

CITY OF NORTON, VIRGINIA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ended June 30, 2024

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INTRODUCTORY SECTION

CITY OF NORTON, VIRGINIA

**DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2024**

CITY COUNCIL

Joseph Fawbush, Mayor
Mark Caruso, Vice-Mayor
Robert Fultz, Jr.
Chris Jones
Stacy Salyer

OTHER OFFICIALS

Jeff Shupe City Manager
Treavor Calhoun Director of Finance
James Lane Chief of Police
Steve McElroy..... Director of Public Works
Winfred Collins..... Building Official/Zoning Administrator
Todd Lagow Fire Chief and Emergency Services Coordinator
Andrew Greear Superintendent Water Treatment Plant
Rebecca Kilgore Director of Parks & Recreation
Barbara Muir Treasurer
Judy Miller Commissioner of Revenue
Jason McConnell..... Sheriff
Matthew R. Dotson Attorney at Law

School Board

Cody McElroy..... Chair
Dr. Wes Campbell..... Vice-Chair
Jon Broskey Board Member
Madison Adams Board Member
Mark Sturgill Board Member
Dr. Gina Wohlford..... Superintendent

Social Services Advisory Board

Abe Rutherford..... Director
June Jones
Hannah Addington
Sundy Adams
Jen Boa
Cara Madrigal



Management Discussion and Analysis (unaudited)

To the Honorable Mayor and City Council
To the Citizens of the City of Norton

On behalf of the City Administration for the City of Norton, we offer the readers of the City's financial statements this narrative overview and analysis of the City for the fiscal year ended June 30, 2024.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 25,943,289 (net position).
- At June 30, 2024, the City reported combined ending fund balances of \$ 4,385,101, an increase of \$ 1,195,800 in comparison with the prior year.
- As of June 30, 2024, the General Fund had a total Fund Balance of \$ 3,694,057.
- The total debt outstanding as of June 30, 2024 was \$ 14,075,989 which includes the component units. As of June 30, 2024, the City's Legal Debt Margin was \$ 15,002,617.
- The Water/Sewer Proprietary Fund had a decrease in Net Position for the year of \$382,102.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of three components:

- Government – wide financial statements
- Fund financial statements
- Notes to the financial statements

This report also includes other supplementary information in addition to the basic financial statements.

Government-wide financial statements – The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases to net position may serve as a useful indicator as to whether the City's financial position is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods, such as uncollected taxes.

The Government-wide financial statements include not only the City of Norton (primary government), but also its component units: the Norton City Schools and the Norton Industrial Development Authority (NIDA).

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City of Norton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government–Wide Financial Analysis – Primary Government
Summary Statement of Net Position – June 30, 2024

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 8,776,402	\$ 6,504	\$ 8,782,906
Capital and ROU assets	15,015,073	15,342,239	30,357,312
Total Assets	\$ 23,791,475	\$ 15,348,743	\$ 39,140,218
Current & other liabilities	\$ 2,503,701	\$ 302,027	\$ 2,805,728
Long-term liabilities	2,733,749	6,488,710	9,222,459
Total Liabilities	\$ 5,237,450	\$ 6,790,737	\$ 12,028,187
Deferred Inflows	\$ 1,982,939	\$ 54,461	\$ 2,037,400
Deferred Outflows	808,740	59,918	868,658
Net Deference of Resources	\$ 1,174,199	\$ (5,457)	\$ 1,168,742
Net Position:			
Invested in Capital assets	\$ 13,871,563	\$ 8,887,104	\$ 22,758,667
Restricted	464,315	68,526	532,841
Unrestricted	3,043,948	(392,167)	2,651,781
Total Net Position	\$ 17,379,826	\$ 8,563,463	\$ 25,943,289

Net position serves as a useful indicator of a government’s financial position. The City’s combined net position total is \$ 25,943,289 excluding discretely presented component units. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$ 22,758,667. The City of Norton uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Governmental Activities – Governmental activities increased the City’s net position by \$4,233,900 for 2024 and increased by \$1,637,234 for 2023. Key elements of this decrease are as follows:

	Governmental Activities Year Ended June 30	
	2024	2023
Program Revenues:		
Charges for Services	\$ 568,352	\$ 477,566
Operating Grants and Contributions	7,815,280	5,643,481
Capital Grants and Contributions	323,353	498,901
General Revenues:		
Property Taxes	3,059,802	3,368,232
Other Local Taxes	6,698,524	6,517,547
Other	757,464	510,952
Total Revenues	\$ 19,222,775	\$ 17,016,679
Expenses:		
General Government	\$ 1,947,140	\$ 1,641,635
Judicial Administration	568,265	488,956
Public Safety	4,588,329	3,647,261
Public Works	2,079,333	2,574,688
Health and Welfare	2,242,810	2,074,006
Education	2,194,854	2,943,090
Parks, Recreation, Culture	72,937	330,963
Community Development	1,277,380	1,647,478
Interest of Long Term Debt	17,827	31,368
Total Expenses	\$ 14,988,875	\$ 15,379,445
Increase (Decrease) in Net Assets	\$ 4,233,900	\$ 1,637,234

Included in the Total Expenses are non-cash items including depreciation. In addition, expenditures for capital assets are not included, while Grant Contributions (revenues) for some types of projects are. This means that under the full accrual method, the net position increased by \$4,233,900 for FY2024. A portion of the increase is accounted for in increases in new Casino funding and capital grant funding for planned use to complete ongoing grant funded projects around the City, as well as recognition and utilization of prior ARPA funding.

Fund Financial Statements

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

Governmental Fund Highlights:

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Real Property Tax	2,041,912	2,283,479	1,995,596	1,978,724	2,107,104
Local Sales and Use Tax	2,304,834	2,142,163	1,918,095	1,726,064	1,664,033
Restaurant Food Taxes	1,917,636	1,910,094	1,663,751	1,515,515	1,479,388
Street & Highway Maintenance	1,153,732	1,059,663	912,947	896,920	870,897
Business License Taxes	904,592	947,829	981,872	690,659	801,979
Personal Property Taxes	635,802	738,808	591,759	615,296	614,014

The City’s assessed value of taxable property for the year was \$ 297,531,931. The real estate tax rate is \$.90 per \$ 100 of assessed value and the personal property tax rate is \$ 2.05 per \$ 100 of assessed value. For the year, the percent of levy collected was 96.38%. This includes collections of prior year’s delinquencies in addition to current year assessments, but is calculated as a percentage of the current year tax base.

The City’s business type activity is the Water/Sewer Proprietary Fund. During the year this fund had a decrease in net position of \$ 382,102. In addition, cash and cash equivalents increased by \$384,988 to \$743,005.

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <i>Favorable</i> <i>(Unfavorable)</i>
Total Revenues	\$ 18,142,218	\$ 19,824,517	\$ 1,682,299
Total Expenses	18,495,461	<u>18,628,717</u>	\$ (133,256)
Excess of Revenues Over Expenses		<u>\$ 1,195,800</u>	

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

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City'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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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'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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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'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'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 management's discussion and analysis, the budgetary comparison information, and required pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements 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*, and is also 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 nonmajor fund financial statements 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 directory of principal officials, statistical section and compliance sections but does not include the basis 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 June 25, 2025 on our consideration of the City's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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's internal control over financial reporting and compliance.

Roderick Messer & Co, PLLC

Norton, Virginia
June 25, 2025

BASIC FINANCIAL STATEMENTS

CITY OF NORTON, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2024

	Primary Government			Component Units	
	Governmental	Business-Type	Totals	School Board	Industrial
	Activities	Activities		Development	Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 678,201	\$ 582,819	\$ 1,261,020	\$ 929,575	\$ 1,695,112
Restricted cash (Note 2)	15,793	160,186	175,979	472,470	131,733
Cash in custody of others	-	-	-	427,118	-
Investments	2,364,866	-	2,364,866	-	-
Receivables, net (Note 3)	2,564,887	354,279	2,919,166	-	345,822
Inventory	227	-	227	-	-
Prepays	30	-	30	-	38,507
Leases receivable	-	-	-	-	1,058,803
Due from other governments (Note 4)	1,524,532	-	1,524,532	560,929	-
Due from primary government	-	-	-	1,563,638	-
Due from component units	4,245	-	4,245	-	-
Internal balances (Note 5)	1,159,306	(1,159,306)	-	-	-
Net pension asset (Note 12)	464,315	68,526	532,841	730,677	-
Capital assets: (Note 7)					
Nondepreciable	4,209,726	588,600	4,798,326	2,606,893	1,268,380
Depreciable, net	10,638,147	14,753,639	25,391,786	10,364,409	4,999,497
Right of-use assets, net (Note 7)	167,200	-	167,200	73,009	-
Total assets	<u>23,791,475</u>	<u>15,348,743</u>	<u>39,140,218</u>	<u>17,728,718</u>	<u>9,537,854</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	27,688	-	27,688	-	-
Deferred outflows related to pensions (Note 12)	398,171	58,867	457,038	2,144,705	-
Deferred outflows related to other postemployment benefits (Note 14)	382,881	1,051	383,932	270,168	-
Total deferred outflows of resources	<u>808,740</u>	<u>59,918</u>	<u>868,658</u>	<u>2,414,873</u>	<u>-</u>
LIABILITIES					
Accounts payable and other current liabilities	194,310	139,125	333,435	105,379	46,163
Accrued payroll and related liabilities	30,766	4,346	35,112	477,404	-
Accrued interest	2,035	19,321	21,356	60,053	-
Customer security deposits	-	139,235	139,235	-	-
Due to other governmental units	537,539	-	537,539	-	-
Due to primary government	-	-	-	4,245	-
Due to component unit	1,563,638	-	1,563,638	-	-
Unearned revenue - ARPA Funds	175,413	-	175,413	-	-
Noncurrent liabilities:					
Net pension liability (Note 12)	-	-	-	5,034,399	-
Net other postemployment benefits/liabilities (Note 14)	1,185,098	4,107	1,189,205	1,231,274	-
Due within one year (Note 9)	340,361	285,059	625,420	824,564	26,397
Due in more than one year (Note 9)	1,208,290	6,199,544	7,407,834	4,363,646	828,128
Total liabilities	<u>5,237,450</u>	<u>6,790,737</u>	<u>12,028,187</u>	<u>12,100,964</u>	<u>900,688</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes	1,170,869	-	1,170,869	-	-
Deferred inflows - leases	-	-	-	-	1,038,391
Deferred inflows related to pensions (Note 12)	359,343	53,127	412,470	716,995	-
Deferred inflows related to other postemployment benefits (Note 14)	452,727	1,334	454,061	187,959	-
Total deferred inflows of resources	<u>1,982,939</u>	<u>54,461</u>	<u>2,037,400</u>	<u>904,954</u>	<u>1,038,391</u>
NET POSITION					
Net investment in capital assets	13,871,563	8,887,104	22,758,667	8,013,550	5,723,352
Restricted	464,315	68,526	532,841	730,677	131,733
Unrestricted	3,043,948	(392,167)	2,651,781	(1,606,554)	1,743,690
Total net position	<u>\$ 17,379,826</u>	<u>\$ 8,563,463</u>	<u>\$ 25,943,289</u>	<u>\$ 7,137,673</u>	<u>\$ 7,598,775</u>

CITY OF NORTON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals	Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			School Board	Industrial Development Authority
					Governmental Activities	Business-Type Activities			
Primary Government:									
Governmental activities:									
General government	\$ 1,947,140	\$ -	\$ 2,501,429	\$ -	\$ 554,289		\$ 554,289		
Judicial administration	568,265	-	-	-	(568,265)		(568,265)		
Public safety	4,588,329	148,831	1,053,950	13,618	(3,371,930)		(3,371,930)		
Public works	2,079,333	402,954	1,733,620	-	57,241		57,241		
Health and welfare	2,242,810	-	1,753,733	-	(489,077)		(489,077)		
Education	2,194,854	-	-	-	(2,194,854)		(2,194,854)		
Parks, recreation, and cultural	72,937	16,567	4,500	-	(51,870)		(51,870)		
Community development	1,277,380	-	768,048	309,735	(199,597)		(199,597)		
Interest	17,827	-	-	-	(17,827)		(17,827)		
Total governmental activities	14,988,875	568,352	7,815,280	323,353	(6,281,890)		(6,281,890)		
Business-type activities:									
Water and sewer	3,462,975	2,978,945	-	101,928		\$ (382,102)	(382,102)		
Total business-type activities	3,462,975	2,978,945	-	101,928		(382,102)	(382,102)		
Total primary government	\$ 18,451,850	\$ 3,547,297	\$ 7,815,280	\$ 425,281	(6,281,890)	(382,102)	(6,663,992)		
Discretely Presented Component Units:									
School Board	\$ 11,952,211	\$ -	\$ 10,835,685	\$ -				\$ (1,116,526)	
Industrial Development Authority	8,142,801	339,993	-	1,104,992					\$ (6,697,816)
Total component units	\$ 20,095,012	\$ 339,993	\$ 10,835,685	\$ 1,104,992				\$ (1,679,596)	\$ (6,697,816)
General revenues:									
Property taxes					3,059,802	-	3,059,802	-	-
Sales taxes					2,304,834	-	2,304,834	-	-
Utility taxes					123,097	-	123,097	-	-
Business license taxes					904,592	-	904,592	-	-
Communication taxes					137,650	-	137,650	-	-
Motor vehicle taxes					75,675	-	75,675	-	-
Bank stock taxes					84,960	-	84,960	-	-
Recordation taxes					26,034	-	26,034	-	-
Hotel and motel room taxes					132,654	-	132,654	-	-
Restaurant food taxes					1,917,636	-	1,917,636	-	-
Coal road improvement taxes					14,260	-	14,260	-	-
Cigarette tax					139,140	-	139,140	-	-
Other local taxes					837,992	-	837,992	-	-
Gain on sale of property					34,107	-	34,107	-	-
Miscellaneous					361,647	-	361,647	868,572	-
Unrestricted investment earnings					191,477	-	191,477	-	117,204
Recovered Cost					145,135	-	145,135	-	80,310
Insurance recoveries					25,098	-	25,098	-	-
Transfers					-	-	-	2,173,961	-
Total general revenues					10,515,790	-	10,515,790	3,042,533	197,514
Change in net position					4,233,900	(382,102)	3,851,798	1,926,007	(6,500,302)
NET POSITION AT JULY 1					13,145,926	8,945,565	22,091,491	5,211,666	14,099,077
NET POSITION AT JUNE 30					\$ 17,379,826	\$ 8,563,463	\$ 25,943,289	\$ 7,137,673	\$ 7,598,775

CITY OF NORTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	General	Virginia Public Assistance Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 423,565	\$ 47,736	\$ 206,900	\$ 678,201
Restricted cash	15,793	-	-	15,793
Investments	2,364,866	-	-	2,364,866
Taxes Receivable	1,454,332	-	-	1,454,332
Accounts receivable	1,110,555	-	-	1,110,555
Due from other funds	1,535,267	-	-	1,535,267
Inventory	227	-	-	227
Prepaid	30	-	-	30
Due from component unit	4,245	-	-	4,245
Due from other governmental units	1,045,990	168,542	310,000	1,524,532
Total assets	<u>\$ 7,954,870</u>	<u>\$ 216,278</u>	<u>\$ 516,900</u>	<u>\$ 8,688,048</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 194,220	\$ 90	\$ -	\$ 194,310
Accrued payroll and related liabilities	25,809	4,957	-	30,766
Unearned revenue - ARPA Funds	175,413	-	-	175,413
Due to other funds	338,874	17,398	19,689	375,961
Due to component unit	1,563,638	-	-	1,563,638
Due to other governmental units	537,539	-	-	537,539
Total liabilities	<u>2,835,493</u>	<u>22,445</u>	<u>19,689</u>	<u>2,877,627</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable/deferred taxes	1,425,320	-	-	1,425,320
Total deferred inflows of resources	<u>1,425,320</u>	<u>-</u>	<u>-</u>	<u>1,425,320</u>
FUND BALANCES (Note 6)				
Nonspendable	1,159,562	-	-	1,159,562
Restricted	-	-	-	-
Committed	-	-	497,211	497,211
Assigned	5,123	193,833	-	198,956
Unassigned	2,529,372	-	-	2,529,372
Total fund balances	<u>3,694,057</u>	<u>193,833</u>	<u>497,211</u>	<u>4,385,101</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,954,870</u>	<u>\$ 216,278</u>	<u>\$ 516,900</u>	<u>\$ 8,688,048</u>

CITY OF NORTON, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
6/30/2024

Total Fund Balance - Governmental Funds \$ 4,385,101

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

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

Nondepreciable	\$ 4,209,726	
Depreciable, net	10,638,147	
Right-of-use, net	<u>167,200</u>	
		15,015,073

Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds. 254,451

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

Deferred outflows of resources - pensions	398,171	
Deferred outflows of resources - other postemployment benefits	382,881	
Deferred inflows of resources - pensions	(359,343)	
Deferred inflows of resources - other postemployment benefits	(452,727)	
Net pension (liability)asset	464,315	
Net other postemployment benefits liabilities	<u>(1,185,098)</u>	
		(751,801)

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

Bonds payable, including unamortized premiums	(974,850)	
Deferred charge on refunding	27,688	
Compensated absences	(405,141)	
Finance Purchase notes payable	-	
Lease liabilities	(168,660)	
Accrued interest payable	<u>(2,035)</u>	
		<u>(1,522,998)</u>

Total Net Position - Governmental Activities \$ 17,379,826

CITY OF NORTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2024

	General	Virginia Public Assistance Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 3,177,322	\$ -	\$ -	\$ 3,177,322
Other local taxes	5,860,532	-	-	5,860,532
Permits, privilege fees, and regulatory licenses	13,444	-	-	13,444
Fines and forfeitures	3,412	-	148,129	151,541
Use of money and property	191,451	2	26	191,479
Charges for services	420,223	-	-	420,223
Miscellaneous	361,645	-	-	361,645
Recovered costs	145,135	-	-	145,135
Intergovernmental	7,215,258	1,753,733	-	8,968,991
Total revenues	<u>17,388,422</u>	<u>1,753,735</u>	<u>148,155</u>	<u>19,290,312</u>
EXPENDITURES				
Current:				
General government	1,940,891	-	-	1,940,891
Judicial administration	631,619	-	-	631,619
Public safety	4,787,570	-	58,324	4,845,894
Public works	2,549,006	-	-	2,549,006
Health and welfare	80,993	2,121,704	-	2,202,697
Education	2,194,854	-	-	2,194,854
Parks, recreation and cultural	672,559	-	-	672,559
Community development	2,920,765	-	-	2,920,765
Debt service:				
Principal retirement	176,953	-	-	176,953
Interest and fiscal charges	18,479	-	-	18,479
Total expenditures	<u>15,973,689</u>	<u>2,121,704</u>	<u>58,324</u>	<u>18,153,717</u>
Excess (deficiency) of revenues over expenditures	<u>1,414,733</u>	<u>(367,969)</u>	<u>89,831</u>	<u>1,136,595</u>
OTHER FINANCING SOURCES (USES)				
Sale of surplus	34,107	-	-	34,107
Insurance recoveries	25,098	-	-	25,098
Loan proceeds	-	-	-	-
Transfers in	-	475,000	-	475,000
Transfers out	(475,000)	-	-	(475,000)
Total other financing sources (uses)	<u>(415,795)</u>	<u>475,000</u>	<u>-</u>	<u>59,205</u>
Net change in fund balances	998,938	107,031	89,831	1,195,800
FUND BALANCES AT JULY 1	<u>2,695,119</u>	<u>86,802</u>	<u>407,380</u>	<u>3,189,301</u>
FUND BALANCES AT JUNE 30	<u>\$ 3,694,057</u>	<u>\$ 193,833</u>	<u>\$ 497,211</u>	<u>\$ 4,385,101</u>

CITY OF NORTON, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

Net Change in Fund Balances - Governmental Funds		\$ 1,195,800
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay and right-of-use-lease assets	\$ 3,895,374	
Depreciation and amortization expense	<u>(749,702)</u>	3,145,672
<p>Governmental funds report proceeds from the sale of capital assets as an increase in financial resources while governmental activities report the gain or loss on the sale of capital assets.</p>		
		-
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		22,389
<p>The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net position.</p>		
		37,052
<p>Some expenses reported in the Statement of Activities, such as compensated do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in compensated absences	<u>(62,264)</u>	(62,264)
<p>Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
		146,871
<p>Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.</p>		
		(243,042)
<p>Governmental funds report the effect of bond premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows:</p>		
Amortization of gain/loss from refundings	(9,230)	
Change in accrued interest payable	<u>652</u>	<u>(8,578)</u>
Change in Net Position - Governmental Activities		<u>\$ 4,233,900</u>

CITY OF NORTON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	Water and Sewer
ASSETS	
Current assets:	
Cash and investments	\$ 582,819
Receivables, net	354,279
Prepays	-
Due from other governments	-
Due from other funds	338,874
Total current assets	1,275,972
Noncurrent assets:	
Restricted cash	160,186
Net pension asset	68,526
Capital assets, net	15,342,239
Total noncurrent assets	15,570,951
Total assets	16,846,923
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	58,867
Deferred outflows related to other postemployment benefits	1,051
Total deferred outflows of resources	59,918
LIABILITIES	
Current liabilities:	
Accounts payable	139,125
Accrued payroll and related liabilities	4,346
Accrued interest	19,321
Due to other funds	1,498,180
Customer security deposits	139,235
Compensated absences	8,840
Debt obligations, current	276,219
Total current liabilities	2,085,266
Noncurrent liabilities:	
Compensated absences	20,628
Net pension liability	-
Net other postemployment benefit liabilities	4,107
Debt obligations	6,178,916
Total noncurrent liabilities	6,203,651
Total liabilities	8,288,917
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	53,127
Deferred inflows related to other post employment benefits	1,334
Total deferred inflows of resources	54,461
NET POSITION	
Net investment in capital assets	8,887,104
Restricted	68,526
Unrestricted	(392,167)
Total net position	\$ 8,563,463

CITY OF NORTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2024

	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services	
Water:	
Local	\$ 926,068
Non-Local	228,345
Sewer:	
Local	1,353,565
Non-Local	391,819
Connection fees	15,740
Penalties	62,275
Miscellaneous	1,133
Total operating revenues	<u>2,978,945</u>
OPERATING EXPENSES	
Personnel	697,763
Fringe benefits	256,729
Contractual services	880,387
Other charges	690,045
Water purchased for resale	110,699
Depreciation and amortization	676,961
Total operating expenses	<u>3,312,584</u>
Operating loss	<u>(333,639)</u>
NONOPERATING REVENUES (EXPENSES)	
Grant income	101,928
Interest expense	(150,391)
Total nonoperating revenues (expenses)	<u>(48,463)</u>
Change in net position	(382,102)
NET POSITION AT JULY 1	<u>8,945,565</u>
NET POSITION AT JUNE 30	<u>\$ 8,563,463</u>

**CITY OF NORTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2024**

	Water and Sewer
OPERATING ACTIVITIES	
Receipts from customers and properties	\$ 2,987,648
Receipts from other sources	1,133
Payments to suppliers	(1,929,848)
Payments to employees	(729,061)
	329,872
NONCAPITAL FINANCING ACTIVITIES	
Interfund borrowing	342,678
	342,678
CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases or disposals of capital assets and CIP	15,810
Contributed Capital - grant revenue	113,579
Proceeds from issuance of debt	-
Principal paid	(265,170)
Interest paid	(151,781)
	(287,562)
Net cash used in capital and related financing activities	(287,562)
Net increase (decrease) in cash and cash equivalents	384,988
CASH AND CASH EQUIVALENTS	
Beginning at July 1	358,017
Ending at June 30	\$ 743,005
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:	
Cash and investments	\$ 582,819
Restricted cash	160,186
Total	\$ 743,005
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (333,639)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	676,961
Pension expense net of employer contributions	(21,594)
Other post-employment benefit expense net of employer contributions	262
Change in assets and liabilities:	
(Increase) decrease in:	
Receivables, net	9,836
Prepaid expenses	-
Increase (decrease) in:	
Accounts payable and other current liabilities	27,427
Accrued payroll and related liabilities	(24,271)
Customer deposits	1,917
Compensated absences	(7,027)
	329,872
Net cash provided by operating activities	\$ 329,872

**CITY OF NORTON, VIRGINIA
 AGENCY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 June 30, 2024**

	Special Welfare Fund <hr style="border: 0.5px solid black;"/>
ASSETS	
Cash	\$ 21,340
Total assets	<hr style="border: 0.5px solid black;"/> 21,340
 NET POSITION	
Amounts held for social service clients	21,340
Total net position	<hr style="border: 0.5px solid black;"/> \$ 21,340 <hr style="border: 0.5px solid black;"/>

CITY OF NORTON, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2024

	Special Welfare Fund
ADDITIONS	
Client Receipts	\$ 10,265
Total additions	10,265
DEDUCTIONS	
Payments for clients	3,942
Total deductions	3,942
Change in net position	6,323
NET POSITION - BEGINNING OF YEAR	15,017
NET POSITION - END OF YEAR	\$ 21,340

CITY OF NORTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Individual Component Disclosures

Discretely Presented Component Unit

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-Wide and Fund Financial Statements

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following non-major governmental funds:

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

The City reports the following major proprietary funds:

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

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

D. Basis of Accounting

1. Governmental Funds

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

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

2. Proprietary Funds

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

3. Fiduciary Funds

Agency Funds utilize the modified accrual basis of accounting.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

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

1. Prior to March 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the category level. The appropriations for each category can be revised only by the City Council. The City Manager is authorized to transfer budgeted amounts within governmental departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except for the School Fund). The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. For all City units, appropriations lapse on June 30.
8. All budget data presented in the accompanying financial statements is the revised budget as of June 30, 2024.

F. Encumbrances and Commitments

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

G. Deposits and Investments

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Capital Assets

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

I. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$544,762 at June 30, 2024, and is composed of the following:

General Fund	
Allowance for uncollectable property taxes	\$ 44,792
Allowance for uncollectable garbage fees	63,322
Total General Fund	108,114
Water and Sewer Fund	
Allowance for uncollectable water and sewer fee billings	514,499
Total Water and Sewer Fund	514,499
Total	\$ 622,613

J. Interfund Receivables and Payables

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

K. Compensated Absences

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

L. Pensions

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

M. Other Postemployment Benefits (OPEB)

Local Health

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

Group Life Insurance

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

Line of Duty Act Program

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

Teacher Employee Health Insurance Credit Program

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

Teacher Employee Virginia Local Disability Program

The VRS Teacher Employee Virginia Local Disability Program (VLDP) is a multiple-employer, cost-sharing plan. For purposes of measuring the net Group Life Insurance Program, LODA Program, Teacher Employee Health Insurance Credit, and VLDP Program OPEB liability, deferred outflows of resources an deferred inflows of resources related to the Group Life Insurance, LODA, Teacher Employee Health Insurance Credit, and VLDP Programs OPEB, and Group Life Insurance, LODA, Teacher Employee Health Insurance Credit, and VLDP Programs OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance, LODA, Teacher Employee Health Insurance Credit, and VLDP programs OPEB and the additions to/deductions from VRS group Life Insurance, LODA,

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

Note 1. Summary of Significant Accounting Policies (Continued)

M. Other Postemployment Benefits (OPEB) (Continued)

Teacher Employee Virginia Local Disability Program (Continued)

Teacher Employee Health Insurance Credit, and VLDP Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Long-term Debt

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

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

O. Fund Balances

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid Items as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balances (Continued)

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

Reserve Flow Policy

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

P. Net Position

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

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

Q. Deferred Outflows/Inflows of Resources

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

Employer pension and other postemployment benefit (OPEB) contributions made after the net pension and OPEB liability measurement date of June 30, 2023 and prior to the reporting date of June 30, 2024, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2024. This will be applied to the net pension liability in the next fiscal year.

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

Note 1. Summary of Significant Accounting Policies (Continued)

R. Deferred Outflows/Inflows of Resources (Continued)

Differences between the projected and actual pension and OPEB earnings as of the actuarial measurement date of June 30, 2023 have been reported as a deferred inflow of resources. This difference will be recognized in pension or OPEB expense over a closed five-year period.

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

The General Fund reports the deferred loss on debt refunding, net as a deferred outflow of resources presented on the Governmental Activities Statement of Net Position. The deferred loss on refunding results from the net difference in the carrying value of refunded debt and the reacquisition price of the refunding debt. This net difference amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The City has reported a deferred loss on the refunding of debt of \$27,688 as a deferred outflow of resources on the Governmental Activities and Statement of Net Position as of June 30, 2024.

- S. 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.

Lessee - The City recognizes lease liabilities and intangible right-to-use lease assets (lease asset) with the 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). The lease liability is reduced by the principal portion of 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. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor - The City recognized leases receivable and deferred inflows 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).

Subscriptions - The City recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$5,000, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured a the present value of payments expected to be made during

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

Note 1. Summary of Significant Accounting Policies (Continued)

S. Leases and subscription-based IT arrangements (Continued)

the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

T. Date of Management Review

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

Note 2. Deposits and Investments

Deposits

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

Investments

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

Concentration of Credit Risk

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

First Bank & Trust	49%
Virginia Investment Pool	50%

Custodial Credit Risk

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

Fair Value Measurements

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

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

Note 2. Deposits and Investments (Continued)

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

	Primary Government	Component Units	
		School	NIDA
Deposits and investments			
Cash on hand	\$ 950	\$ -	\$ -
Deposits	1,436,049	2,752,144	1,826,845
Investments	2,364,866	-	-
	<u>\$ 3,801,865</u>	<u>\$ 2,752,144</u>	<u>\$ 1,826,845</u>
Statement of net position			
Cash and cash equivalents	\$ 1,261,020	\$ 929,575	\$ 1,695,112
Investments	2,364,866	-	-
Cash in custody of others	-	427,118	-
Restricted cash and cash equivalents	175,979	472,470	131,733
	<u>\$ 3,801,865</u>	<u>\$ 1,829,163</u>	<u>\$ 1,826,845</u>

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

Note 3. Property Taxes Receivable

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

Note 4. Due From Other Governmental Units

	Primary Government	Component Unit	Total
		School Board	
Commonwealth of Virginia			
Local sales tax	\$ 372,204	\$ -	\$ 372,204
Shared expenses	54,439	-	54,439
Communication tax	21,924	-	21,924
E-911	8,881	-	8,881
Other	469,045	-	469,045
School funds	-	560,929	560,929
Welfare fund	168,542	-	168,542
Total Commonwealth of Virginia	<u>\$ 1,095,035</u>	<u>\$ 560,929</u>	<u>\$ 1,655,964</u>

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

Note 4. Due From Other Governmental Units (Continued)

Wise County			
Local revenue collections	2,274	-	2,274
Total Wise County	<u>2,274</u>	<u>-</u>	<u>2,274</u>
Southwest Regional Jail Authority	107,735	-	107,735
Norton Industrial Development Authority	319,488	-	319,488
	<u>319,488</u>	<u>-</u>	<u>319,488</u>
Total due from other Governmental Units	<u>\$ 1,524,532</u>	<u>\$ 560,929</u>	<u>\$ 2,085,461</u>

Note 5. Interfund Obligations

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	\$ -	\$ 1,323,098	-	-
School Capital Improvement		145,384	-	-
School Textbook Fund		95,156	-	-
Virginia Public Assistance Fund	13,991	-	-	-
Water and Sewer Fund	1,123,602	35,704	-	-
Special Revenue	19,690	-	-	-
Total General Fund	<u>1,157,283</u>	<u>1,599,342</u>	<u>-</u>	<u>-</u>
School Operating Fund:				
General Fund-City Operations	-	-	1,323,098	-
Cafeteria Fund	-	-	5,788	-
School Activity Fund	-	-	-	-
Textbook Fund	-	-	13,477	-
Total School Operating Funds	<u>-</u>	<u>-</u>	<u>1,342,363</u>	<u>-</u>
School Textbook Fund				
City Operations	-	-	95,156	-
School Operating	-	-	-	13,477
Total School Textbook Fund	<u>-</u>	<u>-</u>	<u>95,156</u>	<u>13,477</u>
School Capital Project Fund				
City Operations	-	-	145,384	-
Total Capital Project Fund	<u>-</u>	<u>-</u>	<u>145,384</u>	<u>-</u>

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

Note 5. Interfund Obligations (Continued)

	<u>Primary Government</u>		<u>School Board Component Unit</u>	
	<u>Due From</u>	<u>Due To</u>	<u>Due From</u>	<u>Due To</u>
School Cafeteria Fund				
City Operations	-	-	-	5,788
Total Cafeteria Fund	-	-	-	5,788
School Activity Fund				
School Operating	-	-	-	-
Total School Activity Fund	-	-	-	-
Special Revenue Funds				
General Fund	-	19,690	-	-
Total Special Revenue Funds	-	19,690	-	-
Virginia Public Assistance Fund:				
General Fund	-	13,991	-	-
Total Virginia Public Assistance Funds	-	13,991	-	-
Water and Sewer Fund				
General Fund	35,704	1,123,602	-	-
Total Water and Sewer Funds	35,704	1,123,602	-	-
 Totals	 <u>\$ 1,192,987</u>	 <u>\$ 2,756,625</u>	 <u>\$ 1,582,903</u>	 <u>\$ 19,265</u>

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

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

Note 6. Fund Balance – Governmental Funds

As of June 30, 2024, fund balances are composed of the following:

	<u>General Fund</u>	<u>Virginia Public Assistance Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventory	\$ 227	\$ -	\$ -	\$ 227
Prepaid	30	-	-	30
Intercompany receivables	1,159,305	-	-	1,159,305
Restricted:	-	-	-	-
Committed:				
Law Enforcement	-	-	180,117	180,117
Parks and Recreation	-	-	2,369	2,369
Planning and Development	-	-	314,725	314,725
Assigned:				
Parks and Recreation	-	-	-	-
Public Safety	2,050	-	-	2,050
Public Works	3,073	-	-	3,073
General Administration	-	-	-	-
Health and Welfare	-	193,833	-	193,833
Unassigned	<u>2,529,372</u>	<u>-</u>	<u>-</u>	<u>2,529,372</u>
Total fund balances	<u>\$ 3,694,057</u>	<u>\$ 193,833</u>	<u>\$ 497,211</u>	<u>\$ 4,385,101</u>

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

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

Note 7. Changes in Capital Assets

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

<u>Governmental Activities</u>	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Buildings	1,983,709	-	-	1,983,709
Improvements other than buildings	2,893,449	481,126	-	3,374,575
Infrastructure	15,425,142	731,642	-	16,156,784
Equipment	5,722,557	1,191,116	(70,000)	6,843,673
Equipment - special revenue	192,305	-	-	192,305
Total Capital assets, depreciable	<u>26,217,162</u>	<u>2,403,884</u>	<u>(70,000)</u>	<u>28,551,046</u>
Less accumulated depreciation for				
Buildings	1,641,482	27,768	-	1,669,250
Improvements other than buildings	1,630,633	94,273	-	1,724,906
Infrastructure	9,806,758	217,546	-	10,024,304
Equipment	4,061,895	372,631	(70,000)	4,364,526
Equipment - special revenue	129,913	-	-	129,913
Total accumulated depreciation	<u>17,270,681</u>	<u>712,218</u>	<u>(70,000)</u>	<u>17,912,899</u>
Governmental activities				
Total capital assets, depreciable net	<u>\$ 8,946,481</u>	<u>\$ 1,691,666</u>	<u>\$ -</u>	<u>\$ 10,638,147</u>
Right-of-use leased assets:				
Equipment	54,194	181,298	(15,864)	219,628
Less accumulated amortization	(30,809)	(37,483)	15,864	(52,428)
Right-of-use leased assets, net	<u>\$ 23,385</u>	<u>\$ 143,815</u>	<u>\$ -</u>	<u>\$ 167,200</u>
<u>Business-Type Activities</u>	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Buildings	256,454	-	-	256,454
Improvements other than buildings	25,183,943	752,056	-	25,935,999
Equipment	1,651,446	-	-	1,651,446
Total Capital assets, depreciable	<u>27,091,843</u>	<u>752,056</u>	<u>-</u>	<u>27,843,899</u>
Less accumulated depreciation for				
Buildings	252,587	320	-	252,907
Improvements other than buildings	10,695,309	636,285	-	11,331,594
Equipment	1,465,404	40,355	-	1,505,759
Total accumulated depreciation	<u>12,413,300</u>	<u>676,960</u>	<u>-</u>	<u>13,090,260</u>
Business-Type activities				
Total capital assets, depreciable net	<u>\$ 14,678,543</u>	<u>\$ 75,096</u>	<u>\$ -</u>	<u>\$ 14,753,639</u>

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

Note 7. Changes in Capital Assets (Continued)

<u>Component Unit - School Board</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
Buildings	11,806,207	819,423	-	12,625,630
Improvements other than buildings	4,985,804	-	-	4,985,804
Equipment	2,022,751	412,793	(20,665)	2,414,879
Total Capital assets, depreciable	<u>18,814,762</u>	<u>1,232,216</u>	<u>(20,665)</u>	<u>20,026,313</u>
Less accumulated depreciation for				
Buildings	5,262,548	228,049	-	5,490,597
Improvements other than buildings	2,489,546	313,487	-	2,803,033
Equipment	1,186,773	202,166	(20,665)	1,368,274
Total accumulated depreciation	<u>8,938,867</u>	<u>743,702</u>	<u>(20,665)</u>	<u>9,661,904</u>
Component Unit - School Board				
Total capital assets, depreciable net	<u>\$ 9,875,895</u>	<u>\$ 488,514</u>	<u>\$ -</u>	<u>\$ 10,364,409</u>
Right-of-use assets (ROU):				
ROU-Equipment	61,655	-	-	61,655
ROU Lease-Less accumulated amortization	(18,672)	(14,818)	-	(33,490)
ROU-Lease Subscription (SBITA)	101,074	-	-	101,074
ROU SBITA-Less accumulated amortization	<u>(18,393)</u>	<u>(37,837)</u>	<u>-</u>	<u>(56,230)</u>
Component Unit - School Board				
Right-of-use assets, net	<u>\$ 125,664</u>	<u>\$ (52,655)</u>	<u>\$ -</u>	<u>\$ 73,009</u>
<u>Component Unit - NIDA</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
Buildings and improvements	9,597,912	99,481	-	9,697,393
Equipment	416,629	-	-	416,629
Less: Accumulated depreciation	<u>(4,870,017)</u>	<u>(244,508)</u>	<u>-</u>	<u>(5,114,525)</u>
Component Unit - NIDA				
Total Capital assets, depreciable net	<u>\$ 5,144,524</u>	<u>\$ (145,027)</u>	<u>\$ -</u>	<u>\$ 4,999,497</u>

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

Note 7. Changes in Capital Assets (Continued)

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

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
<u>Governmental Activities</u>				
Land	\$ 967,847	\$ 275,370	\$ -	\$ 1,243,217
Construction in progress	1,931,688	2,210,335	(1,175,514)	2,966,509
Total capital assets, non-depreciable	<u>\$ 2,899,535</u>	<u>\$ 2,485,705</u>	<u>\$ (1,175,514)</u>	<u>\$ 4,209,726</u>
 <u>Component Unit - School Board</u>				
Land	\$ 65,901	\$ -	\$ -	\$ 65,901
Construction in progress	1,494,012	1,046,980	-	2,540,992
Total capital assets, non-depreciable	<u>\$ 1,559,913</u>	<u>\$ 1,046,980</u>	<u>\$ -</u>	<u>\$ 2,606,893</u>
 <u>Component Unit - NIDA</u>				
Land	\$ 1,494,510	\$ 49,240	\$ (275,370)	\$ 1,268,380
Construction in progress	6,209,757	833,087	(7,042,844)	-
Total capital assets, non-depreciable	<u>\$ 7,704,267</u>	<u>\$ 882,327</u>	<u>\$ (7,318,214)</u>	<u>\$ 1,268,380</u>
 <u>Business Type Activities</u>				
Land	\$ 588,600	\$ -	\$ -	\$ 588,600
Construction in progress	767,867	-	(767,867)	-
Total capital assets, non-depreciable	<u>\$ 1,356,467</u>	<u>\$ -</u>	<u>\$ (767,867)</u>	<u>\$ 588,600</u>

Note 8. Capital Asset Depreciation

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

Governmental activities	
General government	\$ 19,393
Public safety	249,192
Public works	416,293
Health and welfare	3,508
Parks, recreation and cultural	60,015
Community development	1,300
Total depreciation/amortization expense - governmental activities	<u>\$ 749,701</u>
Business-type activities	<u>\$ 676,960</u>
Component Units	
School Board - Education	<u>\$ 796,357</u>
NIDA	<u>\$ 244,508</u>

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

Note 9. Long-term Debt

Governmental Activities						
Direct Borrowing and Direct Placements						
	2021C GO Refunding Bond		Rural Development		Rural Development	
Years Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 131,000	\$ 4,119	\$ 8,707	\$ 161	\$ 11,144	\$ 472
2026	132,000	2,475	1,826	11	11,384	232
2027	132,000	825	-	-	5,294	25
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030-2034	-	-	-	-	-	-
2035-2039	-	-	-	-	-	-
2040-2044	-	-	-	-	-	-
Totals	\$ 395,000	\$ 7,419	\$ 10,533	\$ 172	\$ 27,822	\$ 729

Governmental Activities						
Direct Borrowing and Direct Placements				Lease Liabilities		
	Rural Development		Totals		Totals	
Years Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 25,723	\$ 11,141	\$ 176,574	\$ 15,893	\$ 42,245	\$ 9,547
2026	26,275	10,589	171,485	13,307	40,063	7,151
2027	26,839	10,025	164,133	10,875	40,365	4,624
2028	27,415	9,449	27,415	9,449	39,241	1,960
2029	28,003	8,861	28,003	8,861	6,746	59
2030-2034	149,291	35,029	149,291	35,029	-	-
2035-2039	166,010	18,310	166,010	18,310	-	-
2040-2044	91,939	2,307	91,939	2,307	-	-
Totals	\$ 541,495	\$ 105,711	\$ 974,850	\$ 114,031	\$ 168,660	\$ 23,341

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

Note 9. Long-term Debt (Continued)

Business-Type Activities						
Direct Borrowing and Direct Placements						
	2021A GO Refunding Bond		2021B GO Refunding Bond		GO Water Facilities Bond	
Years Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 53,000	\$ 26,112	\$ 48,000	\$ 32,070	\$ 45,721	\$ 42,407
2026	55,000	25,031	48,000	30,830	46,877	41,251
2027	58,000	23,908	48,000	29,592	48,062	40,066
2028	60,000	22,726	48,000	28,354	49,278	38,850
2029	84,000	21,502	27,000	27,116	50,624	37,604
2030-2034	462,000	80,640	441,000	113,546	272,444	168,197
2035-2039	508,000	31,498	583,000	45,848	308,677	131,963
2040-2044	-	-	-	-	349,733	90,907
2045-2049	-	-	-	-	396,247	44,393
2050-2054	-	-	-	-	149,606	3,367
Totals	\$ 1,280,000	\$ 231,417	\$ 1,243,000	\$ 307,356	\$ 1,717,269	\$ 639,005

Business-Type Activities						
Direct Borrowing and Direct Placements						
	GO Sewer Facilities Bond		GO Water Facilities Bond		GO Sewer Bond	
Years Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 27,789	\$ 23,114	\$ 13,494	\$ 9,520	\$ 75,719	\$ -
2026	28,421	22,483	13,744	9,270	75,719	-
2027	29,067	21,837	14,090	8,925	75,719	-
2028	29,728	21,176	14,444	8,570	75,719	-
2029	30,404	20,500	14,808	8,207	75,719	-
2030-2034	162,707	91,813	79,816	35,255	75,716	-
2035-2039	182,061	72,459	90,373	24,697	-	-
2040-2044	203,719	50,801	102,326	12,743	-	-
2045-2049	227,952	26,568	53,020	1,403	-	-
2050-2054	118,084	3,312	-	-	-	-
Totals	\$ 1,039,932	\$ 354,063	\$ 396,115	\$ 118,590	\$ 454,311	\$ -

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

Note 9. Long-term Debt (Continued)

Years Ending June 30,	Business-Type Activities					
	Direct Borrowing and Direct Placements					
	GO Waterline Replacement		GO Water Bond		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 2,003	\$ 1,891	\$ 10,493	\$ 2,674	\$ 276,219	\$ 137,788
2026	2,054	1,840	10,768	2,558	280,583	133,263
2027	2,106	1,789	11,050	2,441	286,094	128,558
2028	2,159	1,736	11,339	2,317	290,667	123,729
2029	2,213	1,681	11,636	2,190	296,404	118,800
2030-2034	11,927	7,544	70,394	8,953	1,576,004	505,948
2035-2039	13,505	5,966	64,099	5,281	1,749,715	317,712
2040-2044	15,290	4,180	53,347	1,245	724,415	159,876
2045-2049	17,315	2,155	-	-	694,534	74,519
2050-2054	12,810	235	-	-	280,500	6,914
Totals	\$ 81,382	\$ 29,017	\$ 243,126	\$ 27,659	\$ 6,455,135	\$ 1,707,107

The following is a summary of long-term obligations of the primary government for the year ended June 30, 2024:

	Balance July 1, 2023	Additions / Proceeds	Payments / Reductions	Balance June 30, 2024
Governmental Activities:				
Direct Borrowings and Placements:				
General obligation bonds	\$ 1,157,274	\$ -	\$ (182,424)	\$ 974,850
Total Direct Borrowings and Placements	\$ 1,157,274	\$ -	\$ (182,424)	\$ 974,850
Lease liabilities	23,276	181,299	(35,915)	168,660
Accrued compensated absences	342,877	62,264	-	405,141
Total Governmental Activities	\$ 1,523,427	\$ 243,563	\$ (218,339)	\$ 1,548,651
Business-Type Activities				
Direct Borrowings and Placements:				
General obligation bonds	\$ 6,720,305	\$ -	\$ (265,170)	\$ 6,455,135
Premium on bond	-	-	-	-
Total Direct Borrowings and Placements	\$ 6,720,305	\$ -	\$ (265,170)	\$ 6,455,135
Accrued compensated absences	36,495	-	(7,027)	29,468
Total Business-Type Activities	\$ 6,756,800	\$ -	\$ (272,197)	\$ 6,484,603

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

Note 9. Long-term Debt (Continued)

Details Long-Term Debt:

Direct Borrowings and Placements:

<u>Governmental Type Activities:</u>	<u>Total Due</u>	<u>Due within One year</u>
\$3,000,000 General Obligation Taxable Line of Credit Note, through Powell Valley National Bank. The line of credit is accessible through maturity date.	\$ -	\$ -
\$749,000 General Obligation refunding Bond, Series 2021C, with interest rate of 1.25% over the life of the bond. Repayment of the principal began on August 1, 2021 and continues annually until paid in full. Interest is schedule to be paid semi-annually on August 1st and February 1st, beginning with the first principal payment. Final maturity is August 1, 2026.	395,000	131,000
\$42,000 Rural Development Community Facilities Loan, with interest of 2.125% over the life of the loan. Repayment of the loan began on November 26, 2020 and will continue annually until paid in full. Final maturity is October 26, 2025.	10,533	8,707
\$600,000 Rural Development Community Facilities Loan, with interest of 2.125% over the life of the loan. Repayment of the loan began on November 17, 2021 and will continue annually until paid in full. Final maturity is November 17, 2041.	541,495	25,723
\$55,000 Rural Development Community Facilities Loan, with interest of 2.125% over the life of the loan. Repayment of the loan began on November 17, 2021 and will continue annually until paid in full. Final maturity is November 17, 2026.	<u>27,822</u>	<u>11,144</u>
Total General Obligation - Governmental Activities	<u>\$ 974,850</u>	<u>\$ 176,574</u>

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

Note 9. Long-term Debt (Continued)

Details Long-Term Debt (Continued):

Direct Borrowings and Placements (Continued):

	Total Due	Due within One year
<u>Business-Type Activities:</u>		
\$1,429,000 General Obligation Refunding Bond, Series 2021A, with interest rate of 2.04% over the life of the bond. Repayment of the principal began on October 1, 2021 and continues annually until paid in full. Interest is schedule to be paid semi-annually on October 1st and April 1st, beginning with the first principal payment. Final maturity is August 1, 2039.	\$ 1,280,000	\$ 53,000
\$1,385,000 General Obligation Advance Refunding Bond, Series 2021B, with interest rate of 2.58% over the life of the bond. Repayment of the principal began on October 1, 2021 and continues annually until paid in full. Interest is schedule to be paid semi-annually on October 1st and April 1st, beginning with the first principal payment. Final maturity is August 1, 2039.	1,243,000	48,000
\$1,514,370 General Obligation Sewer Bond, is payable to Virginia Resource Authority, with interest at zero percent. Repayment of the principal is scheduled in 40 equal semi-annual installments of \$37,859 payable on June 1st and December 1st, beginning December 1, 2010. Final payment is due June 1, 2030.	454,311	75,719
\$2,160,000 General Obligation Water Facilities Bond series 2011 issued March 30, 2011 payable to United State of America, USDA Rural Development, with interest at the rate of 2.75%. Interest only is payable on March 28, 2012 and March 28, 2013. Monthly installments of combined principal and interst of \$7,344 are payable beginning April 28, 2013 and continuing on the 28th of each month thereafter until paid in full. The final installment of unpaid principal and interest shall be due and payable in 38 years on march 28. 2051.	1,717,269	45,721
\$1,297,000 General Obligation Sewer Facilities Bond series 2011 issued 2011 payable to United States of America, USDA rural Development, with interest at the rate of 2.25%. Interest only was payable on December 15, 2012 and December 15, 2013	1,039,932	27,789
\$483,695 General Obligation Water Facilities Bond, is payable to the Virginia Resource Authority, with interest at 2.5%. Repayment of the principal is scheduled in 30 equal semi-annual installments of \$11,793 payable on Febrary 1 and Augst 1, beginning 2016. Final payment is due in 2046.	396,115	13,494
\$85,978 Virginia Resourse Authority, with interest of 2.00% over the life of the loan. Repayment of the loan began on October 1, 2021 and will continue annually until paid in full. Final maturity is April 1, 2051.	81,382	2,003
\$255,912 General Obligation Water Facilities Loan is payable to the Virginia Resource Authority, with interest of 1.100%. Repayment of the loan began on April 1, 2023 and will continue annually until paid in full with semi-annual installments of principal and interest of \$8,407. Final maturity is October 1, 2042.	243,126	10,493
Total General Obligation - Business-Type Activities	\$ 6,455,135	\$ 276,219

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

Note 9. Long-term Debt (Continued)

Changes in Other Long-Term Debt (Continued):

The following is a summary of other long-term transactions of the City of Norton for the year ended June 30, 2024:

	Compensated Absences	
	Government	Proprietary
	Fund Types	Fund Types
Payable at July 1, 2023	\$ 342,877	\$ 36,495
Increases	62,264	-
Decreases	-	(7,027)
Payable at June 30, 2024	\$ 405,141	\$ 29,468

Component Unit – School Board

The following is a summary of long-term obligations of the primary government for the year ended June 30, 2024:

	Balance July 1, 2023	Additions / Proceeds	Payments / Reductions	Balance June 30, 2024
<u>Component Unit - School Board</u>				
Direct Borrowings and Placements:				
General obligation bonds	\$ 5,280,000	\$ -	\$ (670,000)	\$ 4,610,000
Premium on bonds	409,028	-	(45,448)	363,580
Total Direct Borrowings and Placements	\$ 5,689,028	\$ -	\$ (715,448)	\$ 4,973,580
Notes payable	-	-	-	-
Lease liabilities	43,869	-	(14,275)	29,594
Subscription liabilities	64,637	-	(37,050)	27,587
Accrued compensated absences	165,544	-	(8,095)	157,449
Total Component Unit - School Board	\$ 5,963,078	\$ -	\$ (774,868)	\$ 5,188,210

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

Component Unit - School Board	Direct Borrowings and Direct Placements					
	General Obligation		Lease liabilities		Subscription liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
Year Ending June 30,						
2025	\$ 690,000	\$ 124,291	\$ 14,295	\$ 684	\$ 27,587	\$ 682
2026	705,000	107,210	14,725	254	-	-
2027	725,000	92,066	574	2	-	-
2028	885,000	62,369	-	-	-	-
2029	820,000	41,894	-	-	-	-
2030-2034	785,000	43,168	-	-	-	-
Totals	\$ 4,610,000	\$ 470,998	\$ 29,594	\$ 940	\$ 27,587	\$ 682

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

Note 9. Long-term Debt (Continued)

Component Unit – School Board (Continued):

Details of Long-Term Indebtedness:

<u>Component Unit - School Board:</u>	<u>Total Due</u>	<u>Due within One year</u>
\$9,330,000 General Obligation School Bond issued November 15, 2012, payable in annual installments beginning July 15, 2015 and continuing until July 15, 2031. The bond has a variable interest rate and is paid semiannually.	\$ 4,610,000	\$ 690,000
School Board -Total General Obligation Long-term Bonds	<u>\$ 4,610,000</u>	<u>\$ 690,000</u>

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

LEASE LIABILITIES

The City has lease liabilities for various equipment. The lease terms related to the equipment range from 0.466 to 1.122%. Monthly payments related to these leases range from \$94 to \$812.

The School Board has lease liabilities for various equipment. The lease terms related to the equipment range from 0.593 to 3.022%. Monthly payments related to these leases range from \$364 to \$673.

SUBSCRIPTIONS

On June 30, 2023, Norton City Public Schools, VA entered into a 36-month subscription for the use of DebtBook Software. An initial subscription liability was recorded in the amount of \$20,443. As of June 30, 2024, the value of the subscription liability is \$7,804. Norton City Public Schools is required to make annual fixed payments of \$6,000. The subscription has an interest rate of 2.5033%.

On July 1, 2022, Norton City Public Schools, VA entered into a 36-month subscription of the use of Finalsite Communications Platform. An initial subscription liability was recorded in the amount of \$16,110. As of June 30, 2024, the value of the subscription liability is \$5,667. The Norton City Public Schools is required to make annual fixed payments of \$5,200 with an interest rate of 2.354%.

On June 1, 2023, Norton City Public Schools, VA entered into a 36-month subscription of the use of Siemens Technology Industry. An initial subscription liability was recorded in the amount of \$40,779. As of June 30, 2024, the value of the subscription liability is \$14,116. The Norton City Public Schools is required to make annual fixed payments of \$13,237 with an interest rate of 2.5033%.

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

Note 9. Long-term Debt (Continued)

Component Unit- NIDA

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Industrial Development Authority of the City of Norton for the year ended June 30, 2024:

Details of Long-Term Indebtedness:

Component Unit - NIDA Year Ending June 30,	Direct Borrowings and Direct Placements	
	Notes Payable	
	Principal	Interest
2025	\$ 26,397	\$ 25,276
2026	32,030	43,155
2027	49,465	25,721
2028	51,079	24,106
2029	52,764	22,422
2030-2034	269,878	82,539
2035-2039	326,586	30,561
2040-2044	46,326	699
Totals	\$ 854,525	\$ 254,479

	Virginia Community		Totals
	Capital Bank	City of Norton	
July 1, 2023	\$ 604,041	\$ 310,000	\$ 914,041
Additions/Borrowings	-	-	-
Deletions/Retirements	(59,516)	-	(59,516)
June 30, 2024	\$ 544,525	\$ 310,000	\$ 854,525

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

Note 10. Claims, Judgements and Compensated Absences

PRIMARY GOVERNMENT

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

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

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

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

At June 30, 2024, the City had outstanding accrued vacation, sick and personal leave of \$405,141 in the Governmental Activities and outstanding accrued vacation leave of \$29,468 in the Water and Sewer Fund.

COMPONENT UNIT - SCHOOL BOARD

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

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

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

For accumulated days on June 30, 1998:

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

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

At June 30, 2024, the School Board had outstanding accrued vacation, sick and personal leave of \$157,449.

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

Note 11. Deferred Tax Revenue

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	General Fund
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 254,451
Tax assessments due after June 30	1,170,869	1,170,869
Total	\$ 1,170,869	\$ 1,425,320

Note 12. Pension Plan-Agent Multiple-Employer

Plan Description

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>School Board Non- Professional Group</u>
Inactive members or their beneficiaries currently receiving benefits	<u>72</u>	<u>31</u>
Inactive members		
Vested inactive members	10	4
Non-vested Inactive members	27	9
Active elsewhere in VRS	<u>34</u>	<u>3</u>
Total inactive members	71	16
Active members	<u>90</u>	<u>15</u>
Total covered employees	<u><u>233</u></u>	<u><u>62</u></u>

Contributions

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

The City's contractually required contribution rate for the year ended June 30, 2024 was 9.04 % for the general governmental and business-type covered employee compensation and 0.28% for the school board non-professional group. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the general government were \$433,890 and \$392,839

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

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

for the years ended June 30, 2024 and June 30, 2023, respectively and for the school board \$0 and \$0 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net Pension Liability

The net pension liability (NPL) 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. The City's net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions- General Employees

The total pension liability for Governmental and Business-Type Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

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

Mortality rates:

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

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 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.

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

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

Actuarial Assumptions - General Employees (Continued)

Mortality Improvement:

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

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

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 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:

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement Healthy, and disabled)	Update to PUB2010 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 year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

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

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

Mortality Rates (Pre-retirement, post-retirement Healthy, and disabled)	Update to PUB2010 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 year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a 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 Retirees 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 set back 3 years.

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

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

Actuarial Assumptions - Public Safety Employees (Continued)

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.

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 a 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 Retirees 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 set 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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board Action are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 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 65-70
Withdrawal Rates	Decrease rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 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 65-70
Withdrawal Rates	Decreased rates and changed from rates based on age of 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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
	100.00%		5.75%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.25%

* The above allocation provides a one-year return of 8.25%. 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 7.14%, including expected inflation of 2.50%. **On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at 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%.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		Net Pension Liability (a) - (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balance at June 30, 2022	\$ 21,255,149	\$ 21,787,645	\$ (532,496)
Changes for the year			
Service Cost	521,899	-	521,899
Interest	1,435,103	-	1,435,103
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Differences between expected and actual experience	3,547	-	3,547
Contributions - employer	-	370,373	(370,373)
Contributions - employee	-	205,165	(205,165)
Net investment income	-	1,398,910	(1,398,910)
Benefit payments, including refunds of employee contributions	(1,032,534)	(1,032,534)	-
Administrative expenses	-	(13,995)	13,995
Other changes	-	562	(562)
Net changes	928,015	928,481	(466)
Balance at June 30, 2023	\$ 22,183,164	\$ 22,716,126	\$ (532,962)

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

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

Changes in Net Pension Liability (Continued)

	Increase (Decrease)		Net Pension Liability (a) - (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balance at June 30, 2022	\$ 1,699,551	\$ 2,457,649	\$ (758,098)
Changes for the year			
Service Cost	37,192	-	37,192
Interest	113,664	-	113,664
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Differences between expected and actual experience	51,558	-	51,558
Contributions - employer	-	-	-
Contributions - employee	-	20,233	(20,233)
Net investment income	-	156,293	(156,293)
Benefit payments, including refunds of employee contributions	(105,670)	(105,670)	-
Administrative expenses	-	(1,593)	1,593
Other changes	-	60	(60)
Net changes	96,744	69,323	27,421
Balance at June 30, 2023	\$ 1,796,295	\$ 2,526,972	\$ (730,677)

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

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

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Governmental & Business-Type Net Pension Liability	\$ 2,337,999	\$ (532,962)	\$ (2,881,932)
School Board Non-Professional Group Net Pension Liability	\$ (539,636)	\$ (730,677)	\$ (900,273)

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

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

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

For the year ended June 30, 2024, the City's general government recognized pension expense(benefit) of \$211,701. At June 30, 2024, the City's general government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,651	\$ 58,415
Change in assumptions	49,634	-
Net difference between projected and actual earnings on pension plan investments	-	354,055
Employer contributions subsequent to the measurement date	<u>402,753</u>	<u>-</u>
Total	<u>\$ 457,038</u>	<u>\$ 412,470</u>

\$402,753 reported as deferred outflows of resources related to pensions resulting from the City's general government contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2025	\$ (248,755)
2026	(433,742)
2027	313,137
2028	11,175
2029	-
Thereafter	<u>-</u>
	<u>\$ (358,185)</u>

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

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

For the year ended June 30, 2024, the School Board's Non-Professional group recognized pension expense (benefit) of \$(28,488). At June 30, 2024, the School Board's Non-Professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,120	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	41,190
Employer contributions subsequent to the measurement date	-	-
Total	\$ 20,120	\$ 41,190

\$0 reported as deferred outflows of resources related to pensions resulting from the School Board's non-professional group contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2025	\$ (8,819)
2026	(48,999)
2027	35,417
2028	1,331
2029	-
Thereafter	-
	\$ (21,070)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2023 Comprehensive Annual Financial Report (CAFR). A copy of the 2023 VRS CAFR may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

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

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
<p>Eligible Members Employees are in Plan 1 if their Membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"> • School division employees • Members in Plan I or Plan 2 who elected to opt into the plan during the election window held January 1-April 20, 2014: the plan's effective date for opt-in member was July 1, 2014 </p>
<p>Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	
<p>Retirement Contributions Employees contribution 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a separate actuarially determined contribution to VRS invests both member and employer</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required</p>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2024 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the school division were \$834,583 and \$817,497 for the years ended June 30, 2024, and June 30, 2023 respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$147.5 million to the VRS Teacher Employee Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022 Appropriation Act, Special Session I, as amended by Chapter 769, 2022 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution.

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

At June 30, 2024, the school division reported a liability of \$5,034,399 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2023 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. 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, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the school division's proportion was 0.04981% as compared to 0.04927% at June 30, 2022.

For the year ended June 30, 2024, the school division recognized pension expense(benefit) of \$60,975. 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 June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

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

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

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

At June 30, 2024, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 432,459	\$ 196,464
Change in assumptions	228,227	24,365
Net difference between projected and actual earnings on pension plan investments	501,677	327,337
Employer contributions subsequent to the measurement date	<u>834,583</u>	<u>-</u>
Total	<u>\$ 1,996,946</u>	<u>\$ 548,166</u>

\$834,583 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 20245. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2025	\$ 83,927
2026	(96,197)
2027	519,343
2028	107,124
2029	-
Thereafter	<u>-</u>
	<u>\$ 614,197</u>

Actuarial Assumptions - Teachers - The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

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

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

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

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 Disables 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-2010 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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 PUB2010 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 bases on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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

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

Net Pension Liability The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2023, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Plan
Total Pension Liability	\$ 57,574,609
Plan Fiduciary Net Position	47,467,405
Employers' Net Pension Liability (Asset)	\$ 10,107,204
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 82.45%

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

Long-Term Expected Rate of Return

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

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

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

Long-Term Expected Rate of Return (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
	100.00%		5.75%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.25%

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. **On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is 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%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 112% of the actuarially determined contribution rate. From July 1, 2023 on, school divisions are assumed to continue to contribute 112% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

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

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS <u>Teacher Employee Retirement Plan</u> Net Pension Liability	<u>\$ 8,924,193</u>	<u>\$ 5,034,399</u>	<u>\$ 1,836,668</u>

Pension Plan Fiduciary Net Position

Information about the VRS Teacher Retirement Plan's Fiduciary Net Position is also available in the separately issued VRS 2023 Comprehensive Annual Financial Report (CAFR). A copy of the 2023 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2024, the School Division reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

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

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

Plan Description

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

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

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

The City's Primary Government meets the requirements to use the alternative measurement method but has elected to not to do so.

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

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

Employees Covered by Benefit Terms

	Primary Government	Component Unit School Board
Active participants	95	106
Retired participants	1	3
Total covered employees	96	109

Funding Policy and Contributions

The Primary Government and School Board currently fund postemployment health care benefits on a pay-as-you-go basis. The Primary Government and School Board do not accumulate assets in a trust. During fiscal year 2024, the Primary Government and School Board made OPEB benefit payments of \$(9,601) and \$(34,191), respectively.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2024. The total OPEB liability was determined by an actuarial valuation performed as of July 1, 2021.

Actuarial Methods and Assumptions

Primary Government

In the actuarial valuation for the year ended June 30, 2024, the cost method used to determine OPEB liability was individual entry age normal level percent of salary. All active and former employees who are potentially eligible to receive healthcare benefits as a retiree were included in the calculations.

All assumptions attempt to represent the best estimate of anticipated experience under the plan. Employer future premium contribution is assumed to remain a level percentage of the total cost over time. Mortality rates are the RP2010 Mortality Table for Males and Females Projected 10 years; this assumption does not include a margin for future improvements in longevity. Turnover rates are derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System. It is assumed that 25% of eligible retirees will elect to receive coverage upon retirement. Other assumptions are as follows:

Discount rate	3.65 percent
Average retirement age	65 years
Salary increases	Graded scale based on service
Amortization period	20 years

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

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

School Board

In the actuarial valuation for the year ended June 30, 2024, the cost method used to determine OPEB liability was individual entry age normal level percent of salary. All active and former employees who are potentially eligible to receive healthcare benefits as a retiree were included in the calculations.

All assumptions attempt to represent the best estimate of anticipated experience under the plan. Retirement, mortality, and termination rates are the rates used for the June 30, 2023 Actuarial Valuation of the Virginia Retirement System. No disability rates were assumed. Per capita claims costs include medical, dental, and prescription drug coverages and are based on the 2023 healthcare premiums provided by the School Board.

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

Discount rate	3.93 percent
Medical trend rate	4.9 percent – 4.10 percent over 52 years
Salary growth rate	2.0 percent

Funding Status and Funding Progress

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

Discount Rate and Municipal Bond Rate

Pursuant to GASB 75, the discount rate for unfunded plans should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The Bond Buyer's 20 bond index is often cited as an appropriate benchmark. A discount rate of 3.65% and 3.93% was used for the City and School valuations, respectively.

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

Note 14. Other Post-Employment Benefits (OPEB)-Local Health Insurance (Continued)
Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	1.00% Decrease (2.65%)	Current Discount Rate (3.65%)	1.00% Increase (4.65%)
Primary Government			
Total OPEB Liability	\$ 166,905	\$ 154,285	\$ 142,679
School Board			
Total OPEB Liability	\$ 381,600	\$ 344,637	\$ 311,400

Changes in Total OPEB Liability

	Primary Government	Component Unit School Board
Balances at June 30, 2023	\$ 148,812	\$ 302,105
Changes for the year		
Service cost	5,587	20,189
Interest	5,298	11,146
Effect of plan changes	-	-
Effect of economic/demographics gains or losses	-	93,258
Effect of assumptions changes or inputs	4,189	(47,870)
Benefit payments, including refunds of employee contributions	(9,601)	(34,191)
Net changes	5,473	42,532
Balances at June 30, 2024	\$ 154,285	\$ 344,637

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

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

	1.00% Decrease in Trend Rate	Current Trend Rate	1.00% Increase in Trend Rate
Primary Government			
Total OPEB Liability	\$ 136,453	\$ 154,285	\$ 175,765
School Board			
Total OPEB Liability	\$ 300,226	\$ 344,637	\$ 398,173

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

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

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

For the year ended June 30, 2024, the Primary Government recognized OPEB - Health Insurance expense of \$19,308. At June 30, 2024, the City reported \$51,543 deferred outflows of resources and \$(11,957) deferred inflows of resources for changes in assumptions related to OPEB - Health Insurance. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

Year ended June 30		
2025	\$	8,423
2026		8,423
2027		8,423
2028		8,423
2029		5,894
Thereafter		-
	\$	39,586

For the year ended June 30, 2024, the School Board recognized OPEB - Health Insurance expense of \$44,119. At June 30, 2024, the School Board reported \$117,591 deferred outflows of resources and \$(87,242) deferred inflows of resources for changes in assumptions related to OPEB - Health Insurance. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

Year ended June 30		
2025	\$	12,121
2026		12,121
2027		5,723
2028		(729)
2029		(729)
Thereafter		1,842
	\$	30,349

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

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

Plan Descriptions

Group Life Insurance Program

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

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

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

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

Plan Descriptions (Continued)

Group Life Insurance Program (Continued)

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

Teacher Employee Health Insurance Credit Program

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

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

Teacher Employee Virginia Local Disability Program

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

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

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

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

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

Line of Duty Act Program

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

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	Code of Virginia 51.1-506 and 51.1-508, as amended but may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly
Total rate:	1.34 % of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2024 Contribution	\$ 25,697-City General Employees \$ 2,779-School Board-Non-Professionals \$ 27,116-School Board-Professionals
June 30, 2023 Contribution	\$ 23,312-City General Employees \$ 2,452-School Board-Non-Professionals \$ 25,561-School Board-Professionals

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022 Appropriation Act, Special Session I, as amended by Chapter 769, 2022 Acts of Assembly Reconvened Session, and is classified as a special employer contribution.

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

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

Teacher Health Insurance Credit Program

Governed by:	Code of Virginia 51.1-1401(E), as amended but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.21% of covered employee compensation.
June 30, 2024 Contribution	\$ 60,761
June 30, 2023 Contribution	\$ 59,517

Teacher Employee Virginia Local Disability Program

Governed by:	Code of Virginia 51.1-1178(C) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	0.47 % of covered employee compensation.
June 30, 2024 Contribution	\$ 8,635
June 30, 2023 Contribution	\$ 8,049

Line of Duty Act Program

Governed by:	Code of Virginia 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	\$830.00 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2024 Contribution	\$ 33,615
June 30, 2023 Contribution	\$ 25,470

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

The net OPEB liabilities were measured as of June 30, 2023 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

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

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

Group Life Insurance Program

June 30, 2023 proportionate share of liability	\$219,834-City General Employees \$ 23,147-School Board-Non-Professionals \$250,417-School Board-Professionals
June 30, 2023 proportion	0.01833%-City General Employees 0.00193%-School Board-Non-Professionals 0.02088%-School Board-Professionals
June 30, 2022 proportion	0.01829%-City General Employees 0.00187%-School Board-Non-Professionals 0.02098%-School Board-Professionals
June 30, 2023 expense	\$12,153-City General Employees \$ 2,975-School Board-Non-Professionals \$10,970-School Board Professionals

Teacher Health Insurance Credit Program

June 30, 2023 proportionate share of liability	\$597,592
June 30, 2023 proportion	0.04933%
June 30, 2022 proportion	0.04896%
June 30, 2023 expense	\$46,141

Teacher Employee Virginia Local Disability Program

June 30, 2023 proportionate share of liability(asset)	\$1,218
June 30, 2023 proportion	0.18339%
June 30, 2022 proportion	0.21209%
June 30, 2023 expense	\$6,521

Line of Duty Act Program

June 30, 2023 proportionate share of liability	\$777,584
June 30, 2023 proportion	0.19396%
June 30, 2022 proportion	0.18493%
June 30, 2023 expense	\$116,503

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

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

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

At June 30, 2024, the City of Norton reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program-City General Employees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,956	\$ 6,673
Net difference between projected and actual earnings OPEB plan investments	-	8,834
Changes in assumptions	4,699	15,231
Changes in proportion and differences between Employer contributions and proportionate share of contributions	13,255	1,022
Employer contributions subsequent to the measurement date	25,697	-
Total	<u>\$ 65,607</u>	<u>\$ 31,760</u>

Group Life Insurance Program-School Board-Non-Professionals

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,312	\$ 703
Net difference between projected and actual earnings OPEB program investments	-	930
Changes in assumptions	495	1,604
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,300	10
Employer contributions subsequent to the measurement date	2,779	-
Total	<u>\$ 11,886</u>	<u>\$ 3,247</u>

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

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

Group Life Insurance Program-School Board-Professionals

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,010	\$ 7,601
Net difference between projected and actual earnings OPEB program investments	-	10,063
Changes in assumptions	5,353	17,350
Changes in proportion and differences between Employer contributions and proportionate share of contributions	26,335	5,843
Employer contributions subsequent to the measurement date	27,116	-
Total	<u>\$ 83,814</u>	<u>\$ 40,857</u>

Teacher Health Insurance Credit Program

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 26,303
Net difference between projected and actual earnings OPEB program investments	300	-
Changes in assumptions	13,911	602
Changes in proportion and differences between Employer contributions and proportionate share of contributions	64,862	22,134
Employer contributions subsequent to the measurement date	60,761	-
Total	<u>\$ 139,834</u>	<u>\$ 49,039</u>

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

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

Teacher Employee Virginia Local Disability Program

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,344	\$ 534
Net difference between projected and actual earnings		
OPEB program investments	38	-
Changes in assumptions	529	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	604	-
Employer contributions subsequent to the measurement date	<u>8,635</u>	<u>-</u>
Total	<u>\$ 15,150</u>	<u>\$ 534</u>

Line of Duty Act Program

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 41,477	\$ 146,418
Net difference between projected and actual earnings		
OPEB program investments	-	2,275
Changes in assumptions	172,710	160,342
Changes in proportion and differences between Employer contributions and proportionate share of contributions	113,971	55,303
Employer contributions subsequent to the measurement date	<u>33,615</u>	<u>-</u>
Total	<u>\$ 361,773</u>	<u>\$ 364,338</u>

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

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

The deferred outflows of resources related to OPEB resulting from the City of Norton and Norton City School's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year ended June 30	Increase (Reduction) to OPEB Expense		
	City General Employees	School Board Non- Professionals	School Board Professionals
2025	\$ 1,591	\$ 1,769	\$ 1,599
2026	(5,250)	811	(3,774)
2027	7,547	1,965	11,154
2028	2,009	965	4,599
2029	2,253	350	2,263
Thereafter	-	-	-
	<u>\$ 8,150</u>	<u>\$ 5,860</u>	<u>\$ 15,841</u>

Teacher Health Insurance Credit Program

Year ended June 30	Increase (Reduction) to OPEB Expense
2025	\$ (1,565)
2026	3,479
2027	10,893
2028	10,304
2029	6,273
Thereafter	650
	<u>\$ 30,034</u>

Line of Duty Act Program

Year ended June 30	Increase (Reduction) to OPEB Expense
2025	\$ 8,436
2026	8,507
2027	5,178
2028	(3,186)
2029	(1,542)
Thereafter	(53,573)
	<u>\$ (36,180)</u>

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

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

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

Inflation	2.5%
Salary increases, including inflation:	
• Locality-general employees	3.5 – 5.35%
• Locality - hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Age 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, Including inflation	GLI, HIC, & VLDP 6.75%; LODA 3.86%

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

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

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC	Teacher Employee VLDP	Line of Duty Act Program
Total OPEB Liability	\$ 3,907,052	\$ 1,475,471	\$ 10,672	\$ 406,211
Plan fiduciary net position	2,707,739	264,054	10,007	5,311
Employers' net OPEB liability (asset)	\$ 1,199,313	\$ 1,211,417	\$ 665	\$ 400,900
Plan fiduciary net position as a percentage of total OPEB liability	69.30%	17.90%	93.77%	1.31%

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

Long-Term Expected Rate of Return

Group Life Insurance Program

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

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

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

Long-Term Expected Rate of Return (Continued)

Group Life Insurance Program (Continued)

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long- Term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		* Expected arithmetic nominal retu	<u>8.25%</u>

* The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. **On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at 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%.

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 3.86% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 6.75% assumption noted above. Instead, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return. Through the fiscal year ending June 30, 2023, the rate contributed by participating employer 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.

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

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

Discount Rate

The discount rate used to measure the GLI, HIC, and VLDP OPEB liabilities was 6.75%. The discount rate used to measure the LODA OPEB liability was 3.86%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liabilities of the City of Norton, as well as what the City's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75% GLI; HIC; VLDP/2.86% LODA) or one percentage point higher (7.75% GLI; HIC; VLDP /4.86% LODA) than the current discount rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
GLI Net OPEB Liability			
City - General Employee	\$ 325,863	\$ 219,834	\$ 134,109
School Board - Non-Professionals	34,311	23,147	14,121
School Board - Professionals	<u>371,196</u>	<u>250,417</u>	<u>152,766</u>
Teacher HIC Net OPEB Liability	<u>\$ 675,944</u>	<u>\$ 597,592</u>	<u>\$ 531,196</u>
Teacher VLDP Net OPEB Liability	<u>\$ 3,432</u>	<u>\$ 1,218</u>	<u>\$ (708)</u>
	<u>1% Decrease (2.86%)</u>	<u>Current Rate (3.86%)</u>	<u>1% Increase (4.86%)</u>
LODA Net OPEB Liability	<u>\$ 871,857</u>	<u>\$ 777,584</u>	<u>\$ 697,831</u>

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

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

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

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the LODA net OPEB liability of the City of Norton using health care trend rate of 7.00% decreasing to 4.75%, as well as what the City's LODA net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current healthcare cost trend rates:

	1.00% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered employers proportionate share of the LODA Net OPEB Liability	\$ 659,418	\$ 777,584	\$ 924,011

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

Note 16. Summary of Pension and Other Postemployment Benefit Elements

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit (School Board)
Net pension asset				
VRS-Defined Benefit Pension Plan (Schools-Non-Professionals)	\$ 464,315	\$ 68,526	\$ 532,841	\$ 730,677
Total net pension asset	<u>\$ 464,315</u>	<u>\$ 68,526</u>	<u>\$ 532,841</u>	<u>\$ 730,677</u>
Deferred outflows of resources - Related to Pensions				
Changes in assumptions				
VRS-Defined Benefit Pension Plan-General Employees	\$ 47,293	\$ 6,992	54,285	\$ -
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	1,162,363
VRS-Defined Benefit Pension Plan-School Board Non-Prof	-	-	-	147,759
Employer Contributions after the measurement date:				
VRS-Defined Benefit Pension Plan-General Employees	350,878	51,875	402,753	-
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	834,583
VRS-Defined Benefit Pension Plan-School Board Non-Prof	-	-	-	-
Total deferred outflow of resources - Pensions	<u>\$ 398,171</u>	<u>\$ 58,867</u>	<u>\$ 457,038</u>	<u>\$ 2,144,705</u>
Deferred outflows of resources - OPEB				
Deferred outflow-Differences in expected/actual and assumptions				
VRS-LODA	\$ 265,695	\$ -	\$ 265,695	\$ -
VRS-GLI-General Employees	39,389	521	39,910	-
VRS-VLDP-Other	2,856	-	2,856	-
HIC-Schools-Teachers	-	-	-	79,073
HIC-Schools-Non-Professionals	-	-	-	757
VLDP-Schools-Teachers	-	-	-	6,515
VLDP-Schools-Non-Professionals	-	-	-	427
VRS-GLI-Schools-non-Professionals	-	-	-	9,107
VRS-GLI-Schools-Professionals	-	-	-	56,698
Local Health	11,427	530	11,957	11,116
Deferred outflow-Contributions after the measurement date				
VRS-LODA	33,615	-	33,615	-
VRS-GLI-General Employees	25,697	-	25,697	-
VRS-HIC-Other	4,202	-	4,202	-
HIC-Schools-Teachers	-	-	-	60,761
HIC-Schools-Non-Professionals	-	-	-	4,786
VLDP-Schools-Teachers	-	-	-	8,635
VLDP-Schools-Non-Professionals	-	-	-	2,398
VRS-GLI-Schools-non-Professionals	-	-	-	2,779
VRS-GLI-Schools-Professionals	-	-	-	27,116
Total deferred outflow of resources - OPEB	<u>\$ 382,881</u>	<u>\$ 1,051</u>	<u>\$ 383,932</u>	<u>\$ 270,168</u>
Net pension liability				
VRS-Defined Benefit Pension Plan	\$ -	\$ -	\$ -	\$ -
VRS-Cost Sharing-Multiple Employer-School Board Teachers	-	-	-	5,034,399
Total net pension liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,034,399</u>

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

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

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit (School Board)
Net OPEB liability				
Local Health	\$ 153,048	\$ 1,237	\$ 154,285	\$ 344,637
VRS-LODA	777,584	-	777,584	-
VRS-GLI-General Employees	216,964	2,870	219,834	-
VRS-VLDP-Other	37,502	-	37,502	-
HIC-Schools-Teachers	-	-	-	597,592
HIC-Schools-Non-Professionals	-	-	-	14,912
VLDP-Schools-Teachers	-	-	-	569
VRS-GLI-Schools-non-Professionals	-	-	-	23,147
VRS-GLI-Schools-Professionals	-	-	-	250,417
Total net OPEB liability	<u>\$ 1,185,098</u>	<u>\$ 4,107</u>	<u>\$ 1,189,205</u>	<u>\$ 1,231,274</u>
Deferred inflows of resources - Related to Pensions				
Deferred inflow-Differences in expected/ actual and assumptions				
VRS-Defined Benefit Pension Plan-General Employees	\$ 359,343	\$ 53,127	412,470	\$ -
VRS-Defined Benefit Pension Plan-School Board Teachers			-	-
VRS-Defined Benefit Pension Plan-School Board Non-Prof			-	168,829
Changes in Assumptions				
VRS-Defined Benefit Pension Plan-School Board Teachers			-	548,166
Change in proportion and difference between Employer				
Contributions and proportionat share of contributions:				
VRS-Defined Benefit Pension Plan-School Board Teachers	-	-	-	-
Total deferred inflow of resources - Pensions	<u>\$ 359,343</u>	<u>\$ 53,127</u>	<u>\$ 412,470</u>	<u>\$ 716,995</u>
Deferred inflows of resources - OPEB				
Deferred inflow-Differences in expected/actual and assumptions				
Local Health	\$ 51,543	\$ 919	52,462	\$ 87,242
VRS-LODA	364,338	-	364,338	-
VRS-GLI-General Employees	31,760	415	32,175	-
VRS-VLDP-Other	5,086	-	5,086	-
HIC-Schools-Teachers			-	49,039
HIC-Schools-Non-Prof			-	6,575
VLDP-Schools-Teachers			-	534
VLDP-Schools-Non-Professionals			-	465
VRS-GLI-Schools-non-Professionals			-	3,247
VRS-GLI-Schools-Professionals	-	-	-	40,857
Total deferred inflow of resources - OPEB	<u>\$ 452,727</u>	<u>\$ 1,334</u>	<u>\$ 454,061</u>	<u>\$ 187,959</u>

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

Note 17. Commitments and Contingencies

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

Note 18. Risk Management

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

Note 19. Surety Bonds

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

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

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

Note 20. Encumbrances Outstanding

Outstanding encumbrances of the proprietary fund types are not reflected in the accompanying financial statements as a reservation of retained earnings, in keeping with the fund type's measurement focus. However, encumbrances accounting is employed as an extension of formal budgetary integration for the City's governmental type funds. At June 30, 2024, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Encumbrances included in governmental fund balances are as follows:

PRIMARY GOVERNMENT

Encumbrances Included In:

	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund for Other Purposes	\$ -	\$ -	\$ 5,123
Total Encumbrances	\$ -	\$ -	\$ 5,123

COMPONENT UNIT-SCHOOL BOARD

Encumbrances Included In:

	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
School Fund for Capital Assets	\$ 811,200	\$	\$
School Fund for Other Purposes	52,241		
Total Encumbrances	\$ 863,441	\$	\$

Note 21. Deficit Unrestricted Net Position

The Water and Sewer Fund had a deficit unrestricted net position of \$(392,167) at June 30, 2024; however, when considering the net investment in capital assets, while excluding restricted amounts, it has a positive overall net position of \$8,563,463.

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

Note 22. Future Accounting Pronouncements

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

In June 2022, the GASB issued **Statement No. 101, *Compensated Absences***. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
General property taxes	\$ 3,332,900	\$ 3,332,900	\$ 3,177,322	\$ (155,578)
Other local taxes	5,488,000	5,488,000	5,860,532	372,532
Permits, privilege fees and regulatory licenses	5,850	5,850	13,444	7,594
Fines and forfeitures	20,750	20,750	3,412	(17,338)
Revenue from use of money and property	47,500	47,500	191,451	143,951
Chares for services	419,500	423,500	420,223	(3,277)
Miscellaneous	24,650	317,250	361,645	44,395
Recovered costs	133,950	163,950	145,135	(18,815)
Intergovernmental	2,087,424	6,481,018	7,215,258	734,240
Total revenue	<u>\$ 11,560,524</u>	<u>\$ 16,280,718</u>	<u>\$ 17,388,422</u>	<u>\$ 1,107,704</u>
Expenditures				
General government and administration	\$ 2,022,877	\$ 2,177,877	\$ 2,572,510	\$ (394,633)
Public safety	3,225,308	4,957,718	4,787,570	170,148
Public works	1,956,500	2,460,810	2,549,006	(88,196)
Health and welfare	104,404	142,004	80,993	61,011
Education	3,032,521	3,052,764	2,194,854	857,910
Parks, recreation and cultural	568,584	837,084	672,559	164,525
Community development	217,747	2,488,121	2,920,765	(432,644)
Debt service	248,583	248,583	195,432	53,151
Total expenditures	<u>11,376,524</u>	<u>16,364,961</u>	<u>15,973,689</u>	<u>391,272</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	6,000	6,000	34,107	28,107
Insurance recoveries	10,000	25,000	25,098	98
Loan proceeds	-	-	-	-
Prior year surplus	100,000	353,243	-	(353,243)
Transfers in (out)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(475,000)</u>	<u>(175,000)</u>
Total other financing sources (uses)	<u>(184,000)</u>	<u>84,243</u>	<u>(415,795)</u>	<u>(500,038)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 998,938</u>	<u>\$ 998,938</u>

Note:

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Unaudited) –
PRIMARY GOVERNMENT
June 30, 2024

	Primary Government									
	Plan Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	521,899	476,617	414,806	380,177	358,254	369,381	371,245	373,792	358,130	344,218
Interest on total pension liability	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	998,021
Changes of assumptions	-	-	581,435	-	534,098	-	(36,556)	-	-	-
Difference between expected and actual experience	3,547	(156,589)	27,128	42,691	(459,633)	(242,689)	(584,750)	226,076	(54,102)	-
Benefit payments, including refunds of employee contributions	(1,032,534)	(1,086,906)	(906,175)	(782,794)	(874,946)	(733,748)	(668,241)	(789,304)	(704,688)	(620,524)
Net change in total pension liability	928,015	621,389	1,385,845	855,165	761,348	562,113	236,598	898,343	644,935	721,715
Total pension liability - beginning	21,255,149	20,633,760	19,247,915	18,392,750	17,631,402	17,069,289	16,832,691	15,934,348	15,289,413	14,567,698
Total pension liability - ending	22,183,164	21,255,149	20,633,760	19,247,915	18,392,750	17,631,402	17,069,289	16,832,691	15,934,348	15,289,413
Plan Fiduciary Net Position										
Contributions - employer	370,373	265,164	250,084	240,700	231,118	292,792	291,335	342,434	350,650	381,975
Contributions - employee	205,165	189,321	177,724	168,996	162,026	158,958	158,036	159,362	163,425	156,164
Net investment income	1,398,910	(16,237)	4,894,887	344,251	1,148,328	1,215,065	1,812,550	255,995	661,092	1,986,618
Benefit payments, including refunds of employee contributions	(1,032,534)	(1,086,906)	(906,175)	(782,794)	(874,946)	(733,748)	(668,241)	(789,304)	(704,688)	(620,524)
Administrative expenses	(13,995)	(14,061)	(12,305)	(11,797)	(11,537)	(10,503)	(10,466)	(9,317)	(9,107)	(10,842)
Other	562	512	461	(407)	(722)	(1,082)	(1,614)	(109)	(141)	278
Net change in plan fiduciary net position	928,481	(662,207)	4,404,676	(41,051)	654,267	921,482	1,581,600	(40,939)	461,231	1,893,669
Plan fiduciary net position - beginning	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	12,614,917
Plan fiduciary net position - ending	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
Net pension liability - ending	\$ (532,962)	\$ (532,496)	\$ (1,816,092)	\$ 1,202,739	\$ 306,523	\$ 199,442	\$ 558,811	\$ 1,903,813	\$ 964,531	\$ 780,827
Plan fiduciary net position as a percentage of total pension liability	102%	103%	109%	94%	98%	99%	97%	89%	94%	95%
Covered payroll	\$ 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	\$ 3,283,494
Net pension liability as a percentage of covered payroll	-12%	-13%	-49%	35%	9%	6%	17%	60%	31%	24%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2023 information was presented in the entity's fiscal year 2024 financial report.

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Unaudited)
June 30, 2024

	Schools – Non-Professional Plan Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 37,192	\$ 27,197	\$ 25,812	\$ 23,949	\$ 20,611	\$ 23,095	\$ 24,382	\$ 26,225	\$ 25,750	\$ 25,638
Interest on total pension liability	113,664	111,065	111,814	117,880	117,881	127,099	126,215	124,818	125,981	123,727
Changes of assumptions	-	-	49,653	-	41,046	-	(3,718)	-	-	-
Difference between expected and actual experience	51,558	(4,986)	(123,347)	(130,843)	(13,492)	(173,190)	(14,830)	(3,385)	(42,696)	-
Benefit payments, including refunds of employee contributions	(105,670)	(103,868)	(100,576)	(101,152)	(106,206)	(111,185)	(127,660)	(127,735)	(123,556)	(110,787)
Net change in total pension liability	96,744	29,408	(36,644)	(90,166)	59,840	(134,181)	4,389	19,923	(14,521)	38,578
Total pension liability - beginning	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	1,822,925
Total pension liability - ending	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
Plan Fiduciary Net Position										
Contributions - employer	-	-	-	498	543	4,214	4,714	17,138	18,142	9,616
Contributions - employee	20,233	18,150	14,460	12,333	11,597	10,562	11,619	12,385	13,127	12,521
Net investment income	156,293	(1,476)	559,165	40,105	135,517	148,249	226,795	32,002	88,847	278,238
Benefit payments, including refunds of employee contributions	(105,670)	(103,868)	(100,576)	(101,152)	(106,206)	(111,185)	(127,660)	(127,735)	(123,556)	(110,787)
Administrative expenses	(1,593)	(1,603)	(1,437)	(1,418)	(1,409)	(1,334)	(1,389)	(1,277)	(1,292)	(1,561)
Other	60	58	52	(1,416)	(85)	(129)	(199)	(14)	(21)	15
Net change in plan fiduciary net position	69,323	(88,739)	471,664	(51,050)	39,957	50,377	113,880	(67,501)	(4,753)	188,042
Plan fiduciary net position - beginning	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	1,805,772
Plan fiduciary net position - ending	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
Net pension (asset) liability - ending	\$ (730,677)	\$ (758,098)	\$ (876,245)	\$ (367,937)	\$ (328,821)	\$ (348,704)	\$ (164,146)	\$ (54,655)	\$ (142,079)	\$ (132,311)
Plan fiduciary net position as a percentage of total pension liability	141%	145%	152%	122%	118%	120%	109%	103%	108%	107%
Covered payroll	\$ 454,094	\$ 406,501	\$ 263,849	\$ 263,849	\$ 241,479	\$ 215,981	\$ 228,781	\$ 233,281	\$ 262,533	\$ 262,540
Net pension (asset) liability as a percentage of covered payroll	-160.91%	-186.49%	-332.10%	-139.45%	-136.17%	-161.45%	-71.75%	-23.43%	-54.12%	-50.40%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2023 information was presented in the entity's fiscal year 2024 financial report.

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (Unaudited)
June 30, 2024

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2024	\$ 392,839	\$ 392,839	\$ -	\$ 4,799,665	8.18%
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%
2015	346,292	346,292	-	3,141,999	11.02%
Schools - Nonprofessional Employees					
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%
2015	18,142	18,142	-	262,533	6.91%

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY (Unaudited)
VRS TEACHER RETIREMENT PLAN
June 30, 2024

* Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.04981%	\$ 5,034,399	\$ 4,918,755	102.35%	82.45%
2023	0.04927%	4,690,799	4,563,176	102.80%	82.61%
2022	0.04472%	3,471,657	3,950,387	87.88%	85.46%
2021	0.04244%	6,176,134	3,710,600	166.45%	71.47%
2020	0.04203%	5,531,387	3,505,048	157.81%	73.51%
2019	0.04179%	5,218,000	3,571,615	146.10%	74.81%
2018	0.04792%	5,893,000	3,773,626	156.16%	72.92%
2017	0.04998%	7,004,000	3,807,613	183.95%	68.28%
2016	0.04765%	5,997,000	3,542,739	169.28%	70.68%
2015	0.50360%	6,086,000	4,073,289	149.41%	70.88%

Schedule is intended to show information for 10 years.

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

CITY OF NORTON, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS (Unaudited)
 VRS TEACHER RETIREMENT PLAN
 June 30, 2024

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 834,583	\$ 834,583	\$ -	\$ 5,034,399	16.58%
2023	817,497	817,497	-	4,918,755	16.62%
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%
2015	511,134	511,134	-	3,542,739	14.43%

Schedule is intended to show information for 10 years.

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (Unaudited) –
LOCAL PLANS
June 30, 2024

		Primary Government						
		Plan Year						
		2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$	5,587	5,587	7,171	51,713	51,713	51,713	51,713
Interest on total pension liability		5,298	5,298	2,141	1,706	2,138	2,138	18,666
Changes of assumptions		4,189	4,189	(17,045)	2,118	36	36	(191)
Difference between expected and actual experience		-	-	68,553	31,129	(63,457)	(54,667)	(68,394)
Benefit payments, including refunds of employee contributions		(9,601)	(9,601)	(7,891)	-	-	-	-
Net change in total OPEB liability		5,473	5,473	52,929	86,666	(9,570)	(780)	1,794
Total OPEB liability - beginning		148,812	148,812	95,883	9,217	18,787	19,567	17,773
Total OPEB liability - ending		154,285	154,285	148,812	95,883	9,217	18,787	19,567
Covered payroll	\$	<u>5,936,591</u>	<u>5,936,591</u>	<u>5,936,591</u>	<u>3,444,338</u>	<u>3,278,705</u>	<u>3,278,705</u>	<u>3,240,720</u>
Net OPEB liability as a percentage of covered payroll		<u>2.60%</u>	<u>2.60%</u>	<u>2.51%</u>	<u>2.78%</u>	<u>0.28%</u>	<u>0.57%</u>	<u>0.60%</u>
		Schools						
		Plan Year						
		2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$	20,189	17,140	24,623	21,062	16,662	12,712	13,303
Interest on total pension liability		11,146	11,010	7,783	8,165	11,576	15,262	17,099
Changes of assumptions		(47,870)	(8,505)	(63,346)	1,674	31,861	10,124	(7,872)
Difference between expected and actual experience		93,258	-	9,884	-	62,613	-	-
Benefit payments, including refunds of employee contributions		(34,191)	(22,627)	(19,065)	(67,865)	(108,309)	(102,991)	(107,441)
Net change in total OPEB liability		42,532	(2,982)	(40,121)	(36,964)	14,403	(64,893)	(84,911)
Total OPEB liability - beginning		302,105	305,087	345,208	382,172	367,769	432,662	517,573
Total OPEB liability - ending		344,637	302,105	305,087	345,208	382,172	367,769	432,662
Covered payroll	\$	<u>5,579,161</u>	<u>4,966,062</u>	<u>4,966,062</u>	<u>4,071,821</u>	<u>4,071,821</u>	<u>3,863,551</u>	<u>3,863,551</u>
Net OPEB liability as a percentage of covered payroll		<u>6.18%</u>	<u>6.08%</u>	<u>6.14%</u>	<u>8.48%</u>	<u>9.39%</u>	<u>9.52%</u>	<u>11.20%</u>

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS (Unaudited)
LOCAL PLANS
June 30, 2024

PRIMARY GOVERNMENT					
Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 9,601	\$ 9,601	\$ -	\$ 5,936,591	0.16%
2023	9,601	9,601	-	5,936,591	0.16%
2022	7,891	7,891	-	5,936,591	0.13%
2021	-	-	-	3,444,338	0.00%
2020	-	-	-	3,278,705	0.00%
2019	-	-	-	3,278,705	0.00%
2018	-	-	-	3,240,720	0.00%
SCHOOL BOARD					
Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 34,191	\$ 34,191	\$ -	\$ 5,579,161	0.61%
2023	22,627	22,627	-	4,966,062	0.46%
2022	19,065	19,065	-	4,966,062	0.38%
2021	67,865	67,865	-	4,071,821	1.67%
2020	108,309	108,309	-	4,071,821	2.66%
2019	102,991	102,991	-	3,863,551	2.67%
2018	107,441	107,441	-	3,863,551	2.78%

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

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (Unaudited)
June 30, 2024

*Entity Fiscal Year Ended June 30	Employer's Portion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total OPEB Liability
VRS-Group Life Insurance-General Employees					
2024	0.01833%	\$ 219,834	4,317,077	5.09%	69.30%
2023	0.01829%	220,229	3,978,446	5.54%	67.21%
2022	0.01766%	205,610	3,646,524	5.64%	67.45%
2021	0.01674%	279,363	3,444,338	8.11%	52.64%
2020	0.01672%	272,079	3,278,705	8.30%	52.00%
2019	0.01688%	257,000	3,210,080	8.01%	51.22%
2018	0.01731%	260,000	3,193,228	8.14%	48.86%
VRS-Line of Duty Act (LODA)					
2024	0.19396%	\$ 777,584	1,093,172	71.13%	1.31%
2023	0.18493%	699,878	1,041,766	67.18%	1.87%
2022	0.18105%	798,415	927,331	86.10%	1.68%
2021	0.18826%	788,462	905,054	87.12%	1.02%
2020	0.16565%	594,329	906,426	65.57%	0.79%
2019	0.19177%	601,000	869,874	69.09%	0.60%
2018	0.15782%	415,000	858,463	48.34%	1.30%
VRS-Group Life Insurance-School Board-Teachers					
2024	0.02088%	\$ 250,417	4,918,755	5.09%	69.30%
2023	0.02098%	252,619	4,563,176	5.54%	67.21%
2022	0.01913%	222,725	3,950,387	5.64%	67.45%
2021	0.01803%	300,891	3,710,600	8.11%	52.64%
2020	0.01788%	290,656	3,505,048	8.29%	52.00%
2019	0.01878%	286,000	3,571,612	8.01%	51.22%
2018	0.02046%	308,000	3,773,626	8.16%	48.86%
VRS-Group Life Insurance-School Board-General Employees					
2024	0.00193%	\$ 23,147	454,094	5.10%	69.30%
2023	0.00187%	22,517	406,501	5.54%	67.21%
2022	0.00153%	17,813	316,194	5.63%	67.45%
2021	0.00128%	21,361	263,849	8.10%	52.64%
2020	0.00123%	20,015	241,479	8.29%	52.00%
2019	0.00113%	17,000	214,450	7.93%	51.22%
2018	0.00126%	19,000	233,281	8.14%	48.86%
VRS-Health Credit-Teachers					
2024	0.04933%	\$ 597,592	4,918,755	12.15%	17.90%
2023	0.04896%	611,533	4,563,176	13.40%	15.08%
2022	0.04467%	573,370	3,950,387	14.51%	13.15%
2021	0.04233%	552,202	3,710,600	14.88%	9.95%
2020	0.04179%	547,072	3,505,048	15.61%	8.97%
2019	0.04412%	560,000	3,569,234	15.69%	8.06%
2018	0.04782%	607,000	3,773,992	16.08%	7.04%
VRS-VLDP-School Board-Teachers					
2024	0.18339%	\$ 1,218	1,717,490	0.07%	93.77%
2023	0.21209%	(238)	706,591	-0.03%	101.57%
2022	0.22348%	(1,973)	1,503,877	-0.13%	114.46%
2021	0.20176%	1,618	1,193,351	0.14%	78.28%
2020	0.17222%	1,001	825,926	0.12%	49.21%
2019	0.16569%	1,000	617,806	0.16%	46.18%
2018	0.21792%	1,000	614,962	0.16%	31.96%

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

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

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

CITY OF NORTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS (Unaudited)
June 30, 2024

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions Related to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
VRS-Group Life Insurance-General Employees					
2024	\$ 25,697	25,697	-	4,758,772	0.54%
2023	23,312	23,312	-	4,317,077	0.54%
2022	21,484	21,484	-	3,978,446	0.54%
2021	19,691	19,691	-	3,646,524	0.54%
2020	17,911	17,911	-	3,444,338	0.52%
2019	17,049	17,049	-	3,278,705	0.52%
2018	16,692	16,692	-	3,210,080	0.52%
VRS-Line of Duty Act (LODA)					
2024	\$ 33,615	\$ 33,615	-	1,204,506	2.79%
2023	25,740	25,740	-	1,093,172	2.35%
2022	25,470	25,470	-	1,041,766	2.44%
2021	24,926	24,926	-	927,331	2.69%
2020	25,584	25,584	-	905,054	2.83%
2019	22,232	22,232	-	906,426	2.45%
2018	20,426	20,426	-	869,874	2.35%
VRS-Group Life Insurance-School Board-Teachers					
2024	\$ 27,116	\$ 27,116	-	5,021,561	0.54%
2023	26,561	26,561	-	4,918,755	0.54%
2022	24,641	24,641	-	4,563,176	0.54%
2021	21,332	21,332	-	3,950,387	0.54%
2020	19,295	19,295	-	3,710,600	0.52%
2019	18,226	18,226	-	3,505,048	0.52%
2018	18,591	18,591	-	3,571,615	0.52%
VRS-Group Life Insurance-School Board-General Employees					
2024	\$ 2,779	\$ 2,779	-	514,605	0.54%
2023	2,452	2,452	-	454,094	0.54%
2022	2,195	2,195	-	406,501	0.54%
2021	1,707	1,707	-	316,194	0.54%
2020	1,372	1,372	-	263,849	0.52%
2019	1,256	1,256	-	241,479	0.52%
2018	1,115	1,115	-	214,450	0.52%
VRS-Health Credit-Teachers					
2024	\$ 60,761	\$ 60,761	-	5,021,561	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%
VRS-VLDP-School Board-Teachers					
2024	\$ 8,635	\$ 8,635	-	1,837,331	0.47%
2023	8,049	8,049	-	1,717,490	0.47%
2022	8,023	8,023	-	706,951	1.13%
2021	7,068	7,068	-	1,503,877	0.47%
2020	4,893	4,893	-	1,193,351	0.41%
2019	3,386	3,386	-	825,926	0.41%
2018	1,915	1,915	-	617,806	0.31%

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

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

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

CITY OF NORTON, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

Note 1. Changes of Benefit Terms

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

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Mortality rates - Update to PUB2010 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 Plan2/Hybrid; changed final retirement age from 75 to 80 for all
- Withdrawal rates -Adjusted rate to better fit experience at each year age and service decrement through 9 years of service
- Disability rates – No change
- No changes to salary scale
- Line of Duty Disability – No change
- Discount Rate – No change
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 –Hazardous Duty/Public Safety Employees:

- Mortality rates - Update to PUB2010 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
- Disability rates – No change
- No changes to salary scale
- Line of Duty Disability – No change
- Discount Rate – No change
- Applicable to: Pension, GLI OPEB, and LODA OPEB

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

- Mortality rates - Update to PUB2010 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 Plan2/Hybrid; changed final retirement age from 75 to 80 for all
- Withdrawal rates -Adjusted rate to better fit experience at each year age and service decrement through 9 years of service
- Disability rates – No change
- No changes to salary scale
- Line of Duty Disability – No change
- Discount Rate – No change
- Applicable to: Pension and GLI OPEB

CITY OF NORTON, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

Note 2. Changes of Assumptions (Continued)

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

- Mortality rates - Update to PUB2010 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
- Disability rates – No change
- No changes to salary scale
- Line of Duty Disability – No change
- Discount Rate – No change
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Teacher cost-sharing pool

- Mortality rates - Update to PUB2010 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 Plan2/Hybrid; changed final retirement age from 75 to 80 for all
- Withdrawal rates -Adjusted rate to better fit experience at each year age and service decrement through 9 years of service
- Disability rates – No change
- No changes to salary scale
- Line of Duty Disability – No change
- Discount Rate – No change

**OTHER SUPPLEMENTARY
INFORMATION**

**CITY OF NORTON, VIRGINIA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2024**

	RBEG Revolving Loan Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	Total Other Governmental Funds
ASSETS				
Cash and investments	\$ 4,725	\$ 199,806	\$ 2,369	\$ 206,900
Restricted cash	-	-	-	-
Investments	-	-	-	-
Taxes Receivable	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	310,000	-	-	310,000
Total assets	<u>\$ 314,725</u>	<u>\$ 199,806</u>	<u>\$ 2,369</u>	<u>\$ 516,900</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	-	-	-	-
Due to other funds	-	19,689	-	19,689
Due to component unit	-	-	-	-
Due to other governmental units	-	-	-	-
Total liabilities	<u>-</u>	<u>19,689</u>	<u>-</u>	<u>19,689</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable/deferred taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (Note 6)				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	314,725	180,117	2,369	497,211
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>314,725</u>	<u>180,117</u>	<u>2,369</u>	<u>497,211</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 314,725</u>	<u>\$ 199,806</u>	<u>\$ 2,369</u>	<u>\$ 516,900</u>

CITY OF NORTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2024

	RBE Revolving Loan Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	Total Other Governmental Funds
REVENUES				
General property taxes	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-
Permits, privilege fees, and regulatory licenses	-	-	-	-
Fines and forfeitures	-	148,129	-	148,129
Charges for services	-	-	-	-
Use of money and property	26	-	-	26
Miscellaneous	-	-	-	-
Reimbursement from School Board	-	-	-	-
Intergovernmental	-	-	-	-
Total revenues	<u>26</u>	<u>148,129</u>	<u>-</u>	<u>148,155</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial administration	-	-	-	-
Public safety	-	58,324	-	58,324
Public works	-	-	-	-
Health and welfare	-	-	-	-
Parks, recreation, and cultural	-	-	-	-
Community development	-	-	-	-
Education	-	-	-	-
Human services	-	-	-	-
Nondepartmental	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>-</u>	<u>58,324</u>	<u>-</u>	<u>58,324</u>
Excess (deficiency) of revenues over expenditures	<u>26</u>	<u>89,805</u>	<u>-</u>	<u>89,831</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	26	89,805	-	89,831
FUND BALANCES AT JULY 1	<u>314,699</u>	<u>90,312</u>	<u>2,369</u>	<u>407,380</u>
FUND BALANCES AT JUNE 30	<u>\$ 314,725</u>	<u>\$ 180,117</u>	<u>\$ 2,369</u>	<u>\$ 497,211</u>

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2024

SCHEDULE 3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 2,200,000	\$ 2,200,000	\$ 2,041,912	\$ (158,088)
Real and personal public service corporation property	350,000	350,000	342,485	(7,515)
Personal property	595,400	595,400	635,802	40,402
Machinery and tools taxes	107,500	107,500	90,451	(17,049)
Penalties and interest	80,000	80,000	66,672	(13,328)
Total general property taxes	<u>3,332,900</u>	<u>3,332,900</u>	<u>3,177,322</u>	<u>(155,578)</u>
Other local taxes:				
Local sales and use taxes	2,050,000	2,050,000	2,304,834	254,834
Utility taxes	125,000	125,000	123,097	(1,903)
Business license taxes	933,000	933,000	904,592	(28,408)
Communication taxes	200,000	200,000	137,650	(62,350)
Motor vehicle licenses	80,000	80,000	75,675	(4,325)
Bank stock taxes	40,000	40,000	84,960	44,960
Recordation taxes	20,000	20,000	26,034	6,034
Hotel and motel room taxes	100,000	100,000	132,654	32,654
Restaurant food taxes	1,750,000	1,750,000	1,917,636	167,636
Coal road improvement taxes	30,000	30,000	14,260	(15,740)
Cigarette tax	160,000	160,000	139,140	(20,860)
Total other local taxes	<u>5,488,000</u>	<u>5,488,000</u>	<u>5,860,532</u>	<u>372,532</u>
Permits, fees, and licenses:				
Animal licenses	500	500	265	(235)
Permits and other licenses	5,350	5,350	13,179	7,829
Total permits, fees, and licenses	<u>5,850</u>	<u>5,850</u>	<u>13,444</u>	<u>7,594</u>
Fines and forfeitures	20,750	20,750	3,412	(17,338)
Revenue from use of money and property:				
Revenue from use of money	35,000	35,000	170,621	135,621
Revenue from use of property	12,500	12,500	20,830	8,330
Total use of money and property	<u>47,500</u>	<u>47,500</u>	<u>191,451</u>	<u>143,951</u>
Charges for services:				
Sheriff's fees	1,000	1,000	702	(298)
Charges for sanitation and waste removal	411,500	411,500	402,954	(8,546)
Charges for parks and recreation	7,000	11,000	16,567	5,567
Total charges for services	<u>419,500</u>	<u>423,500</u>	<u>420,223</u>	<u>(3,277)</u>
Miscellaneous	24,650	317,250	361,645	44,395
Recovered costs:				
Recovered cost - School Board	35,000	35,000	-	(35,000)
Recovered Cost - Police	-	30,000	37,515	7,515
Recovered Cost - NIDA	35,000	35,000	15,951	(19,049)
Recovered Cost - Regional Jail	-	-	73,112	73,112
Recovered Cost - Street	50,000	50,000	(43)	(50,043)
Cost allocation plan - Water and Sewer Fund	13,950	13,950	18,600	4,650
Total Recovered Costs	<u>133,950</u>	<u>163,950</u>	<u>145,135</u>	<u>(18,815)</u>
Total revenue from local sources	<u>9,473,100</u>	<u>9,799,700</u>	<u>10,173,164</u>	<u>373,464</u>

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2024

SCHEDULE 3
(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
GENERAL FUND (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Motor vehicle carriers' taxes	\$ 50,000	\$ 50,000	\$ 70,830	\$ 20,830
Litter grant	5,000	12,500	12,513	13
Mobile home tilling taxes	5,000	5,000	-	(5,000)
Casino Tax Revenue	-	625,470	713,390	87,920
Rolling stock taxes	20,000	20,000	24,403	4,403
Total non-categorical aid	<u>80,000</u>	<u>712,970</u>	<u>821,136</u>	<u>108,166</u>
Categorical aid:				
Shared Expenses:				
Sheriff	185,818	185,818	208,255	22,437
Commissioner of the revenue	80,303	80,303	100,747	20,444
Treasurer	80,303	80,303	92,151	11,848
Registrar/electoral board	60,000	60,000	64,835	4,835
Total shared expenses	<u>406,424</u>	<u>406,424</u>	<u>465,988</u>	<u>59,564</u>
Other Categorical Aid:				
Law enforcement grant	240,000	240,000	267,894	27,894
School recourse officer	-	-	218,439	218,439
School security officer	-	-	59,463	59,463
Emergency medical services	3,000	3,000	3,079	79
DMV grant	15,000	15,000	3,772	(11,228)
Street and highway maintenance	1,000,000	1,000,000	1,153,732	153,732
Financial assistance to the arts	4,500	4,500	4,500	-
E-911 funding	55,000	55,000	52,562	(2,438)
Drug task force	17,000	17,000	17,334	334
DMV Sales tax	-	-	303	303
VDOT	-	606,000	579,888	(26,112)
VML risk management grant	4,000	4,000	-	(4,000)
Rescue squad assistance	25,000	25,000	-	(25,000)
Tobacco Commission	-	-	50,000	50,000
Fire funds	80,000	122,000	97,748	(24,252)
Total other categorical aid	<u>1,443,500</u>	<u>2,091,500</u>	<u>2,508,714</u>	<u>417,214</u>
Total revenue from the Commonwealth	<u>1,929,924</u>	<u>3,210,894</u>	<u>3,795,838</u>	<u>584,944</u>
Revenue from federal government:				
Payment in lieu of property taxes	25,000	25,000	62,818	37,818
Emergency management	7,500	7,500	71,806	64,306
ARC Funding	-	373,027	309,735	(63,292)
DCJA Grants	125,000	125,000	3,295	(121,705)
USDA community facilities grant	-	-	13,618	13,618
Community development block grant	-	565,000	404,048	(160,952)
ARPA - Law Enforcement Equipment Grant	-	107,565	364,000	256,435
American Rescue Plan Act - CSLFRF	-	2,067,032	2,190,100	123,068
Total revenue from the federal government	<u>157,500</u>	<u>3,270,124</u>	<u>3,419,420</u>	<u>149,296</u>
Other financing sources				
Insurance recoveries	10,000	25,000	25,098	98
Loan proceeds	-	-	-	-
Sale of surplus	6,000	6,000	34,107	28,107
Total other financing sources	<u>16,000</u>	<u>31,000</u>	<u>59,205</u>	<u>28,205</u>
TOTAL GENERAL FUND	<u>11,576,524</u>	<u>16,311,718</u>	<u>17,447,627</u>	<u>1,135,909</u>

**CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2024**

**SCHEDULE 3
(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund				
Revenue from the Commonwealth				
Categorical Aid:				
Welfare:				
Aid to dependent children	\$ 97,000	\$ 97,000	\$ 110,619	\$ 13,619
Foster care	60,000	60,000	18,376	(41,624)
General admission for financial assistance	327,500	327,500	272,525	(54,975)
Supplemental income assistance for the aged, blind and disabled	91,000	91,000	84,451	(6,549)
Employment services	144,000	144,000	384,928	240,928
Day care	13,000	13,000	-	(13,000)
Total Categorical Aid	<u>732,500</u>	<u>732,500</u>	<u>870,899</u>	<u>138,399</u>
Total Revenue from the Commonwealth	<u>732,500</u>	<u>732,500</u>	<u>870,899</u>	<u>138,399</u>
Revenue from the Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	70,000	70,000	88,402	18,402
Foster care	60,000	60,000	20,809	(39,191)
General admission for financial assistance	575,000	575,000	765,376	190,376
Employment services	15,000	15,000	8,247	(6,753)
Day care	8,000	8,000	-	(8,000)
Total Revenue from the Federal Government	<u>728,000</u>	<u>728,000</u>	<u>882,834</u>	<u>154,834</u>
Miscellaneous	-	-	2	2
Other financing sources				
Transfers from general fund	300,000	300,000	475,000	175,000
Total other financing sources	<u>300,000</u>	<u>300,000</u>	<u>475,000</u>	<u>175,000</u>
Total Virginia Public Assistance Fund	<u>1,760,500</u>	<u>1,760,500</u>	<u>2,228,735</u>	<u>468,235</u>
Drug and Gambling Investigative Funds:				
Revenue from Local Sources:				
Restitution to law enforcement	70,000	70,000	148,129	78,129
Total Revenue from Local Sources	<u>70,000</u>	<u>70,000</u>	<u>148,129</u>	<u>78,129</u>
Total Revenue Drug and Gambling Investigative Fund	<u>70,000</u>	<u>70,000</u>	<u>148,129</u>	<u>78,129</u>
Flag Rock fund:				
Revenue from local sources:				
Miscellaneous	-	-	-	-
Total Revenue from Local Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Flag Rock Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revolving loan fund:				
Revenue from local sources:				
Revenue from use of money and property	-	-	26	26
Total Revenue from Local Sources	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>
Total Revolving Loan Fund	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>
TOTAL SPECIAL REVENUE FUNDS	<u>1,830,500</u>	<u>1,830,500</u>	<u>2,376,890</u>	<u>546,390</u>
GRAND TOTALS - REVENUES -				
GOVERNMENTAL FUNDS	<u>13,407,024</u>	<u>18,142,218</u>	<u>19,824,517</u>	<u>1,682,299</u>

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2024

SCHEDULE 3
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
PRIMARY GOVERNMENT				
General Fund:				
General Governmental Administration:				
Legislative:				
City Council	\$ 54,797	\$ 54,797	\$ 51,693	\$ 3,104
General and Financial Administration:				
City Manager	214,300	214,300	287,629	(73,329)
Office personnel	131,300	131,300	131,442	(142)
Legal and professional	55,000	110,000	108,030	1,970
Independent auditor	40,000	40,000	31,500	8,500
Commissioner of the Revenue	182,050	182,050	178,722	3,328
Assessor	20,000	20,000	68,473	(48,473)
Treasurer	198,050	198,050	194,342	3,708
Director of finance	292,450	292,450	303,359	(10,909)
Data processing	87,500	187,500	184,631	2,869
Automotive/motor pool	169,300	169,300	257,309	(88,009)
Total General and Financial Administration	<u>1,389,950</u>	<u>1,544,950</u>	<u>1,745,437</u>	<u>(200,487)</u>
Board of Election:				
Electoral board and officials	20,700	20,700	29,058	(8,358)
Registrar	129,000	129,000	114,703	14,297
Total Board of Elections	<u>149,700</u>	<u>149,700</u>	<u>143,761</u>	<u>5,939</u>
Total General Government Administration	<u>1,594,447</u>	<u>1,749,447</u>	<u>1,940,891</u>	<u>(191,444)</u>
Judicial Administration:				
Courts:				
Circuit court	60,000	60,000	98,799	(38,799)
General district court	1,500	1,500	6,566	(5,066)
Clerk of circuit court	40,000	40,000	44,791	(4,791)
Sherriff	254,430	254,430	386,152	(131,722)
County courthouse	35,000	35,000	40,924	(5,924)
Total Courts	<u>390,930</u>	<u>390,930</u>	<u>577,232</u>	<u>(186,302)</u>
Commonwealth's attorney	37,500	37,500	54,387	(16,887)
Total Judicial Administration	<u>428,430</u>	<u>428,430</u>	<u>631,619</u>	<u>(203,189)</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,591,450	2,069,485	2,198,538	(129,053)
Traffic control	32,500	32,500	7,398	25,102
E-911	664,000	784,000	765,973	18,027
Emergency management funds	9,500	284,500	302,975	(18,475)
Total Law Enforcement and Traffic Control	<u>2,297,450</u>	<u>3,170,485</u>	<u>3,274,884</u>	<u>(104,399)</u>
Fire and Rescue Services:				
Volunteer fire department	280,150	415,150	451,654	(36,504)
Ambulance and rescue services	31,000	161,375	195,946	(34,571)
Total Fire and Rescue Services	<u>311,150</u>	<u>576,525</u>	<u>647,600</u>	<u>(71,075)</u>
Correction and Detention				
Purchase of service from Wise County	\$ 85,000	\$ 85,000	\$ 292,072	\$ (207,072)
Juvenile detention	82,888	82,888	82,888	-
Contribution to regional jail	231,620	231,620	231,620	-
Total Correction and Detention	<u>399,508</u>	<u>399,508</u>	<u>606,580</u>	<u>(207,072)</u>
Inspections:				
Building	127,400	127,400	189,436	(62,036)
Other Protection:				
Animal control	88,200	88,200	69,070	19,130
Emergency medical services	1,600	595,600	-	595,600
Total Other Protection	<u>89,800</u>	<u>683,800</u>	<u>69,070</u>	<u>614,730</u>
Total Public Saety	<u>3,225,308</u>	<u>4,957,718</u>	<u>4,787,570</u>	<u>170,148</u>

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2024

SCHEDULE 3
(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
GENERAL FUND (Continued):				
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
General engineering/administration	30,000	30,000	147,943	(117,943)
Highways, streets, bridges and sidewalks	936,700	1,268,744	1,226,766	41,978
Storm drainage	5,000	5,000	270	4,730
Street lights	125,000	125,000	130,095	(5,095)
Snow and ice removal	45,000	45,000	45,849	(849)
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets, Bridges and Sidewalks	<u>1,144,700</u>	<u>1,476,744</u>	<u>1,550,923</u>	<u>(74,179)</u>
Sanitation and Waste Removal				
Street and road cleaning	8,500	8,500	14,049	(5,549)
Refuse collection	414,600	574,866	517,847	57,019
Refuse disposal	175,000	175,000	156,448	18,552
Total Sanitation and Waste Removal	<u>598,100</u>	<u>758,366</u>	<u>688,344</u>	<u>70,022</u>
Maintenance of General Buildings and Grounds:				
General properties	213,700	225,700	309,739	(84,039)
Total Public Works	<u>1,956,500</u>	<u>2,460,810</u>	<u>2,549,006</u>	<u>(88,196)</u>
Health and Welfare				
Health:				
Opioid Abatement Expenses	-	37,600	-	37,600
Local health department	64,578	64,578	20,525	44,053
Mental Health and Mental Retardation:				
Chapter 10 board	28,326	28,326	28,326	-
Welfare/Social Services:				
Area agency on aging	10,000	10,000	10,000	-
Property tax relief for elderly	-	-	20,642	(20,642)
Contribution to Office on Youth	1,500	1,500	1,500	-
Contribution - Family Crisis	-	-	-	-
Total Welfare/Social Services	<u>11,500</u>	<u>11,500</u>	<u>32,142</u>	<u>(20,642)</u>
Total Health and Welfare	<u>104,404</u>	<u>142,004</u>	<u>80,993</u>	<u>61,011</u>
Education:				
Contribution to Mountain Empire Community College	\$ 20,893	\$ 20,893	\$ 20,893	\$ -
Payment to school board	3,011,628	3,031,871	2,173,961	857,910
Total Education	<u>3,032,521</u>	<u>3,052,764</u>	<u>2,194,854</u>	<u>857,910</u>
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	305,200	307,700	324,644	(16,944)
Recreation centers and playgrounds	203,349	459,849	269,292	190,557
Total Parks and Recreation	<u>508,549</u>	<u>767,549</u>	<u>593,936</u>	<u>173,613</u>
Cultural Enrichment:				
Pro-Art	6,100	6,100	6,100	-
Other events	12,650	22,150	35,208	(13,058)
Friends and farmers market	10,000	10,000	7,030	2,970
Employee picnic and Christmas party	1,000	1,000	-	1,000
Total Cultural Enrichment	<u>29,750</u>	<u>39,250</u>	<u>48,338</u>	<u>(9,088)</u>

CITY OF NORTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2024

SCHEDULE 3
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
GENERAL FUND (Continued):				
Library:				
Payments to regional library	30,285	30,285	30,285	-
Total Parks, Recreation and Cultural	568,584	837,084	672,559	164,525
Community Development:				
Planning and Community Development:				
Planning	198,800	370,800	406,481	(35,681)
Planning-contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	6,000	6,000	1,722	4,278
Contribution to Chamber of Commerce	1,979	1,979	1,979	-
Contribution to Black Diamond Development	200	200	200	-
Contribution to Airport Commission	2,645	2,645	2,645	-
Capital outlay	-	2,098,374	2,499,615	(401,241)
Total Planning and Community Development	217,747	2,488,121	2,920,765	(432,644)
Debt Service:				
Principal	230,104	230,104	176,953	53,151
Interest	18,479	18,479	18,479	-
Total Debt Service	248,583	248,583	195,432	53,151
Other Financing Uses:				
Transfer to welfare fund	300,000	300,000	475,000	(175,000)
Total Financing Sources	300,000	300,000	475,000	(175,000)
TOTAL GENERAL FUND	11,676,524	16,664,961	16,448,689	216,272
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 1,760,500	\$ 1,760,500	\$ 2,121,704	\$ (361,204)
Total Welfare/Social Services	1,760,500	1,760,500	2,121,704	(361,204)
Total Health and Welfare	1,760,500	1,760,500	2,121,704	(361,204)
Total Virginia Public Assistance Fund	1,760,500	1,760,500	2,121,704	(361,204)
Revolving Loan Fund:				
Community Development:				
Planning and Community Development:				
Contribution to componet unit - NIDA	-	-	-	-
Total Welfare/Social Services	-	-	-	-
Total Community Development	-	-	-	-
Total Revolving Loan Fund	-	-	-	-
Drug and Gambling Investigative Funds:				
Public safety	70,000	70,000	58,324	11,676
Total Drug and Gambling Investigative Funds	70,000	70,000	58,324	11,676
TOTAL SPECIAL REVENUE FUNDS	1,830,500	1,830,500	2,180,028	(349,528)
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	\$ 13,507,024	\$ 18,495,461	\$ 18,628,717	\$ (133,256)

CITY OF NORTON, VIRGINIA
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2024

SCHEDULE 3
 (Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ (100,000)	\$ (353,243)	\$ 1,195,800	
Net appropriations from fund balance				
Prior year surplus	100,000	100,000		
Prior year encumbrances	-	253,243		
Budget - excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		

CITY OF NORTON, VIRGINIA
STATEMENT OF NET POSITION BY DEPARTMENT
PROPRIETARY FUNDS
June 30, 2024

	BUSINESS TYPE ACTIVITIES		
	PROPRIETARY FUND		
	<u>Water</u>	<u>Sewer</u>	<u>Water and</u>
	<u>Operation</u>	<u>Operation</u>	<u>Sewer Operation</u>
ASSETS			
Current assets:			
Cash and investments	\$ 232,021	\$ 350,798	\$ 582,819
Receivables, net	165,145	189,134	354,279
Prepays	-	-	-
Due from other governments	-	-	-
Due from other funds	233,286	105,588	338,874
Total current assets	<u>630,452</u>	<u>645,520</u>	<u>1,275,972</u>
Noncurrent assets:			
Restricted cash	63,770	96,416	160,186
Net pension asset	47,174	21,352	68,526
Capital assets, net	9,820,039	5,522,200	15,342,239
Total noncurrent assets	<u>9,930,983</u>	<u>5,639,968</u>	<u>15,570,951</u>
Total assets	<u>10,561,435</u>	<u>6,285,488</u>	<u>16,846,923</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	40,526	18,341	58,867
Deferred outflows related to other postemployment benefits	724	327	1,051
Total deferred outflows of resources	<u>41,250</u>	<u>18,668</u>	<u>59,918</u>
LIABILITIES			
Current liabilities:			
Accounts payable	53,356	85,769	139,125
Accrued payroll and related liabilities	2,992	1,354	4,346
Accrued interest	14,970	4,351	19,321
Due to other funds	1,031,370	466,810	1,498,180
Customer security deposits	55,430	83,805	139,235
Compensated absences	6,086	2,754	8,840
Debt obligations, current	172,711	103,508	276,219
Total current liabilities	<u>1,336,915</u>	<u>748,351</u>	<u>2,085,266</u>
Noncurrent liabilities:			
Compensated absences	14,201	6,427	20,628
Net pension liability	-	-	-
Net other postemployment benefit liabilities	2,827	1,280	4,107
Debt obligations	4,788,181	1,390,735	6,178,916
Total noncurrent liabilities	<u>4,805,209</u>	<u>1,398,442</u>	<u>6,203,651</u>
Total liabilities	<u>6,142,124</u>	<u>2,146,793</u>	<u>8,288,917</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	36,573	16,554	53,127
Deferred inflows related to other post employment benefits	918	416	1,334
Total deferred inflows of resources	<u>37,491</u>	<u>16,970</u>	<u>54,461</u>
NET POSITION			
Net investment in capital assets	4,859,147	4,027,957	8,887,104
Restricted	47,174	21,352	68,526
Unrestricted	(483,251)	91,084	(392,167)
Total net position	<u>\$ 4,423,070</u>	<u>\$ 4,140,393</u>	<u>\$ 8,563,463</u>

CITY OF NORTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2024

	BUSINESS TYPE ACTIVITIES		
	PROPRIETARY FUND		
	<u>Water</u> <u>Operation</u>	<u>Sewer</u> <u>Operation</u>	<u>Water and</u> <u>Sewer Operation</u>
OPERATING REVENUES			
Charges for services			
Water:			
Local	\$ 926,068	\$ -	\$ 926,068
Non-Local	228,345	-	228,345
Sewer:			
Local	-	1,353,565	1,353,565
Non-Local	-	391,819	391,819
Connection fees	15,390	350	15,740
Penalties	24,792	37,483	62,275
Miscellaneous	483	650	1,133
Total operating revenues	<u>1,195,078</u>	<u>1,783,867</u>	<u>2,978,945</u>
OPERATING EXPENSES			
Personnel	480,661	217,102	697,763
Fringe benefits	176,426	80,303	256,729
Contractual services	5,982	874,405	880,387
Other charges	414,805	275,240	690,045
Water purchased for resale	110,699	-	110,699
Depreciation and amortization	263,296	413,665	676,961
Total operating expenses	<u>1,451,869</u>	<u>1,860,715</u>	<u>3,312,584</u>
Operating income	<u>(256,791)</u>	<u>(76,848)</u>	<u>(333,639)</u>
NONOPERATING REVENUES (EXPENSES)			
Grant income	97,786	4,142	101,928
Interest expense	(58,907)	(91,484)	(150,391)
Total nonoperating revenues (expenses)	<u>38,879</u>	<u>(87,342)</u>	<u>(48,463)</u>
Change in net position	(217,912)	(164,190)	(382,102)
NET POSITION AT JULY 1	<u>4,640,982</u>	<u>4,304,583</u>	<u>8,945,565</u>
NET POSITION AT JUNE 30	<u>\$ 4,423,070</u>	<u>\$ 4,140,393</u>	<u>\$ 8,563,463</u>

**CITY OF NORTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2024**

	BUSINESS TYPE ACTIVITIES PROPRIETARY FUND		
	Water Operation	Sewer Operation	Water and Sewer Operation
OPERATING ACTIVITIES			
Receipts from customers and properties	\$ 1,191,485	\$ 1,796,163	\$ 2,987,648
Receipts from other sources	483	650	1,133
Payments to suppliers	(704,398)	(1,225,450)	(1,929,848)
Payments to employees	(494,389)	(234,672)	(729,061)
Net cash provided by operating activities	<u>\$ (6,819)</u>	<u>\$ 336,691</u>	<u>\$ 329,872</u>
NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowing	\$ 256,392	\$ 86,286	\$ 342,678
Net cash provided by noncapital financing activities	<u>\$ 256,392</u>	<u>\$ 86,286</u>	<u>\$ 342,678</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	\$ 15,810	\$ -	\$ 15,810
Contributed Capital - grant revenue	109,437	4,142	113,579
Proceeds from issuance of debt	-	-	-
Principal paid	(162,279)	(102,891)	(265,170)
Interest paid	(59,984)	(91,797)	(151,781)
Net cash used in capital and related financing activities	<u>\$ (97,016)</u>	<u>\$ (190,546)</u>	<u>\$ (287,562)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 152,557</u>	<u>\$ 232,431</u>	<u>\$ 384,988</u>
CASH AND CASH EQUIVALENTS			
Beginning at July 1	<u>\$ 143,234</u>	<u>\$ 214,783</u>	<u>\$ 358,017</u>
Ending at June 30	<u>\$ 295,791</u>	<u>\$ 447,214</u>	<u>\$ 743,005</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ (256,791)	\$ (76,848)	\$ (333,639)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	263,296	413,665	676,961
Pension expense net of employer contributions	(9,471)	(12,123)	(21,594)
Other post-employment benefit expense net of employer contributions	110	152	262
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	4,133	5,703	9,836
Due from other governments	-	-	-
Increase (decrease) in:			
Accounts payable and other current liabilities	9,946	17,481	27,427
Accrued payroll and related liabilities	(15,895)	(8,376)	(24,271)
Customer deposits	806	1,111	1,917
Compensated absences	(2,953)	(4,074)	(7,027)
Net cash provided by operating activities	<u>\$ (6,819)</u>	<u>\$ 336,691</u>	<u>\$ 329,872</u>

**CITY OF NORTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2024**

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Capital Project Fund	School Activity Fund	School Cafeteria Fund	Total School Board
ASSETS							
Cash and investments	\$ 398,310	\$ -	\$ -	\$ 531,265	\$ -	\$ -	\$ 929,575
Cash - restricted	-	210,697	13,166	-	-	248,607	472,470
Cash in custody of others	-	-	-	-	427,118	-	427,118
Prepays	-	-	-	-	-	-	-
Due from other funds	19,266	-	844	-	-	-	20,110
Due from primary government	1,323,098	95,156	-	145,384	-	-	1,563,638
Due from other governments	560,929	-	-	-	-	-	560,929
Total assets	<u>\$ 2,301,603</u>	<u>\$ 305,853</u>	<u>\$ 14,010</u>	<u>\$ 676,649</u>	<u>\$ 427,118</u>	<u>\$ 248,607</u>	<u>\$ 3,973,840</u>
LIABILITIES							
Accounts Payable	\$ 102,962	\$ -	\$ -	\$ -	\$ -	\$ 2,418	\$ 105,380
Accrued Liabilities	477,404	-	-	-	-	-	477,404
Due to other funds	844	13,477	-	-	-	5,788	20,109
Due to primary government	-	-	-	-	-	4,245	4,245
Total liabilities	<u>581,210</u>	<u>13,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,451</u>	<u>607,138</u>
FUND BALANCE							
Nonspendable	-	-	-	-	-	-	-
Restricted	1,720,393	-	-	-	-	-	1,720,393
Committed	-	292,376	14,010	676,649	427,118	236,156	1,646,309
Total fund balance	<u>1,720,393</u>	<u>292,376</u>	<u>14,010</u>	<u>676,649</u>	<u>427,118</u>	<u>236,156</u>	<u>3,366,702</u>
Total liabilities and fund balance	<u>\$ 2,301,603</u>	<u>\$ 305,853</u>	<u>\$ 14,010</u>	<u>\$ 676,649</u>	<u>\$ 427,118</u>	<u>\$ 248,607</u>	<u>\$ 3,973,840</u>

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

Total Fund Balance - School Board	\$ 3,366,702
Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:	
Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Net pension asset	730,677
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Nondepreciable	2,606,893
Depreciable, net	10,364,409
Right-of-use, net	<u>73,009</u>
	13,044,311
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to:	
Pensions	2,144,705
Other postemployment benefits	270,168
Deferred inflows related to:	
Pensions	(716,995)
Other postemployment benefits	(187,959)
Net pension liability	(5,034,399)
Net other postemployment benefits liability	<u>(1,231,274)</u>
	(4,755,754)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds payable, including unamortized premiums	(4,973,580)
Finance Purchase notes payable	-
Lease liabilities	(29,594)
Subscription (SBITA) liabilities	(27,587)
Accrued interest	(60,053)
Compensated absences	<u>(157,449)</u>
Total Net Position - School Board Governmental Activities	\$ 7,137,673

CITY OF NORTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2024

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Capital Project Fund	School Activity Fund	School Cafeteria Fund	Total School Board
REVENUES							
Revenue from use of money and property	\$ 1,165	\$ 2,090	\$ 76	\$ 19,414	\$ -	\$ -	\$ 22,745
Miscellaneous	228,719	-	29,638	-	570,740	16,730	845,827
Intergovernmental							
Primary government	2,147,425	26,536	-	-	-	-	2,173,961
Commonwealth of Virginia	8,348,279	-	-	-	-	5,177	8,353,456
Federal government	1,826,877	-	-	-	-	655,352	2,482,229
Total revenue	<u>12,552,465</u>	<u>28,626</u>	<u>29,714</u>	<u>19,414</u>	<u>570,740</u>	<u>677,259</u>	<u>13,878,218</u>
EXPENDITURES							
Current							
Education	11,944,963	-	28,055	389,004	535,122	735,933	13,633,077
Debt Service:							
Principal	670,000	-	-	-	-	-	670,000
Interest	95,385	-	-	-	-	-	95,385
Total expenditures	<u>12,710,348</u>	<u>-</u>	<u>28,055</u>	<u>389,004</u>	<u>535,122</u>	<u>735,933</u>	<u>14,398,462</u>
OTHER FINANCING SOURCES (USES)							
Issuance of leases liabilities	-	-	-	-	-	-	-
Issuance of subscription liabilities	-	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Net change in fund balance	<u>(157,883)</u>	<u>28,626</u>	<u>1,659</u>	<u>(369,590)</u>	<u>35,618</u>	<u>(58,674)</u>	<u>(520,244)</u>
Fund balances - beginning	<u>1,878,276</u>	<u>263,750</u>	<u>12,351</u>	<u>1,046,239</u>	<u>391,500</u>	<u>294,830</u>	<u>3,886,946</u>
Fund balances - ending	<u>\$ 1,720,393</u>	<u>\$ 292,376</u>	<u>\$ 14,010</u>	<u>\$ 676,649</u>	<u>\$ 427,118</u>	<u>\$ 236,156</u>	<u>\$ 3,366,702</u>

Reconciliation to the Statement of Activities (Exhibit 2):

Net Change in Fund Balance - School Board	\$ (520,244)
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay and right-of-use-lease assets	2,279,196
Depreciation and amortization expense	<u>(796,357)</u>
	1,482,839
Governmental funds report the issuance of debt as an increase in financial resources while governmental activities report the debt liability.	-
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.	297,368
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, the transaction has no effect on net position.	766,773
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefit expense.	(75,799)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Accrued interest payable	(33,025)
Compensated absences	<u>8,095</u>
Change in Net Position - School Board Governmental Activities	<u>\$ 1,926,007</u>

CITY OF NORTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SCHOOL OPERATING FUND
Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Revenue from local use of money and property	\$ 600	\$ 600	\$ 1,165	\$ 565
Miscellaneous	202,977	202,977	228,719	25,742
Intergovernmental:				
Primary government	3,005,335	3,005,335	2,147,425	(857,910)
Commonwealth of Virginia	7,945,505	7,945,505	8,348,279	402,774
Federal government	2,378,213	2,378,213	1,826,877	(551,336)
Total revenues	<u>13,532,630</u>	<u>13,532,630</u>	<u>12,552,465</u>	<u>(980,165)</u>
EXPENDITURES				
Current:				
Education	12,767,245	14,663,521	11,944,963	2,718,558
Debt Service:				
Principal	623,338	623,338	670,000	(46,662)
Interest	142,047	142,047	95,385	46,662
Total expenditures	<u>13,532,630</u>	<u>15,428,906</u>	<u>12,710,348</u>	<u>2,718,558</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ (1,896,276)</u>	<u>\$ (157,883)</u>	<u>\$ 1,738,393</u>
OTHER FINANCING SOURCES (USES)				
Issuance of lease liabilities	-	-		-
Issuance of subscription liabilities	-	-		-
Operating transfers out	\$ -	\$ -	\$ -	\$ -
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	(1,896,276)	(157,883)	1,738,393
Net appropriations from fund balance				
Prior year encumbrances	<u>-</u>	<u>1,896,276</u>		
Budget-excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	<u>-</u>	<u>-</u>		
Fund Balance - June 30, 2023			<u>\$ 1,878,276</u>	
Fund Balance - June 30, 2024			<u>\$ 1,720,393</u>	

STATISTICAL SECTION

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

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

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

Notes

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

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 13,871,563	\$ 10,688,851	\$ 9,040,436	\$ 8,655,962	\$ 8,542,222	\$ 8,560,781	\$ 8,207,586	\$ 8,519,840	\$ 8,336,774	\$ 8,014,749
Restricted	464,315	463,910	-	-	-	-	-	-	-	-
Unrestricted	3,043,948	1,993,165	2,468,256	2,352,268	2,842,279	2,821,064	1,976,543	870,666	763,727	232,010
Total governmental activities net position	<u>\$ 17,379,826</u>	<u>\$ 13,145,926</u>	<u>\$ 11,508,692</u>	<u>\$ 11,008,230</u>	<u>\$ 11,384,501</u>	<u>\$ 11,381,845</u>	<u>\$ 10,184,129</u>	<u>\$ 9,390,506</u>	<u>\$ 9,100,501</u>	<u>\$ 8,246,759</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 10,806,022
Restricted	68,526	68,586	-	-	-	-	-	-	-	-
Unrestricted	(392,167)	(437,726)	(9,938)	74,598	84,537	(313,313)	(412,570)	(499,430)	(573,330)	(607,646)
Total business-type activities net position	<u>\$ 8,563,463</u>	<u>\$ 8,945,565</u>	<u>\$ 9,327,611</u>	<u>\$ 9,689,408</u>	<u>\$ 10,043,338</u>	<u>\$ 9,606,711</u>	<u>\$ 9,552,961</u>	<u>\$ 9,869,760</u>	<u>\$ 10,115,607</u>	<u>\$ 10,198,376</u>
Primary government										
Net investment in capital assets	\$ 22,758,667	\$ 20,003,556	\$ 18,377,985	\$ 18,270,772	\$ 18,501,023	\$ 18,480,805	\$ 18,173,117	\$ 18,889,030	\$ 19,025,711	\$ 18,820,771
Restricted	532,841	532,496	-	-	-	-	-	-	-	-
Unrestricted	2,651,781	1,555,439	2,458,318	2,426,866	2,926,816	2,507,751	1,563,973	371,236	190,397	(375,636)
Total primary government net position	<u>\$ 25,943,289</u>	<u>\$ 22,091,491</u>	<u>\$ 20,836,303</u>	<u>\$ 20,697,638</u>	<u>\$ 21,427,839</u>	<u>\$ 20,988,556</u>	<u>\$ 19,737,090</u>	<u>\$ 19,260,266</u>	<u>\$ 19,216,108</u>	<u>\$ 18,445,135</u>

Notes:

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Expenses										
Governmental activities										
General government	\$ 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	\$ 1,516,160
Judicial administration	568,265	488,956	452,446	448,140	415,276	2,717,698	2,873,422	2,717,864	2,564,543	2,491,800
Public safety	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	1,989,571
Public works	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	1,128,562
Health and welfare	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	2,268,173
Education	2,194,854	2,943,090	2,760,806	2,600,645	2,505,966	511,651	407,173	461,053	474,541	445,581
Parks, recreation, and cultural	72,937	330,963	587,517	583,825	81,357	38,483	45,218	78,828	329,286	561,290
Community development	1,277,380	1,647,478	1,379,243	2,627,350	1,411,696	39,010	39,432	45,291	48,915	109,767
Interest	17,827	31,368	19,736	40,221	37,756	-	-	-	-	-
Total governmental activities	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	10,510,904
Business-type activities										
Water and Wastewater	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	2,840,888
Total business-type activities expenses	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	2,840,888
Total primary government expenses	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	13,351,792
Program revenues										
Governmental activities										
Charges for services										
Public safety	\$ 148,831	\$ 56,335	\$ 12,052	\$ 11,428	\$ 14,679	\$ 104,630	\$ 87,094	\$ 98,525	\$ 101,979	\$ 60,564
Public works	402,954	401,351	404,851	407,722	410,676	411,018	413,874	415,282	416,703	417,474
Health and welfare	-	-	-	-	-	-	-	-	-	-
Parks, recreation and culture	16,567	19,880	20,015	16,782	17,400	22,062	18,273	11,807	8,773	11,896
Operating grants and contributions	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	2,302,105
Capital grants and contributions	323,353	498,901	111,385	102,062	-	-	-	-	453,008	2,702,148
Total governmental activities program revenues	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	5,494,187
Business-type activities										
Charges for services										
Water and Wastewater	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	2,314,041
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	101,928	239,561	247,079	152,416	487,660	285,850	16,100	95,845	309,343	536,587
Total business-type activities program revenues	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	2,850,628
Total primary government program revenues	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	8,344,815
Net (expense) revenue										
Governmental activities	\$ (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)	\$ (5,016,717)
Business-type activities	(382,102)	(382,046)	(373,643)	(353,930)	266,559	223,818	(387,280)	(395,847)	(82,769)	9,740
Total primary government net expense	(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)	(5,006,977)

TABLE 2
(Continued)

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	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	2,632,023
Local sales and use	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	1,613,223
Utility tax	123,097	123,339	123,852	125,047	125,415	127,413	128,898	129,066	129,032	131,322
Business license tax	904,592	947,829	981,872	690,659	801,979	789,539	779,120	750,765	842,303	812,125
Communication tax	137,650	146,747	150,854	155,422	174,981	194,619	193,631	199,570	204,591	211,659
Motor vehicle tax	75,675	80,846	79,431	79,289	80,937	85,205	81,767	85,648	81,661	71,174
Bank stock tax	84,960	47,175	62,361	54,166	40,193	50,778	51,591	42,171	47,105	61,913
Recordation tax	26,034	57,875	23,426	29,897	16,012	17,026	21,376	37,040	34,009	22,158
Tobacco tax	-	-	-	-	-	-	-	30	40	110
Hotel and motel room tax	132,654	129,034	123,993	77,946	104,019	158,331	141,171	161,925	159,594	206,815
Restaurant food tax	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	1,360,014
Coal road improvement tax	14,260	37,074	25,711	67,216	31,997	39,774	25,533	24,366	32,928	56,308
Cigarette tax	139,140	161,115	150,125	157,460	157,455	168,425	159,197	186,815	173,067	88,640
Other local taxes	837,992	734,256	91,449	79,457	87,222	121,520	84,265	88,004	89,177	70,125
Unrestricted miscellaneous revenue	361,647	157,099	68,914	46,416	75,883	26,208	41,497	33,780	68,352	99,086
Unrestricted investment earnings	191,477	204,549	31,579	16,596	53,134	67,717	33,899	26,359	29,758	28,480
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	39,085
Transfers - primary government	-	-	-	-	-	-	-	(150,000)	-	-
Total governmental activities	<u>10,515,790</u>	<u>10,396,731</u>	<u>8,933,527</u>	<u>8,118,268</u>	<u>8,172,133</u>	<u>8,367,524</u>	<u>7,877,414</u>	<u>7,809,488</u>	<u>8,043,831</u>	<u>7,504,260</u>
Business-type activities:										
Other	-	-	-	-	-	-	-	150,000	-	-
Total business-type activities	-	-	-	-	-	-	-	150,000	-	-
Total primary government	<u>10,515,790</u>	<u>10,396,731</u>	<u>8,933,527</u>	<u>8,118,268</u>	<u>8,172,133</u>	<u>8,367,524</u>	<u>7,877,414</u>	<u>7,959,488</u>	<u>8,043,831</u>	<u>7,504,260</u>
Changes in Net Position										
Governmental activities	4,233,900	1,637,234	262,571	(376,271)	(233,810)	1,434,182	907,969	290,005	853,742	2,487,543
Business-type activities	(382,102)	(382,046)	(373,643)	(353,930)	266,559	223,818	(387,280)	(245,847)	(82,769)	9,740
Total primary government	<u>3,851,798</u>	<u>1,255,188</u>	<u>(111,072)</u>	<u>(730,201)</u>	<u>32,749</u>	<u>1,658,000</u>	<u>520,689</u>	<u>44,158</u>	<u>770,973</u>	<u>2,497,283</u>

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Post-GASB 54 implementation:										
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	1,159,562	815,247	237,884	189,876	355,486	490,562	497,058	490,329	574,892	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	5,123	464,579	640,541	87,263	50,454	82,295	48,502	9,504	-	372,893
Unassigned	2,529,372	1,415,293	1,725,943	2,392,483	2,750,949	2,794,565	2,227,802	1,408,777	-	1,210,736
Total general fund	<u>\$ 3,694,057</u>	<u>\$ 2,695,119</u>	<u>\$ 2,604,368</u>	<u>\$ 2,669,622</u>	<u>\$ 3,156,889</u>	<u>\$ 3,367,422</u>	<u>\$ 2,773,362</u>	<u>\$ 1,908,610</u>	<u>\$ 574,892</u>	<u>\$ 1,583,629</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special Revenue fund	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	497,211	407,380	358,770	408,647	413,444	432,120	373,108	361,062	357,780	344,627
Assigned	193,833	86,802	157,091	180,008	231,123	230,008	272,560	153,340	14,205	-
Unassigned	-	-	-	-	-	-	-	-	-	(55,870)
Total all other governmental funds	<u>\$ 691,044</u>	<u>\$ 494,182</u>	<u>\$ 515,861</u>	<u>\$ 588,655</u>	<u>\$ 644,567</u>	<u>\$ 662,128</u>	<u>\$ 645,668</u>	<u>\$ 514,402</u>	<u>\$ 371,985</u>	<u>\$ 288,757</u>

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

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues										
General property taxes	\$ 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	\$ 2,679,834
Other local taxes	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	4,635,461
Permits, fees, and licenses	13,444	8,949	9,327	2,382	12,391	16,258	2,177	2,608	2,547	11,133
Fines and forfeitures	151,541	56,417	12,592	11,303	13,978	103,929	18,995	26,178	17,698	26,425
Use of money and property	191,479	204,549	31,579	16,596	53,134	65,846	33,899	26,359	29,758	27,843
Charges for services	420,223	421,539	425,264	425,206	428,777	435,653	500,246	499,436	489,628	479,458
Other revenues	361,645	157,099	68,914	46,417	75,883	26,208	32,153	25,328	89,595	75,415
Recovered cost	145,135	109,768	254,639	91,018	125,791	129,682	121,275	122,728	112,271	20,706
Intergovernmental	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	5,074,378
Total revenues	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	13,030,653
Expenditures										
General government	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	1,150,354
Judicial administration	631,619	488,956	452,446	448,140	417,257	395,899	386,605	365,591	377,549	389,285
Public safety	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	2,423,506
Public works	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	1,776,800
Health and welfare	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	1,159,055
Education and transfer to school	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	2,268,173
Parks, recreation, and cultural	672,559	876,033	640,592	568,165	497,794	547,053	480,446	468,394	472,460	427,708
Community development	2,920,765	2,807,850	1,483,065	2,422,390	1,060,832	38,502	44,710	90,905	867,911	3,342,994
Debt service:										
Principal retirement	176,953	202,281	174,092	897,749	181,439	151,154	614,823	137,359	124,861	1,182,821
Interest and fiscal charges	18,479	32,020	18,422	38,687	30,472	31,667	31,443	37,630	41,808	167,718
Total expenditures	18,153,717	17,177,487	15,278,633	15,658,468	12,667,005	11,465,600	10,561,213	11,010,012	11,304,443	14,288,414
Excess of revenues over (under) expenditures	1,136,595	29,536	(814,965)	(1,368,306)	(273,604)	398,328	469,639	361,960	266,875	(1,257,761)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	655,000	791,000	20,800	203,000	500,000	-	50,000	1,208,000
Insurance recoveries	25,098	34,675	8,346	14,319	21,706	7,692	-	2,859	8,761	18,379
Proceeds from sale of capital assets	34,107	4,861	13,571	19,808	3,004	2,060	25,819	5,593	4,578	637
Transfers	-	-	-	-	-	-	-	(150,000)	-	-
Total other financing sources (uses)	59,205	39,536	676,917	825,127	45,510	212,752	525,819	(141,548)	63,339	1,227,016
Net change in fund balances	\$ 1,195,800	\$ 69,072	\$ (138,048)	\$ (543,179)	\$ (228,094)	\$ 611,080	\$ 995,458	\$ 220,412	\$ 330,214	\$ (30,745)
Debt service as a percentage of noncapital expenditures:	1.37%	1.55%	1.37%	6.19%	2.23%	1.84%	13.38%	9.48%	-5.66%	18.14%

TABLE 5

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

Calendar Year	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Mobile Homes	Total Taxable Assessed Value	Total Direct Tax Rate Per \$100
				Real Estate	Personal Property			
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
2015	218,737,522	29,431,057	5,185,961	26,192,424	124,975	1,541,202	281,213,141	0.953

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

TABLE 6

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

Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities	
					Real Estate	Personal Property
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
2015	0.80	1.85	1.85	0.80	0.80	1.85

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

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

June 30, 2024

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
Wal-Mart Real Estate Trust	Commercial Retail/ Grocery	15,320,300	6.43%
Norton Community Hospital	Health Care	9,321,900	3.92%
Norton (Norton) SRX LLC	Shops/Maurices/Hibbits	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%
Norton Host	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%
Pepsi Cola Bottling Co.	Commercial/Wholesale/Retail	2,296,500	0.96%
AJM LLC	Retail/Eq. Sales/Repair	2,681,700	1.13%

June 30, 2014

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

**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
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%
2015	2,731,203	2,545,590	93.20%	56,280	2,601,870	95.26%	320,961	11.75%

- (1) Exclusive of penalties and interest.
- (2) Does not include land redemptions
- (3) Commonwealth reimbursement for auto tax included in total collections.

TABLE 9

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

Fiscal Years Ended June 30	Governmental Activities		Business-Type Activities		Component Unit Bonds	Total Debt	Percentage of Personal Income	Per Capita
	General	Finance	General Obligation	Water & Wastwaterer				
	Obligation Bonds	Purchase Leases	Bonds	Bonds				
2024	\$ 974,850	\$ -	\$ 6,455,135	\$ 4,610,000	12,039,985	7.03%	3,300	
2023	1,157,274	-	6,720,305	5,280,000	13,157,579	7.90%	3,617	
2022	1,327,681	30,156	6,726,938	5,935,000	14,019,775	8.29%	3,802	
2021	817,147	59,782	6,975,676	6,560,000	14,412,605	8.10%	3,695	
2020	895,712	88,347	7,087,832	7,150,000	15,221,891	9.10%	3,897	
2019	1,028,630	116,068	7,362,643	7,710,000	16,217,341	10.29%	4,152	
2018	1,093,377	-	7,629,457	8,250,000	16,972,834	11.80%	4,343	
2017	1,208,200	-	7,893,350	8,765,000	17,866,550	14.07%	4,632	
2016	1,316,121	29,438	8,143,884	9,260,000	18,749,443	13.54%	4,752	
2015	1,363,000	58,141	8,139,139	9,784,434	19,344,714	12.98%	4,821	

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

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	Outstanding		
	General Bonded Obligation Bonds		
2024	12,039,985	4.05%	3,300
2023	13,157,579	4.52%	3,617
2022	13,989,619	4.80%	3,794
2021	14,352,823	4.88%	3,679
2020	14,943,164	5.06%	3,826
2019	15,902,240	5.35%	4,152
2018	16,765,144	5.67%	4,343
2017	17,650,210	5.95%	4,632
2016	18,495,011	6.46%	4,752
2015	18,697,886	6.65%	4,821

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assessed valuations										
Assessed value of taxed real property	\$ 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	\$ 244,929,946
Legal debt margin										
Debt limit - 10 percent of total assessed value	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	24,492,995
Debt applicable to limitation										
Total bonded debt	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	19,344,714
Less - Business-Type	-	-	-	-	(190,380)	(199,033)	(207,686)	(216,340)	(224,994)	(588,689)
Total amount of debt applicable to debt limitation	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	18,756,025
Legal debt margin	<u>\$ 15,002,617</u>	<u>\$ 12,637,991</u>	<u>\$ 12,012,276</u>	<u>\$ 11,292,850</u>	<u>\$ 10,776,869</u>	<u>\$ 10,054,687</u>	<u>\$ 9,345,336</u>	<u>\$ 8,421,798</u>	<u>\$ 6,528,328</u>	<u>\$ 5,736,970</u>
Total net debt as applicable to the limit as a percentage of debt limit	44.52%	51.01%	53.86%	56.07%	58.24%	61.44%	64.21%	67.70%	73.94%	76.58%

TABLE 12

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

Fiscal Years Ended June 30	Utility Service Charges	Less: Operating Expenses	Net Available Revenue				Coverage
				Principal	Interest	Total	
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
2015	2,314,041	2,107,896	206,145	158,950	120,455	279,405	0.74

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.

**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
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%
2015	4,013	148,994,664	37,128	38.0	820	7.80%

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

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

June 30, 2024

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, 2014

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

Source: Virginia Employment Commission - Community Profile

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

Function	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General government										
Management services	3.5	3	4	4	4	4	4	4	3.5	3.5
Finance	5	5	4	4	4	4	4	4	4	4
Planning	1	1	1	1	1	0	1	1	1.5	1.5
Other	5.5	5.5	6.5	6	6	6	6.5	6	6	6
Public safety										
Officers	16	16	16	16	16	16	16	16	16	16
Dispatchers/Clerks	10	10	9.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Sheriff's Office	3	3	3	3	3	3	3	3	3	3
Animal Control	1	1	1	1	1	1	1	1	1	1
Building	1	1	1	1	1	1	1	1	1	1
Emergency Management	0	0	0	0	0	0	0	0.5	0.5	0.5
Fire	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1	1	1
Public works										
Engineering	0	0	0	0	0	1	1	1	1	1
Streets	10.5	10.5	10.5	9	9	9	9	9	9	9
Refuse Collections	6	6	6	6	6	6	6	6	6	6
General Properties	3	3	4	3.5	3.5	4.5	4	3.5	5	5
Parks and recreation										
Maintenance	6.5	6.5	6.5	6.5	6.5	6.5	5.5	5.5	4	4.5
Other	1	1	1	1	1	1	1	1	1	1
Water operations										
Administration	2	2	3	3	3	3	3	3	3	3
Plan Operatins	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7	6	6
Maintenance	7	7	7	7	7	7	7	7	7	7
Social Services										
Administrative	6	7	7	5	5	5	5	5	5	4.5
Eligibility	7	8.5	7.5	7	7	7	7	7	7	7
Social Worker	4	4	3	3	3	3	3	3	3	3

Source: City of Norton's Finance Department

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

<u>Function</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Public Safety										
Citations issued	366	466	345	476	741	743	629	1,009	830	1,051
Parking Tickets issued	5	6	2	1	4	16	23	40	32	31
Crime/Arrest/Incident reports filed	7,798	7,172	6,457	6,945	9,047	635	513	468	579	647
911 Calls dispatched	3,965	4,956	4,937	5,876	4,761	4,570	4,500	3,614	3,722	3,402
Public Works										
Number of citizen requests for services	879	920	749	734	758	734	668	783	685	651
Water operations										
Number of service connections	2,169	2,180	2,183	2,204	2,157	2,187	2,202	2,188	2,199	2,222
Number of citizen requests for services	3,009	2,391	2,544	2,389	2,482	3,114	3,548	3,539	3,939	2,052
Average daily plant output in gallons	.555 Million	.609 Million	.697 Million	.759 Million	.709 Million	.769 Million	.785 Million	.658 Million	.658 Million	.497 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	1,938	1,945	1,939	1,955	1,916	1,947	2,030	2,018	2,023	2,169

TABLE 17

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

Function	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Number of patrol units	25	25	25	25	25	25	25	25	24	22
Public Works										
Streets (lane miles)	84.32	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73	82.73
Streetlights	479	479	479	479	479	479	479	479	479	440
Traffic signals	9	9	9	9	9	9	9	9	9	9
Water operations										
Miles of water main	56.12	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31	55.31
Number of fire hydrants	262	257	257	257	257	255	255	255	255	255
Wastewater operations										
Miles of sanitary sewers	42.67	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16	41.16
Miles of storm sewers	9.67	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Rodger Moss & Co, PLLC

Norton, Virginia
June 25, 2025



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Norton, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2024. The City'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, 2024.

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 requirement 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 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'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'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'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 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 City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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'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'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'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.

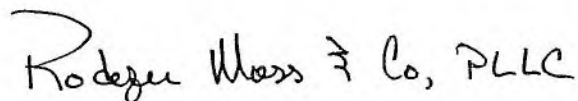
Report on Internal Control Over Compliance

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 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 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 we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that have not been 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.



Norton, Virginia
June 25, 2025



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

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

We have audited the financial statements of the City of Norton, Virginia (the "City") as of and for the year ended June 30, 2024, and have issued our report thereon dated June 25, 2025

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

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

Code of Virginia

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

State Agency Requirements

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

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

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

Roderic Mass & Co, PLLC

Norton, Virginia
June 25, 2025

CITY OF NORTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

	Federal Assistance Listing Number (ALN)	Pass-through Identifying Number	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass-Through Payments:			
Community Facilities Grants	10.766	54-075-618341747	25,000
Community Facilities Grants	10.766		11,028
Child and Adult Care Food Program	10.558		15,707
Covid-19 Pandemic EBT Administrative Costs	10.649		653
Child Nutrition Cluster:			
School Lunch Program	10.555		485,775
School Breakfast Program	10.553		202,242
Summer Food Service Program for Children	10.559		975
Summer Food Service Program for Children (Note D)	10.559		16,495
State Department of Social Services:			
Supplemental Nutrition Assistance Program-SNAP Cluster	10.561		209,251
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-Through Payments:			
State Department of Social Services:			
Guardianship Assistance	93.090		163
Prevention Program - Title IV-E	93.472		1,939
Foster Care - Title IV-E	93.658		69,327
Social Services Block Grant	93.667		99,992
Child Care Assistance	93.575		
Medical assistance program-Medicaid Cluster	93.778		158,110
Low Income Home Energy Assistance	93.568		22,558
Safe and Stable Families	93.556		13,868
Refugee and Entrant Assistance	93.566		479
Children's Health Insurance Program	93.767		1,756
Stephanie Tubbs Jones Child Welfare Services Program	93.645		106
Chafee Foster Care Independence Program	93.674		1,006
477 Cluster:			
TANF -Temporary Assistance for Needy Families	93.558		98,820
Child Care Mandatory Match	93.596		23,565
DEPARTMENT OF EDUCATION:			
Pass-Through Payments:			
State Department of Education:			
Rural Education	84.358		19,703
Title I Grants	84.010		271,936
Title II-Part A Grants	84.367		32,183
Title IV-Part A Grants	84.424		417,989
ESSER	84.425		23,028
Education Stabilization Fund -ARP II Homeless	84.425W		26
ARP ESSER III	84.425U		555,671
Title VI-B:			
Special Education Cluster (IDEA):			
Special Education-Grants to States	84.027		177,069
Special Education-Preschool Grants	84.173		6,938
Special Projects:			
State Grants for Strengthening the Skills of Teachers and Instruction in Mathematics, Foreign Languages and Computer Vocational Education - Basic Grants to States	84.048		18,959
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT			
Community Development Block Grants	14.228	20-20-41	292,324
Pass-Through Payments: VDHCD			
Community Development Block Grants	14.228	23-PG-07	15,000
DEPARTMENT OF HOMELAND SECURITY			
Local Emergency Management Performance Grant	97.042		7,500
DEPARTMENT OF JUSTICE			
Edward Byrne Memorial Justice Assistance Grant	16.738		8,188
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			
High Intensity Drug Trafficking Areas Program	95.001	G24AP0001A	10,256
High Intensity Drug Trafficking Areas Program	95.001	G23AP0001A	7,079
APPALACHIAN REGIONAL COMMISSION			
Appalachian Area Development	23.002	PW-18728-IM-B-2017	310,460
DEPARTMENT OF TRANSPORTATION			
Alcohol Open Container Requirements	20.607		841
State and Community Highway Safety-402 Funds	20.600	BPT-2024-54110-24110	2,931
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	FL18-146-131	61,750
DEPARTMENT OF THE TREASURY			
Coronavirus State and Local Fiscal Recovery (SLFRF)	21.027	20-1982-0-1-807	2,110,663
Coronavirus State and Local Fiscal Recovery (SLFRF)	21.027	20-1982-0-1-806	21,862
Coronavirus State and Local Fiscal Recovery (SLFRF)	21.027	20-1982-0-1-807	57,575
Coronavirus State and Local Fiscal Recovery (SLFRF)	21.027	VA Tourism	12,750
Pass-Through Payments:			
Department of Criminal Justice			
Coronavirus State and Local Fiscal Recovery (SLFRF)	21.027		364,000
Pass-Through Payments:			
Department of Education			
Coronavirus State and Local Fiscal Recovery (SLFRF)	21.027		200,000
Pass-Through Payments:			
State Department of Social Services:			
Coronavirus State and Local Fiscal Recovery (SLFRF)	21.027		2,725
TOTAL			\$ 6,554,314

CITY OF NORTON
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2024

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) included the federal award activity of the City of Norton under programs of the federal government of the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the City of Norton, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Norton.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

NOTE D - FOOD DONATION:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

NOTE E - SUBRECIPIENTS

No awards were passed through to subrecipients.

CITY OF NORTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

A) SUMMARY OF AUDIT RESULTS

- 1) The auditors' report expresses an unmodified opinion on whether the financial statements of the City of Norton, Virginia were prepared in accordance with GAAP.
- 2) No significant deficiencies relating to the audit of the financial statements of the City of Norton, Virginia, are reported in the 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. No material weakness is reported.
- 3) No instances of non-compliance material to the financial statements of the City of Norton, Virginia, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4) No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable for each Major Program and on Internal Control over Compliance in Accordance Required by the Uniform Guidance. No material weaknesses are reported.
- 5) The Auditors' report on Compliance for the Major Federal Award Programs for the City of Norton, Virginia, expresses an unmodified opinion on all major federal programs.
- 6) Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- 7) The programs tested as major programs were:
ALN 21.027 - Coronavirus State and Local Fiscal Recovery Funds
- 8) The threshold for distinguishing types A & B programs was \$750,000.
- 9) The City of Norton, Virginia, was determined not to be not be a low risk auditee.

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

NONE

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

NONE

CITY OF NORTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2024

FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

There were no prior year findings.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior year findings.