CITY OF NORTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2010

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CITY COUNCIL:

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

Ernest W. Ward, City Manager

CONSTITUTIONAL OFFICERS:

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

SCHOOL BOARD:

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

Dr. Jeff Comer, Superintendent

SOCIAL SERVICES ADVISORY BOARD:

Ethel Daniels
Brenda Johnson
Marty Adkins
Jack Mooney
Roger Sloce

Roger Ramey, Director

CITY LEGAL COUNSEL:

William E. Bradshaw, Attorney at Law

Management Discussion and Analysis

December 27, 2010

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, 2010.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by $ 10,676,754 (net assets).
- At June 30, 2010, the City reported combined ending fund balances of $ 2,944,582, a decrease of $ 1,521,634 in comparison with the prior year. This decrease is mainly the result of the remaining expenditures for a $7.5 million school capital project that was started in fiscal year ending June 30, 2008.
- As of June 30, 2010, the General Fund had a total Fund Balance of $ 2,598,877.
- The total debt outstanding as of June 30, 2010 was $ 15,556,353, which includes the component units. As of June 30, 2010, the City's Legal Debt Margin was $ 11,930,418.
- The Water/Sewer Proprietary Fund had an increase in Net Assets for the year of $ 926,617.

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, 2010

	Governmental Activities	Business Type Activities	Total
Current & other assets	$ 4,920,579	$ 945,968	$ 5,866,547
Capital assets	13,409,514	7,721,851	21,131,365
Other noncurrent assets	43,551	6,139	49,690
Total Assets	$ 18,373,644	$ 8,673,958	$ 27,047,602
Current & other liabilities	$ 2,376,720	$ 1,949,087	$ 4,325,807
Long-term liabilities	9,276,786	2,768,255	12,045,041
Total Liabilities	$ 11,653,506	$ 4,717,342	$ 16,370,848
Net Assets:			
Invested in Capital assets (Net of related debt)	$ 3,943,031	$ 4,837,547	$ 8,780,578
Restricted	-0-	-0-	-0-
Unrestricted	2,777,107	(880,931)	1,896,176
Total Net Assets	$ 6,720,138	$ 3,956,616	$ 10,676,754

Net assets serve as a useful indicator of a government's financial position. The City's combined net assets total $ 10,676,754 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 $ 8,780,578. The City of Norton uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Governmental Activities – Governmental activities decreased the City's net assets by $ 159,425. Key elements of this decrease are as follows:

	Governmental Activities Year Ended June 30, 2010
Revenues:	
Program Revenues:	
Charges for Services	$ 456,588
Operating Grants and Contributions	2,498,583
Capital Grants and Contributions	286,013
General Revenues:	
Property Taxes	3,282,537
Other Local Taxes	4,783,339
Other	167,173
Total Revenues	$11,474,233
Expenses:	
General Government	1,082,088
Public Safety	2,874,346
Public Works	2,346,618
Health and Welfare	1,235,274
Education	2,122,360
Parks, Recreation, Culture	495,710
Community Development	773,594
Interest of Long Term Debt	384,818
Total Expenses	$11,314,808
Increase (Decrease) in Net Assets	$ 159,425

Included in the Total Expenses are non-cash items including depreciation. Under the full accrual method, net assets decreased by $159,425.

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:

	2010	2009	2008	2007	2006
Local Sales and Use Tax	$ 1,887,804	$ 2,023,409	$ 1,901,018	$ 1,889,055	$ 1,722,453
Real Property Tax	$ 2,273,409	1,601,572	1,443,286	1,261,403	1,189,998
Restaurant Food Taxes	$ 1,061,575	1,025,155	930,578	848,702	788,336
Business License Taxes	$ 795,833	901,209	826,412	813,906	692,083
Street & Highway Maintenance	$ 698,460	703,053	730,086	666,209	641,083
VDOT	$ -0-	-0-	-0-	662,349	-0-
Personal Property Taxes	$ 429,833	439,822	412,756	452,505	398,429

The City's assessed value of real estate for the year was $ 224,760,835. The real estate tax rate is $ .80 per $ 100 of assessed value. For the year, the percent of levy collected was 93.21%.

The City's business type activity is the Water/Sewer Proprietary Fund. During the year this fund had an increase in net assets of $ 926,617. In addition, cash and cash equivalents increased by $ 72,775 to $ 265,514.

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

	Final Budget	Actual	Variance *Favorable (Unfavorable.)*
Total Revenues	$ 10,836,865	$ 19,123,533	$ 8,286,668
Total Expenses	11,949,027	20,645,167	$ (8,696,140)
Excess of Revenues Over Expenses		$ (1,521,634)	

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

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants & Consultants

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

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

Founded 1948

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

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

REPORT 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, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norton, Virginia as of June 30, 2010, 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 27, 2010 on our consideration of the City of Norton's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of our testing on internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

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

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

Thrower, Blanton & Associates, P.C.

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

December 27, 2010

THROWER, BLANTON & ASSOCIATES, P.C.

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Norton, Virginia 24273
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Fax: (276) 679-7445

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

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

We have audited the financial statements of the City of Norton, Virginia, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Specifications for Audits of Counties, Cities, and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit for the year ended June 30, 2010, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the City's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Norton, Virginia in a separate letter dated December 27, 2010.

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

Thrower, Blanton & Associates P.C.

THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants
December 27, 2010

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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

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, 2010. 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, 2010.

Internal Control Over Compliance

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

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Thrower, Blanton & Associates P.C.

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Certified Public Accountants

December 27, 2010

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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, 2010, and have issued our report thereon dated December 27, 2010.

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

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

Code of Virginia

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

State Agency Requirements

* Education
* Highway Maintenance Funds
* Social Services

The results of our tests disclosed no instances of non-compliance with the provisions referred to in the preceding paragraph, 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.

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

December 27, 2010

CITY OF NORTON
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 1,779,107	$ 159,150	$ 1,938,257	$ 1,782,961
Restricted cash	388,718	106,364	495,082	-
Investments	419,944	-	419,944	-
Receivable, net	1,269,429	308,271	1,577,700	22,067
Note receivable	115,354	-	115,354	-
Prepaid expense	-	-	-	19,245
Due from other governmental units	393,569	360,600	754,169	242,670
Due from other funds	554,458	11,583	566,041	110,177
Due from primary government	-	-	-	213,223
Deferred bond cost	43,551	6,139	49,690	-
Capital assets, non-depreciable	897,280	2,952,284	3,849,564	1,936,883
Capital assets, depreciable, net	12,512,234	4,769,567	17,281,801	6,459,703
Total Assets	$ 18,373,644	$ 8,673,958	$ 27,047,602	$ 10,786,929
LIABILITIES				
Accounts payable and accrued liabilities	358,851	1,120,112	1,478,963	80,028
Accrued payroll and related liabilities	107,594	16,241	123,835	619,909
Accrued interest payable	223,907	14,654	238,561	25,272
Deferred revenue	886,880	-	886,880	99,320
Deferred bond revenue	58,854	-	58,854	18,110
Customer security deposits	-	106,315	106,315	-
Due to other governmental units	235,203	-	235,203	-
Due to other funds	11,582	554,458	566,040	110,177
Due to component units	213,223	-	213,223	-
Compensated absences				
Due within one year	119,010	14,881	133,891	18,336
Due in more than one year	51,004	6,377	57,381	43,898
Long-term liabilities				
Due within one year	161,616	116,049	277,665	521,010
Due in more than one year	9,225,782	2,768,255	11,994,037	2,763,641
Total Liabilities	11,653,506	4,717,342	16,370,848	4,299,701
NET ASSETS				
Invested in capital assets, net of related debt	3,943,031	4,837,547	8,780,578	5,111,935
Restricted	-	-	-	-
Unrestricted	2,777,107	(880,931)	1,896,176	1,375,293
Total Net Assets	6,720,138	3,956,616	10,676,754	6,487,228
Total Liabilities and Net Assets	$ 18,373,644	$ 8,673,958	$ 27,047,602	$ 10,786,929

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

CITY OF NORTON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	NIDA
Governmental Activities									
General government	$ 1,082,088	$ -	$ 246,649	$ -	$ (835,439)	$ -	$ (835,439)		
Public safety	2,874,346	6,465	554,994	129,704	(2,183,183)	-	(2,183,183)		
Public works	2,346,618	363,217	733,468	156,309	(1,093,624)	-	(1,093,624)		
Health and welfare	1,235,274	63,936	958,472	-	(212,866)	-	(212,866)		
Education	2,122,360	-	-	-	(2,122,360)	-	(2,122,360)		
Parks, recreation and cultural	495,710	22,970	5,000	-	(467,740)	-	(467,740)		
Community development	773,594	-	-	-	(773,594)	-	(773,594)		
Interest on long-term debt	384,818	-	-	-	(384,818)	-	(384,818)		
Contingencies	-	-	-	-	-	-	-		
Total Governmental Activities	11,314,808	456,588	2,498,583	286,013	(8,073,624)	-	(8,073,624)		
Business-type activities									
Water and Wastewater	2,429,763	2,249,376	-	1,107,004	-	926,617	926,617		
Total Business-Type Activities	2,429,763	2,249,376	-	1,107,004	-	926,617	926,617		
TOTAL PRIMARY GOVERNMENT	13,744,571	2,705,964	2,498,583	1,393,017	(8,073,624)	926,617	(7,147,007)		
COMPONENT UNITS									
School Board	9,921,773	114,856	6,024,263	-	-	-	-	$ (3,782,654)	$ -
NIDA	550,099	467,735	27,588	-	-	-	-	-	(54,776)
Total Component Units	10,471,872	582,591	6,051,851	-	-	-	-	(3,782,654)	(54,776)
		General revenues							
		Property taxes			3,282,537	-	3,282,537	-	-
		Local sales & use tax			1,887,804	-	1,887,804	-	-
		Utilitiy taxes			128,412	-	128,412	-	-
		Business license taxes			795,833	-	795,833	-	-
		Communication taxes			217,788	-	217,788	-	-
		Motor vehicle licenses			1,659	-	1,659	-	-
		Bank stock taxes			106,974	-	106,974	-	-
		Recordation taxes			27,055	-	27,055	-	-
		Tobacco taxes			185	-	185	-	-
		Hotel and motel room taxes			169,049	-	169,049	-	-
		Restaurant food taxes			1,061,575	-	1,061,575	-	-
		Coal road improvement taxes			166,571	-	166,571	-	-
		Cigarette tax			118,930	-	118,930	-	-
		Other local taxes			101,504	-	101,504	-	-
		Unrestricted miscellaneous revenue			53,609	-	53,609	8,704	-
		Unrestricted investment earnings			82,250	-	82,250	954	10,975
		Rental of Town property			-	-	-	-	-
		Gain (loss) on sale of capital assets			-	-	-	-	-
		Recovered cost			31,314	-	31,314	-	41,692
		Transfers-Primary Government			-	-	-	-	-
		Transfers-Component Units			-	-	-	3,957,225	566,929
		Total general revenues and transfers			8,233,049	-	8,233,049	3,966,883	619,596
		Change in net assets			159,425	926,617	1,086,042	184,229	564,820
		PRIOR PERIOD ADJUSTMENT			5,774,576	-	5,774,576	(5,774,576)	-
		NET ASSETS - JULY 1			786,137	3,029,999	3,816,136	7,092,838	4,419,917
		NET ASSETS - JUNE 30			$ 6,720,138	$ 3,956,616	$ 10,676,754	$ 1,502,491	$ 4,984,737

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

CITY OF NORTON
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2010

	General	Special Revenue	Total
ASSETS			
Cash and cash equivalents	$ 1,779,107	$ -	$ 1,779,107
Restricted Cash	44,146	344,572	388,718
Investments	419,944	-	419,944
Taxes receivable	1,075,343	-	1,075,343
Accounts receivable	194,086	-	194,086
Notes receivable	-	115,354	115,354
Due from other funds	1,163,139	-	1,163,139
Due from primary government	-	-	-
Due from other governmental units	323,734	69,835	393,569
Total Assets	$ 4,999,499	$ 529,761	$ 5,529,260
LIABILITIES			
Accounts payable and accrued liabilities	$ 315,520	$ 43,331	$ 358,851
Accrued payroll and related liabilities	90,714	16,880	107,594
Deferred revenue	1,049,544	-	1,049,544
Due to other funds	11,583	123,845	135,428
Due to component units	698,058	-	698,058
Due to other governmental units	235,203	-	235,203
Total Liabilities	2,400,622	184,056	2,584,678
FUND BALANCES			
Reserved For:			
Encumbrances	468,808	-	468,808
Unreserved:			
Undesignated	2,130,069	345,705	2,475,774
Total Fund Balances	2,598,877	345,705	2,944,582
Total Liabilities and Fund Balances	$ 4,999,499	$ 529,761	$ 5,529,260
Total Fund Balances			$ 2,944,582
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			13,409,514
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds			43,551
Other liabilities are not required to be paid out of current financial resources and therefore are not reported in the governmental funds			(290,111)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			(9,387,398)
Net Assets of Governmental Activities			$ 6,720,138

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

CITY OF NORTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Special Revenue	Total Governmental Funds
REVENUES:			
General property taxes	$ 3,151,837	$ -	$ 3,151,837
Other local taxes	4,682,524	-	4,682,524
Permits, privilege fees and regulatory licenses	5,989	-	5,989
Fines and forfeitures	94,826	-	94,826
Revenue from use of money & property	76,700	5,550	82,250
Charges for services	392,652	63,936	456,588
Miscellaneous	53,508	-	53,508
Recovered costs	19,058	-	19,058
Intergovernmental	1,826,124	958,472	2,784,596
Total Revenues	10,303,218	1,027,958	11,331,176
EXPENDITURES:			
Current:			
General government administration	1,048,146	-	1,048,146
Judicial administration	418,768	-	418,768
Public safety	2,506,542	94,453	2,600,995
Public works	2,015,567	-	2,015,567
Health and welfare	101,676	1,109,091	1,210,767
Education and transfer to school	3,964,745	-	3,964,745
Parks, recreation and cultural	474,833	-	474,833
Community development	776,038	-	776,038
Debt service:			
Principal retirement	7,652,315	-	7,652,315
Interest	202,993	-	202,993
Total Expenditures	19,161,623	1,203,544	20,365,167
Excess (Deficiency) of Revenues Over Expenditures	(8,858,405)	(175,586)	(9,033,991)
OTHER FINANCING SOURCES (USES):			
Sale of surplus	101	-	101
Sale of real property	-	-	-
Loan proceeds	7,500,000	-	7,500,000
Insurance recoveries	12,256	-	12,256
Operating transfers in	-	280,000	280,000
Operating transfers out	(280,000)	-	(280,000)
Total Other Financing Sources (Uses)	7,232,357	280,000	7,512,357
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,626,048)	104,414	(1,521,634)
FUND BALANCE AT BEGINNING OF YEAR	4,224,925	241,291	4,466,216
FUND BALANCE AT END OF YEAR	$ 2,598,877	$ 345,705	$ 2,944,582

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

CITY OF NORTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
Year Ended June 30, 2010

Net Change in Fund Balance Governmental Fund:	$(1,521,634)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	1,676,134
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	130,700
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 net principal payments	152,315
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.	(278,090)
Change in Net Assets of Governmental Activities	$ 159,425

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

CITY OF NORTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities Proprietary Funds
	Water & Sewer Operation
ASSETS	
Cash and cash equivalents	$ 159,150
Restricted cash	106,364
Receivable, net	308,271
Due from other funds	11,583
Due from other government units	360,600
Deferred bond expense	6,139
Land	588,600
Construction in progress	2,363,684
Capital assets, net	4,769,567
Total Assets	$ 8,673,958
LIABILITIES	
Accounts payable and accrued liabilities	1,120,112
Accrued payroll and related liabilities	16,241
Accrued interest payable	14,654
Deferred revenue	-
Customer security deposits	106,315
Due to other governmental units	-
Due to other funds	554,458
Compensated absences	21,258
Long-term liabilities	
Due within one year	116,049
Due in more than one year	2,768,255
Total Liabilities	4,717,342
NET ASSETS	
Invested in capital assets, net of related debt	4,837,547
Restricted	-
Unrestricted	(880,931)
Total Net Assets	3,956,616
Total Liabilities and Net Assets	$ 8,673,958

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

CITY OF NORTON
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	PROPRIETARY FUNDS
	Water & Sewer Operation
OPERATING REVENUES:	
Charges For Services:	
Water:	
Local	$ 794,814
Non-local	265,838
Total Water	1,060,652
Sewer:	
Local	877,875
Non-local	247,261
Total Sewer	1,125,136
Total Charges for Services	2,185,788
Miscellaneous:	
Installations and tap fees	4,905
Penalties	47,031
Other	11,652
Total Miscellaneous	63,588
Total Operating Revenues	2,249,376
OPERATING EXPENSES:	
Personal services	499,535
Fringe benefits	175,534
Contractual services	965,872
Other charges	390,077
Rent	6,000
Depreciation	248,997
Purchase of water	28,466
Amortization	332
Total Operating Expenses	2,314,813
Operating Income (Loss)	(65,437)
NON-OPERATING REVENUES (EXPENSES):	
Grant income	1,107,004
Interconnect expense	(21,055)
Interest expense	(93,895)
Total Non-Operating Revenues (Expenses)	992,054
CHANGE IN NET ASSETS	926,617
NET ASSETS - JULY 1, 2009	3,029,999
NET ASSETS - JUNE 30, 2010	$ 3,956,616

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

CITY OF NORTON
STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS
Year Ended June 30, 2010

	PROPRIETARY FUNDS	COMPONENT UNIT
	Water & Sewer Operation	Norton Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 2,224,079	$ 472,635
Cash payments to suppliers for goods and services	(1,528,926)	(200,957)
Cash payments to employees for services	(497,993)	-
Net Cash provided by (used in) Operating activities	197,160	271,678
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in customer deposits	(28,040)	-
Contribution - City of Norton	-	566,929
Increase (decrease) in due to other funds	137,448	-
Net Cash Provided by Non-Capital Financing Activities	109,408	566,929
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction in progress	(1,240,625)	-
Acquisition of capital assets	(208,816)	(53,516)
Proceeds from issuance of debt	669,340	-
Contributed Capital-Grant Revenue	725,349	
Principal paid	(81,143)	(472,148)
Interest paid	(97,898)	(124,533)
Net Cash provided by (used in) capital and related financing activities	(233,793)	(650,197)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	-	5,743
Net cash provided by (used in) investing activities	-	5,743
Net Increase (Decrease) in Cash and Cash Equivalents	72,775	194,153
Cash and Cash Equivalents at Beginning of Year	192,739	943,734
Cash and Cash Equivalents at June 30, 2010		
Unrestricted	$ 159,150	1,137,887
Restricted	106,364	-
Cash and Cash Equivalents at End of Year	$ 265,514	$ 1,137,887
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (65,437)	$ 112,327
Adjustments		
Depreciation and amortization	249,329	212,888
OPEB	17,360	-
Changes in assets and liabilities:		
(Increase) decrease in prepaid expense	-	-
(Increase) decrease in accounts receivable	(25,297)	1,780
Increase (decrease) in accounts payable	19,663	10,843
Increase (decrease) in accrued liabilities	1,989	-
Increase (decrease) in compensating absences	(447)	-
Increase (decrease) in deferred rent	-	(66,160)
Total adjustments	262,597	159,351
Net Cash Provided by Non-Capital Financing Activities	$ 197,160	$ 271,678

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

CITY OF NORTON
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	CDBG Revolving Loan Fund	Virginia Public Assistance Fund	Drug and Gambling Fund	Flag Rock Lighting Fund	TOTALS June 30, 2010
ASSETS					
Cash	$ 184,484	$ 131,744	$ 26,275	$ 2,069	$ 344,572
Receivables (Net of Any Allowance For Uncollectibles):					
Accounts	-	-	-	-	-
Note receivable	115,354	-	-	-	115,354
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units:					
Commonwealth of Virginia	-	69,835	-	-	69,835
TOTAL ASSETS	$ 299,838	$ 201,579	$ 26,275	$ 2,069	$ 529,761
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	$ -	$ 43,331	$ -	$ -	$ 43,331
Accrued liabilities	-	16,880	-	-	16,880
Due to other funds	-	123,845	-	-	123,845
Total Liabilities	-	184,056	-	-	184,056
FUND BALANCES:					
Reserved For:					
Encumbrances	-	-	-	-	-
Unreserved:					
Designated for subsequent year's expenditures	-	-	-	-	-
Undesignated	299,838	17,523	26,275	2,069	345,705
Total Fund Balances	299,838	17,523	26,275	2,069	345,705
TOTAL LIABILITIES AND FUND BALANCES	$ 299,838	$ 201,579	$ 26,275	$ 2,069	$ 529,761

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

CITY OF NORTON
AGENCY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year Ended June 30, 2010

	Special Welfare Fund
ASSETS	
Cash	$ 8,376
NET ASSETS	
Amounts held for social service clients	$ 8,376

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

CITY OF NORTON
AGENCY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2010

	Special Welfare Fund
Additions	
Client receipts	$ 6,667
Total additions	6,667
Deductions	
Payments for clients	6,704
Total deductions	6,704
Change in net assets	(37)
Net assets - beginning of year	8,413
Net assets - end of year	$ 8,376

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

CITY OF NORTON
STATEMENT OF NET ASSETS - COMPONENT UNITS
JUNE 30, 2010

	Norton City Schools	Norton Industrial Development Authority	Total
ASSETS			
Cash and cash equivalents	$ 645,074	$ 1,137,887	$ 1,782,961
Restricted cash	-	-	-
Investments	-	-	-
Receivable, net	12,001	10,066	22,067
Prepaid expense	-	19,245	19,245
Due from primary government	213,223	-	213,223
Due from other governmental units	242,670	-	242,670
Due from other funds	110,177	-	110,177
Deferred bond expense	-	-	-
Capital assets, non-depreciable	65,900	1,870,983	1,936,883
Capital assets, depreciable, net	1,783,001	4,676,702	6,459,703
Total Assets	$ 3,072,046	$ 7,714,883	$ 10,786,929
LIABILITIES			
Accounts payable and accrued liabilities	27,990	52,038	80,028
Accrued payroll and related liabilities	619,909	-	619,909
Accrued interest payable	13,843	11,429	25,272
Deferred revenue	-	99,320	99,320
Deferred Bond revenue	18,110	-	18,110
Customer security deposits	-	-	-
Due to other governmental units	-	-	-
Due to other funds	110,177	-	110,177
Compensated absences			
Due within one year	18,336	-	18,336
Due in more than one year	43,898	-	43,898
Long-term liabilities:			
Due within one year	100,258	420,752	521,010
Due in more than one year	617,034	2,146,607	2,763,641
Total Liabilities	1,569,555	2,730,146	4,299,701
NET ASSETS			
Invested in capital assets, net of related debt	1,131,609	3,980,326	5,111,935
Restricted	-	-	-
Unrestricted	370,882	1,004,411	1,375,293
Total Net Assets	1,502,491	4,984,737	6,487,228
Total Liabilities and Net Assets	$ 3,072,046	$ 7,714,883	$ 10,786,929

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

CITY OF NORTON
STATEMENT OF ACTIVITIES - COMPONENT UNITS
Year Ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Norton City Schools	Total Norton Industrial Development Authority	GRAND TOTAL
Governmental Activities							
Norton City Schools							
Education	$ 9,921,773	$ 114,856	$ 6,024,263	$ -	$ (3,782,654)	$ -	$ (3,782,654)
Business-type activities							
Norton Industrial Development Authority							
Economic Development	550,099	467,735	27,588	-	-	(54,776)	(54,776)
Total component units	10,471,872	582,591	6,051,851	-	(3,782,654)	(54,776)	(3,837,430)

General revenues			
City of Norton	3,957,225	566,929	4,524,154
Unrestricted investment earnings	954	10,975	11,929
Miscellaneous revenues	8,704	-	8,704
Unrestricted investment earnings	-	-	-
Rental of Town property	-	-	-
Gain (loss) on sale of capital assets	-	-	-
Recovered cost	-	41,692	41,692
Transfers	-	-	-
Total general revenues and transfers	3,966,883	619,596	4,586,479
Change in net assets	184,229	564,820	749,049
PRIOR PERIOD ADJUSTMENT	(5,774,576)	-	(5,774,576)
NET ASSETS - JULY 1, 2009	7,092,838	4,419,917	11,512,755
NET ASSETS - JUNE 30, 2010	$ 1,502,491	$ 4,984,737	$ 6,487,228

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

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 are the School Operating, School Cafeteria, Textbook, and Health Insurance Premium Funds. The Norton Industrial Development Authority's financial statements may be obtained by contacting the Authority at P.O. Box 303, Norton, Virginia 24273.

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

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

C. Financial Reporting Model

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

Government-wide and Fund Financial Statements

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

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.

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, 2010.

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.

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:

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

I. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $168,431 at June 30, 2010, and is composed of the following:

General Fund:		
Allowance for uncollectible property taxes	$ 53,784	
Allowance for uncollectible garbage fees	11,432	
Total General Fund		$ 65,216
Water and Sewer Fund:		
Allowance for uncollectible water and sewer fee billings	106,238	
Total Water and Sewer Fund		106,238
Total Allowance for Uncollectible Accounts		$ 171,454

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.

2. *DEPOSITS AND INVESTMENTS*

Deposits

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

Investments

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

Credit Risk:
As of June 30, 2010 12% 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	12%
First Bank & Trust	80%
Powell Valley National Bank	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:

		Component Units	
	Primary Government	School	NIDA
Deposits and investments:			
Cash on hand	$ 950	$ -	$ -
Deposits	2,432,389	645,074	1,137,887
Investments	419,944	-	-
	$ 2,853,283	$ 645,074	$ 1,137,887
Statement of net assets:			
Cash and cash equivalents	$ 1,938,257	$ 645,074	$ 1,137,887
Investments	419,944	-	-
Restricted cash and cash equivalents	495,082	-	-
	$ 2,853,283	$ 645,074	$ 1,137,887

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

3. *PROPERTY TAXES RECEIVABLE*

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

4. *NOTE RECEIVABLE*

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

5. *DUE FROM OTHER GOVERNMENTAL UNITS*

	Primary Government	Component Unit- School Board	Total
Commonwealth of Virginia:			
Local sales tax	$ 165,628	$ -0-	$ 165,628
State Board of Elections	32,821	-0-	32,821
Street and highway maintenance	-0-	-0-	-0-
Shared expenses	24,677	-0-	24,677
School funds	-0-	242,670	242,670
Welfare funds	69,835	-0-	69,835
Total Commonwealth of Virginia	292,961	242,670	535,631
Wise County:			
Coal haul road taxes	48,692	-0-	48,692
Court fines/transfer fees	6,666	-0-	6,666
Total Wise County	55,358	-0-	55,358
Norton Industrial Development Authority	45,250	-0-	45,250
Total Due From Other Governmental Units	$ 393,569	$ 242,670	$ 636,239

6. *INTERFUND OBLIGATIONS*

	Primary Government		School Board Component Unit	
	Due From	Due To	Due From	Due To
General Fund:				
School Operating Fund	$ 484,835	$ 698,058	$ -0-	$ -0-
Virginia Public Assistance Fund	123,845	-0-	-0-	-0-
Water and Sewer Fund	554,459	11,583	-0-	-0-
Total General Fund	1,163,139	709,641	-0-	-0-
School Operating Fund:				
General Fund	-0-	-0-	698,058	484,835
Cafeteria Fund	-0-	-0-	3,958	8,109
Health Insurance Fund	-0-	-0-	-0-	-0-
Total School Operating Fund	-0-	-0-	702,016	492,944
School Cafeteria Fund:				
School Operating Fund	-0-	-0-	8,109	3,958
Health Insurance Fund	-0-	-0-	-0-	-0-
Total School Cafeteria Fund	-0-	-0-	8,109	3,958
School Health Insurance Fund				
School Operating Fund	-0-	-0-	-0-	-0-
Total Health Insurance Fund	-0-	-0-	-0-	-0-
Virginia Public Assistance Fund:				
General Fund	-0-	123,845	-0-	-0-
Water and Sewer Fund:				
General Fund	11,583	554,459	-0-	-0-
Totals	$1,174,722	$1,387,945	$ 712,125	$ 496,902

7. *CHANGES IN CAPITAL ASSETS*

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

PRIMARY GOVERNMENT	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Buildings	$ 1,964,951	$ -0-	$ -0-	$ 1,964,951
Improvements other than buildings	1,494,432	-0-	-0-	1,494,432
Infrastructure	9,969,691	-0-	-0-	9,969,691
Equipment	2,931,749	264,230	-0-	3,195,979
Equipment special revenue	109,838	31,540	-0-	141,378
Tenancy in Common-School Board	-0-	7,616,961	-0-	7,616,961
Total Capital Assets, Depreciable	16,470,661	7,912,731	-0-	24,383,392
Less Accumulated Depreciation For:				
Buildings	1,257,607	27,393	-0-	1,285,000
Improvements other than buildings	978,503	37,712	-0-	1,016,215
Infrastructure	7,116,162	154,694	-0-	7,270,856
Equipment	1,973,680	233,506	-0-	2,207,186
Equipment special revenue	83,185	8,716	-0-	91,901
Total accumulated depreciation	11,409,137	462,021	-0-	11,871,158
Total Capital Assets, depreciable net	$ 5,061,524	$ 7,450,710	$ -0-	$ 12,512,234

7. ***CHANGES IN CAPITAL ASSETS (Continued)***

PRIMARY GOVERNMENT	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
OTHER COST:				
Bond Issue Cost	$ 56,079	$ -0-	$ -0-	$ 56,079
Less: Accumulated Amortization	(9,568)	(2,960)	-0-	(12,528)
Net Bond Issue Cost	$ 46,511	$ (2,960)	$ -0-	$ 43,551

Component Unit – School Board	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Buildings	$ 3,396,423	$ -0-	$ -0-	$ 3,396,423
Improvements other than buildings	881,399	-0-	-0-	881,399
Equipment	1,599,460	126,464	-0-	1,725,924
Tenancy in Common-City	-0-	-0-	-0-	-0-
Total Capital Assets, depreciable	5,877,282	126,464	-0-	6,003,746
Less Accumulated Depreciation For:				
Buildings	2,340,148	94,588	-0-	2,434,736
Improvements other than buildings	242,922	47,084	-0-	290,006
Equipment	1,446,426	49,577	-0-	1,496,003
Total accumulated depreciation	4,029,496	191,249	-0-	4,220,745
Total Capital Assets, depreciable, net	$ 1,847,786	$ (64,785)	$ -0-	$ 1,783,001
Component Unit - NIDA				
Buildings	$ 6,319,450	$ 49,589	$ -0-	$ 6,369,039
Equipment	380,207	3,926	-0-	384,133
Less: Accumulated depreciation	(1,868,802)	(207,668)	-0-	(2,076,470)
Total Capital Assets, depreciable, net	$ 4,830,855	$ (154,153)	$ -0-	$ 4,676,702

Business Type Activities	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Buildings	$ 256,454	$ -0-	$ -0-	$ 256,454
Improvements other than buildings	8,478,271	175,066	-0-	8,653,337
Equipment	807,221	33,750	-0-	840,971
Total Capital Assets, depreciable	9,541,946	208,816	(-0-)	9,750,762
Less Accumulated Depreciation For:				
Buildings	247,792	434	-0-	248,226
Improvements other than buildings	3,833,840	225,017	-0-	4,058,857
Equipment	650,566	23,546	-0-	674,112
Total accumulated depreciation	4,732,198	248,997	(-0-)	4,981,195
Total Capital Assets, depreciable, net	$ 4,809,748	$ (40,181)	$ (-0-)	$ 4,769,567

7. *CHANGES IN CAPITAL ASSETS (Continued)*

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

PRIMARY GOVERNMENT	July 1, 2009	Additions	Deletions	June 30, 2010
Land	$ 897,280	$ -0-	$ -0-	$ 897,280
Total Capital Assets, non-depreciable	$ 897,280	$ -0-	$ -0-	$ 897,280

Component Unit – School Board	July 1, 2009	Additions	Deletions	June 30, 2010
Land	$ 65,900	$ -0-	$ -0-	$ 65,900
Constructions in Progress	5,774,576	-0-	(5,774,576)	-0-
Total Capital Assets, non-depreciable	$ 5,840,476	$ -0-	$ (5,774,576)	$ 65,900
Component Unit - NIDA				
Land	$ 1,870,983	$ -0-	$ -0-	$ 1,870,983
Total Capital Assets, non-depreciable	$ 1,870,983	$ -0-	$ -0-	$ 1,870,983

Business Type Activities	July 1, 2009	Additions	Deletions	June 30, 2010
Land	$ 588,600	$ -0-	$ -0-	$ 588,600
Construction in Progress	212,810	2,150,874	-0-	2,363,684
Total Capital Assets, non-depreciable	$ 801,410	$ 2,150,874	$ -0-	$ 2,952,284

8. *LONG-TERM DEBT*

	GOVERNMENTAL ACTIVITIES GENERAL OBLIGATION BONDS					
Year(s) Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 65,000	$ 73,262	$ 58,000	$ 7,958	$ -0-	$ 324,079
2012	65,000	70,826	60,540	5,418	-0-	289,500
2013	70,000	68,226	63,191	2,768	-0-	289,500
2014	70,000	65,250	-0-	-0-	-0-	289,500
2015	75,000	62,626	-0-	-0-	7,500,000	289,500
Thereafter	1,210,000	428,373	-0-	-0-	-0-	-0-
Totals	$ 1,555,000	$ 768,563	$ 181,731	$ 16,144	$ 7,500,000	$ 1,482,079

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

	BUSINESS TYPE ACTIVITIES							
	GENERAL OBLIGATION BONDS						REVENUE BONDS	
Year(s) Ending June 30,	Water Improvement Bond Principal	Water Improvement Bond Interest	Water Facilities Bond Principal	Water Facilities Bond Interest	Sewer Facilities Bond Principal	Sewer Facilities Bond Interest	Sewer Improvement Bond Principal	Sewer Improvement Bond Interest
2011	$ 27,000	$ 47,058	$ 13,101	$ 41,379	$ 2,083	$ 7,637	$ 37,000	$ -0-
2012	29,460	45,619	13,702	40,778	2,171	7,549	-0-	-0-
2013	36,810	44,103	14,332	40,148	2,262	7,458	-0-	-0-
2014	45,000	43,727	14,990	39,490	2,357	7,362	-0-	-0-
2015	45,000	41,648	15,679	38,801	2,456	7,264	-0-	-0-
Thereafter	810,000	296,402	849,627	627,617	174,526	144,690	-0-	-0-
Totals	$ 993,270	$ 518,557	$ 921,431	$ 828,213	$ 185,855	$ 181,960	$ 37,000	$ -0-

	GENERAL OBLIGATION BONDS	
Year(s) Ending June 30,	Water Improvement Bond Principal	Water Improvement Bond Interest
2011	$ 39,591	$ -0-
2012	39,591	-0-
2013	39,591	-0-
2014	39,591	-0-
2015	39,591	-0-
Thereafter	471,385	-0-
Totals	$ 669,340	$ -0-

	Balance 07-01-09	Additions/ Proceeds	Payments/ Reductions	Balance 06-30-10
Business-Type Activities:				
General obligation bonds	$ 2,144,699	$ 669,340	$ (44,143)	$ 2,769,896
Deferred gain of refunding	63,208	-0-	(3,160)	60,048
Revenue bonds	74,000	-0-	(37,000)	37,000
OPEB	-0-	17,360	-0-	17,360
Accrued vacation	20,162	24,845	(25,259)	19,748
	2,302,069	711,545	(109,562)	2,904,052
Governmental Activities:				
General obligation bonds	9,352,298	7,500,000	(7,615,567)	9,236,731
Capital lease	108,330	-0-	(36,748)	71,582
OPEB	-0-	79,085	-0-	79,085
Accrued vacation	141,973	176,269	(160,310)	157,932
	9,602,601	7,755,354	(7,812,625)	9,545,330
Totals	$11,904,670	$ 8,466,899	$(7,922,187)	$12,449,382

8. *LONG-TERM DEBT (Continued)*

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, 2010:

	Compensated Absences	
	Governmental Fund Types	Propriety Fund Types
Payable at June 30, 2009	$ 141,973	$ 20,162
Additions	176,269	24,845
Reductions	(160,310)	(25,259)
Payable at June 30, 2010	$ 157,932	$ 19,748

	Amount Outstanding	
	Government Activities	Propriety Fund Types
Details of Long-Term Indebtedness:		
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.	$ 181,731	$ 993,270
$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.	1,555,000	-0-
$7,500,000 General Obligation Bond issued November 17, 2009 is payable to First Bank & Trust with an interest rate of 3.86%. Interest is paid semi-annually beginning in July 1, 2010. Principal is due at maturity on January 1, 2015.	7,500,000	-0-

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

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-	37,000
General Obligation Bonds:		
$1,514,370 General Obligation Sewer Bond, is payable to the Virginia Resource Authority, with interest at zero percent. The amount of principle advances on the bond total $669,340 at June 30, 2010. Repayment of the principle is schedule in 40 equal semi-annual installments of $37,859 payable on June 1 and December 1, beginning December 1, 2010. Final payment is due June 1, 2030.	-0-	669,340
$1,000,000 Water Facilities Bonds issued October 9, 2002, payable to United States of America, USDA Rural Development, with interest at the rate of 4.5% per annum. Accrued interest only is payable on October 9, 2003. Monthly installments of combined principal and interest of $4,540 are payable beginning on November 9, 2003 and continuing on the 9th of each month thereafter until paid in full. Monthly payments are to be applied first to interest accrued to such payment date and then to principal. The final installment of all unpaid principal and interest shall be due and payable in 40 years on October 9, 2042.	-0-	921,431
$190,000 Sewer Facilities Bond issued June 6, 2008 payable to Unites States of America, USDA Rural Development, with interest at the rate of 4.10%. Monthly installments of Combined principal and interest of $810 are payable beginning July 7, 2008 and continuing on the 7th of each month thereafter until paid in full. Monthly payments are applied first to interest accrued to such payment date and then to principal. The final installment of all unpaid principal and interest shall be due and payable in 40 years on June 7, 2048.	-0-	185,855
Total Long-Term Debt	$ 9,236,731	$ 2,806,896

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

Component Unit - School Board

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

	GENERAL LONG-TERM DEBT							
Years Ending	Bonds		General Obligation Literary Fund Loans		VPSA		Retirement	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 45,000	$ 14,978	$ 20,000	$ 400	$ 34,058	$ 10,342	$ 1,200	$ -0-
2012	50,000	13,005	-0-	-0-	35,019	8,581	1,200	-0-
2013	55,000	10,328	-0-	-0-	36,031	6,769	800	-0-
2014	55,000	7,522	-0-	-0-	37,096	4,904	-0-	-0-
2015	60,000	4,590	-0-	-0-	38,216	2,984	-0-	-0-
Thereafter	60,000	1,530	-0-	-0-	39,393	1,005	-0-	-0-
Totals	$ 325,000	$ 51,953	$ 20,000	$ 400	$ 219,813	$ 35,585	$ 3,200	$ -0-

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, 2010:

	GENERAL OBLIGATION				
	General Obligation Bonds	Literary Fund Loans	Retirement Payable	VPSA Payable	Totals
Bonds/loans payable at June 30, 2009	$ 400,000	$ 40,000	$ 9,920	$ 252,957	$ 702,877
Issuances	-0-	-0-	-0-	-0-	-0-
Retirements	(75,000)	(20,000)	(6,720)	(33,144)	(134,864)
Bonds/loans payable at June 30, 2010	$ 325,000	$ 20,000	$ 3,200	$ 219,813	$ 568,013

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, 2010:

	Compensated Absences Component Unit-School Board	OPEB Component Unit-School Board
Payable at June 30, 2009	$ 64,665	$ -
Additions	43,178	149,279
Reductions	(50,032)	-
Payable at June 30, 2010	$ 57,811	$ 149,279

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

Details of Long-Term Indebtedness:

	Amount Outstanding
General Obligation Bonds:	
$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%.	325,000
Total General Obligation Bonds	325,000
State Literary Fund Loans:	
$400,000 State Literary Fund Loan dated January 15, 1991 (issued on December 21, 1990); first annual installment of $20,000 due January 15, 1995, remaining 19 annual installments of $20,000 due January 15, 1995 through January 15, 2011; interest payable annually at 2%	20,000
Total State Literary Fund Loans	20,000
Retirement Costs:	
$359,622 Early Retirement Costs, payable over 11 year period with monthly installments of $5,095; first installment due in the year ending June 30, 2000	3,200
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%	219,813
TOTAL GENERAL LONG-TERM BONDS/LOANS	$ 568,013

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,	City of Norton		Powell Valley National Bank		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 28,410	$ 1,154	$ 392,342	$ 95,674	$420,752	$ 96,828
2012	86,943	870	410,159	77,857	497,102	78,727
2013	-0-	-0-	429,277	58,739	429,277	58,739
2014	-0-	-0-	449,035	38,981	449,035	38,981
2015	-0-	-0-	469,701	18,315	469,701	18,315
Thereafter	-0-	-0-	301,491	1,241	301,491	1,241
Totals	$ 115,353	$ 2,024	$2,452,005	$ 290,807	$2,567,358	$ 292,831

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, 2010:

	City of Norton	Goad Property	Powell Valley National Bank	Totals
Mortgage loans payable at June 30, 2009	$ 143,482	$ 75,920	$ 2,820,105	$ 3,039,507
Borrowings	-0-	-0-	-0-	-0-
Retirements	(28,129)	(75,920)	(368,100)	(472,149)
Mortgage loans payable at June 30, 2010	$ 115,353	$ -0-	$ 2,452,005	$ 2,567,358

Details of Long-Term Indebtedness:

	Principal Balance at June 30, 2010
Mortgage Loans Payable:	
Powell Valley National Bank - $3,900,000 mortgage loan dated 3/3/04; secured by substantially all real property and revenues of the Authority. The loan bears interest at a rate of 4.5% payable quarterly beginning 6/3/04. Principal payments are due quarterly beginning 6/3/06 with the balance due on 3/3/16.	2,452,005
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	115,353
Total Mortgage Loans Payable at June 30, 2010	$ 2,567,358

9. *CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES*

PRIMARY GOVERNMENT

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

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

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

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, 2010, the City had outstanding accrued vacation, sick and personal leave of $157,932 in the Governmental Activities and outstanding accrued vacation leave of $19,748 in the Water and Sewer Fund. The City had outstanding accrued payroll taxes of $12,082 in the Governmental Activities and $1,510 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, 2010, the School Board had outstanding accrued vacation, sick and personal leave of $57,811 and $4,423 of accrued payroll taxes related to the accrued leave.

10. *DEFINED BENEFIT PENSION PLAN*

A. Plan Description

Name of Plan: City of Norton, Virginia, Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

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

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 (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. 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/2009annurept.pdf.*

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended to contribute 5% of their annual salary to the VRS. The City assumed this 5% member contribution. In addition, the City of Norton, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended June 30, 2010 was 6.47% of annual covered payroll. In addition, professional and non-professional employees of the City of Norton School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the Agent multiple-employer retirement system.

The required contribution for the year ended June 30, 2010 for the professional employees of the City of Norton Schools was $433,201. The required contribution rate was 8.81% of covered payroll for July 2009 through March 2010 and 0.00% for April through June 2010. This amount represented 100% of the current year contribution. The amounts related to the previous three years are as follows:

Professional	Required Contribution	Percentage Made
2010	$ 433,201	100%
2009	514,373	100
2008	548,094	100

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

The required contribution for the year ended June 30, 2010 for the non-professional employees of the City of Norton Schools was $14,449. This amount represented 100% of the current year contribution. The amounts related to the previous three years are as follows:

Non-Professional	Required Contribution	Percentage Made
2010	$ 12,979	100.0%
2009	12,398	100.0
2008	11,791	100.0

C. Annual Pension Cost

For the fiscal year 2010, the City of Norton's annual pension cost of $365,000 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.5% investment rate of return (net of administrative expenses) (b) projected salary increases ranging from 3.75% to 5.6% per year and 3.5% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters and sheriffs, , and (c) 2.5% per year cost-of-living adjustments. Both the investment rate of return and the projected salary increases include 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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	$ 365,000	100%	$ -0-
June 30, 2009	361,137	100	-0-
June 30, 2008	333,485	100	-0-

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	$ 11,526,774	$ 13,086,643	$ 1,559,870	88.0%	$ 3,083,436	50.6%
June 30, 2008	11,444,087	12,133,371	698,284	94.3	2,776,096	24.8
June 30, 2007	10,478,291	11,072,838	594,547	94.6	2,622,111	22.7

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

COMPONENT UNIT - SCHOOL BOARD

Schedule of Funding Progress for the Norton City Schools

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	$ 1,805,641	$ 1,483,622	$ (322,019)	121.7%	$ 233,957	(137.6)%
June 30, 2008	1,841,349	1,397,580	(443,769)	131.8	233,925	(189.7)
June 30, 2007	1,710,075	1,344,085	(365,990)	127.2	193,415	(189.2)

11. ***OTHER POST-EMPLOYMENT BENEFITS***

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefit Plans Other Than Pensions.* The Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the period in which the cost occurs, rather than in the future years when it will be paid. The City adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010. Recognition of the liability accumulated from prior years will be phased in over 30 years commencing with the 2010 liability.

The City meets the requirements to use the alternative measurement method and elects to use the alternative measurement method.

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2010, the City's annual OPEB costs of $253,396 for governmental activities and $17,360 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	Governmental Activities	Business-type Activities	School Board
Annual required contribution	$ 79,085	$ 17,360	$ 174,311
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB cost	79,085	17,360	174,311
Contributions made	-	-	(25,032)
Increase in net OPEB obligation	79,085	17,360	149,279
Net OPEB obligation-beginning of year	-	-	-
Net OPEB obligation-end of year	$ 79,085	$ 17,360	$ 149,279

11. ***OTHER POST-EMPLOYMENT BENEFITS (Continued)***

The City's annual OPEB cost for governmental activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The City's first year for implementing GASB No. 45 was June 30, 2010.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 79,085	0%	$ 79,085

The City's annual OPEB cost for business-type activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The City's first year for implementing GASB No. 45 was June 30, 2010.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 17,360	0%	$ 17,360

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The City's first year for implementing GASB No. 45 was June 30, 2010.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 149,279	0%	$ 149,279

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2010 was as follows:

	Governmental Activities	Business-type Activities	School Board
Actuarial Accrued Liability (AAL)	$ 577,884	$ 126,852	$ 1,825,884
Actuarial Value of Plan Assets	-	-	188,072
Unfunded Actuarial Accrued Liability (UAAL)	577,884	126,852	1,637,812
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	10.30%
Covered Payroll (Active Plan Members)	2,677,645	587,776	2,915,517
UAAL as a Percentage of Covered Payroll	21.58%	21.58%	56.18%

11. ***OTHER POST-EMPLOYMENT BENEFITS (Continued)***

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 62 which is the historical average age of retirement for employees of the City. Active employees age 62 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the City included: inflation at 2.5

and an investment rate of return of 2.5%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2010 is 29 years.

Plan Description

The City provides post-employment medical coverage for retired employees through a single-employer defined benefit plan. The City may change, add or delete coverage as they deem appropriate and with the approval of the City Council. The plan does not grant retirees vested health benefits.

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the City and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the City. Employees at the City are allowed to stay on the plan until death of the employee or eligibility for Medicare coverage. The employee pays 100% for spouse or dependent health care insurance premiums.

Funding Policy

The City currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2010, the City had not designated any funding for the OPEB liability.

12. *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 $1,049,544 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled $1,049,544 at June 30, 2010.

13. *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.

14. *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.

15. *LEASE OBLIGATION*

The City of Norton has two capital leases outstanding at June 30, 2010.

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, 2011	$ 20,155

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

June 30, 2011	$ 18,461
June 30, 2012	19,439
June 30, 2013	13,527
June 30, 2014	-0-
June 30, 2015	-0-
Thereafter	-0-
Total	$ 51,427

16. *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, 2010 outstanding encumbrances of governmental fund types are listed below:

PRIMARY GOVERNMENT

	Amount
General Fund	$ 468,808

COMPONENT UNIT - SCHOOL BOARD

	Amount
School Operating Fund	$ 16,737
School Textbook Fund	32,233
Total School Board	$ 48,970

17. *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.

18. *PRIOR PERIOD ADJUSTMENT*

A prior period adjustment was made in both the General and School Funds to report the transfer of assets from the School Fund to the General Fund. The amount transferred was $5,774,576 and represents the construction in process incurred through June 30, 2009. Section 15.2-1800.1 of the Code of Virginia, (1950), as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on behalf" of school boards were reported in the school board's discrete column along with the related capital asset. Under the law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt.

19. *SUSEQUENT EVENT*

On November 17, 2010, the City issued $7,500,000 General Obligation Refunding Bonds, Series 2010 to pay off the General Obligation Bonds issued November 17, 2009. Interest is due semi-annually beginning July 1, 2011 and the principal is payable on January 1, 2015.

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue From Local Sources:				
General Property Taxes:				
Real property taxes	$1,567,849	$ 1,567,849	$2,273,409	$ 705,560
Real and personal public service corporation property taxes	215,000	215,000	312,495	97,495
Personal property taxes	408,700	408,700	429,833	21,133
Machinery and tools taxes	86,000	86,000	96,691	10,691
Penalties and interest	29,500	29,500	39,409	9,909
Total General Property Taxes	2,307,049	2,307,049	3,151,837	844,788
Other Local Taxes:				
Local sales and use taxes	2,055,000	2,055,000	1,887,804	(167,196)
Utility taxes	-	-	128,412	128,412
Business license taxes	843,600	843,600	795,833	(47,767)
Communication taxes	350,000	350,000	217,788	(132,212)
Motor vehicle licenses	30,000	30,000	1,659	(28,341)
Bank stock taxes	85,000	85,000	106,974	21,974
Recordation taxes	20,000	20,000	27,055	7,055
Tobacco taxes	200	200	185	(15)
Hotel and motel room taxes	140,000	140,000	169,049	29,049
Restaurant food taxes	950,000	950,000	1,061,575	111,575
Coal road improvement taxes	180,000	180,000	166,571	(13,429)
Franchise licenses tax	-	-	689	689
Cigarette tax	150,000	150,000	118,930	(31,070)
Total Other Local Taxes	4,803,800	4,803,800	4,682,524	(121,276)
Permits, Privilege Fees And Regulatory Licenses:				
Animal licenses	1,000	1,000	2,227	1,227
Permits and other licenses	6,760	6,760	3,762	(2,998)
Total Permits, Privilege Fees and Regulatory Licenses	7,760	7,760	5,989	(1,771)
Fines ad Forfeitures	105,000	105,000	94,826	(10,174)
Revenue From Use Of Money And Property:				
Revenue from use of money	40,000	40,000	18,364	(21,636)
Revenue from use of property	31,250	47,250	58,336	11,086
Total Revenue From Use of Money and Property	71,250	87,250	76,700	(10,550)
Charges For Services:				
Court cost	5,000	5,000	827	(4,173)
Attorney fees	5,000	5,000	5,638	638
Charges for sanitation and waste removal	370,500	370,500	363,217	(7,283)
Charges for parks and recreation	28,000	28,000	22,970	(5,030)
NFD revenue recovery	30,000	30,000	-	(30,000)
Total Charges for Services	438,500	438,500	392,652	(45,848)
Miscellaneous Revenue:				
Miscellaneous	46,150	46,150	53,508	7,358
Total Miscellaneous	46,150	46,150	53,508	7,358
Recovered Costs:				
Recovered Cost - School Board	20,000	20,000	5,108	(14,892)
Cost allocation plan - Water and Sewer Fund	13,950	13,950	13,950	-
Cost allocation plan	6,350	6,350	-	(6,350)
Total Recovered Costs	40,300	40,300	19,058	(21,242)
Total Revenue From Local Sources	7,819,809	7,835,809	8,477,094	641,285

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

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Motor vehicle carriers' taxes	$ 35,000	$ 35,000	$ 34,881	$ (119)
Litter grant	-	-	5,125	5,125
Mobile home titling taxes	5,000	5,000	6,006	1,006
Reduction of state aid	(20,168)	(20,168)	(20,168)	-
Rolling stock taxes	15,000	15,000	18,994	3,994
Total Non-Categorical Aid	34,832	34,832	44,838	10,006
Categorical Aid:				
Shared Expenses:				
Sheriff	145,000	145,000	144,016	(984)
Commissioner of the Revenue	65,000	65,000	68,004	3,004
Treasurer	70,000	70,000	71,116	1,116
Medical examiner	300	300	-	(300)
Registrar/electoral board	34,000	34,000	32,821	(1,179)
Total Shared Expenses	314,300	314,300	315,957	1,657
Other Categorical Aid:				
Law enforcement grant	273,000	273,000	229,047	(43,953)
Emergency medical services	1,100	1,100	2,827	1,727
DMV Grant	38,000	38,000	17,344	(20,656)
Street and highway maintenance	735,000	735,000	698,460	(36,540)
Financial assistance to the arts	5,000	5,000	5,000	-
DMME highwall project	-	-	60,309	60,309
E-911 funding	36,585	36,585	37,083	498
Safe route to school	-	-	10,000	10,000
PSAP grant	-	129,704	129,704	-
Fire programs fund	20,000	20,000	58,000	38,000
Total Other Categorical Aid	1,108,685	1,238,389	1,247,774	9,385
Total Revenue From the Commonwealth	1,457,817	1,587,521	1,608,569	21,048
Revenue From The Federal Government:				
Payment in lieu of property taxes	27,000	27,000	29,870	2,870
FEMA	-	48,059	-	(48,059)
Department of Emergency Management	-	35,008	35,008	-
Justice assistance grants	-	55,477	56,677	1,200
USDA Community facilities grant	-	96,000	96,000	-
Total Revenue From The Federal Government	27,000	261,544	217,555	(43,989)
Other financing sources				
Insurance recoveries	7,000	7,000	12,256	5,256
Loan proceeds	-	-	7,500,000	7,500,000
Sale of Real Property	-	-	-	-
Sale of Surplus	2,500	2,500	101	(2,399)
Total other financing sources	9,500	9,500	7,512,357	7,502,857
TOTAL GENERAL FUND	9,314,126	9,694,374	17,815,575	8,121,201
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Revenue From Local Sources:				
Revenue From Use of Money and Property:				
Revenue from use of money	$ -	$ -	$ 2,161	$ 2,161
Total Revenue From Local Sources	-	-	2,161	2,161
Revenue From The Commonwealth:				
Categorical Aid:				
Welfare:				
Aid to dependent children	26,112	26,112	33,101	6,989
Foster care	13,473	13,473	12,005	(1,468)

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General administration for financial assistance	$ 113,954	$ 113,954	$ 117,189	$ 3,235
Community services	85,150	85,150	174,370	89,220
Supplemental income assistance for the aged, blind and disabled	18,573	18,573	26,915	8,342
Employment services	1,490	1,490	3,107	1,617
Day care	8,706	8,706	13,632	4,926
Other purchased services	8,393	8,393	96,463	88,070
Direct social services	102,744	102,744	-	(102,744)
General relief	268	268	-	(268)
Emergency services	-	-	-	-
View-Welfare reform	-	-	-	-
Total Categorical Aid	378,863	378,863	476,782	97,919
Total Revenue From the Commonwealth	378,863	378,863	476,782	97,919
Revenue From The Federal Government:				
Categorical Aid:				
Welfare:				
Aid to dependent children	19,135	19,135	28,091	8,956
Foster care	13,473	13,473	25,431	11,958
General administration for financial assistance	197,001	197,001	228,695	31,694
Supplemental income assistance for the aged, blind and disabled	-	-	-	-
Employment services	510	510	4,503	3,993
Day Care	49,368	49,368	25,300	(24,068)
Other purchased services	46,987	46,987	159,593	112,606
Direct social services	157,154	157,154	-	(157,154)
Emergency assistance	-	-	-	-
Special revenue	-	-	-	-
View -Welfare reform	-	-	-	-
ARRA	-	-	10,077	10,077
Total Revenue From the Federal Government	483,628	483,628	481,690	(1,938)
Other financing sources				
Transfers from general fund	280,000	280,000	280,000	-
Total other financing sources	280,000	280,000	280,000	-
Total Virginia Public Assistance Fund	1,142,491	1,142,491	1,240,633	98,142
Drug and Gambling Investigative Funds:				
Revenue From Local Sources:				
Restitution to law enforcement	-	-	63,936	63,936
Total Revenue From Local Sources	-	-	63,936	63,936
Total Revenue Drug and Gambling Investigative Fund	-	-	63,936	63,936
Revolving Loan Fund:				
Revenue From Local Sources:				
Revenue from use of money and property	-	-	3,389	3,389
Total Revenue From Local Sources	-	-	3,389	3,389
Total Revolving Loan Fund	-	-	3,389	3,389
Flag Rock Lighting Fund:				
Revenue From Local Sources:				
Miscellaneous	-	-	-	-
Total Revenue From Local Sources	-	-	-	-
Total Flag Rock Lighting Fund	-	-	-	-
TOTAL SPECIAL REVENUE FUNDS	1,142,491	1,142,491	1,307,958	165,467
GRAND TOTAL - REVENUES - GOVERNMENTAL FUNDS	$ 10,456,617	$ 10,836,865	$ 19,123,533	$ 8,286,668

CITY OF NORTON
GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
City Council	$ 49,925	$ 49,925	$ 31,806	$ 18,119
General and Financial Administration:				
City Manager	192,200	192,200	198,313	(6,113)
Office personnel	94,450	94,450	92,845	1,605
Legal and professional	37,500	37,500	58,784	(21,284)
Independent Auditor	20,000	20,000	21,250	(1,250)
Commissioner of the Revenue	128,150	128,150	127,088	1,062
Treasurer	137,650	137,650	125,574	12,076
Director of Finance	137,150	157,150	159,510	(2,360)
Data Processing	62,500	72,075	47,845	24,230
Automotive/motor pool	150,700	150,700	117,594	33,106
Total General and Financial Administration	960,300	989,875	948,803	41,072
Board of Elections:				
Electoral board and officials	14,000	14,000	8,840	5,160
Registrar	63,900	63,900	58,697	5,203
Total Board of Elections	77,900	77,900	67,537	10,363
Total General Government Administration	1,088,125	1,117,700	1,048,146	69,554
Judicial Administration:				
Courts:				
Circuit court	1,000	1,000	25,053	(24,053)
General district court	3,000	3,000	1,043	1,957
Clerk of circuit court	35,000	35,000	43,967	(8,967)
Sheriff	256,775	256,775	242,330	14,445
County courthouse	25,000	25,000	51,648	(26,648)
Court and attorney fees	26,000	26,000	20,841	5,159
Total Courts	346,775	346,775	384,882	(38,107)
Commonwealth's Attorney:				
Commonwealth's attorney	25,000	25,000	33,886	(8,886)
Total Judicial Administration	371,775	371,775	418,768	(46,993)
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,449,400	1,584,544	1,633,139	(48,595)
Traffic control	13,000	13,000	49,338	(36,338)
Emergency management funds	-	172,117	89,383	82,734
Total Law Enforcement and Traffic Control	1,462,400	1,769,661	1,771,860	(2,199)
Fire and Rescue Services:				
Volunteer fire department	137,050	218,336	318,424	(100,088)
Ambulance and rescue services	35,000	35,000	35,000	-
Total Fire and Rescue Services	172,050	253,336	353,424	(100,088)
Correction and Detention:				
Purchase of service from Wise County	45,000	45,000	77,165	(32,165)
Juvenile detention	57,800	57,800	57,123	677
Contribution to regional jail	130,000	130,000	121,322	8,678
Total Correction and Detention	232,800	232,800	255,610	(22,810)
Inspections:				
Building	105,750	105,750	75,134	30,616
Other Protection:				
Animal control	44,900	44,900	49,514	(4,614)
Emergency medical services	1,000	1,000	1,000	-
Total Other Protection	45,900	45,900	50,514	(4,614)
Total Public Safety	2,018,900	2,407,447	2,506,542	(99,095)

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works:				
Maintenance of Highways, Street, Bridges and Sidewalks:				
General engineering/administration	$ 70,725	$ 70,725	$ 68,370	$ 2,355
Highways, streets, bridges and sidewalks	878,100	1,160,422	1,115,126	45,296
Storm drainage	5,000	5,000	3,725	1,275
Street lights	87,500	87,500	88,831	(1,331)
Snow and ice removal	25,000	25,000	74,224	(49,224)
Curbs and guttering	3,000	3,000	-	3,000
Total Maintenance of Highways, Streets Bridges and Sidewalks	1,069,325	1,351,647	1,350,276	1,371
Sanitation and Waste Removal:				
Street and road cleaning	13,500	14,600	13,158	1,442
Refuse collection	242,700	242,700	231,313	11,387
Refuse disposal	245,000	245,000	213,135	31,865
Total Sanitation and Waste Removal	501,200	502,300	457,606	44,694
Maintenance of General Buildings and Grounds:				
General properties	207,000	398,497	207,685	190,812
Total Public Works	1,777,525	2,252,444	2,015,567	236,877
Health and Welfare:				
Health:				
Local health department	57,675	57,675	37,083	20,592
Mental Health and Mental Retardation:				
Chapter 10 board	21,953	21,953	21,953	-
Welfare/Social Services:				
Disability Board	750	750	-	750
Area agency on aging	20,000	20,000	20,000	-
Property tax relief for elderly	1,000	-	16,340	(16,340)
Contribution to Office on Youth	5,000	5,000	5,000	-
Contribution to Advocate Center	700	700	-	700
Contribution to Brain Injury Service	300	300	300	-
Contribution to Food Bank	500	500	-	500
Contribution-RAM Project	-	1,000	1,000	-
Contribution - Hope House	2,000	2,000	-	2,000
Total Welfare/Social Services	30,250	30,250	42,640	(12,390)
Total Health and Welfare	109,878	109,878	101,676	8,202
Education:				
Contribution to Mountain Empire Community College	7,520	7,520	7,520	-
Payment to school board	2,038,870	2,332,168	3,957,225	(1,625,057)
Contribution to UVA Wise Radio	-	-	-	-
Total Education	2,046,390	2,339,688	3,964,745	(1,625,057)
Parks, Recreation and Cultural:				
Parks and Recreation:				
Maintenance	177,400	177,400	196,117	(18,717)
Recreation centers and playgrounds	144,750	170,250	168,213	2,037
Swimming pool	40,400	40,400	33,236	7,164
Total Parks and Recreation	362,550	388,050	397,566	(9,516)
Cultural Enrichment:				
Pro-Art	10,000	10,000	10,000	-
Other events	-	1,000	3,258	(2,258)
School functions	-	14,000	14,998	(998)
Employee picnic and Christmas party	3,000	3,000	511	2,489
Total Cultural Enrichment	13,000	28,000	28,767	(767)
Library:				
Payments to regional library	48,500	48,500	48,500	-
Total Parks, Recreation and Cultural	424,050	464,550	474,833	(10,283)

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Community Development:				
Planning and Community Development:				
Planning	$ 121,200	$ 339,650	$ 187,643	$ 152,007
Planning - contribution to Lenowisco	8,123	8,123	8,123	-
Community access channel	6,950	6,950	6,891	59
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	566,929	566,929	566,929	-
Contribution to Airport Commission	4,500	4,500	4,500	-
Contributions to School Activity funds	-	-	-	-
High Knob Tower Restoration	-	-	-	-
Capital projects	299,328	-	-	-
Capital outlay	90,000	-	-	-
Total Planning and Community Development	1,099,882	929,004	776,038	152,966
Debt Service				
Principal	110,488	152,315	7,652,315	(7,500,000)
Interest	331,734	381,735	202,993	178,742
Total debt service	442,222	534,050	7,855,308	(7,321,258)
Other financing uses				
Transfers to water/sewer fund	-	-	-	-
Transfers to welfare fund	280,000	280,000	280,000	-
Total other financing sources	280,000	280,000	280,000	-
TOTAL GENERAL FUND	$ 9,658,747	$ 10,806,536	$ 19,441,623	$ (8,635,087)
SPECIAL REVENUE FUNDS:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Welfare/food stamp administration	$ 1,142,491	$ 1,142,491	$ 1,109,091	$ 33,400
Total Welfare/Social Services	1,142,491	1,142,491	1,109,091	33,400
Total Health and Welfare	1,142,491	1,142,491	1,109,091	33,400
Total Virginia Public Assistance Fund	1,142,491	1,142,491	1,109,091	33,400
Drug and Gambling Investigative Funds:				
Public safety	-	-	94,453	(94,453)
Total Drug and Gambling Investigative Funds	-	-	94,453	(94,453)
TOTAL SPECIAL REVENUE FUNDS	1,142,491	1,142,491	1,203,544	(61,053)
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	$ 10,801,238	$ 11,949,027	$ 20,645,167	$ (8,696,140)
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	$ (344,621)	$ (1,112,162)	$ (1,521,634)	
Net appropriations from fund balance				
Prior year surplus	344,621	648,419		
Prior year encumbrances	-	463,743		
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, 2010

	GOVERNMENTAL ACTIVITIES				TOTALS
	School Operating Fund	School Textbook Fund	School Health Retiremen Fund	School Cafeteria Fund	June 30, 2010
ASSETS					
Cash and cash equivalents	$ 102,783	$ 311,397	$ 185,603	$ 45,291	$ 645,074
Investments	-	-	-	-	-
Accounts receivable	12,001				12,001
Due from other funds	102,068	-	-	8,109	110,177
Due from primary government	213,223	-	-	-	213,223
Due from other governmental units	242,670	-	-	-	242,670
TOTAL ASSETS	$ 672,745	$ 311,397	$ 185,603	$ 53,400	$ 1,223,145
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	$ 27,990	$ -	$ -	$ -	$ 27,990
Accrued liabilities	619,909	-	-	-	619,909
Due to other funds	8,109	98,110	-	3,958	110,177
Deferred Revenue	-	-	-	-	-
Total Liabilities	656,008	98,110	-	3,958	758,076
FUND BALANCE:					
Reserved For:					
Encumbrances	16,737	32,233	-	-	48,970
Unreserved:					
Undesignated	-	181,054	185,603	49,442	416,099
Total Fund Balance	16,737	213,287	185,603	49,442	465,069
TOTAL LIABILITIES AND FUND BALANCE	$ 672,745	$ 311,397	$ 185,603	$ 53,400	$ 1,223,145

Reconciliation of Component Units Combining Balance Sheet to Statement of Net Assets - Component Unit-School Board	$ 465,069	
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		(13,843)
Accrued compensated absences		(62,234)
Deferred revenue		(18,110)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation		1,848,901
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds	$ (717,292)	
Total net assets - component unit-School Board	$ 1,502,491	

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2010

	School Operating Fund	School Textbook Fund	School Health Retirement Fund	School Cafeteria Fund	Total School Board
REVENUES:					
Revenue from use of money and property	$ 861	$ 5	$ 3	$ 85	$ 954
Charges for services	-	-	-	114,856	114,856
Miscellaneous	8,704	-	-	-	8,704
Intergovernmental					
Primary government	3,957,225	-	-	-	3,957,225
Commonwealth of Virginia	4,661,701	-	-	-	4,661,701
Federal Government	1,460,672	-	-	-	1,460,672
Total Revenues	10,089,163	5	3	114,941	10,204,112
EXPENDITURES:					
Current:					
Education	9,332,026	21,231	32,438	303,660	9,689,355
Debt Service:					-
Principal	134,580	-	-	-	134,580
Interest	30,758	-	-	-	30,758
Total Expenditures	9,497,364	21,231	32,438	303,660	9,854,693
Excess (Deficiency) of Revenues Over Expenditures	591,799	(21,226)	(32,435)	(188,719)	349,419
OTHER FINANCING SOURCES (USES):					
Loan Proceeds	-	-	-	-	-
Operating transfers in	-	234,513	218,038	215,218	667,769
Operating transfers out	(667,769)	-	-	-	(667,769)
Total Other Financing Sources (Uses)	(667,769)	234,513	218,038	215,218	-
Net change in fund balance	(75,970)	213,287	185,603	26,499	349,419
Fund Balance at June 30, 2009	92,707	-	-	22,943	115,650
Fund Balance at June 30, 2010	$ 16,737	$ 213,287	$ 185,603	$ 49,442	$ 465,069

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	349,419
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.	(64,785)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds	(98,110)
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	(14,415)
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	12,120
Change in net assets of governmental activities	184,229

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

CITY OF NORTON
COMPONENT UNIT - SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
Year Ended June 30, 2010

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Revenue from use of money and property	$ -	$ -	$ 861	$ (861)
Charges for services	-	-	-	-
Miscellaneous	2,800	2,800	8,704	5,904
Intergovernmental				
Primary government	5,930,872	6,224,170	3,957,225	(2,266,945)
Commonwealth of Virginia	4,716,363	4,861,113	4,661,701	(199,412)
Federal Government	1,205,324	1,663,859	1,460,672	(203,187)
Total Revenues	11,855,359	12,751,942	10,089,163	(2,662,779)
EXPENDITURES:				
Current:				
Community Development	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	11,524,736	12,514,026	9,332,026	3,182,000
Debt Service:				-
Principal	134,865	134,865	134,580	285
Interest	30,758	30,758	30,758	-
Total Expenditures	11,690,359	12,679,649	9,497,364	3,182,285
Excess (Deficiency) of Revenues Over Expenditures	165,000	72,293	591,799	519,506
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(165,000)	(165,000)	(667,769)	(502,769)
Total Other Financing Sources (Uses)	(165,000)	(165,000)	(667,769)	(502,769)
Excess of revenue and other financing sources over expenditures and other financing uses - budget basis	-	(92,707)	(75,970)	16,737
Net appropriations from fund balance				
Prior year encumbrances	-	92,707		
Budget- excess of revenue, other financing sources and appropriations from fund balance over expenditures and other financing uses	-	-		
Fund Balance - July 1 , 2009			92,707	
Fund Balance - June 30 , 2010			$ 16,737	

CITY OF NORTON
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2010

ASSETS HELD BY THE TREASURER:		
Cash on hand		$ 950
Cash in banks:		
Checking:		
First Bank and Trust	2,790,166	
Total Checking		2,790,166
Certificates of Deposit:		
Powell Valley National Bank	251,527	
First Bank and Trust	44,146	
Total Certificates of Deposit		295,673
Total Cash in Banks		3,085,839
Investments:		
Investment in State Treasurer's Local Government Investment Pool		419,944
TOTAL ASSETS		$ 3,506,733
LIABILITIES OF THE TREASURER:		
BALANCE OF CITY FUNDS		$ 3,506,733

NOTE: The variance between this statement and the balance sheet for all funds is $1,137,887. 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, 2010

A) SUMMARY OF AUDIT RESULTS

1) The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Norton, Virginia.

2) No significant deficiencies relating to the audit of the general purpose financial statements of the City of Norton, Virginia, are reported in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

3) No instances of non-compliance material to the general purpose financial statements of the City of Norton, Virginia, were disclosed during the audit.

4) No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

5) The Auditor's report on Compliance for the Major Federal Award Programs for the City of Norton, Virginia, expresses an unqualified opinion.

6) Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circluar A-133 are reported in this Schedule.

7) The programs tested as major programs are designated with an "*" on the accompanying Schedule of Expenditures of Federal Awards.

8) The threshold for distinguishing types A & B programs was $300,000.

9) The City of Norton, Virginia, was eligible 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
'F FEDERAL AWARDS
), 2010

	Federal Catalogue #	Expenditures
DEPARTMENT OF AGRICULTURE:		
Direct Payments:		
Community Facilities Grant	10.780	$ 46,000
Community Facilities Grant	10.780	50,000
Pass-Through Payments:		
State Department of Agriculture:		
Summer Food Service	10.559	6,275
School Lunch Program	10.555	159,680
School Breakfast Program	10.553	44,327
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass-Through Payments:		
State Department of Social Services:		
Food stamp administration	10.561	125,520
Child Care and Development Block Grant -ARRA	93.713	5,256
Foster Care - Title IV-E	93.658	45,700
Foster Care - Title IV-E ARRA	93.658	1,405
TANF	93.558	93,721
Social Services Block Grant	93.667	36,308
Adoption Assistance	93.659	31,580
Adoption Assistance- ARRA	93.659	3,416
Child Care Assistance	93.575	9,352
Medical assistance program	93.778	73,721
Child Care Mandatory Match	93.596	28,596
Low Income Home Energy Assist.	93.568	6,220
Safe and Stable Families	93.556	14,140
Refuge and Entrant Asst	93.566	279
State Children's Insurance Program	93.767	5,321
Child Welfare Services State Grant	93.645	352
Chafee Foster Care Independence Program	93.674	803
DEPARTMENT OF EDUCATION:		
Pass-Through Payments:		
State Department of Education:		
Improving teacher quality state grants	84.367	52,707
Title I Grants	84.010	214,682 *
Title I Grants ARRA	84.389	107,815 *
Title VI-B:		
Special Education:		
Title VIB Idea -611	84.027	152,806 *
Title VIB ARRA	84.391	148,014 *
Special Education ARRA	84.392	6,460
Special Projects:		
State Grants for Strengthening the Skills of Teachers and Instruction in Mathematics, Foreign Languages and Computer		
Vocational Education - Basic Grants to States	84.048	16,847
Rural and low income	84.358	20,476
Immerson In Traditional American History	84.215	277,304 *
Improvement of Education-History Grant	84.215	181,519
Education State Fiscal Stabilization-ARRA	84.394	173,650 *
Gear Up	84.334	11,892
Title II, Part D-Education Technology Grant	84.318	2,071
Education Technology Grant ARRA	84.386	5,243
DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT:		
Community Development Grants	14.228	7,500
DEPARTMENT OF HOMELAND SECURITY		
State Homeland Security Program	97.073	35,008
DEPARTMENT OF EMERGENCY SERVICES		
Assistance to Firefighters	97.044	56,677
DEPARTMENT OF TRANSPORTATION		
Speed Enforcement Occupant Protection	20.601	9,465
Occupant Protection DUI Enforcement	20.607	10,683
ENVIRONMENTAL PROTECTION AGENCY		
ARRA-Capitalization Grants for Drinking Water	66.458	536,711 *
TOTAL		$ 2,815,502

* Denotes Major Program or Major Program Cluster

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

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

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 64

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY 69

These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.

DEBT CAPACITY 72

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.

ECONOMIC AND DEMOGRAPHIC INFORMATION 75

These schedules offer economic and demographic indicators to help the reader understand the Environment within which the city's financial activities take place.

OPERATING INFORMATION 77

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.

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

TABLE 1

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

	2004	2005	2006	2007	2008	2009	2010
Governmental activities							
Invested in capital assets, net of related debt	$ 3,818,395	$ 3,851,437	$ 3,706,233	$ 1,867,263	$ 3,824,570	$ 3,998,176	$ 3,943,031
Restricted	-	-	-	-	-	-	
Unrestricted	2,965,127	2,366,905	2,482,728	3,009,412	2,022,552	(3,212,039)	2,777,107
Total governmental activities net assets	6,783,522	6,218,342	6,188,961	4,876,675	5,847,122	786,137	6,720,138
Business-type activities							
Invested in capital assets, net of related debt	2,976,090	2,878,258	3,155,646	3,337,888	3,368,555	3,329,251	4,837,547
Restricted	-	-	-	-	-	-	-
Unrestricted	(284,875)	31,937	85,662	(123,892)	(210,607)	(299,252)	(880,931)
Total business-type activities	2,691,215	2,910,195	3,241,308	3,213,996	3,157,948	3,029,999	3,956,616
Primary government							
Invested in capital assets, net of related debt	6,794,485	6,729,695	6,861,879	5,205,151	7,193,125	7,327,427	8,780,578
Restricted	-	-	-	-	-	-	-
Unrestricted	2,680,252	2,398,842	2,568,390	2,885,520	1,811,945	(3,511,291)	1,896,176
Total primary government net assets	$ 9,474,737	$ 9,128,537	$ 9,430,269	$ 8,090,671	$ 9,005,070	$ 3,816,136	$ 10,676,754

1) Trend data is only available for the last seven fiscal years due to implementation of GASB 34
2) Fiscal year 2003-04 restricted net assets were restated to properly reflect GASB 34 guidelines
3) Accounting standards require net assets be reported in three catagories 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 SEVEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental Activities:							
General government	$ 813,926	$ 768,157	$ 835,440	$ 991,715	$ 1,079,594	$ 1,117,202	$ 1,082,088
Public safety	1,965,885	2,057,783	2,210,803	2,505,427	2,392,658	2,583,856	2,874,346
Public works	1,786,214	1,799,382	1,776,567	3,491,340	2,032,771	2,018,546	2,346,618
Health and welfare	1,029,967	966,126	1,050,245	1,119,205	1,222,082	1,244,716	1,235,274
Education	1,659,671	1,512,024	1,886,323	1,904,743	2,721,651	7,117,018	2,122,360
Parks, recreation and cultural	381,141	374,018	379,457	468,812	409,566	462,658	495,710
Community development	705,781	1,578,560	791,142	944,522	778,848	736,667	773,594
Interest on long-term debt	43,744	26,695	21,580	76,117	230,739	326,666	384,818
Non-departmental	-	-	-	-	-	-	-
Total government activities expense	8,386,329	9,082,745	8,951,557	11,501,881	10,867,909	15,607,329	11,314,808
Business-Type Activities:							
Water and Wastewater	1,901,676	2,003,887	2,229,328	2,232,955	2,526,365	2,579,351	2,429,763
Total business-type activities expenses	1,901,676	2,003,887	2,229,328	2,232,955	2,526,365	2,579,351	2,429,763
Total primary government expenses	$ 10,288,005	$ 11,086,632	$ 11,180,885	$ 13,734,836	$ 13,394,274	$ 18,186,680	$ 13,744,571
Program Revenues							
Governmental Activities:							
Charges for services							
Public safety	$ 6,284	$ 3,606	$ 6,304	$ 8,145	$ 5,757	$ 7,719	$ 6,465
Public works	287,212	287,924	289,949	363,084	375,362	373,518	363,217
Health and welfare	674	-	-	1,044	27,327	137,454	63,936
Education	-	-	-	-	-	-	-
Parks,recreation and culture	18,141	21,952	21,194	24,419	23,642	26,700	22,970
Community development	-	-	-	-	-	-	-
Operating grants and contributions	2,104,325	2,580,207	2,458,079	3,119,462	2,368,891	2,231,229	2,498,583
Capital grants and contributions	-	-	-	-	-	-	286,013
Total governmental activities program revenues	2,416,636	2,893,689	2,775,526	3,516,154	2,800,979	2,776,620	3,241,184
Business-Type Activities:							
Charges for services							
Water and Wastewater	1,933,079	1,917,899	1,977,402	2,073,492	1,991,660	2,346,475	2,249,376
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	304,863	482,685	130,625	428,657	104,927	1,107,004
Total business-type activities program revenues	1,933,079	2,222,762	2,460,087	2,204,117	2,420,317	2,451,402	3,356,380
Total primary government program revenues	$ 4,349,715	$ 5,116,451	$ 5,235,613	$ 5,720,271	$ 5,221,296	$ 5,228,022	$ 6,597,564
Net (Expense)/Revenue							
Governmental Activities	$ (5,969,693)	$ (6,189,056)	$ (6,176,031)	$ (7,985,727)	$ (8,066,930)	$ (12,830,709)	$ (8,073,624)
Business-Type Activities:	31,403	218,875	230,759	(28,838)	(106,048)	(127,949)	926,617
Total primary government net (expense)/revenue	$ (5,938,290)	$ (5,970,181)	$ (5,945,272)	$ (8,014,565)	$ (8,172,978)	$ (12,958,658)	$ (7,147,007)

CITY OF NORTON, VIRGINIA
NET ASSETS-CONTINUED (UNAUDITED)
LAST SEVEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010
General Revenues and other Changes in Net Assets							
Governmental Activities:							
Taxes							
Property taxes	$ 1,681,198	$ 1,696,066	$ 1,875,457	$ 1,963,597	$ 2,197,629	$ 2,378,851	$ 3,282,537
Local sales & use tax	1,506,248	1,497,058	1,722,453	1,889,055	1,901,018	2,023,409	1,887,804
Utility tax	263,954	263,918	266,300	213,873	184,079	164,698	128,412
Business license tax	775,319	658,845	692,083	813,906	826,412	901,209	795,833
Franchise license tax	41,925	51,323	51,935	38,342	9	-	-
Communication tax	-	-	-	67,190	179,988	185,889	217,788
Motor vehicle license	29,148	29,486	28,996	28,995	29,580	28,882	1,659
Bank stock tax	58,806	65,962	125,958	81,000	6,082	74,068	106,974
Recordation tax	25,997	5,219	20,653	40,602	26,036	34,284	27,055
Tobacco tax	48	48	45	45	38	60	185
Hotel and motel room tax	102,050	127,921	117,186	104,176	125,638	161,753	169,049
Restaurant food tax	694,465	721,995	788,336	848,702	930,578	1,025,155	1,061,575
Coal road improvement tax	148,765	178,532	208,566	188,529	186,512	234,263	166,571
Emergency telephone services tax	40,709	38,602	35,411	17,009	-	-	-
Cigarette tax	44,504	46,405	49,145	41,160	41,574	81,900	118,930
Other local taxes	73,610	92,422	110,720	118,607	141,741	128,743	101,504
Unrestricted miscellaneous revenue	50,001	48,618	21,092	58,630	70,321	97,951	53,609
Unrestricted investment earnings	27,655	79,961	103,191	137,690	256,139	192,440	82,250
Rental of Town property	23,443	-	-	-	-	-	-
Gain on sale of capital assets	616	7,545	-	-	34,300	8,903	-
Recoverd cost	-	13,950	29,123	22,333	39,274	47,266	31,314
Transfers-Primary Government	-	-	(100,000)	-	(50,000)	-	-
Total governmental activities	5,588,461	5,623,876	6,146,650	6,673,441	7,126,948	7,769,724	8,233,049
Business-Type Activities:							
Unrestricted investment earnings	67	105	354	1,526	-	-	-
Other	-	-	100,000	-	50,000	-	-
Total business-type activities	67	105	100,354	1,526	50,000	-	-
Total primary government	$ 5,588,528	$ 5,623,981	$ 6,247,004	$ 6,674,967	$ 7,176,948	$ 7,769,724	$ 8,233,049
Change in Net Assets							
Governmental Activities	$ (381,232)	$ (565,180)	$ (29,381)	$ (1,312,286)	$ (939,982)	$ (5,060,985)	$ 159,425
Business-Type Activities	31,470	218,980	331,113	(27,312)	(56,048)	(127,949)	926,617
Total primary government	$ (349,762)	$ (346,200)	$ 301,732	$ (1,339,598)	$ (996,030)	$ (5,188,934)	$ 1,086,042

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

TABLE 3

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

	2004	2005	2006	2007	2008	2009	2010
General Fund							
Reserved	$ 523,722	$ 435,870	$ 456,740	$ 442,895	$ 614,801	$ 463,743	$ 468,808
Unreserved	2,358,936	1,814,377	1,891,575	2,467,772	8,843,124	3,761,182	2,130,069
Total general fund	$ 2,882,658	$ 2,250,247	$ 2,348,315	$ 2,910,667	$ 9,457,925	$ 4,224,925	$ 2,598,877
All Other Governmental Funds							
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:							
Special Revenue fund	226,947	247,341	279,864	290,215	257,346	241,291	345,705
Total all other governmental funds	$ 3,109,605	$ 2,497,588	$ 2,628,179	$ 3,200,882	$ 9,715,271	$ 4,466,216	$ 2,944,582

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

TABLE 4

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
General propert taxes	$ 1,582,699	$ 1,694,019	$ 1,703,108	$ 1,670,250	$ 1,689,883	$ 1,878,863	$ 1,974,554	$ 2,177,005	$ 2,370,593	$ 3,151,837
Other local taxes	3,082,307	3,291,677	3,232,978	3,731,938	3,685,314	4,107,067	4,372,584	4,437,544	4,915,570	4,682,524
Permits and licenses	2,253	6,877	3,899	2,265	14,270	4,666	5,026	9,499	9,758	5,989
Fines and forfeitures	90,001	79,250	71,573	71,345	78,152	106,054	113,581	132,242	118,985	94,826
Investment earnings	133,449	69,210	58,197	51,098	79,961	103,191	137,690	256,139	192,440	82,250
Charges for services	319,251	360,619	313,579	312,311	313,482	317,447	396,692	432,088	545,391	456,588
Other revenues	9,359	27,591	16,740	50,001	48,618	21,092	58,630	70,321	97,951	53,508
recovered cost	68,128	73,407	59,733	-	13,950	29,123	15,510	19,825	14,003	19,058
Intergovernmental	2,080,719	3,000,574	2,064,070	2,104,325	2,580,207	2,458,079	3,119,462	2,368,891	2,231,229	2,784,596
Total revenues	7,368,166	8,603,224	7,523,877	7,993,533	8,503,837	9,025,582	10,193,729	9,903,554	10,495,920	11,331,176
Expenditures										
General government	679,929	715,989	756,677	781,596	788,786	850,732	1,009,235	1,090,825	1,114,690	1,048,146
Judicial administration	265,236	289,573	282,184	253,801	290,126	294,444	380,049	403,468	432,678	418,768
Public safety	1,490,052	1,480,799	1,535,834	1,578,494	1,871,632	1,815,252	2,101,934	1,956,180	2,199,811	2,600,995
Public works	1,358,678	1,539,603	1,427,472	1,427,374	1,591,831	1,642,996	3,266,850	1,951,478	1,995,754	2,015,567
Health and welfare	986,815	1,058,326	1,010,429	1,029,967	996,885	1,028,911	1,151,555	1,203,034	1,249,969	1,210,767
Education and transfer to school	15,603	8,418	8,418	1,659,671	1,512,024	2,306,623	1,904,743	2,721,651	7,117,018	3,964,745
Parks, recreation and culture	346,205	311,440	373,870	356,407	362,547	373,368	465,087	395,917	437,326	474,833
Community development	196,742	737,471	178,896	705,781	1,578,158	791,267	938,486	786,560	739,284	776,038
Non-Departmental	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal	34,002	33,855	36,766	27,724	106,155	106,731	118,738	168,746	190,026	7,652,315
Interest	29,411	29,558	26,647	29,362	25,253	28,774	102,547	224,755	328,594	202,993
Total expenditures	5,402,673	6,205,032	5,637,193	7,850,177	9,123,397	9,239,098	11,439,224	10,902,614	15,805,150	20,365,167
Excess of revenues over (under) expenditures	1,965,493	2,398,192	1,886,684	143,356	(619,560)	(213,516)	(1,245,495)	(999,060)	(5,309,230)	(9,033,991)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	420,300	1,803,566	7,500,000	-	7,500,000
Insurance Recoveries	-	11,498	-	-	7,422	-	6,823	19,449	33,263	12,256
Proceeds from sale of assets	21,086	-	2,901	616	123	23,807	7,809	44,000	26,912	101
Transfers	(1,893,304)	(1,687,236)	(1,537,701)	-	-	(100,000)	-	(50,000)	-	-
Total other financing sources (uses)	(1,872,218)	(1,675,738)	(1,534,800)	616	7,545	344,107	1,818,198	7,513,449	60,175	7,512,357
Net change in fund balance	$ 93,275	$ 722,454	$ 351,884	$ 143,972	$ (612,015)	$ 130,591	$ 572,703	$ 6,514,389	$ (5,249,055)	$ (1,521,634)
Debt service as a percentage of noncapital expenditures	1.19%	1.03%	1.14%	0.73%	1.46%	1.49%	1.97%	3.74%	3.39%	62.79%

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 Real Estate	Public Utilities Personal Property	Mobile Homes	Total Assessed Value	Total Direct Tax rate per $100
2010	$ 200,402,000	$ 22,747,754	$ 5,181,036	$ 24,358,835	$ 128,859	$ 1,877,582	$ 254,696,066	1.237
2009	203,528,195	22,228,011	4,471,807	26,302,792	140,301	1,948,259	258,619,365	0.917
2008	181,461,721	21,629,450	4,571,874	24,413,178	157,861	2,103,400	234,337,484	0.929
2007	180,101,130	16,733,091	7,006,663	26,523,134	184,423	2,086,500	232,634,941	0.849
2006	169,579,975	20,019,215	3,384,221	28,534,246	198,053	2,036,300	223,752,010	0.840
2005	141,741,519	18,742,980	3,397,275	31,147,200	217,235	2,183,700	197,429,909	0.856
2004	137,192,000	20,340,630	3,293,184	30,676,915	295,160	2,468,300	194,266,189	0.860
2003	136,867,000	20,741,289	3,143,600	27,412,952	254,802	2,483,300	190,902,943	0.892
2002	135,561,300	20,777,099	3,065,000	32,189,800	282,818	2,459,300	194,335,317	0.872
2001	134,810,300	19,397,980	2,971,000	29,889,905	216,256	2,332,100	189,617,541	0.835

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	Public Utilities Personal Property
2010	$ 0.80	$ 1.85	$ 1.85	$ 0.80	$ 0.80	$ 1.85
2009	0.80	1.85	1.85	0.80	0.80	1.85
2008	0.80	1.85	1.85	0.80	0.80	1.85
2007	0.70	1.85	1.85	0.70	0.70	1.85
2006	0.70	1.85	1.85	0.70	0.70	1.85
2005	0.70	1.85	1.85	0.70	0.70	1.85
2004	0.70	1.85	1.85	0.70	0.70	1.85
2003	0.70	1.85	1.85	0.70	0.70	1.85
2002	0.70	1.85	1.85	0.70	0.70	1.85
2001	0.70	1.85	1.85	0.70	0.70	1.85

1) Rates are presented per $100 assessed value

TABLE 7

CITY OF NORTON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
June 30, 2010 and June 30, 2006

June 30, 2010

Name	Nature of Business	Assessed Value	Percent of Real Estate Levy
Commonwealth-NTN Partners	Shopping Center	$ 14,409,900	7.19%
Wal-Mart Real Estate Business Trust	Commercial Retailer/Grocer	14,294,300	7.13%
Super Intermediate Co., LLC	Shopping Center	9,266,500	4.62%
Nordan, Inc	Hotel	3,826,300	1.91%
Norton Host, LLC	Hotel/Restaurant	3,546,000	1.77%
Norton Community Hospital	Health Care	3,574,600	1.78%
Wellmont Heath System	Health Care	3,509,500	1.75%
Johnson Norton LLC (Cancer Center)	Health Care	2,638,200	1.32%
W.P. Armistead	Commercial and Residential Rental Property	2,435,900	1.22%
AARMP Hospitality (Days Inn)	Hotel	1,819,800	0.91%

June 30, 2006:

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

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

TABLE 8

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
2010	$ 3,319,804	$ 3,061,824	92.23%	$ 33,651	3,095,475	93.24%	230,997	6.96%
2009	2,372,555	2,317,343	97.67%	22,769	2,340,112	98.63%	91,330	3.85%
2008	2,142,563	2,117,885	98.85%	37,259	2,155,144	100.59%	67,622	3.16%
2007	1,936,503	1,910,346	98.65%	35,736	1,946,082	100.49%	63,713	3.29%
2006	1,846,506	1,827,354	98.96%	25,705	1,853,059	100.35%	57,091	3.09%
2005	1,646,156	1,621,764	98.52%	33,689	1,655,453	100.56%	64,268	3.90%
2004	1,599,875	1,577,589	98.61%	30,246	1,607,835	100.50%	79,526	4.97%
2003	1,590,001	1,454,053	91.45%	201,756	1,655,809	104.14%	89,646	5.64%
2002	1,623,046	1,567,698	96.59%	76,444	1,644,142	101.30%	153,498	9.46%
2001	1,587,099	1,504,545	94.80%	35,722	1,540,267	97.05%	186,554	11.75%

(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 SEVEN FISCAL YEARS

Fiscal Years Ended June 30	Governmental Activities: General Obligation Bonds	Governmental Activities: Capital Leases	Business-Type Activities: General Obligation Water and Wastewater Bonds	Component Unit Bonds	Total Debt	Percentage of Personal Income	Per Capita
2010	$ 9,236,731	$ 71,582	$ 2,866,944	$ 3,135,372	$15,310,629	8.98%	4,090
2009	9,352,298	108,330	2,281,907	3,742,384	15,484,919	8.70%	3,966
2008	9,465,533	185,121	2,366,835	4,341,228	16,358,717	9.39%	4,190
2007	2,071,535	156,892	2,252,664	4,927,391	9,408,482	5.26%	2,410
2006	390,397	135,962	2,330,131	6,336,596	9,193,086	5.28%	2,355
2005	437,209	195,881	2,409,050	6,126,941	9,169,081	6.02%	2,349
2004	480,505	64,405	2,485,183	6,383,285	9,413,378	6.02%	2,411

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

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt Outstanding: General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2010	$ 9,236,731	3.63%	$ 2,468
2009	9,352,298	3.62%	$ 2,396
2008	9,465,533	4.04%	$ 2,425
2007	2,071,535	0.89%	$ 531
2006	390,397	0.17%	$ 100
2005	437,209	0.22%	$ 112
2004	480,505	0.25%	$ 123

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

TABLE 11

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

	Fiscal Years Ended June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed valuations										
Assessed value of taxed real property	$ 164,700,205	$ 167,751,100	$ 164,279,952	$ 167,868,915	$ 172,888,719	$ 198,114,221	$ 206,624,264	$ 205,874,899	$ 229,830,987	$ 224,760,835
Legal debt margin										
Debt limit - 10 percent of total assessed value	16,470,021	16,775,110	16,427,995	16,786,892	17,288,872	19,811,422	20,662,426	20,587,490	22,983,099	22,476,084
Debt applicable to limitation										
Total bonded debt	4,143,382	5,068,385	5,968,171	9,413,378	9,169,081	9,193,086	9,408,482	16,358,717	15,484,919	15,310,629
Less - Enterprise Debt	(2,550,305)	(3,566,947)	(3,299,055)	(7,956,394)	(7,638,017)	(7,530,313)	(6,196,021)	(5,866,554)	(5,321,414)	(4,764,963)
Total amount of debt applicable to debt limitation	1,593,077	1,501,438	2,669,116	1,456,984	1,531,064	1,662,773	3,212,461	10,492,163	10,163,505	10,545,666
Legal debt margin	$ 14,876,944	$ 15,273,672	$ 13,758,879	$ 15,329,908	$ 15,757,808	$ 18,148,649	$ 17,449,965	$ 10,095,327	$ 12,819,594	$ 11,930,418
Total net debt applicable to the limit as a percentage of debt limit	9.67%	8.95%	16.25%	8.68%	8.86%	8.39%	15.55%	50.96%	44.22%	46.92%

TABLE 12

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

Fiscal Years Ended June 30	Water and Wastewater Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2010	$ 2,249,376	$ 2,065,484	$ 183,892	$ 81,143	$ 93,895	$ 175,038	1.05
2009	2,346,475	2,213,375	133,100	81,768	96,443	178,211	0.75
2008	1,991,660	2,150,133	(158,473)	72,670	89,362	162,032	(0.98)
2007	2,073,492	1,882,789	190,703	74,306	99,757	174,063	1.10
2006	1,977,402	1,892,174	85,228	75,759	91,571	167,330	0.51
2005	1,917,899	1,702,307	215,592	72,973	64,701	137,674	1.57
2004	1,933,079	1,613,487	319,592	1,284,214	77,043	1,361,257	0.23
2003	1,892,813	1,716,270	176,543	63,745	77,858	141,603	1.25
2002	1,875,521	1,623,370	252,151	61,263	63,884	125,147	2.01
2001	1,636,477	1,618,444	18,033	60,556	65,114	125,670	0.14

1) Details regarding the city's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest, depreciation, or amortization expense.

TABLE 13

CITY OF NORTON, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
LAST TEN YEARS

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2010	3,743	$170,590,968	45,576	40.2	856	6.60%
2009	3,904	177,928,704	45,576	39.0	784	5.20%
2008	3,904	174,157,440	44,610	39.0	780	4.10%
2007	3,904	178,971,072	45,843	39.0	731	5.10%
2006	3,904	174,157,440	44,610	37.0	713	6.00%
2005	3,904	152,306,752	39,013	34.9	718	5.50%
2004	3,904	156,269,312	40,028	34.9	700	5.30%
2003	3,904	148,281,728	37,982	34.9	704	4.90%
2002	3,904	142,456,960	36,490	34.9	729	4.50%
2001	3,904	138,084,480	35,370	22.5	709	4.10%

1) Source: Census data, Sperling's Best Places, IDCIDE, Virginia Employment Commission, and Norton City School Board

TABLE 14

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

June 30, 2010

Employer	Product or Service	Total Estimated Employment*
Norton Community Hospital	Health Care	450
Wal Mart	Commercial Retailer/Grocer	250
Bristol Regional Health System	Health Care	200
Norton City School Board	Public Agency	150
Maxxim Shared Service LLC	Mining Administration	100

June 30, 2006

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

1) Fiscal year 2005-06 is first year of data available
2) Source: Virginia Employment Commission - Community Profile

TABLE 15

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

Function	2006	2007	2008	2009	2010
General government					
Management services	3.5	3.5	4	4	4
Finance	5	5	5	4	4
Planning	2	1	2	2	1.5
Other	6.5	6.5	6	6	5.5
Public safety					
Officers	16.5	15.5	17.5	17.5	18
Dispatchers/Clerks	5	6	7	7	7
Sheriff's Office	4	4	4	4	4
Animal Control	1	1	1	1	1
Building	1	1	2	2	1
Emergency Management	0	0	0.5	0.5	0.5
Fire	1	1	1	1	1
Public works					
Engineering	1	1	1	1	1
Streets	16	18	11	12	13
Refuse Collections	3.5	4.5	4	4.5	4
General Properties	5	5	4	5	4
Parks and recreation					
Maintenance	10.5	9	5	5	6
Other	7	7	6	6	6
Water operations					
Administration	2	2	2	3	3
Plant Operations	7	6	6.5	6.5	7
Maintenance	4	5	7	7	7
Social Services					
Administrative	5	5	5	5	5
Eligibility	7	7	7	7	7
Social Worker	3	3	3	3	3

1) Source: City of Norton's Finance department

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

Function	2006	2007	2008	2009	2010
Public safety					
Citatations issued	2,086	1,973	2,521	2,762	2,374
Parking Tickets issued	418	523	387	215	139
Crime/Arrest/Incident reports filed	747	874	868	866	787
911 Calls dispatched	4,006	3,848	4,176	5,260	5,059
Public Works					
Number of citizen requests for services	1,054	1,026	858	852	2,331
Water operations					
Number of service connections	2,241	2,286	2,271	2,279	2,292
Number of citizen requests for services	2,387	2,483	2,483	2,349	1,866
Average daily plant output in gallons	1.0 Million	1.10 Million	1.084 Million	.870 Million	.870 Million
Maximum daily capacity of plant in gallons	1.44 Million	1.44 Million	1.44 Million	1.44 Million	1.44 Million
Wastewater operations					
Number of service connections	2,022	2,040	2,029	2,033	2,035

TABLE 17

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

Function	2006	2007	2008	2009	2010
Public safety					
Police stations	1	1	1	1	1
Fire stations	2	2	2	2	2
Number of patrol units	11	11	11	13	15
Public works					
Streets (lane miles)	82.73	82.73	82.73	82.73	82.73
Streetlights	440	440	440	440	440
Traffic signals	8	8	8	8	8
Water operations					
Miles of water main	55.31	55.31	55.31	55.31	55.31
Number of fire hydrants	250	250	250	250	250
Wastewater operations					
Miles of sanitary sewers	41.16	41.16	41.16	41.16	41.16
Miles of storm sewers	9.2	9.2	9.2	9.2	9.2