



CITY OF NORTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008

CITY OF NORTON, VIRGINIA

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CITY OF NORTON, VIRGINIA

CITY OFFICIALS

June 30, 2008

CITY COUNCIL:

B. Robert Raines, Mayor, Council Member
William Mays, Vice-Mayor, Council Member
Joe Fawbush
Joseph Hunnicutt
Jack Wallace

Ernest W. Ward, City Manager

CONSTITUTIONAL OFFICERS:

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

SCHOOL BOARD:

Ron McCall, Chair
Willie Mae Price Harris, Vice-Chair
Steve McElroy
Tim Cassell
Jeff Begley

Dr. Lee Brannon, Superintendent

SOCIAL SERVICES ADVISORY BOARD:

Kenny Boyd
Brenda Johnson
Marty Adkins
Jack Mooney
Roger Sloce

Roger Ramey, Director

CITY LEGAL COUNSEL:

William E. Bradshaw, Attorney at Law



Management Discussion and Analysis

January 15, 2009

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, 2008.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 9,005,070 (net assets). Of this amount, \$ 1,811,945 (unrestricted net assets) can be used to meet the City's ongoing obligations.
- At June 30, 2008, the City reported combined ending fund balances of \$ 9,715,271, an increase of \$ 6,514,389 in comparison with the prior year. However, during the year the City secured financing in the amount of \$ 7,500,000 for school capital projects, the proceeds of which are included in the fund balance. Therefore, approximately 16.4 % of the total fund balance is available for spending at the City Council's discretion. (unreserved fund balance).
- As of June 30, 2008, the General Fund had a total Fund Balance of \$ 9,457,925 which includes \$ 7,500,000 of loan proceeds for school capital projects.
- The total debt outstanding as of June 30, 2008 was \$ 16,358,717, which includes the component units. As of June 30, 2008, the City's Legal Debt Margin was \$ 10,095,327.
- The Water/Sewer Proprietary Fund had a decrease in Net Assets for the year of \$ 56,048.

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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases to net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 of Statement of Net Assets – June 30, 2008

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 11,038,131	\$ 424,181	\$ 11,462,312
Capital assets	5,975,224	5,735,390	11,710,614
Other noncurrent assets	49,471	6,803	56,274
Total Assets	<u>\$ 17,062,826</u>	<u>\$ 6,166,374</u>	<u>\$ 23,229,200</u>
Current & other liabilities	\$ 1,565,050	\$ 641,591	\$ 2,206,641
Long-term liabilities	9,650,654	2,366,835	12,017,489
Total Liabilities	<u>\$ 11,215,704</u>	<u>\$ 3,008,426</u>	<u>\$ 14,224,130</u>
Net Assets:			
Invested in Capital assets (Net of related debt)	\$ 3,824,570	\$ 3,368,555	\$ 7,193,125
Restricted	-0-	-0-	-0-
Unrestricted	2,022,552	(210,607)	1,811,945
Total Net Assets	<u>\$ 5,847,122</u>	<u>\$ 3,157,948</u>	<u>\$ 9,005,070</u>

Net assets serve as a useful indicator of a government's financial position. The City's combined net assets total \$ 9,005,070, 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 \$ 7,193,125. 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. \$1,811,945 of the Net Assets is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Activities -- Governmental activities decreased the City's net assets by \$ 939,982. Key elements of this decrease are as follows:

	Governmental Activities Year Ended June 30, 2008
Revenues:	
Program Revenues:	
Charges for Services	\$ 432,088
Operating Grants and Contributions	2,368,891
General Revenues:	
Property Taxes	2,197,629
Other Local Taxes	4,579,285
Other	350,034
Total Revenues	<u>9,927,927</u>
Expenses:	
General Government	1,079,594
Public Safety	2,392,658
Public Works	2,032,771
Health and Welfare	1,222,082
Education	2,721,651
Parks, Recreation, Culture	409,566
Community Development	778,848
Interest of Long Term Debt	230,739
Total Expenses	<u>10,867,909</u>
Increase (Decrease) in Net Assets	<u>\$ (939,982)</u>

Included in the Total Expenses are non-cash items including depreciation. Under the full accrual method, net assets decreased by (\$ 939,982).

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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Local Sales and Use Tax	\$ 1,901,018	\$ 1,889,055	\$ 1,722,453	\$ 1,497,058
Real Property Tax	1,443,286	1,261,403	1,189,998	1,005,915
Restaurant Food Taxes	930,578	848,702	788,336	721,995
Business License Taxes	826,412	813,906	692,083	658,845
Street & Highway Maintenance	730,086	666,209	641,083	620,145
VDOT	-0-	662,349	-0-	-0-
Personal Property Taxes	412,756	452,505	398,429	366,416

The City’s assessed value of real estate for the year was \$ 205,874,899. The real estate tax rate is \$.80 per \$ 100 of assessed value. For the year, the percent of levy collected was 98.85%

The City’s business type activity is the Water/Sewer Proprietary Fund. During the year this fund had a decrease in net assets of \$ 56,048. However, cash and cash equivalents increased by \$ 42,917 to \$ 176,566.

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	\$ 10,277,248	\$ 17,657,003	\$ 7,390,104
Total Expenses	11,654,632	<u>11,142,614</u>	\$ 512,018
Excess of Revenues Over Expenses		<u>\$ 6,514,389</u>	

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

THROWER, BLANTON & ASSOCIATES, P.C.

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

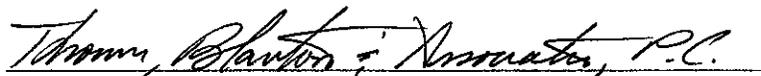
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specifications for Audits of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2008 on our consideration of the City of Norton's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of our testing on internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and other statistical information on pages 5 through 7 and 62 through 77, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information listed as other supplementary information and compliance section information in the accompanying table of contents, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.


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

December 22, 2008

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 the financial statements of the City of Norton, Virginia, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 22, 2008. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

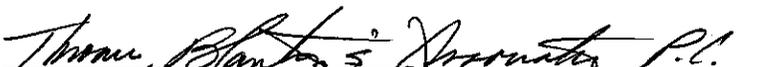
In planning and performing our audit for the year ended June 30, 2008, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the City's financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting and its operation that we consider to be material weaknesses, as defined above.

This report is solely intended for the information and use of management, others within the Organization, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants
December 22, 2008

THROWER, BLANTON & ASSOCIATES, P.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Norton, Virginia, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of Federal Awards section of the accompanying supplemental schedules. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Norton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

The Honorable Members of the City Council

City of Norton

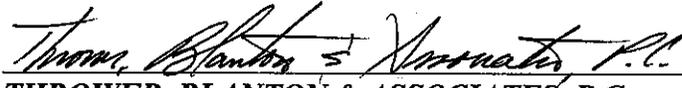
Norton, Virginia 24273

Page 2

(Independent Auditor's report on Compliance with
Requirements Applicable to Each Major Program and
Internal Control Over Compliance in Accordance with
OMB Circular A-133)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the Organization, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

December 22, 2008

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

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

We have audited the general purpose financial statements of the City of Norton, Virginia (the "City") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 22, 2008.

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 City did not comply with certain Social Services requirements. The local agency did not reconcile the general ledger to the warrant registers and subsequently the warrant registers to the Laser report as required. The local agency also did not prepare CSA reimbursement reports on at least a quarterly basis and it failed to submit the entire Fiscal year 2008 reimbursement request by the September 30, 2008 deadline.

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

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

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


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

December 22, 2008

CITY OF NORTON
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 843,616	\$ 45,604	\$ 889,220	\$ 740,491
Restricted cash	7,183,173	130,962	7,314,135	-
Investments	1,731,833	-	1,731,833	-
Receivable, net	226,424	247,615	474,039	14,255
Note receivable	171,332	-	171,332	-
Prepaid expense	-	-	-	19,250
Due from other governmental units	508,413	-	508,413	211,105
Due from other funds	373,340	-	373,340	-
Due from primary government	-	-	-	731,628
Deferred bond cost	49,471	6,803	56,274	-
Capital assets, non-depreciable	901,780	677,496	1,579,276	2,755,904
Capital assets, depreciable, net	<u>5,073,444</u>	<u>5,057,894</u>	<u>10,131,338</u>	<u>6,364,149</u>
Total Assets	<u>17,062,826</u>	<u>6,166,374</u>	<u>23,229,200</u>	<u>10,836,782</u>
LIABILITIES				
Accounts payable and accrued liabilities	267,024	96,260	363,284	320,340
Accrued payroll and related liabilities	91,005	12,198	103,203	572,273
Accrued interest payable	42,574	15,722	58,296	21,940
Deferred revenue	-	-	-	231,640
Deferred bond revenue	66,210	-	66,210	25,354
Customer security deposits	-	130,962	130,962	-
Due to other governmental units	199,585	-	199,585	-
Due to other funds	9,913	363,427	373,340	-
Due to component units	731,627	-	731,627	-
Compensated absences				
Due within one year	103,694	15,195	118,889	18,212
Due in more than one year	53,418	7,827	61,245	35,393
Long-term liabilities				
Due within one year	190,026	80,818	270,844	599,719
Due in more than one year	<u>9,460,628</u>	<u>2,286,017</u>	<u>11,746,645</u>	<u>3,741,509</u>
Total Liabilities	<u>11,215,704</u>	<u>3,008,426</u>	<u>14,224,130</u>	<u>5,566,380</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,824,570	3,368,555	7,193,125	4,778,825
Restricted	-	-	-	-
Unrestricted	<u>2,022,552</u>	<u>(210,607)</u>	<u>1,811,945</u>	<u>491,577</u>
Total Net Assets	<u>5,847,122</u>	<u>3,157,948</u>	<u>9,005,070</u>	<u>5,270,402</u>
	<u>\$ 17,062,826</u>	<u>\$ 6,166,374</u>	<u>\$ 23,229,200</u>	<u>\$ 10,836,782</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets				Component Units	
	Expenses	Charges for Services	Primary Government		Total	School Board	NIDA	
			Operating Grants and Contributions	Capital Grants and Contributions				Governmental Activities
Governmental Activities								
General government	\$ 1,079,594	\$ -	\$ 266,699	\$ -	\$ (812,895)	\$ -	\$ (812,895)	
Public safety	2,392,658	5,757	489,542	-	(1,897,359)	-	(1,897,359)	
Public works	2,032,771	375,362	738,344	-	(919,065)	-	(919,065)	
Health and welfare	1,222,082	27,327	837,987	-	(356,768)	-	(356,768)	
Education	2,721,651	-	-	-	(2,721,651)	-	(2,721,651)	
Parks, recreation and cultural	409,566	23,642	5,000	-	(380,924)	-	(380,924)	
Community development	778,848	-	31,319	-	(747,529)	-	(747,529)	
Interest on long-term debt	230,739	-	-	-	(230,739)	-	(230,739)	
Contingencies	-	-	-	-	-	-	-	
Total Governmental Activities	10,867,909	432,088	2,368,891	-	(8,066,930)	-	(8,066,930)	
Business-type activities								
Water and Wastewater	2,526,365	1,991,660	-	428,657	-	(106,048)	(106,048)	
Total Business-Type Activities	2,526,365	1,991,660	-	428,657	-	(106,048)	(106,048)	
TOTAL PRIMARY GOVERNMENT	13,394,274	2,423,748	2,368,891	428,657	(8,066,930)	(106,048)	(8,172,978)	
COMPONENT UNITS								
School Board	7,236,004	110,236	5,420,917	-	-	-	(1,704,851)	(49,567)
NIDA	529,849	450,341	29,941	-	-	-	(1,704,851)	(49,567)
Total Component Units	7,765,853	560,577	5,450,858	-	-	-	(1,704,851)	(49,567)
General revenues								
Property taxes					2,197,629			
Local sales & use tax					1,901,018			
Utility taxes					184,079			
Business license taxes					826,412			
Franchise license taxes					9			
Communication taxes					179,988			
Motor vehicle licenses					29,580			
Bank stock taxes					6,082			
Recordation taxes					26,036			
Tobacco taxes					38			
Hotel and motel room taxes					125,638			
Restaurant food taxes					930,578			
Coal road improvement taxes					186,512			
Cigarette tax					41,574			
Other local taxes					141,741			
Unrestricted miscellaneous revenue					70,321		14,993	
Unrestricted investment earnings					256,139		101	7,132
Rental of Town property					-		-	
Gain on sale of capital assets					34,300		-	
Recovered cost					39,274		-	
Transfers-Primary Government					(50,000)	50,000	-	
Transfers-Component Units					-	-	2,716,082	578,294
Total general revenues and transfers					7,126,948	50,000	2,731,176	624,873
Change in net assets					(939,982)	(56,048)	1,026,325	575,306
NET ASSETS - JULY 1					6,787,104	3,213,996	10,001,100	3,268,673
NET ASSETS - JUNE 30					\$ 5,847,122	\$ 3,157,948	\$ 9,005,070	\$ 3,843,979

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

**CITY OF NORTON
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 730,883	\$ 112,733	\$ 843,616
Restricted Cash	7,183,173	-	7,183,173
Investments	1,731,833	-	1,731,833
Taxes receivable	27,694	-	27,694
Accounts receivable	198,730	-	198,730
Notes receivable	-	171,332	171,332
Due from other funds	548,440	3,059	551,499
Due from primary government	-	-	-
Due from other governmental units	370,212	138,201	508,413
Total Assets	<u>\$ 10,790,965</u>	<u>\$ 425,325</u>	<u>\$ 11,216,290</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 227,847	\$ 39,178	\$ 267,025
Accrued payroll and related liabilities	77,032	13,973	91,005
Deferred revenue	23,706	-	23,706
Due to other funds	12,972	114,828	127,800
Due to component units	791,898	-	791,898
Due to other governmental units	199,585	-	199,585
Total Liabilities	<u>1,333,040</u>	<u>167,979</u>	<u>1,501,019</u>
FUND BALANCES			
Reserved For:			
Encumbrances	614,801	-	614,801
Unreserved:			
Undesignated	<u>8,843,124</u>	<u>257,346</u>	<u>9,100,470</u>
Total Fund Balances	<u>9,457,925</u>	<u>257,346</u>	<u>9,715,271</u>
Total Liabilities and Fund Balances	<u>\$ 10,790,965</u>	<u>\$ 425,325</u>	<u>\$ 11,216,290</u>
Total Fund Balances			\$ 9,715,271

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation	5,975,224
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds	49,471
Other liabilities are not required to be paid out of current financial resources and therefore are not reported in the governmental funds	(242,190)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(9,650,654)</u>
Net Assets of Governmental Activities	<u>\$ 5,847,122</u>

CITY OF NORTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Special Revenue	Total Governmental Funds
REVENUES:			
General property taxes	\$ 2,177,005	\$ -	\$ 2,177,005
Other local taxes	4,437,544	-	4,437,544
Permits, privilege fees and regulatory licenses	9,499	-	9,499
Fines and forfeitures	132,242	-	132,242
Revenue from use of money & property	252,393	3,746	256,139
Charges for services	404,761	27,327	432,088
Miscellaneous	70,221	100	70,321
Recovered costs	19,825	-	19,825
Intergovernmental	1,530,904	837,987	2,368,891
Total Revenues	<u>9,034,394</u>	<u>869,160</u>	<u>9,903,554</u>
EXPENDITURES:			
Current:			
General government administration	1,090,825	-	1,090,825
Judicial administration	403,468	-	403,468
Public safety	1,943,637	12,543	1,956,180
Public works	1,951,478	-	1,951,478
Health and welfare	123,548	1,079,486	1,203,034
Education and transfer to school	2,721,651	-	2,721,651
Parks, recreation and cultural	395,917	-	395,917
Community development	786,560	-	786,560
Miscellaneous	-	-	-
Debt service:			
Principal retirement	168,746	-	168,746
Interest	224,755	-	224,755
Total Expenditures	<u>9,810,585</u>	<u>1,092,029</u>	<u>10,902,614</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(776,191)</u>	<u>(222,869)</u>	<u>(999,060)</u>
OTHER FINANCING SOURCES (USES):			
Sale of surplus	-	-	-
Sale of Real Property	44,000	-	44,000
Loan proceeds	7,500,000	-	7,500,000
Insurance recoveries	19,449	-	19,449
Operating transfers in	-	190,000	190,000
Operating transfers out	(240,000)	-	(240,000)
Total Other Financing Sources (Uses)	<u>7,323,449</u>	<u>190,000</u>	<u>7,513,449</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	6,547,258	(32,869)	6,514,389
FUND BALANCE AT BEGINNING OF YEAR	<u>2,910,667</u>	<u>290,215</u>	<u>3,200,882</u>
FUND BALANCE AT END OF YEAR	<u>\$ 9,457,925</u>	<u>\$ 257,346</u>	<u>\$ 9,715,271</u>

CITY OF NORTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

Net Change in Fund Balance Governmental Fund:	\$ 6,514,389
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(30,895)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,570,349)
Repayment of bond principal is an expenditure in governmental funds but the payment reduces long-term liabilities in the statement of net assets. This is the amount of principal payments	168,746
Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and therefore are not required as expenditures in governmental funds.	<u>(21,873)</u>
Change in Net Assets of Governmental Activities	<u>\$ (939,982)</u>

CITY OF NORTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-Type Activities
	Proprietary Funds
	Water & Sewer Operation
ASSETS	
Cash and cash equivalents	\$ 45,604
Restricted cash	130,962
Investments	-
Receivable, net	247,615
Prepaid expense	-
Due from other governmental units	-
Deferred bond expense	6,803
Land	588,600
Construction in progress	88,896
Capital assets, net	5,057,894
Total Assets	6,166,374
LIABILITIES	
Accounts payable and accrued liabilities	96,260
Accrued payroll and related liabilities	12,198
Accrued interest payable	15,722
Deferred revenue	-
Customer security deposits	130,962
Due to other governmental units	-
Due to other funds	363,427
Compensated absences	23,022
Long-term liabilities	
Due within one year	80,818
Due in more than one year	2,286,017
Total Liabilities	3,008,426
NET ASSETS	
Invested in capital assets, net of related debt	3,368,555
Restricted	-
Unrestricted	(210,607)
Total Net Assets	3,157,948
	\$ 6,166,374

CITY OF NORTON
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>PROPRIETARY FUNDS</u> <u>Water & Sewer Operation</u>
OPERATING REVENUES:	
Charges For Services:	
Water:	
Local	\$ 711,844
Non-local	<u>232,245</u>
Total Water	<u>944,089</u>
Sewer:	
Local	771,386
Non-local	<u>212,837</u>
Total Sewer	<u>984,223</u>
Total Charges for Services	<u>1,928,312</u>
 Miscellaneous:	
Installations and tap fees	525
Penalties	44,339
Other	<u>18,484</u>
Total Miscellaneous	<u>63,348</u>
Total Operating Revenues	<u>1,991,660</u>
 OPERATING EXPENSES:	
Personal services	434,714
Fringe benefits	155,007
Contractual services	865,303
Other charges	300,596
Rent	6,000
Depreciation	244,428
Bad debt	6,000
Purchase of water	382,513
Amortization	<u>332</u>
Total Operating Expenses	<u>2,394,893</u>
Operating Income (Loss)	<u>(403,233)</u>
 NON-OPERATING REVENUES (EXPENSES):	
Grant income	428,657
Interfund transfers	50,000
Interconnect expense	(42,110)
Interest income	-
Interest expense	<u>(89,362)</u>
Total Non-Operating Revenues (Expenses)	<u>347,185</u>
CHANGE IN NET ASSETS	(56,048)
NET ASSETS - JULY 1, 2007	<u>3,213,996</u>
NET ASSETS - JUNE 30, 2008	<u>\$ 3,157,948</u>

CITY OF NORTON
STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUNDS
Year Ended June 30, 2008

	PROPRIETARY FUNDS	COMPONENT UNIT
	Water & Sewer Operation	Norton Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,989,464	\$ 471,742
Cash payments to suppliers for goods and services	(1,730,186)	(142,478)
Cash payments to employees for services	(424,260)	-
Net Cash provided by (used in) Operating activities	<u>(164,982)</u>	<u>329,264</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in customer deposits	3,103	-
(Increase) decrease in due from other funds/governments	36,010	-
Contribution - City of Norton	50,000	551,294
Increase (decrease) in due to other funds	102,458	-
Net Cash Provided by Non-Capital Financing Activities	<u>191,571</u>	<u>551,294</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction in progress	(79,896)	-
Acquisition of capital assets	(309,370)	(57,366)
Proceeds from issuance of debt	190,000	-
Contributed Capital-Grant Revenue	386,547	-
Principal paid	(75,830)	(443,638)
Interest paid	(95,123)	(169,309)
Net Cash provided by (used in) capital and related financing activities	<u>16,328</u>	<u>(670,313)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	-	8,531
Net cash provided by (used in) investing activities	<u>-</u>	<u>8,531</u>
Net Increase (Decrease) in Cash and Cash Equivalents	42,917	218,776
Cash and Cash Equivalents at Beginning of Year	<u>133,649</u>	<u>479,853</u>
Cash and Cash Equivalents at June 30, 2008		
Unrestricted	\$ 45,604	698,629
Restricted	130,962	-
Cash and Cash Equivalents at End of Year	<u>\$ 176,566</u>	<u>\$ 698,629</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (403,233)	\$ 156,512
Adjustments		
Depreciation and amortization	244,760	211,641
Provision for uncollectibles	6,000	-
Changes in assets and liabilities:		
(Increase) decrease in prepaid expense	-	(4,884)
(Increase) decrease in accounts receivable	(2,196)	-
Increase (decrease) in accounts payable	(20,767)	14,319
Increase (decrease) in accrued liabilities	3,496	-
Increase (decrease) in compensating absences	6,958	-
Increase (decrease) in deferred rent	-	(48,324)
Total adjustments	<u>238,251</u>	<u>172,752</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ (164,982)</u>	<u>\$ 329,264</u>

**CITY OF NORTON
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008**

	CDBG Revolving Loan Fund	Virginia Public Assistance Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	<u>TOTALS</u> June 30, 2008
<u>ASSETS</u>					
Cash	\$ 121,780	\$ (32,289)	\$ 21,173	\$ 2,069	\$ 112,733
Receivables (Net of Any Allowance For Uncollectibles):					
Accounts	-	-	-	-	-
Note receivable	171,332	-	-	-	171,332
Prepaid items	-	-	-	-	-
Due from other funds	-	3,059	-	-	3,059
Due from other governmental units:					
Commonwealth of Virginia	-	138,201	-	-	138,201
TOTAL ASSETS	<u>\$ 293,112</u>	<u>\$ 108,971</u>	<u>\$ 21,173</u>	<u>\$ 2,069</u>	<u>\$ 425,325</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ 39,178	\$ -	\$ -	\$ 39,178
Accrued liabilities	-	13,973	-	-	13,973
Due to other funds	-	114,828	-	-	114,828
Total Liabilities	<u>-</u>	<u>167,979</u>	<u>-</u>	<u>-</u>	<u>167,979</u>
FUND BALANCES:					
Reserved For:					
Encumbrances	-	-	-	-	-
Unreserved:					
Designated for subsequent year's expenditures	-	-	-	-	-
Undesignated	293,112	(59,008)	21,173	2,069	257,346
Total Fund Balances	<u>293,112</u>	<u>(59,008)</u>	<u>21,173</u>	<u>2,069</u>	<u>257,346</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 293,112</u>	<u>\$ 108,971</u>	<u>\$ 21,173</u>	<u>\$ 2,069</u>	<u>\$ 425,325</u>

CITY OF NORTON
AGENCY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2008

	<u>Special Welfare Fund</u>
Additions	
Client receipts	\$ 6,821
Total additions	<u>6,821</u>
Deductions	
Payments for clients	<u>9,630</u>
Total deductions	<u>9,630</u>
Change in net assets	(2,809)
Net assets - beginning of year	<u>9,697</u>
Net assets - end of year	<u>\$ 6,888</u>

CITY OF NORTON
STATEMENT OF NET ASSETS - COMPONENT UNITS
JUNE 30, 2008

	Norton City Schools	Norton Industrial Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 41,862	\$ 698,629	\$ 740,491
Restricted cash	-	-	-
Investments	-	-	-
Receivable, net	14,255	-	14,255
Prepaid expense	-	19,250	19,250
Due from primary government	731,628	-	731,628
Due from other governmental units	211,105	-	211,105
Deferred bond expense	-	-	-
Capital assets, non-depreciable	884,921	1,870,983	2,755,904
Capital assets, depreciable, net	<u>1,333,803</u>	<u>5,030,346</u>	<u>6,364,149</u>
 Total Assets	 <u>3,217,574</u>	 <u>7,619,208</u>	 <u>10,836,782</u>
LIABILITIES			
Accounts payable and accrued liabilities	287,608	32,732	320,340
Accrued payroll and related liabilities	572,273	-	572,273
Accrued interest payable	10,802	11,138	21,940
Deferred revenue	-	231,640	231,640
Deferred Bond revenue	25,354	-	25,354
Customer security deposits	-	-	-
Due to other governmental units	-	-	-
Due to other funds	-	-	-
Compensated absences			
Due within one year	18,212	-	18,212
Due in more than one year	35,393	-	35,393
Long-term liabilities			
Due within one year	138,630	461,089	599,719
Due in more than one year	<u>702,879</u>	<u>3,038,630</u>	<u>3,741,509</u>
 Total Liabilities	 <u>1,791,151</u>	 <u>3,775,229</u>	 <u>5,566,380</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,377,215	3,401,610	4,778,825
Restricted	-	-	-
Unrestricted	<u>49,208</u>	<u>442,369</u>	<u>491,577</u>
 Total Net Assets	 <u>1,426,423</u>	 <u>3,843,979</u>	 <u>5,270,402</u>
 Total Liabilities and Net Assets	 <u>\$ 3,217,574</u>	 <u>\$ 7,619,208</u>	 <u>\$ 10,836,782</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES - COMPONENT UNITS
 Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Norton City Schools	Industrial Development Authority	GRAND TOTAL
Functions/Programs						
Governmental Activities						
Norton City Schools	\$ 7,236,004	\$ 110,236	\$ 5,420,917	\$ -	\$ (1,704,851)	\$ -
Education						
Business-type activities						
Norton Industrial Development Authority	529,849	450,341	29,941	-	(49,567)	(49,567)
Economic Development						
Total component units	7,765,853	560,577	5,450,858	(1,704,851)	(49,567)	(1,754,418)
General revenues						
City of Norton				2,716,082	578,294	3,294,376
Unrestricted investment earnings				101	7,132	7,233
Miscellaneous revenues				14,993	-	14,993
Unrestricted investment earnings				-	-	-
Rental of Town property				-	-	-
Gain on sale of capital assets				-	-	-
Recovered cost				-	39,447	39,447
Transfers				-	-	-
Total general revenues and transfers				2,731,176	624,873	3,356,049
Change in net assets				1,026,325	575,306	1,601,631
NET ASSETS - JULY 1, 2007				400,098	3,268,673	3,668,771
NET ASSETS - JUNE 30, 2008				\$ 1,426,423	\$ 3,843,979	\$ 5,270,402

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

June 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting Entity

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

B. Individual Component Unit Disclosures
Discretely Presented Component Unit

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

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

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

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

C. Financial Reporting Model

GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement) which established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Because of the significant changes in financial reporting under the Statement, implementation was phased in (based on the size of the government) beginning with fiscal year ended 2002 (for larger governments). As part of the Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.) This requirement permits an optional delay for implementation to the fiscal year ending in 2008. The City implemented the basic model in fiscal year 2005 and completed the implementation of the infrastructure-related portion of the Statement by fiscal year 2008.

Government-wide and Fund Financial Statements

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

June 30, 2008

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

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

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

The City reports the following major governmental funds:

General Fund

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

Special Revenue Funds

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

The City reports the following major proprietary funds:

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

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

D. Basis of Accounting

1. Governmental Funds

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

June 30, 2008

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

D. Basis of Accounting (Continued)

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

2. Proprietary Funds

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

3. Fiduciary Funds

Agency Funds utilize the modified accrual basis of accounting.

E. Budgets and Budgetary Accounting

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

1. Prior to March 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the category level. The appropriations for each category can be revised only by the City Council. The City Manager is authorized to transfer budgeted amounts within governmental departments, however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except for the School Fund). The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. For all City units, appropriations lapse on June 30.
8. All budget data presented in the accompanying financial statements is the revised budget as of June 30, 2008.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General and Special Revenue Funds and component units. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investments, consisting of repurchase agreements and deposits in the State Treasurer's Local Government Pool are stated at cost which approximates market.

H. Property, Plant and Equipment

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. 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.

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

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

I. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$157,598 at June 30, 2008, and is composed of the following:

General Fund:

Allowance for uncollectible property taxes	\$ 39,928	
Allowance for uncollectible garbage fees	<u>11,432</u>	
Total General Fund		\$ 51,360

Water and Sewer Fund:

Allowance for uncollectible water and sewer fee billings	<u>106,238</u>	
Total Water and Sewer Fund		<u>106,238</u>

Total Allowance for Uncollectible Accounts		<u>\$157,598</u>
--	--	------------------

J. Cash Equivalents

For purposes of the statement of cash flows, the Water and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 law, including regulations, the City permits investments in U. S. Treasury Securities, U. S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Credit Risk:

As of June 30, 2008, 72% of the portfolio was invested in the Virginia State Non-Arbitrage Program, with Suntrust bank as trustee for the City of Norton, with an annualized yield of 2.68%.

As of June 30, 2008 17% of the portfolio was invested in the LGIP which is rated as "AAAm" by Standards and Poor's.

Concentration of Credit Risk:

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

SNAP	72%
LGIP	17%
Bank of America	8%

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.

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	1,019,232	41,862	698,629
Investments	8,915,006	-	-
	<u>\$ 9,935,188</u>	<u>\$ 41,862</u>	<u>\$ 698,629</u>
Statement of net assets:			
Cash and cash equivalents	\$ 889,220	\$ 41,862	\$ 698,629
Investments	1,731,833	-	-
Restricted cash and cash equivalents	7,314,135	-	-
	<u>\$ 9,935,188</u>	<u>\$ 41,862</u>	<u>\$ 698,629</u>

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 on December 5th. The City of Norton bills and collects its own property taxes.

4. NOTE RECEIVABLE

Note receivable from Norton Industrial Development Authority (NIDA) in the amount of \$280,000 - loan dated February 25, 2002 with a ten year term and annual interest rate of 0% for the first two years and 1% per year, thereafter. Annual payments of \$29,563, including interest, begin February 25, 2002 with the remaining balance to be paid February 25, 2012.

5. DUE FROM OTHER GOVERNMENTAL UNITS

	Primary Government	Component Unit - School Board	Total
Commonwealth of Virginia:			
Local sales tax	\$165,879	\$ -0-	\$ 165,879
Grant monies	50,000	-0-	50,000
Personal Property Tax Relief	-0-	-0-	-0-
State Board of Elections	40,486	-0-	40,486
Street and highway maintenance	-0-	-0-	-0-
Shared expenses	26,459	-0-	26,459
School funds	-0-	211,105	211,105
Welfare funds	<u>138,201</u>	<u>-0-</u>	<u>138,201</u>
Total Commonwealth of Virginia	<u>421,025</u>	<u>211,105</u>	<u>632,130</u>
Wise County:			
Coal haul road taxes	50,743	-0-	50,743
Court fines/transfer fees	<u>17,595</u>	<u>-0-</u>	<u>17,595</u>
Total Wise County	<u>68,338</u>	<u>-0-</u>	<u>68,338</u>
Norton Industrial Development Authority	<u>19,050</u>	<u>-0-</u>	<u>19,050</u>
Total Due From Other Governmental Units	<u>\$508,413</u>	<u>\$211,105</u>	<u>\$ 719,518</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

6. INTERFUND OBLIGATIONS

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	\$ 60,271	\$ 791,898	\$ -0-	\$ -0-
Virginia Public Assistance Fund	114,828	3,059	-0-	-0-
Water and Sewer Fund	<u>373,340</u>	<u>9,913</u>	<u>-0-</u>	<u>-0-</u>
Total General Fund	<u>548,439</u>	<u>804,870</u>	<u>-0-</u>	<u>-0-</u>
School Operating Fund:				
General Fund	-0-	-0-	791,898	60,271
Cafeteria Fund	-0-	-0-	3,958	-0-
Health Insurance Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total School Operating Fund	<u>-0-</u>	<u>-0-</u>	<u>795,856</u>	<u>60,271</u>
School Cafeteria Fund:				
School Operating Fund	-0-	-0-	-0-	3,958
Health Insurance Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total School Cafeteria Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,958</u>
School Health Insurance Fund				
School Operating Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Health Insurance Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Virginia Public Assistance Fund:				
General Fund	<u>3,059</u>	<u>114,828</u>	<u>-0-</u>	<u>-0-</u>
Water and Sewer Fund:				
General Fund	<u>9,913</u>	<u>373,340</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$561,411</u>	<u>\$1,293,038</u>	<u>\$ 795,856</u>	<u>\$ 64,229</u>

7. CHANGES IN CAPITAL ASSETS

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

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
PRIMARY GOVERNMENT				
Buildings	\$ 1,964,951	\$ -0-	\$ -0-	\$ 1,964,951
Improvements other than buildings	1,271,646	12,519	-0-	1,284,165
Infrastructure	9,935,025	-0-	-0-	9,935,025
Equipment	2,453,441	377,550	-0-	2,830,991
Equipment special revenue	<u>103,656</u>	<u>6,182</u>	<u>-0-</u>	<u>109,838</u>
Total Capital Assets, Depreciable	<u>15,728,719</u>	<u>396,251</u>	<u>-0-</u>	<u>16,124,970</u>
Less Accumulated Depreciation For:				
Buildings	1,202,821	27,393	-0-	1,230,214
Improvements other than buildings	893,192	39,404	-0-	932,596
Infrastructure	6,811,751	151,514	-0-	6,963,265
Equipment	1,657,827	191,452	-0-	1,849,279
Equipment special revenue	<u>68,489</u>	<u>7,683</u>	<u>-0-</u>	<u>76,172</u>
Total accumulated depreciation	<u>10,634,080</u>	<u>417,446</u>	<u>-0-</u>	<u>11,051,526</u>
Total Capital Assets, depreciable net	<u>\$ 5,094,639</u>	<u>\$ (21,195)</u>	<u>\$ -0-</u>	<u>\$ 5,073,444</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

7. CHANGES IN CAPITAL ASSETS (Continued)

<u>PRIMARY GOVERNMENT</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<u>OTHER COST:</u>				
Bond Issue Cost	\$ 56,079	\$ -0-	\$ -0-	\$ 56,079
Less: Accumulated Amortization	<u>(3,648)</u>	<u>(2,960)</u>	<u>-0-</u>	<u>(6,608)</u>
Net Bond Issue Cost	<u>\$ 52,431</u>	<u>\$ (2,960)</u>	<u>\$ -0-</u>	<u>\$ 49,471</u>
	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<u>Component Unit -- School Board</u>				
Buildings	\$3,396,423	\$ -0-	\$ -0-	\$ 3,396,423
Improvements other than buildings	226,220	122,760	-0-	348,980
Equipment	<u>1,479,708</u>	<u>72,321</u>	<u>(5,437)</u>	<u>1,546,592</u>
Total Capital Assets, depreciable	<u>5,102,351</u>	<u>195,081</u>	<u>(5,437)</u>	<u>5,291,995</u>
<u>Less Accumulated Depreciation For:</u>				
Buildings	2,276,767	31,690	-0-	2,308,457
Improvements other than buildings	182,253	16,301	-0-	198,554
Equipment	<u>1,422,585</u>	<u>34,033</u>	<u>(5,437)</u>	<u>1,451,181</u>
Total accumulated depreciation	<u>3,881,605</u>	<u>82,024</u>	<u>(5,437)</u>	<u>3,958,192</u>
Total Capital Assets, depreciable, net	<u>\$1,220,746</u>	<u>\$ 113,057</u>	<u>\$ -0-</u>	<u>\$ 1,333,803</u>
<u>Component Unit - NIDA</u>				
Buildings	\$6,266,518	\$ 52,932	\$ -0-	\$ 6,319,450
Equipment	367,804	4,435	-0-	372,239
Less: Accumulated depreciation	<u>(1,454,921)</u>	<u>(206,422)</u>	<u>-0-</u>	<u>(1,661,343)</u>
Total Capital Assets, depreciable, net	<u>\$ 5,179,401</u>	<u>\$ (149,055)</u>	<u>\$ -0-</u>	<u>\$ 5,030,346</u>
	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<u>Business Type Activities</u>				
Buildings	\$ 256,454	\$ -0-	\$ -0-	\$ 256,454
Improvements other than buildings	8,168,901	309,370	-0-	8,478,271
Equipment	<u>807,221</u>	<u>-0-</u>	<u>-0-</u>	<u>807,221</u>
Total Capital Assets, depreciable	<u>9,232,576</u>	<u>309,370</u>	<u>(-0-)</u>	<u>9,541,946</u>
<u>Less Accumulated Depreciation For:</u>				
Buildings	246,882	476	-0-	247,358
Improvements other than buildings	3,389,133	220,113	-0-	3,609,246
Equipment	<u>603,609</u>	<u>23,839</u>	<u>-0-</u>	<u>627,448</u>
Total accumulated depreciation	<u>4,239,624</u>	<u>244,428</u>	<u>(-0-)</u>	<u>4,484,052</u>
Total Capital Assets, depreciable, net	<u>\$4,992,952</u>	<u>\$ 64,942</u>	<u>\$ (-0-)</u>	<u>\$ 5,057,894</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

7. CHANGES IN CAPITAL ASSETS (Continued)

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

<u>PRIMARY GOVERNMENT</u>	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Land	\$ 911,480	\$ -0-	\$ (9,700)	\$ 901,780
Total Capital Assets, non-depreciable	\$ 911,480	\$ -0-	\$ (9,700)	\$ 901,780

<u>Component Unit – School Board</u>	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Land	\$ 65,901	\$ -0-	\$ -0-	\$ 65,901
Constructions in Progress	12,500	806,520	-0-	819,020
Total Capital Assets, non-depreciable	\$ 78,401	\$ 806,520	\$ -0-	\$ 884,921

<u>Component Unit - NIDA</u>				
Land	\$1,870,983	\$ -0-	\$ -0-	\$ 1,870,983
Total Capital Assets, non-depreciable	\$1,870,983	\$ -0-	\$ -0-	\$ 1,870,983

<u>Business Type Activities</u>	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Land	\$ 588,600	\$ -0-	\$ -0-	\$ 588,600
Construction in Progress	9,000	88,896	(9,000)	88,896
Total Capital Assets, non-depreciable	\$ 597,600	\$ 88,896	\$ (9,000)	\$ 677,496

8. LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION BONDS

<u>Year(s) Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 60,000	\$ 78,362	\$ 53,235	\$ 12,724	\$ -0-	\$ 228,750
2010	60,000	76,262	55,567	10,392	7,500,000	114,375
2011	65,000	73,262	58,000	7,958	-0-	-0-
2012	65,000	70,826	60,540	5,418	-0-	-0-
2013	70,000	68,226	63,191	2,768	-0-	-0-
Thereafter	1,355,000	556,250	-0-	-0-	-0-	-0-
Totals	\$1,675,000	\$ 923,188	\$290,533	\$ 39,260	\$ 7,500,000	\$ 343,125

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

8. LONG-TERM DEBT (Continued)

Year(s) Ending June 30,	BUSINESS TYPE ACTIVITIES							
	GENERAL OBLIGATION BONDS				REVENUE BONDS			
	Water Improvement Bond		Water Facilities Bond		Sewer Facilities Bond		Sewer Improvement Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 26,764	\$ 49,092	\$ 11,975	\$ 42,505	\$ 1,919	\$ 7,802	\$ 37,000	\$ -0-
2010	29,433	48,409	12,525	41,955	1,999	7,721	37,000	-0-
2011	27,000	47,058	13,101	41,379	2,083	7,637	37,000	-0-
2012	29,460	45,619	13,702	40,778	2,171	7,549	-0-	-0-
2013	36,809	44,103	14,332	40,148	2,262	7,458	-0-	-0-
Thereafter	900,001	381,779	884,365	703,906	179,906	159,315	-0-	-0-
Totals	<u>\$1,049,467</u>	<u>\$616,060</u>	<u>\$950,000</u>	<u>\$910,671</u>	<u>\$190,000</u>	<u>\$197,482</u>	<u>\$ 111,000</u>	<u>\$ -0-</u>

	Balance 07-01-07	Additions/ Proceeds	Payments/ Reductions	Balance 06-30-08
Business-Type Activities:				
General obligation bonds	\$2,035,137	\$ 190,000	\$(35,670)	\$2,189,467
Deferred gain of refunding	69,528	-0-	(3,160)	66,368
Revenue bonds	147,999	-0-	(36,999)	111,000
Accrued vacation	14,923	26,895	(20,432)	21,386
	<u>2,267,587</u>	<u>216,895</u>	<u>(96,261)</u>	<u>2,388,221</u>
Governmental Activities:				
General obligation bonds	2,071,535	7,500,000	(106,002)	9,465,533
Capital lease	156,892	90,973	(62,744)	185,121
Accrued vacation	131,188	155,189	(140,430)	145,947
	<u>2,359,615</u>	<u>7,746,162</u>	<u>(309,176)</u>	<u>9,796,601</u>
Totals	<u>\$4,627,202</u>	<u>\$7,963,057</u>	<u>\$(405,437)</u>	<u>\$12,184,822</u>

Changes in Other Long-Term Debt:

The following is a summary of other long-term debt transactions of the City of Norton for the year ended June 30, 2008:

	Compensated Absences	
	Governmental Fund Types	Propriety Fund Types
Payable at June 30, 2007	\$131,188	\$14,923
Additions	155,189	26,895
Reductions	(140,430)	(20,432)
Payable at June 30, 2008	<u>\$145,947</u>	<u>\$21,386</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

8. LONG-TERM DEBT (Continued)

	<u>Amount Outstanding</u>	
	<u>Government Activities</u>	<u>Propriety Fund Types</u>
<u>Details of Long-Term Indebtedness:</u>		
<u>General Obligation Bonds:</u>		
The City refinanced an existing Water Improvement Bond Debt which was originally issued for \$1,500,000 and a Community Facility Loan on a fire truck which was originally issued for \$750,000. The total refinanced bond issue was for a total of \$1,714,008 which included bond issue cost and finance charges totaling \$79,008. The City started making payments of principal and interest October 1, 2004 and continues making payments annually October 1 of each year thereafter until the bond is paid. The actual interest rate on the total bond issue is 4.2938%. Final installment of all unpaid principal and interest shall be due and payable in 24 years on October 1, 2028.	\$ 290,533	\$1,049,467
\$1,730,000 Public Improvement Bond, Series 2007, is payable to VML/VACo, with weighted average interest of 4.2155% over the life of the bond. The total bond issue was for \$1,803,566 which included a premium of \$73,566 and bond issue cost of \$52,954. Repayment of the principal is scheduled to begin on August 1, 2007 and continue annually until paid in full. Interest is scheduled to be paid semi-annually on August 1 and February 1 beginning with the first principal payment. The final installment of unpaid principal and interest shall be due and payable in 20 years on August 1, 2027.	1,675,000	-0-
\$7,500,000 Bond Anticipation Note issued December 20, 2007 is payable to Suntrust Bank with an interest rate of 3.05%. Interest is paid monthly beginning in January 20, 2008. Principal is due at maturity on December 20, 2009 and retirement of debt is anticipated to be paid with future issuance of Literary loans.	7,500,000	-0-
<u>Enterprise Funds:</u>		
<u>Revenue Bonds:</u>		
\$720,753 Sewer Revenue Bond, Series of 1991, is payable to the Virginia Water Facilities Revolving Fund, with interest at zero percent. The amount of principal advances on the bond totaled \$703,069. Repayment of the principal is scheduled in 36 substantially equal semi-annual installments payable on June 1 and December 1, commencing December 1, 1991.	-0-	111,000
<u>General Obligation Bonds:</u>		
\$1,000,000 Water Facilities Bonds issued October 9, 2002, payable to United States of America, USDA Rural Development, with interest at the rate of 4.5% per annum. Accrued interest only is payable on October 9, 2003. Monthly installments of combined principal and interest of \$4,540 are payable beginning on November 9, 2003 and continuing on the 9th of each month thereafter until paid in full. Monthly payments are to be applied first to interest accrued to such payment date and then to principal. The final installment of all unpaid principal and interest shall be due and payable in 40 years on October 9, 2042.	-0-	950,000
\$190,000 Sewer Facilities Bond issued June 6, 2008 payable to Unites States of America, USDA Rural Development, with interest at the rate of 4.10%. Monthly installments of Combined principal and interest of \$810 are payable beginning July 7, 2008 and continuing on the 7 th of each month thereafter until paid in full. Monthly payments are applied first to interest accrued to such payment date and then to principal. The final installment of all unpaid principal and interest shall be due and payable in 40 years on June 7, 2048.	-0-	190,000
Total Long-Term Debt	\$9,465,533	\$2,300,467

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

8. LONG-TERM DEBT (Continued)

Component Unit - School Board

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

Years Ending June 30.	General Obligation Bonds		General Obligation Bonds		Literary Fund Loans		VPSA		Retirement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 30,000	\$ 3,240	\$ 45,000	\$ 19,118	\$ 20,000	\$ 1,200	\$ 32,276	\$ 13,724	\$ 11,354	\$ -0-
2010	30,000	1,080	45,000	16,823	20,000	800	33,144	12,056	6,720	-0-
2011	-0-	-0-	45,000	14,978	20,000	400	34,058	10,342	1,200	-0-
2012	-0-	-0-	50,000	13,005	-0-	-0-	35,019	8,581	1,200	-0-
2013	-0-	-0-	55,000	10,328	-0-	-0-	36,031	6,769	800	-0-
Thereafter	-0-	-0-	175,000	13,642	-0-	-0-	114,707	8,892	-0-	-0-
Totals	\$ 60,000	\$ 4,320	\$ 415,000	\$ 87,894	\$ 60,000	\$ 2,400	\$ 285,235	\$ 60,364	\$ 21,274	\$ -0-

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

8. LONG-TERM DEBT (Continued)

Changes in Long-Term Bonds/Loans:

The following is a summary of long-term bonds/loans transactions of the City of Norton Component Unit - School Board for the year ended June 30, 2008:

	GENERAL OBLIGATION				
	General Obligation Bonds	Literary Fund Loans	Retirement Payable	VPSA Payable	Totals
Bonds/loans payable at June 30, 2007	\$545,000	\$ 88,420	\$ 33,928	\$316,686	\$ 984,034
Issuances	-0-	-0-	-0-	-0-	-0-
Retirements	(70,000)	(28,420)	(12,654)	(31,451)	(142,525)
Bonds/loans payable at June 30, 2008	<u>\$475,000</u>	<u>\$ 60,000</u>	<u>\$ 21,274</u>	<u>\$285,235</u>	<u>\$ 841,509</u>

The following is a summary of other long-term debt transactions of the Component Unit - School Board of the City of Norton for the year ended June 30, 2008:

	<u>Compensated Absences Component Unit - School Board</u>
Payable at June 30, 2007	\$ 42,407
Additions	36,949
Reductions	(29,560)
Payable at June 30, 2008	<u>\$ 49,796</u>

Details of Long-Term Indebtedness:

General Long-Term Obligation Account Group:

General Obligation Bonds:

\$650,000 School Bond Series of 1989B issued November 09, 1989, payable to the Virginia Public School Authority; interest payable semi-annually beginning June 15, 1990 through December 15, 2009, only interest payable June 15, 1990; interest at rate of 6.80% on bonds maturing December 15, 1990 through December 15, 1998; interest at rate of 6.85% on bonds maturing December 15, 1998 through December 15, 1999, interest at rate of 7.10% on bonds maturing December 15, 2000 through December 15, 2004, interest at rate of 7.20% on bonds maturing December 15, 2005 through December 15, 2009; \$20,000 maturing on December 15, 1990, \$40,000 maturing annually on December 15, 1991 through December 15, 1992, \$50,000 maturing on December 15, 1998, \$30,000 maturing on December 15, 1995, \$35,000 maturing annually on December 15, 1998 through December 15, 1999, \$40,000 maturing on December 15, 1999, \$25,000 maturing on December 15, 2000, \$30,000 maturing on December 15, 2001, \$25,000 maturing annually on December 15, 2002 and December 15, 2003, \$30,000 maturing annually on December 15, 2004 through December 15, 2009

\$ 60,000

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

8. LONG-TERM DEBT (Continued)

\$495,000 General Obligation School Bond issued May 12, 2005, payable in annual installments beginning July 15th, 2006 and continuing until July 15, 2015. See accompanying amortization schedule for payment details. The bond has variable interest rates ranging from 3.1% to 4.60%.

	415,000
Total General Obligation Bonds	475,000

State Literary Fund Loans:

\$400,000 State Literary Fund Loan dated January 15, 1991 (issued on December 21, 1990); first annual installment of \$20,000 due January 15, 1995, remaining 19 annual installments of \$20,000 due January 15, 1995 through January 15, 2011; interest payable annually at 2%

	60,000
Total State Literary Fund Loans	60,000

Retirement Costs:

\$359,622 Early Retirement Costs, payable over 11 year period with monthly installments of \$5,095; first installment due in the year ending June 30, 2000

	21,274
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Virginia Public School Authority:

\$613,165 interest subsidy loan dated December 01, 1995 payable to the Virginia Public School in semi-annual payments. Principal and interest payments are due on July 15th and interest only payments are due on January 15th. The Loan carries an interest rate of 5.1% through January 15, 2003. For payments from July 15, 2003 to January 15, 2006 the applicable rate is 6.1%. The payments from July 15, 2006 to maturity at July 15, 2016 is 5.1%

	285,235
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	\$ 841,509
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TOTAL GENERAL LONG-TERM BONDS/LOANS

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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

COMPONENT UNIT - NIDA

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

Years Ending June 30,	Goad Property		City of Norton	
	Principal	Interest	Principal	Interest
2009	\$ 82,676	\$ 7,601	\$ 27,836	\$ 1,727
2010	75,919	2,992	28,122	1,443
2011	-0-	-0-	28,402	1,160
2012	-0-	-0-	86,972	875
2013	-0-	-0-	-0-	-0-
Thereafter	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$158,595</u>	<u>\$ 10,593</u>	<u>\$171,332</u>	<u>\$ 5,205</u>

Year(s) Ending June 30,	Powell Valley National Bank		TOTALS	
	Principal	Interest	Principal	Interest
2009	\$ 350,577	\$ 137,439	\$ 461,089	\$ 146,767
2010	366,712	121,304	470,753	125,739
2011	383,590	104,426	411,992	105,586
2012	401,010	87,006	487,982	87,881
2013	419,702	68,315	419,702	68,315
Thereafter	<u>1,248,201</u>	<u>85,584</u>	<u>1,248,201</u>	<u>85,584</u>
Totals	<u>\$3,169,792</u>	<u>\$ 604,074</u>	<u>\$3,499,719</u>	<u>\$ 619,872</u>

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, 2008:

	VA Coalfield Economic Development <u>Authority</u>	City of Norton	Goad Property	Powell Valley National Bank	Totals
Mortgage loans payable at June 30, 2007	\$ 5,090	\$198,905	\$236,905	\$3,502,456	\$3,943,356
Borrowings	-0-	-0-	-0-	-0-	-0-
Retirements	(5,090)	(27,573)	(78,310)	(332,664)	(443,637)
Mortgage loans payable at June 30, 2008	<u>\$ -0-</u>	<u>\$171,332</u>	<u>\$158,595</u>	<u>\$3,169,792</u>	<u>\$3,499,719</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

8. LONG-TERM DEBT (Continued)

Details of Long-Term Indebtedness:

Principal Balance
at June 30, 2008

Mortgage Loans Payable:

Powell Valley National Bank - \$3,900,000 mortgage loan dated 3/3/04; secured by substantially all real property and revenues of the Authority. The loan bears interest at a rate of 4.5% payable quarterly beginning 6/3/04. Principal payments are due quarterly beginning 6/3/06 with the balance due on 3/3/16.

3,169,792

City of Norton - \$280,000 loan dated 2/25/02 with a ten year term and annual interest rate of 0% for the first two years and 1% per year, thereafter. Annual payments of \$29,562.98 including interest, begin 2/25/05 with remaining balance to be paid 2/25/12

171,332

Wanda Ruth Goad-\$390,000 loan dated 11/30/2005 with a six year term and annual interest Rate of 5.5%. Semi-annual payments begin 1/1/2006 in the amount of \$45,138.49 with a Maturity date of 7/1/2011.

158,595

Total Mortgage Loans Payable at June 30, 2008

\$ 3,499,719

9. CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES

PRIMARY GOVERNMENT

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principals for Claims and Judgments and Compensated Absences", the City has accrued the liability arising from outstanding claims and judgments and compensated absences.

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

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

9. CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES (Continued)

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, 2008, the City had outstanding accrued vacation, sick and personal leave of \$145,947 in the Governmental Activities and outstanding accrued vacation leave of \$21,386 in the Water and Sewer Fund. The City had outstanding accrued payroll taxes of \$11,165 in the Governmental Activities and \$1,636 in the Water and Sewer Fund related to the accrued leave.

COMPONENT UNIT - SCHOOL BOARD

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

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

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

For accumulated days on June 30, 1998:

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

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

At June 30, 2008, the School Board had outstanding accrued vacation, sick and personal leave of \$49,796 and \$3,809 of accrued payroll taxes related to the accrued leave.

10. DEFINED BENEFIT PENSION PLAN

A. Plan Description

Name of Plan: City of Norton, Virginia, Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. The VRS is an agent multiple-employer defined benefit plan. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 year of service if elected by the employer (age 50 with at least 25 year of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service.

June 30, 2008

10. **DEFINED BENEFIT PENSION PLAN (Continued)**

Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500 or may be downloaded at <http://www.varetire.org/pdf/2007annurept.pdf>.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended to contribute 5% of their annual salary to the VRS. The City assumed this 5% member contribution. In addition, the City of Norton, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended June 30, 2008 was 6.97% of annual covered payroll. In addition, professional and non-professional employees of the City of Norton School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the Agent multiple-employer retirement system.

The required contribution for the year ended June 30, 2008 for the professional employees of the City of Norton Schools was \$548,084. This amount represented 100% of the current year contribution. The amounts related to the previous three years are as follows:

<u>Professional</u>	<u>Required Contribution</u>	<u>Percentage Made</u>
2008	\$548,084	100%
2007	494,080	100
2006	394,322	100

The required contribution for the year ended June 30, 2008 for the non-professional employees of the City of Norton Schools was \$11,791. This amount represented 100% of the current year contribution. The amounts related to the previous three years are as follows:

<u>Non-Professional</u>	<u>Required Contribution</u>	<u>Percentage Made</u>
2008	\$ 11,791	100.0%
2007	9,821	100.0
2006	9,765	100.0

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

10. **DEFINED BENEFIT PENSION PLAN (Continued)**

C. Annual Pension Cost

For the fiscal year 2008, the City of Norton's annual pension cost of \$333,485 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (b) projected salary increases ranging from 3.75% to 5.73% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

PRIMARY GOVERNMENT

Three Year Trend Information for the City of Norton, Virginia

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2008	\$333,485	100%	\$ -0-
June 30, 2007	352,236	100	-0-
June 30, 2006	159,167	100	-0-

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the City of Norton, Virginia

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u>
June 30, 2007	\$10,478,291	\$11,072,838	\$ 594,547	94.6%	\$2,622,111	22.7%
June 30, 2006	9,381,422	10,112,738	731,316	92.8	2,654,953	27.6
June 30, 2005	8,912,400	9,674,402	(762,002)	92.1	2,491,916	30.6

COMPONENT UNIT - SCHOOL BOARD

Schedule of Funding Progress for the Norton City Schools

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u>
June 30, 2007	\$1,710,075	\$1,344,085	\$(365,990)	127.2%	\$193,415	(189.2)%
June 30, 2006	1,530,735	1,118,901	(411,834)	136.8	195,635	(210.5)
June 30, 2005	1,473,804	1,252,591	(221,213)	117.7	206,289	(107.2)

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

11. DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$23,706 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$23,706 at June 30, 2008.

12. COMMITMENTS AND CONTINGENCIES

Litigation

In regard to litigation involving the City of Norton, Virginia, there are two pending lawsuits in which the potential for loss payment exists. At this time no specific valuation has been determined in regard to either lawsuit.

13. SURETY BONDS

Amount

Fidelity and Deposit Company of Maryland - Surety	
Faithful Performance of Duty Schedule Position Bond:	
*Barbara Muir, Treasurer	\$200,000
Judy Miller, Commissioner of the Revenue	3,000
Carlos Noaks, Sheriff	30,000
Faithful Performance Blanket Bond:	
The above Constitutional Officers' employees - \$50,000 for each loss	50,000
Hartford Accident and Indemnity Company - Surety:	
Barbara A. Muir, Treasurer	100,000
Selective Insurance Company of America:	
Ernest W. Ward, City Manager	200,000
Fred Ramey, Assistant City Manager	100,000
Mayor and City Council	10,000
All City employees - blanket bond	10,000
Fidelity and Deposit Company of Maryland - Surety:	
All Norton City School Employees - blanket bond	10,000
Selective Insurance Company of America:	
Roger Ramey, Director (Social Services)	100,000
Shirley Watts, Office Manager	100,000
All social workers	100,000
All employees other than Director, Office Manager, and social workers	90,000

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

14. LEASE OBLIGATION

The City of Norton has four capital leases outstanding at June 30, 2008.

The City leases a 2007 Sterling L7500 Truck from Municipal Services Group. The lease was entered into on May 15, 2007 and extends to June 2011. The lease calls for annual payments of \$21,140 with the first payment beginning on June 9, 2007. A summary of the present value of future minimum lease payments, net of interest, is as follows:

June 30, 2009	\$18,319
June 30, 2010	19,215
June 30, 2011	20,155
June 30, 2012	-0-
June 30, 2013	-0-
Thereafter	-0-
Total	<u>\$ 57,689</u>

The City leases a 2005 Dump Truck from Municipal Services Group. The lease was entered into on February 1, 2005 and extends to March 15, 2009. The lease calls for annual payments of \$13,864 with the first payment beginning on March 15, 2005. A summary of the present value of future minimum lease payments, net of interest, is as follows:

June 30, 2009	\$ 13,205
June 30, 2010	-0-
June 30, 2011	-0-
June 30, 2012	-0-
June 30, 2013	-0-
Thereafter	-0-
Total	<u>\$ 13,205</u>

The City leases a 2005 Kenworth garbage truck from Municipal Services Group. The lease was entered into on August 3, 2004 and extends to June 30, 2009. The lease calls for annual payments of \$29,952 with the first payment beginning on June 30, 2005. A summary of the present value of future minimum lease payments, net of interest, is as follows:

June 30, 2009	\$ 28,616
June 30, 2010	-0-
June 30, 2011	-0-
June 30, 2012	-0-
June 30, 2013	-0-
Thereafter	-0-
Total	<u>\$ 28,616</u>

The City leases a 2007 Volvo backhoe from Koch Financial Corporation. The lease was entered into on February 8, 2008 and extends to February 8, 2013. The lease calls for monthly payments of \$1,724 with the first payment beginning on March 8, 2008. A summary of the present value of future minimum lease payments, net of interest, is as follows:

June 30, 2009	\$ 16,651
June 30, 2010	17,533
June 30, 2011	18,461
June 30, 2012	19,439
June 30, 2013	13,527
Thereafter	-0-
Total	<u>\$ 85,611</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

15. 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 outstanding are recorded in the governmental fund types of the City, in order to reserve that portion of the applicable appropriation. June 30, 2008 outstanding encumbrances of governmental fund types are listed below:

PRIMARY GOVERNMENT

	<u>Amount</u>
General Fund	<u>\$614,801</u>

COMPONENT UNIT - SCHOOL BOARD

	<u>Amount</u>
School Operating Fund	<u>\$101,771</u>

16. 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.

17. PRIOR PERIOD ADJUSTMENT

The City of Norton completed the implementation of the infrastructure-related portion of GASB Statement No. 34 in fiscal year 2008. The city adopted the retroactive approach to reporting infrastructure which reflects \$1,955,477 of infrastructure assets and related depreciation of \$45,048 creating a net prior period adjustment in Net Assets of \$1,910,429.

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue From Local Sources:				
General Property Taxes:				
Real property taxes	\$ 1,381,640	\$ 1,381,640	\$ 1,443,286	\$ 61,646
Real and personal public service corporation property taxes	215,000	215,000	198,226	(16,774)
Personal property taxes	403,700	403,700	412,756	9,056
Machinery and tools taxes	76,000	76,000	87,149	11,149
Penalties and interest	29,500	29,500	35,588	6,088
Total General Property Taxes	<u>2,105,840</u>	<u>2,105,840</u>	<u>2,177,005</u>	<u>71,165</u>
Other Local Taxes:				
Local sales and use taxes	1,950,000	1,950,000	1,901,018	(48,982)
Utility taxes	-	-	184,079	184,079
Business license taxes	748,600	748,600	826,412	77,812
Franchise license taxes	-	-	9	9
Communication taxes	350,000	350,000	179,988	(170,012)
Motor vehicle licenses	30,000	30,000	29,580	(420)
Bank stock taxes	85,000	85,000	6,082	(78,918)
Recordation taxes	15,000	15,000	26,036	11,036
Tobacco taxes	200	200	38	(162)
Hotel and motel room taxes	130,000	130,000	125,638	(4,362)
Restaurant food taxes	900,000	900,000	930,578	30,578
Coal road improvement taxes	200,000	200,000	186,512	(13,488)
Emergency telephone services tax	-	-	-	-
Cigarette tax	50,000	50,000	41,574	(8,426)
Total Other Local Taxes	<u>4,458,800</u>	<u>4,458,800</u>	<u>4,437,544</u>	<u>(21,256)</u>
Permits, Privilege Fees And Regulatory Licenses:				
Animal licenses	450	450	888	438
Permits and other licenses	5,510	5,510	8,611	3,101
Total Permits, Privilege Fees and Regulatory Licenses	<u>5,960</u>	<u>5,960</u>	<u>9,499</u>	<u>3,539</u>
Fines and Forfeitures	<u>105,000</u>	<u>105,000</u>	<u>132,242</u>	<u>27,242</u>
Revenue From Use Of Money And Property:				
Revenue from use of money	115,000	229,375	229,416	41
Revenue from use of property	28,250	28,250	22,977	(5,273)
Total Revenue From Use of Money and Property	<u>143,250</u>	<u>257,625</u>	<u>252,393</u>	<u>(5,232)</u>
Charges For Services:				
Court cost	5,000	5,000	827	(4,173)
Attorney fees	-	-	4,930	4,930
Charges for sanitation and waste removal	358,000	358,000	375,362	17,362
Charges for parks and recreation	28,950	28,950	23,642	(5,308)
Total Charges for Services	<u>391,950</u>	<u>391,950</u>	<u>404,761</u>	<u>12,811</u>
Miscellaneous Revenue:				
Miscellaneous	63,735	63,735	70,221	6,486
Total Miscellaneous	<u>63,735</u>	<u>63,735</u>	<u>70,221</u>	<u>6,486</u>
Recovered Costs:				
Recovered Cost - School Board	20,000	20,000	5,875	(14,125)
Cost allocation plan - Water and Sewer Fund	6,350	6,350	-	(6,350)
Cost allocation plan - Virginia Public Assistance Fund	13,950	13,950	13,950	-
Total Recovered Costs	<u>40,300</u>	<u>40,300</u>	<u>19,825</u>	<u>(20,475)</u>
Total Revenue From Local Sources	<u>7,314,835</u>	<u>7,429,210</u>	<u>7,503,490</u>	<u>74,280</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue From The Commonwealth:				
Non-Categorical Aid:				
ABC profits	\$ 2,289	\$ 2,289	\$ 2,289	\$ -
Wine taxes	2,398	2,398	2,399	1
Motor vehicle carriers' taxes	26,000	26,000	35,486	9,486
Mobile home titling taxes	5,000	5,000	2,863	(2,137)
Housing Authority - Grant	-	-	-	-
Tax on deeds	8,500	8,500	-	(8,500)
Rolling stock taxes	16,500	16,500	16,146	(354)
Total Non-Categorical Aid	60,687	60,687	59,183	(1,504)
Categorical Aid:				
Shared Expenses:				
Sheriff	150,530	150,530	148,559	(1,971)
Commissioner of the Revenue	69,540	69,540	67,966	(1,574)
Treasurer	74,328	74,328	73,814	(514)
Medical examiner	200	200	-	(200)
Registrar/electoral board	38,000	38,000	40,487	2,487
Total Shared Expenses	332,598	332,598	330,826	(1,772)
Other Categorical Aid:				
Law enforcement grant	274,908	274,908	256,414	(18,494)
Emergency medical services	1,100	1,100	2,600	1,500
DMV Grant	1,500	1,500	17,185	15,685
Street and highway maintenance	675,000	675,000	730,086	55,086
VDOT	10,000	10,000	-	(10,000)
Litter control	5,000	5,000	8,258	3,258
Financial assistance to the arts	5,000	5,000	5,000	-
Department of emergency management	-	-	-	-
Tobacco Commission	50,000	50,000	-	(50,000)
Parks and recreations grant	-	-	-	-
Department of health	-	-	-	-
State board of elections	-	-	-	-
Fire programs fund	20,000	20,000	61,008	41,008
Total Other Categorical Aid	1,042,508	1,042,508	1,080,551	38,043
Total Revenue From the Commonwealth	1,435,793	1,435,793	1,470,560	34,767
Revenue From The Federal Government:				
Payment in lieu of property taxes	27,000	27,000	25,249	(1,751)
CDBG housing grant	-	-	-	-
ARC	-	-	-	-
Drug Task Force Grant	-	-	3,776	3,776
Justice assistance grants	30,000	30,000	31,319	1,319
Insurance grant	-	-	-	-
Total Revenue From The Federal Government	57,000	57,000	60,344	3,344
Other financing sources				
Insurance recoveries	7,000	17,313	19,449	2,136
Loan proceeds	-	333,000	7,500,000	7,167,000
Sale of Real Property	-	-	44,000	44,000
Sale of Surplus	2,500	2,500	-	(2,500)
Total other financing sources	9,500	352,813	7,563,449	7,210,636
TOTAL GENERAL FUND	8,817,128	9,274,816	16,597,843	7,323,027
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Revenue From Local Sources:				
Revenue From Use of Money and Property:				
Revenue from use of money	\$ 750	\$ 750	\$ 1,473	\$ 723
Total Revenue From Local Sources	750	750	1,473	723
Revenue From The Commonwealth:				
Categorical Aid:				
Welfare:				
Aid to dependent children	970	970	27,159	26,189
Foster care	37,675	37,675	15,244	(22,431)

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General administration for financial assistance	\$ 98,810	\$ 98,810	\$ 110,007	\$ 11,197
Community services	2,822	2,822	78,774	75,952
Supplemental income assistance for the aged, blind and disabled	28,800	28,800	18,359	(10,441)
Employment services	42,757	42,757	4,699	(38,058)
Day care	12,000	12,000	7,781	(4,219)
Other purchased services	7,543	7,543	64,244	56,701
Direct social services	2,400	2,400	-	(2,400)
General relief	-	-	498	498
Emergency services	-	-	345	345
View-Welfare reform	-	-	-	-
Total Categorical Aid	<u>233,777</u>	<u>233,777</u>	<u>327,110</u>	<u>93,333</u>
Total Revenue From the Commonwealth	<u>233,777</u>	<u>233,777</u>	<u>327,110</u>	<u>93,333</u>
Revenue From The Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	515	515	19,407	18,892
Foster care	40,570	40,570	21,728	(18,842)
General administration for financial assistance	202,780	202,780	228,751	25,971
Supplemental income assistance for the aged, blind and disabled	-	-	-	-
Employment services	88,000	88,000	6,765	(81,235)
Day Care	55,292	55,292	32,944	(22,348)
Other purchased services	40,948	40,948	193,184	152,236
Direct social services	138,400	138,400	-	(138,400)
Emergency assistance	6,400	6,400	-	(6,400)
Special revenue	5,000	5,000	8,098	3,098
View -Welfare reform	-	-	-	-
Total Revenue From the Federal Government	<u>577,905</u>	<u>577,905</u>	<u>510,877</u>	<u>(67,028)</u>
Other financing sources				
Transfers from general fund	190,000	190,000	190,000	-
Total other financing sources	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>	<u>-</u>
Total Virginia Public Assistance Fund	<u>1,002,432</u>	<u>1,002,432</u>	<u>1,029,460</u>	<u>27,028</u>
Drug and Gambling Investigative Funds:				
Revenue From Local Sources:				
Restitution to law enforcement	-	-	27,327	27,327
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>27,327</u>	<u>27,327</u>
Total Revenue Drug and Gambling Investigative Fund	<u>-</u>	<u>-</u>	<u>27,327</u>	<u>27,327</u>
Revolving Loan Fund:				
Revenue From Local Sources:				
Revenue from use of money and property	-	-	2,273	2,273
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>2,273</u>	<u>2,273</u>
Total Revolving Loan Fund	<u>-</u>	<u>-</u>	<u>2,273</u>	<u>2,273</u>
Flag Rock Lighting Fund:				
Revenue From Local Sources:				
Miscellaneous	-	-	100	100
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Total Flag Rock Lighting Fund	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
TOTAL SPECIAL REVENUE FUNDS	<u>1,002,432</u>	<u>1,002,432</u>	<u>1,059,160</u>	<u>56,728</u>
GRAND TOTAL - REVENUES - GOVERNMENTAL FUNDS	<u>\$ 9,819,560</u>	<u>\$ 10,277,248</u>	<u>\$ 17,657,003</u>	<u>\$ 7,379,755</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
City Council	\$ 20,050	\$ 20,050	\$ 21,558	\$ (1,508)
General and Financial Administration:				
City Manager	185,700	185,700	183,221	2,479
Office personnel	89,250	89,250	89,174	76
Legal and professional	37,500	55,500	67,477	(11,977)
Independent Auditor	10,000	10,000	18,000	(8,000)
Commissioner of the Revenue	126,150	126,150	125,152	998
Assessor	-	31,128	31,128	-
Treasurer	146,050	146,050	137,373	8,677
Director of Finance	120,200	127,700	123,382	4,318
Data Processing	60,000	91,635	75,303	16,332
Sick Time Buy Back Program	10,000	10,000	-	10,000
Automotive/motor pool	146,100	151,100	149,697	1,403
Total General and Financial Administration	930,950	1,024,213	999,907	24,306
Board of Elections:				
Electoral board and officials	12,000	12,000	11,374	626
Registrar	60,800	60,800	57,986	2,814
Total Board of Elections	72,800	72,800	69,360	3,440
Total General Government Administration	1,023,800	1,117,063	1,090,825	26,238
Judicial Administration:				
Courts:				
Circuit court	1,000	1,000	39,314	(38,314)
General district court	2,000	2,000	1,531	469
Clerk of circuit court	30,000	30,000	38,013	(8,013)
Sheriff	230,325	230,825	236,418	(5,593)
County courthouse	25,000	25,000	34,106	(9,106)
Court and attorney fees	18,000	18,000	20,171	(2,171)
Total Courts	306,325	306,825	369,553	(62,728)
Commonwealth's Attorney:				
Commonwealth's attorney	25,000	25,000	33,915	(8,915)
Total Judicial Administration	331,325	331,825	403,468	(71,643)
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,387,050	1,460,263	1,388,684	71,579
Traffic control	13,000	13,000	11,442	1,558
Total Law Enforcement and Traffic Control	1,400,050	1,473,263	1,400,126	73,137
Fire and Rescue Services:				
Volunteer fire department	121,650	124,650	151,992	(27,342)
Ambulance and rescue services	50,000	50,000	50,000	-
Total Fire and Rescue Services	171,650	174,650	201,992	(27,342)
Correction and Detention:				
Purchase of service from Wise County	95,000	95,000	143,008	(48,008)
Juvenile detention	80,500	80,500	80,500	-
Total Correction and Detention	175,500	175,500	223,508	(48,008)
Inspections:				
Building	108,400	108,900	73,022	35,878
Other Protection:				
Animal control	41,000	41,000	43,989	(2,989)
Emergency medical services	1,000	1,000	1,000	-
Total Other Protection	42,000	42,000	44,989	(2,989)
Total Public Safety	1,897,600	1,974,313	1,943,637	30,676

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works:				
Maintenance of Highways, Street, Bridges and Sidewalks:				
General engineering/administration	\$ 68,525	\$ 68,525	\$ 71,754	\$ (3,229)
Highways, streets, bridges and sidewalks	776,000	1,276,383	1,075,273	201,110
Storm drainage	5,000	5,000	4,424	576
Street lights	85,000	85,000	87,158	(2,158)
Snow and ice removal	25,000	25,000	27,869	(2,869)
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets Bridges and Sidewalks	<u>962,525</u>	<u>1,462,908</u>	<u>1,266,478</u>	<u>196,430</u>
Sanitation and Waste Removal:				
Street and road cleaning	13,500	13,500	17,825	(4,325)
Refuse collection	209,300	219,300	235,120	(15,820)
Refuse disposal	245,000	245,000	215,905	29,095
Total Sanitation and Waste Removal	<u>467,800</u>	<u>477,800</u>	<u>468,850</u>	<u>8,950</u>
Maintenance of General Buildings and Grounds:				
General properties	232,700	556,549	216,150	340,399
Total Public Works	<u>1,663,025</u>	<u>2,497,257</u>	<u>1,951,478</u>	<u>545,779</u>
Health and Welfare:				
Health:				
Local health department	65,755	65,755	65,755	-
Mental Health and Mental Retardation:				
Chapter 10 board	20,651	20,651	20,651	-
Welfare/Social Services:				
Disability Board	750	750	-	750
Area agency on aging	20,000	20,000	20,000	-
Property tax relief for elderly	-	-	8,442	(8,442)
Contribution to Office on Youth	5,000	5,000	5,000	-
Contribution to Advocate Center	700	700	700	-
Contribution to Brain Injury Service	300	300	-	300
Contribution-RAM Project	1,000	1,000	1,000	-
Contribution - Hope House	2,000	2,000	2,000	-
Total Welfare/Social Services	<u>29,750</u>	<u>29,750</u>	<u>37,142</u>	<u>(7,392)</u>
Total Health and Welfare	<u>116,156</u>	<u>116,156</u>	<u>123,548</u>	<u>(7,392)</u>
Education:				
Contribution to Mountain Empire Community College	5,569	5,569	5,569	-
Payment to school board	1,956,269	2,746,255	2,716,082	30,173
Contribution to UVA Wise Radio	-	-	-	-
Total Education	<u>1,961,838</u>	<u>2,751,824</u>	<u>2,721,651</u>	<u>30,173</u>
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	147,000	147,000	141,447	5,553
Recreation centers and playgrounds	139,500	139,500	150,193	(10,693)
Swimming pool	41,000	41,000	38,584	2,416
Capital outlay	-	17,000	2,200	14,800
Total Parks and Recreation	<u>327,500</u>	<u>344,500</u>	<u>332,424</u>	<u>12,076</u>
Cultural Enrichment:				
Pro-Art	10,000	10,000	10,000	-
Employee picnic and Christmas party	3,000	3,000	5,993	(2,993)
Total Cultural Enrichment	<u>13,000</u>	<u>13,000</u>	<u>15,993</u>	<u>(2,993)</u>
Library:				
Payments to regional library	47,500	47,500	47,500	-
Total Parks, Recreation and Cultural	<u>388,000</u>	<u>405,000</u>	<u>395,917</u>	<u>9,083</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Community Development:				
Planning and Community Development:				
Planning	\$ 200,250	\$ 120,250	\$ 82,242	\$ 38,008
Planning - contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	5,150	5,150	14,360	(9,210)
Contribution to Chamber of Commerce	2,652	2,652	1,952	700
Contribution to CEDA	-	-	-	-
Contribution to Black Diamond Development	200	200	200	-
Contribution to component unit - NIDA	578,294	578,294	578,294	-
Contribution to Airport Commission	4,500	4,500	4,500	-
Contributions to School Activity funds	-	27,000	27,000	-
High Knob Tower Restoration	-	5,000	5,000	-
Capital projects	585,762	-	-	-
Capital outlay	-	62,000	64,889	(2,889)
Total Planning and Community Development	1,384,931	813,169	786,560	26,609
Debt Service				
Principal	77,484	168,746	168,746	-
Interest	122,472	236,847	224,755	12,092
Total debt service	199,956	405,593	393,501	12,092
Other financing uses				
Transfers to water/sewer fund	-	50,000	50,000	-
Transfers to welfare fund	190,000	190,000	190,000	-
Total other financing sources	190,000	240,000	240,000	-
TOTAL GENERAL FUND	\$ 9,156,631	\$ 10,652,200	\$ 10,050,585	\$ 601,615
<u>SPECIAL REVENUE FUNDS:</u>				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 1,002,432	\$ 1,002,432	\$ 1,079,486	\$ (77,054)
Total Welfare/Social Services	1,002,432	1,002,432	1,079,486	(77,054)
Total Health and Welfare	1,002,432	1,002,432	1,079,486	(77,054)
Total Virginia Public Assistance Fund	1,002,432	1,002,432	1,079,486	(77,054)
Drug and Gambling Investigative Funds:				
Public safety	-	-	12,543	(12,543)
Total Drug and Gambling Investigative Funds	-	-	12,543	(12,543)
TOTAL SPECIAL REVENUE FUNDS	1,002,432	1,002,432	1,092,029	(89,597)
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	\$ 10,159,063	\$ 11,654,632	\$ 11,142,614	\$ 512,018
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ (339,503)	\$ (1,377,384)	\$ 6,514,389	
Net appropriations from fund balance				
Prior year surplus	339,503	934,489		
Prior year encumbrances	-	442,895		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		

**CITY OF NORTON
COMPONENT UNIT SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2008**

	GOVERNMENTAL ACTIVITIES		TOTALS
	School Operating Fund	School Cafeteria Fund	June 30, 2008
ASSETS			
Cash and cash equivalents	\$ 20,186	\$ 21,676	\$ 41,862
Investments	-	-	-
Accounts receivable	14,255		14,255
Due from other funds	3,958		3,958
Due from primary government	731,628	-	731,628
Due from other governmental units	211,105	-	211,105
	<u>981,132</u>	<u>21,676</u>	<u>1,002,808</u>
TOTAL ASSETS	\$ 981,132	\$ 21,676	\$ 1,002,808
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ 287,608	\$ -	\$ 287,608
Accrued liabilities	572,273	-	572,273
Due to other funds	-	3,958	3,958
Deferred Revenue	19,480	-	19,480
	<u>879,361</u>	<u>3,958</u>	<u>883,319</u>
Total Liabilities	879,361	3,958	883,319
FUND BALANCE:			
Reserved For:			
Encumbrances	101,771	-	101,771
Unreserved:			
Undesignated	-	17,718	17,718
	<u>101,771</u>	<u>17,718</u>	<u>119,489</u>
Total Fund Balance	101,771	17,718	119,489
TOTAL LIABILITIES AND FUND BALANCE	\$ 981,132	\$ 21,676	\$ 1,002,808
Reconciliation of Component Units Combining Balance Sheet to Statement of Net Assets - Component Unit-School Board			\$ 119,489
 Total fund balances- component unit			
Amount reported for component unit activities in the Statement of Net Assets are different because:			
Other liabilities not paid from current-period revenues are not reported in funds for:			
Accrued interest			(10,802)
Accrued compensated absences			(53,605)
Deferred revenue			(5,874)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation			2,218,724
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds			<u>\$ (841,509)</u>
Total net assets - component unit-School Board			<u>\$ 1,426,423</u>

**CITY OF NORTON
 COMPONENT UNIT - SCHOOL BOARD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 Year Ended June 30, 2008**

	School Operating Fund	School Cafeteria Fund	Total School Board
REVENUES:			
Revenue from use of money and property	\$ -	\$ 101	\$ 101
Charges for services	-	110,236	110,236
Miscellaneous	14,993	-	14,993
Intergovernmental			-
Primary government	2,716,082	-	2,716,082
Commonwealth of Virginia	4,673,541	-	4,673,541
Federal Government	<u>810,020</u>	<u>-</u>	<u>810,020</u>
Total Revenues	<u>8,214,636</u>	<u>110,337</u>	<u>8,324,973</u>
EXPENDITURES:			
Current:			
Education	7,819,264	289,363	8,108,627
Debt Service:			
Principal	142,525	-	142,525
Interest	<u>43,971</u>	<u>-</u>	<u>43,971</u>
Total Expenditures	<u>8,005,760</u>	<u>289,363</u>	<u>8,295,123</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>208,876</u>	<u>(179,026)</u>	<u>29,850</u>
OTHER FINANCING SOURCES (USES):			
Loan Proceeds	-	-	-
Operating transfers in	-	185,878	185,878
Operating transfers out	<u>(185,878)</u>	<u>-</u>	<u>(185,878)</u>
Total Other Financing Sources (Uses)	<u>(185,878)</u>	<u>185,878</u>	<u>-</u>
Net change in fund balance	22,998	6,852	29,850
Fund Balance at June 30, 2007	<u>78,773</u>	<u>10,866</u>	<u>89,639</u>
Fund Balance at June 30, 2008	<u>\$ 101,771</u>	<u>\$ 17,718</u>	<u>\$ 119,489</u>

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

Net Change in fund balances - total school board funds 29,850

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

Governmental fund report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation. 919,577

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds (62,644)

Repayment of Bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. Proceeds of debt is an income item in governmental funds but the receipt of proceeds increases long-term liabilities. This is the amount principal payments exceeded new debt proceeds 142,525

Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and therefore are not required as expenditures in governmental funds (2,983)

Change in net assets of governmental activities 1,026,325

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
Year Ended June 30, 2008

	GENERAL FUND			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	2,800	2,800	14,993	12,193
Intergovernmental				
Primary government	2,000,476	2,790,462	2,716,082	(74,380)
Commonwealth of Virginia	4,426,267	4,660,766	4,673,541	12,775
Federal Government	<u>783,461</u>	<u>814,155</u>	<u>810,020</u>	<u>(4,135)</u>
Total Revenues	<u>7,213,004</u>	<u>8,268,183</u>	<u>8,214,636</u>	<u>(53,547)</u>
EXPENDITURES:				
Current:				
Community Development	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	6,891,118	7,999,494	7,819,264	180,230
Debt Service:				
Principal	125,031	150,607	142,525	8,082
Interest	<u>31,855</u>	<u>31,855</u>	<u>43,971</u>	<u>(12,116)</u>
Total Expenditures	<u>7,048,004</u>	<u>8,181,956</u>	<u>8,005,760</u>	<u>176,196</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>165,000</u>	<u>86,227</u>	<u>208,876</u>	<u>122,649</u>
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	<u>(165,000)</u>	<u>(165,000)</u>	<u>(185,878)</u>	<u>(20,878)</u>
Total Other Financing Sources (Uses)	<u>(165,000)</u>	<u>(165,000)</u>	<u>(185,878)</u>	<u>(20,878)</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	(78,773)	22,998	101,771
Net appropriations from fund balance				
Prior year encumbrances	<u>-</u>	<u>78,773</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 - July 1, 2007			<u>78,773</u>	
Fund Balance - June 30, 2008			<u>101,771</u>	

CITY OF NORTON
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2008

ASSETS HELD BY THE TREASURER:

Cash on hand		\$ 950
Cash in banks:		
Checking:		
Bank of America (Does not include overnight repurchase agreement)	(369,482)	
Wachovia	19,101	
First Bank and Trust	2,575	
Total Checking	(347,806)	(347,806)
Certificates of Deposit:		
Powell Valley National Bank	240,552	
First Bank and Trust	42,682	
Total Certificates of Deposit	283,234	283,234
Repurchase Agreement:		
Bank of America		1,132,554
Total Cash in Banks		1,067,982
Investments:		
Investment in Virginia State Non-Arbitrage Program (SNAP)		7,183,173
Investment in State Treasurer's Local Government		
Investment Pool		1,731,833
TOTAL ASSETS		\$ 9,983,938

LIABILITIES OF THE TREASURER:

BALANCE OF CITY FUNDS		\$ 9,983,938
------------------------------	--	---------------------

NOTE: The variance between this statement and the balance sheet for all funds is \$698,629. This amount represents cash for the Norton Industrial Development Authority. The funds for the authority are not under the Treasurer's accountability and are included as a result of Norton Industrial Development Authority being a component unit.

CITY OF NORTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

A) SUMMARY OF AUDIT RESULTS

- 1) The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Norton, Virginia.
- 2) No reportable conditions were disclosed during the audit of the general purpose financial statements of the City of Norton, Virginia, or the major federal award programs.
- 3) No instances of non-compliance material to the general purpose financial statements of the City of Norton, Virginia, were disclosed during the audit.
- 4) The Auditor's report on Compliance for the Major Federal Award Programs for the City of Norton, Virginia, expresses an unqualified opinion.
- 5) The programs tested as major programs are designated with an "*" on the accompanying Schedule of Expenditures of Federal Awards.
- 6) The threshold for distinguishing types A & B programs was \$300,000.
- 7) The City of Norton, Virginia, was determined to be a low risk auditee.

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

NONE

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

NONE

CITY OF NORTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

	<u>Federal Catalogue #</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Pass-Through Payments:		
State Department of Agriculture:		
Summer Food Service	10.559	\$ 5,552
School Lunch Program	10.555	135,404
School Breakfast Program	10.553	40,104
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass-Through Payments:		
State Department of Social Services:		
Food stamp administration	10.561	105,893
Foster Care - Title IV-E	93.658	47,193
TANF	93.558	61,858
Social Services Block Grant	93.667	110,544
Adoption Assistance	93.659	21,408
Child Care Assistance	93.575	22,410
Medical assistance program	93.778	80,682
Child Care Mandatory Match	93.596	31,444
Low Income Home Energy Assist.	93.568	2,415
Safe and Stable Families	93.556	25,564
Refuge and Entrant Asst	93.566	369
State Children's Insurance Program	93.767	4,345
Chafee Ed and Training Vouchers	93.599	696
Child Welfare Services State Grant	93.645	604
Chafee Foster Care Independence Program	93.674	1,182
DEPARTMENT OF EDUCATION:		
Pass-Through Payments:		
State Department of Education:		
Improving teacher quality state grants	84.367	50,615
Title I Grants	84.010	188,495 *
Innovative Education Program	84.298	1,946
Reading first grant	84.357	144,087 *
Title VI-B:		
Special Education:		
Idea -611	84.027	160,887 *
Preschool Grants	84.173	6,139
Special Projects:		
State Grants for Strengthening the Skills of Teachers and Instruction in Mathematics, Foreign Languages and Computer	84.186	3,984
Drug Free Schools and Communities (0-E002235)	84.318	1,851
Literacy Challenge Grant	84.048	13,683
Vocational Education - Basic Grants to States	84.334	10,340
Gear Up	84.358	21,599
Rural and low income		
DEPARTMENT OF AGRICULTURE:		
Water and Waste Disposal Systems for Rural Communities	10.760	190,000
DEPARTMENT OF MOTOR VEHICLES:		
Safety incentive grants for use of seatbelts	20.600	6,272
Alcohol Traffic Study and Drunk Driving Prevention	20.601	10,913
Occupant Protection	20.602	900
DEPARTMENT OF HOUSING AND UBRAN DEVELOPMENT:		
Community Development Block Grant	14.288	42,274
DEPARTMENT OF JUSTICE:		
Byrne Memorial Formula Grant	16.579	31,319
Appalachian Regional Commission		
Appalachian Area Development	23.002	35,909
 TOTAL		 <u>\$ 1,618,880</u>

* Denotes Major Program or Major Program Cluster

1) This Schedule has been prepared using the Modified Accrual Basis of Accounting.

STATISTICAL SECTION

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

CONTENTS	PAGE
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	62
REVENUE CAPACITY These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	67
DEBT CAPACITY These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	70
ECONOMIC AND DEMOGRAPHIC INFORMATION These schedules offer economic and demographic indicators to help the reader understand the Environment within which the city's financial activities take place.	73
OPERATING INFORMATION These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	75

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

TABLE 1

**CITY OF NORTON, VIRGINIA
NET ASSETS BY COMPONENT (UNAUDITED)
LAST FIVE FISCAL YEARS**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 3,818,395	\$ 3,851,437	\$ 3,706,233	\$ 1,867,263	\$ 3,824,570
Restricted	-	-	-	-	-
Unrestricted	2,965,127	2,366,905	2,482,728	3,009,412	2,022,552
Total governmental activities net assets	<u>6,783,522</u>	<u>6,218,342</u>	<u>6,188,961</u>	<u>4,876,675</u>	<u>5,847,122</u>
Business-type activities					
Invested in capital assets, net of related debt	2,976,090	2,878,258	3,155,646	3,337,888	3,368,555
Restricted	-	-	-	-	-
Unrestricted	(284,875)	31,937	85,662	(123,892)	(210,607)
Total business-type activities	<u>2,691,215</u>	<u>2,910,195</u>	<u>3,241,308</u>	<u>3,213,996</u>	<u>3,157,948</u>
Primary government					
Invested in capital assets, net of related debt	6,794,485	6,729,695	6,861,879	5,205,151	7,193,125
Restricted	-	-	-	-	-
Unrestricted	2,680,252	2,398,842	2,568,390	2,885,520	1,811,945
Total primary government net assets	<u>\$ 9,474,737</u>	<u>\$ 9,128,537</u>	<u>\$ 9,430,269</u>	<u>\$ 8,090,671</u>	<u>\$ 9,005,070</u>

- 1) Trend data is only available for the last FIVE fiscal years due to implementation of GASB 34
- 2) Fiscal year 2004-05 restricted net assets were restated to properly reflect GASB 34 guidelines
- 3) Accounting standards require net assets be reported in three categories in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or) imposed by law through constitutional provisions or enabling legislation.

TABLE 2

**CITY OF NORTON, VIRGINIA
CHANGES IN NET ASSETS (UNAUDITED)
LAST FIVE FISCAL YEARS**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses					
Governmental Activities:					
General government	\$ 813,926	\$ 768,157	\$ 835,440	\$ 991,715	\$ 1,079,594
Public safety	1,965,885	2,057,783	2,210,803	2,505,427	2,392,658
Public works	1,786,214	1,799,382	1,776,567	3,491,340	2,032,771
Health and welfare	1,029,967	966,126	1,050,245	1,119,205	1,222,082
Education	1,659,671	1,512,024	1,886,323	1,904,743	2,721,651
Parks, recreation and cultural	381,141	374,018	379,457	468,812	409,566
Community development	705,781	1,578,560	791,142	944,522	778,848
Interest on long-term debt	43,744	26,695	21,580	76,117	230,739
Non-departmental	-	-	-	-	-
Total government activities expense	8,386,329	9,082,745	8,951,557	11,501,881	10,867,909
Business-Type Activities:					
Water and Wastewater	1,901,676	2,003,887	2,229,328	2,232,955	2,526,365
Total business-type activities expenses	1,901,676	2,003,887	2,229,328	2,232,955	2,526,365
Total primary government expenses	\$ 10,288,005	\$ 11,086,632	\$ 11,180,885	\$ 13,734,836	\$ 13,394,274
Program Revenues					
Governmental Activities:					
Charges for services					
Public safety	\$ 6,284	\$ 3,606	\$ 6,304	\$ 8,145	\$ 5,757
Public works	287,212	287,924	289,949	363,084	375,362
Health and welfare	674	-	-	1,044	27,327
Education	-	-	-	-	-
Parks, recreation and culture	18,141	21,952	21,194	24,419	23,642
Community development	-	-	-	-	-
Operating grants and contributions	2,104,325	2,580,207	2,458,079	3,119,462	2,368,891
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	2,416,636	2,893,689	2,775,526	3,516,154	2,800,979
Business-Type Activities:					
Charges for services					
Water and Wastewater	1,933,079	1,917,899	1,977,402	2,073,492	1,991,660
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	304,863	482,685	130,625	428,657
Total business-type activities program revenues	1,933,079	2,222,762	2,460,087	2,204,117	2,420,317
Total primary government program revenues	\$ 4,349,715	\$ 5,116,451	\$ 5,235,613	\$ 5,720,271	\$ 5,221,296
Net (Expense)/Revenue					
Governmental Activities	\$ (5,969,693)	\$ (6,189,056)	\$ (6,176,031)	\$ (7,985,727)	\$ (8,066,930)
Business-Type Activities:	31,403	218,875	230,759	(28,838)	(106,048)
Total primary government net (expense)/revenue	\$ (5,938,290)	\$ (5,970,181)	\$ (5,945,272)	\$ (8,014,565)	\$ (8,172,978)

CITY OF NORTON, VIRGINIA
CHANGES IN NET ASSETS-CONTINUED (UNAUDITED)
LAST FIVE FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Revenues and other Changes in Net Assets					
Governmental Activities:					
Taxes					
Property taxes	\$ 1,681,198	\$ 1,696,066	\$ 1,875,457	\$ 1,963,597	\$ 2,197,629
Local sales & use tax	1,506,248	1,497,058	1,722,453	1,889,055	1,901,018
Utility tax	263,954	263,918	266,300	213,873	184,079
Business license tax	775,319	658,845	692,083	813,906	826,412
Franchise license tax	41,925	51,323	51,935	38,342	9
Communication tax	-	-	-	67,190	179,988
Motor vehicle license	29,148	29,486	28,996	28,995	29,580
Bank stock tax	58,806	65,962	125,958	81,000	6,082
Recordation tax	25,997	5,219	20,653	40,602	26,036
Tobacco tax	48	48	45	45	38
Hotel and motel room tax	102,050	127,921	117,186	104,176	125,638
Restaurant food tax	694,465	721,995	788,336	848,702	930,578
Coal road improvement tax	148,765	178,532	208,566	188,529	186,512
Emergency telephone services tax	40,709	38,602	35,411	17,009	-
Cigarette tax	44,504	46,405	49,145	41,160	41,574
Other local taxes	73,610	92,422	110,720	118,607	141,741
Unrestricted intergovernmental revenue	50,001	48,618	21,092	58,630	70,321
Unrestricted investment earnings	27,655	79,961	103,191	137,690	256,139
Rental of Town property	23,443	-	-	-	-
Gain on sale of capital assets	616	7,545	-	-	34,300
Recoverd cost	-	13,950	29,123	22,333	39,274
Transfers-Primary Government	-	-	(100,000)	-	(50,000)
Total governmental activities	5,588,461	5,623,876	6,146,650	6,673,441	7,126,948
Business-Type Activities:					
Unrestricted investment earnings	67	105	354	1,526	-
Other	-	-	100,000	-	50,000
Total business-type activities	67	105	100,354	1,526	50,000
Total primary government	\$ 5,588,528	\$ 5,623,981	\$ 6,247,004	\$ 6,674,967	\$ 7,176,948
Change in Net Assets					
Governmental Activities	\$ (381,232)	\$ (565,180)	\$ (29,381)	\$ (1,312,286)	\$ (939,982)
Business-Type Activities	31,470	218,980	331,113	(27,312)	(56,048)
Total primary government	\$ (349,762)	\$ (346,200)	\$ 301,732	\$ (1,339,598)	\$ (996,030)

1) Trend data is only available for the last five fiscal years due to implementation of GASB 34

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund					
Reserved	\$ 523,722	\$ 435,870	\$ 456,740	\$ 442,895	\$ 614,801
Unreserved	2,358,936	1,814,377	1,891,575	2,467,772	8,843,124
Total general fund	<u>\$ 2,882,658</u>	<u>\$ 2,250,247</u>	<u>\$ 2,348,315</u>	<u>\$ 2,910,667</u>	<u>\$ 9,457,925</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in: Special Revenue fund	226,947	247,341	279,864	290,215	257,346
Total all other governmental funds	<u>\$ 3,109,605</u>	<u>\$ 2,497,588</u>	<u>\$ 2,628,179</u>	<u>\$ 3,200,882</u>	<u>\$ 9,715,271</u>

1) Trend data is only available for the last five fiscal years due to implementation of GASB 34

TABLE 4

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

	Fiscal Years Ended June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
General property taxes	\$ 1,518,358	\$ 1,472,420	\$ 1,582,699	\$ 1,694,019	\$ 1,703,108	\$ 1,670,250	\$ 1,689,883	\$ 1,878,863	\$ 1,974,554	\$ 2,177,005
Other local taxes	2,893,330	2,985,860	3,082,307	3,291,677	3,232,978	3,731,938	3,685,314	4,107,067	4,372,584	4,437,544
Permits and licenses	3,022	4,759	2,253	6,877	3,899	2,265	14,270	4,666	5,026	9,499
Fines and forfeitures	67,141	83,309	90,601	79,250	71,573	71,345	78,152	106,054	113,581	132,242
Investment earnings	137,165	141,348	133,449	69,210	58,197	51,098	79,961	103,191	137,690	256,139
Charges for services	299,427	313,274	319,251	360,619	313,579	312,311	313,482	317,447	396,692	432,088
Other revenues	3,786	19,738	9,359	27,591	16,740	50,001	48,618	21,092	58,630	70,321
recovered cost	13,996	63,065	68,128	73,407	59,733	-	13,950	29,123	15,510	19,825
Intergovernmental	1,852,171	1,842,123	2,080,719	3,000,574	2,064,070	2,104,325	2,580,207	2,458,079	3,119,462	2,368,891
Total revenues	6,788,396	6,925,896	7,368,166	8,603,224	7,523,877	7,993,533	8,503,837	9,025,582	10,193,729	9,903,554
Expenditures										
General government	596,527	695,552	679,929	715,989	756,677	781,596	788,786	850,732	1,009,235	1,090,825
Judicial administration	223,462	266,644	265,236	289,573	282,184	253,801	290,126	294,444	380,049	403,468
Public safety	1,247,673	1,401,343	1,490,052	1,480,799	1,535,834	1,578,494	1,871,632	1,815,252	2,101,934	1,956,180
Public works	1,115,390	1,357,888	1,358,678	1,539,603	1,427,472	1,427,374	1,591,831	1,642,996	3,266,850	1,951,478
Health and welfare	825,821	946,953	986,815	1,058,326	1,010,429	1,029,967	996,885	1,028,911	1,151,555	1,203,094
Education and transfer to school	12,905	16,413	15,603	8,418	8,418	1,659,671	1,512,024	2,306,623	1,904,743	2,721,651
Parks, recreation and culture	261,036	460,994	346,205	311,440	373,870	356,407	362,547	373,368	465,087	395,917
Community development	305,577	103,865	196,742	737,471	178,896	705,781	1,578,158	791,267	938,486	786,560
Non-Departmental	-	-	-	-	-	-	-	-	-	-
Debt service	50,256	41,399	34,002	33,855	36,766	27,724	106,155	106,731	118,738	168,746
Principal	36,777	33,657	29,411	29,558	26,647	29,362	25,253	28,774	102,547	224,755
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	4,675,424	5,324,708	5,402,673	6,205,032	5,637,193	7,850,177	9,123,397	9,239,098	11,439,224	10,902,614
Excess of revenues over (under) expenditures	2,112,972	1,601,188	1,965,493	2,398,192	1,886,684	143,356	(619,560)	(213,516)	(1,245,495)	(999,060)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	-	-	420,300	1,803,566	7,500,000
Insurance Recoveries	58,411	-	21,086	11,498	-	-	7,422	-	6,823	19,449
Proceeds from sale of assets	-	-	-	-	2,901	616	123	23,807	7,809	44,000
Transfers	(1,835,087)	(1,821,938)	(1,893,304)	(1,687,236)	(1,537,701)	-	-	(100,000)	-	(50,000)
Total other financing sources (uses)	(1,776,676)	(1,821,938)	(1,872,218)	(1,675,738)	(1,534,800)	616	7,545	344,107	1,818,198	7,513,449
Net change in fund balance	\$ 336,296	\$ (220,750)	\$ 93,275	\$ 722,454	\$ 351,884	\$ 143,972	\$ (612,015)	\$ 130,591	\$ 572,703	\$ 6,514,389
Debt service as a percentage of noncapital expenditures	1.90%	1.43%	1.19%	1.03%	1.14%	0.73%	1.46%	1.49%	1.97%	3.74%

TABLE 5

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

Fiscal Years Ended June 30	Public Utilities				Total Assessed Value	Mobile Homes	Total Direct Tax rate per \$100
	Real Estate	Personal Property	Machinery and Tools	Real Estate			
2008	\$ 181,461,721	\$ 21,629,450	\$ 4,571,874	\$ 24,413,178	\$ 234,337,484	\$ 2,103,400	0.929
2007	180,101,130	16,733,091	7,006,663	26,523,134	232,634,941	2,086,500	0.849
2006	169,579,975	20,019,215	3,384,221	28,534,246	223,752,010	2,036,300	0.840
2005	141,741,519	18,742,980	3,397,275	31,147,200	197,429,909	2,183,700	0.856
2004	137,192,000	20,340,630	3,293,184	30,676,915	194,266,189	2,468,300	0.860
2003	136,867,000	20,741,289	3,143,600	27,412,952	190,902,943	2,483,300	0.892
2002	135,561,300	20,777,099	3,065,000	32,189,800	194,335,317	2,459,300	0.872
2001	134,810,300	19,397,980	2,971,000	29,889,905	189,617,541	2,332,100	0.835
2000	128,882,600	19,192,349	2,806,669	27,876,503	181,650,673	2,646,600	0.811
1999	126,674,600	19,353,300	2,836,300	27,192,130	178,800,063	2,427,200	0.849

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

TABLE 6

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

Fiscal Years Ended June 30	Public Utilities			
	Real Estate	Personal Property	Machinery and Tools	Real Estate
2008	0.80	1.85	0.80	0.80
2007	0.70	1.85	0.70	0.70
2006	0.70	1.85	0.70	0.70
2005	0.70	1.85	1.85	0.70
2004	0.70	1.85	1.85	0.70
2003	0.70	1.85	1.85	0.70
2002	0.70	1.85	1.85	0.70
2001	0.70	1.85	1.85	0.70
2000	0.70	1.85	1.85	0.70
1999	0.70	1.85	1.85	0.70

1) Rates are presented per \$100 assessed value

TABLE 7

**CITY OF NORTON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
June 30, 2008 and June 30, 2006**

June 30, 2008:

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

June 30, 2006:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
Norton HMA, Inc	Health Care	\$ 16,511,500	9.74%
New Plan Excel Realty	Shopping Center	11,306,700	6.67%
Commonwealth-NTN Partners	Shopping Center	8,630,000	5.09%
Wal-Mart	Commercial Retailer/Grocer	5,835,340	3.44%
Nordan, Inc	Hotel	3,699,500	2.18%
George Hunnicutt Mar. Tr.	Commercial and Residential Rental Property	3,316,400	1.96%
Consolidated Investments	Shopping center	2,863,200	1.69%
W.P. Armistead	Commercial and Residential Rental Property	2,302,700	1.36%
J.J.S. Properties	Commercial Property	2,023,000	1.19%
Five Forty Park Corp	Commercial and Residential Rental Property	1,170,100	0.69%

1) Data not available for periods prior to June 30, 2006.

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

Fiscal Years Ended June 30	Total Tax Levy (1)(2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections(3)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2008	\$ 2,142,563	\$ 2,117,885	98.85%	\$ 37,259	\$ 2,155,144	100.59%	\$ 67,622	3.16%
2007	1,936,503	1,910,346	98.65%	35,736	1,946,082	100.49%	63,713	3.29%
2006	1,846,506	1,827,354	98.96%	25,705	1,853,059	100.35%	57,091	3.09%
2005	1,646,156	1,621,764	98.52%	33,689	1,655,453	100.56%	64,268	3.90%
2004	1,599,875	1,577,589	98.61%	30,246	1,607,835	100.50%	79,526	4.97%
2003	1,590,001	1,454,053	91.45%	201,756	1,655,809	104.14%	89,646	5.64%
2002	1,623,046	1,567,698	96.59%	76,444	1,644,142	101.30%	153,498	9.46%
2001	1,587,099	1,504,545	94.80%	35,722	1,540,267	97.05%	186,554	11.75%
2000	1,486,165	1,353,396	91.07%	16,362	1,369,758	92.17%	181,351	12.20%
1999	1,482,434	1,420,731	95.84%	55,805	1,476,536	99.60%	147,154	9.93%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

TABLE 9

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

Fiscal Years Ended June 30	Governmental Activities		Business-Type Activities General Obligation		Component Unit Bonds	Total Debt	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Water and Wastewater Bonds					
2008	\$ 9,465,533	185,121	\$ 2,366,835		\$ 4,341,228	\$ 16,358,717	9.39%	\$ 4,190
2007	2,071,535	156,892	2,252,664		4,927,391	9,408,482	6.02%	2,410
2006	390,397	135,962	2,330,131		6,336,596	9,193,086	5.88%	2,355
2005	437,209	195,881	2,409,050		6,126,941	9,169,081	6.02%	2,349
2004	480,505	64,405	2,485,183		6,383,285	9,413,378	6.02%	2,411

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 FIVE FISCAL YEARS

Fiscal Years Ended June 30	General Bonded Debt Outstanding General Obligation Bonds	Percentage of Actual Taxable Value of Property		Per Capita
		4.04%	Value of Property	
2008	\$ 9,465,533	4.04%	\$ 2,424.57	
2007	\$ 2,071,535	0.89%	\$ 530.62	
2006	\$ 390,397	0.17%	\$ 100.00	
2005	\$ 437,209	0.22%	\$ 111.99	
2004	\$ 480,505	0.25%	\$ 123.08	

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

TABLE 11

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

	Fiscal Years Ended June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed valuations										
Assessed value of taxed real property	\$ 153,866,730	\$ 156,759,103	\$ 164,700,205	\$ 167,751,100	\$ 164,279,952	\$ 167,868,915	\$ 172,888,719	\$ 198,114,221	\$ 206,624,264	\$ 205,874,899
Legal debt margin										
Debt limit - 10 percent of total assessed value	15,386,673	15,675,910	16,470,021	16,775,110	16,427,995	16,786,892	17,288,872	19,811,422	20,662,426	20,587,490
Debt applicable to limitation:										
Total bonded debt	4,996,721	4,564,120	4,143,382	5,068,385	5,968,171	9,413,378	9,169,081	9,193,086	9,408,482	16,358,717
Less - Enterprise Debt	(3,092,657)	(2,820,829)	(2,550,305)	(3,566,947)	(3,299,055)	(7,956,394)	(7,638,017)	(7,530,313)	(6,196,021)	(5,866,554)
Total amount of debt applicable to debt limitation	1,904,064	1,743,291	1,593,077	1,501,438	2,669,116	1,456,984	1,531,064	1,662,773	3,212,461	10,492,163
Legal debt margin	\$ 13,482,609	\$ 13,932,619	\$ 14,876,944	\$ 15,273,672	\$ 13,758,879	\$ 15,329,908	\$ 15,757,808	\$ 18,148,649	\$ 17,449,965	\$ 10,095,327
Total net debt applicable to the limit as a percentage of debt limit	12.37%	11.12%	9.67%	8.95%	16.25%	8.68%	8.86%	8.39%	15.55%	50.96%

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

Fiscal Years Ended June 30	Water and Wastewater Revenue Bonds							Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Total	
				Principal	Interest			
2008	\$ 1,991,660	\$ 2,150,133	\$ (158,473)	\$ 72,670	\$ 89,362	\$ 162,032	(0.98)	
2007	2,073,492	1,882,789	190,703	74,306	99,757	174,063	1.10	
2006	1,977,402	1,892,174	85,228	75,759	91,571	167,330	0.51	
2005	1,917,899	1,702,307	215,592	72,973	64,701	137,674	1.57	
2004	1,933,079	1,613,487	319,592	1,284,214	77,043	1,361,257	0.23	
2003	1,892,813	1,716,270	176,543	63,745	77,858	141,603	1.25	
2002	1,875,521	1,623,370	252,151	61,263	63,884	125,147	2.01	
2001	1,636,477	1,618,444	18,033	60,556	65,114	125,670	0.14	
2000	1,622,976	1,694,787	(71,811)	59,791	66,272	126,063	(0.57)	
1999	1,551,378	1,560,430	(9,052)	57,637	67,337	124,974	(0.07)	

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 NINE YEARS**

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2008	3,904	\$174,157,440	\$ 44,610	39.0	780	4.10%
2007	3,904	156,269,312	40,028	39.0	731	5.10%
2006	3,904	156,269,312	40,028	37.0	713	6.00%
2005	3,904	152,306,752	39,013	34.9	718	5.50%
2004	3,904	156,269,312	40,028	34.9	700	5.30%
2003	3,904	148,281,728	37,982	34.9	704	4.90%
2002	3,904	142,456,960	36,490	34.9	729	4.50%
2001	3,904	138,084,480	35,370	22.5	709	4.10%
2000	3,904	127,676,416	32,704	33.5	739	7.30%

- 1) Source: Census Bureau, Weldon Cooper Center of Public Information, Virginia Employment Commission, and Norton City School Board
- 2) Data only available for last Nine years

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

June 30, 2008

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

June 30, 2006

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

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

2) Source: Virginia Employment Commission - Community Profile

CITY OF NORTON, VIRGINIA
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION (UNADITED)
June 30, 2008

Function	
General government	
Management services	4
Finance	5
Planning	2
Other	6
Public safety	
Officers	17.5
Dispatchers/Clerks	7
Sheriff's Office	4
Animal Control	1
Building	2
Emergency Management	0.5
Fire	1
Public works	
Engineering	1
Streets	11
Refuse Collections	4
General Properties	4
Parks and recreation	
Maintenance	5
Other	6
Water operations	
Administration	2
Plant Operations	6.5
Maintenance	7
Social Services	
Administrative	5
Eligibility	7
Social Worker	3

1) Source: City of Norton's Finance department

CITY OF NORTON, VIRGINIA
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
June 30, 2008

<u>Function</u>	
Public safety	
Citations issued	2,521
Parking Tickets issued	387
Crime/Arrest/Incident reports filed	868
911 Calls dispatched	4,176
Public Works	
Number of citizen requests for services	858
Water operations	
Number of service connections	2,271
Number of citizen requests for services	2,483
Average daily plant output in gallons	1.084 Million
Maximum daily capacity of plant in gallons	1.44 Million
Wastewater operations	
Number of service connections	2,029

CITY OF NORTON, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
June 30, 2008

<u>Function</u>	
Public safety	
Police stations	1
Fire stations	2
Number of patrol units	11
Public works	
Streets (lane miles)	82.73
Streetlights	440
Traffic signals	8
Water operations	
Miles of water main	55.31
Number of fire hydrants	250
Wastewater operations	
Miles of sanitary sewers	41.16
Miles of storm sewers	9.2