation expense – business-type activity	<u>\$ 669,815</u>

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

Note 9. Long-term Debt

Governmental Activities General Obligations Bonds								
Year ending June 30,	2014 GO Bond		2016 Rural Development		2018 Rural Development		2019 Rural Development	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	109,800	21,532	6,087	174	5,725	575	5,844	708
2022	113,100	18,500	-	-	5,914	386	6,052	500
2023	116,200	15,382	-	-	6,109	191	6,267	285
2024	119,100	12,182	-	-	2,124	21	5,090	68
2025	127,000	8,835	-	-	-	-	-	-
2026-2029	261,300	7,139	-	-	-	-	-	-
Totals	\$ 846,500	\$ 83,570	\$ 6,087	\$ 174	\$ 19,872	\$ 1,173	\$ 23,253	\$ 1,561

Business Type Activities General Obligations Bonds								
Year Ending June 30,	Sewer Facilities Bond		Water Facilities Bond		Sewer Facilities Bond		Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	3,211	6,509	41,374	46,754	25,400	25,504	12,211	10,803
2022	3,277	6,443	42,420	45,708	25,977	24,927	12,520	10,494
2023	3,415	6,305	43,493	44,635	26,568	24,336	12,836	10,178
2024	3,574	6,146	44,593	43,535	27,172	23,732	13,161	9,853
2025	3,725	5,995	45,721	42,407	27,789	23,114	13,494	9,520
2026-2030	21,107	27,493	246,543	194,098	148,716	105,807	72,763	42,307
2031-2035	25,935	22,665	279,333	161,307	166,406	88,109	82,411	32,629
2036-2040	31,863	16,737	316,483	124,157	186,200	68,320	93,405	21,665
2041-2045	39,147	9,453	358,577	82,063	208,350	46,172	105,828	9,242
2046-2050	25,240	1,505	406,268	34,372	302,473	23,023	24,421	207
2051-2055	-	-	64,327	661	-	-	-	-
2056-2059	-	-	-	-	-	-	-	-
Total	\$ 160,494	\$ 109,251	\$1,889,132	\$ 819,697	\$1,145,051	\$453,044	\$443,050	\$156,898

General Obligations Bonds								
Year Ending June 30,	Sewer Bond		Refunding Bond		Water Facilities Bond		Water Facilities Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	75,719	-	75,000	54,762	21,296	21,115	15,317	15,291
2022	75,719	-	80,000	51,876	20,118	20,467	15,780	14,828
2023	75,719	-	85,000	48,712	22,612	19,799	16,257	14,351
2024	75,719	-	90,000	44,503	21,355	17,521	16,748	13,859
2025	75,719	-	90,000	40,399	24,008	18,403	17,255	13,353
2026-2030	378,590	-	365,000	143,403	131,448	80,607	94,417	58,621
2031-2035	-	-	175,000	90,600	147,755	58,227	109,574	43,462
2036-2040	-	-	215,000	47,990	174,412	34,108	127,169	25,872
2041-2045	-	-	95,000	4,403	156,106	7,486	100,913	6,150
2046-2050	-	-	-	-	-	-	-	-
2051-2055	-	-	-	-	-	-	-	-
2056-2060	-	-	-	-	-	-	-	-
Total	\$757,185	\$ -	\$1,270,000	\$526,648	\$ 719,110	\$277,733	\$ 513,430	\$ 205,787

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

Note 9. Long-term Debt (Continued)

The following is a summary of long-term obligations of the primary government for the year ended June 30, 2020:

	Balance 7/1/2019	Additions/ Proceeds	Payments/ Reductions	Balance 6/30/2020
Business-Type Activities:				
General obligation bonds	\$7,163,610	\$ -	\$ 266,158	\$ 6,897,452
Premium on bonds	199,033	-	8,653	190,380
Accrued vacation	20,318	1,910	-	22,228
Total	<u>\$7,382,961</u>	<u>\$ 1,910</u>	<u>\$ 274,811</u>	<u>\$ 7,110,060</u>
Governmental Activities:				
General obligation bonds	\$1,028,630	\$ 20,800	\$ 153,718	\$ 895,712
Capital leases	116,068	-	27,721	88,347
Accrued vacation	188,969	63,095	-	252,064
Total	<u>\$1,333,667</u>	<u>\$ 28,893</u>	<u>\$ 181,439</u>	<u>\$ 1,236,123</u>

Changes in Other Long-Term Debt:

	Amount Outstanding	
	Government Activities	Proprietary Fund Types
<u>Details of Long-Term Indebtedness:</u>		
General Fund		
General Obligation Notes:		
\$3,000,000 General Obligation Taxable Line of Credit Note, through Powell Valley National Bank. The line of credit is accessible through maturity date.	\$ -	\$ -

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

Note 9. Long-term Debt (Continued)

Changes in Other Long-Term Debt (Continued):

	Amount Outstanding	
	Government Activities	Proprietary Fund Types
<u>Details of Long-Term Indebtedness (Continued):</u>		
<u>General Fund (Continued)</u>		
General Obligation Bonds:		
\$1,208,000 General Obligation Bond, Series 2014, with interest of 2.72% over the life of the bond. The total bond issue was for \$1,174,988, which included bond issue costs of \$33,012. Repayment of the principal began on January 15, 2015 and continues annually until paid in full. Interest is scheduled to be paid semi-annually on January 1st and July 1st beginning with the first principal payment. The final installment of unpaid principal and interest shall be due and payable in 12 years on July 15, 2026	\$ 846,500	\$ -
\$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	6,087	-
\$29,000 Rural Development Loan, with interest of 3.25% over the life of the loan. Repayment of the loan began on December 1, 2018 and will continue annually until paid in full. The final payment is on November 1, 2023	19,872	-
\$30,000 Rural Development Loan, with interest of 3.5% over the life of the loan. Repayment of the loan began on April 15, 2019 and will continue annually until paid in full. The final payment is on March 15, 2024	23,253	-
Enterprise Fund		
General Obligation Bonds:		
\$1,514,370 General Obligation Sewer Bond, is payable to the Virginia Resource Authority, with interest at zero percent. Repayment of the principle is scheduled in 40 equal semi-annual installments of \$37,859 payable on June 1st and December 1st, beginning December 1, 2010. Final payment is due June 1, 2030.	-	757,185

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

Note 9. Long-term Debt (Continued)

Changes in Other Long-Term Debt (Continued):

	Amount Outstanding	
	Government Activities	Proprietary Fund Types
<u>Details of Long-Term Indebtedness (Continued):</u>		
Enterprise Fund (Continued)		
General Obligation Bonds:		
\$190,000 General Obligation Sewer Facilities Bond issued June 6, 2008 payable to Unites States of America, USDA Rural Development, with interest at the rate of 4.10%. Monthly installments of combined principal and interest of \$810 are payable beginning July 7, 2008 and continuing on the 7th of each month thereafter until paid in full. Monthly payments are applied first to interest accrued to such payment date and then to principal. The final installment of all unpaid principal and interest shall be due and payable in 40 years on June 7, 2048.	\$ -	\$ 160,494
\$2,160,000 General Obligation Water Facilities Bond series 2011 issued March 30, 2011 payable to United States of America, USDA Rural Development, with interest at the rate of 2.75%. Interest only is payable on March 28, 2012 and March 28, 2013. Monthly installments of combined principal and interest of \$7,344 are payable beginning April 28, 2013 and continuing on the 28th of each month thereafter until paid in full. The amount of principle advances on the bond totaled \$2,151,517 at June 30, 2013. The final installment of all unpaid principal and interest shall be due and payable in 38 years on March 28, 2051.	-	1,889,132

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

Note 9. Long-term Debt (Continued)

Changes in Other Long-Term Debt (Continued):

	Amount Outstanding	
	<u>Government Activities</u>	<u>Proprietary Fund Types</u>
<u>Details of Long-Term Indebtedness (Continued):</u>		
Enterprise Fund (Continued)		
General Obligation Bonds:		
\$1,297,000 General Obligation Sewer Facilities Bond series 2011 issued 2011 payable to United States of America, USDA Rural Development, with interest at the rate of 2.25%. Interest only was payable on December 15, 2012 and December 15, 2013. Monthly installments of combined principal and interest of \$4,242 are payable beginning January 15, 2014 and continuing on the 15th of each month thereafter until paid in full. The final installment of all unpaid principal and interest shall be due and payable in 38 years on November 15, 2051.	\$ -	\$ 1,145,051
\$596,402 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 3.0 percent. Repayment of the principle is scheduled in 40 equal semi-annual installments of \$15,304 payable on February 1st and August 1st, beginning 2015. Final payment is due in 2044.	-	513,430
\$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.	-	1,270,000

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

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

	Amount Outstanding	
	Government Activities	Proprietary Fund Types
<u>Details of Long-Term Indebtedness (Continued):</u>		
<u>Enterprise Fund (Continued)</u>		
General Obligation Bonds:		
\$826,400 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 3.0 percent. Repayment of the principle is scheduled in 30 equal semi-annual installments of \$21,206 payable on April 1 and October 1, beginning 2015. Final payment is due in 2044.	\$ -	\$ 719,110
\$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.	-	443,050
Total Long-Term Debt	<u>\$ 895,712</u>	<u>\$ 6,897,452</u>

The following is a summary of other long-term transactions of the City of Norton for the year ended June 30, 2020:

	Compensated Absences	
	Government Fund Types	Proprietary Fund Types
Payable at June 30, 2019	\$ 188,969	\$ 20,318
Additions	63,095	1,910
Reductions	-	-
Payable at June 30, 2020	<u>\$ 252,064</u>	<u>\$ 22,228</u>

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

Note 9. Long-term Debt (Continued)

Component Unit – School Board

The following is a summary of long-term obligations of the primary government for the year ended June 30, 2020:

<i>Component Unit – School Board</i>	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Accrued vacation	\$ 121,663	\$ 6,667	\$ -	\$ 128,330
Capital leases	274,716	-	161,469	113,247
General obligation bonds	7,710,000	-	560,000	7,150,000
Premium on bonds	590,817	-	45,448	545,369
Total long-term obligations	<u>\$8,697,196</u>	<u>\$ 6,667</u>	<u>\$ 766,917</u>	<u>\$ 7,936,946</u>

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

Years ending June 30,	General Obligation Bond	
	Principal	Interest
2021	\$ 590,000	\$ 225,253
2022	625,000	194,574
2023	655,000	165,529
2024	670,000	142,048
2025	690,000	124,758
2027-2031	3,135,000	342,346
2032-2033	785,000	23,714
Totals	<u>\$ 7,150,000</u>	<u>\$ 1,218,222</u>

Details of Long-Term Indebtedness:

	Amount Outstanding
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. The bond has variable interest rates ranging from 2.05% to 5.05% and is paid semiannually.	<u>\$ 7,150,000</u>
TOTAL GENERAL LONG-TERM BONDS/LOANS	<u>\$ 7,150,000</u>

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

Note 9. Long-term Debt (Continued)

LEASE OBLIGATION

The City of Norton had one lease obligation outstanding at June 30, 2020.

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

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

June 30, 2021	\$ 28,777
June 30, 2022	29,627
June 30, 2023	29,943
Total	<u>\$ 88,347</u>

The City of Norton School Division has three capital leases outstanding at June 30, 2020.

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

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

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

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

June 30, 2021	\$ 89,230
June 30, 2022	22,127
June 30, 2023	1,890
Total	<u>\$ 113,247</u>

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

Note 9. Long-term Debt (Continued)

Component Unit- NIDA

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Industrial Development Authority of the City of Norton for the year ended June 30, 2020:

<u>Year(s)</u> <u>Ending</u>	<u>Total Long –</u> <u>Term Debt</u>	
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 18,417	\$ 33,256
2022	19,174	32,499
2023	20,105	31,568
2024	61,081	30,592
2025	20,296	29,601
2026-2030	202,571	162,699
2031-2035	254,567	110,704
2036-2040	299,189	66,082
2041-2045	165,924	15,148
TOTALS	<u>\$ 1,061,324</u>	<u>\$512,149</u>

Details of Long-Term Indebtedness:

	Evans	Virginia Community	City of		
	Distributing	Capital Bank	Norton	VCEDA	Totals
July 1, 2019	\$ 65,000	\$ -	\$ -	\$ -	\$ 65,000
Borrowings	-	750,000	310,000	40,000	1,100,000
Retirement	(65,000)	(38,676)	-	-	(103,676)
June 30, 2020	<u>\$ -</u>	<u>\$ 711,324</u>	<u>\$ 310,000</u>	<u>\$ 40,000</u>	<u>\$ 1,061,324</u>

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

Note 10. Claims, Judgements and Compensated Absences

PRIMARY GOVERNMENT

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

City employees earn vacation and sick leave at various rates depending upon the number of years of service. No benefits or pay is received for unused sick leave upon termination. Only 15 days of unused vacation leave can be carried over to the next fiscal year. Employees earn vacation leave according to the following schedule:

- A. .4167 days per month of 5 days each year if the employee has been with the City less than 1 year.
- B. .833 days per month or 10 days each year if the employee has been with the City for as long as 1 year but less than 10 years.
- C. 1.25 days per month or 15 days each year if the employee has been with the City for 10 years or longer.

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, 2020, the City had outstanding accrued vacation, sick and personal leave of \$252,064 in the Governmental Activities and outstanding accrued vacation leave of \$22,228 in the Water and Sewer Fund.

COMPONENT UNIT - SCHOOL BOARD

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

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

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

For accumulated days on June 30, 1998:

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

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

At June 30, 2020, the School Board had outstanding accrued vacation, sick and personal leave of \$128,330.

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

Note 11. Deferred Tax Revenue

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	General Fund
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 293,914
Tax assessments due after June 30	1,142,321	1,142,321
Total	\$ <u>1,142,321</u>	\$ <u>1,436,235</u>

Note 12. Pension Plan-Agent Multiple-Employer

Plan Description

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

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

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they are also eligible to</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>* Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision

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

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

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

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

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

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

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

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

		<p>75% of employer contributions.</p> <ul style="list-style-type: none"> • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions • Distribution is not required by law until age 70½.
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1. <u>Defined Contribution Component:</u> See definition under Plan 1. <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for nonhazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p>

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

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

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

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

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

<p>(COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> Form members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying of an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). 	<p>(COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<ul style="list-style-type: none"> • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and 		

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

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

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.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. 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.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as a service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	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.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	School Board Non-Professional Group
Inactive members or their beneficiaries currently receiving benefits	60	33
Inactive members:		
Vested inactive members	6	3
Non-vested inactive members	21	6
Inactive members active elsewhere in VRS	34	9
Total inactive members	61	18
Active members	86	9
Total covered employees	207	60

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The City's contractually required contribution rate for the year ended June 30, 2020 was 7.14 % for the general governmental and business-type covered employee compensation and 0.28% for the school board non-professional group. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the general government were \$247,785 and \$237,331

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

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

for the years ended June 30, 2020 and June 30, 2019, respectively and for the school board \$739 and \$2,190 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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, 2018, 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, 2019.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

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

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

Mortality rates (Continued):

Post-Disablement:

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

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

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

Post-Retirement:

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

Post-Disablement:

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

Actuarial Assumptions - General Employees

The actuarial assumptions used in the June 30, 2018 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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

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

Mortality Rates (Pre-retirement, post-retirement Healthy, and disabled)	Update to more current mortality table—RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

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

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

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates (Continued):

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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%
Discount rate	Decrease rate from 7.00% to 6.75%

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table—RP 2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount rate	Decrease rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	14.00%	3.96%	0.59%
Real Assets	14.00%	5.76%	0.86%
Private Equity	14.00%	9.53%	1.43%
MAPS – Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP – Private Investment Partnership	3.00%	6.29%	0.19%
	<u>100.00%</u>		<u>5.13%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. 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 6.75%, including expected inflation of 2.50%.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Governmental & Business-Type	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at June 30, 2018	\$ 17,631,402	\$ 17,431,960	\$ 199,442
Changes for the year:			
Service cost	358,254	-	358,254
Interest	1,203,575	-	1,203,575
Change in benefit terms	-	-	-
Change in assumptions	534,098	-	534,098
Differences between expected and actual experience	(459,633)	-	(459,633)
Contributions - employer	-	231,118	(231,118)
Contributions - employee	-	1632,026	(162,026)
Net investment income	-	1,148,328	(1,148,328)
Benefit payments, including refunds of employee contributions	(874,946)	(874,946)	-
Administrative expenses	-	(11,537)	11,537
Other changes	-	(722)	722
Net changes	761,348	654,267	107,081
Balance at June 30, 2019	\$ 18,392,750	\$ 18,086,227	\$ 306,523

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

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

Changes in Net Pension Liability (Continued)

School Board Non-Professional Group	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at June 30, 2018	\$ 1,737,113	\$ 2,085,817	\$ (348,704)
Changes for the year:			
Service cost	20,611	-	20,611
Interest	117,881	-	117,881
Change in benefit terms	-	-	-
Change in assumptions	41,046	-	41,046
Differences between expected and actual experience	(13,492)	-	(13,492)
Contributions - employer	-	543	(543)
Contributions - employee	-	11,597	(11,597)
Net investment income	-	135,517	(135,517)
Benefit payments, including refunds of employee contributions	(106,206)	(106,206)	-
Administrative expenses	-	(1,409)	1,409
Other changes	-	(85)	85
Net changes	59,840	39,957	19,883
Balance at June 30, 2019	\$ 1,796,953	\$ 2,125,774	\$ (328,821)

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

The following presents the net pension liability of the political subdivision using the discount rate of 6.75%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Governmental & Business-Type			
Net Pension Liability	\$ 2,726,456	\$ 306,523	\$ (1,625,899)
School Board Non-Professional Group			
Net Pension Liability	\$ (145,308)	\$ (328,821)	\$ (477,601)

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

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

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

For the year ended June 30, 2020, the City's general government recognized pension expense of \$(109,961). "At June 30, 2020, 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	\$ -	\$ 536,243
Change in assumptions	378,837	6,262
Net difference between projected and actual earnings on pension plan investments	-	152,018
Employer contributions subsequent to the measurement date	248,370	-
Total	<u>\$ 627,207</u>	<u>\$ 694,523</u>

\$248,370 reported as deferred outflows of resources related to pensions resulting from the City's general government contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2021	\$ (152,895)
2022	(180,240)
2023	6,524
2024	10,925
2025	-
Thereafter	-
	<u>\$ (315,686)</u>

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

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

For the year ended June 30, 2020, the School Board's Non-Professional group recognized pension expense of \$(25,894). At June 30, 2020, the School Board's Non-Professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 134
Change in assumptions	406	-
Net difference between projected and actual earnings on pension plan investments	-	17,545
Employer contributions subsequent to the measurement date	739	-
Total	<u>\$ 1,145</u>	<u>\$ 17,679</u>

\$739 reported as deferred outflows of resources related to pensions resulting from the School Board's non-professional group contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2021	\$ 1,363
2022	(19,656)
2023	(409)
2024	1,429
2025	-
Thereafter	-
	<u>\$ (17,273)</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

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

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
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.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<p>Eligible Members Employees are in Plan 1 if their Membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013..</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 20, 2014: the plan's effective date for opt-in member was July 1, 2014</p>
<p>Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	
<p>Retirement Contributions Employees contribution 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a separate actuarially determined contribution to VRS invests both member and employer</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required</p>

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
contributions to provide funding for the future benefit payment.		from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service credit Service credit includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Service credit Same as Plan 1.	Service credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member was purchased or additional creditable service the member was granted. A member's total creditable Service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

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

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

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

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

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

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

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

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

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

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<p>Cost-of Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% Increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1, after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> •The member is within five years of qualifying for an unreduced retirement benefits as of January 1, 2013. •The member retires on disability. •The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). •The member is involuntarily separated from employment for 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% Increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<p>causes other than job performance or misconduct and is eligible to retire under the Workforce Transaction Act or the Transitional Benefits Program.</p> <ul style="list-style-type: none"> •The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage Members who are eligible to be Considered for disability Retirement and retire on disability, the retirement multiples is 1.7% on all service regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplies is 1.65% on all service regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of school divisions (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following Exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan Members are ineligible for ported service. <p>Defined Contribution Component: Not applicable.</p>

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the school division were \$581,822 and \$545,978 for the years ended June 30, 2020, and June 30, 2019 respectively.

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

At June 30, 2020, the school division reported a liability of \$5,531,387 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 0.04203% as compared to 0.04437% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$377,316. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

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

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

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 354,199
Change in assumptions	-	121,456
Net difference between projected and actual earnings on pension plan investments	547,737	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	82,736	714,818
Employer contributions subsequent to the measurement date	581,822	-
Total	<u>\$ 1,212,295</u>	<u>\$ 1,190,473</u>

\$581,822 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2021	\$ (167,284)
2022	(276,897)
2023	(124,928)
2024	(10,645)
2025	19,754
	<u>\$ 560,000</u>

Actuarial Assumptions - Teachers The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

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

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.95 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement Healthy, and disabled)	Update to more current mortality table—RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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

Net Pension Liability The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Plan</u>
Total Pension Liability	\$ 49,683,336
Plan Fiduciary Net Position	<u>36,522,769</u>
Employers' Net Pension Liability (Asset)	<u>\$ 13,160,567</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%

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

Long-Term Expected Rate of Return

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

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

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

Long-Term Expected Rate of Return (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS – Multi-Asset			
Public Strategies	6.00%	3.52%	0.21%
PIP – Private Investment Partnership	3.00%	6.29%	0.19%
	<u>100.00%</u>		<u>5.13%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 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 which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 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:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
School divisions' s proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability	\$ 8,327,141	\$ 5,531,387	\$ 3,219,819

Pension Plan Fiduciary Net Position

Information about the VRS Teacher Retirement Plan's Fiduciary Net Position is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020, 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, 2020.

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

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

Plan Description

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

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

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

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

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

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

Employees Covered by Benefit Terms

	Primary Government	Component Unit School Board
Active participants	80	100
Retired participants	2	10
Spouses of retirees	0	0
Total covered employees	82	110

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 2020, the Primary Government and School Board made OPEB benefit payments of \$0 and \$108,309, respectively.

Total OPEB Liability

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

Actuarial Methods and Assumptions

Primary Government

The City uses the alternative measurement method in accordance with GASB methodology. In the valuation for the year ended June 30, 2020, the cost method used to determine OPEB liability was entry age normal level percentage of payroll. All active and former employees who are potentially eligible to receive healthcare benefits as a retiree were included in the calculations.

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

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

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

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

School Board

In the actuarial valuation for the year ended June 30, 2020, 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, 2018 Actuarial Valuation of the Virginia Retirement System. No disability rates were assumed. Per capita claims costs include medical, dental, and prescription drug coverages and are based on the 2020 healthcare premiums provided by the School Board.

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

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

Funding Status and Funding Progress

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

Discount Rate and Municipal Bond Rate

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

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

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

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

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

	1.00% Decrease 1.80%	Baseline Rate 2.80%	1.00% Increase 3.80%
<i>Primary Government</i>			
Total OPEB Liability	\$ 18,972	\$ 9,217	\$ 18,607
	1.00% Decrease 2.50%	Baseline Rate 3.50%	1.00% Increase 4.50%
<i>School Board</i>			
Total OPEB Liability	\$ 415,459	\$ 382,172	\$ 352,154

Changes in Total OPEB Liability

	Primary Government	Increase (Decrease) Component Unit School Board
Balance at June 30, 2019	\$ 18,787	\$ 367,769
Changes for the year:		
Service cost	51,713	16,662
Interest	2,138	11,576
Effect of plan changes	-	-
Effect of economic/demographics	(63,457)	-
Effect of liability gains of losses		62,613
Effect of assumptions changes or inputs	36	31,861
Benefit payments	-	(108,309)
Net changes	(9,570)	14,403
Balance at June 30, 2020	\$ 9,217	\$ 382,172

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

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

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

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

	<u>1.00% Decrease</u>	<u>Baseline Rate</u>	<u>1.00% Increase</u>
<i>Primary Government</i>			
Total OPEB Liability	\$ 18,518	\$ 9,217	\$ 19,058
<i>School Board</i>			
Total OPEB Liability	\$ 339,415	\$ 382,172	\$ 434,954

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

For the year ended June 30, 2020, the Primary Government recognized OPEB - Health Insurance expense of \$(780). At June 30, 2020, 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, 2020, the School Board recognized OPEB - Health Insurance expense of \$41,380. At June 30, 2020, the School Board reported \$88,628 deferred outflows of resources and \$(4,449) deferred inflows of resources for changes in assumptions related to OPEB - Health Insurance because the School Board is on a pay-as-you-go basis.

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

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

Plan Descriptions

Group Life Insurance Program

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

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

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

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

Plan Descriptions (Continued)

Group Life Insurance Program (Continued)

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

Teacher Employee Health Insurance Credit Program

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

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

Teacher Employee Virginia Local Disability Program

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

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

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

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

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

Line of Duty Act Program

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

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2020. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly
Total rate:	1.31 % of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	\$ 17,636-City General Employees \$ 1,354-School Board-Non-Professionals \$ 18,716-School Board-Professionals
June 30, 2018 Contribution	\$ 17,049-City General Employees \$ 1,256-School Board-Non-Professionals \$ 18,226-School Board-Professionals

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

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

Teacher Health Insurance Credit Program

Governed by:	Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.20% of covered employee compensation.
June 30, 2020 Contribution	\$ 41,800
June 30, 2020 Contribution	\$ 42,061

Teacher Employee Virginia Local Disability Program

Governed by:	Code of Virginia 51.1-1178(C) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	0.41 % of covered employee compensation.
June 30, 2020 Contribution	\$ 3,129
June 30, 2019 Contribution	\$ 3,386

Line of Duty Act Program

Governed by:	Code of Virginia 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	\$567.37 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2020 Contribution	\$ 22,484
June 30, 2019 Contribution	\$ 22,232

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

The net OPEB liabilities were measured as of June 30, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

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

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

Group Life Insurance Program

June 30, 2020 proportionate share of liability	\$272,079-City General Employees \$ 20,015-School Board-Non-Professionals \$290,956-School Board-Professionals
June 30, 2019 proportion	0.01672%-City General Employees 0.00123%-School Board-Non-Professionals 0.01788%-School Board-Professionals
June 30, 2018 proportion	0.01688%-City General Employees 0.00113%-School Board-Non-Professionals 0.01878%-School Board-Professionals
June 30, 2020 expense	\$ 4,336-City General Employees \$ 713-School Board-Non-Professionals \$ (1,999)-School Board Professionals

Teacher Health Insurance Credit Program

June 30, 2020 proportionate share of liability	\$547,072
June 30, 2019 proportion	0.04179%
June 30, 2018 proportion	0.04412%
June 30, 2020 expense	\$31,235

Teacher Employee Virginia Local Disability Program

June 30, 2020 proportionate share of liability	\$1,001
June 30, 2018 proportion	0.17222%
June 30, 2017 proportion	0.16569%
June 30, 2020 expense	\$3,032

Line of Duty Act Program

June 30, 2020 proportionate share of liability	\$594,329
June 30, 2018 proportion	0.16565%
June 30, 2017 proportion	0.19177%
June 30, 2020 expense	\$50,837

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

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

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

At June 30, 2020, 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	\$ 18,095	\$ 3,529
Changes of assumptions	17,177	8,204
Net difference between projected and actual earnings on OPEB plan investments	-	5,589
Changes in proportion	-	8,571
Employer contributions subsequent to the measurement date	17,954	-
Total	<u>\$ 53,226</u>	<u>\$ 25,893</u>

Group Life Insurance Program-School Board-Non-Professionals

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,331	\$ 259
Changes of assumptions	1,264	604
Net difference between projected and actual earnings on OPEB plan investments	-	411
Changes in proportion	1,335	-
Employer contributions subsequent to the measurement date	1,372	-
Total	<u>\$ 5,302</u>	<u>\$ 1,274</u>

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

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

Group Life Insurance Program-School Board-Professionals

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,350	\$ 3,774
Changes of assumptions	18,369	8,774
Net difference between projected and actual earnings on OPEB plan investments	-	5,976
Changes in proportion	-	38,524
Employer contributions subsequent to the measurement date	19,295	-
Total	<u>\$ 57,014</u>	<u>\$ 57,048</u>

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,100
Changes of assumptions	12,733	3,801
Net difference between projected and actual earnings on OPEB plan investments	35	-
Changes in proportion	-	77,230
Employer contributions subsequent to the measurement date	44,527	-
Total	<u>\$ 57,295</u>	<u>\$ 84,131</u>

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

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

Teacher Employee Virginia Local Disability Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 121
Changes of assumptions	171	-
Net difference between projected and actual earnings on OPEB plan investments	4	-
Changes in proportion	44	-
Employer contributions subsequent to the measurement date	4,893	-
Total	\$ 5,112	\$ 121

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,385	\$ (2)
Changes of assumptions	27,886	51,522
Net difference between projected and actual earnings on OPEB plan investments	-	1,177
Changes in proportion	74,456	76,054
Employer contributions subsequent to the measurement date	25,584	-
Total	\$ 214,311	\$ 128,751

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

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

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

Group Life Insurance Program

Year Ending June 30	Increase (Reduction of OPEB Expense		
	City General Employees	School Board Non-Professionals	School Board Professionals
2021	\$ (989)	\$ 322	\$ (7,694)
2022	(989)	322	(7,693)
2023	1,378	496	(5,162)
2024	3,783	655	(1,742)
2025	4,773	662	2,039
Thereafter	1,423	199	923
	<u>\$ 9,379</u>	<u>\$ 2,656</u>	<u>\$ (19,329)</u>

Teacher Health Insurance Credit Program

Year Ending June 30	Increase (Reduction) to OPEB Expense
2021	\$ (13,271)
2022	(13,272)
2023	(13,032)
2024	(13,112)
2025	(11,582)
Thereafter	(7,094)
	<u>\$ (71,363)</u>

Line of Duty Act Program

Year Ending June 30	Increase (Reduction) to OPEB Expense
2021	\$ 9,333
2022	9,335
2023	9,517
2024	9,710
2025	9,768
Thereafter	12,313
	<u>\$ 59,976</u>

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

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

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2018, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.5%
Salary increases, including inflation:	
• Locality-general employees	3.5 – 5.35%
• Locality - hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.75%
• Age 65 and older	5.5 – 4.75%
Investment rate of return, net of expenses, Including inflation*	GLI, HIC, & VLDP 6.75%; LODA 3.50%

- * 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.

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

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

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

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

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

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for the periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years
- when the System certifies current income exceeds salary at the time of the disability, indexed for inflation.

Net OPEB Liabilities

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

	Group Life Insurance Program	Teacher Employee HIC	Teacher Employee VLDP	Line of Duty Act Program
Total OPEB Liability	\$ 3,390,238	\$ 1,438,114	\$ 2,241	\$ 361,626
Plan fiduciary net position	1,762,972	129,016	1,661	2,839
Employers' net OPEB liability (asset)	\$ 1,627,266	\$ 1,309,098	\$ 580	\$ 358,787
Plan fiduciary net position as a percentage of total OPEB liability	52.00%	8.97%	74.12%	0.79%

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

Long-Term Expected Rate of Return

Group Life Insurance Program

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

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

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

Long-Term Expected Rate of Return (Continued)

Group Life Insurance Program (Continued)

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS	6.00	3.52	0.21
PIP	3.00	6.29	0.19
	<u>100.00%</u>		<u>5.13%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

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

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 6.75% assumption noted above. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2018.

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

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

Discount Rate

The discount rate used to measure the GLI, HIC, and VLDP OPEB liabilities was 6.75%. The discount rate used to measure the LODA OPEB liability was 3.50%. 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, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liabilities of the City of Norton, as well as what the City's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75% GLI; HIC; VLDP/2.50% LODA) or one percentage point higher (7.75% GLI; HIC; VLDP /4.50% LODA) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB Liability			
City-General Employee	\$ 357,436	\$ 272,079	\$ 202,856
School Board-Non-Professional	26,294	20,015	14,923
School Board-Professional	<u>382,235</u>	<u>290,956</u>	<u>216,931</u>
Teacher HIC Net OPEB Liability	<u>\$ 765,965</u>	<u>\$ 563,218</u>	<u>\$ 434,710</u>
Teacher VLDP Net OPEB Liability	<u>\$ 1,471</u>	<u>\$ 1,001</u>	<u>\$ 596</u>
	(2.50%)	(3.50%)	(4.50%)
LODA Net OPEB Liability	<u>\$ 689,464</u>	<u>\$ 594,329</u>	<u>\$ 519,083</u>

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

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

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

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

	1.00% Decrease (6.75% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
LODA Net OPEB Liability	\$ 502,499	\$ 594,329	\$ 710,136

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

Note 16. Summary of Pension and Other Postemployment Benefit Elements

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit (School Board)
Net pension asset				
VRS-Defined Benefit Pension Plan (Schools-Non-Professionals)	\$ -	\$ -	\$ -	\$ 328,821
Total net pension asset	\$ -	\$ -	\$ -	\$ 328,821
Deferred outflows of resources – Related to Pensions				
Change in assumptions				
VRS-Defined Benefit Pension Plan-General Employees	\$ 330,048	\$ 48,789	\$ 378,837	\$ -
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	547,737
VRS-Defined Benefit Pension Plan-School Board Non Prof	-	-	-	406
Change in proportion and difference between Employer Contributions and proportionate share of contributions.				
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	82,736
Employer contributions subsequent to the measurement date				
VRS-Defined Benefit Pension Plan-General Employees	216,383	31,987	248,370	-
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	581,822
VRS-Defined Benefit Pension Plan-School Board Non Prof	-	-	-	739
Total deferred outflow of resources -Pensions	\$ 546,431	\$ 80,776	\$ 627,207	\$ 1,213,440
Deferred outflows of resources - OPEB				
Deferred outflow-Differences in expected/actual and assumptions				
VRS-LODA	\$ 188,727	\$ -	\$ 188,727	\$ -
VRS-GLI- General Employees	30,729	4,543	35,272	-
HIC-Schools-Teachers	-	-	-	12,768
VLDP-Schools-Teachers	-	-	-	219
VRS-GLI- Schools-Non-Professionals	-	-	-	3,930
VRS-GLI- Schools-Professionals	-	-	-	37,719
Local Health	-	-	-	88,628
Deferred outflow-Contributions after the measurement date				
VRS LODA	25,584	-	25,584	-
VRS-GLI-General Employees	15,642	2,312	17,954	-
VRS-HIC-Schools-Teachers	-	-	-	44,527
VRS-VLDP-Schools-Teachers	-	-	-	4,893
VRS-GLI-Schools-Non-Professionals	-	-	-	1,372
VRS-GLI-Schools-Professionals	-	-	-	19,295
Total deferred outflow of resources -OPEB	\$ 260,682	\$ 6,855	\$ 267,537	\$ 213,351
Net pension liability				
VRS-Defined Benefit Pension Plan	\$ 267,047	\$ 39,476	\$ 306,523	\$ -
VRS-Cost Sharing-Multiple-Employer-School Board Teachers	-	-	-	5,531,387
Total net pension liability	\$ 267,047	\$ 39,476	\$ 306,523	\$ 5,531,387
Net OPEB liability				
Local Health	\$ 7,840	\$ 1,377	\$ 9,217	\$ 382,172
VRS-LODA	594,329	-	594,329	-
VRS-GLI-General Employees	237,039	33,040	272,079	-
VRS-HIC-Schools-Teachers	-	-	-	547,072
VRS-VLDP-Schools-Teachers	-	-	-	1,001
VRS-GLI-Schools-Non-Professionals	-	-	-	20,015
VRS-GLI-Schools-Professionals	-	-	-	290,956
Total net OPEB liability	\$ 839,207	\$ 36,418	\$ 875,625	\$ 1,241,216
Deferred inflows of resources – Related to Pensions				
Differences between expected and actual experience				
VRS-Defined Benefit Pension Plan-General Employees	\$ 132,440	\$ 19,578	\$ 152,018	\$ -
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	121,456
VRS-Defined Benefit Pension Plan-School Board Non Prof	-	-	-	17,545
Change in assumptions				
VRS-Defined Benefit Pension Plan-General Employees	5,455	807	6,262	-
Net difference between projected and actual earnings on pension				
VRS-Defined Benefit Pension Plan-General Employees	467,182	69,061	536,243	-
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	354,199
VRS-Defined Benefit Pension Plan-School Board Non Prof	-	-	-	134
Change in proportion and difference between Employer Contributions and proportionate share of contributions				
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	714,818
Total deferred inflow of resources -Pensions	\$ 605,077	\$ 89,446	\$ 694,523	\$ 1,208,152

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

Note 16. Pension and OPEB Elements
(Continued)

Deferred inflows of resources - OPEB

Deferred inflows-Differences in expected/actual and assumptions

VRS-LODA	\$ 128,751	\$ -	\$ 128,751	\$ -
VRS-GLI-General Employees	22,558	3,335	25,893	-
VRS-HIC-Schools-Teachers	-	-	-	84,131
VLDP-Schools-Professionals	-	-	-	121
VRS-GLI-Schools-Non-Professionals	-	-	-	1,274
VRS-GLI-Schools-Professionals	-	-	-	57,048
Local Health	-	-	-	4,449
Total deferred inflow of resources -OPEB	<u>\$ 151,309</u>	<u>\$ 3,335</u>	<u>\$ 154,644</u>	<u>\$ 147,023</u>

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

Note 17. Commitments and Contingencies

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

Note 18. Risk Management

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

Note 19. Surety Bonds

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

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

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

Note 20. Encumbrances Outstanding

Outstanding encumbrances of the proprietary fund types are not reflected in the accompanying financial statements as a reservation of retained earnings, in keeping with the fund type's measurement focus. However, encumbrances accounting is employed as an extension of formal budgetary integration for the City's governmental type funds. At June 30, 2019, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Encumbrances included in governmental fund balances are as follows:

PRIMARY GOVERNMENT

Encumbrances Included In:

	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund for Capital Assets	\$ -	\$ -	\$ 40,454
General Fund for Other Purposes	-	-	10,000
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,454</u>

COMPONENT UNIT-SCHOOL BOARD

Encumbrances Included In:

	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
School Fund for Capital Assets	\$ 113,875	\$ -	\$ -
School Fund for Other Purposes	183,975	-	-
Total Encumbrances	<u>\$ 297,850</u>	<u>\$ -</u>	<u>\$ -</u>

Note 21. Risks and Uncertainties

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplier, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

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

Note 22. New Accounting Pronouncements

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

GASB Statement No. 88, *Certain Disclosures Related to Debt*. Including Direct Borrowings and Direct Placements, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses. This Statement will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement will be effective for the year ending June 30, 2020.

Note 23. Future Accounting Pronouncements

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

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

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

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

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of

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

Note 23. Future Accounting Pronouncements (Continued)

resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

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

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
General property taxes	\$ 3,017,900	\$ 3,017,900	\$ 3,155,065	\$ 137,165
Other local taxes	4,523,200	4,523,200	4,676,409	153,209
Permits, privilege fees and regulatory licenses	5,850	17,200	12,391	(4,809)
Fines and forfeitures	20,750	20,750	3,075	(17,675)
Revenue from use of money and property	47,500	47,500	52,108	4,608
Chares for services	419,500	429,000	428,777	(223)
Miscellaneous	24,650	57,050	75,268	18,218
Recovered costs	123,950	123,950	125,791	1,841
Intergovernmental	1,781,500	2,725,000	2,778,386	53,386
Total revenue	<u>\$ 9,964,800</u>	<u>\$ 10,961,550</u>	<u>\$ 11,307,270</u>	<u>\$ 345,720</u>
Expenditures				
General government and administration	\$ 1,748,627	\$ 1,815,927	\$ 1,836,703	\$ (20,776)
Public safety	2,481,465	2,667,965	2,716,052	(48,087)
Public works	1,926,500	3,038,850	2,372,797	666,053
Health and welfare	98,245	101,681	121,258	(19,577)
Education	2,508,987	2,698,809	2,505,966	192,843
Parks, recreation and cultural	468,134	524,534	497,794	26,740
Community development	571,747	582,747	1,060,832	(478,085)
Debt service	184,568	207,968	211,911	(3,943)
Total expenditures	<u>9,988,273</u>	<u>11,638,481</u>	<u>11,323,313</u>	<u>315,168</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	6,000	6,000	3,004	(2,996)
Insurance recoveries	10,000	26,000	21,706	(4,294)
Loan proceeds	-	20,800	20,800	-
Prior year surplus	300,000	916,658	-	(916,658)
Transfers in (out)	(292,527)	(292,527)	(240,000)	52,527
Total other financing sources (uses)	<u>23,473</u>	<u>676,931</u>	<u>(194,490)</u>	<u>(871,421)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (210,533)</u>	<u>\$ (210,533)</u>

Note:

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Unaudited) –
PRIMARY GOVERNMENT
June 30, 2020

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

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2019 information was presented in the entity's fiscal year 2020 financial report.

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Unaudited)
June 30, 2020

	Schools – Non-Professional					
	Plan Year					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 20,611	\$ 23,095	\$ 24,382	\$ 26,225	\$ 25,750	\$ 25,638
Interest on total pension liability	117,881	127,099	126,215	124,818	125,981	123,727
Changes of assumptions	41,046	-	(3,718)	-	-	-
Difference between expected and actual experience	(13,492)	(173,190)	(14,830)	(3,385)	(42,696)	-
Benefit payments, including refunds of employee contributions	(106,206)	(111,185)	(127,660)	(127,735)	(123,556)	(110,787)
Net change in total pension liability	59,840	(134,181)	4,389	19,923	(14,521)	38,578
Total pension liability - beginning	1,737,113	1,871,294	1,866,905	1,846,982	1,861,503	1,822,925
Total pension liability - ending	1,796,953	1,737,113	1,871,294	1,866,905	1,846,982	1,861,503
Plan Fiduciary Net Position						
Contributions - employer	543	4,214	4,714	17,138	18,142	9,616
Contributions - employee	11,597	10,562	11,619	12,385	13,127	12,521
Net investment income	135,517	148,249	226,795	32,002	88,847	278,238
Benefit payments, including refunds of employee contributions	(106,206)	(111,185)	(127,660)	(127,735)	(123,556)	(110,787)
Administrative expenses	(1,409)	(1,334)	(1,389)	(1,277)	(1,292)	(1,561)
Other	(85)	(129)	(199)	(14)	(21)	15
Net change in plan fiduciary net position	39,957	50,377	113,880	(67,501)	(4,753)	188,042
Plan fiduciary net position - beginning	2,085,817	2,035,440	1,921,560	1,989,061	1,993,814	1,805,772
Plan fiduciary net position - ending	2,125,774	2,085,817	2,035,440	1,921,560	1,989,061	1,993,814
Net pension (asset) liability - ending	\$ (328,821)	\$ (348,704)	\$ (164,146)	\$ (54,655)	\$ (142,079)	\$ (132,311)
Plan fiduciary net position as a percentage of total pension liability	118%	120%	109%	103%	108%	107%
Covered payroll	\$ 263,849	\$ 215,981	\$ 228,781	\$ 233,281	\$ 262,533	\$ 262,540
Net pension (asset) liability as a percentage of covered payroll	-124.62%	-161.45%	-71.75%	-23.43%	-54.12%	-50.40%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2019 information was presented in the entity's fiscal year 2020 financial report.

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (Unaudited)
June 30, 2020

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2020	\$ 247,785	\$ 247,785	\$ -	\$ 3,470,385	7.14%
2019	237,331	237,331	-	3,321,537	7.15%
2018	292,754	292,754	-	3,240,720	9.03%
2017	291,699	291,699	-	3,307,908	8.82%
2016	342,434	342,434	-	3,188,054	10.74%
2015	346,292	346,292	-	3,141,999	11.02%
2014	417,419	417,419	-	3,238,494	12.89%
2013	374,267	374,267	-	2,950,434	12.69%
2012	417,409	417,409	-	3,080,986	13.55%
2011	428,371	428,371	-	3,071,355	13.95%
Schools - Nonprofessional Employees					
2020	\$ 739	\$ 739	\$ -	\$ 263,849	0.28%
2019	2,190	2,190	-	241,479	0.91%
2018	4,246	4,246	-	215,981	1.97%
2017	4,714	4,714	-	228,781	2.06%
2016	16,791	16,791	-	233,281	7.20%
2015	18,142	18,142	-	262,533	6.91%
2014	15,506	15,506	-	262,540	5.91%
2013	9,552	9,552	-	249,992	3.82%
2012	12,974	12,974	-	261,728	4.96%
2011	12,864	12,864	-	268,008	4.80%

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY (Unaudited)
VRS TEACHER RETIREMENT PLAN
June 30, 2020

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.04233%	\$ 5,531,387	\$ 3,710,600	149.07%	73.51%
2019	0.04179%	5,218,000	3,505,048	148.87%	74.81%
2018	0.04792%	5,893,000	3,773,626	156.16%	72.92%
2017	0.04998%	7,004,000	3,807,613	183.95%	68.28%
2016	0.04765%	5,997,000	3,542,739	169.28%	70.68%
2015	0.50360%	6,086,000	4,073,289	149.41%	70.88%

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

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (Unaudited)
VRS TEACHER RETIREMENT PLAN
June 30, 2020

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 581,822	\$ 581,822	\$ -	\$ 3,710,600	15.68%
2019	545,978	545,978	-	3,505,048	15.58%
2018	574,369	574,369	-	3,571,615	16.08%
2017	544,525	544,525	-	3,773,626	14.43%
2016	530,304	530,304	-	3,807,613	13.93%
2015	511,134	511,134	-	3,542,739	14.43%

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

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

CITY OF NORTON, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (Unaudited) –
 LOCAL PLANS
 June 30, 2020

	Primary Government			Schools		
	Plan Year					
	2020	2019	2018	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 51,713	\$ 51,713	\$ 51,713	\$ 16,662	\$ 12,712	\$ 13,303
Interest on total pension liability	2,138	2,138	18,666	11,576	15,262	17,099
Changes of assumptions	36	36	(191)	31,861	10,124	(7,872)
Difference between expected and actual experience	(63,457)	(54,667)	(68,394)	62,613	-	-
Benefit payments, including refunds of employee contributions	-	-	-	(108,309)	(102,991)	(107,441)
Net change in total OPEB liability	(9,570)	(780)	1,794	14,403	(64,893)	(84,911)
Total OPEB liability - beginning	18,787	19,567	17,773	367,769	432,662	517,573
Total OPEB liability - ending	9,217	18,787	19,567	382,172	367,769	432,662
 Covered payroll	 \$ 3,278,705	 \$ 3,278,705	 \$ 3,240,720	 \$ 3,505,048	 \$ 3,863,551	 \$ 3,863,551
 Net OPEB liability as a percentage of covered payroll	 0.28%	 0.57%	 0.60%	 10.90%	 9.52%	 11.20%

This schedule is intended to show information for 10 years. Since fiscal year 2018 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS (Unaudited)
LOCAL PLANS
June 30, 2020

PRIMARY GOVERNMENT					
Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ -	\$ -	\$ -	\$ 3,278,705	0.00%
2019	-	-	-	3,278,705	0.00%
2018	-	-	-	3,240,720	0.00%

SCHOOL BOARD					
Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 108,309	\$ 108,309	\$ -	\$ 4,071,821	2.66%
2019	102,991	102,991	-	3,863,551	2.67%
2018	107,441	107,441	-	3,863,551	2.78%

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

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (Unaudited)
June 30, 2020

*Entity Fiscal Year Ended June 30	Employer's Portion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total OPEB Liability
VRS-Group Life Insurance-General Employees					
2020	0.01672%	\$ 272,079	3,278,705	8.30%	52.00%
2019	0.01688%	257,000	3,210,080	8.01%	51.22%
2018	0.01731%	260,000	3,193,228	8.14%	48.86%
VRS-Line of Duty Act (LODA)					
2020	0.16565%	\$ 594,329	906,426	65.57%	0.79%
2019	0.19177%	601,000	869,874	69.09%	0.60%
2018	0.15782%	415,000	858,463	48.34%	1.30%
VRS-Group Life Insurance-School Board-Teachers					
2020	0.01788%	\$ 290,956	3,505,048	8.30%	52.00%
2019	0.01878%	286,000	3,571,612	8.01%	51.22%
2018	0.02046%	308,000	3,773,626	8.16%	48.86%
VRS-Group Life Insurance-School Board-General Employees					
2020	0.00123%	\$ 20,015	241,479	8.29%	52.00%
2019	0.00113%	17,000	214,450	7.93%	51.22%
2018	0.00126%	19,000	233,281	8.14%	48.86%
VRS-Health Credit-Teachers					
2020	0.04179%	\$ 547,072	3,505,048	15.61%	8.97%
2019	0.04412%	560,000	3,569,234	15.69%	8.06%
2018	0.04782%	607,000	3,773,992	16.08%	7.04%
VRS-VLDP-School Board-Teachers					
2020	0.17222%	\$ 1,001	825,926	0.12%	49.21%
2019	0.16569%	1,000	617,806	0.16%	46.18%
2018	0.21792%	1,000	614,962	0.16%	31.96%

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

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

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS (Unaudited)
June 30, 2020

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions Related to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
VRS-Group Life Insurance-General Employees					
2020	\$ 17,911	\$ 17,911	-	3,444,338	0.52%
2019	17,049	17,049	-	3,278,705	0.52%
2018	16,692	16,692	-	3,210,080	0.52%
VRS-Line of Duty Act (LODA)					
2020	\$ 25,584	\$ 25,584	-	905,054	2.83%
2019	22,232	22,232	-	906,426	2.45%
2018	20,426	20,426	-	869,874	2.35%
VRS-Group Life Insurance-School Board-Teachers					
2020	\$ 19,295	\$ 19,295	-	3,710,600	0.52%
2019	18,226	18,226	-	3,505,048	0.52%
2018	18,591	18,591	-	3,571,615	0.52%
VRS-Group Life Insurance-School Board-General Employees					
2020	1,372	\$ 1,372	-	263,849	0.52%
2019	1,256	1,256	-	241,479	0.52%
2018	1,115	1,115	-	214,450	0.52%
VRS-Health Credit-Teachers					
2020	44,527	\$ 44,527	-	3,710,600	1.20%
2019	42,061	42,061	-	3,505,048	1.20%
2018	43,889	43,889	-	3,569,234	1.23%
VRS-VLDP-School Board-Teachers					
2020	4,893	\$ 4,893	-	1,193,351	0.41%
2019	3,386	3,386	-	825,926	0.41%
2018	1,915	1,915	-	617,806	0.31%

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

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

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

CITY OF NORTON, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Note 1. Changes of Benefit Terms

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

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 –Hazardous Duty/Public Safety Employees:

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

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

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

CITY OF NORTON, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Note 2. Changes of Assumptions (Continued)

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

- Mortality rates - Update to more current mortality table – RP 2014 projected to 2020
- Retirement Rates – Increased age 50 rates, and lowered rates at older ages
- Withdrawal rates -Adjusted rate to better fit experience at each year age and service through 9 years of service
- Disability rates – Adjusted rates to better fit experience
- No changes to salary scale
- Line of Duty Disability – Decrease rate from 60% to 45%
- Discount Rate – Decrease rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Teacher cost-sharing pool

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

OTHER SUPPLEMENTARY INFORMATION

**CITY OF NORTON, VIRGINIA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2020**

	RBEG Revolving Loan Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	Total Other Governmental Funds
ASSETS				
Cash and investments	\$ 4,687	\$ 126,013	\$ 2,069	\$ 132,769
Restricted cash	-	-	-	-
Investments	-	-	-	-
Taxes Receivable	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	310,000	-	-	310,000
Total assets	<u>\$ 314,687</u>	<u>\$ 126,013</u>	<u>\$ 2,069</u>	<u>\$ 442,769</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	-	-	-	-
Due to other funds	-	29,325	-	29,325
Due to component unit	-	-	-	-
Due to other governmental units	-	-	-	-
Total liabilities	<u>-</u>	<u>29,325</u>	<u>-</u>	<u>29,325</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable/deferred taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (Note 6)				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	314,687	96,688	2,069	413,444
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>314,687</u>	<u>96,688</u>	<u>2,069</u>	<u>413,444</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 314,687</u>	<u>\$ 126,013</u>	<u>\$ 2,069</u>	<u>\$ 442,769</u>

CITY OF NORTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	RBEG Revolving Loan Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	Total Other Governmental Funds
REVENUES				
General property taxes	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-
Permits, privilege fees, and regulatory licenses	-	-	-	-
Fines and forfeitures	-	10,903	-	10,903
Charges for services	-	-	-	-
Use of money and property	1,026	-	-	1,026
Miscellaneous	-	-	-	-
Reimbursement from School Board	-	-	-	-
Intergovernmental	-	-	-	-
Total revenues	1,026	10,903	-	11,929
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial administration	-	-	-	-
Public safety	-	30,605	-	30,605
Public works	-	-	-	-
Health and welfare	-	-	-	-
Parks, recreation, and cultural	-	-	-	-
Community development	-	-	-	-
Education	-	-	-	-
Human services	-	-	-	-
Nondepartmental	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	-	30,605	-	30,605
Excess (deficiency) of revenues over expenditures	1,026	(19,702)	-	(18,676)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	1,026	(19,702)	-	(18,676)
FUND BALANCES AT JULY 1	313,661	116,390	2,069	432,120
FUND BALANCES AT JUNE 30	\$ 314,687	\$ 96,688	\$ 2,069	\$ 413,444

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020

SCHEDULE J

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 2,050,000	\$ 2,050,000	\$ 2,107,104	\$ 57,104
Real and personal public service corporation property	235,000	235,000	266,486	31,486
Personal property	550,400	550,400	614,014	63,614
Machinery and tools taxes	102,500	102,500	116,563	14,063
Penalties and interest	80,000	80,000	50,898	(29,102)
Total general property taxes	3,017,900	3,017,900	3,155,065	137,165
Other local taxes:				
Local sales and use taxes	1,525,000	1,525,000	1,664,033	139,033
Utility taxes	130,000	130,000	125,415	(4,585)
Business license taxes	773,000	773,000	801,979	28,979
Communication taxes	200,000	200,000	174,981	(25,019)
Motor vehicle licenses	80,000	80,000	80,937	937
Bank stock taxes	40,000	40,000	40,193	193
Recordation taxes	25,000	25,000	16,012	(8,988)
Tobacco taxes	200	200	-	(200)
Hotel and motel room taxes	170,000	170,000	104,019	(65,981)
Restaurant food taxes	1,400,000	1,400,000	1,479,388	79,388
Coal road improvement taxes	20,000	20,000	31,997	11,997
Cigarette tax	160,000	160,000	157,455	(2,545)
Total other local taxes	4,523,200	4,523,200	4,676,409	153,209
Permits, fees, and licenses:				
Animal licenses	500	500	155	(345)
Permits and other licenses	5,350	16,700	12,236	(4,464)
Total permits, fees, and licenses	5,850	17,200	12,391	(4,809)
Fines and forfeitures	20,750	20,750	3,075	(17,675)
Revenue from use of money and property:				
Revenue from use of money	30,000	30,000	35,601	5,601
Revenue from use of property	17,500	17,500	16,507	(993)
Total use of money and property	47,500	47,500	52,108	4,608
Charges for services:				
Court cost	-	-	-	-
Sheriff's fees	1,000	1,000	702	(298)
Charges for sanitation and waste removal	411,500	411,500	410,675	(825)
Charges for parks and recreation	7,000	16,500	17,400	900
NFD revenue recovery	-	-	-	-
Total charges for services	419,500	429,000	428,777	(223)
Miscellaneous	24,650	57,050	75,268	18,218
Recovered costs:				
Recovered cost - School Board	5,000	5,000	3,580	(1,420)
Recovered Cost - Streets	50,000	50,000	50,378	378
Recovered Cost - NIDA	55,000	55,000	57,883	2,883
Recovered Cost - Regional Jail	-	-	-	-
Cost allocation plan - Water and Sewer Fund	13,950	13,950	13,950	-

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020

SCHEDULE 3
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
GENERAL FUND (Continued)				
Total Recovered Costs	123,950	123,950	125,791	1,841
Total revenue from local sources	8,183,300	8,236,550	8,528,884	292,334
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Motor vehicle carriers' taxes	\$ 50,000	\$ 50,000	\$ 48,857	\$ (1,143)
Litter grant	5,000	5,000	4,883	(117)
Mobile home titling taxes	5,000	5,000	300	(4,700)
Rolling stock taxes	20,000	20,000	20,791	791
Total non-categorical aid	80,000	80,000	74,831	(5,169)
Categorical aid:				
Shared Expenses:				
Sheriff	155,000	155,000	158,149	3,149
Commissioner of the revenue	70,000	70,000	69,185	(815)
Treasurer	70,000	70,000	68,242	(1,758)
Registrar/electoral board	35,000	35,000	41,551	6,551
Total shared expenses	330,000	330,000	337,127	7,127
Other Categorical Aid:				
Law enforcement grant	225,000	225,000	239,852	14,852
School resource officer	100,000	100,000	104,834	4,834
Emergency medical services	3,000	3,000	-	(3,000)
DMV grant	20,000	20,000	7,762	(12,238)
Street and highway maintenance	870,000	870,000	870,897	897
Financial assistance to the arts	5,000	5,000	4,500	(500)
E-911 funding	45,000	45,000	52,049	7,049
Drug task force	17,000	17,000	12,686	(4,314)
Department of health	-	-	-	-
VDOT	-	275,000	419,961	144,961
VML risk management grant	4,000	4,000	-	(4,000)
Parks and rec grant	-	-	-	-
Building collaborative community grant	-	-	-	-
Fire funds	50,000	64,500	59,140	(5,360)
Total other categorical aid	1,339,000	1,628,500	1,771,681	143,181
Total revenue from the Commonwealth	1,749,000	2,038,500	2,183,639	145,139
Revenue from federal government:				
Payment in lieu of property taxes	25,000	25,000	27,782	2,782
Emergency management	7,500	23,500	7,500	(16,000)
USDA community facilities grant	-	-	-	-
Community development block grant	-	638,000	541,384	(96,616)
CARES Act Funding	-	-	18,081	18,081
Total revenue from the federal government	32,500	686,500	594,747	(91,753)

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020

SCHEDULE 3
(Continued)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
GENERAL FUND: (Continued)				
Other financing sources				
Insurance recoveries	10,000	26,000	21,706	(4,294)
Loan proceeds	-	20,800	20,800	-
Sale of surplus	6,000	6,000	3,004	(2,996)
Total other financing sources	16,000	52,800	45,510	(7,290)
TOTAL GENERAL FUND	9,980,800	11,014,350	11,352,780	338,430
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund				
Revenue from the Commonwealth				
Categorical Aid:				
Welfare:				
Aid to dependent children	\$ 66,899	\$ 66,899	\$ 75,348	\$ 8,449
Foster care	28,588	28,588	10,293	(18,295)
General admnissn for financial assistatnce	267,509	267,509	192,782	(74,727)
Supplemental income assistance for the aged, blind and disabled	35,698	35,698	40,246	4,548
Employment services	143,531	143,531	112,347	(31,184)
Day care	-	-	-	-
Other purchased services	-	-	-	-
Direct social services	-	-	-	-
Total Categorical Aid	542,225	542,225	431,016	(111,209)
Total Revenue from the Commonwealth	542,225	542,225	431,016	(111,209)
Revenue from the Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	41,915	41,915	55,961	14,046
Foster care	28,790	28,790	10,293	(18,497)
General admnissn for financial assistatnce	383,561	383,561	569,601	186,040
Community services	-	-	-	-
Assistant to aged, blind and disabled	-	-	-	-
Employment services	14,199	14,199	6,716	(7,483)
Day care	-	-	-	-
Other purchased services	-	-	-	-
Emergency assistance	-	-	-	-
Total Revenue from the Federal Government	468,465	468,465	642,571	174,106
Miscellaneous	-	-	615	615
Other financing sources				
Transfers from general fund	292,527	292,527	240,000	(52,527)
Total othe financing sources	292,527	292,527	240,000	(52,527)
Total Virginia Public Assistance Fund	1,303,217	1,303,217	1,314,202	10,985
Drug and Gambling Investigative Funds:				
Revenue from Local Sources:				
Restitution to law enforcement	70,000	70,000	10,903	10,903
Total Revenue from Local Sources	70,000	70,000	10,903	10,903
Total Revenue Drug and Gambling Investigative Fund	70,000	70,000	10,903	10,903

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020

SCHEDULE 3
(Continued)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
SPECIAL REVENUE FUNDS: (Continued)				
Revolving loan fund:				
Revenue from local sources:				
Revenue from use of money and property	-	-	1,026	1,026
Total Revenue from Local Sources	-	-	1,026	1,026
Total Revolving Loan Fund	-	-	1,026	1,026
TOTAL SPECIAL REVENUE FUNDS	1,373,217	1,373,217	1,326,131	22,914
GRAND TOTALS - REVENUES - GOVERNMENTAL FUNDS	11,354,017	12,387,567	12,678,911	439,144
PRIMARY GOVERNMENT				
General Fund:				
General Governmental Administration:				
Legislative:				
City Council	\$ 57,797	\$ 57,797	\$ 51,818	\$ 5,979
General and Financial Administration:				
City Manager	157,400	157,400	161,381	(3,981)
Office personnel	136,250	136,250	123,159	13,091
Legal and professional	55,000	75,800	75,117	683
Independent auditor	35,000	35,000	36,600	(1,600)
Commissioner of the Revenue	155,100	155,100	154,999	101
Assessor	25,000	25,000	38,475	(13,475)
Treasurer	168,000	168,000	164,506	3,494
Director of finance	185,550	185,550	185,694	(144)
Data processing	87,500	127,500	139,185	(11,685)
Automotive/motor pool	179,700	179,700	191,493	(11,793)
Total General and Financial Administration	1,184,500	1,245,300	1,270,609	(25,309)
Board of Election:				
Electoral board and officials	19,700	19,700	15,700	4,000
Registrar	83,900	83,900	81,319	2,581
Total Board of Elections	103,600	103,600	97,019	6,581
Total General Government Administration	1,345,897	1,406,697	1,419,446	(12,749)
Judicial Administration:				
Courts:				
Circuit court	60,000	60,000	71,976	(11,976)
General district court	1,500	1,500	2,333	(833)
Clerk of circuit court	40,000	40,000	36,603	3,397
Sheriff	233,730	240,230	228,862	11,368
County courthouse	35,000	35,000	34,287	713
Total Courts	370,230	376,730	374,061	2,669

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020

SCHEDULE 3
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
GENERAL FUND (Continued):				
Commonwealth's attorney	32,500	32,500	43,196	(10,696)
Total Judicial Administration	402,730	409,230	417,257	(8,027)
Public Safety				
Law Enforcement and Traffic Control				
Police department	1,198,550	1,198,550	1,235,844	(37,294)
Traffic control	22,500	38,500	44,422	(5,922)
E-911	491,500	516,500	528,020	(11,520)
Emergency management funds	9,500	50,500	56,247	(5,747)
Total Law Enforcement and Traffic Control	1,722,050	1,804,050	1,864,533	(60,483)
Fire and Rescue Services				
Volunteer fire department	243,050	257,550	259,279	(1,729)
Ambulance and rescue services	30,000	30,000	8,247	21,753
Total Fire and Rescue Services	273,050	287,550	267,526	20,024
Correction and Detention				
Purchase of service from Wise County	\$ 70,000	\$ 70,000	\$ 100,922	\$ (30,922)
Juvenile detention	66,164	66,164	66,164	-
Contribution to regional jail	195,151	285,151	260,689	24,462
Total Correction and Detention	331,315	421,315	427,775	(6,460)
Inspections				
Building	98,200	98,200	95,323	2,877
Other Protection				
Animal control	55,300	55,300	59,845	(4,545)
Emergency medical services	1,550	1,550	1,050	500
Total Other Protection	56,850	56,850	60,895	(4,045)
Total Public Safety	2,481,465	2,667,965	2,716,052	(48,087)
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks				
General engineering/administration	30,000	56,350	138,944	(82,594)
Highways, streets, bridges and sidewalks	987,600	1,212,600	1,375,589	(162,989)
Storm drainage	5,000	5,000	744	4,256
Street lights	120,000	120,000	107,577	12,423
Snow and ice removal	45,000	45,000	23,966	21,034
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets, Bridges and Sidewalks	1,190,600	1,441,950	1,646,820	(204,870)

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020

SCHEDULE 3
(Continued)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
GENERAL FUND (Continued):				
Sanitation and Waste Removal				
Street and road cleaning	8,500	8,500	15,618	(7,118)
Refuse collection	312,100	312,100	324,688	(12,588)
Refuse disposal	200,000	200,000	159,713	40,287
Total Sanitation and Waste Removal	520,600	520,600	500,019	20,581
Maintenance of General Buildings and Grounds:				
General properties	215,300	1,076,300	225,958	850,342
Total Public Works	1,926,500	3,038,850	2,372,797	666,053
Health and Welfare				
Health:				
Local health department	59,185	59,185	58,394	791
Mental Health and Mental Retardation:				
Chapter 10 board	23,740	23,740	23,740	-
Welfare/Social Services:				
Area agency on aging	-	-	21,068	(21,068)
Property tax relief for elderly	11,000	11,000	11,000	-
PHHS grant	-	-	-	-
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	4,556	4,556	-
Total Welfare/Social Services	15,320	18,756	39,124	(20,368)
Total Health and Welfare	98,245	101,681	121,258	(19,577)
Education:				
Contribution to Mountain Empire Community College	\$ 7,155	\$ 7,155	\$ 7,155	\$ -
Payment to school board	2,501,832	2,691,654	2,498,811	192,843
Total Education	2,508,987	2,698,809	2,505,966	192,843
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	229,400	258,800	247,786	11,014
Recreation centers and playgrounds	179,949	206,949	185,909	21,040
Total Parks and Recreation	409,349	465,749	433,695	32,054
Cultural Enrichment:				
Pro-Art	6,100	6,100	6,100	-
Other events	11,400	11,400	18,366	(6,966)
Friends and farmers market	10,000	10,000	8,821	1,179
Employee picnic and Christmas party	1,000	1,000	527	473
Total Cultural Enrichment	28,500	28,500	33,814	(5,314)

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020

SCHEDULE 3
(Continued)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
GENERAL FUND (Continued):				
Library:				
Payments to regional library	30,285	30,285	30,285	-
Total Parks, Recreation and Cultural	468,134	524,534	497,794	26,740
Community Development:				
Planning and Community Development:				
Planning	103,800	108,800	45,240	63,560
Planning-contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	6,000	11,000	8,098	2,902
Contribution to Chamber of Commerce	1,979	1,979	1,979	-
Contribution to Black Diamond Development	200	200	200	-
Contribution to Airport Commission	2,645	2,645	2,645	-
Capital outlay	449,000	450,000	994,547	(544,547)
Total Planning and Community Development	571,747	582,747	1,060,832	(478,085)
Debt Service:				
Principal	154,096	177,496	181,439	(3,943)
Interest	30,472	30,472	30,472	-
Total Debt Service	184,568	207,968	211,911	(3,943)
Other Financing Uses:				
Transfer to welfare fund	292,527	292,527	240,000	52,527
Total Financing Sources	292,527	292,527	240,000	52,527
 TOTAL GENERAL FUND	 10,280,800	 11,931,008	 11,563,313	 367,695
Special Revenue Funds:				
Virginia Public Assistance Fund				
Health and Welfare:				
Welfare/Social Services				
Welfare/food stamp administration	\$ 1,303,217	\$ 1,303,217	\$ 1,313,087	\$ (9,870)
Total Welfare/Social Services	1,303,217	1,303,217	1,313,087	(9,870)
Total Health and Welfare	1,303,217	1,303,217	1,313,087	(9,870)
Total Virginia Public Assistance Fund	1,303,217	1,303,217	1,313,087	(9,870)
Revolving Loan Fund:				
Community Development:				
Planning and Community Development:				
Contribution to componet unit - NIDA	-	-	-	-
Total Welfare/Social Services	-	-	-	-
Total Community Development	-	-	-	-
Total Revolving Loan Fund	-	-	-	-
Drug and Gambling Investigative Funds:				
Public safety	70,000	70,000	30,605	39,395
Total Drug and Gambling Investigative Funds	70,000	70,000	30,605	39,395
 TOTAL SPECIAL REVENUE FUNDS	 1,373,217	 1,373,217	 1,343,692	 29,525
 GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	 \$ 11,654,017	 \$ 13,304,225	 \$ 12,907,005	 \$ 397,220
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ (300,000)	\$ (916,658)	\$ (228,094)	
Net appropriations from fund balance				
Prior year surplus	300,000	839,363		
Prior year encumbrances	-	77,295		
Budget - excess of revnue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		

CITY OF NORTON, VIRGINIA
STATEMENT OF NET POSITION BY DEPARTMENT
PROPRIETARY FUNDS
June 30, 2020

	BUSINESS TYPE ACTIVITIES		
	PROPRIETARY FUND		
	Water Operation	Sewer Operation	Water and Sewer Operation
ASSETS			
Current assets:			
Cash and investments	\$ 47,889	\$ 68,187	\$ 116,076
Receivables, net	145,179	178,357	323,536
Due from other governments	237,807	-	237,807
Due from other funds	80,559	35,640	116,199
Total current assets	511,434	282,184	793,618
Noncurrent assets:			
Restricted cash	55,642	79,227	134,869
Capital assets, net	9,901,956	7,144,677	17,046,633
Total noncurrent assets	9,957,598	7,223,904	17,181,502
Total assets	10,469,032	7,506,088	17,975,120
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	56,002	24,774	80,776
Deferred outflows related to other postemployment benefits	4,752	2,103	6,855
Total deferred outflows of resources	60,754	26,877	87,631
LIABILITIES			
Current liabilities:			
Accounts payable	76,284	85,527	161,811
Accrued payroll and related liabilities	10,318	4,565	14,883
Accrued interest	20,066	8,100	28,166
Due to other funds	277,972	122,977	400,949
Customer security deposits	55,642	79,227	134,869
Compensated absences	4,624	2,045	6,669
Debt obligations, current	173,393	104,330	277,723
Total current liabilities	618,299	406,771	1,025,070
Noncurrent liabilities:			
Compensated absences	10,787	4,772	15,559
Net pension liability	27,368	12,108	39,476
Net other postemployment benefit liabilities	25,248	11,170	36,418
Debt obligations	4,851,709	1,958,400	6,810,109
Total noncurrent liabilities	4,915,112	1,986,450	6,901,562
Total liabilities	5,533,411	2,393,221	7,926,632
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	62,012	27,434	89,446
Deferred inflows related to other post employment benefits	2,312	1,023	3,335
Total deferred inflows of resources	64,324	28,457	92,781
NET POSITION			
Net investment in capital assets	4,876,854	5,081,947	9,958,801
Restricted	-	-	-
Unrestricted	55,197	29,340	84,537
Total net position	\$ 4,932,051	\$ 5,111,287	\$ 10,043,338

CITY OF NORTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2020

	BUSINESS TYPE ACTIVITIES		
	PROPRIETARY FUND		
	Water Operation	Sewer Operation	Water and Sewer Operation
OPERATING REVENUES			
Charges for services			
Water:			
Local	\$ 904,336	\$ -	\$ 904,336
Non-Local	195,270	-	195,270
Sewer:			
Local	-	1,232,258	1,232,258
Non-Local	-	333,437	333,437
Connection fees	11,610	350	11,960
Penalties	20,152	28,694	48,846
Miscellaneous	100	28,642	28,742
Total operating revenues	<u>1,131,468</u>	<u>1,623,381</u>	<u>2,754,849</u>
OPERATING EXPENSES			
Personnel	304,716	211,171	515,887
Fringe benefits	116,165	90,422	206,587
Contractual services	15,492	850,261	865,753
Other charges	179,398	282,162	461,560
Rent	2,475	3,525	6,000
Water purchased for resale	55,129	-	55,129
Depreciation and amortization	273,197	396,618	669,815
Total operating expenses	<u>946,572</u>	<u>1,834,159</u>	<u>2,780,731</u>
Operating income	<u>184,896</u>	<u>(210,778)</u>	<u>(25,882)</u>
NONOPERATING REVENUES (EXPENSES)			
Grant income	487,660	-	487,660
Interconnect expense	(20,971)	-	(20,971)
Interest expense	(141,491)	(32,757)	(174,248)
Total nonoperating revenues (expenses)	<u>325,198</u>	<u>(32,757)</u>	<u>292,441</u>
Change in net position	510,094	(243,535)	266,559
NET POSITION AT JULY 1	<u>4,421,957</u>	<u>5,354,822</u>	<u>9,776,779</u>
NET POSITION AT JUNE 30	<u>\$ 4,932,051</u>	<u>\$ 5,111,287</u>	<u>\$ 10,043,338</u>

CITY OF NORTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2020

SCHEDULE 6

	BUSINESS TYPE ACTIVITIES		
	PROPRIETARY FUND		
	Water Operation	Sewer Operation	Water and Sewer Operation
OPERATING ACTIVITIES			
Receipts from customers and properties	\$ 1,237,539	\$ 1,745,093	\$ 2,982,632
Receipts from other sources	(237,707)	28,642	(209,065)
Payments to suppliers	(501,206)	(1,236,638)	(1,737,844)
Payments to employees	(303,379)	(209,276)	(512,655)
Net cash provided by operating activities	\$ 195,247	\$ 327,821	\$ 523,068
NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowing	\$ (91,743)	\$ (129,920)	\$ (221,663)
Net cash provided by noncapital financing activities	\$ (91,743)	\$ (129,920)	\$ (221,663)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	\$ (273,234)	\$ (160,547)	\$ (433,781)
Contributed Capital - grant revenue	487,660	-	487,660
Interconnect expense	(20,971)	-	(20,971)
Principal paid	(171,226)	(103,585)	(274,811)
Interest paid	(145,116)	(34,220)	(179,336)
Net cash used in capital and related financing activities	\$ (122,887)	\$ (298,352)	\$ (421,239)
Net increase (decrease) in cash and cash equivalents	\$ (19,383)	\$ (100,451)	\$ (119,834)
CASH AND CASH EQUIVALENTS			
Beginning at July 1	\$ 152,993	\$ 217,786	\$ 370,779
Ending at June 30	\$ 133,610	\$ 117,335	\$ 250,945
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 184,896	\$ (210,778)	\$ (25,882)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	273,197	396,618	669,815
Pension expense net of employer contributions	(7,426)	(10,516)	(17,942)
Other post-employment benefit expense net of employer contributions	(1,542)	(2,183)	(3,725)
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	105,090	148,822	253,912
Due from other governments	(237,807)	-	(237,807)
Increase (decrease) in:			
Accounts payable and other current liabilities	(123,580)	2,432	(121,148)
Accrued payroll and related liabilities	547	775	1,322
Customer deposits	1,081	1,532	2,613
Compensated absences	791	1,119	1,910
Net cash provided by operating activities	\$ 195,247	\$ 327,821	\$ 523,068

CITY OF NORTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2020

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	Total School Board
ASSETS					
Cash and investments	\$ 572,716	\$ -	\$ -	\$ -	\$ 572,716
Cash - restricted	-	144,784	28,943	242,849	416,576
Prepays	1,320	-	-	-	1,320
Due from other funds	20,424	-	-	36,226	56,650
Due from primary government	-	68,620	-	-	68,620
Due from other governments	280,869	-	-	-	280,869
Total assets	<u>\$ 875,329</u>	<u>\$ 213,404</u>	<u>\$ 28,943</u>	<u>\$ 279,075</u>	<u>\$ 1,396,751</u>
LIABILITIES					
Accounts Payable	\$ 150,336	\$ -	\$ -	\$ 11,384	\$ 161,720
Accrued Liabilities	276,475	-	-	-	276,475
Due to other funds	36,226	13,477	-	6,947	56,650
Due to primary government	114,442	-	-	-	114,442
Total liabilities	<u>577,479</u>	<u>13,477</u>	<u>-</u>	<u>18,331</u>	<u>609,287</u>
FUND BALANCE					
Nonspendable	1,320	-	-	-	1,320
Restricted	296,530	-	-	-	296,530
Committed	-	199,927	28,943	260,744	489,614
Total fund balance	<u>297,850</u>	<u>199,927</u>	<u>28,943</u>	<u>260,744</u>	<u>787,464</u>
Total liabilities and fund balance	<u>\$ 875,329</u>	<u>\$ 213,404</u>	<u>\$ 28,943</u>	<u>\$ 279,075</u>	<u>\$ 1,396,751</u>

Adjustments for the Statement of Net Position (Exhibit 1):

Total Fund Balance - School Board **\$ 787,464**

Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:

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

Net pension asset 328,821

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

Nondepreciable 65,901
 Depreciable, net 9,597,077
9,662,978

Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to:

Pensions 1,213,440

Other postemployment benefits 213,351

Deferred inflows related to:

Pensions (1,208,152)

Other postemployment benefits (147,023)

Net pension liability (5,531,387)

Net other postemployment benefits liability (1,241,216)

(6,700,987)

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

(7,808,616)

Accrued interest (110,271)

Compensated absences (128,330)

Total Net Position - School Board Governmental Activities

\$ (3,968,941)

CITY OF NORTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2020

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	Total School Board
REVENUES					
Revenue from use of money and property	\$ 461	\$ 533	\$ 74	\$ -	\$ 1,068
Miscellaneous	389,076	-	52,422	17,447	458,945
Intergovernmental					
Primary government	2,476,377	22,434	-	-	2,498,811
Commonwealth of Virginia	5,681,536	-	-	81,369	5,762,905
Federal government	415,598	-	-	445,446	861,044
Total revenue	<u>8,963,048</u>	<u>22,967</u>	<u>52,496</u>	<u>544,262</u>	<u>9,582,773</u>
EXPENDITURES					
Current					
Education	7,708,218	-	90,304	478,984	8,277,506
Debt Service:					
Principal	721,469	-	-	-	721,469
Interest	256,474	-	-	-	256,474
Total expenditures	<u>8,686,161</u>	<u>-</u>	<u>90,304</u>	<u>478,984</u>	<u>9,255,449</u>
OTHER FINANCING SOURCES (USES)					
Capital lease proceeds	-	-	-	-	-
Transfer in	-	-	30,000	-	30,000
Transfers out	(30,000)	-	-	-	(30,000)
Net change in fund balance	<u>246,887</u>	<u>22,967</u>	<u>(7,808)</u>	<u>65,278</u>	<u>327,324</u>
FUND BALANCE AT JULY 1	<u>50,963</u>	<u>176,960</u>	<u>36,751</u>	<u>195,466</u>	<u>460,140</u>
FUND BALANCE AT JUNE 30	<u>\$ 297,850</u>	<u>\$ 199,927</u>	<u>\$ 28,943</u>	<u>\$ 260,744</u>	<u>\$ 787,464</u>

Reconciliation to the Statement of Activities (Exhibit 2):

Net Change in Fund Balance - School Board	\$ 327,324
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	346,185
Depreciation and amortization expense	<u>(491,715)</u>
	(145,530)
Governmental funds report the issuance of debt as an increase in financial resources while governmental activities report the debt liability.	-
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.	222,443
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefit expense.	104,105
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	777,553
Compensated absences	<u>(6,667)</u>
Change in Net Position - School Board Governmental Activities	<u>\$ 1,279,228</u>

CITY OF NORTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SCHOOL OPERATING FUND
Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Revenue from local use of money and property	\$ 400	\$ 400	\$ 461	\$ 61
Miscellaneous	202,597	202,597	389,076	186,479
Intergovernmental:				
Primary government	2,479,436	2,635,436	2,476,377	(159,059)
Commonwealth of Virginia	5,502,360	5,502,360	5,681,536	179,176
Federal government	496,881	496,881	415,598	(81,283)
Total revenues	<u>8,681,674</u>	<u>8,837,674</u>	<u>8,963,048</u>	<u>125,374</u>
EXPENDITURES				
Current:				
Education	7,769,720	7,925,720	7,708,218	217,502
Debt Service:				
Principal	676,360	676,360	721,469	(45,109)
Interest	256,557	256,557	256,474	83
Total expenditures	<u>8,702,637</u>	<u>8,858,637</u>	<u>8,686,161</u>	<u>172,476</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (20,963)</u>	<u>\$ (20,963)</u>	<u>\$ 276,887</u>	<u>\$ 297,850</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	\$ (30,000)	\$ (30,000)	\$ (30,000)	\$ -
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	(50,963)	(50,963)	246,887	297,850
Net appropriations from fund balance				
Prior year encumbrances	<u>50,963</u>	<u>50,963</u>		
Budget-excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	<u>-</u>	<u>-</u>		
Fund Balance - June 30, 2019			<u>\$ 50,963</u>	
Fund Balance - June 30, 2020			<u>\$ 297,850</u>	

STATISTICAL SECTION

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

Contents

Table

Financial Trends

1-4

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

Revenue Capacity

5-11

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

Debt Capacity

12-13

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

14-15

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparison over time and with other governments.

Operating Information

16-17

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

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

Notes

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

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

TABLE 1

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental activities										
Net investment in capital assets	\$ 8,542,222	\$ 8,560,781	\$ 8,207,586	\$ 8,519,840	\$ 8,336,774	\$ 8,014,749	\$ 5,586,395	\$ 4,136,516	\$ 3,921,732	\$ 3,325,755
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,842,279	2,821,064	1,976,543	870,666	763,727	232,010	1,397,414	1,541,677	1,791,952	2,446,292
Total governmental activities net position	<u>\$ 11,384,501</u>	<u>\$ 11,381,845</u>	<u>\$ 10,184,129</u>	<u>\$ 9,390,506</u>	<u>\$ 9,100,501</u>	<u>\$ 8,246,759</u>	<u>\$ 6,983,809</u>	<u>\$ 5,678,193</u>	<u>\$ 5,713,684</u>	<u>\$ 5,772,047</u>
Business-type activities										
Net investment in capital assets	\$ 9,958,801	\$ 9,920,024	\$ 9,965,531	\$ 10,369,190	\$ 10,688,937	\$ 10,806,022	\$ 10,739,857	\$ 9,362,217	\$ 7,587,254	\$ 6,989,991
Restricted	-	-	-	-	-	-	112,741	988,404	-	-
Unrestricted	84,537	(313,313)	(412,570)	(499,430)	(573,330)	(607,646)	(428,312)	(348,054)	(219,531)	(205,952)
Total business-type activities net position	<u>\$ 10,043,338</u>	<u>\$ 9,606,711</u>	<u>\$ 9,552,961</u>	<u>\$ 9,869,760</u>	<u>\$ 10,115,607</u>	<u>\$ 10,198,376</u>	<u>\$ 10,424,286</u>	<u>\$ 10,002,567</u>	<u>\$ 7,367,723</u>	<u>\$ 6,784,039</u>
Primary government										
Net investment in capital assets	\$ 18,501,023	\$ 18,480,805	\$ 18,173,117	\$ 18,889,030	\$ 19,025,711	\$ 18,820,771	\$ 16,326,252	\$ 13,498,733	\$ 11,508,986	\$ 10,315,746
Restricted	-	-	-	-	-	-	112,741	988,404	-	-
Unrestricted	2,926,816	2,507,751	1,563,973	371,236	190,397	(375,636)	969,102	1,193,623	1,572,421	2,240,340
Total primary government net position	<u>\$ 21,427,839</u>	<u>\$ 20,988,556</u>	<u>\$ 19,737,090</u>	<u>\$ 19,260,266</u>	<u>\$ 19,216,108</u>	<u>\$ 18,445,135</u>	<u>\$ 17,408,095</u>	<u>\$ 15,680,760</u>	<u>\$ 13,081,407</u>	<u>\$ 12,556,086</u>

Notes:

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

TABLE 2

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities										
General government	\$ 1,412,791	\$ 1,538,251	\$ 1,100,244	\$ 1,479,453	\$ 1,525,411	\$ 1,516,160	\$ 1,576,458	\$ 1,542,855	\$ 1,624,902	\$ 1,512,956
Judicial administration	415,276	2,717,698	2,873,422	2,717,864	2,564,543	2,491,800	2,579,286	2,423,860	2,376,017	2,355,373
Public safety	2,819,987	2,134,947	2,308,395	2,225,978	2,086,952	1,989,571	2,062,845	2,486,780	2,390,227	2,355,511
Public works	2,531,163	1,307,516	1,270,418	1,408,130	1,388,345	1,128,562	1,256,593	1,321,129	1,448,260	1,265,568
Health and welfare	1,409,848	2,407,067	2,167,754	2,506,829	2,326,948	2,268,173	2,416,648	1,692,638	1,982,789	1,957,075
Education	2,505,966	511,651	407,173	461,053	474,541	445,581	444,729	477,229	490,097	507,768
Parks, recreation, and cultural	81,357	38,483	45,218	78,828	329,286	561,290	514,158	562,432	503,961	711,312
Community development	1,411,696	39,010	39,432	45,291	48,915	109,767	67,234	169,304	328,206	324,163
Interest	37,756	-	-	-	-	-	-	-	-	-
Total governmental activities	12,625,840	10,694,623	10,212,056	10,923,426	10,744,941	10,510,904	10,917,951	10,676,227	11,144,459	10,989,726
Business-type activities										
Water and Wastewater	2,975,950	2,841,008	2,895,886	2,981,468	2,795,034	2,840,888	2,929,215	2,635,899	4,205,780	2,509,969
Total business-type activities expenses	2,975,950	2,841,008	2,895,886	2,981,468	2,795,034	2,840,888	2,929,215	2,635,899	4,205,780	2,509,969
Total primary government expenses	15,601,790	13,535,631	13,107,942	13,904,894	13,539,975	13,351,792	13,847,166	13,312,126	15,350,239	13,499,695
Program revenues										
Governmental activities										
Charges for services										
Public safety	\$ 14,679	\$ 104,630	\$ 87,094	\$ 98,525	\$ 101,979	\$ 60,564	\$ 736	\$ 15,981	\$ 66,569	\$ 110,524
Public works	410,676	411,018	413,874	415,282	416,703	417,474	354,338	358,014	361,706	366,667
Health and welfare	-	-	-	-	-	-	-	-	-	-
Parks, recreation and culture	17,400	22,062	18,273	11,807	8,773	11,896	7,885	6,717	7,510	17,437
Operating grants and contributions	3,777,142	3,223,571	2,723,370	2,878,329	2,574,389	2,302,105	2,297,908	2,415,196	2,598,280	2,320,558
Capital grants and contributions	-	-	-	-	453,008	2,702,148	1,722,056	150,000	393,312	20,441
Total governmental activities program revenues	4,219,897	3,761,281	3,242,611	3,403,943	3,554,852	5,494,187	4,382,923	2,945,908	3,427,377	2,835,627
Business-type activities										
Charges for services										
Water and Wastewater	2,754,849	2,778,976	2,492,506	2,489,776	2,402,922	2,314,041	2,211,146	2,265,444	2,318,868	2,335,900
Operating grants and contributions	-	-	-	-	-	-	-	-	-	550,000
Capital grants and contributions	487,660	285,850	16,100	95,845	309,343	536,587	1,139,788	3,010,774	2,613,979	2,451,492
Total business-type activities program revenues	3,242,509	3,064,826	2,508,606	2,585,621	2,712,265	2,850,628	3,350,934	5,276,218	4,932,847	5,337,392
Total primary government program revenues	7,462,406	6,826,107	5,751,217	5,989,564	6,267,117	8,344,815	7,733,857	8,222,126	8,360,224	8,173,019
Net (expense) revenue										
Governmental activities	\$ (8,405,943)	\$ (6,933,342)	\$ (6,969,445)	\$ (7,519,483)	\$ (7,190,089)	\$ (5,016,717)	\$ (6,535,028)	\$ (7,730,319)	\$ (7,717,082)	\$ (8,154,099)
Business-type activities	266,559	223,818	(387,280)	(395,847)	(82,769)	9,740	421,719	2,640,319	727,067	2,827,423
Total primary government net expense	(8,139,384)	(6,709,524)	(7,356,725)	(7,915,330)	(7,272,858)	(5,006,977)	(6,113,309)	(5,090,000)	(6,990,015)	(5,326,676)

TABLE 2
(Continued)

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	3,128,984	3,156,805	3,091,045	3,127,830	3,034,838	2,632,023	2,881,300	2,736,838	2,305,658	2,393,798
Local sales and use	1,664,033	1,639,810	1,518,284	1,541,644	1,609,549	1,613,223	1,606,815	1,762,729	1,918,925	1,882,301
Utility tax	125,415	127,413	128,898	129,066	129,032	131,322	131,006	137,995	117,214	126,570
Business license tax	801,979	789,539	779,120	750,765	842,303	812,125	887,396	853,599	951,248	773,353
Communication tax	174,981	194,619	193,631	199,570	204,591	211,659	211,979	217,316	211,679	223,287
Motor vehicle tax	80,937	85,205	81,767	85,648	81,661	71,174	63,629	-	-	-
Bank stock tax	40,193	50,778	51,591	42,171	47,105	61,913	72,678	74,256	99,820	126,034
Recordation tax	16,012	17,026	21,376	37,040	34,009	22,158	44,876	29,516	39,598	39,256
Tobacco tax	-	-	-	30	40	110	41	195	180	165
Hotel and motel room tax	104,019	158,331	141,171	161,925	159,594	206,815	133,561	146,200	172,866	195,071
Restaurant food tax	1,479,388	1,496,570	1,388,390	1,401,747	1,395,556	1,360,014	1,357,112	1,262,519	1,334,156	1,126,150
Coal road improvement tax	31,997	39,774	25,533	24,366	32,928	56,308	79,353	116,498	244,773	222,047
Cigarette tax	157,455	168,425	159,197	186,815	173,067	88,640	92,965	110,245	99,440	108,100
Other local taxes	87,222	121,520	84,265	88,004	89,177	70,125	107,557	106,995	-	30
Unrestricted miscellaneous revenue	75,883	26,208	41,497	33,780	68,352	99,086	104,627	118,702	90,845	76,669
Unrestricted investment earnings	53,134	67,717	33,899	26,359	29,758	28,480	28,255	25,196	35,699	39,085
Gain on sale of capital assets	3,004	2,060	16,475	-	-	-	-	-	-	-
Insurance recoveries	21,706	7,692	-	-	-	-	-	-	-	-
Recovered costs	125,791	218,032	121,275	122,728.00	112,271	39,085	37,494	33,660	36,618	30,039
Transfers - primary government	-	-	-	(150,000)	-	-	-	-	-	-
Total governmental activities	8,172,133	8,367,524	7,877,414	7,809,488	8,043,831	7,504,260	7,840,644	7,732,459	7,658,719	7,361,955
Business-type activities:										
Other	-	-	-	150,000	-	-	-	-	-	-
Total business-type activities	-	-	-	150,000	-	-	-	-	-	-
Total primary government	8,172,133	8,367,524	7,877,414	7,959,488	8,043,831	7,504,260	7,840,644	7,732,459	7,658,719	7,361,955
Changes in Net Position										
Governmental activities	(233,810)	1,434,182	907,969	290,005	853,742	2,487,543	1,305,616	2,140	(58,363)	(792,144)
Business-type activities	266,559	223,818	(387,280)	(245,847)	(82,769)	9,740	421,719	2,640,319	727,067	2,827,423
Total primary government	32,749	1,658,000	520,689	44,158	770,973	2,497,283	1,727,335	2,642,459	668,704	2,035,279

TABLE 3

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

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

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

TABLE 4

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
General property taxes	\$ 3,155,065	\$ 2,990,029	\$ 3,027,691	\$ 3,144,820	\$ 3,020,812	\$ 2,679,834	\$ 2,915,376	\$ 2,550,475	\$ 2,469,808	\$ 2,383,552
Other local taxes	4,676,409	4,767,490	4,488,958	4,560,787	4,709,435	4,635,461	4,681,411	4,699,374	5,161,830	4,822,364
Permits, fees, and licenses	12,391	16,258	2,177	2,608	2,547	11,133	7,131	4,532	7,569	5,007
Fines and forfeitures	13,978	103,929	18,995	26,178	17,698	26,425	28,687	37,115	62,001	94,147
Use of money and property	53,134	65,846	33,899	26,359	29,758	27,843	28,255	25,196	35,699	39,085
Charges for services	428,777	435,653	500,246	499,436	489,628	479,458	378,774	380,712	380,081	410,520
Other revenues	75,883	26,208	32,153	25,328	89,595	75,415	104,627	250,406	89,177	60,176
Recovered cost	125,791	129,682	121,275	122,728	112,271	20,706	18,761	17,277	23,579	16,754
Intergovernmental	3,851,973	3,328,833	2,805,458	2,963,728	3,099,574	5,074,378	4,105,808	2,492,238	3,026,368	2,340,999
Total revenues	12,393,401	11,863,928	11,030,852	11,371,972	11,571,318	13,030,653	12,268,830	10,457,325	11,256,112	10,172,604
Expenditures										
General government	1,419,446	1,208,856	1,134,746	1,129,015	1,182,299	1,150,354	1,130,587	1,180,843	1,206,033	1,116,081
Judicial administration	417,257	395,899	386,605	365,591	377,549	389,285	412,859	353,367	366,037	349,229
Public safety	2,746,657	3,085,191	2,473,435	2,610,351	2,644,107	2,423,506	2,497,672	2,308,031	2,553,195	2,298,038
Public works	2,372,797	2,227,861	1,952,299	2,296,650	1,843,175	1,776,800	1,742,342	2,294,322	2,606,618	2,191,672
Health and welfare	1,434,345	1,372,350	1,274,952	1,367,288	1,423,325	1,159,055	1,233,314	1,302,277	1,437,933	1,261,980
Education and transfer to school	2,505,966	2,407,067	2,167,754	2,506,829	2,326,948	2,268,173	2,401,810	2,169,025	1,830,450	1,804,736
Parks, recreation, and cultural	497,794	547,053	480,446	468,394	472,460	427,708	438,256	455,638	468,752	483,551
Community development	1,060,832	38,502	44,710	90,905	867,911	3,342,994	2,229,763	554,868	517,866	725,216
Debt service:										
Principal retirement	181,439	151,154	614,823	137,359	124,861	1,182,821	121,031	15,284,397	166,689	7,684,450
Interest and fiscal charges	30,472	31,667	31,443	37,630	41,808	167,718	66,662	316,659	330,574	376,273
Total expenditures	12,667,005	11,465,600	10,561,213	11,010,012	11,304,443	14,288,414	12,274,296	26,219,427	11,484,147	18,291,226
Excess of revenues over (under) expenditures	(273,604)	398,328	469,639	361,960	266,875	(1,257,761)	(5,466)	(15,762,102)	(228,035)	(8,118,622)
Other Financing Sources (Uses)										
Proceeds from borrowing	20,800	203,000	500,000	-	50,000	1,208,000	-	7,588,375	140,000	7,615,839
Insurance recoveries	21,706	7,692	-	2,859	8,761	18,379	18,733	16,383	13,039	13,285
Proceeds from sale of capital assets	3,004	2,060	25,819	5,593	4,578	637	-	18,296	5,605	15,928
Transfers	-	-	-	(150,000)	-	-	-	7,627,291	345,877	-
Total other financing sources (uses)	45,510	212,752	525,819	(141,548)	63,339	1,227,016	18,733	15,250,345	504,521	7,645,052
Net change in fund balances	\$ (228,094)	\$ 611,080	\$ 995,458	\$ 220,412	\$ 330,214	\$ (30,745)	\$ 13,267	\$ (511,757)	\$ 276,486	\$ (473,570)
Debt service as a percentage of noncapital expenditures:	1.75%	1.62%	6.52%	1.62%	1.50%	10.44%	1.55%	146.93%	4.53%	78.79%

TABLE 5

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

Calendar Year	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Mobile Homes	Total Taxable Assessed Value	Total Direct Tax Rate Per \$100
				Real Estate	Personal Property			
2020	\$ 229,302,650	\$ 29,986,495	\$ 5,553,055	\$ 28,781,153	-	1,480,815	\$ 295,104,168	1.069
2019	233,839,000	29,357,644	5,381,430	26,890,950	-	1,565,287	297,034,311	1.007
2018	235,369,600	28,122,426	5,024,584	25,735,238	-	1,422,747	295,674,595	1.024
2017	235,070,000	29,234,452	5,486,284	25,650,081	-	1,379,667	296,820,484	1.060
2016	225,828,836	29,049,973	5,087,058	24,698,933	-	1,601,097	286,265,897	1.055
2015	218,737,522	29,431,057	5,185,961	26,192,424	124,975	1,541,202	281,213,141	0.953
2014	219,165,572	30,450,311	5,373,264	26,983,560	131,432	1,631,722	283,735,861	1.027
2013	219,917,050	27,704,382	5,140,577	25,509,133	137,719	1,662,142	280,071,003	0.911
2012	220,246,000	25,632,421	5,101,639	25,290,691	130,980	1,846,346	278,248,077	0.888
2011	202,774,175	24,275,249	5,534,737	25,290,691	128,859	1,829,482	259,833,193	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**

Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities	
					Real Estate	Personal Property
2020	0.90	2.05	2.05	0.90	0.90	2.05
2019	0.90	2.05	2.05	0.90	0.90	2.05
2018	0.90	1.85	1.85	0.90	0.90	1.85
2017	0.90	1.85	1.85	0.90	0.90	1.85
2016	0.90	1.85	1.85	0.90	0.90	1.85
2015	0.80	1.85	1.85	0.80	0.80	1.85
2014	0.80	1.85	1.85	0.80	0.80	1.85
2013	0.80	1.85	1.85	0.80	0.80	1.85
2012	0.80	1.85	1.85	0.80	0.80	1.85
2011	0.80	1.85	1.85	0.80	0.80	1.85

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

TABLE 7

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

June 30, 2020

Taxpayer	Nature of Business	Assessed Value	Percent of Real Estate Levy
Wal-Mart Real Estate Trust	Commercial Retail/ Grocery	15,314,800	6.68%
Norton Community Hospital	Health Care	7,331,600	3.20%
Norton (Norton) SRX LLC	Shops/Maurices/Hibbitts	6,216,600	2.71%
Norton Host	Hotel	4,308,100	1.88%
BVC VA KY LLC	Shopping Center/HWY 58	4,167,300	1.82%
601 Commonwealth LLC	Shops/Glass Slipper/Pizza Hut	3,914,400	1.71%
Wellmont Health System	Health Care	3,168,300	1.38%
R.E. Green Ent. Inc.	Medical/Health Care	2,029,600	0.89%
Carter Machinery Company	Retail/Eq. Sales/Repair	2,037,300	0.89%
S&P Norton LLC	Hotel	1,473,900	0.64%

June 30, 2010

Taxpayer	Nature of Business	Assessed Value	Percent of Real Estate Levy
Commonwelath-NTN Partners	Shopping Center	14,409,900	7.19%
Wal-Mart Real Estate Business Trust	Commercial Retailer/Grocer	14,294,300	7.13%
Super Intermediate Co., LLC	Shopping Center	9,266,500	4.62%
Nordan, Inc	Hotel	3,826,300	1.91%
Norton Host, LLC	Hotel/Restaurant	3,546,000	1.77%
Norton Community Hospital	Health Care	3,574,600	1.78%
Wellmont Health System	Health Care	3,509,500	1.75%
Johnson Norton LLC (Cancer Center)	Health Care	2,638,200	1.32%
W.P. Amristead	Commercial and Residential Rental Property	2,435,900	1.22%
AARMP Hospitality (Days Inn)	Hotel	1,819,800	0.91%

TABLE 8

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

Fiscal Years Ended June 30	Taxes Levied for the Year (1) (2)	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections (3)	Percent of Total Tax Collections	Outstanding Delinquent Taxes	Percent of Delinquent of Levy
2020	\$ 3,158,804	\$ 3,091,469	97.87%	\$ 12,517	3,103,986	98.26%	397,967	12.60%
2019	3,136,438	2,840,119	90.55%	85,936	2,926,055	93.29%	470,303	14.99%
2018	3,108,516	2,879,431	92.63%	85,045	2,964,476	95.37%	336,115	10.81%
2017	3,166,319	2,925,590	92.40%	142,234	3,067,824	96.89%	346,570	10.95%
2016	3,106,353	2,780,558	89.51%	140,006	2,920,564	94.02%	369,906	11.91%
2015	2,731,203	2,545,590	93.20%	56,280	2,601,870	95.26%	320,961	11.75%
2014	2,800,408	2,559,728	91.41%	247,834	2,807,562	100.26%	257,050	9.18%
2013	2,579,781	2,384,644	92.44%	109,433	2,494,077	96.68%	378,758	14.68%
2012	2,378,441	2,212,823	93.04%	165,549	2,378,372	100.00%	320,362	13.47%
2011	2,470,143	2,240,426	90.70%	61,974	2,302,400	93.21%	310,935	12.59%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions

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

TABLE 9

**CITY OF NORTON, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Years Ended June 30	Governmental Activities		Business-Type Activities		Component Unit Bonds	Total Debt	Percentage of Personal Income	Per Capita
	General	Capital	General Obligation	Water & Wastewater				
	Obligation Bonds	Leases	Bonds	Bonds				
2020	\$ 895,712	\$ 88,347	\$	7,087,832	\$ 7,150,000	15,221,891	9.10%	3,897
2019	1,028,630	116,068		7,362,643	7,710,000	16,217,341	10.29%	4,152
2018	1,093,377	-		7,629,457	8,250,000	16,972,834	11.80%	4,343
2017	1,208,200	-		7,893,350	8,765,000	17,866,550	14.07%	4,632
2016	1,316,121	29,438		8,143,884	9,260,000	18,749,443	13.54%	4,752
2015	1,363,000	58,141		8,139,139	9,784,434	19,344,714	12.98%	4,821
2014	1,285,000	110,961		7,804,349	10,341,185	19,541,495	12.65%	4,817
2013	1,355,000	161,992		8,080,638	10,901,644	20,499,274	12.13%	4,889
2012	8,988,191	224,823		6,108,271	2,108,327	17,429,612	10.55%	4,252
2011	9,113,731	125,972		3,761,934	2,626,591	15,628,228	9.40%	3,949

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 Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Bonded		
	Obligation Bonds		
2020	14,943,164	5.06%	3,826
2019	15,902,240	5.35%	4,152
2018	16,765,144	5.67%	4,343
2017	17,650,210	5.95%	4,632
2016	18,495,011	6.46%	4,752
2015	18,697,886	6.65%	4,821
2014	18,327,250	6.46%	4,817
2013	17,853,819	6.37%	4,889
2012	13,411,630	4.82%	4,252
2011	11,020,140	4.24%	3,949

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assessed valuations										
Assessed value of taxed real property	<u>\$ 258,083,803</u>	<u>\$ 260,729,950</u>	<u>\$ 261,104,838</u>	<u>\$ 260,720,081</u>	<u>\$ 250,527,769</u>	<u>\$ 244,929,946</u>	<u>\$ 246,149,132</u>	<u>\$ 245,426,183</u>	<u>\$ 245,536,691</u>	<u>\$ 228,064,866</u>
Legal debt margin										
Debt limit - 10 percent of total assessed value	<u>25,808,380</u>	<u>26,072,995</u>	<u>26,110,484</u>	<u>26,072,008</u>	<u>25,052,777</u>	<u>24,492,995</u>	<u>24,614,913</u>	<u>24,542,618</u>	<u>24,553,669</u>	<u>22,806,487</u>
Debt applicable to limitation										
Total bonded debt	<u>15,221,891</u>	<u>16,217,341</u>	<u>16,972,834</u>	<u>17,866,550</u>	<u>18,749,443</u>	<u>19,344,714</u>	<u>19,541,495</u>	<u>20,499,274</u>	<u>17,429,612</u>	<u>15,628,228</u>
Less - Business-Type	<u>(190,380)</u>	<u>(199,033)</u>	<u>(207,686)</u>	<u>(216,340)</u>	<u>(224,994)</u>	<u>(588,689)</u>	<u>(1,103,284)</u>	<u>(2,483,463)</u>	<u>(3,793,159)</u>	<u>(4,482,116)</u>
Total amount of debt applicable to debt limitation	<u>15,031,511</u>	<u>16,018,308</u>	<u>16,765,148</u>	<u>17,650,210</u>	<u>18,524,449</u>	<u>18,756,025</u>	<u>18,438,211</u>	<u>18,015,811</u>	<u>13,636,453</u>	<u>11,146,112</u>
Legal debt margin	<u>\$ 10,776,869</u>	<u>\$ 10,054,687</u>	<u>\$ 9,345,336</u>	<u>\$ 8,421,798</u>	<u>\$ 6,528,328</u>	<u>\$ 5,736,970</u>	<u>\$ 6,176,702</u>	<u>\$ 6,526,807</u>	<u>\$ 10,917,216</u>	<u>\$ 11,660,375</u>
Total net debt as applicable to the limit as a percentage of debt limit	<u>58.24%</u>	<u>61.44%</u>	<u>64.21%</u>	<u>67.70%</u>	<u>73.94%</u>	<u>76.58%</u>	<u>74.91%</u>	<u>73.41%</u>	<u>55.54%</u>	<u>48.87%</u>

TABLE 12

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

Fiscal Years Ended June 30	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Total	Coverage
2020	\$ 2,754,849	\$ 2,110,916	\$ 643,933	266,158	174,248	440,406	1.46
2019	2,778,976	1,970,728	\$ 808,248	258,161	182,746	440,907	1.83
2018	2,492,506	2,001,767	\$ 490,739	255,243	197,630	452,873	1.08
2017	2,489,776	2,077,298	\$ 412,478	241,878	207,405	449,283	0.92
2016	2,402,922	1,960,348	\$ 442,574	229,906	180,693	410,599	1.08
2015	2,314,041	2,107,896	\$ 206,145	158,950	120,455	279,405	0.74
2014	2,211,146	2,132,102	\$ 79,044	1,022,913	195,404	1,218,317	0.06
2013	2,265,444	2,082,646	\$ 182,798	1,017,797	180,356	1,198,153	0.15
2012	2,318,868	2,303,377	\$ 15,491	121,871	123,995	245,866	0.06
2011	2,336,189	2,147,590	\$ 188,599	155,096	93,546	248,642	0.76

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

TABLE 13

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

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2020	3,906	167,364,288	42,848	39.8	776	9.80%
2019	3,906	157,614,912	40,352	39.8	784	3.90%
2018	3,908	143,876,928	36,816	40.0	767	5.60%
2017	3,857	126,957,012	32,916	40.0	764	5.90%
2016	3,946	138,504,600	35,100	39.0	814	6.50%
2015	4,013	148,994,664	37,128	38.0	820	7.80%
2014	4,057	154,425,648	38,064	38.0	828	8.20%
2013	4,193	143,903,760	34,320	39.0	887	8.70%
2012	4,099	146,858,972	35,828	39.0	882	8.10%
2011	3,958	143,247,936	36,192	40.0	852	7.60%

Sources: Weldon Cooper Center for Information, Bureau of Economic Analysis,
Virginia Employment Commission, and Norton City School Board

TABLE 14

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

June 30, 2020

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

June 30, 2010

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

Source: Virginia Employment Commission - Community Profile

TABLE 15

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

Function	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General government										
Management services	4	4	4	4	3.5	3.5	3.5	4	4	4.0
Finance	4	4	4	4	4	4	4	4	4	4.0
Planning	1	0	1	1	1.5	1.5	1.5	2	2	2.0
Other	6	6	6.5	6	6	6	6	6	6	6.0
Public safety										
Officers	16	16	16	16	16	16	16	16	16	17.5
Dispatchers/Clerks	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	7
Sheriff's Office	3	3	3	3	3	3	3	3	3	3
Animal Control	1	1	1	1	1	1	1	1	1	1
Building	1	1	1	1	1	1	1	1	1	1
Emergency Management	0	0	0	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Fire	1.5	1.5	1.5	1	1	1	1	1	1	1
Public works										
Engineering	0	1	1	1	1	1	1	1	1	1
Streets	9	9	9	9	9	9	10	11.5	11.5	13
Refuse Collections	6	6	6	6	6	6	6	5.5	5.5	5
General Properties	3.5	4.5	4	3.5	5	5	5	4.5	4.5	4.5
Parks and recreation										
Maintenance	6.5	6.5	5.5	5.5	4	4.5	4.5	4.5	5.5	5.5
Other	1	1	1	1	1	1	1	1	1	1
Water operations										
Administration	3	3	3	3	3	3	3	3	3	3
Plan Operatins	7.5	7.5	7.5	7	6	6	6	7	7	7
Maintenance	7	7	7	7	7	7	7	7	7	7
Social Services										
Administrative	5	5	5	5	5	4.5	4.5	4.5	4.5	4.5
Eligibility	7	7	7	7	7	7	7	7	7	7
Social Worker	3	3	3	3	3	3	3	3	3	3

Source: City of Norton's Finance Department

TABLE 16

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

Function	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public Safety										
Citations issued	741	743	629	1,009	830	1,051	1,139	876	1,550	2,433
Parking Tickets issued	4	16	23	40	32	31	83	63	116	390
Crime/Arrest/Incident reports filed	700	635	513	468	579	647	690	661	758	842
911 Calls dispatched	4,761	4,570	4,500	3,614	3,722	3,402	4,075	4,018	4,514	5,469
Public Works										
Number of citizen requests for services	758	734	668	783	685	651	726	814	883	972
Water operations										
Number of service connections	2,157	2,187	2,202	2,188	2,199	2,222	2,240	2,263	2,301	2,305
Number of citizen requests for services	2,482	3,114	3,548	3,539	3,939	2,052	2,251	196	1,887	2,022
Average daily plant output in gallons	.709 Million	.769 Million	.785 Million	.658 Million	.658 Million	.497 Million	.420 Million	.680 Million	.740 Million	.870 Million
Maximum daily capacity of plant in gallons	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million
Wastewater operations										
Number of service connections	1,916	1,947	2,030	2,018	2,023	2,169	2,067	2,080	2,116	2,115

TABLE 17

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

Function	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Number of patrol units	25	25	25	25	24	22	16	16	15	15
Public Works										
Streets (lane miles)	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73
Streetlights	479	479	479	479	479	440	440	440	440	440
Traffic signals	9	9	9	9	9	9	9	8	8	8
Water operations										
Miles of water main	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31
Number of fire hydrants	257	255	255	255	255	255	255	255	250	250
Wastewater operations										
Miles of sanitary sewers	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16
Miles of storm sewers	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2020, 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 March 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2020, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the City's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Norton, Virginia in a separate letter dated March 31, 2021.

Response to Findings

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

Purpose of this Report

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

Rodger Mass & Co, PLLC

Norton, Virginia
March 31, 2021

Independent Auditors' Report on Compliance for Each
Major Program and on Internal Control over Compliance
Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Norton, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. 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, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Roderic Moss & Co, PLLC

Norton, Virginia
March 31, 2021

Report on Compliance with Commonwealth of Virginia
Laws, Regulations, Contracts and Grants

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

We have audited the financial statements of the City of Norton, Virginia (the "City") as of and for the year ended June 30, 2020, and have issued our report thereon dated March 31, 2021.

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

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

Code of Virginia

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

State Agency Requirements

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

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

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

Rodger Moss & Co, PLLC

Norton, Virginia
March 31, 2021

CITY OF NORTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

	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		37,848
Child Nutrition Cluster:			
School Lunch Program (Note D)	10 555		24,378
School Lunch Program	10 555		282,856
School Lunch Program-COVID 19 Lunch Program	10 555		78,635
School Breakfast Program	10 553		108,699
Summer Food Service Program for Children (Note D)	10 559		850
Summer Food Service Program for Children	10 559		3,440
State Department of Social Services:			
Supplemental Nutrition Assistance Program-SNAP Cluster	10 561		148,696
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-Through Payments:			
State Department of Social Services:			
Foster Care - Title IV-E	93 658		59,768
Social Services Block Grant	93 667		72,830
Adoption Assistance	93 659		61,984
Medical assistance program-Medicaid Cluster	93 778		153,929
Low Income Home Energy Assistance	93 568		16,923
Safe and Stable Families	93 556		12,083
Refugee and Entrant Assistance	93 566		133
Adoption and Legal Guardianship Incentive Programs	93 603		1,950
Children's Health Insurance Program	93 767		2,460
Stephanie Tubbs Jones Child Welfare Services Program	93 645		204
Chafee Foster Care Independence Program	93 674		774
477 Cluster:			
TANF	93 558		93,803
Child Care Mandatory Match	93 596		17,036
DEPARTMENT OF EDUCATION:			
Pass-Through Payments:			
State Department of Education:			
Rural Education	84 358		50,133
Title I Grants	84 010		179,034
Title VI-B:			
Special Education Cluster (IDEA):			
Special Education-Grants to States	84 027	H027A180107	163,097
Special Education-Preschool Grants	84 173	H173A180112	6,882
Special Projects:			
State Grants for Strengthening the Skills of Teachers and Instruction in Mathematics, Foreign Languages and Computer			
Vocational Education - Basic Grants to States	84 048		16,384
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT			
Community Development Block Grants	14 228		594,138
DEPARTMENT OF JUSTICE			
Edward Byrne Memorial Justice Assistance Grant	16 738		5,012
ENVIRONMENTAL PROTECTION AGENCY:			
Drinking Water State Revolving Fund Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds	66 468	WSL-037-18	141,701
Capitalization Grants for Drinking Water State Revolving Funds	66 468	WSL-038-18	43,499
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			
High Intensity Drug Trafficking Areas Program	95 001	G20AP0001A	5,539
High Intensity Drug Trafficking Areas Program	95 001	G19AP0001A	7,147
APPALACHIAN REGIONAL COMMISSION			
Appalachian Area Development	23 002		9,628
DEPARTMENT OF TRANSPORTATION			
Alcohol Open Container Requirements	20 607		7,762
Highway Planning and Construction Cluster			
Highway Planning and Construction	20 205	FL18-146-131	26,145
Highway Planning and Construction	20 205	FL18-146-134	30,000
Highway Planning and Construction	20 205	UPC 114651	144,819
Highway Planning and Construction	20 205	FL18-146-126	2,870
DEPARTMENT OF THE TREASURY			
Coronavirus Relief Fund	21 019		18,081
TOTAL			\$ 2,631,150

CITY OF NORTON
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2020

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) included the federal award activity of the City of Norton under programs of the federal government of the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the City of Norton, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Norton.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

NOTE D - FOOD DONATION:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the Norton City School Board had no commodities in inventory.

NOTE E - SUBRECIPIENTS

No awards were passed through to subrecipients.

CITY OF NORTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

A) SUMMARY OF AUDIT RESULTS

- 1) The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Norton, Virginia were prepared in accordance with GAAP.
- 2) No significant deficiencies relating to the audit of the financial statements of the City of Norton, Virginia, are reported in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. No 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:
Community Development Block Grants - CFDA No. 14.228
477 Cluster:
Temporary Assistance for Needy Families (TANF) - CFDA No. 93.558
Child Care Mandatory Match - CFDA No. 93.596
Highway Planning Grant Cluster:
Highway Planning and Construction - CFDA No. 20.205
Medicaid Cluster:
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 not to be a low risk auditee.

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

NONE

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

NONE

**CITY OF NORTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020**

FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

Material Weaknesses:

2019-001-Audit Completion

Condition: The City did not complete their financial information for audit in a timely manner.

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.

Current Status: The recommendation was adopted and procedures implemented beginning in July 2019. No similar findings were noted in the 2020 audit.

2019-002-Financial Analysis-Surplus

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.

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

Current Status: The School Board adopted the recommendation and actively implemented procedures beginning in July 2019. No similar findings were noted in the 2020 audit.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior year findings.