



CITY OF NORTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2007

TABLE OF CONTENTS

June 30, 2007

Page #

4 CITY OFFICIALS

5 MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEPENDENT AUDITOR'S REPORTS

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

COMBINED FINANCIAL STATEMENTS

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, 2007

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

June 30, 2007

CITY COUNCIL:

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

Ernest W. Ward, City Manager

CONSTITUTIONAL OFFICERS:

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

SCHOOL BOARD:

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

Dr. Lee Brannon, Superintendent

SOCIAL SERVICES ADVISORY BOARD:

Kenny Boyd
Brenda Johnson
Marty Adkins
Jack Mooney
Roger Sloce

Roger Ramey, Director

CITY LEGAL COUNSEL:

William E. Bradshaw, Attorney at Law



Management Discussion and Analysis

January 15, 2008

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, 2007.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$ 8,090,671 (net assets). Of this amount, \$ 2,885,520 (unrestricted net assets) can be used to meet the City's ongoing obligations.
- At June 30, 2007, the City reported combined ending fund balances of \$ 3,200,882, an increase of \$ 572,703 in comparison with the prior year. Approximately 87 % of this total amount is available for spending at the City Council's discretion. (unreserved fund balance).
- As of June 30, 2007, the General Fund had a total Fund Balance of \$ 2,910,667.
- The total debt outstanding as of June 30, 2007 was \$ 9,408,482, which includes the component units. As of June 30, 2007, the City's Legal Debt Margin was \$ 17,449,965.
- The Water/Sewer Proprietary Fund had a decrease in Net Assets for the year of \$ 27,312.

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, 2007

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Current & other assets	\$ 4,246,516	\$ 379,068	\$ 4,625,584
Capital assets	4,095,690	5,590,552	9,686,242
Other noncurrent assets	52,431	7,135	59,566
Total Assets	<u>\$ 8,394,637</u>	<u>\$ 5,976,755</u>	<u>\$ 14,371,395</u>
Current & other liabilities	\$ 1,404,873	\$ 580,141	\$ 1,985,014
Long-term liabilities	2,113,089	2,182,618	4,295,707
Total Liabilities	<u>\$ 3,517,962</u>	<u>\$ 2,762,759</u>	<u>\$ 6,280,721</u>
Net Assets:			
Invested in Capital assets (Net of related debt)	\$ 1,867,263	\$ 3,337,888	\$ 5,205,151
Restricted	-0-	-0-	-0-
Unrestricted	<u>3,009,412</u>	<u>(123,892)</u>	<u>2,885,520</u>
Total Net Assets	<u>\$ 4,876,675</u>	<u>\$ 3,213,996</u>	<u>\$ 8,090,671</u>

Net assets serve as a useful indicator of a government’s financial position. The City’s combined net assets total \$ 8,090,671, 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 \$ 5,205,151. 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. \$2,885,520 of the Net Assets is unrestricted and may be used to meet the City’s ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities decreased the City’s net assets by \$ 1,312,286. Key elements of this decrease are as follows:

	Governmental Activities Year Ended June 30, 2007
Revenues:	
Program Revenues:	
Charges for Services	\$ 396,692
Operating Grants and Contributions	3,119,462
General Revenues:	
Property Taxes	1,963,597
Other Local Taxes	4,491,191
Other	<u>218,653</u>
Total Revenues	<u>10,189,595</u>
Expenses:	
General Government	991,715
Public Safety	2,505,427
Public Works	3,491,340
Health and Welfare	1,119,205
Education	1,904,743
Parks, Recreation, Culture	468,812
Community Development	944, 522
Interest of Long Term Debt	<u>76,117</u>
Total Expenses	<u>11,501,881</u>
Increase (Decrease) in Net Assets	<u>\$ (1,312,286)</u>

Included in the Total Expenses are non-cash items including depreciation. Under the full accrual method, net assets decreased by (\$ 1,312,286).

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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Local Sales and Use Tax	\$ 1,889,055	\$ 1,722,453	\$ 1,497,058	\$ 1,506,248
Real Property Tax	1,261,403	1,189,998	1,005,915	942,983
Restaurant Food Taxes	848,702	788,336	721,995	694,465
Business License Taxes	813,906	692,083	658,845	775,319
Street & Highway Maintenance	666,209	641,083	620,145	600,150
VDOT	662,349	-0-	-0-	-0-
Personal Property Taxes	452,505	398,429	366,416	402,464

The City’s assessed value of real estate for the year was \$ 180,101,130. The real estate tax rate is \$.70 per \$ 100 of assessed value. For the year, the percent of levy collected was 98.65%

The City’s business type activity is the Water/Sewer Proprietary Fund. During the year this fund had a decrease in net assets of \$ 27,312. In addition, cash and cash equivalents decreased by \$ 91,951 to \$ 133,649.

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	\$ 10,376,976	\$ 11,173,669	\$ 796,723
Total Expenses	11,420,290	<u>10,611,347</u>	\$ 808,943
Excess of Revenues Over Expenses		<u>\$ 562,322</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.

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia, as of and for the year ended June 30, 2007, 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.

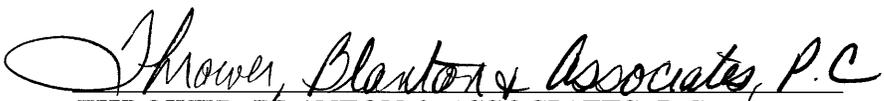
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specifications for Audit of Counties, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2007 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 budgetary comparison information on pages 5 through 7 and 62 through 77, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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



THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

December 21, 2007

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

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

We have audited the financial statements of the City of Norton, Virginia, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit for the year ended June 30, 2007, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the City's financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

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



THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants
December 21, 2007

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

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

Compliance

We have audited the compliance of the City of Norton, Virginia, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. 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, 2007.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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)

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



THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

December 21, 2007

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

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

We have audited the general purpose financial statements of the City of Norton, Virginia (the "City") as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007.

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

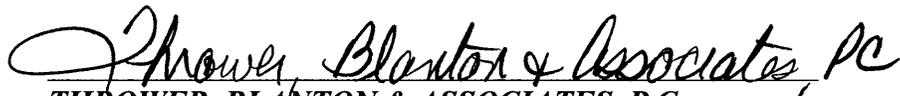
- * Education
- * Highway Maintenance Funds
- * Social Services

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 deposit Child Welfare Trust Funds with sustained balances to an interest bearing account. The agency further did not maintain either a separate account for each child or a detailed subsidiary ledger to identify each child's balance in pooled accounts.

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

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

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


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

December 21, 2007

CITY OF NORTON
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 673,867	\$ 5,790	\$ 679,657	\$ 539,862
Restricted cash	-	127,859	127,859	-
Investments	2,501,005	-	2,501,005	-
Receivable, net	185,284	245,419	430,703	2,772
Note receivable	198,905	-	198,905	-
Prepaid expense	-	-	-	19,586
Due from other governmental units	416,572	-	416,572	145,527
Due from other funds	270,883	-	270,883	-
Due from primary government	-	-	-	544,952
Deferred bond cost	52,431	7,135	59,566	-
Capital assets, non-depreciable	911,480	597,600	1,509,080	1,949,384
Capital assets, depreciable, net	<u>3,184,210</u>	<u>4,992,952</u>	<u>8,177,162</u>	<u>6,400,147</u>
 Total Assets	 <u>8,394,637</u>	 <u>5,976,755</u>	 <u>14,371,392</u>	 <u>9,602,230</u>
LIABILITIES				
Accounts payable and accrued liabilities	222,659	117,027	339,686	50,746
Accrued payroll and related liabilities	64,143	8,702	72,845	547,765
Accrued interest payable	35,872	15,483	51,355	25,966
Deferred revenue	-	-	-	306,964
Deferred bond revenue	69,888	-	69,888	28,976
Customer security deposits	-	127,859	127,859	-
Due to other governmental units	164,875	-	164,875	-
Due to other funds	45,923	224,960	270,883	-
Due to component units	544,952	-	544,952	-
Compensated absences				
Due within one year	93,207	10,602	103,809	35,608
Due in more than one year	48,016	5,462	53,478	10,043
Long-term liabilities				
Due within one year	163,354	75,508	238,862	586,878
Due in more than one year	<u>2,065,073</u>	<u>2,177,156</u>	<u>4,242,229</u>	<u>4,340,513</u>
 Total Liabilities	 <u>3,517,962</u>	 <u>2,762,759</u>	 <u>6,280,721</u>	 <u>5,933,459</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,867,263	3,337,888	5,205,151	3,422,140
Restricted	-	-	-	-
Unrestricted	<u>3,009,412</u>	<u>(123,892)</u>	<u>2,885,520</u>	<u>246,631</u>
 Total Net Assets	 <u>4,876,675</u>	 <u>3,213,996</u>	 <u>8,090,671</u>	 <u>3,668,771</u>
	<u>\$ 8,394,637</u>	<u>\$ 5,976,755</u>	<u>\$ 14,371,392</u>	<u>\$ 9,602,230</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

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	\$ 991,715	\$ -	\$ 248,863	\$ -	\$ (742,852)	\$ -	\$ (742,852)	-	-	-
Public safety	2,505,427	8,145	468,288	-	(2,028,994)	-	(2,028,994)	-	-	-
Public works	3,491,340	363,084	1,333,865	-	(1,794,391)	-	(1,794,391)	-	-	-
Health and welfare	1,119,205	1,044	830,706	-	(287,455)	-	(287,455)	-	-	-
Education	1,904,743	-	-	-	(1,904,743)	-	(1,904,743)	-	-	-
Parks, recreation and cultural	468,812	24,419	5,000	-	(439,393)	-	(439,393)	-	-	-
Community development	944,522	-	232,740	-	(711,782)	-	(711,782)	-	-	-
Interest on long-term debt	76,117	-	-	-	(76,117)	-	(76,117)	-	-	-
Contingencies	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	11,501,881	396,692	3,119,462	-	(7,985,727)	-	(7,985,727)	-	-	(7,985,727)
Business-type activities										
Water and Wastewater	2,232,955	2,073,492	-	130,625	-	(28,838)	(28,838)	-	-	(28,838)
Total Business-Type Activities	2,232,955	2,073,492	-	130,625	-	(28,838)	(28,838)	-	-	(28,838)
TOTAL PRIMARY GOVERNMENT	13,734,836	2,470,184	3,119,462	130,625	(7,985,727)	(28,838)	(8,014,565)	-	-	(8,014,565)
COMPONENT UNITS										
School Board	6,872,878	101,456	5,143,785	-	-	-	-	(1,627,637)	-	-
NIDA	520,857	449,219	36,636	790,058	-	-	-	-	755,056	-
Total Component Units	7,393,735	550,675	5,180,421	790,058	-	-	-	(1,627,637)	755,056	-
General revenues										
Property taxes					1,963,597		1,963,597			
Local sales & use tax					1,889,055		1,889,055			
Utility taxes					213,873		213,873			
Business license taxes					813,906		813,906			
Franchise license taxes					38,342		38,342			
Communication taxes					67,190		67,190			
Motor vehicle licenses					28,995		28,995			
Bank stock taxes					81,000		81,000			
Recordation taxes					40,602		40,602			
Tobacco taxes					45		45			
Hotel and motel room taxes					104,176		104,176			
Restaurant food taxes					848,702		848,702			
Coal road improvement taxes					188,529		188,529			
Emergency telephone services tax					17,009		17,009			
Cigarette tax					41,160		41,160			
Other local taxes					118,607		118,607			
Unrestricted miscellaneous revenue					58,630		58,630		2,600	
Unrestricted investment earnings					137,690	1,526	139,216	232	5,647	
Rental of Town property					-	-	-	-	-	-
Gain on sale of capital assets					22,333	-	22,333	-	-	-
Recovered cost					-	-	-	-	-	-
Transfers-Primary Government					-	-	-	-	-	-
Transfers-Component Units					-	-	-	-	-	-
Total general revenues and transfers					6,673,441	1,526	6,674,967	1,901,619	635,339	-
Change in net assets					(1,312,286)	(27,312)	(1,339,598)	273,982	1,390,395	-
NET ASSETS - JULY 1					6,188,961	3,241,308	9,430,269	126,116	1,878,278	-
NET ASSETS - JUNE 30					\$ 4,876,675	\$ 3,213,996	\$ 8,090,671	\$ 400,098	\$ 3,268,673	-

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

**CITY OF NORTON
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2007**

	General	Special Revenue	Total
ASSETS			
Cash and cash equivalents	\$ 542,140	\$ 131,727	\$ 673,867
Investments	2,501,005	-	2,501,005
Taxes receivable	13,665	-	13,665
Accounts receivable	171,619	-	171,619
Notes receivable	-	198,905	198,905
Due from other funds	405,071	1,586	406,657
Due from primary government	-	-	-
Due from other governmental units	322,153	94,419	416,572
Total Assets	\$ 3,955,653	\$ 426,637	\$ 4,382,290
 LIABILITIES			
Accounts payable and accrued liabilities	\$ 201,024	\$ 21,635	\$ 222,659
Accrued payroll and related liabilities	53,792	10,351	64,143
Deferred revenue	3,082	-	3,082
Due to other funds	47,509	104,436	151,945
Due to component units	574,704	-	574,704
Due to other governmental units	164,875	-	164,875
Total Liabilities	1,044,986	136,422	1,181,408
 FUND BALANCES			
Reserved For:			
Encumbrances	442,895	-	442,895
Unreserved:			
Undesignated	2,467,772	290,215	2,757,987
Total Fund Balances	2,910,667	290,215	3,200,882
Total Liabilities and Fund Balances	\$ 3,955,653	\$ 426,637	\$ 4,382,290
Total Fund Balances			\$ 3,200,882
 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			4,095,690
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds			52,431
Other liabilities are not required to be paid out of current financial resources and therefore are not reported in the governmental funds			(243,901)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			(2,228,427)
Net Assets of Governmental Activities			\$ 4,876,675

CITY OF NORTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES:			
General property taxes	\$ 1,974,554	\$ -	\$ 1,974,554
Other local taxes	4,372,584	-	4,372,584
Permits, privilege fees and regulatory licenses	5,026	-	5,026
Fines and forfeitures	113,581	-	113,581
Revenue from use of money & property	131,212	6,478	137,690
Charges for services	395,648	1,044	396,692
Miscellaneous	58,630	-	58,630
Recovered costs	15,510	-	15,510
Intergovernmental	2,288,756	830,706	3,119,462
Total Revenues	<u>9,355,501</u>	<u>838,228</u>	<u>10,193,729</u>
EXPENDITURES:			
Current:			
General government administration	1,009,235	-	1,009,235
Judicial administration	380,049	-	380,049
Public safety	2,101,934	-	2,101,934
Public works	3,266,850	-	3,266,850
Health and welfare	108,678	1,042,877	1,151,555
Education and transfer to school	1,904,743	-	1,904,743
Parks, recreation and cultural	465,087	-	465,087
Community development	938,486	-	938,486
Miscellaneous	-	-	-
Debt service:			
Principal retirement	118,738	-	118,738
Interest	102,547	-	102,547
Total Expenditures	<u>10,396,347</u>	<u>1,042,877</u>	<u>11,439,224</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,040,846)</u>	<u>(204,649)</u>	<u>(1,245,495)</u>
OTHER FINANCING SOURCES (USES):			
Sale of surplus	7,809	-	7,809
Loan proceeds	1,803,566	-	1,803,566
Insurance recoveries	6,823	-	6,823
Operating transfers in	-	215,000	215,000
Operating transfers out	(215,000)	-	(215,000)
Total Other Financing Sources (Uses)	<u>1,603,198</u>	<u>215,000</u>	<u>1,818,198</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	562,352	10,351	572,703
FUND BALANCE AT BEGINNING OF YEAR	<u>2,348,315</u>	<u>279,864</u>	<u>2,628,179</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,910,667</u>	<u>\$ 290,215</u>	<u>\$ 3,200,882</u>

CITY OF NORTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

Net Change in Fund Balance Governmental Fund:	\$ 572,703
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.	(136,902)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,814,523)
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	118,738
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>(52,302)</u>
Change in Net Assets of Governmental Activities	<u>\$(1,312,286)</u>

CITY OF NORTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-Type Activities
	Proprietary Funds
	Water & Sewer Operation
ASSETS	
Cash and cash equivalents	\$ 5,790
Restricted cash	127,859
Investments	-
Receivable, net	245,419
Prepaid expense	-
Due from other governmental units	-
Deferred bond expense	7,135
Land	588,600
Construction in progress	9,000
Capital assets, net	<u>4,992,952</u>
 Total Assets	 <u>5,976,755</u>
 LIABILITIES	
Accounts payable and accrued liabilities	117,027
Accrued payroll and related liabilities	8,702
Accrued interest payable	15,483
Deferred revenue	-
Customer security deposits	127,859
Due to other governmental units	-
Due to other funds	224,960
Compensated absences	16,064
Long-term liabilities	
Due within one year	75,508
Due in more than one year	<u>2,177,156</u>
 Total Liabilities	 <u>2,762,759</u>
 NET ASSETS	
Invested in capital assets, net of related debt	3,337,888
Restricted	-
Unrestricted	<u>(123,892)</u>
 Total Net Assets	 <u>3,213,996</u>
	 <u>\$ 5,976,755</u>

CITY OF NORTON
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	PROPRIETARY FUNDS
	Water & Sewer Operation
OPERATING REVENUES:	
Charges For Services:	
Water:	
Local	\$ 711,728
Non-local	272,631
Total Water	984,359
Sewer:	
Local	771,075
Non-local	216,733
Total Sewer	987,808
Total Charges for Services	1,972,167
Miscellaneous:	
Rent	-
Installations and tap fees	2,325
Penalties	43,091
Other	55,909
Total Miscellaneous	101,325
Total Operating Revenues	2,073,492
OPERATING EXPENSES:	
Personal services	430,769
Fringe benefits	199,988
Contractual services	806,724
Other charges	365,698
Rent	6,000
Depreciation	250,077
Bad debt	6,000
Purchase of water	67,610
Amortization	332
Total Operating Expenses	2,133,198
Operating Income (Loss)	(59,706)
NON-OPERATING REVENUES (EXPENSES):	
Grant income	130,625
Interfund transfers	-
Interest income	1,526
Interest expense	(99,757)
Total Non-Operating Revenues (Expenses)	32,394
CHANGE IN NET ASSETS	(27,312)
NET ASSETS - JULY 1, 2006	3,241,308
NET ASSETS - JUNE 30, 2007	\$ 3,213,996

CITY OF NORTON
STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUNDS
Year Ended June 30, 2007

	PROPRIETARY FUNDS	COMPONENT UNIT
	Water & Sewer Operation	Norton Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,104,971	\$ 440,936
Cash payments to suppliers for goods and services	(1,408,276)	(121,116)
Cash payments to employees for services	(429,450)	-
Net Cash provided by (used in) Operating activities	267,245	319,820
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in customer deposits	4,797	-
(Increase) decrease in due from other funds/governments	(34,932)	-
Contribution - City of Norton	-	629,692
Donation-Commonwealth-Norton Partners, L.P.	-	-
Payment of Rent Deposits	-	-
Increase (decrease) in due to other funds	74,514	-
Net Cash Provided by Non-Capital Financing Activities	44,379	629,692
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction in progress	(9,000)	-
Acquisition of capital assets	(353,319)	(18,174)
Proceeds from issuance of debt	-	-
Contributed Capital-Grant Revenue	130,625	-
Principal paid	(77,466)	(472,065)
Interest paid	(95,941)	(187,392)
Net Cash provided by (used in) capital and related financing activities	(405,101)	(677,631)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	1,526	5,459
Net cash provided by (used in) investing activities	1,526	5,459
Net Increase (Decrease) in Cash and Cash Equivalents	(91,951)	277,340
Cash and Cash Equivalents at Beginning of Year	225,600	202,513
Cash and Cash Equivalents at June 30, 2007		
Unrestricted	\$ 5,790	479,853
Restricted	127,859	-
Cash and Cash Equivalents at End of Year	\$ 133,649	\$ 479,853
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (59,706)	\$ 152,779
Adjustments		
Depreciation and amortization	250,409	207,372
Provision for uncollectibles	6,000	-
Changes in assets and liabilities:		
(Increase) decrease in prepaid expense	-	(292)
(Increase) decrease in accounts receivable	31,479	-
Increase (decrease) in accounts payable	37,744	4,881
Increase (decrease) in accrued liabilities	448	-
Increase (decrease) in compensating absences	871	-
Increase (decrease) in deferred rent	-	(44,920)
Total adjustments	326,951	167,041
Net Cash Provided by Non-Capital Financing Activities	\$ 267,245	\$ 319,820

**CITY OF NORTON
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007**

	<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, 2007</u>
<u>ASSETS</u>					
Cash	\$ 91,935	\$ 31,434	\$ 6,389	\$ 1,969	\$ 131,727
Receivables (Net of Any Allowance For Uncollectibles):					
Accounts	-	-	-	-	-
Note receivable	198,905	-	-	-	198,905
Prepaid items	-	-	-	-	-
Due from other funds	-	1,586	-	-	1,586
Due from other governmental units:					
Commonwealth of Virginia	-	94,419	-	-	94,419
TOTAL ASSETS	<u>\$ 290,840</u>	<u>\$ 127,439</u>	<u>\$ 6,389</u>	<u>\$ 1,969</u>	<u>\$ 426,637</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ 21,635	\$ -	\$ -	\$ 21,635
Accrued liabilities	-	10,351	-	-	10,351
Due to other funds	-	104,436	-	-	104,436
Total Liabilities	<u>-</u>	<u>136,422</u>	<u>-</u>	<u>-</u>	<u>136,422</u>
FUND BALANCES:					
Reserved For:					
Encumbrances	-	-	-	-	-
Unreserved:					
Designated for subsequent year's expenditures	-	-	-	-	-
Undesignated	290,840	(8,983)	6,389	1,969	290,215
Total Fund Balances	<u>290,840</u>	<u>(8,983)</u>	<u>6,389</u>	<u>1,969</u>	<u>290,215</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 290,840</u>	<u>\$ 127,439</u>	<u>\$ 6,389</u>	<u>\$ 1,969</u>	<u>\$ 426,637</u>

CITY OF NORTON
AGENCY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year Ended June 30, 2007

	<u>Special Welfare Fund</u>
<u>ASSETS</u>	
Cash	\$ <u>9,697</u>
<u>NET ASSETS</u>	
Amounts held for social service clients	\$ <u>9,697</u>

CITY OF NORTON
AGENCY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2007

	<u>Special Welfare Fund</u>
Additions	
Client receipts	\$ 8,913
Total additions	<u>8,913</u>
Deductions	
Payments for clients	<u>7,309</u>
Total deductions	<u>7,309</u>
Change in net assets	1,604
Net assets - beginning of year	<u>8,093</u>
Net assets - end of year	<u>\$ 9,697</u>

CITY OF NORTON
STATEMENT OF NET ASSETS - COMPONENT UNITS
JUNE 30, 2007

	Norton City Schools	Norton Industrial Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 60,009	\$ 479,853	\$ 539,862
Restricted cash	-	-	-
Investments	-	-	-
Receivable, net	1,373	1,399	2,772
Prepaid expense	-	19,586	19,586
Due from primary government	544,952	-	544,952
Due from other governmental units	145,527	-	145,527
Deferred bond expense	-	-	-
Capital assets, non-depreciable	78,401	1,870,983	1,949,384
Capital assets, depreciable, net	<u>1,220,746</u>	<u>5,179,401</u>	<u>6,400,147</u>
 Total Assets	 <u>2,051,008</u>	 <u>7,551,222</u>	 <u>9,602,230</u>
 LIABILITIES			
Accounts payable and accrued liabilities	32,333	18,413	50,746
Accrued payroll and related liabilities	547,765	-	547,765
Accrued interest payable	12,151	13,815	25,966
Deferred revenue	-	306,964	306,964
Deferred Bond revenue	28,976	-	28,976
Customer security deposits	-	-	-
Due to other governmental units	-	-	-
Due to other funds	-	-	-
Compensated absences			
Due within one year	35,608	-	35,608
Due in more than one year	10,043	-	10,043
Long-term liabilities			
Due within one year	142,525	444,353	586,878
Due in more than one year	<u>841,509</u>	<u>3,499,004</u>	<u>4,340,513</u>
 Total Liabilities	 <u>1,650,910</u>	 <u>4,282,549</u>	 <u>5,933,459</u>
 NET ASSETS			
Invested in capital assets, net of related debt	315,113	3,107,027	3,422,140
Restricted	-	-	-
Unrestricted	<u>84,985</u>	<u>161,646</u>	<u>246,631</u>
 Total Net Assets	 <u>400,098</u>	 <u>3,268,673</u>	 <u>3,668,771</u>
 Total Liabilities and Net Assets	 <u>\$ 2,051,008</u>	 <u>\$ 7,551,222</u>	 <u>\$ 9,602,230</u>

CITY OF NORTON
STATEMENT OF ACTIVITIES - COMPONENT UNITS
 Year Ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Norton City Schools	Industrial Development Authority	GRAND TOTAL
Functions/Programs Governmental Activities						
Norton City Schools Education	\$ 6,872,878	\$ 101,456	\$ 5,143,785	\$ -	\$ (1,627,637)	\$ -
	<u>520,857</u>	<u>449,219</u>	<u>36,636</u>	<u>-</u>	<u>755,056</u>	<u>755,056</u>
	<u>7,393,735</u>	<u>550,675</u>	<u>5,180,421</u>	<u>(1,627,637)</u>	<u>755,056</u>	<u>(872,581)</u>
Business-type activities						
Norton Industrial Development Authority Economic Development			790,058			
Total component units			790,058			
General revenues						
City of Norton				1,898,787	629,692	2,528,479
Unrestricted investment earnings				232	5,647	5,879
Miscellaneous revenues				2,600	-	2,600
Unrestricted investment earnings				-	-	-
Rental of Town property				-	-	-
Gain on sale of capital assets				-	-	-
Transfers				-	-	-
Total general revenues and transfers				<u>1,901,619</u>	<u>635,339</u>	<u>2,536,958</u>
Change in net assets				273,982	1,390,395	1,664,377
NET ASSETS - JULY 1, 2006				<u>126,116</u>	<u>1,878,278</u>	<u>2,004,394</u>
NET ASSETS - JUNE 30, 2007				<u>\$ 400,098</u>	<u>\$ 3,268,673</u>	<u>\$ 3,668,771</u>

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

June 30, 2007

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 anticipates completing 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, 2007

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, 2007

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, 2007.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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
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 \$161,718 at June 30, 2007, and is composed of the following:

General Fund:

Allowance for uncollectible property taxes	\$ 50,048	
Allowance for uncollectible garbage fees	<u>11,432</u>	
Total General Fund		\$ 61,480

Water and Sewer Fund:

Allowance for uncollectible water and sewer fee billings	<u>100,238</u>	
Total Water and Sewer Fund		<u>100,238</u>

Total Allowance for Uncollectible Accounts		<u>\$161,718</u>
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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.

NOTES TO FINANCIAL STATEMENTS

 June 30, 2007

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.

InvestmentsInvestment 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, 74% 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:

LGIP	74%
Bank of America	18%
Powell Valley National	7%

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	806,566	60,009	479,853
Investments	2,501,005	-	-
	<u>\$ 3,308,521</u>	<u>\$ 60,009</u>	<u>\$ 479,853</u>
Statement of net assets:			
Cash and cash equivalents	\$ 679,657	\$ 60,009	\$ 479,853
Investments	2,501,005	-	-
Restricted cash and cash equivalents	127,859	-	-
	<u>\$ 3,308,521</u>	<u>\$ 60,009</u>	<u>\$ 479,853</u>

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

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

	<u>Primary Government</u>	<u>Component Unit - School Board</u>	<u>Total</u>
Commonwealth of Virginia:			
Local sales tax	\$151,767	\$ -0-	\$ 151,767
Grant monies	70,393	-0-	70,393
Personal Property Tax Relief	-0-	-0-	-0-
State Board of Elections	-0-	-0-	-0-
Street and highway maintenance	-0-	-0-	-0-
Shared expenses	23,646	-0-	23,646
School funds	-0-	145,527	145,527
Welfare funds	<u>94,419</u>	<u>-0-</u>	<u>94,419</u>
Total Commonwealth of Virginia	<u>340,225</u>	<u>145,527</u>	<u>485,752</u>
Wise County:			
Coal haul road taxes	45,116	-0-	45,116
Court fines/transfer fees	<u>14,135</u>	<u>-0-</u>	<u>14,135</u>
Total Wise County	<u>59,251</u>	<u>-0-</u>	<u>59,251</u>
Norton Industrial Development Authority	<u>17,096</u>	<u>-0-</u>	<u>17,096</u>
Total Due From Other Governmental Units	<u>\$416,572</u>	<u>\$145,527</u>	<u>\$ 562,099</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

6. INTERFUND OBLIGATIONS

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	\$ 29,752	\$ 574,704	\$ -0-	\$ -0-
Virginia Public Assistance Fund	104,436	1,586	-0-	-0-
Water and Sewer Fund	<u>270,883</u>	<u>45,923</u>	<u>-0-</u>	<u>-0-</u>
Total General Fund	<u>405,071</u>	<u>622,213</u>	<u>-0-</u>	<u>-0-</u>
School Operating Fund:				
General Fund	-0-	-0-	574,704	29,752
Cafeteria Fund	-0-	-0-	3,958	-0-
Health Insurance Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total School Operating Fund	<u>-0-</u>	<u>-0-</u>	<u>578,662</u>	<u>29,752</u>
School Cafeteria Fund:				
School Operating Fund	-0-	-0-	-0-	3,958
Health Insurance Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total School Cafeteria Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,958</u>
School Health Insurance Fund				
School Operating Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Health Insurance Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Virginia Public Assistance Fund:				
General Fund	<u>1,586</u>	<u>104,436</u>	<u>-0-</u>	<u>-0-</u>
Water and Sewer Fund:				
General Fund	<u>45,923</u>	<u>270,883</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$452,580</u>	<u>\$ 997,532</u>	<u>\$ 578,662</u>	<u>\$ 33,710</u>

7. CHANGES IN CAPITAL ASSETS

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

	Balance			Balance
	July 1, 2006	Additions	Deletions	June 30, 2007
PRIMARY GOVERNMENT				
Buildings	\$ 1,964,951	\$ -0-	\$ -0-	\$ 1,964,951
Improvements other than buildings	9,251,194	-0-	-0-	9,251,194
Equipment	2,433,663	128,811	(109,033)	2,453,441
Equipment special revenue	<u>82,761</u>	<u>20,895</u>	<u>-0-</u>	<u>103,656</u>
Total Capital Assets, Depreciable	<u>13,732,569</u>	<u>149,706</u>	<u>(109,033)</u>	<u>13,773,242</u>
Less Accumulated Depreciation For:				
Buildings	1,175,428	27,393	-0-	1,202,821
Improvements other than buildings	7,546,067	113,828	-0-	7,659,895
Equipment	1,614,703	178,737	(135,613)	1,657,827
Equipment special revenue	<u>60,709</u>	<u>7,780</u>	<u>-0-</u>	<u>68,489</u>
Total accumulated depreciation	<u>10,396,907</u>	<u>327,738</u>	<u>(135,613)</u>	<u>10,589,032</u>
Total Capital Assets, depreciable net	<u>\$ 3,335,662</u>	<u>\$ (178,032)</u>	<u>\$ 26,580</u>	<u>\$ 3,184,210</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

7. CHANGES IN CAPITAL ASSETS (Continued)

<u>PRIMARY GOVERNMENT</u>	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
<u>OTHER COST:</u>				
Bond Issue Cost	\$ 3,125	\$ 52,954	\$ -0-	\$ 56,079
Less: Accumulated Amortization	<u>(688)</u>	<u>(2,960)</u>	<u>-0-</u>	<u>(3,648)</u>
Net Bond Issue Cost	<u>\$ 2,437</u>	<u>\$ 49,994</u>	<u>\$ -0-</u>	<u>\$ 52,431</u>
<u>Component Unit – School Board</u>	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
Buildings	\$3,396,423	\$ -0-	\$ -0-	\$ 3,396,423
Improvements other than buildings	226,220	-0-	-0-	226,220
Equipment	<u>1,979,101</u>	<u>-0-</u>	<u>(499,393)</u>	<u>1,479,708</u>
Total Capital Assets, depreciable	<u>5,601,744</u>	<u>-0-</u>	<u>(499,393)</u>	<u>5,102,351</u>
<u>Less Accumulated Depreciation For:</u>				
Buildings	2,231,462	45,305	-0-	2,276,767
Improvements other than buildings	181,733	520	-0-	182,253
Equipment	<u>1,887,486</u>	<u>34,492</u>	<u>(499,393)</u>	<u>1,422,585</u>
Total accumulated depreciation	<u>4,300,681</u>	<u>80,318</u>	<u>(499,393)</u>	<u>3,881,605</u>
Total Capital Assets, depreciable, net	<u>\$1,301,063</u>	<u>\$(80,318)</u>	<u>\$(-0-)</u>	<u>\$ 1,220,746</u>
<u>Component Unit - NIDA</u>				
Buildings	\$6,266,518	\$ -0-	\$ -0-	\$ 6,266,518
Equipment	18,750	349,054	-0-	367,804
Less: Accumulated depreciation	<u>(1,252,696)</u>	<u>(202,225)</u>	<u>-0-</u>	<u>(1,454,921)</u>
Total Capital Assets, depreciable, net	<u>\$ 5,032,573</u>	<u>\$ 292,839</u>	<u>\$ -0-</u>	<u>\$ 5,179,401</u>
<u>Business Type Activities</u>	Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2006</u>
Buildings	\$ 256,454	\$ -0-	\$ -0-	\$ 256,454
Improvements other than buildings	7,824,820	344,081	-0-	8,168,901
Equipment	<u>797,983</u>	<u>9,238</u>	<u>-0-</u>	<u>807,221</u>
Total Capital Assets, depreciable	<u>8,879,257</u>	<u>353,319</u>	<u>(-0-)</u>	<u>9,232,576</u>
<u>Less Accumulated Depreciation For:</u>				
Buildings	246,197	685	-0-	246,882
Improvements other than buildings	3,166,163	222,970	-0-	3,389,133
Equipment	<u>577,187</u>	<u>26,422</u>	<u>-0-</u>	<u>603,609</u>
Total accumulated depreciation	<u>3,989,547</u>	<u>250,077</u>	<u>(-0-)</u>	<u>4,239,624</u>
Total Capital Assets, depreciable, net	<u>\$4,889,710</u>	<u>\$ 103,242</u>	<u>\$(-0-)</u>	<u>\$ 4,992,952</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>
Land	\$ 896,930	\$ 14,550	\$ -0-	\$ 911,480
Total Capital Assets, non-depreciable	\$ 896,930	\$ 14,550	\$(- -0-)	\$ 911,480
<u>Component Unit – School Board</u>	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</u>
Land	\$ 65,901	\$ -0-	\$ -0-	\$ 65,901
Constructions in Progress	-0-	12,500	-0-	12,500
Total Capital Assets, non-depreciable	\$ 65,901	\$ 12,500	\$ -0-	\$ 78,401
<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, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</u>
Land	\$ 588,600	\$ -0-	\$ -0-	\$ 588,600
Construction in Progress	-0-	9,000	-0-	9,000
Total Capital Assets, non-depreciable	\$ 588,600	\$ 9,000	\$(- -0-)	\$ 597,600

8. **LONG-TERM DEBT**

Year(s) Ending June 30,	<u>GOVERNMENTAL ACTIVITIES</u> <u>GENERAL OBLIGATION BONDS</u>				<u>BUSINESS TYPE ACTIVITIES</u> <u>GENERAL OBLIGATION BONDS</u>				<u>REVENUE BONDS</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Water Improvement Bond</u> <u>Principal</u>	<u>Interest</u>	<u>Water Facilities Bond</u> <u>Principal</u>	<u>Interest</u>	<u>Sewer Improvement Bond</u> <u>Principal</u>	<u>Interest</u>
2008	\$ 55,000	\$ 78,996	\$ 51,002	\$ 14,958	\$ 23,998	\$ 49,042	\$ 11,350	\$ 43,129	\$ 37,000	\$ -0-
2009	60,000	78,362	53,235	12,724	26,764	49,092	11,992	42,487	37,000	-0-
2010	60,000	76,262	55,567	10,392	29,433	48,409	12,482	41,997	37,000	-0-
2011	65,000	73,262	58,000	7,959	26,999	47,058	13,035	41,444	37,000	-0-
Thereafter	<u>1,490,000</u>	<u>695,302</u>	<u>123,731</u>	<u>8,185</u>	<u>966,271</u>	<u>471,500</u>	<u>912,813</u>	<u>791,313</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$1,730,000</u>	<u>\$1,002,184</u>	<u>\$341,535</u>	<u>\$ 54,218</u>	<u>\$1,073,465</u>	<u>\$665,101</u>	<u>\$961,672</u>	<u>\$960,370</u>	<u>\$148,000</u>	<u>\$ -0-</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

8. LONG-TERM DEBT (Continued)

	Balance <u>07-01-06</u>	Additions/ <u>Proceeds</u>	Payments/ <u>Reductions</u>	Balance <u>06-30-07</u>
Business-Type Activities:				
General obligation bonds	\$2,072,444	\$ -0-	\$(37,307)	\$2,035,137
Deferred gain of refunding	72,688	-0-	(3,160)	69,528
Revenue bonds	184,999	-0-	(37,000)	147,999
Accrued vacation	<u>14,113</u>	<u>23,924</u>	<u>(23,114)</u>	<u>14,923</u>
	<u>2,344,244</u>	<u>23,924</u>	<u>(100,581)</u>	<u>2,267,587</u>
Governmental Activities:				
General obligation bonds	390,397	1,730,000	(48,862)	2,071,535
Capital lease	135,962	90,806	(69,876)	156,892
Accrued vacation	<u>142,404</u>	<u>137,063</u>	<u>(148,279)</u>	<u>131,188</u>
	<u>668,763</u>	<u>1,957,869</u>	<u>(267,017)</u>	<u>2,359,615</u>
Totals	<u>\$3,013,007</u>	<u>\$1,981,793</u>	<u>\$(367,598)</u>	<u>\$4,627,202</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, 2007:

	<u>Compensated Absences</u>	
	<u>Governmental Fund Types</u>	<u>Propriety Fund Types</u>
Payable at June 30, 2006	\$142,404	\$14,113
Additions	137,063	23,924
Reductions	<u>(148,279)</u>	<u>(23,114)</u>
Payable at June 30, 2007	<u>\$131,188</u>	<u>\$14,923</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

8. LONG-TERM DEBT (Continued)

	<u>Amount Outstanding</u>	
	<u>Government Activities</u>	<u>Propriety Fund Types</u>
<u>Details of Long-Term Indebtedness:</u>		
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.	\$ 341,535	\$1,073,465
\$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.	1,730,000	-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-	147,999
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.	<u>-0-</u>	<u>961,672</u>
Total Long-Term Debt	<u>\$2,071,535</u>	<u>\$2,183,136</u>

CITY OF NORTON, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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
2008	\$ 30,000	\$ 5,400	\$ 40,000	\$ 21,285	\$ 28,420	\$ 1,937	\$ 31,451	\$ 15,349	\$ 12,654	\$ -0-
2009	30,000	3,240	45,000	19,118	20,000	1,200	32,278	13,724	11,354	-0-
2010	30,000	1,080	45,000	16,823	20,000	800	33,144	12,056	6,720	-0-
2011	-0-	-0-	45,000	14,978	20,000	400	34,058	10,342	1,200	-0-
Thereafter	-0-	-0-	280,000	36,975	-0-	-0-	185,755	24,243	2,000	-0-
Totals	\$ 90,000	\$ 9,720	\$ 455,000	\$ 109,179	\$ 88,420	\$ 4,337	\$ 316,686	\$ 75,714	\$ 33,928	\$ -0-

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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, 2007:

	GENERAL OBLIGATION				
	General Obligation <u>Bonds</u>	Literary <u>Fund Loans</u>	Retirement <u>Payable</u>	VPSA <u>Payable</u>	<u>Totals</u>
Bonds/loans payable at June 30, 2006	\$615,000	\$121,043	\$ 53,018	\$347,353	\$1,136,414
Issuances	-0-	-0-	-0-	-0-	-0-
Retirements	(70,000)	(32,623)	(19,090)	(30,667)	(152,380)
Bonds/loans payable at June 30, 2007	<u>\$545,000</u>	<u>\$ 88,420</u>	<u>\$ 33,928</u>	<u>\$316,686</u>	<u>\$ 984,034</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, 2007:

	<u>Compensated Absences Component Unit - School Board</u>
Payable at June 30, 2006	\$ 44,252
Additions	32,423
Reductions	(34,268)
Payable at June 30, 2007	<u>\$ 42,407</u>

Details of Long-Term Indebtedness:

	<u>Amount Outstanding</u>
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

\$ 90,000

\$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	<u>455,000</u> <u>545,000</u>
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CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

8. LONG-TERM DEBT (Continued)

State Literary Fund Loans:

\$153,400 State Literary Fund Loan dated October 15, 1987 (issued on October 09, 1987); only interest payable on October 15, 1987; first annual installment of \$1,400 due October 15, 1988, remaining 19 annual installments of \$8,000 due October 15, 1989 through October 15, 2007; interest payable annually at 4%

8,000

\$8,400 State Literary Fund Loan dated October 15, 1987 (issued on October 09, 1987); only interest payable on October 15, 1987; 20 annual installments of \$420 due October 15, 1988 through October 15, 2007; interest payable annually at 4%

420

\$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%

80,000

Total State Literary Fund Loans

88,420

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

33,928

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%

316,686

TOTAL GENERAL LONG-TERM BONDS/LOANS

\$ 984,034

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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		Virginia Coalfield Economic Development Authority		City of Norton	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 78,308	\$ 11,968	\$ 5,090	\$ -0-	\$ 27,574	\$ 1,989
2009	82,676	7,601	-0-	-0-	27,850	1,713
2010	75,922	2,992	-0-	-0-	28,128	1,435
Thereafter	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>115,353</u>	<u>2,898</u>
Totals	<u>\$236,906</u>	<u>\$ 22,561</u>	<u>\$ 5,090</u>	<u>\$ -0-</u>	<u>\$198,905</u>	<u>\$ 8,035</u>

Year(s) Ending June 30,	Powell Valley National Bank		TOTALS	
	Principal	Interest	Principal	Interest
2007	\$ 333,381	\$ 154,635	\$ 444,353	\$ 168,592
2008	349,276	138,741	459,802	148,055
2009	365,486	122,530	469,536	126,957
Thereafter	<u>2,454,313</u>	<u>350,394</u>	<u>2,569,666</u>	<u>353,292</u>
Totals	<u>\$3,502,456</u>	<u>\$ 766,300</u>	<u>\$3,943,357</u>	<u>\$ 796,896</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, 2007:

	VA Coalfield Economic Development Authority	City of Norton	Goad Property
Mortgage loans payable at June 30, 2006	\$799,267	\$226,206	\$311,079
Borrowings	-0-	-0-	-0-
Retirements	(799,267)	(27,301)	(74,174)
Mortgage loans payable at June 30, 2007	<u>\$ -0-</u>	<u>\$198,905</u>	<u>\$236,905</u>

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

8. LONG-TERM DEBT (Continued)

	VA Coalfield Economic Development <u>Authority</u>	Powell Valley National <u>Bank</u>	Powell Valley National <u>Bank</u>	<u>Totals</u>
Mortgage loans payable at June 30, 2006	\$ 35,634	\$3,777,996	\$ 50,000	\$5,200,182
Borrowings	-0-	-0-	-0-	-0-
Retirements	<u>(30,544)</u>	<u>(275,540)</u>	<u>(50,000)</u>	<u>(1,256,826)</u>
Mortgage loans payable at June 30, 2007	<u>\$ 5,090</u>	<u>\$3,502,456</u>	<u>\$ -0-</u>	<u>\$ 3,943,356</u>

Details of Long-Term Indebtedness:

Principal Balance
at June 30, 2007

Mortgage Loans Payable:

Virginia Coalfield Economic Development Authority (VCEDA) - \$427,614 mortgage loan dated September 21, 1992 secured by a second deed of trust on real estate (located in the City of Norton, Virginia) known as the AT & T Dual Party Relay Service Center. The terms of the loan agreement, repayment of the loan occurs of a term of fifteen (15) years with interest at zero (0) percent annually. One hundred sixty-eight (168) monthly payments of \$2,545.32 will begin on September 15, 1993, and will continue through August 15, 2007

5,090

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

3,502,456

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

198,905

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.

236,905

Total Mortgage Loans Payable at June 30, 2006

\$ 3,943,356

June 30, 2007

9. CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES

PRIMARY GOVERNMENT

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

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, 2007, the City had outstanding accrued vacation, sick and personal leave of \$131,188 in the Governmental Activities and outstanding accrued vacation leave of \$14,923 in the Water and Sewer Fund. The City had outstanding accrued payroll taxes of \$10,036 in the Governmental Activities and \$1,142 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, 2007, the School Board had outstanding accrued vacation, sick and personal leave of \$42,407 and \$3,244 of accrued payroll taxes related to the accrued leave.

June 30, 2007

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. 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.

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/2006annurept.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 2007 was 6.97% of annual covered payroll. In addition, professional and non-professional employees of the City of Norton School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the Agent multiple-employer retirement system.

The required contribution for the year ended June 30, 2007 for the professional employees of the City of Norton Schools was \$494,080. 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>
2007	\$494,080	100%
2006	394,322	100
2005	350,232	100

The required contribution for the year ended June 30, 2007 for the non-professional employees of the City of Norton Schools was \$9,821. 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>
2007	\$ 9,821	100.0%
2006	9,765	100.0
2005	9,943	100.0

CITY OF NORTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. Annual Pension Cost

For the fiscal year 2007, the City of Norton's annual pension cost of \$352,336 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (b) projected salary increases ranging from 3.75% to 6.20% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

PRIMARY GOVERNMENT

Three Year Trend Information for the City of Norton, Virginia

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2007	\$352,336	100%	\$ -0-
June 30, 2006	159,167	100	-0-
June 30, 2005	146,428	100	-0-

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the City of Norton, Virginia

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u>
June 30, 2006	\$9,381,422	\$10,112,738	\$ 731,316	92.8%	\$2,654,953	27.6%
June 30, 2005	8,912,400	9,674,402	(762,002)	92.1	2,491,916	30.6
June 30, 2004	8,731,267	8,314,286	(416,981)	105.0	2,419,222	(17.2)

COMPONENT UNIT - SCHOOL BOARD

Schedule of Funding Progress for the Norton City Schools

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u>
June 30, 2006	\$1,530,735	\$1,118,901	\$(411,834)	136.8%	\$195,635	(210.5)%
June 30, 2005	1,473,804	1,252,591	(221,213)	117.7	206,289	(107.2)
June 30, 2004	1,466,307	1,075,947	(390,360)	136.3	197,157	(197.9)

 June 30, 2007

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 \$3,082 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,082 at June 30, 2007.

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, 2007

14. LEASE OBLIGATION

The City of Norton has four capital leases outstanding at June 30, 2007.

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, 2008	\$17,465
June 30, 2009	18,319
June 30, 2010	19,215
June 30, 2011	20,156
Thereafter	-0-
Total	<u>\$ 75,155</u>

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

June 30, 2008	\$ 12,578
June 30, 2009	13,205
June 30, 2010	-0-
June 30, 2011	-0-
Thereafter	-0-
Total	<u>\$ 25,783</u>

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

June 30, 2008	\$ 27,339
June 30, 2009	28,616
June 30, 2010	-0-
June 30, 2011	-0-
Thereafter	-0-
Total	<u>\$ 55,955</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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, 2007 outstanding encumbrances of governmental fund types are listed below:

PRIMARY GOVERNMENT

	<u>Amount</u>
General Fund	<u>\$442,895</u>

COMPONENT UNIT - SCHOOL BOARD

	<u>Amount</u>
School Operating Fund	<u>\$ 78,773</u>

16. **RISK MANAGEMENT**

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

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2007

	<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	\$ 1,188,743	\$ 1,188,743	\$ 1,261,403	\$ 72,660
Real and personal public service corporation property taxes	220,000	220,000	189,074	(30,926)
Personal property taxes	406,622	406,622	425,505	18,883
Machinery and tools taxes	63,000	63,000	70,099	7,099
Penalties and interest	29,500	29,500	28,473	(1,027)
Total General Property Taxes	<u>1,907,865</u>	<u>1,907,865</u>	<u>1,974,554</u>	<u>66,689</u>
Other Local Taxes:				
Local sales and use taxes	1,871,322	1,871,322	1,889,055	17,733
Utility taxes	260,000	260,000	213,873	(46,127)
Business license taxes	741,600	741,600	813,906	72,306
Franchise license taxes	50,000	50,000	38,342	(11,658)
Communication taxes	-	-	67,190	67,190
Motor vehicle licenses	30,000	30,000	28,995	(1,005)
Bank stock taxes	65,000	65,000	81,000	16,000
Recordation taxes	11,000	11,000	40,602	29,602
Tobacco taxes	200	200	45	(155)
Hotel and motel room taxes	130,000	130,000	104,176	(25,824)
Restaurant food taxes	850,000	850,000	848,702	(1,298)
Coal road improvement taxes	200,000	200,000	188,529	(11,471)
Emergency telephone services tax	40,000	40,000	17,009	(22,991)
Cigarette tax	50,000	50,000	41,160	(8,840)
Total Other Local Taxes	<u>4,299,122</u>	<u>4,299,122</u>	<u>4,372,584</u>	<u>73,462</u>
Permits, Privilege Fees And Regulatory Licenses:				
Animal licenses	450	450	701	251
Permits and other licenses	5,510	5,510	4,325	(1,185)
Total Permits, Privilege Fees and Regulatory Licenses	<u>5,960</u>	<u>5,960</u>	<u>5,026</u>	<u>(934)</u>
Fines ad Forfeitures	<u>84,500</u>	<u>84,500</u>	<u>113,581</u>	<u>29,081</u>
Revenue From Use Of Money And Property:				
Revenue from use of money	40,000	40,000	108,369	68,369
Revenue from use of property	28,250	28,250	22,843	(5,407)
Total Revenue From Use of Money and Property	<u>68,250</u>	<u>68,250</u>	<u>131,212</u>	<u>62,962</u>
Charges For Services:				
Court cost	5,000	5,000	656	(4,344)
Attorney fees	-	-	7,489	7,489
Charges for sanitation and waste removal	358,000	358,000	363,084	5,084
Charges for parks and recreation	28,975	28,975	24,419	(4,556)
Total Charges for Services	<u>391,975</u>	<u>391,975</u>	<u>395,648</u>	<u>3,673</u>
Miscellaneous Revenue:				
Miscellaneous	63,735	63,735	58,630	(5,105)
Total Miscellaneous	<u>63,735</u>	<u>63,735</u>	<u>58,630</u>	<u>(5,105)</u>
Recovered Costs:				
Recovered Cost - School Board	20,000	20,000	1,560	
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>15,510</u>	<u>(6,350)</u>
Total Revenue From Local Sources	<u>6,861,707</u>	<u>6,861,707</u>	<u>7,066,745</u>	<u>223,478</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
ABC profits	\$ 2,358	\$ 2,358	\$ 2,289	\$ (69)
Wine taxes	2,471	2,471	2,399	(72)
Motor vehicle carriers' taxes	25,903	25,903	29,513	3,610
Mobile home titling taxes	5,000	5,000	6,186	1,186
Housing Authority - Grant	-	-	-	-
Tax on deeds	8,211	8,211	-	(8,211)
Rolling stock taxes	16,500	16,500	15,387	(1,113)
Total Non-Categorical Aid	<u>60,443</u>	<u>60,443</u>	<u>55,774</u>	<u>(4,669)</u>
Categorical Aid:				
Shared Expenses:				
Sheriff	130,743	130,743	141,174	10,431
Commissioner of the Revenue	52,457	52,457	64,753	12,296
Treasurer	56,783	56,783	69,457	12,674
Medical examiner	200	200	60	(140)
Registrar/electoral board	36,390	36,390	36,232	(158)
Total Shared Expenses	<u>276,573</u>	<u>276,573</u>	<u>311,676</u>	<u>35,103</u>
Other Categorical Aid:				
Law enforcement grant	274,908	274,908	269,908	(5,000)
Emergency medical services	1,100	1,100	2,361	1,261
DMV Grant	1,500	1,500	17,289	15,789
Street and highway maintenance	667,329	667,329	666,209	(1,120)
VDOT	-	666,373	662,349	(4,024)
Litter control	5,000	5,000	5,307	307
Financial assistance to the arts	5,000	5,000	5,000	-
Department of emergency management	-	-	9,128	9,128
Parks and recreations grant	-	-	-	-
Department of health	-	-	-	-
State board of elections	-	-	-	-
Fire programs fund	20,000	20,000	28,368	8,368
Total Other Categorical Aid	<u>974,837</u>	<u>1,641,210</u>	<u>1,665,919</u>	<u>24,709</u>
Total Revenue From the Commonwealth	<u>1,311,853</u>	<u>1,978,226</u>	<u>2,033,369</u>	<u>55,143</u>
Revenue From The Federal Government:				
Payment in lieu of property taxes	27,000	27,000	22,647	(4,353)
CDBG housing grant	-	-	42,274	42,274
ARC	-	-	28,119	28,119
Justice assistance grants	30,000	167,797	162,347	(5,450)
Insurance grant	-	-	-	-
Total Revenue From The Federal Government	<u>57,000</u>	<u>194,797</u>	<u>255,387</u>	<u>60,590</u>
Other financing sources				
Insurance recoveries	7,000	7,000	6,823	(177)
Loan proceeds	-	1,332,746	1,803,566	470,820
Sale of Surplus	2,500	2,500	7,809	5,309
Total other financing sources	<u>9,500</u>	<u>1,342,246</u>	<u>1,818,198</u>	<u>475,952</u>
TOTAL GENERAL FUND	<u>8,240,060</u>	<u>10,376,976</u>	<u>11,173,699</u>	<u>815,163</u>
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Revenue From Local Sources:				
Revenue From Use of Money and Property:				
Revenue from use of money	\$ 750	\$ 750	\$ 1,400	\$ 650
Total Revenue From Local Sources	<u>750</u>	<u>750</u>	<u>1,400</u>	<u>650</u>
Revenue From The Commonwealth:				
Categorical Aid:				
Welfare:				
Aid to dependent children	3,000	3,000	23,348	20,348
Foster care	24,000	24,000	14,915	(9,085)

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General administration for financial assistance	\$ 95,000	\$ 95,000	\$ 94,570	\$ (430)
Community services	10,000	10,000	28,476	18,476
Supplemental income assistance for the aged, blind and disabled	30,000	30,000	17,823	(12,177)
Employment services	50,000	50,000	50,461	461
Day care	-	-	18,102	18,102
Other purchased services	-	-	8,677	8,677
Direct social services	3,000	3,000	-	(3,000)
General relief	-	-	-	-
Emergency services	-	-	277	277
View-Welfare reform	20,000	20,000	-	(20,000)
Total Categorical Aid	<u>235,000</u>	<u>235,000</u>	<u>256,649</u>	<u>21,649</u>
 Total Revenue From the Commonwealth	 <u>235,000</u>	 <u>235,000</u>	 <u>256,649</u>	 <u>21,649</u>
Revenue From The Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	1,000	1,000	21,901	20,901
Foster care	35,000	35,000	26,977	(8,023)
General administration for financial assistance	160,000	160,000	223,925	63,925
Supplemental income assistance for the aged, blind and disabled	-	-	1,812	1,812
Employment services	90,000	90,000	90,888	888
Day Care	35,000	35,000	58,936	23,936
Other purchased services	25,000	25,000	138,063	113,063
Direct social services	125,000	125,000	-	(125,000)
Emergency assistance	2,500	2,500	2,318	(182)
Special revenue	5,000	5,000	9,237	4,237
View -Welfare reform	30,000	30,000	-	(30,000)
Total Revenue From the Federal Government	<u>508,500</u>	<u>508,500</u>	<u>574,057</u>	<u>65,557</u>
Other financing sources				
Transfers from general fund	215,000	215,000	215,000	-
Total other financing sources	<u>215,000</u>	<u>215,000</u>	<u>215,000</u>	<u>-</u>
 Total Virginia Public Assistance Fund	 <u>959,250</u>	 <u>959,250</u>	 <u>1,047,106</u>	 <u>87,856</u>
Drug and Gambling Investigative Funds:				
Revenue From Local Sources:				
Restitution to law enforcement	-	-	1,044	1,044
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>1,044</u>	<u>1,044</u>
 Total Revenue Drug and Gambling Investigative Fund	 <u>-</u>	 <u>-</u>	 <u>1,044</u>	 <u>1,044</u>
Revolving Loan Fund:				
Revenue From Local Sources:				
Revenue from use of money and property	-	-	5,078	5,078
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>5,078</u>	<u>5,078</u>
 Total Revolving Loan Fund	 <u>-</u>	 <u>-</u>	 <u>5,078</u>	 <u>5,078</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>959,250</u>	 <u>959,250</u>	 <u>1,053,228</u>	 <u>93,978</u>
 GRAND TOTAL - REVENUES - GOVERNMENTAL FUNDS	 <u>\$ 9,199,310</u>	 <u>\$ 11,336,226</u>	 <u>\$ 12,226,927</u>	 <u>\$ 909,141</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
City Council	\$ 18,950	\$ 18,950	\$ 20,434	\$ (1,484)
General and Financial Administration:				
City Manager	173,300	173,300	177,264	(3,964)
Office personnel	86,200	86,200	88,273	(2,073)
Legal and professional	27,500	57,500	60,384	(2,884)
Independent Auditor	7,500	7,500	13,250	(5,750)
Commissioner of the Revenue	113,550	113,550	120,851	(7,301)
Assessor	35,000	35,000	-	35,000
Treasurer	136,350	136,350	138,814	(2,464)
Director of Finance	112,750	112,750	108,359	4,391
Data Processing	60,000	93,255	45,520	47,735
Automotive/motor pool	137,400	137,400	169,999	(32,599)
Total General and Financial Administration	<u>889,550</u>	<u>952,805</u>	<u>922,714</u>	<u>30,091</u>
Board of Elections:				
Electoral board and officials	12,000	12,000	10,617	1,383
Registrar	57,800	57,800	55,470	2,330
Total Board of Elections	<u>69,800</u>	<u>69,800</u>	<u>66,087</u>	<u>3,713</u>
Total General Government Administration	<u>978,300</u>	<u>1,041,555</u>	<u>1,009,235</u>	<u>32,320</u>
Judicial Administration:				
Courts:				
Circuit court	12,000	12,000	38,392	(26,392)
General district court	2,000	2,000	2,873	(873)
Clerk of circuit court	17,000	17,000	34,356	(17,356)
Sheriff	220,525	220,525	219,118	1,407
County courthouse	21,000	21,000	24,425	(3,425)
Court and attorney fees	18,000	18,000	25,750	(7,750)
Total Courts	<u>290,525</u>	<u>290,525</u>	<u>344,914</u>	<u>(54,389)</u>
Commonwealth's Attorney:				
Commonwealth's attorney	25,000	25,000	35,135	(10,135)
Total Judicial Administration	<u>315,525</u>	<u>315,525</u>	<u>380,049</u>	<u>(64,524)</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,319,050	1,464,190	1,387,408	76,782
Traffic control	12,000	12,000	43,955	(31,955)
Total Law Enforcement and Traffic Control	<u>1,331,050</u>	<u>1,476,190</u>	<u>1,431,363</u>	<u>44,827</u>
Fire and Rescue Services:				
Volunteer fire department	114,200	251,997	255,457	(3,460)
Ambulance and rescue services	50,000	50,000	50,000	-
Total Fire and Rescue Services	<u>164,200</u>	<u>301,997</u>	<u>305,457</u>	<u>(3,460)</u>
Correction and Detention:				
Purchase of service from Wise County	135,280	135,280	201,202	(65,922)
Juvenile detention	61,000	61,000	61,000	-
Total Correction and Detention	<u>196,280</u>	<u>196,280</u>	<u>262,202</u>	<u>(65,922)</u>
Inspections:				
Building	111,400	111,400	70,068	41,332
Other Protection:				
Animal control	42,300	42,300	31,844	10,456
Emergency medical services	1,000	1,000	1,000	-
Total Other Protection	<u>43,300</u>	<u>43,300</u>	<u>32,844</u>	<u>10,456</u>
Total Public Safety	<u>1,846,230</u>	<u>2,129,167</u>	<u>2,101,934</u>	<u>27,233</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Works:				
Maintenance of Highways, Street, Bridges and Sidewalks:				
Sidewalks:				
General engineering/administration	\$ 66,525	\$ 66,525	\$ 67,600	\$ (1,075)
Highways, streets, bridges and sidewalks	666,900	2,418,490	2,445,515	(27,025)
Storm drainage	3,000	3,000	6,377	(3,377)
Street lights	75,000	75,000	80,850	(5,850)
Snow and ice removal	25,000	25,000	19,838	5,162
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets Bridges and Sidewalks	<u>839,425</u>	<u>2,591,015</u>	<u>2,620,180</u>	<u>(29,165)</u>
Sanitation and Waste Removal:				
Street and road cleaning	12,000	12,000	18,142	(6,142)
Refuse collection	202,200	202,200	215,201	(13,001)
Refuse disposal	240,000	240,000	224,842	15,158
Total Sanitation and Waste Removal	<u>454,200</u>	<u>454,200</u>	<u>458,185</u>	<u>(3,985)</u>
Maintenance of General Buildings and Grounds:				
General properties	226,180	312,077	188,485	123,592
Total Public Works	<u>1,519,805</u>	<u>3,357,292</u>	<u>3,266,850</u>	<u>90,442</u>
Health and Welfare:				
Health:				
Local health department	56,502	56,502	56,502	-
Mental Health and Mental Retardation:				
Chapter 10 board	20,651	20,651	20,651	-
Welfare/Social Services:				
Disability Board	750	750	750	-
Area agency on aging	15,702	15,702	15,704	(2)
Property tax relief for elderly	-	-	8,071	(8,071)
Contribution to Office on Youth	5,000	5,000	5,000	-
Contribution-RAM Project	-	2,000	2,000	-
Contribution - Hope House	2,000	2,000	-	2,000
Total Welfare/Social Services	<u>23,452</u>	<u>25,452</u>	<u>31,525</u>	<u>(6,073)</u>
Total Health and Welfare	<u>100,605</u>	<u>102,605</u>	<u>108,678</u>	<u>(6,073)</u>
Education:				
Community Colleges:				
Contribution to Mountain Empire Community College	5,956	5,956	5,956	-
Payment to school board	1,763,599	1,913,099	1,898,787	14,312
Contribution to UVA Wise Radio	-	-	-	-
Total Education	<u>1,769,555</u>	<u>1,919,055</u>	<u>1,904,743</u>	<u>14,312</u>
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	136,500	136,500	134,264	2,236
Recreation centers and playgrounds	136,000	189,205	182,703	6,502
Swimming pool	41,000	41,000	50,715	(9,715)
Capital outlay	-	44,000	35,685	8,315
Total Parks and Recreation	<u>313,500</u>	<u>410,705</u>	<u>403,367</u>	<u>7,338</u>
Cultural Enrichment:				
Pro-Art	10,000	10,000	10,000	-
Employee picnic and Christmas party	3,000	3,000	5,720	(2,720)
Total Cultural Enrichment	<u>13,000</u>	<u>13,000</u>	<u>15,720</u>	<u>(2,720)</u>
Library:				
Payments to regional library	46,000	46,000	46,000	-
Total Parks, Recreation and Cultural	<u>372,500</u>	<u>469,705</u>	<u>465,087</u>	<u>4,618</u>

**CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Community Development:				
Planning and Community Development:				
Planning	\$ 199,850	\$ 123,350	\$ 100,649	\$ 22,701
Planning - contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	5,150	5,150	1,713	3,437
Contribution to Chamber of Commerce	2,652	2,652	1,952	700
Contribution to CEDA	-	-	-	-
Contribution to Black Diamond Development	200	200	200	-
Contribution to component unit - NIDA	631,044	631,044	629,692	1,352
Contribution to Airport Commission	4,500	4,500	-	4,500
Capital outlay	563,997	935,412	196,157	739,255
Total Planning and Community Development	1,415,516	1,710,431	938,486	771,945
Debt Service				
Principal	28,741	118,738	118,738	-
Interest	41,217	41,217	102,547	(61,330)
Total debt service	69,958	159,955	221,285	(61,330)
Other financing uses				
Transfers to water/sewer fund	-	-	-	-
Transfers to welfare fund	215,000	215,000	215,000	-
Total other financing sources	215,000	215,000	215,000	-
TOTAL GENERAL FUND	\$ 8,602,994	\$ 11,420,290	\$ 10,611,347	\$ 808,943
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	\$ 959,250	\$ 959,250	\$ 1,042,877	\$ (83,627)
Total Welfare/Social Services	959,250	959,250	1,042,877	(83,627)
Total Health and Welfare	959,250	959,250	1,042,877	(83,627)
Total Virginia Public Assistance Fund	959,250	959,250	1,042,877	(83,627)
Drug and Gambling Investigative Funds:				
Public safety	-	-	-	-
Total Drug and Gambling Investigative Funds	-	-	-	-
TOTAL SPECIAL REVENUE FUNDS	959,250	959,250	1,042,877	(83,627)
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	\$ 9,562,244	\$ 12,379,540	\$ 11,654,224	\$ 725,316
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	\$ (362,934)	\$ (1,043,314)	\$ 572,703	
Net appropriations from fund balance				
Prior year surplus	362,934	586,574		
Prior year encumbrances	-	456,740		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		

**CITY OF NORTON
 COMPONENT UNIT SCHOOL BOARD
 COMBINING BALANCE SHEET
 June 30, 2007**

	GOVERNMENTAL ACTIVITIES		TOTALS
	School Operating Fund	School Cafeteria Fund	June 30, 2007
ASSETS			
Cash and cash equivalents	\$ 45,185	\$ 14,824	\$ 60,009
Investments	-	-	-
Accounts receivable	1,373		1,373
Due from other funds	3,958		3,958
Due from primary government	544,952	-	544,952
Due from other governmental units	145,527	-	145,527
TOTAL ASSETS	\$ 740,995	\$ 14,824	\$ 755,819
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ 32,333	\$ -	\$ 32,333
Accrued liabilities	547,765	-	547,765
Due to other funds	-	3,958	3,958
Deferred Revenue	82,124	-	82,124
Total Liabilities	662,222	3,958	666,180
FUND BALANCE:			
Reserved For:			
Encumbrances	78,773	-	78,773
Unreserved:			
Undesignated	-	10,866	10,866
Total Fund Balance	78,773	10,866	89,639
TOTAL LIABILITIES AND FUND BALANCE	\$ 740,995	\$ 14,824	\$ 755,819

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

	\$ 89,639
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	(12,151)
Accrued compensated absences	(45,651)
Accounts payable	-
Deferred revenue	53,148
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	1,299,147
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds	\$ (984,034)
Total net assets - component unit-School Board	\$ 400,098

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total School Board</u>
REVENUES:			
Revenue from use of money and property	\$ -	\$ 232	\$ 232
Charges for services	-	101,456	101,456
Miscellaneous	2,600	-	2,600
Intergovernmental			-
Primary government	1,898,787	-	1,898,787
Commonwealth of Virginia	4,394,393	-	4,394,393
Federal Government	<u>667,268</u>	<u>-</u>	<u>667,268</u>
Total Revenues	<u>6,963,048</u>	<u>101,688</u>	<u>7,064,736</u>
EXPENDITURES:			
Current:			
Education	6,482,834	272,022	6,754,856
Debt Service:			
Principal	152,380	-	152,380
Interest	<u>50,660</u>	<u>-</u>	<u>50,660</u>
Total Expenditures	<u>6,685,874</u>	<u>272,022</u>	<u>6,957,896</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>277,174</u>	<u>(170,334)</u>	<u>106,840</u>
OTHER FINANCING SOURCES (USES):			
Loan Proceeds	-	-	-
Operating transfers in	-	167,692	167,692
Operating transfers out	<u>(167,692)</u>	<u>-</u>	<u>(167,692)</u>
Total Other Financing Sources (Uses)	<u>(167,692)</u>	<u>167,692</u>	<u>-</u>
Net change in fund balance	109,482	(2,642)	106,840
Fund Balance at June 30, 2006	<u>(30,709)</u>	<u>13,508</u>	<u>(17,201)</u>
Fund Balance at June 30, 2007	<u>\$ 78,773</u>	<u>\$ 10,866</u>	<u>\$ 89,639</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	106,840
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.	(67,817)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds	(3,622)
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	152,380
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>86,201</u>
Change in net assets of governmental activities	<u>273,982</u>

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
Year Ended June 30, 2007

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	200	200	2,600	2,400
Intergovernmental				
Primary government	1,763,599	1,913,099	1,898,787	(14,312)
Commonwealth of Virginia	4,347,634	4,449,974	4,394,393	(55,581)
Federal Government	694,546	694,546	667,268	(27,278)
Total Revenues	6,805,979	7,057,819	6,963,048	(94,771)
EXPENDITURES:				
Current:				
Community Development	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	6,487,987	6,739,827	6,482,834	256,993
Debt Service:				
Principal	102,332	102,332	152,380	(50,048)
Interest	50,660	50,660	50,660	-
Total Expenditures	6,640,979	6,892,819	6,685,874	206,945
Excess (Deficiency) of Revenues Over Expenditures	165,000	165,000	277,174	112,174
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(165,000)	(165,000)	(167,692)	(2,692)
Total Other Financing Sources (Uses)	(165,000)	(165,000)	(167,692)	(2,692)
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	-	109,482	109,482
Net appropriations from fund balance				
Prior year encumbrances	-	-		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		
Fund Balance - July 1 , 2006			(30,709)	
Fund Balance - June 30 , 2007			78,773	

CITY OF NORTON
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2007

ASSETS HELD BY THE TREASURER:

Cash on hand		\$ 950
 Cash in banks:		
Checking:		
Bank of America (Does not include overnight repurchase agreement)	(232,866)	
Wachovia	1,000	
First Bank and Trust	13,824	
Total Checking	(218,042)	
 Certificates of Deposit:		
Powell Valley National Bank	229,305	
First Bank and Trus	20,781	
Total Certificates of Deposit	250,086	
 Repurchase Agreement:		
Bank of America		844,228
Total Cash in Banks		876,272
 Investments:		
Investment in State Treasurer's Local Government		
Investment Pool		2,501,005
TOTAL ASSETS		\$ 3,378,227

LIABILITIES OF THE TREASURER:

BALANCE OF CITY FUNDS		\$ 3,378,227
------------------------------	--	---------------------

NOTE: The variance between this statement and the balance sheet for all funds is \$479,853. 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, 2007

A) SUMMARY OF AUDIT RESULTS

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

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

NONE

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

NONE

CITY OF NORTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

	<u>Federal</u>	
	<u>Catalogue #</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Pass-Through Payments:		
State Department of Agriculture:		
Summer Food Service	10.559	\$ 5,973 *
School Lunch Program	10.555	120,623 *
School Breakfast Program	10.553	36,820 *
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass-Through Payments:		
State Department of Social Services:		
Food stamp administration	10.561	93,723
Foster Care - Title IV-E	93.658	66,129
TANF	93.558	134,772
Social Services Block Grant	93.667	95,548
Adoption Assistance	93.659	21,607
Child Care Assistance	93.575	23,531
Medical assistance program	93.778	67,116
Child Care Mandatory Match	93.596	43,541
Low Income Home Energy Assist.	93.568	4,494
Safe and Stable Families	93.556	14,111
Refuge and Entrant Asst	93.566	56
State Children's Insurance Program	93.767	154
DEPARTMENT OF EDUCATION:		
Pass-Through Payments:		
State Department of Education:		
Improving teacher quality state grants	84.367	51,247
Title I Grants	84.010	228,772
Innovative Education Program	84.298	1,809
Reading first grant	84.357	151,868 *
Title VI-B:		
Special Education:		
Idea -611	84.027	156,881
Preschool Grants	84.173	2,900
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	5,432
Literacy Challenge Grant	84.318	4,094
Vocational Education - Basic Grants to States	84.048	15,156
Gear Up	84.334	10,340
Rural and low income	84.358	19,972
DEPARTMENT OF AGRICULTURE:		
Water and Waste Disposal Systems for Rural Communities	10.760	100,625 *
DEPARTMENT OF MOTOR VEHICLES:		
Safety incentive grants for use of seatbelts	20.600	2,000
Alcohol open container requirement	20.607	500
Alcohol Traffic Study and Drunk Driving Prevention	20.601	7,335
Occupant Protection	20.602	7,454
DEPARTMENT OF EMERGENCY SERVICES:		
Department of Homeland Security	97.004	9,128
DEPARTMENT OF JUSTICE:		
Juvenile justice and delinquency prevention	16.540	24,550
TOTAL		<u>\$ 1,528,261</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 FOUR FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 3,818,395	\$ 3,851,437	\$ 3,706,233	\$ 1,867,263
Restricted	-	-	-	-
Unrestricted	2,965,127	2,366,905	2,482,728	3,009,412
Total governmental activities net assets	<u>6,783,522</u>	<u>6,218,342</u>	<u>6,188,961</u>	<u>4,876,675</u>
Business-type activities				
Invested in capital assets, net of related debt	2,976,090	2,878,258	3,155,646	3,337,888
Restricted	-	-	-	-
Unrestricted	(284,875)	31,937	85,662	(123,892)
Total business-type activities	<u>2,691,215</u>	<u>2,910,195</u>	<u>3,241,308</u>	<u>3,213,996</u>
Primary government				
Invested in capital assets, net of related debt	6,794,485	6,729,695	6,861,879	5,205,151
Restricted	-	-	-	-
Unrestricted	2,680,252	2,398,842	2,568,390	2,885,520
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>

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

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

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

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

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

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Reserved	\$ 523,722	\$ 435,870	\$ 456,740	\$ 411,767
Unreserved	2,358,936	1,814,377	1,891,575	2,498,900
Total general fund	<u>\$ 2,882,658</u>	<u>\$ 2,250,247</u>	<u>\$ 2,348,315</u>	<u>\$ 2,910,667</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in: Special Revenue fund	226,947	247,341	279,864	290,215
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>

1) Trend data is only available for the last four 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
General property taxes	\$ 1,475,024	\$ 1,518,358	\$ 1,472,420	\$ 1,582,699	\$ 1,694,019	\$ 1,703,108	\$ 1,670,250	\$ 1,689,883	\$ 1,878,863	\$ 1,974,554
Other local taxes	2,762,217	2,893,330	2,985,860	3,082,307	3,291,677	3,232,978	3,731,938	3,685,314	4,107,067	4,372,584
Permits and licenses	2,192	3,022	4,759	2,253	6,877	3,899	2,265	14,270	4,666	5,026
Fines and forfeitures	88,739	67,141	83,309	90,001	79,250	71,573	71,345	78,152	106,054	113,581
Investment earnings	130,724	137,165	141,348	133,449	69,210	58,197	51,098	79,961	103,191	137,690
Charges for services	243,402	299,427	313,274	319,251	360,619	313,579	312,311	313,482	317,447	396,692
Other revenues	3,860	3,786	19,738	9,359	27,591	16,740	50,001	48,618	21,092	58,630
recovered cost	58,709	13,996	63,065	68,128	73,407	59,733	-	13,950	29,123	15,510
Intergovernmental	1,853,597	1,852,171	1,842,123	2,080,719	3,000,574	2,064,070	2,104,325	2,580,207	2,458,079	3,119,462
Total revenues	6,618,464	6,788,396	6,925,896	7,368,166	8,603,224	7,523,877	7,993,533	8,503,837	9,025,582	10,193,729
Expenditures										
General government	590,377	596,527	695,552	679,929	715,989	756,677	781,596	788,786	850,732	1,009,235
Judicial administration	170,621	223,462	266,644	265,236	289,573	282,184	253,801	290,126	294,444	380,049
Public safety	1,197,751	1,247,673	1,401,343	1,490,052	1,480,799	1,535,834	1,578,494	1,871,632	1,815,252	2,101,934
Public works	1,121,947	1,115,390	1,357,888	1,358,678	1,539,603	1,427,472	1,427,374	1,591,831	1,642,996	3,266,850
Health and welfare	822,948	825,821	946,953	986,815	1,058,326	1,010,429	1,029,967	996,885	1,028,911	1,151,555
Education and transfer to school	5,404	12,905	16,413	15,603	8,418	8,418	1,659,671	1,512,024	2,306,623	1,904,743
Parks, recreation and culture	268,218	261,036	460,994	346,205	311,440	373,870	356,407	362,547	373,368	465,087
Community development	1,015,087	305,577	103,865	196,742	737,471	178,896	705,781	1,578,158	791,267	938,486
Non-Departmental	-	-	-	-	-	-	-	-	-	-
Debt service	53,765	50,256	41,399	34,002	33,855	36,766	27,724	106,155	106,731	118,738
Principal	38,756	36,777	33,657	29,411	29,558	26,647	29,362	25,253	28,774	102,547
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	5,284,874	4,675,424	5,324,708	5,402,673	6,205,032	5,637,193	7,850,177	9,123,397	9,239,098	11,439,224
Excess of revenues over (under) expenditures	1,333,590	2,112,972	1,601,188	1,965,493	2,398,192	1,886,684	143,356	(619,560)	(213,516)	(1,245,495)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	-	-	-	420,300	1,803,566
Insurance Recoveries	1,112	58,411	-	-	11,498	-	-	7,422	-	6,823
Proceeds from sale of assets	-	-	21,086	-	-	2,901	616	123	23,807	7,809
Transfers	(1,734,201)	(1,835,087)	(1,821,938)	(1,893,304)	(1,687,236)	(1,537,701)	-	-	(100,000)	-
Total other financing sources (uses)	(1,733,089)	(1,776,676)	(1,821,938)	(1,872,218)	(1,675,738)	(1,534,800)	616	7,545	344,107	1,818,198
Net change in fund balance	\$ (399,499)	\$ 336,296	\$ (220,750)	\$ 93,275	\$ 722,454	\$ 351,884	\$ 143,972	\$ (612,015)	\$ 130,591	\$ 572,703
Debt service as a percentage of noncapital expenditures	1.78%	1.90%	1.43%	1.19%	1.03%	1.14%	0.73%	1.46%	1.49%	1.97%

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	Personal Property			
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	
1999	126,674,600	19,353,300	2,836,300	27,192,130	316,533	2,427,200	178,800,063	0.849	
1998	125,636,300	19,172,700	2,851,130	27,736,073	301,164	2,301,800	177,999,167	0.098	

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	Personal Property
2007	\$ 0.70	\$ 1.85	\$ 0.70	\$ 0.70	\$ 0.70	\$ 1.85	\$ 1.85
2006	0.70	1.85	0.70	0.70	0.70	1.85	1.85
2005	0.70	1.85	1.85	0.70	0.70	1.85	1.85
2004	0.70	1.85	1.85	0.70	0.70	1.85	1.85
2003	0.70	1.85	1.85	0.70	0.70	1.85	1.85
2002	0.70	1.85	1.85	0.70	0.70	1.85	1.85
2001	0.70	1.85	1.85	0.70	0.70	1.85	1.85
2000	0.70	1.85	1.85	0.70	0.70	1.85	1.85
1999	0.70	1.85	1.85	0.70	0.70	1.85	1.85
1998	0.70	1.85	1.85	0.70	0.70	1.85	1.85

1) Rates are presented per \$100 assessed value

TABLE 7

**CITY OF NORTON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
June 30, 2007**

June 30, 2007:

<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	9.17%
Wal-Mart Real Estate Business Trust	Commercial Retailer/Grocer	13,071,040	7.26%
New Plan Excel Realty	Shopping Center	11,306,700	6.28%
Commonwealth-NTN Partners	Shopping Center	10,436,400	5.79%
Nordan, Inc	Hotel	3,699,500	2.05%
Consolidated Investments	Shopping Center	2,863,200	1.59%
W.P. Armistead	Commercial and Residential Rental Property	2,370,200	1.32%
J.J.S. Properties	Commercial Property	2,023,000	1.12%
Pepsi Cola	Bottling, Distribution, and Commercial Property	1,845,700	1.02%
George Hunnicutt Mar. Tr.	Commercial and Residential Rental Property	1,678,300	0.93%

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
2007	\$ 1,936,503	\$ 1,910,346	98.65%	\$ 35,736	\$ 1,946,082	100.49%	\$ 63,713	3.29%
2006	1,846,506	1,827,354	98.96%	25,705	1,853,059	100.35%	57,091	3.09%
2005	1,646,156	1,621,764	98.52%	33,689	1,655,453	100.56%	64,268	3.90%
2004	1,599,875	1,577,589	98.61%	30,246	1,607,835	100.50%	79,526	4.97%
2003	1,590,001	1,454,053	91.45%	201,756	1,655,809	104.14%	89,646	5.64%
2002	1,623,046	1,567,698	96.59%	76,444	1,644,142	101.30%	153,498	9.46%
2001	1,587,099	1,504,545	94.80%	35,722	1,540,267	97.05%	186,554	11.75%
2000	1,486,165	1,353,396	91.07%	16,362	1,369,758	92.17%	181,351	12.20%
1999	1,482,434	1,420,731	95.84%	55,805	1,476,536	99.60%	147,154	9.93%
1998	1,477,815	1,416,536	95.85%	30,106	1,446,642	97.89%	149,548	10.12%

(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 FOUR FISCAL YEARS**

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

Notes:

(1) Center for Public Service at the University of Virginia.

(2) Includes all general long-term debt obligations

TABLE 10

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

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

1) Details regarding the town'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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Assessed valuations										
Assessed value of taxed real property	\$ 153,372,373	\$ 153,866,730	\$ 156,759,103	\$ 164,700,205	\$ 167,751,100	\$ 164,279,952	\$ 167,868,915	\$ 172,888,719	\$ 198,114,221	\$ 206,624,264
Legal debt margin										
Debt limit - 10 percent of total assessed value	15,337,237	15,386,673	15,675,910	16,470,021	16,775,110	16,427,995	16,786,892	17,288,872	19,811,422	20,662,426
Debt applicable to limitation:										
Total bonded debt	5,418,280	4,996,721	4,564,120	4,143,382	5,068,385	5,968,171	9,413,378	9,169,081	9,193,086	9,408,482
Less - Enterprise Debt	(3,359,249)	(3,092,657)	(2,820,829)	(2,550,305)	(3,566,947)	(3,299,055)	(7,956,394)	(7,638,017)	(7,530,313)	(6,196,021)
Total amount of debt applicable to debt limitation	2,059,031	1,904,064	1,743,291	1,593,077	1,501,438	2,669,116	1,456,984	1,531,064	1,662,773	3,212,461
Legal debt margin	\$ 13,278,206	\$ 13,482,609	\$ 13,932,619	\$ 14,876,944	\$ 15,273,672	\$ 13,758,879	\$ 15,329,908	\$ 15,757,808	\$ 18,148,649	\$ 17,449,965
Total net debt applicable to the limit as a percentage of debt limit	13.43%	12.37%	11.12%	9.67%	8.95%	16.25%	8.68%	8.86%	8.39%	15.55%

**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		
2007	\$ 2,073,492	\$ 1,882,789	\$ 190,703	\$ 74,306	\$ 99,757	\$ 174,063	1.10	
2006	1,977,402	1,892,174	85,228	75,759	91,571	167,330	0.51	
2005	1,917,899	1,702,307	215,592	72,973	64,701	137,674	1.57	
2004	1,933,079	1,613,487	319,592	1,284,214	77,043	1,361,257	0.23	
2003	1,892,813	1,716,270	176,543	63,745	77,858	141,603	1.25	
2002	1,875,521	1,623,370	252,151	61,263	63,884	125,147	2.01	
2001	1,636,477	1,618,444	18,033	60,556	65,114	125,670	0.14	
2000	1,622,976	1,694,787	(71,811)	59,791	66,272	126,063	(0.57)	
1999	1,551,378	1,560,430	(9,052)	57,637	67,337	124,974	(0.07)	
1998	1,505,652	1,460,984	44,668	56,048	69,434	125,482	0.36	

- 1) Details regarding the town'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 EIGHT YEARS**

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

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

TABLE 14

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

June 30, 2007			Total Estimated Employment*
<u>Employer</u>	<u>Product or Service</u>		<u>Employment*</u>
Norton Community Hospital	Health Care		500
Wal Mart	Commercial Retailer/Grocer		250
Mountain View Regional Medical	Health Care		200
Norton City School Board	Public Agency		150
City of Norton	Public Agency		110
 June 30, 2006			 Total Estimated Employment*
<u>Employer</u>	<u>Product or Service</u>		<u>Employment*</u>
Norton Community Hospital	Health Care		500
Wal Mart	Commercial Retailer/Grocer		250
Mountain View Regional Medical	Health Care		200
Norton City School Board	Public Agency		151
City of Norton	Public Agency		114

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

2) Source: Virginia Employment Commission - Community Profile

CITY OF NORTON, VIRGINIA
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION (UNADITED)
June 30, 2007

Function		
General government		
Management services		3.5
Finance		5
Planning		1
Building		1
Other		6.5
Public safety		
Officers		15.5
Dispatchers/Clerks		6
Sheriff's Office		4
Animal Control		1
Fire		1
Public works		
Engineering		1
Streets		18
Refuse Collections		4.5
General Properties		5
Parks and recreation		
Maintenance		9
Other		7
Water operations		
Administration		2
Plant Operations		6
Maintenance		5

1) Source: Town's finance department

CITY OF NORTON, VIRGINIA
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
June 30, 2007

Function	
Public safety	
Citations issued	1,973
Parking Tickets issued	526
Crime/Arrest/Incident reports filed	874
911 Calls dispatched	3,848
Public Works	
Number of citizen requests for services	1,026
Water operations	
Number of service connections	2,286
Number of citizen requests for services	2,483
Average daily plant output in gallons	1,100,000
Maximum daily capacity of plant in gallons	1,440,000
Wastewater operations	
Number of service connections	2,040

CITY OF NORTON, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
June 30, 2007

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