City of
NORTON
VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2025

City of Norton, Virginia

Annual Financial Report

For the Year Ended June 30, 2025

TABLE OF CONTENTS

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

STATISTICAL INFORMATION

COMPLIANCE SECTION

INTRODUCTORY SECTION

CITY OF NORTON, VIRGINIA

CITY COUNCIL

Joseph Fawbush, Mayor

Mark Caruso, Vice Mayor	Stacy Salyers
Robert Fultz	Chris Jones

CITY SCHOOL BOARD

Cody McElroy, Chair

Dr. Wes Campbell, Vice-Chair	Jonathan Broskey
Mark Sturgill	Madison Adams

CITY SOCIAL SERVICES ADVISORY BOARD

Jen Boa, Chair

June Jones	Sundy Adams
Hannah Addington	Cara Madrigal

OTHER OFFICIALS

City Manager .... Jeff Shupe
Director of Finance .... Treavor Calhoun
Commissioner of the Revenue .... Marcus Adkins
Superintendent of Schools........ Gina Wohlford
Director of Social Services........ Abe Rutherford
City Attorney .... Matthew Dotson
Chief of Police........ James Lane
Sheriff........ Jason McConnell

FINANCIAL SECTION

Independent Auditors' Report

To the Honorable Members of
the City Council of the
City of Norton, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2025, and the related notes to the financial statements, which collectively comprise the City of Norton, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, the 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, 2025, 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.

Basis for Opinions

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 the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Norton, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 25 to the financial statements, in 2025, the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances for Error Corrections and Changes in Accounting Principles

As described in Note 26 to the financial statements, in 2023, the City and School Board restated beginning balances to correct the reporting of various assets and liabilities, as well as implementation of GASB Statemetn No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Norton, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Norton, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Norton, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Norton, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal* Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2026, on our consideration of the City of Norton, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Norton, Virginia's 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 of Norton, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
July 8, 2026

City of Norton, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025

As management of the City of Norton, Virginia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. Management's Discussion and Analysis ("MD&A") is required supplementary information ("RSI") that precedes the basic financial statements under GASB Statement No. 34. GASB Statement No. 34 requires MD&A to provide an objective and easily readable analysis based on currently known facts, decisions, or conditions, with current-year results compared to the prior year and emphasis on the current year.

Financial Highlights

The following highlights summarize significant financial matters for the fiscal year ending June 30, 2025.

- The government-wide total net position was $16,771,933 at June 30, 2025, which is a decrease of $4,090,194 from prior year.
- The governmental activities net position was $8,698,997 at June 30, 2025, which is a decrease of $3,646,958 from prior year.
- The business-type activities net position was $8,072,936 at June 30, 2025, which is a decrease of $443,326 from prior year.
- The City reported combined governmental fund balance of $3,765,676 and $912,002 of the fund balance was unassigned.
- The governmental funds reported a decrease in fund balance of $550,428, as expenditures outpaced revenues.
- Total governmental fund revenues decreased by $3,216,042 due primarily to recognizing COVID-19 ARPA funds of $2,190,100 in fiscal year 2024.
- The City issued $3,299,220 in new debt during fiscal year 2025 which consists of general obligation bonds ($1,250,000), secured notes payable ($253,000), and lease liabilities ($1,796,220). The bonds will fund improvements to parks and the notes payable funded public safety vehicles. The lease liabilities relate to the new leased buildings for Social Services and the Police Department.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. GASB Statement No. 34 requires MD&A to include a brief discussion of the basic financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The City's basic financial statements consist of three components:

1. **Government-wide financial statements**
2. **Fund financial statements**
3. **Notes to the financial statements**

Required supplementary information, including this MD&A and budgetary comparison information, is presented in accordance with GASB requirements.

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 private-sector business reporting. These statements distinguish between:

- **Governmental activities**, which are principally supported by taxes and intergovernmental revenues; and
- **Business-type activities**, which are intended to recover all or a significant portion of costs through user fees and charges.

The **Statement of Net Position** presents information on all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as one indicator of 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 fiscal year. All changes in net position are reported when the underlying event occurs, regardless of the timing of related cash flows.

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 used to maintain control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The City's fund financial statements include:

- **Governmental funds**, which focus on near-term inflows and outflows of spendable resources and balances available at year-end;
- **Proprietary funds**, which report business-type activities using the economic resources measurement focus; and
- **Fiduciary funds**, if applicable, which account for resources held for the benefit of parties outside the City and are not available to support City programs.

Notes to the Financial Statements

The notes provide additional information necessary to acquire a full understanding of the data presented in the government-wide and fund financial statements.

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Government-wide Financial Analysis

The following tables provide condensed comparative information derived from the government-wide financial statements comparing the current year to the prior year, as well as an analysis of whether the government's financial position improved or deteriorated during the year.

Condensed Statement of Net Position

Summary of Net Position
As of June 30, 2025 and June 30, 2024

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 10,616,293	$ 8,776,402	$ 630,850	$ 1,165,810	$ 11,247,143	$ 9,942,212
Capital assets, net	13,597,638	15,015,073	14,760,165	15,342,239	28,357,803	30,357,312
Total Assets	**$ 24,213,931**	**$ 23,791,475**	**$ 15,391,015**	**$ 16,508,049**	**$ 39,604,946**	**$ 40,299,524**
Pension related items	$ 937,998	$ 398,171	$ 69,450	$ 58,867	$ 1,007,448	$ 457,038
OPEB related items	530,582	382,881	6,749	1,051	537,331	383,932
Total Deferred Outflows of Resources	**$ 1,468,580**	**$ 781,052**	**$ 76,199**	**$ 59,918**	**$ 1,544,779**	**$ 840,970**
Other liabilities	$ 4,839,341	$ 2,328,288	$ 1,117,056	$ 1,461,333	$ 5,956,397	$ 3,789,621
Long-term liabilities	9,799,246	7,915,345	6,225,799	6,536,001	16,025,045	14,451,346
Total Liabilities	**$ 14,638,587**	**$ 10,243,633**	**$ 7,342,855**	**$ 7,997,334**	**$ 21,981,442**	**$ 18,240,967**
Pension related items	$ 601,264	$ 359,343	$ 44,518	$ 53,127	$ 645,782	$ 412,470
OPEB related items	530,611	452,727	6,905	1,334	537,516	454,061
Deferred tax revenue	1,213,052	1,170,869	-	-	1,213,052	1,170,869
Total Deferred Inflows of Resources	**$ 2,344,927**	**$ 1,982,939**	**$ 51,423**	**$ 54,461**	**$ 2,396,350**	**$ 2,037,400**
Net investment in capital assets	$ 6,477,286	$ 8,662,279	$ 8,586,061	$ 8,887,104	$ 15,063,347	$ 17,549,383
Restricted	674,852	464,315	51,409	68,526	726,261	532,841
Unrestricted	1,546,859	3,219,361	(564,534)	(439,458)	982,325	2,779,903
Total Net Position	**$ 8,698,997**	**$ 12,345,955**	**$ 8,072,936**	**$ 8,516,172**	**$ 16,771,933**	**$ 20,862,127**

Analysis of Net Position

At June 30, 2025, the City's total primary government net position was $16,771,933, consisting of $8,698,997 for governmental activities and $8,072,936 for business-type activities. At June 30, 2024, total primary government net position was $20,862,127, consisting of $12,345,955 for governmental activities and $8,516,172 for business-type activities.

The largest component of the City's governmental activities net position at June 30, 2025 was net investment in capital assets of $6,477,286. This component reflects capital assets, net of accumulated depreciation and related debt, and is not available for future spending. Governmental activities also reported restricted net position of $674,852 and unrestricted net position of $1,546,859.

Business-type activities reported total net position of $8,072,936 at June 30, 2025, including an unrestricted deficit of $(564,534).

Changes in Net Position

The following table presents condensed government-wide information to include program revenues, general revenues, total revenues, program expenses by function, total expenses, transfers, changes in net position, and ending net position.

Summary of Changes in Net Position
For the Fiscal Year Ended June 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	$ 453,791	$ 568,352	$ 3,052,353	$ 2,978,945	$ 3,506,144	$ 3,547,297
Operating grants and contributions	4,399,287	7,815,280	-	-	4,399,287	7,815,280
Capital grants and contributions	362,344	323,353	147,500	101,928	509,844	425,281
General Revenues:						
Property taxes	3,298,371	3,059,802	-	-	3,298,371	3,059,802
Other Local Taxes:						
Local sales and use tax	2,334,903	2,304,834	-	-	2,334,903	2,304,834
Restaurant food taxes	1,956,485	1,917,636	-	-	1,956,485	1,917,636
Other local taxes	1,507,887	1,500,412	-	-	1,507,887	1,500,412
Unrestricted revenues from use of money	173,829	191,477	-	-	173,829	191,477
Miscellaneous	307,451	565,987	-	-	307,451	565,987
Grants and contributions not restricted to specific programs	1,424,753	837,992	-	-	1,424,753	837,992
Total Revenues	**$ 16,219,101**	**$ 19,085,125**	**$ 3,199,853**	**$ 3,080,873**	**$ 19,418,954**	**$ 22,165,998**
Expenses						
General Government	$ 1,960,594	$ 1,947,140	$ -	$ -	$ 1,960,594	$ 1,947,140
Judicial Administration	646,196	568,265	-	-	646,196	568,265
Public Safety	4,419,900	4,588,329	-	-	4,419,900	4,588,329
Public works	3,232,941	2,079,333	-	-	3,232,941	2,079,333
Health and Welfare	2,570,509	2,242,810	-	-	2,570,509	2,242,810
Education	2,655,638	2,194,854	-	-	2,655,638	2,194,854
Parks, Recreation and Cultural	799,116	72,937	-	-	799,116	72,937
Community Development	3,307,953	1,277,380	-	-	3,307,953	1,277,380
Interest and fiscal Charges	273,212	17,827	-	-	273,212	17,827
Water and Sewer	-	-	3,643,089	3,462,975	3,643,089	3,462,975
Total Expenses	**$ 19,866,059**	**$ 14,988,875**	**$ 3,643,089**	**$ 3,462,975**	**$ 23,509,148**	**$ 18,451,850**
Change in net position	**(3,646,958)**	**4,096,250**	**(443,236)**	**(382,102)**	**(4,090,194)**	**3,714,148**
Net position, beginning, as restated	12,345,955	8,249,705	8,516,172	8,898,274	20,862,127	17,147,979
Net position, ending	$ 8,698,997	$ 12,345,955	$ 8,072,936	$ 8,516,172	$ 16,771,933	$ 20,862,127

Governmental Activities

Governmental activities decreased the City's net position by $(3,646,958) during fiscal year 2025. In the prior year, governmental activities increased net position by $4,096,250. This year-over-year change should be evaluated in conjunction with the City's final Statement of Activities, including program revenues, tax revenues, intergovernmental revenues, capital grants and contributions, and expenses by function.

Business-type Activities

Business-type activities decreased net position by $(443,236) during fiscal year 2025, compared with a decrease of $(382,102) in fiscal year 2024. The fiscal year 2025 decrease was reflected in decreases in the Water Department of $(218,323) and the Sewer Department of $(224,913).

Financial Analysis of the City's Funds

Below is an analysis of balances and transactions of individual funds, including reasons for significant changes in fund balances and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use.

Governmental Funds Fund Balances

At June 30, 2025, the City's governmental funds reported combined ending fund balances of $3,765,676. This compares with combined governmental fund balances of $4,140,691 at June 30, 2024.

The General Fund is the chief operating fund of the City. At June 30, 2025, the General Fund reported ending fund balance of $3,022,511, a decrease of $502,394 from the prior year. The Virginia Public Assistance Fund and Other Governmental Funds reported modest increases in fund balance during fiscal year 2025.

Governmental Funds Revenues and Expenditures

Total governmental funds revenues for fiscal year 2025 were $16,074,270, while total expenditures were $19,923,918, resulting in a deficiency of revenues under expenditures of $(3,849,648) before other financing sources. Other financing sources totaled $3,299,220, resulting in a net change in fund balances of $(550,428).

Governmental Funds Revenues by Source

Intergovernmental revenues were the largest governmental funds revenue source in fiscal year 2025, followed by other local taxes and general property taxes. Intergovernmental revenue was higher in the prior year as the City recognized significant COVID-19 ARPA grant funds. General property tax revenues in the General Fund were $3,180,334 in current year compared to $3,177,322 in prior year as tax rates stayed consistent.

Governmental Funds Expenditures by Function

Total expenditures in the General Fund were $19,928,918 in 2025 compared to $18,919,102 in 2024. Public safety, public works, and health and welfare continued to be the largest expenditure functions. The City also had $2,330,409 in capital project expenditures in the current year driven mostly by the leased property for social services and the police department.

General Fund Budgetary Highlights

The City's General Fund actual total revenues for fiscal year 2025 were $14,033,565, which exceeded the amended budget of $13,350,232 by $683,333. The actual total expenditures were $17,285,592, which exceeded the amended budget of $15,782,759 by $1,502,833.

Capital Asset and Debt Administration

Capital Assets

The City capitalizes assets generally when the initial individual cost exceeds $5,000 and the estimated useful life exceeds two years. At June 30, 2025, governmental activities capital assets, net, totaled $13,597,638.

Depreciation/amortization expense for fiscal year 2025 was $851,374 for governmental activities and $644,175 for business-type activities.

Significant capital investments in the current year consisted of the leased social services and police building as well as tennis court improvements and vehicles purchases. For more detail, please refer to Note 19.

Long-term Obligations

The City's governmental activities general obligation bonds payable totaled $5,434,000 at June 30, 2025. Governmental activities lease liabilities totaled $1,922,636 at June 30, 2025. Enterprise funds long-term obligations totaled $6,225,799, including enterprise bonds payable of $6,174,104.

The City issued $3,299,220 in new debt during fiscal year 2025 which consists of general obligation bonds ($1,250,000), secured notes payable ($253,000), and lease liabilities ($1,796,220). The bonds will fund improvements to parks and the notes payable funded public safety vehicles. The lease liabilities relate to the new leased buildings for Social Services and the Police Department.

The City reports $3,920,000 of outstanding debt at June 30, 2025 related to school improvements issued by the City to finance School Board capital assets. The related School Board capital assets, net of accumulated depreciation, totaled $5,179,533 and are reported by the School Board rather than by the City.

For more information, please see Note 8.

Currently Known Facts, Decisions, or Conditions

Management has evaluated and is aware of currently known facts, decisions, or conditions expected to have a significant effect on financial position or results of operations as listed below.

- **Capital commitments.** The City and School Board had project commitments outstanding at June 30, 2025 as detailed in Note 27. The majority of the City projects will be funded with unspent bond proceeds at June 30, 2025.
- **Subsequent capital payments.** Subsequent event payments included $2,234,913 for a fire truck in October 2025 and $142,657 for two Ford trucks in July 2025.
- **Real estate tax rate.** Management proposed and City Council approved a balance budget for fiscal year 2026 that did not include a real estate tax rate increase.

Requests for Information

This financial report is designed to provide a general overview of the City of Norton, Virginia's finances for all those with an interest in the City's financial activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Norton, Virginia, Finance Department.

Basic Financial Statements

City of Norton, Virginia
Statement of Net Position
June 30, 2025

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	$ 4,013,528	$ 93,413	$ 4,106,941	$ 739,257	$ 1,645,500
Cash in custody of others	-	-	-	481,993	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,536,505	-	1,536,505	-	-
Accounts receivable	422,240	342,395	764,635	47,663	4,439
Leases receivable	-	-	-	-	2,607,921
Internal balances	767,397	(767,397)	-	-	-
Due from component unit	319,584	-	319,584	-	-
Due from primary government	-	-	-	3,319,246	-
Due from other governmental units	1,822,421	-	1,822,421	261,703	-
Inventory	1,714	-	1,714	-	-
Loans receivable	-	-	-	-	271,433
Prepaid items	19,586	-	19,586	160,136	5,767
Net pension asset	411,375	30,458	441,833	806,606	-
Restricted assets:					
Cash and cash equivalents	1,301,943	164,584	1,466,527	415,849	825,000
Capital assets, not being depreciated/amortized	1,777,548	588,600	2,366,148	1,116,624	1,582,810
Capital assets, net of accumulated depreciation/amortization	11,820,090	14,171,565	25,991,655	13,016,163	7,083,666
Total assets	$ 24,213,931	$ 14,623,618	$ 38,837,549	$ 20,365,240	$ 14,026,536
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	$ 937,998	$ 69,450	$ 1,007,448	$ 1,938,498	$ -
OPEB related items	530,582	6,749	537,331	312,176	-
Total deferred outflows of resources	$ 1,468,580	$ 76,199	$ 1,544,779	$ 2,250,674	$ -
LIABILITIES					
Accounts payable	$ 381,477	$ 148,962	$ 530,439	$ 170,490	$ 703,095
Construction and retainage payable	190,559	-	190,559	213,738	107,255
Wages and withholdings payable	264,203	35,964	300,167	505,149	-
Due to other governments	609,912	-	609,912	-	-
Customers' deposits	-	143,633	143,633	-	-
Accrued interest payable	73,944	21,100	95,044	-	38,610
Due to component unit	3,319,246	-	3,319,246	-	-
Due to primary government	-	-	-	-	319,584
Long-term liabilities:					
Due within one year	1,581,285	305,927	1,887,212	1,089,992	96,307
Due in more than one year	8,217,961	5,919,872	14,137,833	5,839,581	3,683,310
Total liabilities	$ 14,638,587	$ 6,575,458	$ 21,214,045	$ 7,818,950	$ 4,948,161
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	$ 1,213,052	$ -	$ 1,213,052	$ -	$ -
Pension related items	601,264	44,518	645,782	966,457	-
OPEB related items	530,611	6,905	537,516	228,103	-
Lease related items	-	-	-	-	2,586,078
Total deferred inflows of resources	$ 2,344,927	$ 51,423	$ 2,396,350	$ 1,194,560	$ 2,586,078
NET POSITION					
Net investment in capital assets	$ 6,477,286	$ 8,586,061	$ 15,063,347	$ 13,880,976	$ 7,084,801
Restricted	674,852	51,409	726,261	1,324,559	20,838
Unrestricted (deficit)	1,546,859	(564,534)	982,325	(1,603,131)	(613,342)
Total net position (deficit)	$ 8,698,997	$ 8,072,936	$ 16,771,933	$ 13,602,404	$ 6,492,297

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

City of Norton, Virginia
Statement of Activities
For the Year Ended June 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	IDA
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	$ 1,960,594	$ -	$ 272,811	$ -	$ (1,687,783)	$ -	$ (1,687,783)	$ -	$ -
Judicial administration	646,196	8,769	-	-	(637,427)	-	(637,427)	-	-
Public safety	4,419,900	6,093	946,878	-	(3,466,929)	-	(3,466,929)	-	-
Public works	3,232,941	411,077	1,195,904	201,392	(1,424,568)	-	(1,424,568)	-	-
Health and welfare	2,570,509	-	1,983,694	-	(586,815)	-	(586,815)	-	-
Education	2,655,638	-	-	-	(2,655,638)	-	(2,655,638)	-	-
Parks, recreation, and cultural	799,116	27,852	-	-	(771,264)	-	(771,264)	-	-
Community development	3,307,953	-	-	160,952	(3,147,001)	-	(3,147,001)	-	-
Interest on long-term debt	273,212	-	-	-	(273,212)	-	(273,212)	-	-
Total governmental activities	$ 19,866,059	$ 453,791	$ 4,399,287	$ 362,344	$ (14,650,637)	$ -	$ (14,650,637)	$ -	$ -
Business-type activities:									
Water and sewer	$ 3,643,089	$ 3,052,353	$ -	$ 147,500	$ -	$ (443,236)	$ (443,236)	$ -	$ -
Total business-type activities	$ 3,643,089	$ 3,052,353	$ -	$ 147,500	$ -	$ (443,236)	$ (443,236)	$ -	$ -
Total primary government	$ 23,509,148	$ 3,506,144	$ 4,399,287	$ 509,844	$ (14,650,637)	$ (443,236)	$ (15,093,873)	$ -	$ -
COMPONENT UNITS:									
School Board	$ 13,117,366	$ 530,223	$ 11,919,156	$ -	$ -	$ -	$ -	$ (667,987)	$ -
Industrial Development Authority	2,958,458	315,954	10,000	3,013,605	-	-	-	-	381,101
Total component units	$ 16,075,824	$ 846,177	$ 11,929,156	$ 3,013,605	$ -	$ -	$ -	$ (667,987)	$ 381,101
General revenues:									
General property taxes					$ 3,298,371	$ -	$ 3,298,371	$ -	$ -
Other local taxes:									
Local sales and use taxes					2,334,903	-	2,334,903	-	-
Consumers' utility taxes					123,073	-	123,073	-	-
Business license taxes					826,035	-	826,035	-	-
Motor vehicle taxes					80,254	-	80,254	-	-
Restaurant food taxes					1,956,485	-	1,956,485	-	-
Lodging taxes					225,085	-	225,085	-	-
Bank stock taxes					87,441	-	87,441	-	-
Other local taxes					165,999	-	165,999	-	-
Unrestricted revenues from the use of money					173,829	-	173,829	12,347	82,511
Miscellaneous					307,451	-	307,451	244,214	-
Payments from the City of Norton, Virginia					-	-	-	2,648,076	
Grants and contributions not restricted to specific programs					1,424,753	-	1,424,753	-	-
Total general revenues					$ 11,003,679	$ -	$ 11,003,679	$ 2,904,637	$ 82,511
Change in net position					$ (3,646,958)	$ (443,236)	$ (4,090,194)	$ 2,236,650	$ 463,612
Net position - beginning, as previously reported					$ 17,379,826	$ 8,563,463	$ 25,943,289	$ 7,137,673	$ 7,598,775
Restatement					(5,033,871)	(47,291)	(5,081,162)	4,228,081	(1,570,090)
Net position - beginning, as restated					$ 12,345,955	$ 8,516,172	$ 20,862,127	$ 11,365,754	$ 6,028,685
Net position - ending					$ 8,698,997	$ 8,072,936	$ 16,771,933	$ 13,602,404	$ 6,492,297

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

Exhibit 3

City of Norton, Virginia
Balance Sheet
Governmental Funds
June 30, 2025

	General	Virginia Public Assistance	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,668,563	$ 134,131	$ 210,834	$ 4,013,528
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,536,505	-	-	1,536,505
Accounts receivable	422,240	-	-	422,240
Due from other funds	787,266	-	-	787,266
Due from component unit	9,584	-	310,000	319,584
Due from other governmental units	1,572,602	249,819	-	1,822,421
Inventories	1,714	-	-	1,714
Prepaid items	19,586	-	-	19,586
Restricted assets:				
Cash and cash equivalents	1,301,943	-	-	1,301,943
Total assets	$ 9,320,003	$ 383,950	$ 520,834	$ 10,224,787
LIABILITIES				
Accounts payable	$ 244,397	$ 137,080	$ -	$ 381,477
Construction and retainage payable	190,559	-	-	190,559
Wages and withholdings payable	259,533	4,670	-	264,203
Due to other governments	609,912	-	-	609,912
Due to other funds	-	19,869	-	19,869
Due to component unit	3,319,246	-	-	3,319,246
Total liabilities	$ 4,623,647	$ 161,619	$ -	$ 4,785,266
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	$ 1,504,621	$ -	$ -	$ 1,504,621
Unavailable revenue - opioid settlement proceeds	169,224	-	-	169,224
Total deferred inflows of resources	$ 1,673,845	$ -	$ -	$ 1,673,845
FUND BALANCES				
Nonspendable	$ 808,566	$ -	$ -	$ 808,566
Restricted	1,301,943	-	-	1,301,943
Committed	-	-	520,834	520,834
Assigned	-	222,331	-	222,331
Unassigned	912,002	-	-	912,002
Total fund balances	$ 3,022,511	$ 222,331	$ 520,834	$ 3,765,676
Total liabilities, deferred inflows of resources, and fund balance	$ 9,320,003	$ 383,950	$ 520,834	$ 10,224,787

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

Exhibit 4

City of Norton, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2025

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 3,765,676
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets not being depreciated/amortized	$ 1,777,548	
Capital assets being depreciated/amortized	30,747,215	
Accumulated depreciation/amortization	(18,927,125)	13,597,638
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The assets consist of unavailable taxes.		
Unavailable revenue - opioid settlements	$ 169,224	
Unavailable revenue - property taxes	291,569	460,793
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Net pension asset		411,375
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 937,998	
OPEB related items	530,582	1,468,580
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds, loans, and lease liabilities	$ (8,114,755)	
Premium on bond issuance	(22,728)	
Accrued interest payable	(73,944)	
Compensated absences	(507,829)	
Total OPEB liability	(83,782)	
Net OPEB liabilities	(1,070,152)	(9,873,190)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (601,264)	
OPEB related items	(530,611)	(1,131,875)
Net position of governmental activities		$ 8,698,997

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

Exhibit 5

City of Norton, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Virginia Public Assistance	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	$ 3,180,334	$ -	$ -	$ 3,180,334
Other local taxes	5,799,275	-	-	5,799,275
Permits, privilege fees, and regulatory licenses	6,093	-	-	6,093
Fines and forfeitures	1,478	-	7,291	8,769
Revenue from the use of money and property	193,612	-	22	193,634
Charges for services	419,124	-	-	419,124
Miscellaneous	219,146	-	-	219,146
Recovered costs	61,511	-	-	61,511
Intergovernmental	4,152,992	1,979,750	53,642	6,186,384
Total revenues	$ 14,033,565	$ 1,979,750	$ 60,955	$ 16,074,270
EXPENDITURES				
Current:				
General government administration	$ 1,983,493	$ -	$ -	$ 1,983,493
Judicial administration	646,196	-	-	646,196
Public safety	4,382,454	-	37,332	4,419,786
Public works	3,002,997	-	-	3,002,997
Health and welfare	89,069	2,597,387	-	2,686,456
Education	2,655,638	-	-	2,655,638
Parks, recreation, and cultural	684,881	-	-	684,881
Community development	336,383	-	-	336,383
Capital projects	2,330,409	-	-	2,330,409
Debt service:				
Principal retirement	934,391	3,584	-	937,975
Bond issuance cost	89,039	-	-	89,039
Interest and other fiscal charges	150,642	23	-	150,665
Total expenditures	$ 17,285,592	$ 2,600,994	$ 37,332	$ 19,923,918
Excess (deficiency) of revenues over (under) expenditures	$ (3,252,027)	$ (621,244)	$ 23,623	$ (3,849,648)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ 725,000	$ -	$ 725,000
Transfers out	(725,000)	-	-	(725,000)
Issuance of bonds payable	1,250,000	-	-	1,250,000
Issuance of leases	1,796,220	-	-	1,796,220
Issuance of notes payable	253,000	-	-	253,000
Total other financing sources (uses)	$ 2,574,220	$ 725,000	$ -	$ 3,299,220
Net change in fund balances	$ (677,807)	$ 103,756	$ 23,623	$ (550,428)
Fund balances - beginning, as previously reported	$ 3,694,057	$ 193,833	$ 497,211	$ 4,385,101
Restatement	6,261	(75,258)	-	(68,997)
Fund balances - beginning, as restated	$ 3,700,318	$ 118,575	$ 497,211	$ 4,316,104
Fund balances - ending	$ 3,022,511	$ 222,331	$ 520,834	$ 3,765,676

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

Exhibit 6

City of Norton, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (550,428)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the details of items supporting this adjustment:		
Capital outlays	$ 2,677,358	
Depreciation/amortization expense	(852,429)	1,824,929
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
Transfer of assets (net) to Component Unit-IDA		(2,864,282)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	$ 118,037	
Opioid Settlement funds	88,305	206,342
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued or incurred:		
Issuance of general obligation bond	$ (1,250,000)	
Issuance of notes payable	(253,000)	
Issuance of lease liabilities	(1,796,220)	
Principal repayments:		
General obligation bonds	821,000	
Notes payable	74,731	
Lease liabilities	42,244	(2,361,245)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	$ (28,999)	
Change in accrued interest payable	(11,856)	
Amortization of deferred charge on refunding	(27,688)	
Amortization of bond premiums	6,036	
Change in pension related items	244,966	
Change in OPEB related items	(84,733)	97,726
Change in net position of governmental activities		$ (3,646,958)

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

Exhibit 7

City of Norton, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2025

		Enterprise Funds
		Water and Sewer
ASSETS		
Current assets:		
Cash and cash equivalents	$	93,413
Accounts receivable (net of allowance for uncollectibles)		342,395
Total current assets	$	435,808
Noncurrent assets:		
Customers' deposits	$	143,633
Debt reserve accounts		20,951
Total restricted noncurrent assets	$	164,584
Other assets:		
Net pension asset	$	30,458
Capital assets:		
Capital assets, not being depreciated/amortized		588,600
Capital assets, net of accumulated depreciation/amortization		14,171,565
Total noncurrent assets	$	14,955,207
Total assets	$	15,391,015
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	$	69,450
OPEB related items		6,749
Total deferred outflows of resources	$	76,199
LIABILITIES		
Current liabilities:		
Accounts payable	$	148,962
Accrued payroll and related liabilities		35,964
Due to other funds		767,397
Customers' deposits payable		143,633
Accrued interest payable		21,100
Compensated absences - current portion		24,990
Bond payable - current portion		280,937
Total current liabilities	$	1,422,983
Noncurrent liabilities:		
Compensated absences - net of current portion	$	6,247
Bond payable - net of current portion		5,893,167
Total OPEB liability		6,203
Net OPEB liabilities		14,255
Total noncurrent liabilities	$	5,919,872
Total liabilities	$	7,342,855
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$	44,518
OPEB related items		6,905
Total deferred inflows of resources	$	51,423
NET POSITION		
Net investment in capital assets	$	8,586,061
Restricted for debt reserves		20,951
Restricted for future pension costs		30,458
Unrestricted		(564,534)
Total net position	$	8,072,936

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

City of Norton, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Enterprise Funds
	Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues	$ 1,149,077
Sewer revenues	1,810,956
Tap fees	9,650
Penalties and interest	68,030
Other revenue	14,640
Total operating revenues	$ 3,052,353
OPERATING EXPENSES	
Personnel services	$ 1,063,412
Contractual services	12,002
Treatment of bulk waste water	961,104
Purchase of bulk water	47,533
Utilities	101,209
Supplies	347,394
Miscellaneous	56,991
Insurance	6,100
Rent	6,000
Repairs and maintenance	251,553
Depreciation/amortization	644,195
Total operating expenses	$ 3,497,493
Operating income (loss)	$ (445,140)
NONOPERATING REVENUES (EXPENSES)	
Capital contributions	$ 147,500
Interest expense	(145,596)
Total nonoperating revenues (expenses)	$ 1,904
Change in net position	$ (443,236)
Net position - beginning, as previously reported	$ 8,563,463
Restatement	(47,291)
Net position - beginning, as restated	$ 8,516,172
Net position - ending	$ 8,072,936

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

City of Norton, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Enterprise Funds	
		Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	3,068,635
Payments to suppliers		(1,780,048)
Payments to employees		(1,042,217)
Net cash provided by (used for) operating activities	$	246,370
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	$	(391,909)
Net cash provided by (used for) noncapital financing activities	$	(391,909)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	$	(62,121)
Principal payments on bond payable		(281,031)
Capital contributions		147,500
Interest expense		(143,817)
Net cash provided by (used for) capital and related financing activities	$	(339,469)
Net increase (decrease) in cash and cash equivalents	$	(485,008)
Cash and cash equivalents - beginning (including restricted balances)		743,005
Cash and cash equivalents - ending (including restricted balances)	$	257,997
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	(445,140)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	$	644,195
(Increase) decrease in accounts receivable		11,884
(Increase) decrease in net pension asset		38,068
(Increase) decrease in deferred outflows of resources		(16,281)
Increase (decrease) in customer deposits		4,398
Increase (decrease) in accrued payroll and related liabilities		1,339
Increase (decrease) in accounts payable		9,838
Increase (decrease) in compensated absences		1,769
Increase (decrease) in net and total OPEB liabilities		(661)
Increase (decrease) in deferred inflows of resources		(3,039)
Total adjustments	$	691,510
Net cash provided by (used for) operating activities	$	246,370

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

Exhibit 10

City of Norton, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Custodial Fund
	Special Welfare Fund
ASSETS	
Cash and cash equivalents	$ 25,616
Total assets	$ 25,616
NET POSITION	
Restricted:	
Amounts held for social services clients	$ 25,616
Total net position	$ 25,616

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

Exhibit 11

City of Norton, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Custodial Fund
	Special Welfare Fund
ADDITIONS	
Special welfare collections	$ 12,910
Total additions	$ 12,910
DEDUCTIONS	
Special welfare payments	$ 8,634
Total deductions	$ 8,634
Net increase (decrease) in fiduciary net position	$ 4,276
Net position, beginning of year	21,340
Net position, end of year	$ 25,616

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

Note 1-Summary of Significant Accounting Policies:

The financial statements of the City of Norton, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The City of Norton, Virginia (government) is a political subdivision of the Commonwealth of Virginia governed by an elected five-member City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the City's discretely presented component units.

The Norton City School Board ("the School Board") operates the elementary and secondary public schools in the City. School Board members are elected by the citizens of the City of Norton, Virginia. The School Board is fiscally dependent upon the City because the City approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

The Norton Industrial Development Authority ("the IDA") encourages and provides financing for industrial development in the City. The IDA directors are appointed by the City Council. The IDA is fiscally dependent upon the City because the City provides significant funding and approves all debt issuances. In addition, the IDA does not have separate taxing powers. The IDA is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate industrial development. The IDA does issue separate financial statements which can be obtained by calling (276) 679-1160.

Jointly Governed Organizations – The following entities are excluded from the accompanying financial statements:

1. The City, along with Wise County and the Town of Coeburn, participates in supporting the Coeburn-Norton-Wise Regional Waste Water Treatment Authority. Each governing body appoints two members of the six-member Board of Directors. During fiscal year 2025, the City paid $961,104 to the Authority for services and has a fiscal year end accounts payable liability of $80,092 for treatment of water.

Note 1-Summary of Significant Accounting Policies: (Continued)

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations – The following entities are excluded from the accompanying financial statements: (continued)

2. The City Council appoints the Board of Commissioners of the Norton Redevelopment and Housing Authority; 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.

3. The City, along with the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Smyth, Tazewell, Washington and Wise, participates in supporting the Southwest Virginia Regional Jail Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2025, the City paid $500,717 for services provided by the Authority.

4. The City, along with the Counties of Dickenson, Buchanan, Tazewell, Smyth, Washington, Russell, Scott, Lee, Wise, and the City of Bristol, participates in supporting the Appalachian Juvenile Detention Commission. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2025, the City paid $143,240 for services provided by the Commission.

5. The City, along with the Counties of Lee, Scott, and Wise, participates in supporting the Planning District One Behavioral Health Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2025, the City provided an appropriation to the Board of $37,266.

6. The City, along with the Counties of Dickenson, Lee, Scott, and Wise, participates in supporting the Lonesome Pine Regional Library. The governing body of this organization is appointed by the respective governing bodies of the jurisdictions. For the fiscal year ended June 30, 2025, the City provided an appropriation to the Library of $30,285.

7. The City along with the Counties of Lee, Scott, and Wise, participates in supporting the Lonesome Pine Office on Youth. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2025, the City provided an appropriation to the Office of $6,095.

8. The City, along with the Counties of Dickenson, Lee, Scott, and Wise, participates in supporting the Lonesome Pine Airport (Cumberland Airport Commission). The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2025 the City provided an appropriation to the Airport of $2,645.

Note 1-Summary of Significant Accounting Policies: (Continued)

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations – The following entities are excluded from the accompanying financial statements: (continued)

9. The City, along with the Counties of Lee, Scott, and Wise, participates in supporting LENOWISCO, a regional planning district. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2025, the City provided an appropriation to LENOWISCO of $8,123.

10. The City, along with the Counties of Dickenson, Lee, Scott, and Wise, participates in supporting Lonesome Pine Regional Industrial Facilities Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2025, the City provided an appropriation to Lonesome Pine RIFA of $5,500.

B. Government-wide and fund financial statements

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

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 assets; 2) restricted; and 3) unrestricted.

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 are 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*.

Note 1-Summary of Significant Accounting Policies: (Continued)

B. Government-wide and fund financial statements (Continued)

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, if any, are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

Note 1-Summary of Significant Accounting Policies: (Continued)

B. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 45 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 45 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It is used to account for and report for all financial resources of the general government, except those required to be accounted for and reported in other funds.

The *Virginia Public Assistance Fund* is a major special revenue fund and accounts for the City's local Department of Social Services.

The government reports the following nonmajor governmental funds:

The *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 government reports the following major proprietary funds:

The *Water and Sewer* Fund accounts for the activities of the City's water and sewer system, which includes water distribution and sewage collections systems throughout the City.

Additionally, the government reports the following fund types:

Fiduciary funds account for and report assets held by the government in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. The *Special Welfare* fund is a custodial fund of the City. Fiduciary funds are not included in the government-wide financial statements.

The School Board reports the following major funds:

The *School Operating Fund* is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from appropriations from the City and state and federal grants.

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

The School Board reports the following major funds: (continued)

The *School Activity Fund* accounts for and reports all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from any and all activities of the individual schools.

The *School Cafeteria Fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for cafeteria operation. The fund consists of the student collections, grants, and miscellaneous revenue less operating and capital expenditures related to cafeteria.

The *School Textbook Fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for textbooks and related software.

The *School Capital Project Fund* accounts for capital projects identified by the School Board and funded either through grants, City appropriations, or loan proceeds.

The School Board reports the following nonmajor fund:

The *School Retiree Health Fund* accounts for and reports all funds received from retirees to pay their required contribution for their health insurance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services and for insurance premiums. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, depreciation on capital assets, and insurance claims and expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance

1. Cash and cash equivalents

   Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At year end investments totaling $3,928,033 are included in cash and cash equivalents due to their liquidity.

2. Prepaid items

   Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Receivables and payables

   Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Inventories

   All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed.

5. Capital assets

   Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined as assets with an initial, individual cost of more than $5,000 for the City, and $5,000 for the Component Unit School Board, and an estimated useful life in excess of two years.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

5. Capital assets (continued)

As the City and Component Unit School Board constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

As of June 30, 2025, the City reported outstanding debt of $3,920,000 related to school improvements. The debt was issued by the City to finance capital assets for the School Board, which is reported as a discretely presented component unit in the City's annual comprehensive financial report. The related school capital assets, net of accumulated depreciation totaled $5,179,533 which is reported by the School Board and are not reported as capital assets of the City.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-35
Infrastructure	30-50
Utility transmission lines and mains	35
Equipment	3-18
Leases - machinery and equipment	3-5
Leases - buildings and improvements	15
SBITA	3

6. Restricted Assets

Restricted assets consist of cash and cash equivalents that are legally restricted for use by enabling state legislation or bond covenants. For the City, restricted assets consist of cash and cash equivalents held for customer deposits ($143,633), bond covenants ($20,951), unspent bond proceeds ($1,207,690), and other restricted funds ($94,253). For the School Board, restricted assets consist of cash and cash equivalents held for cafeteria funds ($203,034) and textbook funds ($212,815).

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

7. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is comprised of certain items pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes, meals tax, and opioid settlement receivables are reported in the governmental funds balance sheet. These amounts are comprised of uncollected property taxes, meals tax, and opioid settlement proceeds due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and and prepaid taxes, which are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to pensions, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

9. Property Taxes

Property is assessed at its value on January 1. 1st half real estate taxes are payable on May 15th with the 2nd half due October 15th. Personal property taxes are due and collectible annually on October 15th. Liens may be placed on property taxes that are uncollected after the due date, October 15th. The City bills and collects its own property taxes.

10. 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 $663,377 at June 30, 2025. The allowance consists of delinquent taxes in the amount of $43,623 and delinquent water, sewer, and garbage bills of $619,754.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. Compensated Absences

A liability is recognized for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, four types of leave qualify for liability recognition for compensated absences – vacation/PTO/personal, administrative, other, and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

13. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City'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.

14. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, Teacher HIC, and HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

15. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on 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.

16. Fund balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." City's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

Nonspendable fund balance – amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);

Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;

Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;

Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

16. Fund balance (Continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

17. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

18. Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

19. Leases and Subscription-Based IT Arrangements

The City has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Lessor
The City recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives). Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Lessee
The City recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of $5,000, individually or in the aggregate, in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Subsequently, the lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Subscriptions
The City recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of $5,000, individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before commencement of the subscription term, and capitalizable implementation costs, less any incentives received. Subsequently, the subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

19. Leases and Subscription-Based IT Arrangements (Continued)

Key Estimates and Judgments
Lease and subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

- The City uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the City uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.
- The lease and subscription terms include the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease receivable (lessor), lease liability (lessee) or subscription liability.

The City monitors changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The City will remeasure the lease receivable and deferred inflows of resources (lessor), the lease asset and liability (lessee) or the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease receivable, lease liability or subscription liability.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, Virginia Public Assistance Fund, Enterprise Fund School Operating Fund, School Cafeteria Fund, School Textbook Fund, and the School Capital Project Fund.

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.

Note 2-Stewardship, Compliance, and Accountability: (Continued)

A. Budgetary information (Continued)

4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the City Council can revise the appropriation for each fund. The City Manager is authorized to transfer budgeted amounts within general government functions; however, the School Board is authorized to transfer budgeted amounts within the school fund.

5. Formal budgetary integration is employed as a management control device during the year for the General 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. Appropriations lapse on June 30 for all City units.

8. 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.

B. Excess of expenditures over appropriations

The City monitors appropriations by fund and for the year ended June 30, 2025, expenditures for the Virginia Public Assistance Fund exceeded appropriations. Expenditures for all other funds were below Council approved appropriations.

C. Deficit fund balance

At June 30, 2025, there were no funds with negative balance.

Note 3-Deposits and Investments:

Deposits: 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"), Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Note 3-Deposits and Investments: (Continued)

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Interest Rate Risk

The City has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Maturities (in years)

Investment Type	Fair Value	Less than 1 Year
Local Government Investment Pool	$ 25,357	$ 25,357
SNAP	1,207,690	1,207,690
VML/VACO	2,694,986	2,694,986
Totals	$ 3,928,033	$ 3,928,033

These investments are reported as cash and cash equivalents due to their liquidity.

Custodial Credit Risk

At year end, the City was not exposed to any custodial credit risk for deposits or investments. The City limits deposits to those banks fully collateralized under the Commonwealth’s Security for Public Deposits Act. The City policy in regards to investments requires that all investments be held in the City’s name.

External Investment Pools

The City is a participant in the Virginia Investment Pool (VIP). The VIP is a Section 115 governmental fund created under the Joint Exercise of Powers statute of the Commonwealth of Virginia to provide political subdivisions with an investment vehicle to pool surplus funds and to invest such funds into one or more investment portfolios under the direction and daily supervision of a professional fund manager. The VIP Trust is governed by a Board of Trustees. The 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 above VML/VACO VIP investment at the net asset value (NAV). VML/VACO VIP allows the City to have the option to have access to withdraw funds twice a month, with a five-day period notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources with one-time outlays (disasters, immediate capital needs, state budget cuts, and etc.).

Note 3-Deposits and Investments: (Continued)

External Investment Pools (Continued)

The value of the positions in the external investment pool (State Non-Arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

The value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2025 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

City's Rated Debt Investment's Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	$ 25,357
SNAP	1,207,690
VML/VACO	2,694,986
Total	$ 3,928,033

Note 4-Due from Other Governmental Units:

The following amounts represent amounts due from other governments at year-end:

	Governmental Activities	Component Unit-School Board
Due from other local government agencies	$ 2,292	$ -
Commonwealth of Virginia:		
Local sales tax	389,013	148,137
Categorical aid - Shared expenses	36,907	-
Communication tax	22,131	-
Categorical aid - Other	129,973	-
Non-categorical aid - Other	35,521	-
Non-categorical aid - Casino funds	941,860	-
Categorical aid - Virginia Public Assistance	47,336	-
Categorical aid - Comprehensive Services Act	138,084	-
Federal Government:		
Categorical aid - Virginia Public Assistance	64,400	-
Categorical aid - Education	-	113,566
Categorical aid - Other	14,904	-
Totals	$ 1,822,421	$ 261,703

Note 5-Component Unit Contribution and Obligations:

Primary government contributions to component units for the year ended June 30, 2025, consisted of payments to School Board of $2,648,076 and IDA of $100,000. At June 30, 2025, The City owed the School Board $3,319,246. At June 30, 2025, the IDA owed the City $319,584.

Note 7-Interfund Transfers and Balance:

Interfund transfers for the year ended June 30, 2025, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	$ -	$ 725,000
DSS Fund	725,000	-
Total City	$ 725,000	$ 725,000
Component Unit - School Board:		
School Operating Fund	$ -	$ 76,919
School Activity Fund	90,354	28,235
School Cafeteria Fund	3,997	-
School Textbook Fund	13,477	-
School Retiree Health Fund	-	2,674
Total School Board	$ 107,828	$ 107,828

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Interfund balances at year end represent amounts that have been transferred between funds in a lending or borrowing capacity and are expected to be repaid by current administration. Interfund balances for the year ended June 30, 2025, consisted of the following:

Fund	Due From	Due To
Primary Government:		
General Fund	$ -	$ 787,266
Virginia Public Assistance Fund	19,869	-
Water and Sewer Fund	767,397	-
Total	$ 787,266	$ 787,266

Note 8-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2025.

	Balance July 1, 2024, as restated	Restatement	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2025
Direct borrowings and placements:					
General obligation bonds	$ 395,000	$ 4,610,000	$ 1,250,000	$ (821,000)	$ 5,434,000
Bond premiums	-	28,764	-	(6,036)	22,728
Secured notes payable	579,850	-	253,000	(74,731)	758,119
Lease liabilities	168,660	-	1,796,220	(42,244)	1,922,636
Compensated absences*	405,141	73,689	28,999	-	507,829
Total OPEB liability	154,285	(66,103)	7,795	(12,195)	83,782
Net OPEB liabilities	1,030,813	(48,549)	978,832	(890,944)	1,070,152
Total	$ 2,733,749	$ 4,597,801	$ 4,314,846	$ (1,847,150)	$ 9,799,246

*The change in the compensated absences liability is presented as a net change.

Annual requirements to amortize long-term debt and related interest are as follows:

	Direct Borrowing and Placements					
Year Ending	General Obligation Bonds		Secured Notes Payable		Lease liabilities	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 912,000	$ 181,873	$ 88,533	$ 17,050	$ 167,283	$ 59,476
2027	938,000	157,643	85,318	14,437	120,365	104,430
2028	970,000	126,169	79,325	11,719	123,241	96,983
2029	505,000	97,312	81,733	9,311	95,747	90,058
2030	500,000	79,928	50,943	8,353	95,000	84,677
2031-2035	1,342,000	189,891	152,494	31,826	565,000	331,412
2036-2040	267,000	21,897	169,573	14,747	756,000	140,889
2041-2045	-	-	50,200	961	-	-
Totals	$ 5,434,000	$ 854,713	$ 758,119	$ 108,404	$ 1,922,636	$ 907,925

Note 8-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct borrowings and placements:							
General Obligation Bonds:							
General Obligation Refunding Bond Series 2021C	1.25%	2021	2027	$132,000 a+	$ 749,000	$ 264,000	$ 132,000
2012 VPSA GO Bond - NES - Schools	2.05-5.05%	2012	2032	$705,000 a+	9,330,000	3,920,000	705,000
General Obligation Bond 2025	5.42%	2025	2037	$75,000 a+	1,250,000	1,250,000	75,000
General Obligation Bonds Total						$ 5,434,000	$ 912,000
General Obligation Bond Premium						$ 22,728	$ 7,206
Secured Notes Payable:							
USDA Rural Development Loan - Police Cars	2.13%	2020	2026	$243 m+	$ 42,000	$ 2,500	$ 2,500
USDA Rural Development Loan - Police Cars	2.13%	2021	2026	$968 m+	55,000	19,866	11,384
USDA Rural Development Loan - Fire Truck	2.13%	2021	2042	$3,072 m+	600,000	509,402	26,275
USDA Rural Development Loan - First Response Vehicle	2.50%	2024	2030	$728 m+	41,000	34,495	7,965
USDA Rural Development Loan - Police Cars	2.50%	2024	2030	$480 m+	27,000	22,710	5,263
USDA Rural Development Loan - Police Cars	3.75%	2024	2030	$1,922 m+	105,000	90,433	20,020
USDA Rural Development Loan - Fire Truck	2.13%	2025	2030	$1,385 m+	80,000	78,713	15,126
Secured Notes Payable Total						$ 758,119	$ 88,533
Total Direct borrowings and placements						$ 6,214,847	$ 1,007,739
Lease liabilities:							
Ricoh - DSS Copier	1.01%	2022	2025	$300 m+	$ 14,435	$ 301	$ 301
Xerox - C505X Copier	1.12%	2022	2027	$93 m+	5,450	1,298	1,111
Xerox - C405 Copier	1.01%	2022	2026	$116 m+	5,550	115	115
Pitney Bowes NASPO Postage Meter	0.69%	2022	2027	$219 m+	12,904	4,348	2,603
2023 Caterpillar 420-07XE Backhoe	6.99%	2024	2029	$3,402 m+	172,878	115,687	33,814
Lexmark XC4342 Copier	2.79%	2024	2027	$185 m+	8,420	4,667	2,119
DSS and Police Department Lease	5.98%	2025	2040	$127,220 a+	1,796,220	1,796,220	127,220
Total lease liabilities						$ 1,922,636	$ 167,283
Other Obligations:							
Compensated absences						$ 507,829	$ 406,263
Total OPEB liability						83,782	-
Net OPEB liabilities						1,070,152	-
Total Other Obligations						$ 1,661,763	$ 406,263
Total Long-term obligations						$ 9,799,246	$ 1,581,285

a+ = annual principal installments shown does not include semi-annual interest installments; m+ = repaid in monthly principal and interest payments

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Note 8-Long-Term Obligations: (Continued)

Primary Government – Business-type Activities Obligations:

The following is a summary of long-term obligations transactions of the Enterprise Funds for the year ended June 30, 2025.

	Balance July 1, 2024	Restatement	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2025
Direct borrowings and placements:					
Bonds payable	$ 6,455,135	$ -	$ -	$ (281,031)	$ 6,174,104
Compensated absences*	29,468	-	1,769	-	31,237
Total OPEB liability	1,237	5,292	577	(903)	6,203
Net OPEB liabilities	2,870	12,285	5,899	(6,799)	14,255
Total	$ 6,488,710	$ 17,577	$ 8,245	$ (288,733)	$ 6,225,799

*The change in the compensated absences liability is presented as a net change.

Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	Direct borrowings and placements Principal	Interest
2026	$ 280,937	$ 136,904
2027	286,457	132,024
2028	291,039	127,020
2029	296,684	121,912
2030	301,394	116,791
2031-2035	1,605,454	483,231
2036-2040	1,567,025	283,216
2041-2045	726,255	143,852
2046-2050	681,108	58,017
2051-2055	137,751	1,887
Totals	$ 6,174,104	$ 1,604,854

Note 8-Long-Term Obligations: (Continued)

Primary Government – Business-type Activities Obligations: (Continued)

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct borrowings and placements:							
Bonds Payable:							
VRA Bond Payable Water WSL-005-21	1.10%	2022	2043	$8,407 sa+	$ 253,508	$ 232,567	$ 10,837
VRA General Obligation Sewer Bond - #C-515423-02	0.00%	2009	2030	$37,859 sa+	1,514,370	378,593	75,719
RD General Obligation Water Facilities Bond Series 2011	2.50%	2011	2051	$44,064 sa+	2,160,000	1,671,553	46,877
RD General Obligation Sewer Facilities Bond Series 2011	2.25%	2011	2052	$25,452 sa+	1,297,000	1,012,141	28,421
General Obligation & Water/Sewer Revenue Refunding Bond, Series 2021B	2.58%	2021	2039	$39,415 sa+	1,385,000	1,195,000	48,000
General Obligation & Water/Sewer Revenue Refunding Bond, Series 2021A	2.04%	2021	2039	$40,015 sa+	1,429,000	1,227,000	55,000
VRA General Obligation Waterline Replacement #WSL-044-20	2.50%	2020	2051	$2,069 sa+	85,978	78,752	2,182
VRA General Obligation Water Facilities Bond #WSL-08-13E	2.50%	2015	2046	$11,638 sa+	483,695	378,498	13,901
Total Bonds Payable						$ 6,174,104	$ 280,937
Other Obligations:							
Compensated Absences						$ 31,237	$ 24,990
Total OPEB Liability						6,203	-
Net OPEB Liabilities						14,255	-
Total Other Obligations						$ 51,695	$ 24,990
Total Long-term obligations						$ 6,225,799	$ 305,927

sa+ = semi-annual principal and interest installments shown

Rate Covenants, Restrictions, and Events of Default:

Loans from the Virginia Resources Authority (VRA) are governed by rate covenants, which require the City to maintain an annual debt service coverage ratio of 100%. **For the year ended June 30, 2025, the City was not in compliance with this coverage ratio.**

If an event of default occurs with VRA or RD bonds, the principal of the bond(s) may be declared immediately due and payable to the registered owner of the bond(s) by written notice to the City.

At year end, funds totaling $20,951 were set aside in a dedicated account within the Water and Sewer Fund for debt service reserves pursuant to the City's VRA bond issuances.

The City's general obligation bonds are subject to the state aid intercept program. Under terms of the program, the City's State aid is redirected to bond holders to cure any event(s) of default.

The City's secured notes payable are collateralized by the corresponding vehicles.

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Note 9-Long-Term Obligations-Component Units:

Discretely Presented Component Unit – School Board Obligations:

The following is a summary of long-term obligations transactions of the Component Unit-School Board for the year ended June 30, 2025.

	Balance July 1, 2024	Restatement	Increases	Decreases	Balance June 30, 2025
General obligation bonds	$ 4,610,000	$ (4,610,000)	$ -	$ -	$ -
Premium on bonds	363,580	(363,580)	-	-	-
Lease liability	29,594	13,422	-	(18,278)	24,738
Subscription liability	27,587	-	48,173	(62,425)	13,335
Total OPEB liability	344,637	-	27,416	(56,103)	315,950
Net OPEB liabilities	886,637	-	265,047	(358,128)	793,556
Compensated absences	157,449	989,320	183,941	-	1,330,710
Net pension liability	5,034,399	-	2,273,321	(2,856,436)	4,451,284
Total	$ 11,453,883	$ (3,970,838)	$ 2,797,898	$ (3,351,370)	$ 6,929,573

*The change in the compensated absences liability is presented as a net change.

Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending	Lease liabilities		Subscription liabilities	
June 30,	Principal	Interest	Principal	Interest
2026	$ 18,838	$ 488	$ 6,586	$ 333
2027	4,819	104	6,749	169
2028	1,081	5	-	-
Totals	$ 24,738	$ 597	$ 13,335	$ 502

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Lease liabilities:						
Copier leases	4.50%	2024	2028	$ 72,912	$ 24,738	$ 18,838
Subscription liabilities:						
IXL SBITA	2.50%	2025	2027	$ 27,173	$ 13,335	$ 6,586
Other Obligations:						
Total OPEB Liability					$ 315,950	$ -
Net OPEB Liabilities					793,556	-
Compensated Absences					1,330,710	1,064,568
Net Pension Liability					4,451,284	-
Total long-term obligations					$ 6,929,573	$ 1,089,992

Note 10-Pension Plans:

Plan Description

All full-time, salaried permanent employees of the City and (nonprofessional) employees of the public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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 pay 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.

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

Note 10-Pension Plans: (Continued)

Benefit Structures (Continued)

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Note 10-Pension Plans: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	77
Inactive members:	
Vested inactive members	6
Non-vested inactive members	26
Inactive members active elsewhere in VRS	36
Total inactive members	68
Active members	96
Total covered employees	241

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 employer contribution rate for the year ended June 30, 2025 was 9.39% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 City were $461,866 and $433,890 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $16,466 for the City for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $18,047 for the City for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $1,663,953 for the year ended June 30, 2025.

Note 10-Pension Plans: (Continued)

Net Pension Asset

The net pension asset is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the City, the net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the City of Norton's Retirement Plan and the Component Unit Schools Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

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Note 10-Pension Plans: (Continued)

Actuarial Assumptions – General Employees (Continued)

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95 of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note 10-Pension Plans: (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City of Norton's Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally with Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females et back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Note 10-Pension Plans: (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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Note 10-Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
	Expected arithmetic nominal return**		7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Note 10-Pension Plans: (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. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. Through the fiscal year ending June 30, 2024, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 112% of the actuarially determined contribution rate. From July 1, 2024 on, participating employers and 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.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	$ 22,183,164	$ 22,716,126	$ (532,962)
Changes for the year:			
Service cost	$ 575,054	$ -	$ 575,054
Interest	1,490,482	-	1,490,482
Changes of assumptions	-	-	-
Differences between expected and actual experience	816,684	-	816,684
Contributions - employer	-	403,137	(403,137)
Contributions - employee	-	224,684	(224,684)
Net investment income	-	2,177,386	(2,177,386)
Benefit payments	(1,354,009)	(1,354,009)	-
Administrative expenses	-	(14,567)	14,567
Other changes	-	451	(451)
Net changes	$ 1,528,211	$ 1,437,082	$ 91,129
Balances at June 30, 2024	$ 23,711,375	$ 24,153,208	$ (441,833)

Note 10-Pension Plans: (Continued)

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

The following presents the City's net pension liability (asset) using the discount rate of 6.75%, as well as what the City's net pension liability (asset) 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:

		Rate	
	1% Decrease (5.75%)	Discount (6.75%)	1% Increase (7.75%)
City of Norton's Pension Liability (Asset)	$ 2,561,077	$ (441,833)	$ (2,923,062)

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

For the year ended June 30, 2025, the City recognized pension expense of $236,281. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 545,582	$ 9,327
Net difference between projected and actual earnings on pension plan investments	-	636,455
Employer contributions subsequent to the measurement date	461,866	-
Total	$ 1,007,448	$ 645,782

Note 10-Pension Plans: (Continued)

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

$461,866 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction/increase of the Net Pension Liability/Asset in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30		Primary Government
2026	$	(295,320)
2027		451,558
2028		(122,631)
2029		(133,807)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2024-annual-report-pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Nonprofessional)

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	29
Inactive members:	
Vested inactive members	4
Non-vested inactive members	10
Total inactive members	14
Active members	17
Total covered employees	60

Note 10-Pension Plans: (Continued)

Component Unit School Board (Nonprofessional) (Continued)

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2025 was 0.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 Component Unit School Board's nonprofessional employees were $0 and $0 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $3,198 for the School Board for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $1,529 for the School Board, for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $322,436 for the School Board for the year ended June 30, 2025.

Net Pension Liability

The net pension asset is calculated separately for each employer and represents that particular employer's total pension asset determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Component Unit School Board's (nonprofessional) net pension asset was measured as of June 30, 2024. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024.

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Note 10-Pension Plans: (Continued)

Component Unit School Board (Nonprofessional) (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional) Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	$ 1,796,295	$ 2,526,972	$ (730,677)
Changes for the year:			
Service cost	$ 39,976	$ -	$ 39,976
Interest	120,431	-	120,431
Differences between expected and actual experience	27,662	-	27,662
Contributions - employee	-	22,909	(22,909)
Net investment income	-	242,709	(242,709)
Benefit payments	(104,224)	(104,224)	-
Administrative expenses	-	(1,668)	1,668
Other changes	-	48	(48)
Net changes	$ 83,845	$ 159,774	$ (75,929)
Balances at June 30, 2024	$ 1,880,140	$ 2,686,746	$ (806,606)

Sensitivity of the Net Pension (Asset) to Changes in the Discount Rate

The following presents the net pension (asset) of the Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the Component Unit School Board's (nonprofessional) net pension (asset) 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:

	Rate		
	1% Decrease (5.75%)	Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board (nonprofessional) Net Pension (Asset)	$ (608,596)	$ (806,606)	$ (975,489)

Note 10-Pension Plans: (Continued)

Component Unit School Board (Nonprofessional) (Continued)

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

For the year ended June 30, 2025, the Component Unit School Board (nonprofessional) recognized pension expense of $(36,188). At June 30, 2025, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,390	$ -
Net difference between projected and actual earnings on pension plan investments	-	72,201
Employer contributions subsequent to the measurement date	-	-
Total	$ 11,390	$ 72,201

$0 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Component Unit School Board (nonprofessional)
2026	$ (52,596)
2027	20,430
2028	(13,656)
2029	(14,989)

Note 10-Pension Plans: (Continued)

Component Unit School Board (Professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description is included in the first section of this note.

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 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 employer contribution rate for the year ended June 30, 2025 was 14.21% of covered employee compensation. This was the General Assembly approved rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined 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 School Board were $766,325 and $834,583 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $18,924 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $17,378 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $1,896,476 for the year ended June 30, 2025.

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

At June 30, 2025, the school division reported a liability of $4,451,284 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2024 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024. 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division's proportion was 0.04742% as compared to 0.04981% at June 30, 2023.

Note 10-Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

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

For the year ended June 30, 2024, the school division recognized pension expense of $564,372. 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. Beginning with the June 30, 2023. measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2025, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 772,235	$ 91,655
Change in assumptions	80,797	-
Net difference between projected and actual earnings on pension plan investments	-	612,722
Changes in proportion and differences between employer contributions and proportionate share of contributions	307,751	189,879
Employer contributions subsequent to the measurement date	766,325	-
Total	$ 1,927,108	$ 894,256

$766,325 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 fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Component Unit School Board (professional)
2026	$ (138,350)
2027	444,138
2028	46,728
2029	(85,989)

Note 10-Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-Retirement:
Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the standard MP-2020 rates

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Note 10-Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2024, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	$	60,622,260
Plan Fiduciary Net Position		51,235,326
Employers' Net Pension Liability (Asset)	$	9,386,934
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		84.52%

Note 10-Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Net Pension Liability (Continued)

The total pension liability is calculated by the System's actuary, and 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.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
City's proportionate share of the VRS Retirement Plan Net Pension Liability	$ 8,269,614	$ 4,451,284	$ 1,324,194

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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Note 10-Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Aggregate Pension Information

The following is a summary of deferred outflows, deferred inflows, net pension liabilities (assets), and pension expense for the year ended June 30, 2025.

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	$ 1,007,448	$ 645,782	$ (441,833)	$ 236,281	$ -	$ -	$ -	$ -
School Board Nonprofessional	-	-	-	-	11,390	72,201	(806,606)	(36,188)
School Board Professional	-	-	-	-	1,927,108	894,256	4,451,284	564,372
Totals	$ 1,007,448	$ 645,782	$ (441,833)	$ 236,281	$ 1,938,498	$ 966,457	$ 3,644,678	$ 528,184

Note 11-Other Postemployment Benefits - 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 to use the alternative measurement method but has elected not to do so.

Note 11-Other Postemployment Benefits – Local Health Insurance (Continued):

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. An eligible City retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the City and the employee must be eligible to retire from the City under the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the City and can be amended through City action. The plan is closed to new entrants.

Plan Membership

At June 30, 2025 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	97
Total	97

Contributions

The Council does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the City Council.

Total OPEB Liability

At June 30, 2025, the City reported a liability of $89,985 for its proportionate share of the total OPEB liability. The City's total OPEB liability was measured as of June 30, 2025. The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2025.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Healthcare cost trend rate	6.2% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2071 and later years.
Discount Rate	5.20%

Mortality rates were based on the Pub-2010 Amount Weighted General/Disabled Employee Rates projected generationally with generational mortality improving using 75% of scale MP-2020, and other adjustments.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Note 11-Other Postemployment Benefits – Local Health Insurance (Continued):

Discount Rate

Per GASB guidance, the single rate that produces the same present value of expected benefit payments as (1) expected long-term rate of return on plan assets during the period when projected assets are sufficient to pay future retiree benefits, and (2) the 20-year municipal bond rate after assets are projected to be exhausted. Fidelity 20-Year Municipal GO AA Index was used because it meets the GASB requirements and is based on a large amount of municipal security data.

Changes in Total OPEB Liability

		Total OPEB Liability
Balances at June 30, 2024	$	94,711
Changes for the year:		
Service cost		4,487
Interest		3,885
Difference between expected and actual experience		-
Changes in assumptions		(12,443)
Benefit payments		(655)
Net changes	$	(4,726)
Balances at June 30, 2025	$	89,985

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Note 11-Other Postemployment Benefits – City Health Insurance: (Continued)

Sensitivity of the City's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current discount rate:

	Rate	
1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
$ 99,642	$ 89,985	$ 81,329

Sensitivity of the City's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.20% decreasing to an ultimate rate of 2.90%) or one percentage point higher (7.20% decreasing to an ultimate rate of 4.90%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (5.20% decreasing to 2.90%)	Healthcare Cost Trend (6.20% decreasing to 3.90%)	1% Increase (7.20% decreasing to 4.90%)
$ 77,827	$ 89,985	$ 104,607

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2025, the City recognized OPEB expense in the amount of $3,689. At June 30, 2025 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,625	$ 33,954
Changes in assumptions	1,984	33,200
Total	$ 29,609	$ 67,154

Note 11-Other Postemployment Benefits – City Health Insurance: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30		
2026	$	(4,683)
2027		(4,683)
2028		(7,212)
2029		(13,106)
2030		(7,861)

Additional disclosures on changes in total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 12-Other Postemployment Benefits – School Board Health Insurance:

Plan Description

In addition to the pension benefits described in Note 10, the School Board administers a single-employer defined benefit healthcare plan, The Norton City Public Schools Other Postemployment Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must be eligible to retire from the School Board under the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action. The plan is closed to new entrants.

Note 12-Other Postemployment Benefits – School Board Health Insurance: (Continued)

Plan Membership

At June 30, 2025 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	106
Total retirees with coverage	3
Total	109

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2025 was $13,407.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2025. The total OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Healthcare cost trend rate	6.2% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2071 and later years.
Discount Rate	5.20%

Mortality rates were based on the Pub-2010 Amount Weighted General/Disabled Employee Rates projected generationally with generational mortality improving using 75% of scale MP-2020, and other adjustments.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

Per GASB guidance, the single rate that produces the same present value of expected benefit payments as (1) expected long-term rate of return on plan assets during the period when projected assets are sufficient to pay future retiree benefits, and (2) the 20-year municipal bond rate after assets are projected to be exhausted. Fidelity 20-Year Municipal GO AA Index was used because it meets the GASB requirements and is based on a large amount of municipal security data.

Note 12-Other Postemployment Benefits – School Board Health Insurance: (Continued)

Changes in Total OPEB Liability

		Component Unit School Board Total OPEB Liability
Balances at June 30, 2024	$	344,637
Changes for the year:		
Service cost		13,598
Interest		13,818
Difference between expected and actual experience		-
Changes in assumptions		(42,696)
Benefit payments		(13,407)
Net changes	$	(28,687)
Balances at June 30, 2025	$	315,950

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current discount rate:

	Rate	
1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
$ 349,067	$ 315,390	$ 286,409

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Note 12-Other Postemployment Benefits – School Board Health Insurance: (Continued)

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.20% decreasing to an ultimate rate of 2.90%) or one percentage point higher (7.20% decreasing to an ultimate rate of 4.90%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (5.20% decreasing to 2.90%)	Healthcare Cost Trend (6.20% decreasing to 3.90%)	1% Increase (7.20% decreasing to 4.90%)
$ 274,895	$ 315,950	$ 365,301

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2025, the School Board recognized OPEB expense in the amount of $31,913. At June 30, 2025, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 82,643	$ -
Changes in assumptions	6,777	106,264
Total	$ 89,420	$ 106,264

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Note 12-Other Postemployment Benefits – School Board Health Insurance: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

$0 reported as deferred outflows of resources related to OPEB resulting from the School Board's estimated contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2026. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30		
2026	$	4,497
2027		(1,901)
2028		(8,353)
2029		(8,353)
2030		(2,734)

Additional disclosures on changes in total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan 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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. It will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $9,532 as of June 30, 2025.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Plan from the City were $23,121 and $25,697 for the years ended June 30, 2025 and June 30, 2024, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board (Nonprofessional) were $2,568 and $2,779 for the years ended June 30, 2025 and June 30, 2024, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board (Professional) were $25,346 and $27,116 for the years ended June 30, 2025 and June 30, 2024, respectively.

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

Primary Government Group Life Insurance Plan

At June 30, 2025, the entity reported a liability of $206,780 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was 0.01853% as compared to 0.01833% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of $8,630. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (Nonprofessional) Group Life Insurance Plan

At June 30, 2025 the entity reported a liability of $22,318 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was 0.00200% as compared to 0.00193% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of $2,627. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (Professional) Group Life Insurance Plan

At June 30, 2024, the entity reported a liability of $218,274 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was 0.01956% as compared to 0.02088% at June 30, 2023.

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)

Component Unit School Board (Professional) Group Life Insurance Plan (Continued)

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of $5,964. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 32,614	$ 5,051	$ 3,520	$ 545	$ 34,427	$ 5,332
Net difference between projected and actual earnings on GLI OPEB program investments	-	17,429	-	1,881	-	18,398
Change in assumptions	1,179	10,248	127	1,106	1,244	10,817
Changes in proportionate share	11,386	288	5,084	15	18,883	15,156
Employer contributions subsequent to the measurement date	23,121	-	2,568	-	25,346	-
Total	$ 68,300	$ 33,016	$ 11,299	$ 3,547	$ 79,900	$ 49,703

$23,121, $2,568, and $25,346 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2026	$ (4,834)	$ 934	$ (5,771)
2027	8,102	2,138	8,241
2028	2,529	1,125	1,920
2029	2,792	516	(538)
2030	3,574	471	999

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)

Component Unit School Board (Professional) Group Life Insurance Plan (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates – Teachers

Pre-Retirement:
Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110 of rates for males and females

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)

Component Unit School Board (Professional) Group Life Insurance Plan (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75 of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	$	4,196,055
Plan Fiduciary Net Position		3,080,133
GLI Net OPEB Liability (Asset)	$	1,115,922
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		73.41%

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

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Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Expected arithmetic nominal return**	7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly the 45th percentile of expected long-term results of the VRS fund asset allocation at the time, providing a median return of 7.14%, including expected inflation of 2.50%.

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2024, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB 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:

		Rate	
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
City's proportionate share of the GLI Plan Net OPEB Liability	$ 321,570	$ 206,780	$ 114,045
Component Unit School Board's (nonprofessional) proportionate share of the GLI Plan Net OPEB Liability	$ 34,708	$ 22,318	$ 12,309
Component Unit School Board's (professional) proportionate share of the GLI Plan Net OPEB Liability	$ 339,445	$ 218,274	$ 120,384

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Group Life Insurance Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. 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 HIC 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.

The specific information for the Teacher HIC OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: $4.00 per month, multiplied by twice the amount of service credit, or $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2025 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate 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 from the school division to the VRS Teacher Employee HIC Plan were $65,254 and $60,761 for the years ended June 30, 2025 and June 30, 2024, respectively.

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2025, the school division reported a liability of $541,652 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2024 and the total VRS Teacher HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division's proportion of the VRS Teacher Employee HIC was 0.04687% as compared to 0.04933% at June 30, 2023.

For the year ended June 30, 2025, the school division recognized VRS Teacher Employee HIC OPEB expense of $37,862. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB: (Continued)

At June 30, 2025, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 25,662
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,927
Change in assumptions	9,331	-
Change in proportionate share and differences between actual and expected contributions	51,243	35,993
Employer contributions subsequent to the measurement date	65,254	-
Total	$ 125,828	$ 63,582

$65,254 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2026	$ (2,617)
2027	4,704
2028	4,216
2029	194
2030	(4,874)
Thereafter	(4,631)

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates – Teachers

Pre-Retirement:
Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males

Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the Plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2024, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$	1,478,105
Plan Fiduciary Net Position		322,457
Teacher Employee Net HIC OPEB Liability (Asset)	$	1,155,648
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		21.82%

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Net Teacher Employee HIC OPEB Liability (Continued)

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 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 the VRS 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 VRS 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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Leverage	2.00%	3.00%	0.06%
Cash	-3.00%	3.50%	-0.11%
	100.00%		7.07%
		Expected arithmetic nominal return**	7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2024, the rate contributed by each school division for the VRS Teacher Employee HIC 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, 2024 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	$ 615,994	$ 541,652	$ 478,641

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15-Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. 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 HIC 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.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Note 15-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members active elsewhere in VRS	2
Total inactive members	5
Active members	15
Total covered employees	20

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The school division's contractually required employer contribution rate for the year ended June 30, 2025 was 0.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate 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 from the school division to the HIC Plan were $5,082 and $4,786 for the years ended June 30, 2025 and June 30, 2024, respectively.

Net HIC OPEB Liability

The school division's net HIC OPEB liability was measured as of June 30, 2024. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Note 15-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:
Rates projected generationally with Modified-2020 Improvement Scale that is 75% of the MP-2020 rates

Note 15-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Remainder of page left blank intentionally.

Note 15-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Expected arithmetic nominal return**	7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Note 15-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 ended June 30, 2024, the rate was 100% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2023	$ 23,193	$ 8,281	$ 14,912
Changes for the year:			
Service cost	$ 302	$ -	$ 302
Interest	1,529	-	1,529
Differences between expected and actual experience	315	-	315
Assumption changes	-	-	-
Contributions - employer	-	4,786	(4,786)
Net investment income	-	975	(975)
Benefit payments	(1,674)	(1,674)	-
Administrative expenses	-	(15)	15
Net changes	$ 472	$ 4,072	$ (3,600)
Balances at June 30, 2024	$ 23,665	$ 12,353	$ 11,312

Note 15-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Sensitivity of the School Division's HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's net HIC OPEB 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School Division's Net HIC OPEB Liability	$ 13,598	$ 11,312	$ 9,348

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2025, the school division recognized HIC Plan OPEB expense of $(272). At June 30, 2025, the school division reported deferred outflows of resources and deferred inflows of resources related to the school division's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 253	$ 4,837
Net difference between projected and actual earnings on HIC OPEB plan investments	-	170
Change in assumptions	394	-
Employer contributions subsequent to the measurement date	5,082	-
Total	$ 5,729	$ 5,007

Note 15-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB (Continued)

$5,082 reported as deferred outflows of resources related to the HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in the future reporting periods as follows:

Year Ended June 30		
2026	$	(1,453)
2027		(1,545)
2028		(1,366)
2029		(1)
2030		5

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/ Publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16-Line of Duty Act (LODA) Program:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) 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. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for LODA OPEB, including eligibility, coverage and benefits is described below:

Note 16-Line of Duty Act (LODA) Program (Continued):

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date (the benefit will be $75,000 for approved presumptive deaths occurring on or after January 1, 2025); or an additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2025 was $1,015 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were $39,839 and $33,615 for the years ended June 30, 2025 and June 30, 2024, respectively.

Note 16-Line of Duty Act (LODA) Program (Continued):

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

At June 30, 2025, the entity reported a liability of $877,627 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2024 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2024 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2024, the entity's proportion was 0.22300% as compared to 0.19396% at June 30, 2023.

For the year ended June 30, 2025, the entity recognized LODA OPEB expense of $135,242. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 30,536	$ 214,378
Net difference between projected and actual earnings on LODA OPEB program investments	-	2,901
Change in assumptions	161,782	176,758
Changes in proportionate share	207,265	43,309
Employer contributions subsequent to the measurement date	39,839	-
Total	$ 439,422	$ 437,346

$439,422 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Note 16-Line of Duty Act (LODA) Program (Continued):

Year Ended June 30	
2026	$ 9,848.00
2027	6,858.00
2028	(2,006.00)
2029	(1,432.00)
2030	(17,578.00)
Thereafter	(33,453.00)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.25%-4.25%
Ages 65 and older	6.50%-4.25%
Year of ultimate trend rate:	
Under age 65	Fiscal year ended 2034
Ages 65 and older	Fiscal year ended 2034
Investment rate of return	3.97%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return.

Note 16-Line of Duty Act (LODA) Program (Continued):

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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 Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Note 16-Line of Duty Act (LODA) Program (Continued):

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

		LODA Program
Total LODA OPEB Liability	$	398,395
Plan Fiduciary Net Position		4,841
LODA Net OPEB Liability (Asset)	$	393,554
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability		1.22%

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 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 LODA OPEB Program's investments was set at 3.97% 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. Instead, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2024.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.97%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2024, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Note 16-Line of Duty Act (LODA) Program (Continued):

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.97%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.97%) or one percentage point higher (4.97%) than the current rate:

	Discount Rate		
	1% Decrease (2.97%)	Current (3.97%)	1% Increase (4.97%)
City's proportionate share of the LODA Net OPEB Liability	972,918	877,627	795,688

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.25% decreasing to 4.25%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.25% decreasing to 3.25%) or one percentage point higher (8.25% decreasing to 5.25%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.25% decreasing to 3.25%)	Current (7.25% decreasing to 4.25%)	1% Increase (8.25% decreasing to 5.25%)
City's proportionate share of the LODA Net OPEB Liability	747,622	877,627	1,037,146

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17-Aggregate OPEB Information:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
City Stand-Alone Plan	$ 29,609	$ 67,154	$ 89,985	$ 3,689	$ -	$ -	$ -	$ -
School Stand-Alone Plan	-	-	-	-	89,420	106,264	315,950	31,913
VRS OPEB Plans:								
Group Life Insurance Plan:								
City	68,300	33,016	206,780	8,630	-	-	-	-
School Board Nonprofessional	-	-	-	-	11,299	3,547	22,318	2,627
School Board Professional	-	-	-	-	79,900	49,703	218,274	5,964
Political Subdivision Retiree HIC Plan (School Board nonprofessional)	-	-	-	-	5,729	5,007	11,312	(272)
Teacher Health Insurance Credit Plan	-	-	-	-	125,828	63,582	541,652	37,862
Line of Duty Act Program	439,422	437,346	877,627	135,242	-	-	-	-
Totals	$ 537,331	$ 537,516	$ 1,174,392	$ 147,561	$ 312,176	$ 228,103	$ 1,109,506	$ 78,094

Note 18-Unearned and Deferred/Unavailable Revenue:

Unearned and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings are not available for the funding of current expenditures	$ -	$ 291,569
Prepaid property taxes due after June 30 but paid in advance by taxpayers	27	27
Tax assessments due after June 30	1,213,025	1,213,025
Totals	$ 1,213,052	$ 1,504,621

Note 19-Capital Assets:

Capital asset activity for the year ended June 30, 2025 was as follows:

Primary Government:

	Beginning Balance	Restatement	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated/amortized:					
Land	$ 1,243,217	$ -	$ -	$ -	$ 1,243,217
Construction in progress	2,966,509	-	581,152	(3,013,330)	534,331
Total capital assets not being depreciated/amortized	$ 4,209,726	$ -	$ 581,152	$ (3,013,330)	$ 1,777,548
Capital assets, being depreciated/amortized:					
Infrastructure	$ 16,156,784	$ -	$ 17,429	$ -	$ 16,174,213
Buildings and improvements	5,358,284	-	140,250	-	5,498,534
Machinery and equipment	7,035,978	(42,271)	291,355	(226,442)	7,058,620
Right-to-use lease machinery and equipment	219,628	-	-	-	219,628
Right-to-use buildings and improvements	-	-	1,796,220	-	1,796,220
Total capital assets being depreciated/amortized	$ 28,770,674	$ (42,271)	$ 2,245,254	$ (226,442)	$ 30,747,215
Accumulated depreciation/amortization:					
Infrastructure	$ (10,024,304)	$ (340,037)	$ (191,518)	$ -	$ (10,555,859)
Buildings and improvements	(3,394,156)	-	(169,322)	-	(3,563,478)
Machinery and equipment	(4,494,439)	4,226	(445,865)	226,442	(4,709,636)
Right-to-use lease machinery and equipment	(52,428)	-	(45,724)	-	(98,152)
Total accumulated depreciation/amortization	$ (17,965,327)	$ (335,811)	$ (852,429)	$ 226,442	$ (18,927,125)
Total capital assets being depreciated/amortized, net	$ 10,805,347	$ (378,082)	$ 1,392,825	$ -	$ 11,820,090
Governmental activities capital assets, net	$ 15,015,073	$ (378,082)	$ 1,973,977	$ (3,013,330)	$ 13,597,638

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Note 19-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 588,600	$ -	$ -	$ 588,600
Total capital assets not being depreciated/amortized	$ 588,600	$ -	$ -	$ 588,600
Capital assets, being depreciated/amortized:				
Infrastructure	$ 25,935,998	$ -	$ -	$ 25,935,998
Building and improvements	256,454	-	-	256,454
Machinery and equipment	1,651,447	62,121	(25,250)	1,688,318
Total capital assets being depreciated/amortized	$ 27,843,899	$ 62,121	$ (25,250)	$ 27,880,770
Accumulated depreciation/amortized:				
Infrastructure	$ (11,331,593)	$ (611,637)	$ -	$ (11,943,230)
Building and improvements	(252,907)	(320)	-	(253,227)
Machinery and equipment	(1,505,760)	(32,238)	25,250	(1,512,748)
Total accumulated depreciation/amortized	$ (13,090,260)	$ (644,195)	$ 25,250	$ (13,709,205)
Total capital assets being depreciated/amortized, net	$ 14,753,639	$ (582,074)	$ -	$ 14,171,565
Business-type activities capital assets, net	$ 15,342,239	$ (582,074)	$ -	$ 14,760,165

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

Governmental activities:	
General government administration	$ 19,024
Public safety	304,482
Public works	417,740
Health and welfare	19,672
Parks, recreation, and cultural	89,333
Community development	1,123
Total depreciation/amortization expense-governmental activities	$ 851,374
Business-type activities:	
Water and sewer	$ 644,195
Total depreciation/amortization expense-business type activities	$ 644,195

Note 19-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2025 was as follows:

Discretely Presented Component Unit – School Board:

	Beginning Balance	Restatement	Beginning Balance, As Restated	Increases	Decreases	Ending Balance
Capital assets, not being depreciated/amortized:						
Land	$ 65,901	$ -	$ 65,901	$ -	$ -	$ 65,901
Construction in progress	2,540,992	-	2,540,992	1,009,170	(2,499,439)	1,050,723
Total capital assets not being depreciated/amortized	$ 2,606,893	$ -	$ 2,606,893	$ 1,009,170	$ (2,499,439)	$ 1,116,624
Capital assets, being depreciated/amortized:						
Buildings and improvements	$ 17,611,435	$ -	$ 17,611,435	$ 2,592,352	$ (91,800)	$ 20,111,987
Machinery and equipment	2,414,877	-	2,414,877	949,730	(490,563)	2,874,044
Right-to-use lease machinery and equipment	61,655	11,257	72,912	-	-	72,912
Right-to-use subscription asset	101,074	(23,449)	77,625	48,173	(16,403)	109,395
Total capital assets being depreciated/amortized	$ 20,189,041	$ (12,192)	$ 20,176,849	$ 3,590,255	$ (598,766)	$ 23,168,338
Accumulated depreciation/amortized:						
Buildings and improvements	$ (8,293,631)	$ -	$ (8,293,631)	$ (677,680)	$ 68,190	$ (8,903,121)
Machinery and equipment	(1,368,272)	-	(1,368,272)	(271,806)	490,563	(1,149,515)
Right-to-use lease machinery and equipment	(33,490)	2,435	(31,055)	(16,937)	-	(47,992)
Right-to-use subscription asset	(56,230)	23,752	(32,478)	(35,472)	16,403	(51,547)
Total accumulated depreciation/amortized	$ (9,751,623)	$ 26,187	$ (9,725,436)	$ (1,001,895)	$ 575,156	$ (10,152,175)
Total capital assets being depreciated/amortized, net	$ 10,437,418	$ 13,995	$ 10,451,413	$ 2,588,360	$ (23,610)	$ 13,016,163
School Board capital assets, net	$ 13,044,311	$ 13,995	$ 13,058,306	$ 3,597,530	$ (2,523,049)	$ 14,132,787

Note 20-Risk Management:

The City and its component unit – School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The City participates with other localities in a public entity risk pool for its coverage of workers compensation, crime coverage, boiler and machinery, property insurance, automobile coverage, general liability, and public official's liability insurance with the VRSA. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The City pays the VRSA contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pool may assess all members in the year in which such deficit occurs.

The Component-unit School Board participates with other divisions in a public entity risk pool for its coverage of workers compensation, crime coverage, boiler and machinery, property insurance, automobile coverage, general liability, and public official's liability insurance with the Virginia School Board Association Property and Casualty Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The School Board pays the Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pool may assess all members in the year in which such deficit occurs.

Note 20-Risk Management: (Continued)

The City and its component unit – School Board continue to carry commercial insurance for all other risk of loss. Settle claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 21-Net Position and Fund Balance Classifications:

As of June 30, 2025, the net position restrictions and fund balance classifications were as follows:

	Governmental Activities	Component Unit School Fund
Restricted net position:		
Opioid settlement proceeds	$ 251,592	$ -
Farmers' market funds	11,885	-
Net pension asset	411,375	806,606
Cafeteria funds	-	180,626
Textbook funds	-	337,327
Total restricted net position	$ 674,852	$ 1,324,559
	General Fund	**School Board**
Nonspendable fund balance:		
Interfund receivables	$ 787,266	$ -
Prepaid items	19,586	-
Inventory	1,714	-
Total nonspendable fund balance	$ 808,566	$ -
Restricted fund balance:		
Unspent bond proceeds	$ 1,207,690	$ -
Farmers' market funds	11,885	-
Opioid settlement proceeds	82,368	-
Cafeteria funds	-	180,626
School activity funds	-	337,327
Total restricted fund balance	$ 1,301,943	$ 517,953
Committed funds:		
Law enforcement	$ 203,718	$ -
Parks and recreation	2,369	-
Economic development	314,747	-
Total committed funds	$ 520,834	$ -
Assigned funds:		
Virginia Public Assistance	$ 222,331	$ -
Total assigned funds	$ 222,331	$ -

Note 22-Encumbrances Outstanding:

Outstanding encumbrances of the proprietary fund types are not reflected in the accompanying financial statements as a commitment of net position, in keeping with the fund type's measurement focus. However, encumbrance accounting is employed as an extension of formal budgetary integration for the governmental funds. At June 30, 2025, 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:

	School Operating Fund
	Committed Fund Balance
School capital items	1,845,358

Note 23-Contingent Liabilities:

Federal programs in which the City and its component units participate were audited in accordance with the provisions of Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Pursuant to the provisions of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 24-Deficit Unrestricted Net Position:

The Water and Sewer Fund had a deficit unrestricted net position of $(564,534) at June 30, 2025; however, when considering the net investment in capital assets, while excluding restricted amounts, it has a positive overall net position of $8,021,527.

Note 25—Adoption of Accounting Principle:

During the current year, the City and the School Board implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the City and the School Board now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The change in accounting principle resulted in a restatement of net position which is identified in Note 26.

Note 26-Restatement of Beginning Balances:

The below schedule represents the restatement of beginning balances:

	General Fund	DSS Fund	School Operating Fund	School Activity Fund
Funds balance, as previously reported	$ 3,694,057	$ 193,833	$ 1,720,393	$ 427,118
Correction to record an unrecorded prior year prepaid item	34,175	-	93,567	-
Correction to prior year accrued payroll	(203,327)	-	-	-
Correction to prior year unearned ARPA CSLFRF revenues	175,413	-	-	-
Correction to record an unrecorded CSA accounts payable	-	(75,258)	-	-
Correction to record an unrecorded school consortium accounts receivable	-	-	80,783	-
Correction to a typo in the school activity fund cash balances in prior year	-	-	-	8,845
Fund Balance, as restated	$ 3,700,318	$ 118,575	$ 1,894,743	$ 435,963

	Primary Government		
	Governmental Activities	Business-type Activities	Component Unit School Board
Net position, as previously reported	$ 17,379,826	$ 8,563,463	$ 7,137,673
Fund balance restatements as noted above	(68,997)	-	183,195
Correction to prior year accrued payroll	n/a - above	(30,279)	-
Correction to net OPEB liabilities	48,549	(12,285)	-
Correction to total OPEB liability	66,103	(5,292)	-
Correction to deferred outflows of resources and inflows of resources for OPEB	71,062	565	-
Correction to calculate bond premium at effective interest method	-	-	334,816
Correction to move GO bond to the City from the School Board	(4,610,000)	-	4,610,000
Correction to move premium to the City from the School Board	(28,764)	-	28,764
Correction to move interest payable to the City from the School Board	(60,053)	-	60,053
Correction to equipment	(42,271)	-	-
Correction to accumulated depreciation	(335,811)	-	-
Restatement to implement GASB 101, Compensated Absences	(73,689)	-	(989,320)
Correction to record lease liability	-	-	(13,422)
Correction to right to use assets	-	-	13,995
Beginning net position as restated	$ 12,345,955	$ 8,516,172	$ 11,365,754

Note 27-Commitments and Contingencies:

Commitments:

The City and School Board were involved in and initiated several projects during the fiscal year, as presented below:

Project	Contract Amount	Outstanding Contract at June 30, 2025	Accounts Payable
City:			
Norton Tennis Courts & Amenities	$ 1,053,870	$ 436,782	$ 181,762
Laurel Avenue Super Structure Replacement	247,500	223	8,797
City Subtotal	$ 1,301,370	$ 437,005	$ 190,559
Component Unit School Board:			
John I Burton Fence	$ 33,050	$ 33,050	$ -
John I Burton Roof	269,634	104,634	-
Portable Stage	43,654	43,654	-
Parking Lot Improvements	32,400	32,400	-
Component Unit School Board Subtotal	$ 378,738	$ 213,738	$ -
Grand Total	$ 1,680,108	$ 1,087,748	$ 381,118

In addition, the City had committed to purchasing a fire truck prior to June 30, 2025, in the amount of $2,234,913.

<u>Note 27-Commitments and Contingencies</u>: (Continued)

<u>Contingencies:</u>

The City has an open line of credit with a maximum of $3,000,000. During fiscal year 2025, there was not activity on the line and no balance as of year-end. The line of credit includes an interest rate of 6.00%.

<u>Note 28 - Litigation:</u>

At June 30, 2025, there was one matter of litigation involving the City which would materially affect the City's financial position should any court decision on pending matters not be favorable.

The City is aware of a threatened, but unfiled, claim relating to the death of an individual on or about June 12, 2024. No formal demand has been made as of the date of the attorney's response. The matter has been referred to the City's insurance carrier, and counsel has been assigned. Management, after consultation with legal counsel, cannot presently determine the likelihood of an unfavorable outcome or reasonably estimate a range of possible loss. Accordingly, no liability has been recorded in the accompanying financial statements.

<u>Note 29-Subsequent Events</u>:

- In July 2025, the City paid a combined $142,657 for a Ford F450 and a Ford F550 for public works.
- In October 2025, the City received the fire truck that was ordered during 2025 and paid for it in the amount of $2,234,913.
- In October 2025, the School Board received 2 activity school buses and paid $165,720 total for them.

<u>Note 30-Upcoming Pronouncements</u>:

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, effective for fiscal years beginning after June 15, 2025.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

Exhibit 12

City of Norton, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 3,291,500	$ 3,291,500	$ 3,180,334	$ (111,166)
Other local taxes	5,458,000	5,458,000	5,799,275	341,275
Permits, privilege fees, and regulatory licenses	8,780	8,780	6,093	(2,687)
Fines and forfeitures	20,500	20,500	1,478	(19,022)
Revenue from the use of money and property	62,500	62,500	193,612	131,112
Charges for services	403,500	413,500	419,124	5,624
Miscellaneous	103,250	120,750	219,146	98,396
Recovered costs	123,950	148,950	61,511	(87,439)
Intergovernmental	3,263,900	3,825,752	4,152,992	327,240
Total revenues	$ 12,735,880	$ 13,350,232	$ 14,033,565	$ 683,333
EXPENDITURES				
Current:				
General government administration	$ 1,644,997	$ 1,879,997	$ 1,983,493	$ (103,496)
Judicial administration	484,030	484,030	646,196	(162,166)
Public safety	3,357,540	4,148,983	4,382,454	(233,471)
Public works	2,275,000	2,690,568	3,002,997	(312,429)
Health and welfare	113,612	138,512	89,069	49,443
Education	2,299,513	2,455,581	2,655,638	(200,057)
Parks, recreation, and cultural	577,634	590,134	684,881	(94,747)
Community development	299,197	299,197	336,383	(37,186)
Capital projects	265,000	1,811,400	2,330,409	(519,009)
Debt service:				
Principal retirement	1,043,715	1,043,715	934,391	109,324
Bond issuance costs	-	90,000	89,039	961
Interest and other fiscal charges	150,642	150,642	150,642	-
Total expenditures	$ 12,510,880	$ 15,782,759	$ 17,285,592	$ (1,502,833)
Excess (deficiency) of revenues over (under) expenditures	$ 225,000	$ (2,432,527)	$ (3,252,027)	$ (819,500)
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (325,000)	$ (475,000)	$ (725,000)	$ (250,000)
Issuances of leases	-	-	1,796,220	1,796,220
Issuance of bonds payable	-	1,505,000	1,250,000	(255,000)
Issuance of notes payable	-	-	253,000	253,000
Total other financing sources (uses)	$ (325,000)	$ 1,030,000	$ 2,574,220	$ 1,544,220
Net change in fund balances	$ (100,000)	$ (1,402,527)	$ (677,807)	$ 724,720
Fund balances - beginning, as previously reported	$ 100,000	$ 100,000	$ 3,694,057	3,594,057
Restatement	-	1,302,527	6,261	(1,296,266)
Fund balances - beginning, as restated	$ 100,000	$ 1,402,527	$ 3,700,318	$ 2,297,791
Fund balances - ending	$ -	$ -	$ 3,022,511	$ 3,022,511

Exhibit 13

City of Norton, Virginia
Virginia Public Assistance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Years Ended June 30, 2021 through June 30, 2025

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth	$ 738,500	$ 738,500	$ 1,016,696	$ 278,196
Federal	738,500	738,500	963,054	224,554
Total revenues	$ 1,477,000	$ 1,477,000	$ 1,979,750	$ 502,750
EXPENDITURES				
Current:				
Health and welfare	$ 1,852,000	$ 1,852,000	$ 2,597,387	$ (745,387)
Debt service:				
Principal retirement	-	-	3,584	(3,584)
Interest and other fiscal charges	-	-	23	(23)
Total expenditures	$ 1,852,000	$ 1,852,000	$ 2,600,994	$ (748,994)
Excess (deficiency) of revenues over (under) expenditures	$ (375,000)	$ (375,000)	$ (621,244)	$ (246,244)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 325,000	$ 325,000	$ 725,000	$ 400,000
Total other financing sources and uses	$ 325,000	$ 325,000	$ 725,000	$ 400,000
Net change in fund balances	$ (50,000)	$ (50,000)	$ 103,756	$ 153,756
Fund balances - beginning, as previously reported	$ 50,000	$ 50,000	$ 193,833	$ 143,833
Restatement	-	-	(75,258)	(75,258)
Fund balances - beginning, as restated	$ 50,000	$ 50,000	$ 118,575	$ 68,575
Fund balances - ending	$ -	$ -	$ 222,331	$ 222,331

City of Norton, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	$ 575,054	$ 521,899	$ 476,817	$ 414,806	$ 380,177	$ 358,254	$ 369,381	$ 371,245	$ 373,792	$ 358,130
Interest	1,490,482	1,435,103	1,388,267	1,268,651	1,215,091	1,203,575	1,169,169	1,154,900	1,087,779	1,045,595
Differences between expected and actual experience	816,684	3,347	(156,589)	27,128	42,691	(459,633)	(242,689)	(584,750)	226,076	(54,102)
Changes of assumptions	-	-	-	581,435	-	534,098	-	(36,556)	-	-
Benefit payments	(1,354,009)	(1,032,534)	(1,086,906)	(906,175)	(782,794)	(874,946)	(733,748)	(668,241)	(789,304)	(704,688)
Net change in total pension liability	$ 1,528,211	$ 927,815	$ 621,589	$ 1,385,845	$ 855,165	$ 761,348	$ 562,113	$ 236,598	$ 898,343	$ 644,935
Total pension liability - beginning	22,183,164	21,255,349	20,633,760	19,247,915	18,392,750	17,631,402	17,069,289	16,832,691	15,934,348	15,289,413
Total pension liability - ending (a)	$ 23,711,375	$ 22,183,164	$ 21,255,349	$ 20,633,760	$ 19,247,915	$ 18,392,750	$ 17,631,402	$ 17,069,289	$ 16,832,691	$ 15,934,348
Plan fiduciary net position										
Contributions - employer	$ 403,137	$ 370,373	$ 265,164	$ 250,084	$ 240,700	$ 231,118	$ 292,792	$ 291,335	$ 342,434	$ 350,650
Contributions - employee	224,684	205,165	189,321	177,724	168,996	162,026	158,958	158,036	159,362	163,425
Net investment income	2,177,386	1,398,910	(16,237)	4,894,887	344,251	1,148,328	1,215,065	1,812,550	255,995	661,092
Benefit payments	(1,354,009)	(1,032,534)	(1,086,906)	(906,175)	(782,794)	(874,946)	(733,748)	(668,241)	(789,304)	(704,688)
Administrator charges	(14,567)	(13,995)	(14,061)	(12,305)	(11,797)	(11,537)	(10,503)	(10,466)	(9,317)	(9,107)
Other	451	562	512	461	(407)	(722)	(1,082)	(1,614)	(109)	(141)
Net change in plan fiduciary net position	$ 1,437,082	$ 928,481	$ (662,207)	$ 4,404,676	$ (41,051)	$ 654,267	$ 921,482	$ 1,581,600	$ (40,939)	$ 461,231
Plan fiduciary net position - beginning	22,716,126	21,787,645	22,449,852	18,045,176	18,086,227	17,431,960	16,510,478	14,928,878	14,969,817	14,508,586
Plan fiduciary net position - ending (b)	$ 24,153,208	$ 22,716,126	$ 21,787,645	$ 22,449,852	$ 18,045,176	$ 18,086,227	$ 17,431,960	$ 16,510,478	$ 14,928,878	$ 14,969,817
City's net pension liability - ending (a) - (b)	$ (441,833)	$ (532,962)	$ (532,296)	$ (1,816,092)	$ 1,202,739	$ 306,523	$ 199,442	$ 558,811	$ 1,903,813	$ 964,531
Plan fiduciary net position as a percentage of the total pension liability	101.86%	102.40%	102.50%	108.80%	93.75%	98.33%	98.87%	96.73%	88.69%	93.95%
Covered payroll	$ 4,799,665	$ 4,345,561	$ 3,978,485	$ 3,681,822	$ 3,470,385	$ 3,321,537	$ 3,240,720	$ 3,307,908	$ 3,188,054	$ 3,141,999
City's net pension liability (asset) as a percentage of covered payroll	-9.21%	-12.26%	-13.38%	-49.33%	34.66%	9.23%	6.15%	16.89%	59.72%	30.70%

Exhibit 15

City of Norton, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	$ 39,976	$ 37,192	$ 27,197	$ 25,812	$ 23,949	$ 20,611	$ 23,095	$ 24,382	$ 26,225	$ 25,750
Interest	120,431	113,664	111,065	111,814	117,880	117,881	127,099	126,215	124,818	125,981
Differences between expected and actual experience	27,662	51,558	(4,986)	(123,347)	(130,843)	(13,492)	(173,190)	(14,830)	(3,385)	(42,696)
Changes of assumptions	-	-	-	49,653	-	41,046	-	(3,718)	-	-
Benefit payments	(104,224)	(105,670)	(103,868)	(100,576)	(101,152)	(106,206)	(111,185)	(127,660)	(127,735)	(123,556)
Net change in total pension liability	$ 83,845	$ 96,744	$ 29,408	$ (36,644)	$ (90,166)	$ 59,840	$ (134,181)	$ 4,389	$ 19,923	$ (14,521)
Total pension liability - beginning	1,796,295	1,699,551	1,670,143	1,706,787	1,796,953	1,737,113	1,871,294	1,866,905	1,846,982	1,861,503
Total pension liability - ending (a)	$ 1,880,140	$ 1,796,295	$ 1,699,551	$ 1,670,143	$ 1,706,787	$ 1,796,953	$ 1,737,113	$ 1,871,294	$ 1,866,905	$ 1,846,982
Plan fiduciary net position										
Contributions - employer	$ -	$ -	$ -	$ -	$ 498	$ 543	$ 4,214	$ 4,714	$ 17,138	$ 18,142
Contributions - employee	22,909	20,233	18,150	14,460	12,333	11,597	10,562	11,619	12,385	13,127
Net investment income	242,709	156,293	(1,476)	559,165	40,105	135,517	148,249	226,795	32,002	88,847
Benefit payments	(104,224)	(105,670)	(103,868)	(100,576)	(101,152)	(106,206)	(111,185)	(127,660)	(127,735)	(123,556)
Administrator charges	(1,668)	(1,593)	(1,603)	(1,437)	(1,418)	(1,409)	(1,334)	(1,389)	(1,277)	(1,292)
Other	48	60	58	52	(1,416)	(85)	(129)	(199)	(14)	(21)
Net change in plan fiduciary net position	$ 159,774	$ 69,323	$ (88,739)	$ 471,664	$ (51,050)	$ 39,957	$ 50,377	$ 113,880	$ (67,501)	$ (4,753)
Plan fiduciary net position - beginning	2,526,972	2,457,649	2,546,388	2,074,724	2,125,774	2,085,817	2,035,440	1,921,560	1,989,061	1,993,814
Plan fiduciary net position - ending (b)	$ 2,686,746	$ 2,526,972	$ 2,457,649	$ 2,546,388	$ 2,074,724	$ 2,125,774	$ 2,085,817	$ 2,035,440	$ 1,921,560	$ 1,989,061
School Division's net pension liability - ending (a) - (b)	$ (806,606)	$ (730,677)	$ (758,098)	$ (876,245)	$ (367,937)	$ (328,821)	$ (348,704)	$ (164,146)	$ (54,655)	$ (142,079)
Plan fiduciary net position as a percentage of the total pension liability	142.90%	140.68%	144.61%	152.47%	121.56%	118.30%	120.07%	108.77%	102.93%	107.69%
Covered payroll	$ 514,605	$ 454,094	$ 406,501	$ 311,855	$ 263,849	$ 241,479	$ 215,981	$ 228,781	$ 233,281	$ 262,533
School Division's net pension liability (asset) as a percentage of covered payroll	-156.74%	-160.91%	-186.49%	-280.98%	-139.45%	-136.17%	-161.45%	-71.75%	-23.43%	-54.12%

Exhibit 16

City of Norton, Virginia
Schedule of Employer's Proportionate Share of Net Pension Liability
For the Measurement Dates of June 30, 2015 through June 30, 2024

Actuarial Valuation Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Component Unit School Board (professional)					
2024	0.04742%	$ 4,451,284	5,021,561	88.64%	84.52%
2023	0.04981%	5,034,399	4,918,755	102.35%	82.45%
2022	0.04927%	4,690,799	4,563,176	102.80%	82.61%
2021	0.04472%	3,471,657	3,950,387	87.88%	85.46%
2020	0.04244%	6,176,134	3,710,600	166.45%	71.47%
2019	0.04203%	5,531,387	3,505,048	157.81%	73.51%
2018	0.04179%	5,218,000	3,571,615	146.10%	74.81%
2017	0.04792%	5,893,000	3,773,626	156.16%	72.92%
2016	0.04998%	7,004,000	3,807,613	183.95%	68.28%
2015	0.04765%	5,997,000	6,740,206	88.97%	70.68%

Exhibit 17

City of Norton, Virginia
Schedule of Employer Contributions-Pension
For the Years Ended June 30, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2025	$ 461,866	$ 461,866	$ -	$ 4,918,703	9.39%
2024	433,890	433,890	-	4,799,665	9.04%
2023	392,839	392,839	-	4,345,561	9.04%
2022	281,677	281,677	-	3,978,485	7.08%
2021	260,673	260,673	-	3,681,822	7.08%
2020	247,785	247,785	-	3,470,385	7.14%
2019	237,331	237,331	-	3,321,537	7.15%
2018	292,754	292,754	-	3,240,720	9.03%
2017	291,699	291,699	-	3,307,908	8.82%
2016	342,434	342,434	-	3,188,054	10.74%
Component Unit School Board (nonprofessional)					
2025	$ -	$ -	$ -	$ 546,476	0.00%
2024	-	-	-	514,605	0.00%
2023	-	-	-	454,094	0.00%
2022	-	-	-	406,501	0.00%
2021	-	-	-	311,855	0.00%
2020	739	739	-	263,849	0.28%
2019	2,190	2,190	-	241,479	0.91%
2018	4,246	4,246	-	215,981	1.97%
2017	4,714	4,714	-	228,781	2.06%
2016	16,791	16,791	-	233,281	7.20%
Component Unit School Board (professional)					
2025	$ 766,325	$ 766,325	$ -	$ 5,392,858	14.21%
2024	834,583	834,583	-	5,021,561	16.62%
2023	949,835	949,835	-	4,918,755	19.31%
2022	758,400	758,400	-	4,563,176	16.62%
2021	656,554	656,554	-	3,950,387	16.62%
2020	581,822	581,822	-	3,710,600	15.68%
2019	545,978	545,978	-	3,505,048	15.58%
2018	574,369	574,369	-	3,571,615	16.08%
2017	544,525	544,525	-	3,773,626	14.43%
2016	530,304	530,304	-	3,807,613	13.93%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

City of Norton, Virginia
Notes to Required Supplementary Information-Pension
For the Year Ended June 30, 2025

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1: set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Exhibit 19

City of Norton, Virginia
Schedule of Changes in Total Health Insurance OPEB Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2017 through June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	$ 4,487	$ 6,655	$ 5,587	$ 7,171	$ 51,713	$ 51,713	$ 51,713	$ 51,713
Interest	3,885	5,869	5,298	2,141	1,706	2,138	2,138	18,666
Changes in assumptions	(12,443)	(23,114)	4,189	(17,045)	2,118	36	36	(191)
Differences between expected and actual experience	-	(48,718)	-	68,553	31,129	(63,457)	(54,667)	(68,394)
Benefit payments	(655)	(266)	(9,601)	(7,891)	-	-	-	-
Net change in total OPEB liability	$ (4,726)	$ (59,574)	$ 5,473	$ 52,929	$ 86,666	$ (9,570)	$ (780)	$ 1,794
Total OPEB liability - beginning	94,711	154,285	148,812	95,883	9,217	18,787	19,567	17,773
Total OPEB liability - ending	$ 89,985	$ 94,711	$ 154,285	$ 148,812	$ 95,883	$ 9,217	$ 18,787	$ 19,567
Covered-employee payroll	$ 4,826,551	$ 4,826,551	$ 5,936,591	$ 5,936,591	$ 3,444,338	$ 3,278,705	$ 3,278,705	$ 3,240,720
City's total OPEB liability (asset) as a percentage of covered-employee payroll	1.86%	1.96%	2.60%	2.51%	2.78%	0.28%	0.57%	0.60%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Exhibit 20

City of Norton, Virginia
Schedule of Changes in Total Health Insurance OPEB Liability and Related Ratios
Component Unit - School Board
For the Years Ended June 30, 2017 through June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	$ 13,598	$ 20,189	$ 17,140	$ 24,623	$ 21,062	$ 16,662	$ 12,712	$ 13,303
Interest	13,818	11,146	11,010	7,783	8,165	11,576	15,262	17,099
Changes in assumptions	(42,696)	(47,870)	(8,505)	(63,346)	1,674	31,861	10,124	(7,872)
Differences between expected and actual experience	-	93,258	-	9,884	-	62,613	-	-
Benefit payments	(13,407)	(34,191)	(22,627)	(19,065)	(67,865)	(108,309)	(102,991)	(107,441)
Net change in total OPEB liability	$ (28,687)	$ 42,532	$ (2,982)	$ (40,121)	$ (36,964)	$ 14,403	$ (64,893)	$ (84,911)
Total OPEB liability - beginning	344,637	302,105	305,087	345,208	382,172	367,769	432,662	517,573
Total OPEB liability - ending	$ 315,950	$ 344,637	$ 302,105	$ 305,087	$ 345,208	$ 382,172	$ 367,769	$ 432,662
Covered-employee payroll	$ 5,579,161	$ 5,579,161	$ 4,966,062	$ 4,966,062	$ 4,071,821	$ 4,071,821	$ 3,863,551	$ 3,863,551
School's total OPEB liability (asset) as a percentage of covered-employee payroll	5.66%	6.18%	6.08%	6.14%	8.48%	9.39%	9.52%	11.20%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

City of Norton, Virginia
Notes to Required Supplementary Information
City and Component Unit School Board Health Insurance OPEB
For the Year Ended June 30, 2025

Primary Government

Valuation Date: 7/1/2023
Measurement Date: 6/30/2025

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	5.20%
Inflation	2.50%
Healthcare Trend Rate	6.20% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.90% in FY2072 and later years
Salary Increase Rates	Based on the most recently disclosed assumptions for the pension plan in which the employee participates
Retirement Age	The average age at retirement is 65
Mortality Rates	Pub-2010 Amount Weighted General/Disabled Employee Rates projected generationally with generational mortality improvement using 75% of scale MP-2020, and other adjustments

Component Unit School Board

Valuation Date: 7/1/2023
Measurement Date: 6/30/2025

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	5.20%
Inflation	2.50%
Healthcare Trend Rate	6.20% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.90% in FY2072 and later years
Salary Increase Rates	Based on the most recently disclosed assumptions for the pension plan in which the employee participates
Retirement Age	The average age at retirement is 65
Mortality Rates	Based on assumptions for Teachers published in the June 30, 2020 Virginia Retirement System actuarial valuation

City of Norton, Virginia
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2024

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2024	0.0185%	$ 206,780	$ 4,758,704	4.35%	73.41%
2023	0.0183%	219,834	4,317,037	5.09%	69.30%
2022	0.0183%	220,229	5,545,933	3.97%	67.21%
2021	0.0177%	205,610	5,616,028	3.66%	67.45%
2020	0.0167%	279,363	5,091,178	5.49%	52.64%
2019	0.0167%	272,079	4,920,951	5.53%	52.00%
2018	0.0169%	257,000	4,979,689	5.16%	51.22%
2017	0.0173%	260,000	6,067,708	4.28%	48.86%
Component Unit School Board (nonprofessional)					
2024	0.0020%	$ 22,318	$ 514,630	4.34%	73.41%
2023	0.0019%	23,147	454,074	5.10%	69.30%
2022	0.0187%	22,517	597,222	3.77%	67.21%
2021	0.0153%	17,813	556,852	3.20%	67.45%
2020	0.0128%	21,361	525,000	4.07%	52.64%
2019	0.0123%	20,015	491,538	4.07%	52.00%
2018	0.0113%	17,000	491,690	3.46%	51.22%
2017	0.0126%	19,000	507,791	3.74%	48.86%
Component Unit School Board (professional)					
2024	0.0196%	$ 218,274	$ 5,021,481	4.35%	73.41%
2023	0.0209%	250,417	4,918,704	5.09%	69.30%
2022	0.0210%	252,619	4,563,148	5.54%	67.21%
2021	0.0191%	222,725	3,950,370	5.64%	67.45%
2020	0.0180%	300,891	3,710,577	8.11%	52.64%
2019	0.0179%	290,656	3,505,000	8.29%	52.00%
2018	0.0188%	286,000	3,575,192	8.00%	51.22%
2017	0.0205%	308,000	3,459,375	8.90%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Exhibit 23

City of Norton, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2025	$ 23,121	$ 23,121	$ -	$ 4,919,292	0.47%
2024	25,697	25,697	-	4,758,704	0.54%
2023	23,312	23,312	-	4,317,037	0.54%
2022	29,910	29,910	-	5,545,933	0.54%
2021	29,203	29,203	-	5,616,028	0.52%
2020	26,473	26,473	-	5,091,178	0.52%
2019	25,670	25,670	-	4,920,951	0.52%
2018	25,871	25,871	-	4,979,689	0.52%
2017	29,152	29,152	-	6,067,708	0.48%
2016	28,651	28,651	-	5,968,958	0.48%
Component Unit School Board (nonprofessional)					
2025	$ 2,568	$ 2,568	$ -	$ 546,476	0.47%
2024	2,779	2,779	-	514,630	0.54%
2023	2,452	2,452	-	454,074	0.54%
2022	3,225	3,225	-	597,222	0.54%
2021	3,007	3,007	-	556,852	0.54%
2020	2,730	2,730	-	525,000	0.52%
2019	2,556	2,556	-	491,538	0.52%
2018	2,557	2,557	-	491,690	0.52%
2017	2,438	2,438	-	507,791	0.48%
2016	2,662	2,662	-	554,534	0.48%
Component Unit School Board (professional)					
2025	$ 25,346	$ 25,346	$ -	$ 5,392,766	0.47%
2024	27,116	27,116	-	5,021,481	0.54%
2023	26,561	26,561	-	4,918,704	0.54%
2022	24,641	24,641	-	4,563,148	0.54%
2021	21,332	21,332	-	3,950,370	0.54%
2020	19,295	19,295	-	3,710,577	0.52%
2019	18,226	18,226	-	3,505,000	0.52%
2018	18,591	18,591	-	3,575,192	0.52%
2017	16,605	16,605	-	3,459,375	0.48%
2016	15,129	15,129	-	3,151,875	0.48%

City of Norton, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2025

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Exhibit 25

City of Norton, Virginia
Schedule of Component Unit School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2017 through June 30, 2024

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2024	0.0469%	$ 541,652	$ 5,021,570	10.79%	21.82%
2023	0.0493%	597,592	4,918,755	12.15%	17.90%
2022	0.0490%	611,533	4,563,176	13.40%	15.08%
2021	0.0447%	573,370	3,950,387	14.51%	13.15%
2020	0.0423%	552,202	3,710,600	14.88%	9.95%
2019	0.0418%	547,072	3,505,048	15.61%	8.97%
2018	0.0441%	560,000	3,569,234	15.69%	8.08%
2017	0.0478%	607,000	3,773,992	16.08%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Exhibit 26

City of Norton, Virginia
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2018 through June 30, 2025

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	$ 65,254	$ 65,254	$ -	$ 5,392,858	1.21%
2024	60,761	60,761	-	5,021,570	1.21%
2023	59,517	59,517	-	4,918,755	1.21%
2022	55,214	55,214	-	4,563,176	1.21%
2021	47,800	47,800	-	3,950,387	1.21%
2020	44,527	44,527	-	3,710,600	1.20%
2019	42,061	42,061	-	3,505,048	1.20%
2018	43,889	43,889	-	3,569,234	1.23%

Schedule is intended to show information for 10 years. Information prior to 2018 is not available. However, additional years will be included as they become available.

City of Norton, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2025

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Exhibit 28

City of Norton, Virginia
Schedule of Changes in the Component Unit School Board's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2020 through June 30, 2024

	2024	2023	2022	2021	2020
Total HIC OPEB liability					
Service cost	$ 302	$ 295	$ 266	$ 398	$ -
Interest	1,529	2,022	1,975	1,811	-
Changes of benefit terms	-	-	-	-	26,829
Differences between expected and actual experience	315	(7,949)	(456)	-	-
Changes of assumptions	-	-	572	810	-
Benefit payments	(1,674)	(1,674)	(1,706)	-	-
Net change in total HIC OPEB liability	$ 472	$ (7,306)	$ 651	$ 3,019	$ 26,829
Total HIC OPEB liability - beginning	23,193	30,499	29,848	26,829	-
Total HIC OPEB liability - ending (a)	$ 23,665	$ 23,193	$ 30,499	$ 29,848	$ 26,829
Plan fiduciary net position					
Contributions - employer	$ -	$ -	$ -	$ -	$ -
Contributions - employee	4,786	4,223	3,781	2,900	-
Net investment income	975	441	(50)	401	-
Benefit payments	(1,674)	(1,674)	(1,706)	-	-
Administrator charges	(15)	(12)	(10)	(13)	-
Net change in plan fiduciary net position	$ 4,072	$ 2,978	$ 2,015	$ 3,288	$ -
Plan fiduciary net position - beginning	8,281	5,303	3,288	-	-
Plan fiduciary net position - ending (b)	$ 12,353	$ 8,281	$ 5,303	$ 3,288	$ -
School Division's net HIC OPEB liability - ending (a) - (b)	$ 11,312	$ 14,912	$ 25,196	$ 26,560	$ 26,829
Plan fiduciary net position as a percentage of the total HIC OPEB liability	52.20%	35.70%	17.39%	11.02%	0.00%
Covered payroll	$ 514,605	$ 454,094	$ 406,501	$ 311,855	$ -
School Division's net HIC OPEB liability (asset) as a percentage of covered payroll	2.20%	3.28%	6.20%	8.52%	0.00%

Schedule is intended to show information for 10 years. Information prior to the 2020 valuation is not available. However, additional years will be included as they become available.

Exhibit 29

City of Norton, Virginia
Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2021 through June 30, 2025

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	$ 5,082	$ 5,082	$ -	$ 546,476	0.93%
2024	4,786	4,786	-	514,605	0.93%
2023	4,223	4,223	-	454,094	0.93%
2022	3,780	3,780	-	406,501	0.93%
2021	2,900	2,900	-	311,855	0.93%

Schedule is intended to show information for 10 years. Information prior to 2021 is not available. However, additional years will be included as they become available.

City of Norton, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2025

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Exhibit 31

City of Norton, Virginia
Schedule of Employer's Share of Net LODA OPEB Liability
Line of Duty Act (LODA) Program
For the Years Ended June 30, 2017 through June 30, 2024

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered-Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2024	0.2230%	$ 877,627	$ 992,433	88.43%	1.22%
2023	0.1940%	777,584	1,093,172	71.13%	1.31%
2022	0.1849%	699,787	1,041,766	67.17%	1.87%
2021	0.1811%	798,415	927,331	86.10%	1.68%
2020	0.1883%	788,462	905,054	87.12%	1.02%
2019	0.1657%	594,329	906,426	65.57%	0.79%
2018	0.1918%	601,000	869,874	69.09%	0.60%
2017	0.1578%	415,000	858,463	48.34%	1.30%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Exhibit 32

City of Norton, Virginia
Schedule of Employer Contributions
Line of Duty Act (LODA) Program
For the Years Ended June 30, 2018 through June 30, 2025

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	$ 39,839	$ 39,839	$ -	$ 1,125,472	3.54%
2024	33,615	33,615	-	992,433	3.39%
2023	25,740	25,740	-	1,093,172	2.35%
2022	25,740	25,740	-	1,041,766	2.47%
2021	24,926	24,926	-	927,331	2.69%
2020	25,584	25,584	-	905,054	2.83%
2019	22,232	22,232	-	906,426	2.45%
2018	20,426	20,426	-	869,874	2.35%

Schedule is intended to show information for 10 years. Information prior to 2018 is not available. However, additional years will be included as they become available.

City of Norton, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2025

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Other Supplementary Information

City of Norton, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds			
	Revolving Loan Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	Total
ASSETS				
Cash and cash equivalents	$ 4,747	$ 203,718	$ 2,369	$ 210,834
Due from component unit	310,000	-	-	310,000
Total assets	$ 314,747	$ 203,718	$ 2,369	$ 520,834
LIABILITIES AND FUND BALANCES				
Fund balances:				
Committed	$ 314,747	$ 203,718	$ 2,369	$ 520,834
Total liabilities and fund balances	$ 314,747	$ 203,718	$ 2,369	$ 520,834

City of Norton, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds			
	Revolving Loan Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	Total
REVENUES				
Fines and forfeitures	$ -	$ 7,291	$ -	$ 7,291
Revenue from the use of money and property	22	-	-	22
Intergovernmental revenues:				
Federal	-	53,642	-	53,642
Total revenues	$ 22	$ 60,933	$ -	$ 60,955
EXPENDITURES				
Current:				
Public safety	$ -	$ 37,332	$ -	$ 37,332
Total expenditures	$ -	$ 37,332	$ -	$ 37,332
Excess (deficiency) of revenues over (under) expenditures	$ 22	$ 23,601	$ -	$ 23,623
Net change in fund balances	$ 22	$ 23,601	$ -	$ 23,623
Fund balances - beginning	314,725	180,117	2,369	497,211
Fund balances - ending	$ 314,747	$ 203,718	$ 2,369	$ 520,834

City of Norton, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2025

	Revolving Loan Fund				Drug and Gambling Fund				Flag Rock Lighting Fund			
	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES												
Fines and forfeitures	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,291	$ 7,291	$ -	$ -	$ -	$ -
Revenue from the use of money and property	-	-	22	22	-	-	-	-	-	-	-	-
Intergovernmental revenues:												
Federal	-	-	-	-	-	-	53,642	53,642	-	-	-	-
Total revenues	$ -	$ -	$ 22	$ 22	$ -	$ -	$ 60,933	$ 60,933	$ -	$ -	$ -	$ -
EXPENDITURES												
Current:												
Public safety	$ -	$ -	$ -	$ -	$ -	$ -	$ 37,332	$ (37,332)	$ -	$ -	$ -	$ -
Total expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ 37,332	$ (37,332)	$ -	$ -	$ -	$ -
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ 22	$ 22	$ -	$ -	$ 23,601	$ 23,601	$ -	$ -	$ -	$ -
Net change in fund balances	$ -	$ -	$ 22	$ 22	$ -	$ -	$ 23,601	$ 23,601	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	314,725	314,725	-	-	180,117	180,117	-	-	2,369	2,369
Fund balances - ending	$ -	$ -	$ 314,747	$ 314,747	$ -	$ -	$ 203,718	$ 203,718	$ -	$ -	$ 2,369	$ 2,369

City of Norton, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2025

	School Operating Fund	School Activity Fund*	School Cafeteria Fund	School Textbook Fund	Non-Major School Retiree Health Fund	School Capital Project Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 581,735	$ -	$ -	$ -	$ 13,528	$ 143,994	$ 739,257
Cash in custody of others	-	481,993	-	-	-	-	481,993
Receivables (net of allowance for uncollectibles):							
Accounts receivable	47,663	-	-	-	-	-	47,663
Due from primary government	3,056,514	-	-	124,512	-	145,384	3,326,410
Due from other governmental units	256,838	-	4,865	-	-	-	261,703
Prepaid items	160,136	-	-	-	-	-	160,136
Restricted assets:							
Cash and cash equivalents	-	-	203,034	212,815	-	-	415,849
Total assets	$ 4,102,886	$ 481,993	$ 207,899	$ 337,327	$ 13,528	$ 289,378	$ 5,433,011
LIABILITIES							
Accounts payable	$ 147,579	$ 19,645	$ 3,266	$ -	$ -	$ -	$ 170,490
Construction and retainage payable	71,623	-	-	-	-	142,115	213,738
Wages and withholdings payable	488,306	-	16,843	-	-	-	505,149
Due to primary government	-	-	7,164	-	-	-	7,164
Total liabilities	$ 707,508	$ 19,645	$ 27,273	$ -	$ -	$ 142,115	$ 896,541
FUND BALANCES							
Nonspendable:							
Prepaid and inventory	$ 160,136	$ -	$ -	$ -	$ -	$ -	$ 160,136
Restricted:							
School cafeterias	-	-	180,626	-	-	-	180,626
School textbook funds	-	-	-	337,327	-	-	337,327
Committed:							
Retiree health insurance	-	-	-	-	13,528	-	13,528
Capital projects and items	1,845,358	-	-	-	-	147,263	1,992,621
Unassigned	1,389,884	462,348	-	-	-	-	1,852,232
Total fund balances	$ 3,395,378	$ 462,348	$ 180,626	$ 337,327	$ 13,528	$ 147,263	$ 4,536,470
Total liabilities and fund balances	$ 4,102,886	$ 481,993	$ 207,899	$ 337,327	$ 13,528	$ 289,378	$ 5,433,011

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above		$ 4,536,470
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets:		
Capital assets not being depreciated/amortized	$ 1,116,624	
Capital assets being depreciated/amortized	23,168,338	
Accumulated depreciation/amortization	(10,152,175)	14,132,787
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Net pension asset		806,606
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 1,938,498	
OPEB related items	312,176	2,250,674
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Lease liabilities	$ (24,738)	
Subscription liabilities	(13,335)	
Compensated absences	(1,330,710)	
Total OPEB liability	(315,950)	
Net OPEB liabilities	(793,556)	
Net pension liability	(4,451,284)	(6,929,573)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (966,457)	
OPEB related items	(228,103)	(1,194,560)
Net position (deficit) of governmental activities		$ 13,602,404

*The School Activity Fund does not require a legally adopted budget.

City of Norton, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2025

	School Operating Fund	School Activity Fund*	School Cafeteria Fund	School Textbook Fund	Nonmajor School Retiree Health Fund	School Capital Project Fund	Total Governmental Funds
REVENUES							
Revenue from the use of money and property	$ -	$ -	$ -	$ 2,118	$ 100	$ 10,129	$ 12,347
Charges for services	-	519,032	11,191	-	-	-	530,223
Miscellaneous	244,214	-	-	-	-	-	244,214
Recovered costs	-	-	1,948	-	40,948	-	42,896
Intergovernmental	13,724,367	-	813,509	29,356	-	-	14,567,232
Total revenues	$ 13,968,581	$ 519,032	826,648	31,474	41,048	10,129	$ 15,396,912
EXPENDITURES							
Current:							
Education	$ 12,356,766	$ 554,766	$ 886,175	$ -	$ 38,856	$ -	$ 13,836,563
Capital projects	-	-	-	-	-	539,515	539,515
Debt service:							
Principal retirement	81,691	-	-	-	-	-	81,691
Interest and other fiscal charges	743	-	-	-	-	-	743
Total expenditures	$ 12,439,200	$ 554,766	$ 886,175	$ -	$ 38,856	$ 539,515	$ 14,458,512
Excess (deficiency) of revenues over (under) expenditures	$ 1,529,381	$ (35,734)	$ (59,527)	$ 31,474	$ 2,192	$ (529,386)	$ 938,400
OTHER FINANCING SOURCES (USES)							
Transfers in	$ -	$ 90,354	$ 3,997	$ 13,477	$ -	$ -	$ 107,828
Transfers out	(76,919)	(28,235)	-	-	(2,674)	-	(107,828)
Issuance of subscription liability	48,173	-	-	-	-	-	48,173
Total other financing sources and uses	$ (28,746)	$ 62,119	$ 3,997	$ 13,477	$ (2,674)	$ -	$ 48,173
Net change in fund balances	$ 1,500,635	$ 26,385	(55,530)	44,951	(482)	(529,386)	$ 986,573
Fund balances - beginning, as previously reported	$ 1,720,393	$ 427,118	$ 236,156	$ 292,376	$ 14,010	$ 676,649	$ 3,366,702
Restatement	174,350	8,845	-	-	-	-	183,195
Fund balances - beginning, as restated	$ 1,894,743	$ 435,963	$ 236,156	$ 292,376	$ 14,010	$ 676,649	$ 3,549,897
Fund balances - ending	$ 3,395,378	$ 462,348	$ 180,626	$ 337,327	$ 13,528	$ 147,263	$ 4,536,470

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above		$ 986,573
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the details of items supporting this adjustment:		
Capital outlays	$ 2,099,986	
Depreciation expense	(1,001,895)	1,098,091
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net position.		(23,610)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued or incurred:		
Issuance of subscription liability	$ (48,173)	
Principal repayments:		
Subscription liabilities	62,425	
Lease liabilities	18,278	32,530
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	$ (183,941)	
Change in OPEB related items	123,632	
Change in pension related items	203,375	143,066
Change in net position of governmental activities		$ 2,236,650

*The School Activity Fund does not require a legally adopted budget.

City of Norton, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2025

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Revenue from the use of money and property	$ -	$ -	$ -	$ -	$ 15	$ 15	$ -	$ (15)
Charges for services	-	-	-	-	10,300	10,300	11,191	891
Miscellaneous	200,904	200,781	244,214	43,433	-	-	-	-
Recovered costs	-	-	-	-	2,000	2,000	1,948	(52)
Intergovernmental	11,268,846	13,722,771	13,724,367	1,596	627,926	627,926	813,509	185,583
Total revenues	$ 11,469,750	$ 13,923,552	$ 13,968,581	$ 45,029	$ 640,241	$ 640,241	$ 826,648	$ 186,407
EXPENDITURES								
Current:								
Education	$ 11,469,750	$ 13,923,552	$ 12,356,766	$ 1,566,786	$ 825,200	$ 825,200	$ 886,175	$ (60,975)
Capital projects	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	81,691	(81,691)	-	-	-	-
Interest and other fiscal charges	-	-	743	(743)	-	-	-	-
Total expenditures	$ 11,469,750	$ 13,923,552	$ 12,439,200	$ 1,484,352	$ 825,200	$ 825,200	$ 886,175	$ (60,975)
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ 1,529,381	$ 1,529,381	$ (184,959)	$ (184,959)	$ (59,527)	$ 125,432
OTHER FINANCING SOURCES (USES)								
Transfers in	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,997	$ 3,997
Transfers out	-	-	(76,919)	(76,919)	-	-	-	-
Issuance of subscription liability	-	-	48,173	48,173	-	-	-	-
Total other financing sources (uses)	$ -	$ -	$ (28,746)	$ (28,746)	$ -	$ -	$ 3,997	$ 3,997
Net change in fund balances	$ -	$ -	$ 1,500,635	$ 1,500,635	$ (184,959)	$ (184,959)	$ (55,530)	$ 129,429
Fund balances - beginning, as previously reported	$ -	$ -	$ 1,720,393	$ 1,720,393	$ 184,959	$ 184,959	$ 236,156	$ 51,197
Restatement	-	-	174,350	174,350	-	-	-	-
Fund balances - beginning, as restated	$ -	$ -	$ 1,894,743	$ 1,894,743	$ 184,959	$ 184,959	$ 236,156	$ 51,197
Fund balances - ending	$ -	$ -	$ 3,395,378	$ 3,395,378	$ -	$ -	$ 180,626	$ 180,626

City of Norton, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2025

	School Textbook Fund				School Capital Projects Fund			
	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Revenue from the use of money and property	$ 240	$ 240	$ 2,118	$ 1,878	$ 10,000	$ 10,000	$ 10,129	$ 129
Charges for services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Recovered costs	-	-	-	-	-	-	-	-
Intergovernmental	121,707	121,707	29,356	(92,351)	-	-	-	-
Total revenues	121,947	121,947	31,474	(90,473)	10,000	10,000	10,129	129
EXPENDITURES								
Current:								
Education	$ 10,000	$ 10,000	$ -	$ 10,000	$ -	$ -	$ -	$ -
Capital projects	-	-	-	-	-	348,726	539,515	(190,789)
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	$ 10,000	$ 10,000	$ -	$ 10,000	$ -	$ 348,726	$ 539,515	$ (190,789)
Excess (deficiency) of revenues over (under) expenditures	$ 111,947	$ 111,947	$ 31,474	$ (80,473)	$ 10,000	$ (338,726)	$ (529,386)	$ (190,660)
OTHER FINANCING SOURCES (USES)								
Transfers in	$ -	$ -	$ 13,477	$ 13,477	$ -	$ -	$ -	$ -
Transfers out	-	-	-	-	-	-	-	-
Issuance of subscription liability	-	-	-	-	-	-	-	-
Total other financing sources (uses)	$ -	$ -	$ 13,477	$ 13,477	$ -	$ -	$ -	$ -
Net change in fund balances	$ 111,947	$ 111,947	$ 44,951	$ (66,996)	$ 10,000	$ (338,726)	$ (529,386)	$ (190,660)
Fund balances - beginning, as previously reported	$ (111,947)	$ (111,947)	$ 292,376	$ 404,323	$ (10,000)	$ 338,726	$ 676,649	$ 337,923
Restatement	-	-	-	-	-	-	-	-
Fund balances - beginning, as restated	$ (111,947)	$ (111,947)	$ 292,376	$ 404,323	$ (10,000)	$ 338,726	$ 676,649	$ 337,923
Fund balances - ending	$ -	$ -	$ 337,327	$ 337,327	$ -	$ -	$ 147,263	$ 147,263

City of Norton, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 2,365,000	$ 2,365,000	$ 2,209,200	$ (155,800)
Real and personal public service corporation taxes	350,000	350,000	358,390	8,390
Personal property taxes	389,000	389,000	432,378	43,378
Machinery and tools taxes	107,500	107,500	98,879	(8,621)
Penalties	50,000	50,000	49,434	(566)
Interest	30,000	30,000	32,053	2,053
Total general property taxes	$ 3,291,500	$ 3,291,500	$ 3,180,334	$ (111,166)
Other local taxes:				
Local sales and use taxes	$ 2,150,000	$ 2,150,000	$ 2,334,903	$ 184,903
Consumers' utility taxes	125,000	125,000	123,073	(1,927)
Coal road taxes	30,000	30,000	13,429	(16,571)
Business license taxes	853,000	853,000	826,035	(26,965)
Motor vehicle licenses	80,000	80,000	80,254	254
Bank stock taxes	40,000	40,000	87,441	47,441
Hotel and motel room taxes	150,000	150,000	225,085	75,085
Restaurant food taxes	1,850,000	1,850,000	1,956,485	106,485
Cigarette taxes	160,000	160,000	131,835	(28,165)
Taxes on recordation and wills	20,000	20,000	20,735	735
Total other local taxes	$ 5,458,000	$ 5,458,000	$ 5,799,275	$ 341,275
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 500	$ 500	$ 354	$ (146)
Building permits and other licenses	8,280	8,280	5,739	(2,541)
Total permits, privilege fees, and regulatory licenses	$ 8,780	$ 8,780	$ 6,093	$ (2,687)
Fines and forfeitures:				
Court fines and forfeitures	$ 20,000	$ 20,000	$ 1,388	$ (18,612)
Parking fines	500	500	90	(410)
Total fines and forfeitures	$ 20,500	$ 20,500	$ 1,478	$ (19,022)
Revenue from use of money and property:				
Revenue from use of money	$ 50,000	$ 50,000	$ 173,807	$ 123,807
Revenue from use of property	12,500	12,500	19,805	7,305
Total revenue from use of money and property	$ 62,500	$ 62,500	$ 193,612	$ 131,112
Charges for services:				
Charges for sanitation and waste removal	$ 396,500	$ 396,500	$ 399,077	$ 2,577
Charges for parks and recreation	7,000	17,000	20,047	3,047
Total charges for services	$ 403,500	$ 413,500	$ 419,124	$ 5,624

City of Norton, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	$ 47,250	$ 64,750	$ 117,277	$ 52,527
Sale of surplus	6,000	6,000	25,555	19,555
Miscellaneous - fire department	50,000	50,000	55,312	5,312
Opioid settlement	-	-	21,002	21,002
Total miscellaneous	$ 103,250	$ 120,750	$ 219,146	$ 98,396
Recovered costs:				
Other recovered costs	$ 123,950	$ 148,950	$ 61,511	$ (87,439)
Total recovered costs	$ 123,950	$ 148,950	$ 61,511	$ (87,439)
Total revenue from local sources	$ 9,471,980	$ 9,524,480	$ 9,880,573	$ 356,093
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications sales and use taxes	$ 150,000	$ 150,000	$ 136,980	$ (13,020)
Mobile home titling tax	5,000	5,000	435	(4,565)
Rolling stock tax	70,000	70,000	100,347	30,347
Personal property tax relief funds	206,400	206,400	206,422	22
Casino tax	685,000	685,000	941,860	256,860
Total noncategorical aid	$ 1,116,400	$ 1,116,400	$ 1,386,044	$ 269,644
Categorical aid:				
Shared expenses:				
Commissioner of the revenue	$ 105,000	$ 105,000	$ 104,888	$ (112)
Treasurer	105,000	105,000	103,932	(1,068)
Sheriff	231,000	231,000	220,549	(10,451)
Registrar/electoral board	62,000	62,000	63,991	1,991
Total shared expenses	$ 503,000	$ 503,000	$ 493,360	$ (9,640)
Other categorical aid:				
School resource officer grants	$ -	$ 125,000	$ 233,172	$ 108,172
Health and welfare - operating grants	-	24,900	3,944	(20,956)
E911 grants	55,000	55,000	53,530	(1,470)
Police grants	265,000	265,000	292,912	27,912
Fire program grant	30,000	42,000	41,654	(346)
Highway maintenance grant	1,100,000	1,100,000	1,184,871	84,871
Litter grant	5,000	11,000	11,033	33
Total other categorical aid	$ 1,455,000	$ 1,622,900	$ 1,821,116	$ 198,216
Total categorical aid	$ 1,958,000	$ 2,125,900	$ 2,314,476	$ 188,576
Total revenue from the Commonwealth	$ 3,074,400	$ 3,242,300	$ 3,700,520	$ 458,220

City of Norton, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	$ 25,000	$ 25,000	$ 38,709	$ 13,709
Categorical aid:				
Public safety - operating grants	$ 164,500	$ 204,500	$ 51,419	$ (153,081)
Public works - capital grants	-	178,000	201,392	23,392
Community development - capital grants	-	175,952	160,952	(15,000)
Total categorical aid	$ 164,500	$ 558,452	$ 413,763	$ (144,689)
Total revenue from the federal government	$ 189,500	$ 583,452	$ 452,472	$ (130,980)
Total General Fund	$ 12,735,880	$ 13,350,232	$ 14,033,565	$ 683,333
Major Special Revenue Fund:				
Virginia Public Assistance Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	$ 604,500	$ 604,500	$ 561,632	$ (42,868)
Comprehensive Services Act program	134,000	134,000	455,064	321,064
Total categorical aid	$ 738,500	$ 738,500	$ 1,016,696	$ 278,196
Total revenue from the Commonwealth	$ 738,500	$ 738,500	$ 1,016,696	$ 278,196
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	$ 738,500	$ 738,500	$ 963,054	$ 224,554
Total revenue from the federal government	$ 738,500	$ 738,500	$ 963,054	$ 224,554
Total Virginia Public Assistance Fund	$ 1,477,000	$ 1,477,000	$ 1,979,750	$ 502,750
Nonmajor Special Revenue Funds:				
Revolving Loan Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 22	$ 22
Total revenue from use of money and property	$ -	$ -	$ 22	$ 22
Total revenue from local sources	$ -	$ -	$ 22	$ 22
Total Revolving Loan Fund	$ -	$ -	$ 22	$ 22

City of Norton, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Nonmajor Special Revenue Funds: (Continued)				
Drug and Gambling Fund:				
Revenue from local sources:				
Fines and forfeitures:				
Asset forfeitures	$ -	$ -	$ 7,291	$ 7,291
Total revenue from local sources	$ -	$ -	$ 7,291	$ 7,291
Revenue from the federal government:				
Categorical aid:				
Asset forfeitures	$ -	$ -	$ 53,642	$ 53,642
Total revenue from the federal government	$ -	$ -	$ 53,642	$ 53,642
Total Drug and Gambling Fund	$ -	$ -	$ 60,933	$ 60,933
Total Primary Government	$ 14,212,880	$ 14,827,232	$ 16,074,270	$ 1,247,038
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous:				
E-rate	$ 35,000	$ 35,000	$ -	$ (35,000)
Medicaid payments	35,000	35,000	45,110	10,110
Other miscellaneous	130,904	130,781	199,104	68,323
Total miscellaneous	$ 200,904	$ 200,781	$ 244,214	$ 43,433
Total revenue from local sources	$ 200,904	$ 200,781	$ 244,214	$ 43,433
Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Norton, Virginia	$ 2,262,595	$ 2,606,621	$ 2,618,720	$ 12,099
Total revenues from local governments	$ 2,262,595	$ 2,606,621	$ 2,618,720	$ 12,099

City of Norton, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 856,721	$ 878,525	$ 860,331	$ (18,194)
Basic school aid	4,023,976	4,296,087	4,184,284	(111,803)
Textbook payments	-	-	98,092	98,092
At risk payments	565,923	1,288,099	1,416,442	128,343
State funded teacher benefits	769,302	814,620	774,252	(40,368)
Special education SOQ	431,939	458,793	458,793	-
Other state operating funding	1,730,639	2,342,499	2,230,982	(111,517)
Total categorical aid	$ 8,378,500	$ 10,078,623	$ 10,023,176	$ (55,447)
Total revenue from the Commonwealth	$ 8,378,500	$ 10,078,623	$ 10,023,176	$ (55,447)
Revenue from the federal government:				
Categorical aid:				
Title I	$ 337,700	$ 337,700	$ 367,852	$ 30,152
Title VI-B, Special education	209,057	209,057	225,861	16,804
Vocational education	20,316	20,316	18,996	(1,320)
ESSER and ARPA funding	-	409,776	434,595	24,819
Other federal operating programs	60,678	60,678	35,167	(25,511)
Total categorical aid	$ 627,751	$ 1,037,527	$ 1,082,471	$ 44,944
Total revenue from the federal government	$ 627,751	$ 1,037,527	$ 1,082,471	$ 44,944
Total School Operating Fund	$ 11,469,750	$ 13,923,552	$ 13,968,581	$ 45,029
Major Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 15	$ 15	$ -	$ (15)
Charges for services:				
Cafeteria sales	$ 10,300	$ 10,300	$ 11,191	$ 891
Recovered costs:				
Other recovered costs	$ 2,000	$ 2,000	$ 1,948	$ (52)
Total revenue from local sources	$ 12,315	$ 12,315	$ 13,139	$ 824
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	$ 26,326	$ 26,326	$ 22,230	$ (4,096)
Total revenue from the Commonwealth	$ 26,326	$ 26,326	$ 22,230	$ (4,096)

City of Norton, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Major Special Revenue Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	$ 601,600	$ 601,600	$ 791,279	$ 189,679
Total revenue from the federal government	$ 601,600	$ 601,600	$ 791,279	$ 189,679
Total School Cafeteria Fund	$ 640,241	$ 640,241	$ 826,648	$ 186,407
School Textbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 240	$ 240	$ 2,118	$ 1,878
Total revenue from local sources	$ 240	$ 240	$ 2,118	$ 1,878
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from City of Norton, Virginia	$ 29,356	$ 29,356	$ 29,356	$ -
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payments	$ 92,351	$ 92,351	$ -	$ (92,351)
Total revenue from the Commonwealth	$ 92,351	$ 92,351	$ -	$ (92,351)
Total School Textbook Fund	$ 121,947	$ 121,947	$ 31,474	$ (90,473)
Capital Projects Fund:				
School Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 10,000	$ 10,000	$ 10,129	$ 129
Total revenue from local sources	$ 10,000	$ 10,000	$ 10,129	$ 129
Total School Capital Improvements Fund	$ 10,000	$ 10,000	$ 10,129	$ 129

City of Norton, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Function, Activity and Element		Original Budget		Final Budget		Actual		Variance with Final Budget - Positive (Negative)
General Fund:								
General government administration:								
Legislative:								
Mayor and Council	$	55,897	$	55,897	$	55,914	$	(17)
Total legislative	$	55,897	$	55,897	$	55,914	$	(17)
General and financial administration:								
City manager	$	211,200	$	211,200	$	203,215	$	7,985
City attorney		55,000		125,000		131,986		(6,986)
Financial auditor		40,000		40,000		67,500		(27,500)
Commissioner of revenue		191,550		236,550		236,276		274
Assessor		20,000		20,000		-		20,000
Treasurer		210,000		210,000		202,969		7,031
Office personnel		145,800		145,800		187,351		(41,551)
Finance department		279,550		279,550		318,156		(38,606)
Automotive motor pool		190,400		190,400		258,969		(68,569)
Data processing		95,000		215,000		177,259		37,741
Total general and financial administration	$	1,438,500	$	1,673,500	$	1,783,681	$	(110,181)
Board of elections:								
Electoral Board	$	20,700	$	20,700	$	23,331	$	(2,631)
Registrar		129,900		129,900		120,567		9,333
Total board of elections	$	150,600	$	150,600	$	143,898	$	6,702
Total general government administration	$	1,644,997	$	1,879,997	$	1,983,493	$	(103,496)
Judicial administration:								
Courts:								
Circuit court	$	60,000	$	60,000	$	138,661	$	(78,661)
General district court		1,500		1,500		6,095		(4,595)
Clerk of court		40,000		40,000		47,226		(7,226)
Shared services		345,030		345,030		390,770		(45,740)
Total courts	$	446,530	$	446,530	$	582,752	$	(136,222)
Commonwealth's attorney:								
Commonwealth's attorney	$	37,500	$	37,500	$	63,444	$	(25,944)
Total commonwealth's attorney	$	37,500	$	37,500	$	63,444	$	(25,944)
Total judicial administration	$	484,030	$	484,030	$	646,196	$	(162,166)
Public safety:								
Law enforcement and traffic control:								
Police department	$	2,392,350	$	3,014,231	$	2,949,959	$	64,272
Traffic control		32,500		32,500		7,955		24,545
Total law enforcement and traffic control	$	2,424,850	$	3,046,731	$	2,957,914	$	88,817

City of Norton, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire programs	$ 285,350	$ 434,912	$ 436,098	$ (1,186)
Ambulance and rescue services	57,100	77,100	95,995	(18,895)
Total fire and rescue services	$ 342,450	$ 512,012	$ 532,093	$ (20,081)
Correction and detention:				
Juvenile detention	$ 143,240	$ 143,240	$ 143,240	$ -
Regional jail	225,700	225,700	500,717	(275,017)
Total correction and detention	$ 368,940	$ 368,940	$ 643,957	$ (275,017)
Other protection:				
Animal control	$ 69,200	$ 69,200	$ 86,520	$ (17,320)
Medical examiner	500	500	-	500
Building inspector	151,600	151,600	161,970	(10,370)
Total other protection	$ 221,300	$ 221,300	$ 248,490	$ (27,190)
Total public safety	$ 3,357,540	$ 4,148,983	$ 4,382,454	$ (233,471)
Public works:				
Maintenance of highways, streets and bridges:				
Highways, streets, bridges and sidewalks	$ 1,224,600	$ 1,623,350	$ 1,731,123	$ (107,773)
Street lighting	125,000	125,000	138,563	(13,563)
Snow removal	45,000	45,000	92,453	(47,453)
Total maintenance of highways, streets and bridges	$ 1,394,600	$ 1,793,350	$ 1,962,139	$ (168,789)
Sanitation and waste removal:				
Refuse collection	$ 427,600	$ 433,600	$ 524,259	$ (90,659)
Refuse disposal	175,000	175,000	165,118	9,882
Total sanitation and waste removal	$ 602,600	$ 608,600	$ 689,377	$ (80,777)
Maintenance of general buildings and grounds:				
Building and property maintenance	$ 247,800	$ 258,618	$ 301,365	$ (42,747)
Public works administration	30,000	30,000	50,116	(20,116)
Total maintenance of general buildings and grounds	$ 277,800	$ 288,618	$ 351,481	$ (62,863)
Total public works	$ 2,275,000	$ 2,690,568	$ 3,002,997	$ (312,429)
Health and welfare:				
Health:				
Supplement of local health department	$ 64,846	$ 64,846	$ 37,624	$ 27,222
Total health	$ 64,846	$ 64,846	$ 37,624	$ 27,222

City of Norton, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Function, Activity and Element		Original Budget		Final Budget		Actual		Variance with Final Budget - Positive (Negative)
General Fund: (Continued)								
Health and welfare: (Continued)								
Mental health and mental retardation:								
Mental health contribution	$	37,266	$	37,266	$	37,266	$	-
Total mental health and mental retardation	$	37,266	$	37,266	$	37,266	$	-
Welfare:								
Opioid abatement programs	$	-	$	24,900	$	2,679	$	22,221
Contributions to welfare agencies		11,500		11,500		11,500		-
Total welfare	$	11,500	$	36,400	$	14,179	$	22,221
Total health and welfare	$	113,612	$	138,512	$	89,069	$	49,443
Education:								
Other instructional costs:								
Contributions to Community Colleges	$	7,562	$	7,562	$	7,562	$	-
Contribution to the City School Board		2,291,951		2,448,019		2,648,076		(200,057)
Total instructional costs	$	2,299,513	$	2,455,581	$	2,655,638	$	(200,057)
Total education	$	2,299,513	$	2,455,581	$	2,655,638	$	(200,057)
Parks, recreation, and cultural:								
Parks and recreation:								
Parks	$	334,100	$	336,600	$	391,672	$	(55,072)
Recreation		203,249		213,249		255,478		(42,229)
Farmer's Market		10,000		10,000		7,446		2,554
Total parks and recreation	$	547,349	$	559,849	$	654,596	$	(94,747)
Library:								
Regional library	$	30,285	$	30,285	$	30,285	$	-
Total library	$	30,285	$	30,285	$	30,285	$	-
Total parks, recreation, and cultural	$	577,634	$	590,134	$	684,881	$	(94,747)
Community development:								
Planning and community development:								
Planning and development	$	169,700	$	169,700	$	198,667	$	(28,967)
Tourism		10,379		10,379		20,848		(10,469)
Contributions to Lenowisco		8,123		8,123		8,123		-
Contributions to Lonesome Pine Airport		2,645		2,645		2,645		-
Contributions to IDA		100,000		100,000		100,000		-
Other contributions		8,350		8,350		6,100		2,250
Total planning and community development	$	299,197	$	299,197	$	336,383	$	(37,186)
Total community development	$	299,197	$	299,197	$	336,383	$	(37,186)

City of Norton, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Capital projects:				
Police building lease	$ -	$ -	$ 1,796,220	$ (1,796,220)
Tennis court improvements	-	-	239,284	(239,284)
Destination Center project	85,000	85,000	175,257	(90,257)
Other capital projects	180,000	1,726,400	119,648	1,606,752
Total capital projects	$ 265,000	$ 1,811,400	$ 2,330,409	$ (519,009)
Debt service:				
Principal retirement	$ 1,043,715	$ 1,043,715	$ 934,391	$ 109,324
Bond issuance costs	-	90,000	89,039	961
Interest and other fiscal charges	150,642	150,642	150,642	-
Total debt service	$ 1,194,357	$ 1,284,357	$ 1,174,072	$ 110,285
Total General Fund	$ 12,510,880	$ 15,782,759	$ 17,285,592	$ (1,502,833)
Major Special Revenue Fund:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	$ 1,632,000	$ 1,632,000	$ 1,934,534	$ (302,534)
Comprehensive services	220,000	220,000	662,853	(442,853)
Total welfare and social services	$ 1,852,000	$ 1,852,000	$ 2,597,387	$ (745,387)
Debt service:				
Principal retirement	$ -	$ -	$ 3,584	$ (3,584)
Interest and other fiscal charges	-	-	23	(23)
Total debt service	$ -	$ 90,000	$ 3,607	$ 86,393
Total Virginia Public Assistance Fund	$ 1,852,000	$ 1,942,000	$ 2,600,994	$ (658,994)
Nonmajor Special Revenue Funds:				
Drug and Gambling Fund:				
Public safety:				
Law enforcement and traffic control:				
Police department	$ -	$ -	$ 37,332	$ (37,332)
Total law enforcement and traffic control	$ -	$ -	$ 37,332	$ (37,332)
Total Drug and Gambling Fund	$ -	$ -	$ 37,332	$ (37,332)
Total Primary Government	$ 14,362,880	$ 17,724,759	$ 19,923,918	$ (2,199,159)

City of Norton, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	$ 1,004,776	$ 1,004,776	$ 944,961	$ 59,815
Total administration of schools	$ 1,004,776	$ 1,004,776	$ 944,961	$ 59,815
Instruction costs:				
Instructional costs	$ 8,413,035	$ 9,915,047	$ 8,537,818	$ 1,377,229
Total instruction costs	$ 8,413,035	$ 9,915,047	$ 8,537,818	$ 1,377,229
Operating costs:				
Pupil transportation	$ 514,782	$ 834,782	$ 355,895	$ 478,887
Operation and maintenance of school plant	1,027,818	1,377,818	1,664,468	(286,650)
Technology	509,339	791,129	853,624	(62,495)
Total operating costs	$ 2,051,939	$ 3,003,729	$ 2,873,987	$ 129,742
Debt service:				
Principal retirement	$ -	$ -	$ 81,691	$ (81,691)
Interest and other fiscal charges	-	-	743	(743)
Total debt service	$ -	$ -	$ 82,434	$ (82,434)
Total School Operating Fund	$ 11,469,750	$ 13,923,552	$ 12,439,200	$ 1,484,352
Major Special Revenue Funds:				
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	$ 825,200	$ 825,200	$ 886,175	$ (60,975)
Total education	$ 825,200	$ 825,200	$ 886,175	$ (60,975)
Total Cafeteria Fund	$ 825,200	$ 825,200	$ 886,175	$ (60,975)
School Textbook Fund:				
Education:				
Instruction	$ 10,000	$ 10,000	$ -	$ 10,000
Total education	$ 10,000	$ 10,000	$ -	$ 10,000
Total School Textbook Fund	$ 10,000	$ 10,000	$ -	$ 10,000

City of Norton, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Capital Projects Fund:				
Capital projects expenditures:				
JIB Renovations	$ -	$ 348,726	$ 504,515	$ (155,789)
NEMS Renovations	-	-	35,000	(35,000)
Total capital projects	$ -	$ 348,726	$ 539,515	$ (190,789)
Total School Capital Projects Fund	$ -	$ 348,726	$ 539,515	$ (190,789)

Schedule 3

City of Norton, Virginia
Schedule of Net Position by Department
Proprietary Funds
June 30, 2025

	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 36,263	$ 57,150	$ 93,413
Accounts receivable (net of allowance for uncollectibles)	163,660	178,735	342,395
Total current assets	$ 199,923	$ 235,885	$ 435,808
Noncurrent assets:			
Customers' deposits	$ 55,758	$ 87,875	$ 143,633
Debt reserve accounts	8,133	12,818	20,951
Total restricted noncurrent assets	$ 63,891	$ 100,693	164,584
Other assets:			
Net pension asset	$ 21,193	9,265	30,458
Capital assets:			
Capital assets, not being depreciated/amortized	405,201	183,399	588,600
Capital assets, net of accumulated depreciation/amortization	8,962,899	5,208,666	14,171,565
Total noncurrent assets	$ 9,453,184	$ 5,502,023	$ 14,955,207
Total assets	$ 9,653,107	$ 5,737,908	$ 15,391,015
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	$ 48,326	$ 21,124	$ 69,450
OPEB related items	4,696	2,053	6,749
Total deferred outflows of resources	$ 53,022	$ 23,177	$ 76,199
LIABILITIES			
Current liabilities:			
Accounts payable	$ 53,247	$ 95,715	$ 148,962
Accrued payroll and related liabilities	25,025	10,939	35,964
Due to other funds	533,974	233,423	767,397
Customers' deposits payable	55,758	87,875	143,633
Accrued interest payable	16,493	4,607	21,100
Compensated absences - current portion	17,389	7,601	24,990
Bond payable - current portion	176,797	104,140	280,937
Total current liabilities	$ 878,683	$ 544,300	$ 1,422,983
Noncurrent liabilities:			
Compensated absences - net of current portion	$ 4,347	$ 1,900	$ 6,247
Bond payable - net of current portion	4,606,574	1,286,593	5,893,167
Total OPEB liability	4,342	1,861	6,203
Net OPEB liabilities	9,979	4,276	14,255
Total noncurrent liabilities	$ 4,625,242	$ 1,294,630	$ 5,919,872
Total liabilities	$ 5,503,925	$ 1,838,930	$ 7,342,855
DEFERRED INFLOWS OF RESOURCES			
Pension related items	$ 30,977	$ 13,541	$ 44,518
OPEB related items	4,805	2,100	6,905
Total deferred inflows of resources	$ 35,782	$ 15,641	$ 51,423
NET POSITION			
Net investment in capital assets	$ 4,584,729	$ 4,001,332	$ 8,586,061
Restricted for debt reserves	8,133	12,818	20,951
Restricted for future pension costs	21,193	9,265	30,458
Unrestricted	(447,633)	(116,901)	(564,534)
Total net position	$ 4,166,422	$ 3,906,514	$ 8,072,936

City of Norton, Virginia
Schedule of Revenues, Expenses, and Changes in Net Position by Department
Proprietary Funds
For the Year Ended June 30, 2025

	Enterprise Funds		
	Water	**Sewer**	**Total**
OPERATING REVENUES			
Charges for services:			
Water revenues	$ 1,149,077	$ -	$ 1,149,077
Sewer revenues	-	1,810,956	1,810,956
Tap fees	8,950	700	9,650
Penalties and interest	26,409	41,621	68,030
Other revenue	13,890	750	14,640
Total operating revenues	$ 1,198,326	$ 1,854,027	$ 3,052,353
OPERATING EXPENSES			
Personnel services	$ 734,298	$ 329,114	$ 1,063,412
Contractual services	4,659	7,343	12,002
Treatment of bulk waste water	-	961,104	961,104
Purchase of bulk water	47,533	-	47,533
Utilities	76,639	24,570	101,209
Supplies	154,685	192,709	347,394
Miscellaneous	25,608	31,383	56,991
Insurance	2,980	3,120	6,100
Rent	2,329	3,671	6,000
Repairs and maintenance	232,307	19,246	251,553
Depreciation/amortization	237,561	406,634	644,195
Total operating expenses	$ 1,518,599	$ 1,978,894	$ 3,497,493
Operating income (loss)	$ (320,273)	$ (124,867)	$ (445,140)
NONOPERATING REVENUES (EXPENSES)			
Capital contributions	$ 147,500	$ -	$ 147,500
Interest expense	(45,550)	(100,046)	(145,596)
Total nonoperating revenues (expenses)	$ 101,950	$ (100,046)	$ 1,904
Change in net position	$ (218,323)	$ (224,913)	$ (443,236)
Net position - beginning, as previously reported	$ 4,423,070	$ 4,140,393	$ 8,563,463
Restatement	(36,588)	(10,703)	(47,291)
Net position - beginning, as restated	4,386,482	4,129,690	8,516,172
Net position - ending	$ 4,168,159	$ 3,904,777	$ 8,072,936

City of Norton, Virginia
Schedule of Cash Flows by Department
Proprietary Funds
For the Year Ended June 30, 2025

	Enterprise Funds		
	Water	**Sewer**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 1,205,893	$ 1,862,742	$ 3,068,635
Payments to suppliers	(542,439)	(1,237,609)	(1,780,048)
Payments to employees	(725,206)	(317,011)	(1,042,217)
Net cash provided by (used for) operating activities	$ (61,752)	$ 308,122	$ 246,370
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	$ (49,422)	$ (342,487)	$ (391,909)
Net cash provided by (used for) noncapital financing activities	$ (49,422)	$ (342,487)	$ (391,909)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	$ (1)	$ (62,120)	$ (62,121)
Principal payments on bond payable	(177,522)	(103,509)	(281,031)
Capital contributions	147,500	-	147,500
Interest expense	(44,159)	(99,658)	(143,817)
Net cash provided by (used for) capital and related financing activities	$ (74,182)	$ (265,287)	$ (339,469)
Net increase (decrease) in cash and cash equivalents	$ (185,356)	$ (299,652)	$ (485,008)
Cash and cash equivalents - beginning (including restricted balances)	295,791	447,214	743,005
Cash and cash equivalents - ending (including restricted balances)	$ 110,435	$ 147,562	$ 257,997
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (320,273)	$ (124,867)	$ (445,140)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	$ 237,561	$ 406,634	$ 644,195
(Increase) decrease in accounts receivable	5,196	6,688	11,884
(Increase) decrease in net pension asset	16,643	21,425	38,068
(Increase) decrease in deferred outflows of resources	(7,118)	(9,163)	(16,281)
Increase (decrease) in customer deposits	1,923	2,475	4,398
Increase (decrease) in accrued payroll and related liabilities	585	754	1,339
Increase (decrease) in accounts payable	4,750	5,088	9,838
Increase (decrease) in compensated absences	773	996	1,769
Increase (decrease) in net and total OPEB liabilities	(463)	(198)	(661)
Increase (decrease) in deferred inflows of resources	(1,329)	(1,710)	(3,039)
Total adjustments	$ 258,521	$ 432,989	$ 691,510
Net cash provided by (used for) operating activities	$ (61,752)	$ 308,122	$ 246,370

STATISTICAL INFORMATION

TABLE 1

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental activities										
Net investment in capital assets	$ 6,477,286	$ 8,794,664	$ 10,688,851	$ 9,040,436	$ 8,655,962	$ 8,542,222	$ 8,560,781	$ 8,207,586	$ 8,519,840	$ 8,336,774
Restricted	674,852	464,315	463,910	-	-	-	-	-	-	-
Unrestricted	1,546,859	2,864,272	1,993,165	2,468,256	2,352,268	2,842,279	2,821,064	1,976,543	870,666	763,727
Total governmental activities net position	$ 8,698,997	$ 12,123,251	$ 13,145,926	$ 11,508,692	$ 11,008,230	$ 11,384,501	$ 11,381,845	$ 10,184,129	$ 9,390,506	$ 9,100,501
Business-type activities										
Net investment in capital assets	$ 8,586,061	$ 8,887,104	$ 9,314,705	$ 9,337,549	$ 9,614,810	$ 9,958,801	$ 9,920,024	$ 9,965,531	$ 10,369,190	$ 10,688,937
Restricted	51,409	68,526	68,586	-	-	-	-	-	-	-
Unrestricted	(564,534)	(392,167)	(437,726)	(9,938)	74,598	84,537	(313,313)	(412,570)	(499,430)	(573,330)
Total business-type activities net position	$ 8,072,936	$ 8,563,463	$ 8,945,565	$ 9,327,611	$ 9,689,408	$ 10,043,338	$ 9,606,711	$ 9,552,961	$ 9,869,760	$ 10,115,607
Primary government										
Net investment in capital assets	$ 15,063,347	$ 17,681,768	$ 20,003,556	$ 18,377,985	$ 18,270,772	$ 18,501,023	$ 18,480,805	$ 18,173,117	$ 18,889,030	$ 19,025,711
Restricted	726,261	532,841	532,496	-	-	-	-	-	-	-
Unrestricted	982,325	2,472,105	1,555,439	2,458,318	2,426,866	2,926,816	2,507,751	1,563,973	371,236	190,397
Total primary government net position	$ 16,771,933	$ 20,686,714	$ 22,091,491	$ 20,836,303	$ 20,697,638	$ 21,427,839	$ 20,988,556	$ 19,737,090	$ 19,260,266	$ 19,216,108

Notes:
(1) Accounting standards require net position be reported in three categories in the financial statements: net investment in capital assets, restricted, and unrestricted. Net position is considered restricted when 1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
(2) Fiscal year 2024 amounts were restated to reflect error corrections.

TABLE 2

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Expenses										
Governmental activities										
General government	$ 1,960,594	$ 1,947,140	$ 1,641,635	$ 1,407,452	$ 1,422,481	$ 1,412,791	$ 1,538,251	$ 1,100,244	$ 1,479,453	$ 1,525,411
Judicial administration	646,196	568,265	488,956	452,446	448,140	415,276	2,717,698	2,873,422	2,717,864	2,564,543
Public safety	4,419,900	4,588,329	3,647,261	3,265,231	3,161,237	2,819,987	2,134,947	2,308,395	2,225,978	2,086,952
Public works	3,232,941	2,079,333	2,574,688	2,527,576	2,209,334	2,531,163	1,307,516	1,270,418	1,408,130	1,388,345
Health and welfare	2,570,509	2,242,810	2,074,006	1,815,621	1,752,950	1,409,848	2,407,067	2,167,754	2,506,829	2,326,948
Education	2,655,638	2,194,854	2,943,090	2,760,806	2,600,645	2,505,966	511,651	407,173	461,053	474,541
Parks, recreation, and cultural	799,116	72,937	330,963	587,517	583,825	81,357	38,483	45,218	78,828	329,286
Community development	3,307,953	1,277,380	1,647,478	1,379,243	2,627,350	1,411,696	39,010	39,432	45,291	48,915
Interest	273,212	17,827	31,368	19,736	40,221	37,756	-	-	-	-
Total governmental activities	$ 19,866,059	$ 14,988,875	$ 15,379,445	$ 14,215,628	$ 14,846,183	$ 12,625,840	$ 10,694,623	$ 10,212,056	$ 10,923,426	$ 10,744,941
Business-type activities										
Water and Wastewater	$ 3,643,089	$ 3,462,975	$ 3,458,750	$ 3,340,717	$ 3,178,492	$ 2,975,950	$ 2,841,008	$ 2,895,886	$ 2,981,468	$ 2,795,034
Total business-type activities expenses	$ 3,643,089	$ 3,462,975	$ 3,458,750	$ 3,340,717	$ 3,178,492	$ 2,975,950	$ 2,841,008	$ 2,895,886	$ 2,981,468	$ 2,795,034
Total primary government expenses	$ 23,509,148	$ 18,451,850	$ 18,838,195	$ 17,556,345	$ 18,024,675	$ 15,601,790	$ 13,535,631	$ 13,107,942	$ 13,904,894	$ 13,539,975
Program revenues										
Governmental activities										
Charges for services										
Judicial administration	$ 8,769	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Public safety	6,093	148,831	56,335	12,052	11,428	14,679	104,630	87,094	98,525	101,979
Public works	411,077	402,954	401,351	404,851	407,722	410,676	411,018	413,874	415,282	416,703
Parks, recreation and culture	27,852	16,567	19,880	20,015	16,782	17,400	22,062	18,273	11,807	8,773
Operating grants and contributions	4,399,287	7,815,280	5,643,481	4,996,369	5,813,650	3,777,142	3,223,571	2,723,370	2,878,329	2,574,389
Capital grants and contributions	362,344	323,353	498,901	111,385	102,062	-		-	-	453,008
Total governmental activities program revenues	$ 5,215,422	$ 8,706,985	$ 6,619,948	$ 5,544,672	$ 6,351,644	$ 4,219,897	$ 3,761,281	$ 3,242,611	$ 3,403,943	$ 3,554,852
Business-type activities										
Charges for services										
Water and Wastewater	$ 3,052,353	$ 2,978,945	$ 2,837,143	$ 2,719,995	$ 2,672,146	$ 2,754,849	$ 2,778,976	$ 2,492,506	$ 2,489,776	$ 2,402,922
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	147,500	101,928	239,561	247,079	152,416	487,660	285,850	16,100	95,845	309,343
Total business-type activities program revenues	$ 3,199,853	$ 3,080,873	$ 3,076,704	$ 2,967,074	$ 2,824,562	$ 3,242,509	$ 3,064,826	$ 2,508,606	$ 2,585,621	$ 2,712,265
Total primary government program revenues	$ 8,415,275	$ 11,787,858	$ 9,696,652	$ 8,511,746	$ 9,176,206	$ 7,462,406	$ 6,826,107	$ 5,751,217	$ 5,989,564	$ 6,267,117
Net (expense) revenue										
Governmental activities	$ (14,650,637)	$ (6,281,890)	$ (8,759,497)	$ (8,670,956)	$ (8,494,539)	$ (8,405,943)	$ (6,933,342)	$ (6,969,445)	$ (7,519,483)	$ (7,190,089)
Business-type activities	$ (443,236)	$ (382,102)	$ (382,046)	$ (373,643)	$ (353,930)	$ 266,559	$ 223,818	$ (387,280)	$ (395,847)	$ (82,769)
Total primary government net expense	$ (15,093,873)	$ (6,663,992)	$ (9,141,543)	$ (9,044,599)	$ (8,848,469)	$ (8,139,384)	$ (6,709,524)	$ (7,356,725)	$ (7,915,330)	$ (7,272,858)

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	$ 3,298,371	$ 3,059,802	$ 3,368,232	$ 3,161,558	$ 3,171,973	$ 3,128,984	$ 3,156,805	$ 3,091,045	$ 3,127,830	$ 3,034,838
Local sales and use	2,334,903	2,304,834	2,142,163	1,918,095	1,726,064	1,664,033	1,639,810	1,518,284	1,541,644	1,609,549
Utility tax	123,073	123,097	123,339	123,852	125,047	125,415	127,413	128,898	129,066	129,032
Business license tax	826,035	904,592	947,829	981,872	690,659	801,979	789,539	779,120	750,765	842,303
Communication tax	136,980	137,650	146,747	150,854	155,422	174,981	194,619	193,631	199,570	204,591
Motor vehicle tax	80,254	75,675	80,846	79,431	79,289	80,937	85,205	81,767	85,648	81,661
Bank stock tax	87,441	84,960	47,175	62,361	54,166	40,193	50,778	51,591	42,171	47,105
Recordation tax	20,735	26,034	57,875	23,426	29,897	16,012	17,026	21,376	37,040	34,009
Hotel and motel room tax	225,085	132,654	129,034	123,993	77,946	104,019	158,331	141,171	161,925	159,594
Restaurant food tax	1,956,485	1,917,636	1,910,094	1,663,751	1,515,515	1,479,388	1,496,570	1,388,390	1,401,747	1,395,556
Coal road improvement tax	13,429	14,260	37,074	25,711	67,216	31,997	39,774	25,533	24,366	32,928
Cigarette tax	131,835	139,140	161,115	150,125	157,460	157,455	168,425	159,197	186,845	173,107
Unrestricted grants and contributions	1,287,773	837,992	734,256	91,449	79,457	87,222	121,520	84,265	88,004	89,177
Unrestricted miscellaneous revenue	307,451	361,647	157,099	68,914	46,416	75,883	26,208	41,497	33,780	68,352
Unrestricted investment earnings	173,829	191,477	204,549	31,579	16,596	53,134	67,717	33,899	26,359	29,758
Gain on sale of capital assets	-	34,107	4,861	13,571	19,808	3,004	2,060	16,475	-	-
Insurance recoveries	-	25,098	109,768	8,346	14,319	21,706	7,692	-	-	-
Recovered costs	-	145,135	34,675	254,639	91,018	125,791	218,032	121,275	122,728.00	112,271
Transfers - primary government	-	-	-	-	-	-	-	-	(150,000)	-
Total governmental activities	$ 11,003,679	$ 10,515,790	$ 10,396,731	$ 8,933,527	$ 8,118,268	$ 8,172,133	$ 8,367,524	$ 7,877,414	$ 7,809,488	$ 8,043,831
Business-type activities:										
Other	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 150,000	$ -
Total business-type activities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 150,000	$ -
Total primary government	$ 11,003,679	$ 10,515,790	$ 10,396,731	$ 8,933,527	$ 8,118,268	$ 8,172,133	$ 8,367,524	$ 7,877,414	$ 7,959,488	$ 8,043,831
Changes in Net Position										
Governmental activities	$ (3,646,958)	$ 4,233,900	$ 1,637,234	$ 262,571	$ (376,271)	$ (233,810)	$ 1,434,182	$ 907,969	$ 290,005	$ 853,742
Business-type activities	$ (443,236)	$ (382,102)	$ (382,046)	$ (373,643)	$ (353,930)	$ 266,559	$ 223,818	$ (387,280)	$ (245,847)	$ (82,769)
Total primary government	$ (4,090,194)	$ 3,851,798	$ 1,255,188	$ (111,072)	$ (730,201)	$ 32,749	$ 1,658,000	$ 520,689	$ 44,158	$ 770,973

TABLE 3

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Fund										
Nonspendable	$ 808,566	$ 1,193,737	$ 815,247	$ 237,884	$ 189,876	$ 355,486	$ 490,562.00	$ 497,058.00	$ 490,329.00	$ 574,892.00
Restricted	1,301,943	-	-	-	-	-	-	-	-	-
Assigned	-	5,123	464,579	640,541	87,263	50,454	82,295	48,502	9,504	-
Unassigned	912,002	2,326,045	1,415,293	1,725,943	2,392,483	2,750,949	2,794,565	2,227,802	1,408,777	-
Total general fund	$ 3,022,511	$ 3,524,905	$ 2,695,119	$ 2,604,368	$ 2,669,622	$ 3,156,889	$ 3,367,422	$ 2,773,362	$ 1,908,610	$ 574,892
All Other Governmental Funds										
Committed	$ 520,834	$ 497,211	$ 407,380	$ 358,770	$ 408,647	$ 413,444	$ 432,120	$ 373,108	$ 361,062	$ 357,780
Assigned	222,331	118,575	86,802	157,091	180,008	231,123	230,008	272,560	153,340	14,205
Total all other governmental funds	$ 743,165	$ 615,786	$ 494,182	$ 515,861	$ 588,655	$ 644,567	$ 662,128	$ 645,668	$ 514,402	$ 371,985

Note 1) Fiscal year 2024 amounts are restated for error corrections.

TABLE 4

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenues										
General property taxes	$ 3,180,334	$ 3,177,322	$ 3,582,626	$ 3,154,639	$ 3,026,350	$ 3,155,065	$ 2,990,029	$ 3,027,691	$ 3,144,820	$ 3,020,812
Other local taxes	5,799,275	5,860,532	5,783,291	5,303,471	4,678,681	4,676,409	4,767,490	4,488,958	4,560,787	4,709,435
Permits, fees, and licenses	6,093	13,444	8,949	9,327	2,382	12,391	16,258	2,177	2,608	2,547
Fines and forfeitures	8,769	151,541	56,417	12,592	11,303	13,978	103,929	18,995	26,178	17,698
Use of money and property	193,634	191,479	204,549	31,579	16,596	53,134	65,846	33,899	26,359	29,758
Charges for services	419,124	420,223	421,539	425,264	425,206	428,777	435,653	500,246	499,436	489,628
Other revenues	219,146	361,645	157,099	68,914	46,417	75,883	26,208	32,153	25,328	89,595
Recovered cost	61,511	145,135	109,768	254,639	91,018	125,791	129,682	121,275	122,728	112,271
Intergovernmental	6,186,384	8,968,991	6,882,785	5,203,243	5,992,209	3,851,973	3,328,833	2,805,458	2,963,728	3,099,574
Total revenues	16,074,270	19,290,312	17,207,023	14,463,668	14,290,162	12,393,401	11,863,928	11,030,852	11,371,972	11,571,318
Expenditures										
General government	1,983,493	1,940,891	1,701,524	1,475,971	1,401,679	1,419,446	1,208,856	1,134,746	1,129,015	1,182,299
Judicial administration	646,196	631,619	488,956	452,446	448,140	417,257	395,899	386,605	365,591	377,549
Public safety	4,419,786	4,845,894	3,616,875	4,196,116	3,119,513	2,746,657	3,085,191	2,473,435	2,610,351	2,644,107
Public works	3,002,997	2,549,006	2,447,310	2,263,113	2,422,419	2,372,797	2,227,861	1,952,299	2,296,650	1,843,175
Health and welfare	2,686,456	2,202,697	2,061,548	1,814,010	1,739,081	1,434,345	1,372,350	1,274,952	1,367,288	1,423,325
Education and transfer to school	2,655,638	2,194,854	2,943,090	2,760,806	2,600,645	2,505,966	2,407,067	2,167,754	2,506,829	2,326,948
Parks, recreation, and cultural	684,881	672,559	876,033	640,592	568,165	497,794	547,053	480,446	468,394	472,460
Community development	336,383	2,920,765	2,807,850	1,483,065	2,422,390	1,060,832	38,502	44,710	90,905	867,911
Capital projects	2,330,409	-	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement	937,975	846,953	202,281	174,092	897,749	181,439	151,154	614,823	137,359	124,861
Interest and fiscal charges	239,704	113,864	32,020	18,422	38,687	30,472	31,667	31,443	37,630	41,808
Total expenditures	19,923,918	18,919,102	17,177,487	15,278,633	15,658,468	12,667,005	11,465,600	10,561,213	11,010,012	11,304,443
Excess of revenues over (under) expenditures	(3,849,648)	371,210	29,536	(814,965)	(1,368,306)	(273,604)	398,328	469,639	361,960	266,875
Other Financing Sources (Uses)										
Proceeds from borrowing	3,299,220	-	-	655,000	791,000	20,800	203,000	500,000	-	50,000
Insurance recoveries	-	25,098	34,675	8,346	14,319	21,706	7,692	-	2,859	8,761
Proceeds from sale of capital assets	-	34,107	4,861	13,571	19,808	3,004	2,060	25,819	5,593	4,578
Transfers	-	-	-	-	-	-	-	-	(150,000)	-
Total other financing sources (uses)	3,299,220	59,205	39,536	676,917	825,127	45,510	212,752	525,819	(141,548)	63,339
Net change in fund balances	$ (550,428)	$ 430,415	$ 69,072	$ (138,048)	$ (543,179)	$ (228,094)	$ 611,080	$ 995,458	$ 220,412	$ 330,214
Debt service as a percentage of noncapital expenditures:	6.83%	6.40%	1.55%	1.37%	6.19%	2.23%	1.84%	13.38%	9.48%	-5.66%

Note 1) Fiscal year 2024 amounts are restated for error corrections.

TABLE 5

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

				Public Utilities				
Calendar Year	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property	Mobile Homes	Total Taxable Assessed Value	Total Direct Tax Rate Per $100
2025	$ 243,262,500	$ 36,247,659	$ 3,960,794	$ 34,193,338	$ 2,063	$ 1,173,052	$ 318,839,406	0.997
2024	238,104,500	21,906,685	3,951,327	32,321,515	-	1,247,904	297,531,931	1.068
2023	227,897,850	28,069,483	4,105,909	30,057,852	-	1,192,167	291,323,261	2.012
2022	227,441,200	31,472,230	4,690,290	32,879,310	-	1,192,367	297,675,397	1.060
2021	226,170,000	29,414,974	5,696,467	30,884,551	-	1,700,838	293,866,830	1.073
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

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

					Public Utilities	
Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Real Estate	Personal Property
2025	0.90	2.05	2.05	0.90	0.90	2.05
2024	0.90	2.05	2.05	0.90	0.90	2.05
2023	0.90	2.05	2.05	0.90	0.90	2.05
2022	0.90	2.05	2.05	0.90	0.90	2.05
2021	0.90	2.05	2.05	0.90	0.90	2.05
2020	0.90	2.05	2.05	0.90	0.90	2.05
2019	0.90	2.05	2.05	0.90	0.90	2.05
2018	0.90	1.85	1.85	0.90	0.90	1.85
2017	0.90	1.85	1.85	0.90	0.90	1.85
2016	0.90	1.85	1.85	0.90	0.90	1.85

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, 2025

Taxpayer	Nature of Business	Assessed Value	Percent of Real Estate Levy
Wal-Mart Real Estate Trust	Commercial Retail/ Grocery	15,320,300	6.43%
Norton Community Hospital	Health Care	7,306,700	3.07%
Norton (Norton) SRX LLC	Shops/Maurices/Hibbitts	6,237,000	2.62%
601 Commonwealth LLC	Shops/Glass Slipper/Pizza Hut	4,087,300	1.72%
Canada Inc	Shopping Center/HWY 58	3,928,200	1.65%
SAI Properties Norton LLC	Hotel	3,383,400	1.42%
Wellmont Health System	Health Care	3,177,300	1.33%
CHCT VA LLC	Medical/Health	2,961,100	1.24%
AJM LLC	Retail	2,681,700	1.13%
Pepsi Cola Bottling Co.	Commercial/Wholesale/Retail	2,311,500	0.97%

June 30, 2015

Taxpayer	Nature of Business	Assessed Value	Percent of Real Estate Levy
Wal-Mart Real Estate Trust	Shopping Center	14,370,100	6.57%
BRE NON CORE Owner, LLC	Commercial Retailer/Grocer	9,324,100	4.26%
Commonwealth Norton Partners	Shopping Center	4,517,700	2.07%
Norton SRX LLC	Hotel	6,060,600	2.77%
Wellmont Health System	Hotel/Restaurant	5,225,600	2.39%
Norton Community Hospital	Health Care	4,667,300	2.13%
Norton Host, LLC	Hotel	4,254,600	1.95%
Khushi Hospitality (Quality Inn)	Hotel	3,854,000	1.76%
W.P. Amristead	Commercial and Residental Rental Property	2,306,600	1.05%
George Hunnicutt Jr. Marital Trust	Commercial and Residental Rental Property	1,527,100	0.70%

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
2025	$ 3,340,834	$ 3,115,601	93.26%	$ 189,668	$ 3,305,269	98.94%	$ 345,125	10.33%
2024	3,205,957	3,080,033	96.07%	9,797	3,089,830	96.38%	265,257	8.27%
2023	3,150,022	3,023,724	95.99%	368,806	3,392,530	107.70%	242,382	7.69%
2022	3,129,410	2,927,206	93.54%	128,448	3,055,654	97.64%	485,502	15.51%
2021	3,221,949	2,940,393	91.26%	38,709	2,979,102	92.46%	438,565	13.61%
2020	3,158,804	3,091,469	97.87%	12,517	3,103,986	98.26%	397,967	12.60%
2019	3,136,438	2,840,119	90.55%	85,936	2,926,055	93.29%	470,303	14.99%
2018	3,108,516	2,879,431	92.63%	85,045	2,964,476	95.37%	336,115	10.81%
2017	3,166,319	2,925,590	92.40%	142,234	3,067,824	96.89%	346,570	10.95%
2016	3,106,353	2,780,558	89.51%	140,006	2,920,564	94.02%	369,906	11.91%

(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				
	General Obligation Bonds	Finance Purchase Leases	General Obligation Water & Wastewater Bonds	Total Debt	Percentage of Personal Income	Percentage of Actual Taxable Value of Property	Per Capita
2025	$ 6,192,118	$ -	$ 6,174,104	12,366,222	8.01%	3.88%	3,674
2024	5,584,850	-	6,455,135	12,039,985	7.03%	4.05%	3,300
2023	6,437,274	-	6,720,305	13,157,579	7.90%	4.52%	3,617
2022	7,262,681	30,156	6,726,938	14,019,775	8.29%	4.80%	3,802
2021	7,377,147	59,782	6,975,676	14,412,605	8.10%	4.88%	3,695
2020	8,045,712	88,347	7,087,832	15,221,891	9.10%	5.06%	3,897
2019	8,738,630	116,068	7,362,643	16,217,341	10.29%	5.35%	4,152
2018	9,343,377	-	7,629,457	16,972,834	11.80%	5.67%	4,343
2017	9,973,200	-	7,893,350	17,866,550	14.07%	5.95%	4,632
2016	10,576,121	29,438	8,143,884	18,749,443	13.54%	6.46%	4,752

Notes:
1) Center for Public Service at the University of Virginia.
2) Includes all general long-term debt obligations.
3) Fiscal years 2016-2024 have been corrected to show school bonds under governmental activities.

TABLE 10

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Assessed valuations										
Assessed value of taxed real property	$ 277,455,838	$ 270,426,015	$ 257,955,702	$ 260,320,510	$ 257,054,551	$ 258,083,803	$ 260,729,950	$ 261,104,838	$ 260,720,081	$ 250,527,769
Legal debt margin										
Debt limit - 10 percent of total assessed value	27,745,584	27,042,602	25,795,570	26,032,051	25,705,455	25,808,380	26,072,995	26,110,484	26,072,008	25,052,777
Debt applicable to limitation										
Total bonded debt	12,366,222	12,039,985	13,157,579	14,019,775	14,412,605	15,221,891	16,217,341	16,972,834	17,866,550	18,749,443
Less - Business-Type	-	-	-	-	-	(190,380)	(199,033)	(207,686)	(216,340)	(224,994)
Total amount of debt applicable to debt limitation	12,366,222	12,039,985	13,157,579	14,019,775	14,412,605	15,031,511	16,018,308	16,765,148	17,650,210	18,524,449
Legal debt margin	$ 15,379,362	$ 15,002,617	$ 12,637,991	$ 12,012,276	$ 11,292,850	$ 10,776,869	$ 10,054,687	$ 9,345,336	$ 8,421,798	$ 6,528,328
Total net debt as applicable to the limit as a percentage of debt limit	44.57%	44.52%	51.01%	53.86%	56.07%	58.24%	61.44%	64.21%	67.70%	73.94%

TABLE 11

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
2025	$ 3,052,353	$ 2,853,298	$ 199,055	281,031	143,817	424,848	0.47
2024	2,978,945	2,635,623	343,322	265,170	154,219	419,389	0.82
2023	2,837,143	2,643,989	193,154	262,545	144,895	407,440	0.47
2022	2,719,995	2,503,600	216,395	252,692	166,978	419,670	0.52
2021	2,672,146	2,304,693	367,453	269,528	183,711	453,239	0.81
2020	2,754,849	2,110,916	643,933	266,158	174,248	440,406	1.46
2019	2,778,976	1,970,728	808,248	258,161	182,746	440,907	1.83
2018	2,492,506	2,001,767	490,739	255,243	197,630	452,873	1.08
2017	2,489,776	2,077,298	412,478	241,878	207,405	449,283	0.92
2016	2,402,922	1,960,348	442,574	229,906	180,693	410,599	1.08

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.
2) Coverage of 1.00 is required for compliance with the outstanding Virginia Resource Authority (VRA) bonds.

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
2025	3,366	154,378,224	45,864	41.1	807	4.20%
2024	3,648	171,295,488	46,956	43.6	770	4.30%
2023	3,638	166,474,880	45,760	41.2	764	4.00%
2022	3,687	169,100,568	45,864	39.5	794	3.80%
2021	3,901	177,901,204	45,604	39.8	810	5.30%
2020	3,906	167,364,288	42,848	39.8	776	9.80%
2019	3,906	157,614,912	40,352	39.8	784	3.90%
2018	3,908	143,876,928	36,816	40.0	767	5.60%
2017	3,857	126,957,012	32,916	40.0	764	5.90%
2016	3,946	138,504,600	35,100	39.0	814	6.50%

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

TABLE 13

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

June 30, 2025

Employer	Product or Service	Total Estimated Employment
Ballad Health-Bristol Regional Health System	Health Care	250 +/-
Wal Mart	Commercial Retailer/Grocer	250 +/-
Norton City School Board	Public Agency	175 +/-
City of Norton	Municipal Government	100 +/-
Norton Community Physicians Service LLC	Health Care	100 +/-

June 30, 2015

Employer	Product or Service	Total Estimated Employment
Norton Community Hospital	Health Care	500 +/-
Wal Mart	Commercial Retailer/Grocer	250 +/-
Bristol Regional Health System	Health Care	200 +/-
Norton City School Board	Public Agency	175 +/-
City of Norton	Public Agency	114 +/-

Source: Virginia Employment Commission - Community Profile

TABLE 14

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

Function	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General government										
Management services	4.5	3.5	3	4	4	4	4	4	4	3.5
Finance	5	5	5	4	4	4	4	4	4	4
Planning	1	1	1	1	1	1	0	1	1	1.5
Other	6	5.5	5.5	6.5	6	6	6	6.5	6	6
Public safety										
Officers	16	16	16	16	16	16	16	16	16	16
Dispatchers/Clerks	10	10	10	9.5	8.5	8.5	8.5	8.5	8.5	8.5
Sheriff's Office	3	3	3	3	3	3	3	3	3	3
Animal Control	1	1	1	1	1	1	1	1	1	1
Building	1.5	1	1	1	1	1	1	1	1	1
Emergency Management	0	0	0	0	0	0	0	0	0.5	0.5
Fire	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1	1
Public works										
Engineering	0	0	0	0	0	0	1	1	1	1
Streets	10.5	10.5	10.5	10.5	9	9	9	9	9	9
Refuse Collections	6	6	6	6	6	6	6	6	6	6
General Properties	3	3	3	4	3.5	3.5	4.5	4	3.5	5
Parks and recreation										
Maintenance	7	6.5	6.5	6.5	6.5	6.5	6.5	5.5	5.5	4
Other	1	1	1	1	1	1	1	1	1	1
Water operations										
Administration	2	2	2	3	3	3	3	3	3	3
Plan Operations	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7	6
Maintenance	7	7	7	7	7	7	7	7	7	7
Social Services										
Administrative	8	6	7	7	5	5	5	5	5	5
Eligibility	7	7	8.5	7.5	7	7	7	7	7	7
Social Worker	3	4	4	3	3	3	3	3	3	3

Source: City of Norton's Finance Department

TABLE 15

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

Function	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Public Safety										
Citations issued	389	366	466	345	476	741	743	629	1,009	830
Parking Tickets issued	8	5	6	2	1	4	16	23	40	32
Crime/Arrest/Incident reports filed	7,529	7,798	7,172	6,457	6,945	9,047	635	513	468	579
911 Calls dispatched	3,398	3,965	4,956	4,937	5,876	4,761	4,570	4,500	3,614	3,722
Public Works										
Number of citizen requests for services	796	879	920	749	734	758	734	668	783	685
Water operations										
Number of service connections	2,178	2,169	2,180	2,183	2,204	2,157	2,187	2,202	2,188	2,199
Number of citizen requests for services	2,843	3,009	2,391	2,544	2,389	2,482	3,114	3,548	3,539	3,939
Average daily plant output in gallons	.607 Million	.555 Million	.609 Million	.697 Million	.759 Million	.709 Million	.769 Million	.785 Million	.658 Million	.658 Million
Maximum daily capacity of plant in gallons	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million
Wastewater operations										
Number of service connections	1,945	1,938	1,945	1,939	1,955	1,916	1,947	2,030	2,018	2,023

TABLE 16

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

Function	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
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	24	25	25	25	25	25	25	25	25	24
Public Works										
Streets (lane miles)	84.32	84.32	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73
Streetlights	479	479	479	479	479	479	479	479	479	479
Traffic signals	9	9	9	9	9	9	9	9	9	9
Water operations										
Miles of water main	56.12	56.12	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31
Number of fire hydrants	262	262	257	257	257	257	255	255	255	255
Wastewater operations										
Miles of sanitary sewers	42.67	42.67	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16
Miles of storm sewers	9.67	9.67	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*

To the Honorable Members of
the City Council of the
City of Norton, Virginia

We have audited, in accordance with the 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 *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 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, 2025, 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 July 8, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Norton, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Norton, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Norton, Virginia'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 a 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 internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Norton, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are identified as 2025-002 and 2025-003 in the accompanying schedule of findings and questioned costs.

The City of Norton, Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Norton, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Norton, Virginia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 performed 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
July 8, 2026

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

To the Honorable Members of
the City Council of the
City of Norton, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Norton, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Norton, Virginia's major federal programs for the year ended June 30, 2025. The City of Norton, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Norton, Virginia complied, in all material respects, with the 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, 2025.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Norton, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Norton, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Norton, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Norton, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Norton, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Norton, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Norton, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Norton, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
July 8, 2026

CITY OF NORTON, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number		Federal Expenditures
DEPARTMENT OF AGRICULTURE:				
Pass through payments from:				
Virginia Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010124/0010125/ 0040124/0040125		$ 252,128
Child Nutrition Cluster:				
Virginia Department of Education:				
School Breakfast Program	10.553	APE40253	$ 202,091	
National School Lunch Program	10.555	APE40254	489,223	
Summer Food Service Program for Children	10.559	APE60302/APE60303	5,844	
Food Distribution-Schools (Note C)	10.555	Not available	64,681	
Total Child Nutrition Cluster				761,839
Child and Adult Care Food Program	10.558	APE70027/APE70028		29,440
Community Facilities Loans and Grants	10.766	Not available		368,952
Total Department of Agriculture				$ 1,412,359
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass through payments from:				
Virginia Department of Social Services:				
Temporary Assistance for Needy Families	93.558	0400124/0400125		$ 111,890
Guardianship Assistance	93.090	1110124/1110125		195
Title IV-E Prevention Program	93.472	1140124/1140125		4,356
MaryLee Allen Promoting Safe and Stable Families Program	93.556	0950123/0950124/0980120		24,938
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	0500125		187
Low Income Home Energy Assistance	93.568	0600424/0600425		22,193
Social Services Block Grant	93.667	1000124/1000125		101,351
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150123/9150124		648
Children's Health Insurance Program	93.767	0540124/0540125		2,708
Medicaid Cluster:				
Medical Assistance Program	93.778	1200124/1200125		214,973
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900123/0900124		423
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760124/0760125		21,639
Foster Care - Title IV E	93.658	1100124/1100125		74,818
Adoption Assistance	93.659	1120124/1120125		130,607
Total Department of Health and Human Services				$ 710,926
DEPARTMENT OF JUSTICE:				
Pass through payments from:				
Virginia Department of Criminal Justice Services				
Equitable Sharing Program	16.922	unavailable		$ 53,642
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-00258-MUMU; 15PBJA-22-GG-00616-MUMU		17,672
Total Department of Justice				$ 71,314
DEPARTMENT OF HOMELAND SECURITY:				
Pass through payments from:				
Virginia Department of Emergency Management:				
Emergency Management Performance Grants	97.042	EMP-2024-EP-05008		$ 7,500
Total Department of Homeland Security				$ 7,500
DEPARTMENT OF TRANSPORTATION:				
Pass through payments from:				
Virginia Department of Motor Vehicles:				
Highway Planning and Construction	20.205	112664/116833		$ 201,392
Highway Safety Cluster:				
State and Community Highway Safety	20.600	BPT-2024-54110-24110/BPT-2025-55021-25021	$ 6,250	
Total Highway Safety Cluster				6,250
Total Department of Transportation				$ 207,642

CITY OF NORTON, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number		Federal Expenditures
DEPARTMENT OF TREASURY:				
Pass through payments from:				
Virginia Department of Education:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	600540/45277		$ 59,776
Total Department of Treasury				$ 59,776
EXECUTIVE OFFICE OF THE PRESIDENT:				
Direct payments:				
High Intensity Drug Trafficking Areas Program	95.001	Not applicable		$ 19,997
Total Executive Office of the President				$ 19,997
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Pass through payments from:				
Virginia Department of Housing and Community Development:				
Community Development Block Grants/				
State's Program and Non-Entitlement Grants in Hawaii	14.228	Contract #23-PG-07		$ 45,000
Total Department of Housing and Urban Development				$ 45,000
DEPARTMENT OF EDUCATION:				
Direct payments:				
Rural and Low Income Grants	84.358	Not applicable		$ 35,167
Pass through payments from:				
Virginia Department of Education:				
Career and Technical Education -- Basic Grants to States	84.048	APE60031/APE600311005		$ 18,996
Title I Grants to Local Educational Agencies	84.010	APE42901		367,852
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	APE43071	$ 218,953	
Special Education - Preschool Grants	84.173	APE62521	6,908	225,861
Education Stabilization Fund:				
COVID-19 American Rescue Plan - Emergency and Secondary School Emergency Relief (ARP ESSER)	84.425U	APE50193		374,819
Total Department of Education				$ 1,022,695
Total Expenditures of Federal Awards				$ 3,557,209

Notes to Schedule of Expenditures of Federal Awards:

Note A--Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Norton, Virginia under programs of the federal government for the year ended June 30, 2025. The information in the 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 operations of the City of Norton, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Norton, Virginia.

Note B--Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
(2) Pass-through entity identifying number are presented where available.
(3) The City did not elect the 15% de minimis indirect cost rate because they only request direct costs for reimbursement.

Note C--Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D-- Subrecipients

The City did not have any subrecipients for the year ended June 30, 2025.

Note E--Loan Balances

The City has received federal funding through loans. At June 30, 2025, the outstanding balances of these loans were: $ 758,119

CITY OF NORTON, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Note F--Relationship to the Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Primary government:	
General Fund-Intergovernmental	$ 4,152,992
Less: Revenue from the Commonwealth	(3,700,520)
Less: Payment in lieu of taxes	(38,709)
Federal loan proceeds	253,000
Virginia Public Assistance Fund-Intergovernmental	1,979,750
Less: Revenue from the Commonwealth	(1,016,696)
Drug and Gambling Fund-Intergovernmental	53,642
Component Unit School Board:	
School Operating Fund-Intergovernmental	13,724,367
Less: Revenue from Local Governments	(2,618,720)
Less: Revenue from the Commonwealth	(10,023,176)
School Cafeteria Fund-Intergovernmental	813,509
Less: Revenue from the Commonwealth	(22,230)
School Textbook Fund-Intergovernmental	29,356
Less: Revenue from Local Governments	(29,356)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 3,557,209

City of Norton, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No

Identification of major programs:

Assistance Listing #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I
84.425	COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

2025-001	**Material Weakness**
Criteria:	Identification of adjustments to the financial statements that were not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The City and School Board's financial statements required several adjusting entries to ensure such statements complied with Generally Accepted Accounting Principles.
Cause:	All closing and correcting entries that were required at year end were not identified as part of the City and School Board's closing process.
Effect:	There is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	City and School Board finance staff should review the proposed entries and ensure proper understanding in an effort to make sure the staff along with the external consultant prepare all similar necessary entries prior to the FY2026 audit.
Management's Response:	The City and School Board finance staff will review the proposed entries and ensure proper understanding in an effort to make sure the staff along with the external consultant prepare all similar necessary entries prior to the FY2026 audit.

2025-002	**Material Noncompliance**
Criteria:	The Code of Virginia § 15.2-2506 requires an appropriation prior to all expenditures.
Condition:	The Social Services Fund materially overspent the appropriations for fiscal year 2025.
Cause:	Sufficient funds were not appropriated with the normal budget appropriation and as increased activity occurred, a budget supplement was not proposed due to oversight.
Effect:	Social Services does not appear to be in compliance with the Code of Virginia in regards to the appropriation process.
Context:	The Social Services fund had appropriations of $1,852,000 and total expenditures of $2,539,174.
Recommendation:	We recommend the City and Social Services appropriate expected expenditures for all funds and ensure same is properly posted to the accounting system. Further, we recommend the City and Social Services review the budgeted expenditures versus actual monthly to ensure compliance.
Management's Response:	Management will implement the recommended actions as soon as possible.

Section II - Financial Statement Findings (Continued)

2025-003	**Material Noncompliance**
Criteria:	The Code of Virginia § 22.1-8 requires the School Board to complete and submit the Annual School Report (ASR) to the Virginia Department of Education by September 15, 2025.
Condition:	The School Board submitted the ASR after the annual deadline on December 5, 2025 and the amounts reported within did not agree to the underlying accounting records.
Cause:	The School Board experienced turnover in the Finance Director position and the new Finance Director started after the deadline and was inexperienced in completing the ASR.
Effect:	The ASR may be inaccurate and was filed after the annual deadline.
Context:	The revenues as reported in the ASR totaled $14,703,317 but the revenues per the underlying account records were actually $15,708,382 resulting in an unexplained variance of $1,005,065.
Recommendation:	We recommend the School Board create a reconciliation of any variances between the ASR and the underlying accounting records and maintain this reconciliation for audit purposes going forward.
Management's Response:	Management will make sure the Annual School Reports will be accurate, thoroughly documented, and submitted on time going forward.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

City of Norton, Virginia

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2025

No findings reported in FY2024.