



CITY OF NORTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2009

CITY OF NORTON, VIRGINIA

TABLE OF CONTENTS

June 30, 2009

Page #

4	CITY OFFICIALS
5	MANAGEMENT'S DISCUSSION AND ANALYSIS
<u>INDEPENDENT AUDITOR'S REPORTS</u>	
8	REPORT OF INDEPENDENT AUDITORS
9	REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
10	REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
12	REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS AND GRANTS
<u>COMBINED FINANCIAL STATEMENTS</u>	
14	EXHIBIT 1 STATEMENT OF NET ASSETS
15	EXHIBIT 2 STATEMENT OF ACTIVITIES
16	EXHIBIT 3 BALANCE SHEET – GOVERNMENTAL FUND
17	EXHIBIT 4 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS AND RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
19	EXHIBIT 5 STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
20	EXHIBIT 6 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS
21	EXHIBIT 7 STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
22	EXHIBIT 8 SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET
23	EXHIBIT 9 STATEMENT OF FIDUCIARY NET ASSETS
24	EXHIBIT 10 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
25	EXHIBIT 11 STATEMENT OF NET ASSETS – COMPONENT UNITS
26	EXHIBIT 12 STATEMENT OF ACTIVITIES – COMPONENT UNITS
27	NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Page #

SUPPORTING SCHEDULES

49	SCHEDULE 1	GOVERNMENTAL FUNDS – BUDGETARY COMPARISON SCHEDULE
55	SCHEDULE 2	COMPONENT UNIT SCHOOL BOARD – COMBINING BALANCE SHEET
56	SCHEDULE 3	COMPONENT UNIT SCHOOL BOARD – COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
57	SCHEDULE 4	COMPONENT UNIT – SCHOOL BOARD – BUDGETARY COMPARISON SCHEDULE – OPERATING FUND
58	SCHEDULE 5	STATEMENT OF TREASURER’S ACCOUNTABILITY
59	SCHEDULE 6	SCHEDULE OF FINDINGS AND QUESTIONED COSTS
60	SCHEDULE 7	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STATISTICAL DATA

62	TABLE 1	NET ASSETS BY COMPONENT
63	TABLE 2	CHANGES IN NET ASSETS
65	TABLE 3	FUND BALANCES, GOVERNMENTAL FUNDS
66	TABLE 4	CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
67	TABLE 5	ASSESSED VALUE AND ACTUAL VALUE OF ALL PROPERTY
67	TABLE 6	DIRECT PROPERTY TAX RATES
68	TABLE 7	PRINCIPAL PROPERTY TAX PAYERS
69	TABLE 8	PROPERTY TAX LEVIES AND COLLECTIONS
70	TABLE 9	RATIO OF OUTSTANDING DEBT BY TYPE
70	TABLE 10	RATIO OF GENERAL BONDED DEBT OUTSTANDING
71	TABLE 11	LEGAL DEBT MARGIN INFORMATION
72	TABLE 12	PLEDGED-REVENUE COVERAGE
73	TABLE 13	DEMOGRAPHIC AND ECONOMIC STATISTICS
74	TABLE 14	PRINCIPAL EMPLOYERS
75	TABLE 15	FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION
76	TABLE 16	OPERATING INDICATORS BY FUNCTION
77	TABLE 17	CAPITAL ASSET STATISTICS BY FUNCTION

CITY OF NORTON, VIRGINIA

CITY OFFICIALS

June 30, 2009

CITY COUNCIL:

William J. Mays, Mayor, Council Member
Joseph Fawbush, Vice-Mayor, Council Member
Joseph Hunnicutt
Mark Caruso
Terry Roop

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
Steve Childers

Dr. Jeff Comer, Superintendent

SOCIAL SERVICES ADVISORY BOARD:

Ethel Daniels
Brenda Johnson
Marty Adkins
Jack Mooney
Roger Sloce

Roger Ramey, Director

CITY LEGAL COUNSEL:

William E. Bradshaw, Attorney at Law



Management Discussion and Analysis

November 24, 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, 2009.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 3,816,136 (net assets).
- At June 30, 2009, the City reported combined ending fund balances of \$ 4,466,216, a decrease of \$ 5,249,055 in comparison with the prior year. This decrease is mainly the result of the expenditures for the school capital project that was started in the prior year.
- As of June 30, 2009, the General Fund had a total Fund Balance of \$ 4,224,925 which includes \$ 2,238,017 of loan proceeds for school capital projects.
- The total debt outstanding as of June 30, 2009 was \$ 15,484,919, which includes the component units. As of June 30, 2009, the City's Legal Debt Margin was \$ 12,819,594.
- The Water/Sewer Proprietary Fund had a decrease in Net Assets for the year of \$ 127,949.

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, 2009

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 6,051,899	\$ 485,628	\$ 6,537,527
Capital assets	5,958,804	5,611,158	11,569,962
Other non-current assets	<u>46,511</u>	<u>6,471</u>	<u>52,982</u>
Total Assets	<u>\$12,057,214</u>	<u>\$ 6,103,257</u>	<u>\$18,160,471</u>
Current & other liabilities	\$ 9,416,914	\$ 731,442	\$10,148,356
Long-term liabilities	<u>1,854,163</u>	<u>2,341,816</u>	<u>4,195,979</u>
Total Liabilities	<u>\$11,271,077</u>	<u>\$ 3,073,258</u>	<u>\$14,344,335</u>
Net Assets:			
Invested in Capital assets (Net of related debt)	\$ 3,998,176	\$ 3,329,251	\$ 7,327,427
Restricted	-0-	-0-	-0-
Unrestricted	<u>(3,212,039)</u>	<u>(299,252)</u>	<u>(3,511,291)</u>
Total Net Assets	<u>\$ 786,137</u>	<u>\$ 3,029,999</u>	<u>\$ 3,816,136</u>

Net assets serve as a useful indicator of a government's financial position. The City's combined net assets total \$ 3,816,136 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 \$ 7,327,427. The City of Norton uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Governmental Activities – Governmental activities decreased the City's net assets by \$ 5,060,985. Key elements of this decrease are as follows:

Governmental Activities Year Ended June 30, 2009	
Revenues:	
Program Revenues:	
Charges for Services	\$ 545,392
Operating Grants and Contributions	2,231,229
General Revenues:	
Property Taxes	2,378,851
Other Local Taxes	5,044,313
Other	<u>346,559</u>
Total Revenues	<u>10,546,344</u>
Expenses:	
General Government	1,117,202
Public Safety	2,583,856
Public Works	2,018,546
Health and Welfare	1,244,716
Education	7,117,018
Parks, Recreation, Culture	462,658
Community Development	736,667
Interest of Long Term Debt	<u>326,666</u>
Total Expenses	<u>15,607,329</u>
Increase (Decrease) in Net Assets	<u>\$ (5,060,985)</u>

Included in the Total Expenses are non-cash items including depreciation. Under the full accrual method, net assets decreased by (\$5,060,985).

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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Local Sales and Use Tax	\$2,023,409	\$1,901,018	\$1,889,055	\$1,722,453	\$1,497,058
Real Property Tax	1,601,572	1,443,286	1,261,403	1,189,998	1,005,915
Restaurant Food Taxes	1,025,155	930,578	848,702	788,336	721,995
Business License Taxes	901,209	826,412	813,906	692,083	658,845
Street & Highway Maintenance	703,053	730,086	666,209	641,083	620,145
VDOT	-0-	-0-	662,349	-0-	-0-
Personal Property Taxes	439,822	412,756	452,505	398,429	366,416

The City’s assessed value of real estate for the year was \$ 229,838,487. The real estate tax rate is \$.80 per \$ 100 of assessed value. For the year, the percent of levy collected was 97.87%

The City’s business type activity is the Water/Sewer Proprietary Fund. During the year this fund had a decrease in net assets of \$ 127,949. However, cash and cash equivalents increased by \$ 16,173 to \$ 192,739.

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	\$ 10,417,857	\$ 10,850,024	\$ 432,167
Total Expenses	11,353,615	<u>16,099,079</u>	\$ (4,745,464)
Excess of Expenses Over Revenues		<u>\$(5,249,055)</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.

*Certified Public Accountants
& Consultants*

M. BARDIN THROWER, JR., C.P.A.
BRIAN K. BLANTON, C.P.A.
CHARLES F. LAWSON, C.P.A.
STEVE LANE WOOD, C.P.A.

MONROE B. THROWER, C.P.A.
(1918 - 2000)

Founded 1918

Members of American Institute of
Certified Public Accountants
Virginia & Tennessee Society of
Certified Public Accountants

P.O. Box 1266
612 Trent Street, NE
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

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, 2009, 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, 2009, 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 November 24, 2009 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.
THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

November 24, 2009

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

M. BARDIN THROWER, JR., C.P.A.
BRIAN K. BLANTON, C.P.A.
CHARLES F. LAWSON, C.P.A.
STEVE LANE WOOD, C.P.A.

MONROE B. THROWER, C.P.A.
(1918 - 2000)

Founded 1978

Members of American Institute of
Certified Public Accountants
Virginia & Tennessee Society of
Certified Public Accountants

P.O. Box 1266
612 Trent Street, NE
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

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

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

We have audited the financial statements of the City of Norton, Virginia, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 24, 2009. 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 and Other Matters

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, 2009, 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. However, we identified deficiencies in internal control that we consider to be significant deficiencies. These deficiencies are presented in the Schedule of Findings reported to the management of the City of Norton in a separate letter dated November 24, 2009 as item 2009-3.

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.
THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants
November 24, 2009

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

M. BARDIN THROWER, JR., C.P.A.
BRIAN K. BLANTON, C.P.A.
CHARLES F. LAWSON, C.P.A.
SREVE LANE WOOD, C.P.A.

MONROE B. THROWER, C.P.A.
(1918 - 2000)

Founded 1918

Members of American Institute of
Certified Public Accountants
Virginia & Tennessee Society of
Certified Public Accountants

P.O. Box 1266
612 Trent Street, NE
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

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, 2009. 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, 2009.

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

November 24, 2009

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

M. BARDIN THROWER, JR., C.P.A.
BRIAN K. BLANTON, C.P.A.
CHARLES F. LAWSON, C.P.A.
STEVE LANE WOOD, C.P.A.

MONROE B. THROWER, C.P.A.
(1918 - 2000)

Founded 1948

Members of American Institute of
Certified Public Accountants
Virginia & Tennessee Society of
Certified Public Accountants

P.O. Box 1266
612 Trent Street, NE
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

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

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

We have audited the general purpose financial statements of the City of Norton, Virginia (the "City") as of and for the year ended June 30, 2009, and have issued our report thereon dated November 24, 2009.

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 2009 reimbursement request by the September 30, 2009 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

November 24, 2009

CITY OF NORTON
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,398,514	\$ 57,821	\$ 1,456,335	\$ 1,340,747
Restricted cash	2,281,340	134,918	2,416,258	-
Investments	1,167,934	-	1,167,934	-
Receivable, net	225,127	282,976	508,103	8,105
Note receivable	143,482	-	143,482	-
Prepaid expense	-	-	-	24,275
Due from other governmental units	420,163	-	420,163	222,991
Due from other funds	415,339	9,913	425,252	-
Due from primary government	-	-	-	951,084
Deferred bond cost	46,511	6,471	52,982	-
Capital assets, non-depreciable	897,280	801,410	1,698,690	7,711,459
Capital assets, depreciable, net	<u>5,061,524</u>	<u>4,809,748</u>	<u>9,871,272</u>	<u>6,678,641</u>
 Total Assets	 <u>12,057,214</u>	 <u>6,103,257</u>	 <u>18,160,471</u>	 <u>16,937,302</u>
LIABILITIES				
Accounts payable and accrued liabilities	267,028	190,202	457,230	785,820
Accrued payroll and related liabilities	100,199	14,252	114,451	614,194
Accrued interest payable	41,364	15,497	56,861	25,325
Deferred revenue	-	-	-	165,480
Deferred bond revenue	62,532	-	62,532	21,732
Customer security deposits	-	134,355	134,355	-
Due to other governmental units	225,496	-	225,496	-
Due to other funds	9,912	415,340	425,252	-
Due to component units	951,084	-	951,084	-
Compensated absences				
Due within one year	106,984	15,194	122,178	35,123
Due in more than one year	45,850	6,511	52,361	34,489
Long-term liabilities				
Due within one year	7,652,315	80,957	7,733,272	605,624
Due in more than one year	<u>1,808,313</u>	<u>2,200,950</u>	<u>4,009,263</u>	<u>3,136,760</u>
 Total Liabilities	 <u>11,271,077</u>	 <u>3,073,258</u>	 <u>14,344,335</u>	 <u>5,424,547</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,998,176	3,329,251	7,327,427	10,647,716
Restricted	-	-	-	-
Unrestricted	<u>(3,212,039)</u>	<u>(299,252)</u>	<u>(3,511,291)</u>	<u>865,039</u>
 Total Net Assets	 <u>786,137</u>	 <u>3,029,999</u>	 <u>3,816,136</u>	 <u>11,512,755</u>
	<u>\$ 12,057,214</u>	<u>\$ 6,103,257</u>	<u>\$ 18,160,471</u>	<u>\$ 16,937,302</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets											
	Program Revenues					Primary Government					Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	NIDA			
Governmental Activities												
General government	\$ 1,117,202	\$ -	\$ 250,643	\$ -	\$ (866,559)	\$ -	\$ (866,559)	-	-	-	-	-
Public safety	2,583,856	7,719	458,769	-	(2,117,368)	-	(2,117,368)	-	-	-	-	-
Public works	2,018,546	373,518	709,390	-	(935,638)	-	(935,638)	-	-	-	-	-
Health and welfare	1,244,716	137,454	799,495	-	(307,767)	-	(307,767)	-	-	-	-	-
Education	7,117,018	-	-	-	(7,117,018)	-	(7,117,018)	-	-	-	-	-
Parks, recreation and cultural	462,658	26,700	6,000	-	(429,958)	-	(429,958)	-	-	-	-	-
Community development	736,667	-	6,932	-	(729,735)	-	(729,735)	-	-	-	-	-
Interest on long-term debt	326,666	-	-	-	(326,666)	-	(326,666)	-	-	-	-	-
Contingencies	-	-	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	15,607,329	545,391	2,231,229	-	(12,830,709)	-	(12,830,709)	-	-	-	-	-
Business-type activities												
Water and Wastewater	2,579,351	2,346,475	-	104,927	-	(127,949)	(127,949)	-	-	-	(1,405,655)	-
Total Business-Type Activities	2,579,351	2,346,475	-	104,927	-	(127,949)	(127,949)	-	-	-	(1,405,655)	(76,442)
TOTAL PRIMARY GOVERNMENT	18,186,680	2,891,866	2,231,229	104,927	(12,830,709)	(127,949)	(12,958,658)	-	-	-	(1,405,655)	(76,442)
COMPONENT UNITS												
School Board	7,614,949	111,242	6,098,052	-	-	-	-	-	-	-	(1,405,655)	-
NIDA	556,601	449,721	30,438	-	-	-	-	-	-	-	-	(76,442)
Total Component Units	8,171,550	560,963	6,128,490	-	-	-	-	-	-	-	(1,405,655)	(76,442)
General revenues												
Property taxes					2,378,851		2,378,851					
Local sales & use tax					2,023,409		2,023,409					
Utility taxes					164,698		164,698					
Business license taxes					901,209		901,209					
Communication taxes					185,889		185,889					
Motor vehicle licenses					28,882		28,882					
Bank stock taxes					74,068		74,068					
Recordation taxes					34,284		34,284					
Tobacco taxes					60		60					
Hotel and motel room taxes					161,753		161,753					
Restaurant food taxes					1,025,155		1,025,155					
Coal road improvement taxes					234,263		234,263					
Cigarette tax					81,900		81,900					
Other local taxes					128,743		128,743					
Unrestricted miscellaneous revenue					97,951		97,951		7,627			
Unrestricted investment earnings					192,440		192,440		69			10,505
Rental of Town property					-		-		-			-
Gain (loss) on sale of capital assets					8,903		8,903		(44,914)			-
Recovered cost					47,266		47,266		-			53,581
Transfers-Primary Government					-		-		-			-
Transfers-Component Units					-		-		-			588,294
Total general revenues and transfers					7,769,724		7,769,724		7,072,070			652,380
Change in net assets					(5,060,985)		(5,060,985)		(127,949)			5,666,415
NET ASSETS - JULY 1					5,847,122		5,847,122		3,157,948			1,426,423
NET ASSETS - JUNE 30					786,137		786,137		3,029,999			7,092,838
												3,843,979
												\$ 4,419,917

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

**CITY OF NORTON
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2009**

	General	Special Revenue	Total
ASSETS			
Cash and cash equivalents	\$ 1,232,429	\$ 166,085	\$ 1,398,514
Restricted Cash	2,281,340	-	2,281,340
Investments	1,167,934	-	1,167,934
Taxes receivable	40,099	-	40,099
Accounts receivable	185,028	-	185,028
Notes receivable	-	143,482	143,482
Due from other funds	879,942	-	879,942
Due from primary government	-	-	-
Due from other governmental units	340,519	79,644	420,163
Total Assets	<u>\$ 6,127,291</u>	<u>\$ 389,211</u>	<u>\$ 6,516,502</u>
 LIABILITIES			
Accounts payable and accrued liabilities	\$ 245,954	\$ 21,074	\$ 267,028
Accrued payroll and related liabilities	84,570	15,629	100,199
Deferred revenue	31,964	-	31,964
Due to other funds	9,913	111,217	121,130
Due to component units	1,304,469	-	1,304,469
Due to other governmental units	225,496	-	225,496
Total Liabilities	<u>1,902,366</u>	<u>147,920</u>	<u>2,050,286</u>
 FUND BALANCES			
Reserved For:			
Encumbrances	463,743	-	463,743
Unreserved:			
Undesignated	3,761,182	241,291	4,002,473
Total Fund Balances	4,224,925	241,291	4,466,216
Total Liabilities and Fund Balances	<u>\$ 6,127,291</u>	<u>\$ 389,211</u>	<u>\$ 6,516,502</u>
Total Fund Balances			\$ 4,466,216
 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			5,958,804
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds			46,511
Other liabilities are not required to be paid out of current financial resources and therefore are not reported in the governmental funds			(224,766)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			(9,460,628)
Net Assets of Governmental Activities			<u>\$ 786,137</u>

CITY OF NORTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES:			
General property taxes	\$ 2,370,593	\$ -	\$ 2,370,593
Other local taxes	4,915,570	-	4,915,570
Permits, privilege fees and regulatory licenses	9,758	-	9,758
Fines and forfeitures	118,985	-	118,985
Revenue from use of money & property	189,100	3,340	192,440
Charges for services	407,937	137,454	545,391
Miscellaneous	97,951	-	97,951
Recovered costs	14,003	-	14,003
Intergovernmental	1,431,734	799,495	2,231,229
Total Revenues	<u>9,555,631</u>	<u>940,289</u>	<u>10,495,920</u>
EXPENDITURES:			
Current:			
General government administration	1,114,690	-	1,114,690
Judicial administration	432,678	-	432,678
Public safety	2,097,975	101,836	2,199,811
Public works	1,995,754	-	1,995,754
Health and welfare	101,532	1,148,437	1,249,969
Education and transfer to school	7,117,018	-	7,117,018
Parks, recreation and cultural	437,326	-	437,326
Community development	739,284	-	739,284
Miscellaneous	-	-	-
Debt service:			
Principal retirement	190,026	-	190,026
Interest	328,594	-	328,594
Total Expenditures	<u>14,554,877</u>	<u>1,250,273</u>	<u>15,805,150</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,999,246)</u>	<u>(309,984)</u>	<u>(5,309,230)</u>
OTHER FINANCING SOURCES (USES):			
Sale of surplus	9,912	-	9,912
Sale of Real Property	17,000	-	17,000
Loan proceeds	-	-	-
Insurance recoveries	33,263	-	33,263
Operating transfers in	-	293,929	293,929
Operating transfers out	(293,929)	-	(293,929)
Total Other Financing Sources (Uses)	<u>(233,754)</u>	<u>293,929</u>	<u>60,175</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(5,233,000)</u>	<u>(16,055)</u>	<u>(5,249,055)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>9,457,925</u>	<u>257,346</u>	<u>9,715,271</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,224,925</u>	<u>\$ 241,291</u>	<u>\$ 4,466,216</u>

**CITY OF NORTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009**

Net Change in Fund Balance Governmental Fund:	\$(5,249,055)
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.	1,589
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(41,715)
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	190,026
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>38,170</u>
Change in Net Assets of Governmental Activities	<u>\$(5,060,985)</u>

CITY OF NORTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities
	Proprietary Funds
	Water & Sewer Operation
ASSETS	
Cash and cash equivalents	\$ 57,821
Restricted cash	134,918
Investments	-
Receivable, net	282,976
Prepaid expense	-
Due from other funds	9,913
Due from other government units	-
Deferred bond expense	6,471
Land	588,600
Construction in progress	212,810
Capital assets, net	4,809,748
 Total Assets	 6,103,257
 LIABILITIES	
Accounts payable and accrued liabilities	190,202
Accrued payroll and related liabilities	14,252
Accrued interest payable	15,497
Deferred revenue	-
Customer security deposits	134,355
Due to other governmental units	-
Due to other funds	415,340
Compensated absences	21,705
Long-term liabilities	
Due within one year	80,957
Due in more than one year	2,200,950
 Total Liabilities	 3,073,258
 NET ASSETS	
Invested in capital assets, net of related debt	3,329,251
Restricted	-
Unrestricted	(299,252)
 Total Net Assets	 3,029,999
 Total Liabilities and Net Assets	 \$ 6,103,257

CITY OF NORTON
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	PROPRIETARY FUNDS
	Water & Sewer Operation
OPERATING REVENUES:	
Charges For Services:	
Water:	
Local	\$ 760,145
Non-local	247,063
Total Water	1,007,208
Sewer:	
Local	834,581
Non-local	236,041
Total Sewer	1,070,622
Total Charges for Services	2,077,830
Miscellaneous:	
Installations and tap fees	2,050
Penalties	46,977
Other	219,618
Total Miscellaneous	268,645
Total Operating Revenues	2,346,475
OPERATING EXPENSES:	
Personal services	471,487
Fringe benefits	159,740
Contractual services	899,061
Other charges	330,516
Rent	6,000
Depreciation	248,146
Bad debt	-
Purchase of water	346,571
Amortization	332
Total Operating Expenses	2,461,853
Operating Income (Loss)	(115,378)
NON-OPERATING REVENUES (EXPENSES):	
Grant income	104,927
Interconnect expense	(21,055)
Interest expense	(96,443)
Total Non-Operating Revenues (Expenses)	(12,571)
CHANGE IN NET ASSETS	(127,949)
NET ASSETS - JULY 1, 2008	3,157,948
NET ASSETS - JUNE 30, 2009	\$ 3,029,999

CITY OF NORTON
STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUNDS
Year Ended June 30, 2009

	PROPRIETARY FUNDS	COMPONENT UNIT
	Water & Sewer Operation	Norton Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,311,114	\$ 487,966
Cash payments to suppliers for goods and services	(1,647,949)	(198,836)
Cash payments to employees for services	(470,747)	-
Net Cash provided by (used in) Operating activities	<u>192,418</u>	<u>289,130</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in customer deposits	3,393	-
(Increase) decrease in due from other funds/governments	-	-
Contribution - City of Norton	-	561,294
Increase (decrease) in due to other funds	42,000	-
Net Cash Provided by Non-Capital Financing Activities	<u>45,393</u>	<u>561,294</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction in progress	(123,914)	-
Acquisition of capital assets	-	(7,968)
Proceeds from issuance of debt	-	-
Contributed Capital-Grant Revenue	83,872	-
Principal paid	(81,768)	(460,212)
Interest paid	(99,828)	(147,645)
Net Cash provided by (used in) capital and related financing activities	<u>(221,638)</u>	<u>(615,825)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	-	10,505
Net cash provided by (used in) investing activities	<u>-</u>	<u>10,505</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,173	245,104
Cash and Cash Equivalents at Beginning of Year	<u>176,566</u>	<u>698,629</u>
Cash and Cash Equivalents at June 30, 2009		
Unrestricted	\$ 57,821	943,733
Restricted	134,918	-
Cash and Cash Equivalents at End of Year	<u>\$ 192,739</u>	<u>\$ 943,733</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (115,378)	\$ 124,007
Adjustments		
Depreciation and amortization	248,478	212,733
Provision for uncollectibles	-	-
Changes in assets and liabilities:		
(Increase) decrease in prepaid expense	-	(10,299)
(Increase) decrease in accounts receivable	(35,361)	(6,614)
Increase (decrease) in accounts payable	93,942	8,463
Increase (decrease) in accrued liabilities	2,054	-
Increase (decrease) in compensating absences	(1,317)	-
Increase (decrease) in deferred rent	-	(39,160)
Total adjustments	<u>307,796</u>	<u>165,123</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 192,418</u>	<u>\$ 289,130</u>

**CITY OF NORTON
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	<u>CDBG Revolving Loan Fund</u>	<u>Virginia Public Assistance Fund</u>	<u>Drug and Gambling Fund</u>	<u>Flag Rock Lighting Fund</u>	<u>TOTALS June 30, 2009</u>
<u>ASSETS</u>					
Cash	\$ 152,967	\$ (45,743)	\$ 56,792	\$ 2,069	\$ 166,085
Receivables (Net of Any Allowance For Uncollectibles):					
Accounts	-	-	-	-	-
Note receivable	143,482	-	-	-	143,482
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units:					
Commonwealth of Virginia	-	79,644	-	-	79,644
TOTAL ASSETS	<u>\$ 296,449</u>	<u>\$ 33,901</u>	<u>\$ 56,792</u>	<u>\$ 2,069</u>	<u>\$ 389,211</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ 21,074	\$ -	\$ -	\$ 21,074
Accrued liabilities	-	15,629	-	-	15,629
Due to other funds	-	111,217	-	-	111,217
Total Liabilities	<u>-</u>	<u>147,920</u>	<u>-</u>	<u>-</u>	<u>147,920</u>
FUND BALANCES:					
Reserved For:					
Encumbrances	-	-	-	-	-
Unreserved:					
Designated for subsequent year's expenditures	-	-	-	-	-
Undesignated	296,449	(114,019)	56,792	2,069	241,291
Total Fund Balances	<u>296,449</u>	<u>(114,019)</u>	<u>56,792</u>	<u>2,069</u>	<u>241,291</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 296,449</u>	<u>\$ 33,901</u>	<u>\$ 56,792</u>	<u>\$ 2,069</u>	<u>\$ 389,211</u>

**CITY OF NORTON
AGENCY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year Ended June 30, 2009**

	<u>Special Welfare Fund</u>
<u>ASSETS</u>	
Cash	\$ <u>8,413</u>
<u>NET ASSETS</u>	
Amounts held for social service clients	\$ <u>8,413</u>

**CITY OF NORTON
AGENCY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2009**

	<u>Special Welfare Fund</u>
Additions	
Client receipts	\$ <u>5,678</u>
Total additions	<u>5,678</u>
Deductions	
Payments for clients	<u>4,153</u>
Total deductions	<u>4,153</u>
Change in net assets	1,525
Net assets - beginning of year	<u>6,888</u>
Net assets - end of year	<u>\$ 8,413</u>

CITY OF NORTON
STATEMENT OF NET ASSETS - COMPONENT UNITS
JUNE 30, 2009

	Norton City Schools	Norton Industrial Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 397,013	\$ 943,734	\$ 1,340,747
Restricted cash	-	-	-
Investments	-	-	-
Receivable, net	1,491	6,614	8,105
Prepaid expense	-	24,275	24,275
Due from primary government	951,084	-	951,084
Due from other governmental units	222,991	-	222,991
Deferred bond expense	-	-	-
Capital assets, non-depreciable	5,840,476	1,870,983	7,711,459
Capital assets, depreciable, net	<u>1,847,786</u>	<u>4,830,855</u>	<u>6,678,641</u>
 Total Assets	 <u>9,260,841</u>	 <u>7,676,461</u>	 <u>16,937,302</u>
LIABILITIES			
Accounts payable and accrued liabilities	744,625	41,195	785,820
Accrued payroll and related liabilities	614,194	-	614,194
Accrued interest payable	14,963	10,362	25,325
Deferred revenue	-	165,480	165,480
Deferred Bond revenue	21,732	-	21,732
Customer security deposits	-	-	-
Due to other governmental units	-	-	-
Due to other funds	-	-	-
Compensated absences			
Due within one year	35,123	-	35,123
Due in more than one year	34,489	-	34,489
Long-term liabilities:			
Due within one year	134,864	470,760	605,624
Due in more than one year	<u>568,013</u>	<u>2,568,747</u>	<u>3,136,760</u>
 Total Liabilities	 <u>2,168,003</u>	 <u>3,256,544</u>	 <u>5,424,547</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,985,385	3,662,331	10,647,716
Restricted	-	-	-
Unrestricted	<u>107,453</u>	<u>757,586</u>	<u>865,039</u>
 Total Net Assets	 <u>7,092,838</u>	 <u>4,419,917</u>	 <u>11,512,755</u>
 Total Liabilities and Net Assets	 <u>\$ 9,260,841</u>	 <u>\$ 7,676,461</u>	 <u>\$ 16,937,302</u>

June 30, 2009

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, 2009

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, 2009

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, 2009.

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.

June 30, 2009

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 \$168,431 at June 30, 2009, and is composed of the following:

General Fund:		
Allowance for uncollectible property taxes	\$ 50,761	
Allowance for uncollectible garbage fees	<u>11,432</u>	
Total General Fund		\$ 62,193
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>\$ 168,431</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, 2009

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, 2009, 41% 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 .53%.

As of June 30, 2009 21% 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	41%
LGIP	21%
First Bank & Trust	32%

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	1,633,626	397,013	943,734
Investments	3,405,951	-	-
	<u>\$ 5,040,527</u>	<u>\$ 397,013</u>	<u>\$ 943,734</u>
Statement of net assets:			
Cash and cash equivalents	\$ 1,456,335	\$ 397,013	\$ 943,734
Investments	1,167,934	-	-
Restricted cash and cash equivalents	2,416,258	-	-
	<u>\$ 5,040,527</u>	<u>\$ 397,013</u>	<u>\$ 943,734</u>

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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	\$ 176,196	\$ -0-	\$ 176,196
State Board of Elections	36,848	-0-	36,848
Street and highway maintenance	-0-	-0-	-0-
Shared expenses	24,690	-0-	24,690
School funds	-0-	222,991	222,991
Welfare funds	79,644	-0-	79,644
Total Commonwealth of Virginia	<u>317,378</u>	<u>222,991</u>	<u>540,369</u>
Wise County:			
Coal haul road taxes	49,283	-0-	49,283
Court fines/transfer fees	12,362	-0-	12,362
Total Wise County	<u>61,645</u>	<u>-0-</u>	<u>61,645</u>
Norton Industrial Development Authority	41,140	-0-	41,140
Total Due From Other Governmental Units	<u>\$ 420,163</u>	<u>\$ 222,991</u>	<u>\$ 643,154</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

6. INTERFUND OBLIGATIONS

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	\$ 353,385	\$1,304,469	\$ -0-	\$ -0-
Virginia Public Assistance Fund	111,217	-0-	-0-	-0-
Water and Sewer Fund	415,340	9,913	-0-	-0-
Total General Fund	<u>879,942</u>	<u>1,314,382</u>	<u>-0-</u>	<u>-0-</u>
School Operating Fund:				
General Fund	-0-	-0-	1,304,469	353,385
Cafeteria Fund	-0-	-0-	3,958	3,787
Health Insurance Fund	-0-	-0-	-0-	-0-
Total School Operating Fund	<u>-0-</u>	<u>-0-</u>	<u>1,308,427</u>	<u>357,172</u>
School Cafeteria Fund:				
School Operating Fund	-0-	-0-	3,787	3,958
Health Insurance Fund	-0-	-0-	-0-	-0-
Total School Cafeteria Fund	<u>-0-</u>	<u>-0-</u>	<u>3,787</u>	<u>3,958</u>
School Health Insurance Fund				
School Operating Fund	-0-	-0-	-0-	-0-
Total Health Insurance Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Virginia Public Assistance Fund:				
General Fund	-0-	111,217	-0-	-0-
Water and Sewer Fund:				
General Fund	9,913	415,340	-0-	-0-
Totals	<u>\$ 889,855</u>	<u>\$1,840,939</u>	<u>\$1,312,214</u>	<u>\$ 361,130</u>

7. CHANGES IN CAPITAL ASSETS

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

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
PRIMARY GOVERNMENT				
Buildings	\$ 1,964,951	\$ -0-	\$ -0-	\$ 1,964,951
Improvements other than buildings	1,284,165	210,267	-0-	1,494,432
Infrastructure	9,935,025	34,666	-0-	9,969,691
Equipment	2,830,991	206,123	(105,365)	2,931,749
Equipment special revenue	109,838	-0-	-0-	109,838
Total Capital Assets, Depreciable	<u>16,124,970</u>	<u>451,056</u>	<u>(105,365)</u>	<u>16,470,661</u>
Less Accumulated Depreciation For:				
Buildings	1,230,214	27,393	-0-	1,257,607
Improvements other than buildings	932,596	45,907	-0-	978,503
Infrastructure	6,963,265	152,897	-0-	7,116,162
Equipment	1,849,279	216,257	(91,856)	1,973,680
Equipment special revenue	76,172	7,013	-0-	83,185
Total accumulated depreciation	<u>11,051,526</u>	<u>449,467</u>	<u>(91,856)</u>	<u>11,409,137</u>
Total Capital Assets, depreciable net	<u>\$ 5,073,444</u>	<u>\$ 1,589</u>	<u>\$ (13,509)</u>	<u>\$ 5,061,524</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

7. CHANGES IN CAPITAL ASSETS (Continued)

<u>PRIMARY GOVERNMENT</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
<u>OTHER COST:</u>				
Bond Issue Cost	\$ 56,079	\$ -0-	\$ -0-	\$ 56,079
Less: Accumulated Amortization	(6,608)	(2,960)	-0-	(9,568)
Net Bond Issue Cost	<u>\$ 49,471</u>	<u>\$ (2,960)</u>	<u>\$ -0-</u>	<u>\$ 46,511</u>
<u>Component Unit – School Board</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Buildings	\$ 3,396,423	\$ -0-	\$ -0-	\$ 3,396,423
Improvements other than buildings	348,980	532,419	-0-	881,399
Equipment	<u>1,546,592</u>	<u>141,062</u>	<u>(88,194)</u>	<u>1,599,460</u>
Total Capital Assets, depreciable	<u>5,291,995</u>	<u>673,481</u>	<u>(88,194)</u>	<u>5,877,282</u>
<u>Less Accumulated Depreciation For:</u>				
Buildings	2,308,457	31,691	-0-	2,340,148
Improvements other than buildings	198,554	44,368	-0-	242,922
Equipment	<u>1,451,181</u>	<u>38,525</u>	<u>(43,280)</u>	<u>1,446,426</u>
Total accumulated depreciation	<u>3,958,192</u>	<u>114,584</u>	<u>(43,280)</u>	<u>4,029,496</u>
Total Capital Assets, depreciable, net	<u>\$ 1,333,803</u>	<u>\$ 558,897</u>	<u>\$ (44,914)</u>	<u>\$ 1,847,786</u>
<u>Component Unit - NIDA</u>				
Buildings	\$ 6,319,450	\$ -0-	\$ -0-	\$ 6,319,450
Equipment	372,239	7,968	-0-	380,207
Less: Accumulated depreciation	<u>(1,661,343)</u>	<u>(207,459)</u>	<u>-0-</u>	<u>(1,868,802)</u>
Total Capital Assets, depreciable, net	<u>\$ 5,030,346</u>	<u>\$ (199,491)</u>	<u>\$ -0-</u>	<u>\$ 4,830,855</u>
<u>Business Type Activities</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Buildings	\$ 256,454	\$ -0-	\$ -0-	\$ 256,454
Improvements other than buildings	8,478,271	-0-	-0-	8,478,271
Equipment	<u>807,221</u>	<u>-0-</u>	<u>-0-</u>	<u>807,221</u>
Total Capital Assets, depreciable	<u>9,541,946</u>	<u>-0-</u>	<u>(-0-)</u>	<u>9,541,946</u>
<u>Less Accumulated Depreciation For:</u>				
Buildings	247,358	434	-0-	247,792
Improvements other than buildings	3,609,246	224,594	-0-	3,833,840
Equipment	<u>627,448</u>	<u>23,118</u>	<u>-0-</u>	<u>650,566</u>
Total accumulated depreciation	<u>4,484,052</u>	<u>248,146</u>	<u>(-0-)</u>	<u>4,732,198</u>
Total Capital Assets, depreciable, net	<u>\$ 5,057,894</u>	<u>\$ (248,146)</u>	<u>\$ (-0-)</u>	<u>\$ 4,809,748</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Land	\$ 901,780	\$ -0-	\$ (4,500)	\$ 897,280
Total Capital Assets, non-depreciable	\$ 901,780	\$ -0-	\$ (4,500)	\$ 897,280
<u>Component Unit – School Board</u>	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Land	\$ 65,901	\$ -0-	\$ -0-	\$ 65,901
Constructions in Progress	819,020	5,260,855	(305,300)	5,774,575
Total Capital Assets, non-depreciable	\$ 884,921	\$ 5,260,855	\$ (305,300)	\$ 5,840,476
<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, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Land	\$ 588,600	\$ -0-	\$ -0-	\$ 588,600
Construction in Progress	88,896	123,914	-0-	212,810
Total Capital Assets, non-depreciable	\$ 677,496	\$ 123,914	\$ -0-	\$ 801,410

8. **LONG-TERM DEBT**

GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION BONDS

<u>Year(s)</u> <u>Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 60,000	\$ 76,262	\$ 55,567	\$ 10,392	\$ -0-	\$ 114,375
2011	65,000	73,262	58,000	7,958	-0-	328,904
2012	65,000	70,826	60,540	5,418	-0-	289,500
2013	70,000	68,226	63,191	2,768	-0-	289,500
2014	70,000	65,250	-0-	-0-	-0-	289,500
Thereafter	1,285,000	490,999	-0-	-0-	7,500,000	289,500
Totals	\$ 1,615,000	\$ 844,825	\$ 237,298	\$ 26,536	\$ 7,500,000	\$ 1,601,279

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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
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	36,810	44,103	14,332	40,148	2,262	7,458	-0-	-0-
2014	45,000	43,727	14,990	39,490	2,357	7,362	-0-	-0-
Thereafter	855,000	338,050	865,483	666,418	176,991	151,954	-0-	-0-
Totals	\$ 1,022,703	\$ 566,966	\$ 934,133	\$ 870,168	\$ 187,863	\$ 189,681	\$ 74,000	\$ -0-

	Balance 07-01-08	Additions/ Proceeds	Payments/ Reductions	Balance 06-30-09
Business-Type Activities:				
General obligation bonds	\$ 2,189,467	\$ -0-	\$ (44,768)	\$ 2,144,699
Deferred gain of refunding	66,368	-0-	(3,160)	63,208
Revenue bonds	111,000	-0-	(37,000)	74,000
Accrued vacation	21,386	30,139	(31,363)	20,162
	<u>2,388,221</u>	<u>30,139</u>	<u>(116,291)</u>	<u>2,302,069</u>
Governmental Activities:				
General obligation bonds	9,465,533	-0-	(113,235)	9,352,298
Capital lease	185,121	-0-	(76,791)	108,330
Accrued vacation	145,947	155,189	(159,163)	141,973
	<u>9,796,601</u>	<u>155,189</u>	<u>(349,189)</u>	<u>9,602,601</u>
Totals	<u>\$12,184,822</u>	<u>\$ 185,328</u>	<u>\$ (465,480)</u>	<u>\$11,904,670</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, 2009:

	Compensated Absences	
	Governmental Fund Types	Propriety Fund Types
	Payable at June 30, 2008	\$ 145,947
Additions	155,189	30,139
Reductions	(159,163)	(31,363)
Payable at June 30, 2009	<u>\$ 141,973</u>	<u>\$ 20,162</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

8. LONG-TERM DEBT (Continued)

	Amount Outstanding	
	Government Activities	Propriety Fund Types
<u>Details of Long-Term Indebtedness:</u>		
General Obligation Bonds:		
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.	\$ 237,298	\$ 1,022,703
\$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.	1,615,000	-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-
Enterprise Funds:		
Revenue Bonds:		
\$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-	74,000
General Obligation Bonds:		
\$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-	934,133
\$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-	187,863
Total Long-Term Debt	<u>\$ 9,352,298</u>	<u>\$ 2,218,699</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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
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-
2014	-0-	-0-	55,000	7,522	-0-	-0-	37,096	4,904	-0-	-0-
Thereafter	-0-	-0-	120,000	6,120	-0-	-0-	77,609	3,989	-0-	-0-
Totals	\$ 30,000	\$ 1,080	\$ 370,000	\$ 68,776	\$ 40,000	\$ 1,200	\$ 252,957	\$ 46,641	\$ 9,920	\$ -0-

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2009:

	GENERAL OBLIGATION				Totals
	General Obligation Bonds	Literary Fund Loans	Retirement Payable	VPSA Payable	
Bonds/loans payable at June 30, 2008	\$ 475,000	\$ 60,000	\$ 21,274	\$ 285,235	\$ 841,509
Issuances	-0-	-0-	-0-	-0-	-0-
Retirements	(75,000)	(20,000)	(11,354)	(32,278)	(138,632)
Bonds/loans payable at June 30, 2009	<u>\$ 400,000</u>	<u>\$ 40,000</u>	<u>\$ 9,920</u>	<u>\$ 252,957</u>	<u>\$ 702,877</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, 2009:

	<u>Compensated Absences Component Unit- School Board</u>
Payable at June 30, 2008	\$ 49,796
Additions	39,856
Reductions	(24,987)
Payable at June 30, 2009	<u>\$ 64,665</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

\$ 30,000

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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%.

Total General Obligation Bonds

370,000
400,000

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%

Total State Literary Fund Loans

40,000
40,000

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

9,920

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%

252,957

TOTAL GENERAL LONG-TERM BONDS/LOANS

\$ 702,877

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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
2010	\$ 75,920	\$ 2,992	\$ 28,128	\$ 1,435
2011	-0-	-0-	28,410	1,154
2012	-0-	-0-	86,944	870
2013	-0-	-0-	-0-	-0-
2014	-0-	-0-	-0-	-0-
Thereafter	-0-	-0-	-0-	-0-
Totals	<u>\$ 75,920</u>	<u>\$ 2,992</u>	<u>\$ 143,482</u>	<u>\$ 3,459</u>

Year(s) Ending June 30,	Powell Valley National Bank		TOTALS	
	Principal	Interest	Principal	Interest
2010	\$ 366,712	\$ 121,304	\$ 470,760	\$ 125,731
2011	383,590	104,426	412,000	105,580
2012	401,010	87,006	487,954	87,876
2013	419,702	68,315	419,702	68,315
2014	439,017	47,999	439,017	47,999
Thereafter	810,074	37,585	810,074	37,585
Totals	<u>\$ 2,820,105</u>	<u>\$ 466,635</u>	<u>\$ 3,039,507</u>	<u>\$ 473,086</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, 2009:

	City of Norton	Goad Property	Powell Valley National Bank	Totals
Mortgage loans payable at June 30, 2008	\$ 171,332	\$ 158,595	\$ 3,169,792	\$ 3,499,719
Borrowings	-0-	-0-	-0-	-0-
Retirements	<u>(27,850)</u>	<u>(82,675)</u>	<u>(349,687)</u>	<u>(460,212)</u>
Mortgage loans payable at June 30, 2009	<u>\$ 143,482</u>	<u>\$ 75,920</u>	<u>\$ 2,820,105</u>	<u>\$ 3,039,507</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

Details of Long-Term Indebtedness:

Principal Balance
at June 30, 2009

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.

2,820,105

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

143,482

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.

75,920

Total Mortgage Loans Payable at June 30, 2009

\$ 3,039,507

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.

June 30, 2009

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, 2009, the City had outstanding accrued vacation, sick and personal leave of \$141,973 in the Governmental Activities and outstanding accrued vacation leave of \$20,162 in the Water and Sewer Fund. The City had outstanding accrued payroll taxes of \$10,861 in the Governmental Activities and \$1,543 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, 2009, the School Board had outstanding accrued vacation, sick and personal leave of \$64,665 and \$4,947 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, 2009

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, 2009 was 6.47% 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, 2009 for the professional employees of the City of Norton Schools was \$514,373. 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>
2009	\$ 514,373	100%
2008	548,094	100
2007	494,080	100

The required contribution for the year ended June 30, 2009 for the non-professional employees of the City of Norton Schools was \$12,398. 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>
2009	\$ 12,398	100.0%
2008	11,791	100.0
2007	9,821	100.0

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

C. Annual Pension Cost

For the fiscal year 2009, the City of Norton's annual pension cost of \$361,137 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008 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 5.6% 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 Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 361,137	100%	\$ -0-
June 30, 2008	333,485	100	-0-
June 30, 2007	352,236	100	-0-

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the City of Norton, Virginia

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2008	\$ 11,444,087	\$ 12,133,371	\$ 698,284	94.3%	\$ 2,776,096	24.8%
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

COMPONENT UNIT - SCHOOL BOARD

Schedule of Funding Progress for the Norton City Schools

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2008	\$ 1,841,349	\$ 1,397,580	\$ (443,769)	131.8%	\$ 233,925	(189.7)%
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)

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 \$31,964 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$31,964 at June 30, 2009.

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, 2009

14. LEASE OBLIGATION

The City of Norton has four capital leases outstanding at June 30, 2009.

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, 2010	\$ 19,215
June 30, 2011	20,155
June 30, 2012	-0-
June 30, 2013	-0-
June 30, 2014	-0-
Thereafter	-0-
Total	<u>\$ 39,370</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, 2010	\$ 17,533
June 30, 2011	18,461
June 30, 2012	19,439
June 30, 2013	13,527
June 30, 2014	-0-
Thereafter	-0-
Total	<u>\$ 68,960</u>

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>\$ 463,743</u>

COMPONENT UNIT - SCHOOL BOARD

	<u>Amount</u>
School Operating Fund	<u>\$ 92,707</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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. *SUBSEQUENT EVENT*

On November 17, 2009 the City of Norton completed the refinancing of the existing general obligation Literary Loan Anticipation Note in the amount of \$7,500,000. The note is interest only and will accrue at a rate of 3.86% until full retirement of debt no later than January 1, 2015. Interest only is payable semi-annually on July 1 and January 1, commencing on July 1, 2010.

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue From Local Sources:				
General Property Taxes:				
Real property taxes	\$1,530,280	\$ 1,530,280	\$1,601,572	\$ 71,292
Real and personal public service corporation property taxes	215,000	215,000	213,018	(1,982)
Personal property taxes	398,700	398,700	439,822	41,122
Machinery and tools taxes	81,000	81,000	82,537	1,537
Penalties and interest	29,500	29,500	33,644	4,144
Total General Property Taxes	<u>2,254,480</u>	<u>2,254,480</u>	<u>2,370,593</u>	<u>116,113</u>
Other Local Taxes:				
Local sales and use taxes	1,985,000	1,985,000	2,023,409	38,409
Utility taxes	-	-	164,698	164,698
Business license taxes	818,600	818,600	901,209	82,609
Communication taxes	350,000	350,000	185,889	(164,111)
Motor vehicle licenses	30,000	30,000	28,882	(1,118)
Bank stock taxes	85,000	85,000	74,068	(10,932)
Recordation taxes	20,000	20,000	34,284	14,284
Tobacco taxes	200	200	60	(140)
Hotel and motel room taxes	140,000	140,000	161,753	21,753
Restaurant food taxes	925,000	925,000	1,025,155	100,155
Coal road improvement taxes	180,000	180,000	234,263	54,263
Emergency telephone services tax	-	-	-	-
Cigarette tax	100,000	100,000	81,900	(18,100)
Total Other Local Taxes	<u>4,633,800</u>	<u>4,633,800</u>	<u>4,915,570</u>	<u>281,770</u>
Permits, Privilege Fees And Regulatory Licenses:				
Animal licenses	450	450	1,829	1,379
Permits and other licenses	5,510	5,510	7,929	2,419
Total Permits, Privilege Fees and Regulatory Licenses	<u>5,960</u>	<u>5,960</u>	<u>9,758</u>	<u>3,798</u>
Fines and Forfeitures	<u>105,000</u>	<u>105,000</u>	<u>118,985</u>	<u>13,985</u>
Revenue From Use Of Money And Property:				
Revenue from use of money	100,000	100,000	165,393	65,393
Revenue from use of property	28,250	28,250	23,707	(4,543)
Total Revenue From Use of Money and Property	<u>128,250</u>	<u>128,250</u>	<u>189,100</u>	<u>60,850</u>
Charges For Services:				
Court cost	5,000	5,000	622	(4,378)
Attorney fees	5,000	5,000	7,097	2,097
Charges for sanitation and waste removal	370,500	370,500	373,518	3,018
Charges for parks and recreation	29,950	29,950	26,700	(3,250)
Total Charges for Services	<u>410,450</u>	<u>410,450</u>	<u>407,937</u>	<u>(2,513)</u>
Miscellaneous Revenue:				
Miscellaneous	183,735	183,735	97,951	(85,784)
Total Miscellaneous	<u>183,735</u>	<u>183,735</u>	<u>97,951</u>	<u>(85,784)</u>
Recovered Costs:				
Recovered Cost - School Board	20,000	20,000	53	(19,947)
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>14,003</u>	<u>(26,297)</u>
Total Revenue From Local Sources	<u>7,761,975</u>	<u>7,761,975</u>	<u>8,123,897</u>	<u>361,922</u>

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Motor vehicle carriers' taxes	\$ 26,000	\$ 26,000	\$ 33,071	\$ 7,071
Mobile home titling taxes	5,000	5,000	3,890	(1,110)
Reduction of state aid	-	-	(20,339)	(20,339)
Rolling stock taxes	15,901	15,901	17,778	1,877
Total Non-Categorical Aid	46,901	46,901	34,400	(12,501)
Categorical Aid:				
Shared Expenses:				
Sheriff	145,512	145,512	152,641	7,129
Commissioner of the Revenue	67,595	67,595	70,598	3,003
Treasurer	72,821	72,821	74,980	2,159
Medical examiner	303	303	-	(303)
Registrar/electoral board	37,156	37,156	36,848	(308)
Total Shared Expenses	323,387	323,387	335,067	11,680
Other Categorical Aid:				
Law enforcement grant	251,313	251,313	249,273	(2,040)
Emergency medical services	1,100	1,100	4,610	3,510
DMV Grant	1,500	1,500	17,767	16,267
Street and highway maintenance	725,000	725,000	703,053	(21,947)
Litter control	-	-	6,337	6,337
Financial assistance to the arts	5,000	5,000	5,000	-
Department of emergency management	-	-	-	-
Tobacco Commission	-	-	-	-
Parks and recreations grant	-	1,000	1,000	-
Department of health	-	-	-	-
State board of elections	-	-	-	-
Fire programs fund	20,000	20,000	34,478	14,478
Total Other Categorical Aid	1,003,913	1,004,913	1,021,518	16,605
Total Revenue From the Commonwealth	1,374,201	1,375,201	1,390,985	15,784
Revenue From The Federal Government:				
Payment in lieu of property taxes	27,000	27,000	33,817	6,817
USDA Community Facilities Grant	-	25,000	-	(25,000)
ARC	-	-	-	-
Drug Task Force Grant	-	-	-	-
Justice assistance grants	30,000	30,000	6,932	(23,068)
Insurance Grant	-	-	-	-
Total Revenue From The Federal Government	57,000	82,000	40,749	(41,251)
Other financing sources				
Insurance recoveries	7,000	7,000	33,263	26,263
Loan proceeds	-	-	-	-
Sale of Real Property	-	-	17,000	17,000
Sale of Surplus	2,500	2,500	9,912	7,412
Total other financing sources	9,500	9,500	60,175	50,675
TOTAL GENERAL FUND	9,202,676	9,228,676	9,615,806	387,130
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	\$ 3	\$ (747)
Total Revenue From Local Sources	750	750	3	(747)
Revenue From The Commonwealth:				
Categorical Aid:				
Welfare:				
Aid to dependent children	1,490	1,490	34,361	32,871
Foster care	43,079	43,079	17,532	(25,547)

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General administration for financial assistance	\$ 111,542	\$ 111,542	\$ 119,525	\$ 7,983
Community services	-	91,071	21,782	(69,289)
Supplemental income assistance for the aged, blind and disabled	25,672	25,672	21,599	(4,073)
Employment services	-	-	4,213	4,213
Day care	10,710	10,710	6,905	(3,805)
Other purchased services	14,225	14,225	100,262	86,037
Direct social services	105,645	105,645	-	(105,645)
General relief	5,661	5,661	871	(4,790)
Emergency services	-	-	-	-
View-Welfare reform	-	-	-	-
Total Categorical Aid	<u>318,024</u>	<u>409,095</u>	<u>327,050</u>	<u>(82,045)</u>
 Total Revenue From the Commonwealth	 <u>318,024</u>	 <u>409,095</u>	 <u>327,050</u>	 <u>(82,045)</u>
Revenue From The Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	510	510	25,983	25,473
Foster care	35,579	35,579	31,117	(4,462)
General administration for financial assistance	190,755	190,755	222,015	31,260
Supplemental income assistance for the aged, blind and disabled	-	-	-	-
Employment services	-	-	6,106	6,106
Day Care	47,534	47,534	28,533	(19,001)
Other purchased services	48,936	48,936	157,843	108,907
Direct social services	162,093	162,093	-	(162,093)
Emergency assistance	-	-	-	-
Special revenue	-	-	-	-
View -Welfare reform	-	-	-	-
ARRA	-	-	848	848
Total Revenue From the Federal Government	<u>485,407</u>	<u>485,407</u>	<u>472,445</u>	<u>(12,962)</u>
Other financing sources				
Transfers from general fund	190,000	293,929	293,929	-
Total other financing sources	<u>190,000</u>	<u>293,929</u>	<u>293,929</u>	<u>-</u>
 Total Virginia Public Assistance Fund	 <u>994,181</u>	 <u>1,189,181</u>	 <u>1,093,427</u>	 <u>(95,754)</u>
Drug and Gambling Investigative Funds:				
Revenue From Local Sources:				
Restitution to law enforcement	-	-	137,454	137,454
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>137,454</u>	<u>137,454</u>
 Total Revenue Drug and Gambling Investigative Fund	 <u>-</u>	 <u>-</u>	 <u>137,454</u>	 <u>137,454</u>
Revolving Loan Fund:				
Revenue From Local Sources:				
Revenue from use of money and property	-	-	3,337	3,337
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>3,337</u>	<u>3,337</u>
 Total Revolving Loan Fund	 <u>-</u>	 <u>-</u>	 <u>3,337</u>	 <u>3,337</u>
Flag Rock Lighting Fund:				
Revenue From Local Sources:				
Miscellaneous	-	-	-	-
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Flag Rock Lighting Fund	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 TOTAL SPECIAL REVENUE FUNDS	 <u>994,181</u>	 <u>1,189,181</u>	 <u>1,234,218</u>	 <u>45,037</u>
 GRAND TOTAL - REVENUES - GOVERNMENTAL FUNDS	 <u>\$ 10,196,857</u>	 <u>\$ 10,417,857</u>	 <u>\$ 10,850,024</u>	 <u>\$ 432,167</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
City Council	\$ 20,050	\$ 20,050	\$ 32,318	\$ (12,268)
General and Financial Administration:				
City Manager	191,750	199,250	189,472	9,778
Office personnel	91,850	91,850	91,403	447
Legal and professional	37,500	37,500	74,529	(37,029)
Independent Auditor	20,000	20,000	36,059	(16,059)
Commissioner of the Revenue	127,750	127,750	130,695	(2,945)
Assessor	-	-	-	-
Treasurer	132,750	132,750	130,713	2,037
Director of Finance	127,750	131,720	129,873	1,847
Data Processing	65,000	88,363	67,868	20,495
Sick Time Buy Back Program	10,000	10,000	-	10,000
Automotive/motor pool	150,000	150,000	157,557	(7,557)
Total General and Financial Administration	<u>954,350</u>	<u>989,183</u>	<u>1,008,169</u>	<u>(18,986)</u>
Board of Elections:				
Electoral board and officials	14,000	14,000	14,284	(284)
Registrar	64,600	64,600	59,919	4,681
Total Board of Elections	<u>78,600</u>	<u>78,600</u>	<u>74,203</u>	<u>4,397</u>
Total General Government Administration	<u>1,053,000</u>	<u>1,087,833</u>	<u>1,114,690</u>	<u>(26,857)</u>
Judicial Administration:				
Courts:				
Circuit court	1,000	1,000	39,379	(38,379)
General district court	3,000	3,000	1,200	1,800
Clerk of circuit court	35,000	35,000	37,090	(2,090)
Sheriff	247,275	247,275	245,035	2,240
County courthouse	25,000	25,000	65,979	(40,979)
Court and attorney fees	26,000	26,000	18,947	7,053
Total Courts	<u>337,275</u>	<u>337,275</u>	<u>407,630</u>	<u>(70,355)</u>
Commonwealth's Attorney:				
Commonwealth's attorney	25,000	25,000	25,048	(48)
Total Judicial Administration	<u>362,275</u>	<u>362,275</u>	<u>432,678</u>	<u>(70,403)</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,408,300	1,525,837	1,510,243	15,594
Traffic control	13,000	13,000	8,741	4,259
Emergency management funds	-	25,000	32,853	(7,853)
Total Law Enforcement and Traffic Control	<u>1,421,300</u>	<u>1,563,837</u>	<u>1,551,837</u>	<u>12,000</u>
Fire and Rescue Services:				
Volunteer fire department	123,450	151,524	166,133	(14,609)
Ambulance and rescue services	50,000	50,000	50,000	-
Total Fire and Rescue Services	<u>173,450</u>	<u>201,524</u>	<u>216,133</u>	<u>(14,609)</u>
Correction and Detention:				
Purchase of service from Wise County	45,000	45,000	46,316	(1,316)
Juvenile detention	95,300	95,300	94,653	647
Contribution to regional jail	95,000	95,000	63,938	31,062
Total Correction and Detention	<u>235,300</u>	<u>235,300</u>	<u>204,907</u>	<u>30,393</u>
Inspections:				
Building	110,250	110,250	75,470	34,780
Other Protection:				
Animal control	44,300	44,300	48,628	(4,328)
Emergency medical services	1,000	1,000	1,000	-
Total Other Protection	<u>45,300</u>	<u>45,300</u>	<u>49,628</u>	<u>(4,328)</u>
Total Public Safety	<u>1,985,600</u>	<u>2,156,211</u>	<u>2,097,975</u>	<u>58,236</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works:				
Maintenance of Highways, Street, Bridges and Sidewalks:				
General engineering/administration	\$ 70,225	\$ 70,225	\$ 71,208	\$ (983)
Highways, streets, bridges and sidewalks	816,600	1,187,560	1,037,816	149,744
Storm drainage	5,000	5,000	20	4,980
Street lights	85,000	85,000	83,984	1,016
Snow and ice removal	25,000	25,000	13,075	11,925
Curbs and guttering	3,000	3,000	5,515	(2,515)
Total Maintenance of Highways, Streets Bridges and Sidewalks	<u>1,004,825</u>	<u>1,375,785</u>	<u>1,211,618</u>	<u>164,167</u>
Sanitation and Waste Removal:				
Street and road cleaning	13,500	13,500	13,581	(81)
Refuse collection	222,500	222,500	254,478	(31,978)
Refuse disposal	245,000	245,000	216,672	28,328
Total Sanitation and Waste Removal	<u>481,000</u>	<u>481,000</u>	<u>484,731</u>	<u>(3,731)</u>
Maintenance of General Buildings and Grounds:				
General properties	232,800	571,902	299,405	272,497
Total Public Works	<u>1,718,625</u>	<u>2,428,687</u>	<u>1,995,754</u>	<u>432,933</u>
Health and Welfare:				
Health:				
Local health department	65,755	65,755	43,668	22,087
Mental Health and Mental Retardation:				
Chapter 10 board	21,953	21,953	21,953	-
Welfare/Social Services:				
Disability Board	750	750	-	750
Area agency on aging	20,000	20,000	20,000	-
Property tax relief for elderly	-	-	8,411	(8,411)
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 to Food Bank	500	500	500	-
Contribution-RAM Project	1,000	1,000	1,000	-
Contribution - Hope House	2,000	2,000	-	2,000
Total Welfare/Social Services	<u>30,250</u>	<u>30,250</u>	<u>35,911</u>	<u>(5,661)</u>
Total Health and Welfare	<u>117,958</u>	<u>117,958</u>	<u>101,532</u>	<u>16,426</u>
Education:				
Contribution to Mountain Empire Community College	7,731	7,731	7,731	-
Payment to school board	1,977,546	2,007,718	7,109,287	(5,101,569)
Contribution to UVA Wise Radio	-	-	-	-
Total Education	<u>1,985,277</u>	<u>2,015,449</u>	<u>7,117,018</u>	<u>(5,101,569)</u>
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	171,000	171,000	192,324	(21,324)
Recreation centers and playgrounds	142,450	285,450	142,642	142,808
Swimming pool	41,000	41,000	40,618	382
Capital outlay	-	-	-	-
Total Parks and Recreation	<u>354,450</u>	<u>497,450</u>	<u>375,584</u>	<u>121,866</u>
Cultural Enrichment:				
Pro-Art	10,000	10,000	10,000	-
Other events	-	2,000	2,642	(642)
Employee picnic and Christmas party	3,000	3,000	600	2,400
Total Cultural Enrichment	<u>13,000</u>	<u>15,000</u>	<u>13,242</u>	<u>1,758</u>
Library:				
Payments to regional library	48,500	48,500	48,500	-
Total Parks, Recreation and Cultural	<u>415,950</u>	<u>560,950</u>	<u>437,326</u>	<u>123,624</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Community Development:				
Planning and Community Development:				
Planning	\$ 128,500	\$ 186,000	\$ 129,886	\$ 56,114
Planning - contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	5,450	5,450	5,629	(179)
Contribution to Chamber of Commerce	2,652	2,652	2,652	-
Contribution to CEDA	-	-	-	-
Contribution to Black Diamond Development	200	200	200	-
Contribution to component unit - NIDA	588,294	588,294	588,294	-
Contribution to Airport Commission	4,500	4,500	4,500	-
Contributions to School Activity funds	-	-	-	-
High Knob Tower Restoration	-	-	-	-
Capital projects	583,100	16,000	-	16,000
Capital outlay	-	-	-	-
Total Planning and Community Development	<u>1,320,819</u>	<u>811,219</u>	<u>739,284</u>	<u>71,935</u>
Debt Service				
Principal	190,026	190,026	190,026	-
Interest	14,297	139,897	328,594	(188,697)
Total debt service	<u>204,323</u>	<u>329,923</u>	<u>518,620</u>	<u>(188,697)</u>
Other financing uses				
Transfers to water/sewer fund	-	-	-	-
Transfers to welfare fund	190,000	293,929	293,929	-
Total other financing sources	<u>190,000</u>	<u>293,929</u>	<u>293,929</u>	<u>-</u>
TOTAL GENERAL FUND	<u>\$ 9,353,827</u>	<u>\$ 10,164,434</u>	<u>\$ 14,848,806</u>	<u>\$ (4,684,372)</u>
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 994,181	\$ 1,189,181	\$ 1,148,437	\$ 40,744
Total Welfare/Social Services	<u>994,181</u>	<u>1,189,181</u>	<u>1,148,437</u>	<u>40,744</u>
Total Health and Welfare	<u>994,181</u>	<u>1,189,181</u>	<u>1,148,437</u>	<u>40,744</u>
Total Virginia Public Assistance Fund	<u>994,181</u>	<u>1,189,181</u>	<u>1,148,437</u>	<u>40,744</u>
Drug and Gambling Investigative Funds:				
Public safety	-	-	101,836	(101,836)
Total Drug and Gambling Investigative Funds	<u>-</u>	<u>-</u>	<u>101,836</u>	<u>(101,836)</u>
TOTAL SPECIAL REVENUE FUNDS	<u>994,181</u>	<u>1,189,181</u>	<u>1,250,273</u>	<u>(61,092)</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	<u>\$ 10,348,008</u>	<u>\$ 11,353,615</u>	<u>\$ 16,099,079</u>	<u>\$ (4,745,464)</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ (151,151)	\$ (935,758)	\$ (5,249,055)	
Net appropriations from fund balance				
Prior year surplus	151,151	320,957		
Prior year encumbrances	-	614,801		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	<u>-</u>	<u>-</u>		

**CITY OF NORTON
COMPONENT UNIT SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2009**

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>TOTALS</u>
	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>June 30, 2008</u>
ASSETS			
Cash and cash equivalents	\$ 373,898	\$ 23,115	\$ 397,013
Investments	-	-	-
Accounts receivable	1,491		1,491
Due from other funds	3,959	3,786	7,745
Due from primary government	951,084	-	951,084
Due from other governmental units	222,991	-	222,991
	<u>1,553,423</u>	<u>26,901</u>	<u>1,580,324</u>
TOTAL ASSETS	\$ 1,553,423	\$ 26,901	\$ 1,580,324
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ 744,625	\$ -	\$ 744,625
Accrued liabilities	614,194	-	614,194
Due to other funds	3,787	3,958	7,745
Deferred Revenue	98,110	-	98,110
	<u>1,460,716</u>	<u>3,958</u>	<u>1,464,674</u>
Total Liabilities	<u>1,460,716</u>	<u>3,958</u>	<u>1,464,674</u>
FUND BALANCE:			
Reserved For:			
Encumbrances	92,707	-	92,707
Unreserved:			
Undesignated	-	22,943	22,943
	<u>92,707</u>	<u>22,943</u>	<u>115,650</u>
Total Fund Balance	<u>92,707</u>	<u>22,943</u>	<u>115,650</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,553,423	\$ 26,901	\$ 1,580,324

**Reconciliation of Component Units Combining Balance Sheet to
Statement of Net Assets - Component Unit-School Board**

\$ 115,650

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	(14,963)
Accrued compensated absences	(69,612)
Deferred revenue	76,378

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds, net of accumulated depreciation

7,688,262

Noncurrent liabilities are not due and payable in the current period and therefore
are not reported in the funds

\$ (702,877)

Total net assets - component unit-School Board

\$ 7,092,838

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2009

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total School Board</u>
REVENUES:			
Revenue from use of money and property	\$ -	\$ 69	\$ 69
Charges for services	-	111,242	111,242
Miscellaneous	7,627	-	7,627
Intergovernmental			
Primary government	7,109,288	-	7,109,288
Commonwealth of Virginia	4,879,542	-	4,879,542
Federal Government	<u>1,139,880</u>	<u>-</u>	<u>1,139,880</u>
Total Revenues	<u>13,136,337</u>	<u>111,311</u>	<u>13,247,648</u>
EXPENDITURES:			
Current:			
Education	12,782,900	292,675	13,075,575
Debt Service:			
Principal	138,632	-	138,632
Interest	<u>37,280</u>	<u>-</u>	<u>37,280</u>
Total Expenditures	<u>12,958,812</u>	<u>292,675</u>	<u>13,251,487</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>177,525</u>	<u>(181,364)</u>	<u>(3,839)</u>
OTHER FINANCING SOURCES (USES):			
Loan Proceeds	-	-	-
Operating transfers in	-	186,589	186,589
Operating transfers out	<u>(186,589)</u>	<u>-</u>	<u>(186,589)</u>
Total Other Financing Sources (Uses)	<u>(186,589)</u>	<u>186,589</u>	<u>-</u>
Net change in fund balance	(9,064)	5,225	(3,839)
Fund Balance at June 30, 2008	<u>101,771</u>	<u>17,718</u>	<u>119,489</u>
Fund Balance at June 30, 2009	<u>\$ 92,707</u>	<u>\$ 22,943</u>	<u>\$ 115,650</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 (3,839)

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.	5,514,453
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds	33,716
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	138,632
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>(16,547)</u>

Change in net assets of governmental activities 5,666,415

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
Year Ended June 30, 2009

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	2,800	2,800	7,627	4,827
Intergovernmental				
Primary government	9,950,388	9,563,460	7,109,288	(2,454,172)
Commonwealth of Virginia	4,936,749	4,936,749	4,879,542	(57,207)
Federal Government	<u>1,097,915</u>	<u>1,143,478</u>	<u>1,139,880</u>	<u>(3,598)</u>
Total Revenues	<u>15,987,852</u>	<u>15,646,487</u>	<u>13,136,337</u>	<u>(2,510,150)</u>
EXPENDITURES:				
Current:				
Community Development	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	15,646,940	15,407,346	12,782,900	2,624,446
Debt Service:				
Principal	138,632	138,632	138,632	-
Interest	<u>37,280</u>	<u>37,280</u>	<u>37,280</u>	<u>-</u>
Total Expenditures	<u>15,822,852</u>	<u>15,583,258</u>	<u>12,958,812</u>	<u>2,624,446</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>165,000</u>	<u>63,229</u>	<u>177,525</u>	<u>114,296</u>
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	<u>(165,000)</u>	<u>(165,000)</u>	<u>(186,589)</u>	<u>(21,589)</u>
Total Other Financing Sources (Uses)	<u>(165,000)</u>	<u>(165,000)</u>	<u>(186,589)</u>	<u>(21,589)</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	(101,771)	(9,064)	92,707
Net appropriations from fund balance				
Prior year encumbrances	<u>-</u>	<u>101,771</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 , 2008			<u>101,771</u>	
Fund Balance - June 30 , 2009			<u>92,707</u>	

CITY OF NORTON
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2009

ASSETS HELD BY THE TREASURER:

Cash on hand		\$ 950
Cash in banks:		
Checking:		
First Bank and Trust	1,473,967	
Wachovia	<u>23,114</u>	
Total Checking		1,497,081
Certificates of Deposit:		
Powell Valley National Bank	248,280	
First Bank and Trust	<u>293,691</u>	
Total Certificates of Deposit		541,971
 Total Cash in Banks		 2,039,052
Investments:		
Investment in Virginia State Non-Arbitrage Program (SNAP)		2,238,017
Investment in State Treasurer's Local Government		
Investment Pool		<u>1,167,934</u>
 TOTAL ASSETS		 \$ <u>5,445,953</u>
 LIABILITIES OF THE TREASURER:		
 BALANCE OF CITY FUNDS		 \$ <u>5,445,953</u>

NOTE: The variance between this statement and the balance sheet for all funds is \$943,734. 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, 2009

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) One significant deficiency relating to the audit of the general purpose financial statements of the City of Norton, Virginia, is reported in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- 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) No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
- 5) The Auditor's report on Compliance for the Major Federal Award Programs for the City of Norton, Virginia, expresses an unqualified opinion.
- 6) Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this Schedule.
- 7) The programs tested as major programs are designated with an "*" on the accompanying Schedule of Expenditures of Federal Awards.
- 8) The threshold for distinguishing types A & B programs was \$300,000.
- 9) The City of Norton, Virginia, was determined to be a low risk auditee.

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

2009-3. State Compliance

Condition: CSA reimbursement reports were not filed on at least a quarterly basis as required by the Auditor of Public Accounts. The CSA report for fiscal year 2009 was filed after the September 30th deadline.

Effect: The failure to meet the state filing requirements resulted in the denial of state reimbursement funds creating a deficiency in the fiscal revenues for the City of Norton's Social Services fund.

Recommendation: Procedures should be implemented to assure Social Services file CSA reimbursement reports on at least a quarterly basis and that all CSA reports for each fiscal year be filed no later than the final required filing date of September 30th. It is further recommended that the City establish monitoring procedures of the controls over compliance reporting to assure prevention of future denial of state reimbursement funding.

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

NONE

CITY OF NORTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

	<u>Federal Catalogue #</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Pass-Through Payments:		
State Department of Agriculture:		
Summer Food Service	10.559	\$ 8,595
School Lunch Program	10.555	136,523
School Breakfast Program	10.553	37,178
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass-Through Payments:		
State Department of Social Services:		
Food stamp administration	10.561	109,060 *
Foster Care - Title IV-E	93.658	51,461
TANF	93.558	89,142 *
Social Services Block Grant	93.667	44,762
Adoption Assistance	93.659	28,774
Child Care Assistance	93.575	19,580
Medical assistance program	93.778	73,237
Child Care Mandatory Match	93.596	24,795
Low Income Home Energy Assist.	93.568	5,470
Safe and Stable Families	93.556	15,992
Refuge and Entrant Asst	93.566	189
State Children's Insurance Program	93.767	7,701
Child Welfare Services State Grant	93.645	549
Chafee Foster Care Independence Program	93.674	885
DEPARTMENT OF EDUCATION:		
Pass-Through Payments:		
State Department of Education:		
Improving teacher quality state grants	84.367	53,247
Title I Grants	84.010	201,079
Reading first grant	84.357	124,144
Title VI-B:		
Special Education:		
Title VIB Idea -611	84.027	164,380
Preschool Grants	84.173	5,000
Title VIB ARRA	84.391	32,778
Special Projects:		
State Grants for Strengthening the Skills of Teachers and Instruction in Mathematics, Foreign Languages and Computer		
Drug Free Schools and Communities (0-E002235)	84.186	2,332
Literacy Challenge Grant	84.318	2,149
Vocational Education - Basic Grants to States	84.048	14,254
Gear Up	84.334	15,476
Rural and low income	84.358	16,627
Immersion In Traditional American History	84.215	201,321 *
DEPARTMENT OF MOTOR VEHICLES:		
Alcohol Traffic Study and Drunk Driving Prevention	20.601	17,767
DEPARTMENT OF JUSTICE:		
Edward Byrne Grant	16.738	<u>6,932</u>
TOTAL		<u>\$ 1,511,379</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.

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</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	\$ 3,998,176
Restricted	-	-	-	-	-	-
Unrestricted	2,965,127	2,366,905	2,482,728	3,009,412	2,022,552	(3,212,039)
Total governmental activities net assets	6,783,522	6,218,342	6,188,961	4,876,675	5,847,122	786,137
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	3,329,251
Restricted	-	-	-	-	-	-
Unrestricted	(284,875)	31,937	85,662	(123,892)	(210,607)	(299,252)
Total business-type activities	2,691,215	2,910,195	3,241,308	3,213,996	3,157,948	3,029,999
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	7,327,427
Restricted	-	-	-	-	-	-
Unrestricted	2,680,252	2,398,842	2,568,390	2,885,520	1,811,945	(3,511,291)
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>	<u>\$ 3,816,136</u>

- 1) Trend data is only available for the last Six fiscal years due to implementation of GASB 34
- 2) Fiscal year 2003-04 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 SIX FISCAL YEARS

	2004	2005	2006	2007	2008	2009
Expenses						
Governmental Activities:						
General government	\$ 813,926	\$ 768,157	\$ 835,440	\$ 991,715	\$ 1,079,594	\$ 1,117,202
Public safety	1,965,885	2,057,783	2,210,803	2,505,427	2,392,658	2,583,856
Public works	1,786,214	1,799,382	1,776,567	3,491,340	2,032,771	2,018,546
Health and welfare	1,029,967	966,126	1,050,245	1,119,205	1,222,082	1,244,716
Education	1,659,671	1,512,024	1,886,323	1,904,743	2,721,651	7,117,018
Parks, recreation and cultural	381,141	374,018	379,457	468,812	409,566	462,658
Community development	705,781	1,578,560	791,142	944,522	778,848	736,667
Interest on long-term debt	43,744	26,695	21,580	76,117	230,739	326,666
Non-departmental	-	-	-	-	-	-
Total government activities expense	8,386,329	9,082,745	8,951,557	11,501,881	10,867,909	15,607,329
Business-Type Activities:						
Water and Wastewater	1,901,676	2,003,887	2,229,328	2,232,955	2,526,365	2,579,351
Total business-type activities expenses	1,901,676	2,003,887	2,229,328	2,232,955	2,526,365	2,579,351
Total primary government expenses	\$ 10,288,005	\$ 11,086,632	\$ 11,180,885	\$ 13,734,836	\$ 13,394,274	\$ 18,186,680
Program Revenues						
Governmental Activities:						
Charges for services						
Public safety	\$ 6,284	\$ 3,606	\$ 6,304	\$ 8,145	\$ 5,757	\$ 7,719
Public works	287,212	287,924	289,949	363,084	375,362	373,518
Health and welfare	674	-	-	1,044	27,327	137,454
Education	-	-	-	-	-	-
Parks, recreation and culture	18,141	21,952	21,194	24,419	23,642	26,700
Community development	-	-	-	-	-	-
Operating grants and contributions	2,104,325	2,580,207	2,458,079	3,119,462	2,368,891	2,231,229
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	2,416,636	2,893,689	2,775,526	3,516,154	2,800,979	2,776,620
Business-Type Activities:						
Charges for services						
Water and Wastewater	1,933,079	1,917,899	1,977,402	2,073,492	1,991,660	2,346,475
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	304,863	482,685	130,625	428,657	104,927
Total business-type activities program revenues	1,933,079	2,222,762	2,460,087	2,204,117	2,420,317	2,451,402
Total primary government program revenues	\$ 4,349,715	\$ 5,116,451	\$ 5,235,613	\$ 5,720,271	\$ 5,221,296	\$ 5,228,022
Net (Expense)/Revenue						
Governmental Activities	\$ (5,969,693)	\$ (6,189,056)	\$ (6,176,031)	\$ (7,985,727)	\$ (8,066,930)	\$ (12,830,709)
Business-Type Activities:	31,403	218,875	230,759	(28,838)	(106,048)	(127,949)
Total primary government net (expense)/revenue	\$ (5,938,290)	\$ (5,970,181)	\$ (5,945,272)	\$ (8,014,565)	\$ (8,172,978)	\$ (12,958,658)

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</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	\$ 2,378,851
Local sales & use tax	1,506,248	1,497,058	1,722,453	1,889,055	1,901,018	2,023,409
Utility tax	263,954	263,918	266,300	213,873	184,079	164,698
Business license tax	775,319	658,845	692,083	813,906	826,412	901,209
Franchise license tax	41,925	51,323	51,935	38,342	9	-
Communication tax	-	-	-	67,190	179,988	185,889
Motor vehicle license	29,148	29,486	28,996	28,995	29,580	28,882
Bank stock tax	58,806	65,962	125,958	81,000	6,082	74,068
Recordation tax	25,997	5,219	20,653	40,602	26,036	34,284
Tobacco tax	48	48	45	45	38	60
Hotel and motel room tax	102,050	127,921	117,186	104,176	125,638	161,753
Restaurant food tax	694,465	721,995	788,336	848,702	930,578	1,025,155
Coal road improvement tax	148,765	178,532	208,566	188,529	186,512	234,263
Emergency telephone services tax	40,709	38,602	35,411	17,009	-	-
Cigarette tax	44,504	46,405	49,145	41,160	41,574	81,900
Other local taxes	73,610	92,422	110,720	118,607	141,741	128,743
Unrestricted miscellaneous revenue	50,001	48,618	21,092	58,630	70,321	97,951
Unrestricted investment earnings	27,655	79,961	103,191	137,690	256,139	192,440
Rental of Town property	23,443	-	-	-	-	-
Gain on sale of capital assets	616	7,545	-	-	34,300	8,903
Recoverd cost	-	13,950	29,123	22,333	39,274	47,266
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	7,769,724
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	\$ 7,769,724
Change in Net Assets						
Governmental Activities	\$ (381,232)	\$ (565,180)	\$ (29,381)	\$ (1,312,286)	\$ (939,982)	\$ (5,060,985)
Business-Type Activities	31,470	218,980	331,113	(27,312)	(56,048)	(127,949)
Total primary government	\$ (349,762)	\$ (346,200)	\$ 301,732	\$ (1,339,598)	\$ (996,030)	\$ (5,188,934)

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund						
Reserved	\$ 523,722	\$ 435,870	\$ 456,740	\$ 442,895	\$ 614,801	\$ 463,743
Unreserved	2,358,936	1,814,377	1,891,575	2,467,772	8,843,124	3,761,182
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>	<u>\$ 4,224,925</u>
All Other Governmental Funds						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in: Special Revenue fund	226,947	247,341	279,864	290,215	257,346	241,291
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>	<u>\$ 4,466,216</u>

1) Trend data is only available for the last six 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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
General property taxes	\$ 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	\$ 2,370,593
Other local taxes	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	4,915,570
Permits and licenses	4,739	2,253	6,877	3,899	2,265	14,270	4,666	5,026	9,499	9,758
Fines and forfeitures	83,309	90,001	79,250	71,573	71,345	106,054	113,581	132,242	118,985	118,985
Investment earnings	141,348	133,449	69,210	58,197	51,098	79,961	103,191	137,690	256,139	192,440
Charges for services	313,274	319,251	360,619	313,579	312,311	313,482	317,447	396,692	432,088	545,391
Other revenues	19,738	9,359	27,591	16,740	50,001	48,618	21,092	58,630	70,321	97,951
recovered cost	63,065	68,128	73,407	59,733	-	13,950	29,123	15,510	19,825	14,003
Intergovernmental	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	2,231,229
Total revenues	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	10,495,920
Expenditures										
General government	695,552	679,929	715,989	756,677	781,596	788,786	850,732	1,009,235	1,090,825	1,114,690
Judicial administration	266,644	265,236	289,573	282,184	253,801	290,126	294,444	380,049	403,468	432,678
Public safety	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	2,199,811
Public works	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	1,995,754
Health and welfare	946,953	986,815	1,058,326	1,010,429	1,029,967	996,885	1,028,911	1,151,555	1,203,034	1,249,969
Education and transfer to school	16,413	15,603	8,418	8,418	1,659,671	1,512,024	2,306,623	1,904,743	2,721,651	7,117,018
Parks, recreation and culture	460,994	346,205	311,440	373,870	356,407	362,547	373,368	465,087	395,917	437,326
Community development	103,865	196,742	737,471	178,896	705,781	1,578,158	791,267	938,486	786,560	739,284
Non-Departmental	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	41,399	34,002	33,855	36,766	27,724	106,155	106,731	118,738	168,746	190,026
Interest	33,637	29,411	29,558	26,647	29,362	25,253	28,774	102,547	224,755	328,594
Total expenditures	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	15,805,150
Excess of revenues over (under) expenditures	1,601,188	1,965,493	2,398,192	1,886,684	143,356	(619,560)	(213,516)	(1,245,495)	(999,060)	(5,309,230)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	-	420,300	1,803,566	7,500,000	-
Insurance Recoveries	-	-	11,498	-	-	7,422	-	6,823	19,449	33,263
Proceeds from sale of assets	-	21,086	-	2,901	616	123	23,807	7,809	44,000	26,912
Transfers	(1,821,938)	(1,893,304)	(1,687,236)	(1,537,701)	-	-	(100,000)	-	(50,000)	-
Total other financing sources (uses)	(1,821,938)	(1,872,218)	(1,675,738)	(1,534,800)	616	7,545	344,107	1,818,198	7,513,449	60,175
Net change in fund balance	\$ (220,750)	\$ 93,275	\$ 722,454	\$ 351,884	\$ 143,972	\$ (612,015)	\$ 130,591	\$ 573,703	\$ 6,514,389	\$ (5,249,055)
Debt service as a percentage of noncapital expenditures	1.43%	1.19%	1.03%	1.14%	0.73%	1.46%	1.49%	1.97%	3.74%	3.39%

TABLE 5

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
				Real Estate	Personal Property			
2009	\$ 203,528,195	\$ 22,228,011	\$ 4,471,807	\$ 26,302,792	\$ 140,301	\$ 1,948,259	\$ 258,619,365	\$ 0.917
2008	181,461,721	21,629,450	4,571,874	24,413,178	157,861	2,103,400	234,337,484	0.929
2007	180,101,130	16,733,091	7,006,663	26,523,134	184,423	2,086,500	232,634,941	0.849
2006	169,579,975	20,019,215	3,384,221	28,534,246	198,053	2,036,300	223,752,010	0.840
2005	141,741,519	18,742,980	3,397,275	31,147,200	217,235	2,183,700	197,429,909	0.856
2004	137,192,000	20,340,630	3,293,184	30,676,915	295,160	2,468,300	194,266,189	0.860
2003	136,867,000	20,741,289	3,143,600	27,412,952	254,802	2,483,300	190,902,943	0.892
2002	135,561,300	20,777,099	3,065,000	32,189,800	282,818	2,459,300	194,335,317	0.872
2001	134,810,300	19,397,980	2,971,000	29,889,905	216,256	2,332,100	189,617,541	0.835
2000	128,882,600	19,192,349	2,806,669	27,876,503	245,952	2,646,600	181,650,673	0.811

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

TABLE 6

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities	
					Real Estate	Personal Property
2009	\$ 0.80	\$ 1.85	\$ 0.80	\$ 0.80	\$ 0.80	\$ 1.85
2008	0.80	1.85	0.80	0.80	0.80	1.85
2007	0.70	1.85	0.70	0.70	0.70	1.85
2006	0.70	1.85	0.70	0.70	0.70	1.85
2005	0.70	1.85	1.85	0.70	0.70	1.85
2004	0.70	1.85	1.85	0.70	0.70	1.85
2003	0.70	1.85	1.85	0.70	0.70	1.85
2002	0.70	1.85	1.85	0.70	0.70	1.85
2001	0.70	1.85	1.85	0.70	0.70	1.85
2000	0.70	1.85	1.85	0.70	0.70	1.85

1) Rates are presented per \$100 assessed value

TABLE 7

**CITY OF NORTON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
June 30, 2009 and June 30, 2006**

June 30, 2009:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
Commonwealth-NTN Partners	Shopping Center	\$ 14,409,900	7.08%
Wal-Mart Real Estate Business Trust	Commercial Retailer/Grocer	14,294,300	7.02%
Super Intermediate Co., LLC	Shopping Center	9,266,500	4.55%
Nordan, Inc	Hotel	3,826,300	1.88%
Norton Host, LLC	Hotel/Restaurant	3,546,000	1.74%
Norton Community Hospital	Health Care	3,574,600	1.76%
Wellmont Heath System	Health Care	3,509,500	1.72%
Johnson Norton LLC (Cancer Center)	Health Care	2,638,200	1.30%
W.P. Armistead	Commercial and Residential Rental Property	2,435,900	1.20%
AARMP Hospitality (Days Inn)	Hotel	1,819,800	0.89%

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
2009	\$ 2,372,555	\$ 2,317,343	97.67%	\$ 22,769	\$ 2,340,112	98.63%	\$ 91,330	3.85%
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%

(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 SIX FISCAL YEARS

Fiscal Years Ended June 30	Governmental Activities		Business-Type Activities		Total Debt	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	General Obligation				
			Water and Wastewater Bonds	Unit Bonds			
2009	\$ 9,352,298	108,330	\$ 2,281,907	\$ 3,742,384	\$15,484,919	8.70%	\$ 3,966
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	5.26%	2,410
2006	390,397	135,962	2,330,131	6,336,596	9,193,086	5.28%	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 SIX FISCAL YEARS

Fiscal Years Ended June 30	General Bonded Debt Outstanding General Obligation Bonds	Percentage of		Per Capita
		Actual Taxable		
		Value of Property	Value of Taxable Property	
2009	\$ 9,352,298	3.62%	\$ 2,396	\$ 2,396
2008	\$ 9,465,533	4.04%	\$ 2,425	\$ 2,425
2007	\$ 2,071,535	0.89%	\$ 531	\$ 531
2006	\$ 390,397	0.17%	\$ 100	\$ 100
2005	\$ 437,209	0.22%	\$ 112	\$ 112
2004	\$ 480,505	0.25%	\$ 123	\$ 123

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assessed valuations										
Assessed value of taxed real property	\$ 156,759,103	\$ 164,700,205	\$ 167,751,100	\$ 164,279,932	\$ 167,868,915	\$ 172,888,719	\$ 198,114,221	\$ 206,624,264	\$ 205,874,899	\$ 229,830,987
Legal debt margin										
Debt limit - 10 percent of total assessed value	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	22,983,099
Debt applicable to limitation:										
Total bonded debt	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	15,484,919
Less - Enterprise Debt	(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)	(5,321,414)
Total amount of debt applicable to debt limitation	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	10,163,505
Legal debt margin	\$ 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	\$ 12,819,594
Total net debt applicable to the limit as a percentage of debt limit	11.12%	9.67%	8.95%	16.25%	8.68%	8.86%	8.39%	15.55%	50.96%	44.22%

**CITY OF NORTON, VIRGINIA
PLEGGED-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				
				Principal	Interest	Total		
2009	\$ 2,346,475	\$ 2,213,375	\$ 133,100	\$ 81,768	\$ 96,443	\$ 178,211	0.75	
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)	

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
2009	3,904	\$177,928,704	\$ 45,576	39.0	784	5.20%
2008	3,904	174,157,440	44,610	39.0	780	4.10%
2007	3,904	178,971,072	45,843	39.0	731	5.10%
2006	3,904	174,157,440	44,610	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 for Public Information, Virginia Employment Commission, and Norton City School Board
- 2) Data only available for last ten years

TABLE 14

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

June 30, 2009		Total Estimated Employment*
<u>Employer</u>	<u>Product or Service</u>	
Norton Community Hospital	Health Care	450
Wal Mart	Commercial Retailer/Grocer	250
Bristol Regional Health System	Health Care	200
Norton City School Board	Public Agency	150
Maxxim Shared Service LLC	Mining Administration	125
June 30, 2006		Total Estimated Employment*
<u>Employer</u>	<u>Product or Service</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

TABLE 15

**CITY OF NORTON, VIRGINIA
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION (UNADITED)
LAST FOUR FISCAL YEARS**

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government				
Management services	3.5	3.5	4	4
Finance	5	5	5	4
Planning	2	1	2	2
Other	6.5	6.5	6	6
Public safety				
Officers	16.5	15.5	17.5	17.5
Dispatchers/Clerks	5	6	7	7
Sheriff's Office	4	4	4	4
Animal Control	1	1	1	1
Building	1	1	2	2
Emergency Management	0	0	0.5	0.5
Fire	1	1	1	1
Public works				
Engineering	1	1	1	1
Streets	16	18	11	12
Refuse Collections	3.5	4.5	4	4.5
General Properties	5	5	4	5
Parks and recreation				
Maintenance	10.5	9	5	5
Other	7	7	6	6
Water operations				
Administration	2	2	2	3
Plant Operations	7	6	6.5	6.5
Maintenance	4	5	7	7
Social Services				
Administrative	5	5	5	5
Eligibility	7	7	7	7
Social Worker	3	3	3	3

1) Source: City of Norton's Finance department

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

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public safety				
Citations issued	2,086	1,973	2,521	2,762
Parking Tickets issued	418	523	387	215
Crime/Arrest/Incident reports filed	747	874	868	866
911 Calls dispatched	4,006	3,848	4,176	5,260
Public Works				
Number of citizen requests for services	1,054	1,026	858	852
Water operations				
Number of service connections	2,241	2,286	2,271	2,279
Number of citizen requests for services	2,387	2,483	2,483	2,349
Average daily plant output in gallons	1.0 Million	1.10 Million	1.084 Million	.870 Million
Maximum daily capacity of plant in gallons	1.44 Million	1.44 Million	1.44 Million	1.44 Million
Wastewater operations				
Number of service connections	2,022	2,040	2,029	2,033

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

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public safety				
Police stations	1	1	1	1
Fire stations	2	2	2	2
Number of patrol units	11	11	11	13
Public works				
Streets (lane miles)	82.73	82.73	82.73	82.73
Streetlights	440	440	440	440
Traffic signals	8	8	8	8
Water operations				
Miles of water main	55.31	55.31	55.31	55.31
Number of fire hydrants	250	250	250	250
Wastewater operations				
Miles of sanitary sewers	41.16	41.16	41.16	41.16
Miles of storm sewers	9.2	9.2	9.2	9.2