

CITY OF SUFFOLK, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2005

Prepared by the
DEPARTMENT OF FINANCE



**CITY OF SUFFOLK, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Fiscal Year Ended June 30, 2005**

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November 21, 2005

The Honorable Council
City of Suffolk, Virginia

Dear Council Members,

In accordance with statutes of the Code of the Commonwealth of Virginia and local charter provisions, the Comprehensive Annual Financial Report (CAFR) of the City of Suffolk as of June 30, 2005, and for the fiscal year then ended, is hereby transmitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. Management believes that the data, as presented, is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position, results of operations of the City, and the cash flows of its proprietary funds as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of cost and benefits requires estimates and judgments by management. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

An annual independent audit of the City's finances is required by Section 8.08 of the City Charter and Section 15.2-2511 of the 1950 Code of Virginia, as amended. The City of Suffolk's financial statements have been audited by Cherry, Bekaert & Holland, L.L.P. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Suffolk as of and for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor

concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Suffolk's financial statements as of and for the fiscal year ended June 30, 2005, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section.

The independent audit of the financial statements of the City of Suffolk was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal control and compliance with legal requirements, with special emphasis on internal control and legal requirements involving the administration of federal awards. These reports are presented in the Single Audit section of the CAFR.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Suffolk's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The present City of Suffolk was formed January 1, 1974, from the consolidation of the City of Suffolk and the City of Nansemond (formerly Nansemond County). The City is Virginia's largest city in land area and one of the top ten in land area in the nation. The City is situated in the western portion of Hampton Roads, Virginia's coastal plain area, and is bounded by the James River to the north, the Cities of Chesapeake and Portsmouth to the east, the State of North Carolina to the south, and the Counties of Southampton and Isle of Wight to the west. The City of Suffolk is one of seven major cities that form the Norfolk – Virginia Beach – Newport News metropolitan area with 1.6 million people.

The City's government is organized under the Council-Manager form of government. The governing body, City Council, is composed of seven members who make policies for administration of the City. The Mayor and Vice-Mayor are appointed from City Council by majority vote of all members of City Council. City Council appoints a City Manager to act as administrative head of the City. The City Manager serves at the pleasure of City Council, carries out its policies, directs business procedures, and appoints and has the power to remove the directors of all departments and all employees of those departments under his control.

The School Board is elected by borough. Under Virginia law all operations of the School Board are completely independent of City Council and the City Administration. City Council is required to make an annual appropriation to the School Board based upon an approved budget, but has no authority to direct how such appropriation is expended.

The City of Suffolk provides a full range of municipal services contemplated by statute or charter. This includes education, public safety, highways and streets, parks and recreation, sanitation, health and social services, public improvements, planning and zoning, public utilities, and general administrative services.

The funds and entities related to the City of Suffolk included in the City's CAFR are controlled by or dependent on the City. Determination of "controlled by or dependent on" is based on criteria developed by the Governmental Accounting Standards Board. The criteria deal with existence as an organized entity, governmental character, and substantial autonomy. Based on these criteria, the various funds of the City shown in the Table of Contents are included in this report. Since the School System is fiscally dependent on the City, the financial statements of the Suffolk City School System are included as a component unit of the City in accordance with Governmental Accounting Standards Board Statement No. 14. The Industrial Development Authority has also been included as a component unit of the City due to the fiscal relationship which exists for the Northgate Commerce Park, development of the Hilton Garden Inn Hotel and Suffolk Conference Center, as well as other initiatives designed to foster economic activity in the City, in accordance with Governmental Accounting Standards Board Statement No. 14. Excluded as a component unit are the Suffolk Redevelopment and Housing Authority, the Western Tidewater Regional Jail Authority, and the Western Tidewater Water Authority which are not controlled by or dependent on the City.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Budgetary control is maintained at the expenditure level of each department using an encumbrance accounting system. Open encumbrances are reported as reservations of fund balance at June 30, 2005. A description of the procedures utilized to establish budgetary data is presented in the Notes to Required Supplementary Information of this report.

Local Economy and Economic Activity

The City has experienced a strong increase in population and is expected to realize a higher growth rate in the next 20 years than it experienced during the two previous decades. The northern quarter of the City is projected to experience the greatest degree of growth due to the large tracts of land available for development, its proximity and accessibility to employment and commercial centers, and the increasing availability of public infrastructure. The presence of Interstate 664 and the Monitor-Merrimac Bridge

Tunnel provide convenient access to the Virginia Peninsula from the northern part of the City. Growth is also occurring around the greater downtown area. In planning for growth and cost effective service delivery, the City has identified both of these areas as Urban/Suburban Growth areas in the 2018 Comprehensive Land Use Plan.

In calendar year 2004, economic development announcements from 31 major new and expanding office, industrial, and commercial projects totaled \$78 million with 685 new jobs created. With affordable, well-located office and industrial sites offering convenient access to major highways, two major airports, two railroads and close proximity to one of the busiest ports in the world at the Ports of Virginia, the City of Suffolk is a highly desirable place to do business.

Major economic activity from the first half of 2004 included long time corporate resident Ciba Specialty Chemicals breaking ground on a new 26,000 square-foot national sales office, and research, development and technical service laboratory. In addition, Amadas Coach purchased a 50,000 square-foot building located in Suffolk Industrial Park as an expansion of their luxury motor coach operations. Reading Equipment and Distribution, Inc. leased 30,000 square-feet at Commonwealth Storage for their new regional operations center. Ferguson Enterprises, Inc. selected Suffolk as the new location for their Hampton Roads regional operations center. Ferguson constructed a 64,000 square-foot office and distribution building in Northgate Commerce Park.

In September 2004, Sara Lee Coffee & Tea held a ribbon cutting ceremony for its new, high-tech liquid coffee concentrate manufacturing facility. The 152,000 square-foot building is the company's first liquid coffee facility in the United States. Sara Lee invested \$93 million in the project and created over 100 new jobs. In that same month, Lockheed Martin announced the lease of 16,000 square-feet of office space at Bridgeway Technology Center II. This new capital investment of approximately \$1,500,000 will provide additional office space to support project teams for the new 50,000 square-foot Lockheed Martin Center for Innovation located across the street in Bridgeway Commerce Park. This new office support center will house approximately 25 full-time employees.

At the end of 2004, restoration began on the historic Suffolk High School. It is being renovated as the \$21 million Suffolk Center for Cultural Arts, featuring a 500-seat theater, and a variety of dance, theatrical and musical recital rooms.

New downtown restaurants opening in 2004 have given classic old buildings a new lease on life, while retaining Suffolk's historic charm. The former Nansemond Drug Company building has been transformed into Pisces Seafood Restaurant. A short walk up Main Street is the Java 149 coffee shop. Two other historic buildings are also being renovated with plans to open Italian fine dining and a sports bar and restaurant.

The first half of 2005 brought a variety of new economic activity for the City of Suffolk. The grand opening of the new Hilton Garden Inn and Suffolk Conference Center occurred in March. The 150-room hotel and 14,000 square-foot conference facility has made Suffolk's downtown renaissance advance by quantum leaps. The development also includes a 6-acre public park, boardwalk, and 30-slip marina on the Nansemond River.

In February, American Port Services announced their plans for the development of two 150,000 square-foot warehouse & distribution buildings at Northgate Commerce Park. The investment will be approximately \$15 million in the project. Another announcement came when Western Branch Metals purchased 6.5 acres in Suffolk Industrial Park for development of a 44,000 square-foot office, and light industrial building. The company will invest approximately \$5.6 million dollars in the new facility, and bring 30 jobs to Suffolk for the production of stainless steel propeller shafts.

In April, Target Import Warehouse announced the expansion of their 1.5 million square-foot facility by an additional 300,000 square-feet. Devon USA announced their plans to construct two new buildings totaling more than 760,000 sq. ft. of high-bay warehouse and distribution space. Devon USA is a leading developer of warehouse, distribution and light manufacturing facilities in the Mid-Atlantic region.

In May, Empire Development held a groundbreaking ceremony for a new 25,000 square-foot speculative office/flex building at Suffolk Industrial Park. With site work begun, the building is expected to be complete in the fall of 2005. Another welcomed addition is the law firm of Pender & Coward, PC. They leased office space in historic downtown Suffolk in which to headquarter a western Hampton Roads regional office.

Northern Suffolk is seeing significant expansion of office space as it continues to develop into one of the major high-technology hubs of the Hampton Roads region. The U.S. Joint Forces Command now occupies over 600,000 square-feet of private sector office space in northern Suffolk, and adjacent private sector defense contractors occupy another 300,000 square-feet.

The Virginia Modeling, Analysis and Simulation Center (VMASC) completed their 20,000 square-foot expansion to include a "battle lab" to help the military test their new computer modeling and simulation technologies. VMASC is a joint effort between Old Dominion University (ODU), the Commonwealth of Virginia, the City of Suffolk, and over 170 private companies to help develop and test new applications for this developing technology. ODU became the first university in the nation to offer a PhD. program for computer modeling and simulation. ODU recently announced the creation of a state-of-the-art center devoted to cutting-edge training and support for homeland security and emergency management command and management operations. The Emergency Management Training, Analysis & Simulation Center (EMTASC) will be initially housed within VMASC in Northern Suffolk.

Within Bridgeway Commerce Park, Bridgeway Technology Center has been a multi-phase project. The first phase was a class A single story 125,000 sq. ft. facility attracting tenants such as U.S. Joint Forces Command—Distributed Continuous Experimentation Environment, Mitre Group, General Dynamics, and Map Mobile Communications. Phase two is an additional 68,250 sq. ft. of class A office, technology and R&D space. Current tenants within phase two include Science Applications International Corporation (SAIC), Lockheed Martin, BMH Associates, Inc. and Antheon. Construction plans for phase three are currently under review. Phase three will add another 72,000 square-feet of class A office, technology and R&D space to Bridgeway Commerce Park. In addition, the 320,000- square-foot U.S. Joint Forces Command Joint Warfighting Center building went through a major expansion adding 85,000 square-feet of office space to their existing 320,000 square-foot facility. The Lockheed Martin Center for Innovation had a grand opening in 2004. The 50,000 square-foot, hexagon-shaped office and research and development building has become a new architectural icon for high-technology development in Virginia. Lockheed Martin spent more than \$35 million on the project.

Within Lakeview Technology Park, the 60,000-square-foot Lakeview Technology Center recently completed a 40,000-square-foot expansion. This center is currently occupied by two U.S. Joint Forces Command tenants: Joint Test & Evaluation and Joint Experimentation. These military operation centers assess new defense systems via computer visualization and model new weapon systems and battle strategies for the military.

Industrial, office and major retail sites of all sizes are available throughout the City. Both the private and public sectors are developing new commerce park sites in locations such as Bridgeway Commerce Park and Northgate Commerce Park in northern Suffolk, and Suffolk Industrial Park and Godwin Commerce Park near downtown Suffolk. The publicly-owned Wilroy Industrial Park is almost completely occupied with new and expanding industries. Some 7,000 acres within the City are currently zoned or master-planned for commercial or industrial use.

According to the 2005 Hampton Roads Real Estate Market Survey conducted by the Old Dominion University Center for Real Estate and Economic Development, the City of Suffolk has grown to become one of the top three largest concentrations of industrial space in the Hampton Roads region stretching from Virginia Beach to Williamsburg. Suffolk now has over 9.3 million square feet of industrial space in 143 buildings with only a 6.13% vacancy rate as of fourth quarter 2004. Suffolk continues to outpace the other regional submarkets mostly because of available land and ease of access to the transportation systems. As of January 2005 Suffolk had 679,905 square feet of Class A and B office space with an 8.9% vacancy rate, versus a regional office vacancy rate of 8.7%. In addition, Suffolk has 978,578 square feet of retail space as of January 2005 in

10 different neighborhood and community shopping centers with a 5.81% vacancy rate, versus a regional retail vacancy rate of 8.87%

In 2005 the City should begin construction on Phase II of the infrastructure improvements for Northgate Commerce Park opening up additional “shovel-ready sites” with full infrastructure in place for large industrial prospects. Construction will also continue on Phase II of Suffolk Industrial Park, now home to five industrial buildings totaling over 210,000 square feet. These rail-served industrial parks have both Virginia Enterprise Zone and U.S. Foreign Trade Zone status which offer significant State and local tax incentives, and favorable accounting procedures.

Major Initiatives and Long Range Planning

City Council and City Management continue their visionary process in their commitment to planning for the future of the City of Suffolk. Through a series of retreats and work sessions, City Council has established and reaffirmed priorities as the guiding principles to move the City into the twenty-first century and to develop partnerships to further our objectives. These priorities include Smart Growth, Neighborhood, Downtown and Village Revitalization, Economic Development, Education, and Quality of Life.

These priorities have been incorporated into the City’s adopted ten-year Capital Improvements Plan representing a planned schedule of the City’s needed expenditures for physical improvements over the next decade. The Capital Improvements Plan which covers the ten-year period from fiscal year 2005-2006 through fiscal year 2014-2015 includes water and sewer projects totaling approximately \$157 million, school projects of \$113.8 million, public safety projects of more than \$28.5 million, public building and facilities totaling approximately \$18.3 million, parks and recreation projects in excess of \$33 million, and industrial development of \$19.9 million. The Plan also includes projects in the areas of public works, geographical information systems, and Downtown, Village and Neighborhood Initiatives. While this plan is aggressive, City Council has continued to adhere to the City’s financial policy guidelines previously adopted. These policy guidelines, which were reviewed and updated in the spring of 2004, define the mechanisms and measurements to provide the strong fiscal environment which Suffolk continues to enjoy. The City has begun the process of updating this plan for fiscal years 2006-2007 through 2015-2016.

The City of Suffolk, as well as the region, has seen upward trends in residential growth. To manage this growth, in March 1998, City Council adopted the 2018 Comprehensive Land Use plan. This plan has set forth the desired growth patterns of the City, identifying residential, office, and industrial/commercial growth areas as well as areas which are anticipated to maintain their rural/agricultural characteristics. Based on several measures of performance, the plan is paying off. The City’s jobs to housing ratio continues to increase. In addition, over 70% of residential growth is occurring in the defined urban suburban areas. The City has maintained an average of 1,000 new residential building

permits over the past six years. Attendant to the new comprehensive plan, in September 1999, City Council adopted a new subdivision ordinance and a new zoning ordinance including a new City wide rezoning. This Unified Development Ordinance, considered to be one of the most progressive and cutting edge development ordinances in the State, is the legal document to implement the 2018 Comprehensive Plan. Pursuant to State Statute, the City has begun a review and update of this land use plan. This update is anticipated to be complete by the end of fiscal year 2006.

City Council has adopted and incorporated into the 2018 Comprehensive Plan, several neighborhood revitalization plans. These plans set the stage for capital and other improvements to enhance the quality of life for citizens as well as continue the revitalization of the downtown area. Implementation of these plans has been moved forward by way of the Capital Improvement Plan as well as the obtainment of federal funding. The City has recently initiated the development of a plan for the Civic Center Neighborhood, located in the core downtown and surrounding the Old Suffolk High School, currently under renovation. The renovation of the school into the Suffolk Center for Cultural Arts is anticipated to be complete in the spring of 2006. The City's public commitment to the implementation of these plans is spurring private investment in neighborhoods and villages. In addition, the plans are becoming a catalyst for opportunities for public/private partnerships.

Continuing its efforts to enhance and improve the quality of life for the citizens of Suffolk, a new library in the northern section of the City has broken ground for construction and is expected to be opened to the public in the fall of 2006. City Council has recently adopted a comprehensive community based Parks and Recreation Master Plan. This plan provides a vision for both infrastructure and programming and serves to improve the quality of life for the citizens of Suffolk. Implementation of the Parks and Recreation Master Plan has begun and can be seen in improvements to many City parks. Extensive plans for large park development are also included in the Capital Improvements Plan.

A major initiative which began during fiscal year 2004 has been improved communications within the City, with the citizens and with the media. The City created, for the first time in 2004, a Department of Communications headed by the Director of Communications. This departmental budget was enhanced with the additional personnel and other resources. Improvements have been made to our broadcasting of meetings and events on our cable channel, and direct mailings to all Suffolk businesses and residents were accomplished, including the 2005 Suffolk City Council Priorities and Action Plan. In the spring of 2004, a citizen's survey was conducted providing valuable input from the citizens on the various initiatives and operations of the City. A 2005 citizen's survey, covering the same areas of public service, confirmed the satisfaction of service delivery. The second phase of employee customer service training was completed, and the third and final phase will be complete in 2006. Working to keep our citizens informed a

Neighborhood College graduated its second class of citizens. Over an eight week time frame, this college serves to inform and update the participants on the various duties, responsibilities and current activities of the City Departments.

Cash Management

The City uses a pooled cash concept to allow greater investment flexibility and, consequently, a better investment return. Cash from all funds, except that restricted for specific purposes or managed by fiscal agents, is pooled for investment purposes.

The City's investment policy is to minimize market risks while achieving a competitive yield on its investments. Accordingly, during the fiscal year ended June 30, 2005, City funds were primarily invested in fully secured overnight repurchase agreements and certificates of deposits in Virginia banks and savings and loans which are secured under the Virginia Security for Public Deposits Act or federally insured by an agency of the U.S. Government.

During the fiscal year ended June 30, 2005, the City's temporarily idle cash was invested in instruments ranging from 14 to 365 days in maturity. The total amount of interest earned in the general fund for the fiscal year was \$1,066,067 compared with \$968,846 for the previous fiscal year ended June 30, 2004.

Debt Administration

While the City pursues the implementation of an aggressive capital improvements plan, the City conservatively reviews annually the affordability of such funding levels. In 1995, the City adopted and has maintained compliance with financial policy guidelines to provide measurement to affordability, level of debt outstanding, annual amounts of debt service, and the most effective method of project funding. These policy guidelines were reviewed and updated in the spring of 2004. Additional information regarding the City's debt outstanding and debt administration is provided in the notes to the financial statements and the statistical section contained in this report.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Suffolk, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2004, representing the twenty second consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

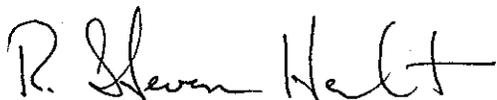
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Department of Finance. We would like to express our appreciation to all members of this Department, and to the many other City departments and agencies which have contributed to the completion of this report.

We also acknowledge the members of City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Suffolk's finances.

Respectfully,



R. Steven Herbert
City Manager



M. Christine Ledford
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Suffolk,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



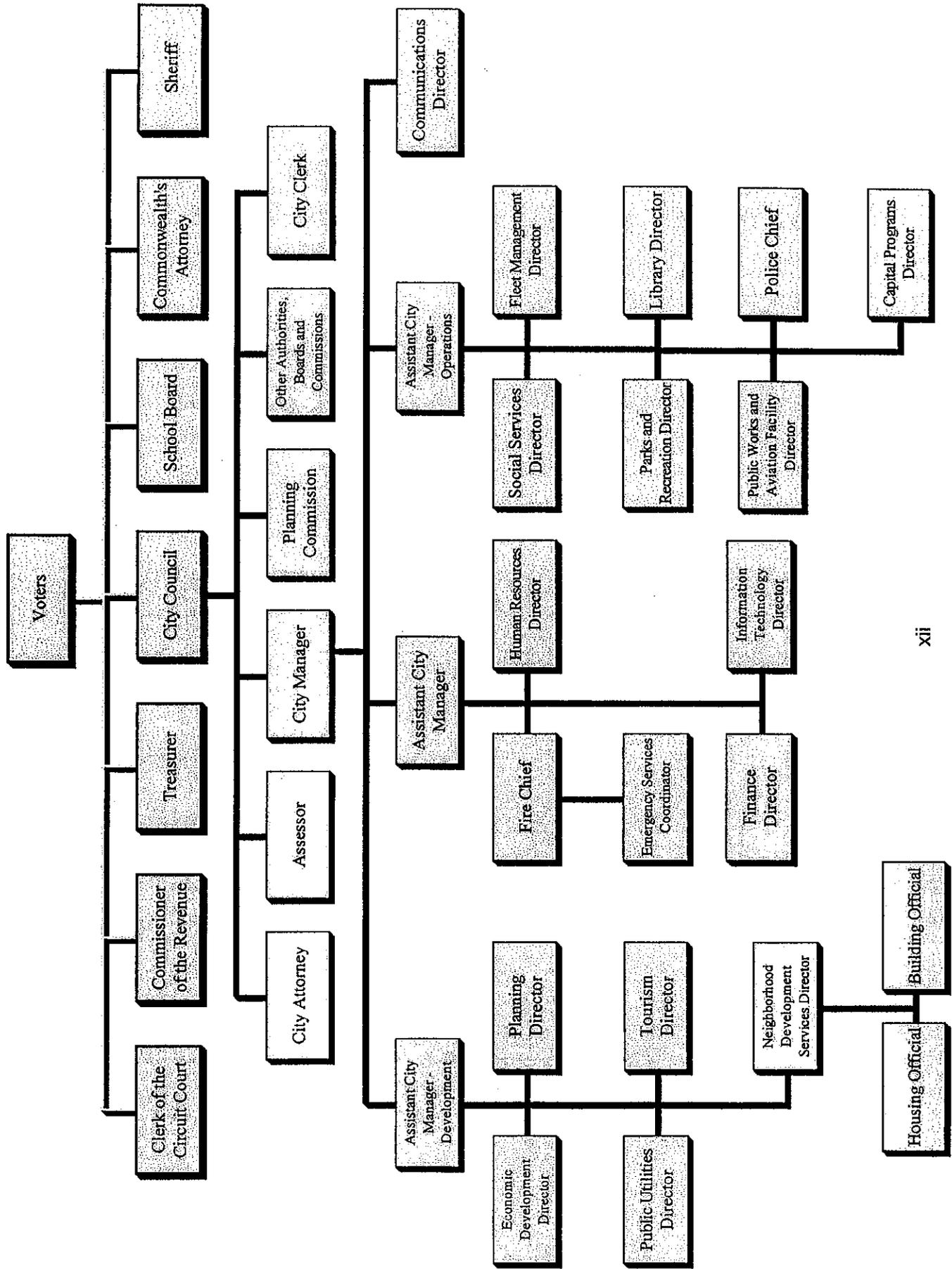
Nancy L. Zjelke

President

Jeffrey R. Enos

Executive Director

City of Suffolk Organization Chart



**CITY OF SUFFOLK, VIRGINIA
OFFICIAL DIRECTORY
June 30, 2005**

CITY COUNCIL

Bobby L. Ralph
Leroy Bennett
Charles F. Brown
Linda T. Johnson
Calvin W. Jones
Curtis R. Milteer, Sr.
Joseph H. Barlow

Mayor
Vice Mayor
Councilman
Councilman
Councilman
Councilman
Councilman

CONSTITUTIONAL OFFICERS

Raleigh H. Isaacs
C. Phillips Ferguson
Thomas A. Hazelwood
W. Randolph Carter, Jr.
Ronald H. Williams

Sheriff
Commonwealth's Attorney
Commissioner of Revenue
Clerk of the Circuit Court
City Treasurer

JUDGES

Westbrook J. Parker
Rodham T. Delk, Jr.
Carl Edward Eason, Jr.
Robert B. Edwards
James A. Moore
Alfreda Talton-Harris
William R. Moore, Jr.

Chief Judge of Circuit Court
Judge of Circuit Court
Judge of Circuit Court
Chief Judge of General District Court
Judge of General District Court
Chief Judge of Juvenile and Domestic Relations Court
Judge of Juvenile and Domestic Relations Court

SUFFOLK PUBLIC SCHOOLS

Lorraine B. Skeeter
Milton R. Liverman, Ed. D.
Michael K. Brinkley

Chairman of School Board
School Superintendent
Executive Director of Finance

**CITY OF SUFFOLK, VIRGINIA
OFFICIAL DIRECTORY
June 30, 2005**

CITY ADMINISTRATION

R. Steven Herbert	City Manager
C. Edward Roettger, Jr.	City Attorney
Erika S. Jenkins	City Clerk
Maria Kattmann	City Assessor
James G. Vacalis	Assistant City Manager - Operations
Cynthia D. Rohlf	Assistant City Manager
Selena Cuffee-Glenn	Assistant City Manager - Development
M. Christine Ledford	Director of Finance
Yvonne M. Manning	Director of Human Resources
William A. Freeman	Police Chief
Mark R. Outlaw	Fire Chief
Elliott A. Drew	Library Director
Albert S. Moor, II, P.E.	Director of Public Utilities
Eric T. Nielsen	Director of Public Works and Aviation Facility
David Freeman	Director of Neighborhood Development Services
Delbert T. Patrick, Jr.	Director of Information Technology
Leonard R. Horton	Director of Social Services
Thomas A. O'Grady	Director of Economic Development
D. Scott Mills	Director of Planning
Patsy P. Parker	Registrar
Raymond H. Swartz, Jr.	Chief Magistrate



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Suffolk, Virginia

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 Suffolk, Virginia (the "City"), as of and for the year ended June 30, 2005, 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 opinions 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, 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 and the other required supplementary information included on pages 61 through 67 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 required 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 introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
November 17, 2005

Management's Discussion and Analysis

This section of the City of Suffolk's (the "City") comprehensive annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2005. Please read this in conjunction with the transmittal letter in the front of this report and the City's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$119.5 million (total net assets – government-wide), a \$12.7 million decrease from fiscal year 2004.
- At the end of the fiscal year, the undesignated fund balance for the General Fund was \$11.4 million, a decrease of \$3.6 from the prior fiscal year.
- The City maintained the prior year level of the unreserved Capital Project Reserve fund of \$9.4 million.
- The General Fund, on a current financial resource basis, reported expenditures in excess of revenues and other financing sources and uses by \$3.2 million resulting from funding \$2.9 million to support the Capital Projects Fund, and a write off of \$500,000 in claims denied by the Federal Emergency Management Agency (FEMA) related to Hurricane Isabel which occurred in September 2003.
- The Hilton Garden Inn and Suffolk Conference Center, a public/private partnership between the Industrial Development Authority of the City of Suffolk, a component unit, the City and a private developer, completed construction and opened in March 2005. To date the performance of the facility has exceeded projections.
- In August 2004, the City sold \$18.75 million in general obligation bonds at a true interest cost of 4.13 percent. The tax exempt bonds, which will mature incrementally over the next 20 years, will be used to finance various public improvements and infrastructure.
- The beginning of the year fund deficits in the Risk Management Fund and the Debt Service Fund of \$4.3 million and \$2.3 million, respectively, were reduced by \$726,000 and \$788,000, respectively.
- The net assets of the Internal Service Funds have been restated by (\$3.2) million due to late implementation of an agreement between the City and the School Board relating to school buses. Refer to note 16 of Notes to Financial Statements.
- Hurricane Isabel struck on September 18, 2003 causing significant damage City wide. Approximately \$8 million was expended by the City to provide emergency protective measures and subsequent debris clean up and removal as a result of the Hurricane. During fiscal year 2005, FEMA completed its close out process of claims by the City related to this event. At June 30, 2005, approximately \$3.5 million of State and Federal reimbursement is outstanding; \$2.3 million of this amount has been received to date during fiscal year 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the City's finances in a manner similar to a private-sector business. Government-wide financial reporting consists of two statements: the Statement of Net Assets and the Statement of Activities.

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

The *Statement of Activities* presents information identifying how 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 related cash flows*. Thus, some items of revenues and expenses are reported in this statement that will result in cash flows in future fiscal periods.

In the *Statement of Net Assets* and the *Statement of Activities*, the City is divided into the following categories:

- **Governmental Activities** – Most of the City's basic services are reported here including general government, public safety, public works, education, health and welfare, parks and recreation and economic and community development.
- **Business-type Activities** – The City's water and sewer services are reported here as well as the City's golf course activity. These services are supported by charges for services based on use.
- **Component Units** – The City includes two separate legal entities in its report – the Suffolk School Board and the Industrial Development Authority of the City of Suffolk. While legally separate, the City is financially accountable and provides operating and capital funding to these component units.

Fund Financial Statements

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's most significant funds. The fund financial statements are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General, Capital Projects and Debt Service funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and the City's golf course activity. Internal Service funds are an accounting mechanism used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet management, information technology and insurance programs.

Fiduciary Funds – The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is similar to that of the proprietary funds.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to Financial Statements can be found following the Basic Financial Statements section of this report.

Required Supplementary Information – In addition to the basic financial statements and notes, this report also presents budgetary comparison schedules, a schedule of funding progress and employer contributions and notes to the required supplementary information.

Other Supplementary Information – This report also presents combining and individual fund statements and schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As described earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the City's assets exceeded its liabilities by \$119.5 million.

Statement of Net Assets
(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 46.2	\$ 48.3	\$ 11.4	\$ 28.8	\$ 57.6	\$ 77.1
Capital assets	172.7	176.1	128.7	112.1	301.4	288.2
Total assets	<u>\$ 218.9</u>	<u>\$ 224.4</u>	<u>\$ 140.1</u>	<u>\$ 140.9</u>	<u>\$ 359.0</u>	<u>\$ 365.3</u>
Current and other liabilities	\$ 24.3	\$ 21.0	\$ 5.8	\$ 10.1	\$ 30.1	\$ 31.1
Long-term liabilities	146.2	137.6	63.2	64.4	209.4	202.0
Total liabilities	<u>170.5</u>	<u>158.6</u>	<u>69.0</u>	<u>74.5</u>	<u>239.5</u>	<u>233.1</u>
Net assets:						
Invested in capital assets, net of related debt	22.0	39.6	69.3	56.3	91.3	95.9
Restricted net assets	3.8	2.3		2.3	3.8	4.6
Unrestricted net assets	22.6	23.9	1.8	7.8	24.4	31.7
Total net assets	<u>48.4</u>	<u>65.8</u>	<u>71.1</u>	<u>66.4</u>	<u>119.5</u>	<u>132.2</u>
Total liabilities and net assets	<u>\$ 218.9</u>	<u>\$ 224.4</u>	<u>\$ 140.1</u>	<u>\$ 140.9</u>	<u>\$ 359.0</u>	<u>\$ 365.3</u>

The largest portion of the City's net assets, 76% and 73% in 2005 and 2004, respectively, represents its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net assets, 4% and 3% in 2005 and 2004, respectively, represents resources that are subject to external restrictions on how they may be used. The remaining net assets, 20% and 24% in 2005 and 2004, respectively, represents unrestricted net assets, which may be used to meet the City's ongoing obligations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table indicates the changes in net assets for governmental and business-type activities:

	Changes in Net Assets (in Millions)					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for services	\$ 5.4	\$ 5.0	\$ 21.0	\$ 17.4	\$ 26.4	\$ 22.4
Operating grants and contributions	17.0	25.2	0.2	0.4	17.2	25.6
Capital grants and contributions	3.4	2.4	3.3	2.2	6.7	4.6
General revenues:						
Real estate and property taxes	74.9	66.4	-	-	74.9	66.4
Other taxes	27.5	25.4	-	-	27.5	25.4
Grants and contributions	3.2	3.0	-	-	3.2	3.0
Unrestricted investment earnings	1.5	1.4	-	-	1.5	1.4
Other	2.3	0.7	(0.2)	0.2	2.1	0.9
Miscellaneous	-	0.1	-	-	-	0.1
Total Revenues	<u>135.2</u>	<u>129.6</u>	<u>24.3</u>	<u>20.2</u>	<u>159.5</u>	<u>149.8</u>
Expenses:						
General government	1.9	8.0	-	-	1.9	8.0
Judicial	4.9	4.4	-	-	4.9	4.4
Public safety	26.6	24.6	-	-	26.6	24.6
Public works	4.8	13.8	-	-	4.8	13.8
Health and welfare	13.8	13.0	-	-	13.8	13.0
Education	56.3	26.3	-	-	56.3	26.3
Parks, recreation, cultural	15.4	4.0	-	-	15.4	4.0
Community development	10.0	6.5	-	-	10.0	6.5
Other public services	2.9	3.7	-	-	2.9	3.7
Interest on long-term debt	7.2	7.4	-	-	7.2	7.4
Nondepartmental	5.5	7.6	-	-	5.5	7.6
Utility	-	-	17.8	15.6	17.8	15.6
Golf course	-	-	1.8	1.1	1.8	1.1
Total expenses	<u>149.3</u>	<u>119.3</u>	<u>19.6</u>	<u>16.7</u>	<u>168.9</u>	<u>136.0</u>
Excess of revenues over expenses	(14.1)	10.3	4.7	3.5	(9.4)	13.8
Transfers	-	-	-	-	-	-
Increase in net assets	<u>(14.1)</u>	<u>10.3</u>	<u>4.7</u>	<u>3.5</u>	<u>(9.4)</u>	<u>13.8</u>
Net assets - beginning of year, as previously reported	65.8	54.6	66.4	62.9	132.2	117.5
Net assets - beginning of year Cemetery Fund	-	0.9	-	-	-	0.9
Prior Period Adjustment	(3.3)	-	-	-	(3.3)	-
Net assets - beginning of year, restated	<u>62.5</u>	<u>55.5</u>	<u>66.4</u>	<u>62.9</u>	<u>128.9</u>	<u>118.4</u>
Net assets - ending	<u>\$ 48.4</u>	<u>\$ 65.8</u>	<u>\$ 71.1</u>	<u>\$ 66.4</u>	<u>\$ 119.5</u>	<u>\$ 132.2</u>

Real estate tax revenue, the City's largest revenue source and personal property tax revenue was \$74.9 million and \$66.4 million in 2005 and 2004, respectively. The City's assessed value of real property increased by 16.22% for the current fiscal year.

Education continues to be one of the City's highest priorities and commitments representing 37.8% and 22.1% in 2005 and 2004, respectively, of total governmental activity expenses.

The City is also committed to ensuring the highest level of safety for its citizens and has expended \$26.6 million and \$24.6 million towards public safety efforts, representing 17.8% and 21% of total governmental activities expenses for 2005 and 2004, respectively.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42 million. Approximately 81% of this amount is available for spending at the government's discretion (unreserved fund balance).

General Fund. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance was \$25.1 million of which \$11.4 million represents undesignated fund balance of the general fund. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balances represent 24% of the total fund expenditures, while total fund balance represents 28% of that same amount.

Debt Service Fund. The debt service fund has a total accumulated deficit of \$1.6 million. During the current fiscal year, the net change in fund balance of \$.7 million is primarily a result of revenues in excess of expenditures.

Capital Projects Fund. The capital projects fund accounts for all construction projects of general public improvements, excluding capital projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$12.7 million, of this \$4.3 million was encumbered for contracts in process, and \$8.3 million was designated for subsequent years' expenditures.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the proprietary funds at the end of the current fiscal year totaled \$74.7 million.

Enterprise Funds. The City's enterprise funds account for its water and sewer operations as well as the City's golf course. Unrestricted net assets of the enterprise funds were \$1.8 million at the end of the current fiscal year.

Internal Service Funds. The internal service funds are used to account for entity-wide fleet management, information technology and insurance programs. The total net assets at the end of the current fiscal year were \$3.6 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations. Differences between the original budget and the final amended budget resulted in an \$8.9 million increase in appropriations. Listed below are the primary transactions that accounted for the increase in appropriations:

- \$ 2.6 million to support the Fiscal Year 2004 Capital Projects.
- \$ 5.9 million relating to encumbrances and other designated carryovers from the prior year.
- \$.4 million to incorporate various grant awards into departmental budgets.

Listed below are explanations for significant budgetary variances between the final amended budget and actual results:

- Utility tax revenue was less than anticipated by \$1.3 million due to the correction in remittances of one of the service providers.
- Recordation tax revenue received was 182% greater than budgeted and reflects the greater than anticipated level of activity in property transactions during the year.
- Public Works refuse collection expenditures were greater than budgeted by 7.8%. This is primarily due to the increased cost of fuel and due to the age of the Fleet; the City had to lease trucks for a period of time to provide for refuse collection.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounted to \$301.4 million, net of accumulated depreciation. This investment in capital assets includes land and easements, buildings, improvements other than buildings, infrastructure, machinery and equipment and construction in progress.

Major capital asset events during the current fiscal year included the following:

- The completion of the Constant's Wharf Park and Marina.
- The acquisition of approximately 22 acres in the greater downtown known as the former Obici Hospital site.
- The completion of the sewer upgrade in the Lakeside neighborhood.
- The acquisition of the Bennett's Pasture Water Main.

	Capital Assets (net of depreciation) (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 14.6	\$ 9.9	\$ 3.6	\$ 3.3	\$ 18.2	\$ 13.2
Construction in progress	15.4	44.9	30.0	23.2	45.4	68.1
Buildings	26.9	27.7	14.5	14.8	41.4	42.5
Improvements other than buildings	22.0	16.4	54.4	43.6	76.4	60.0
Machinery and equipment	14.2	12.8	26.2	27.2	40.4	40.0
Allocation of School Board assets	79.6	61.1	-	-	79.6	61.1
Total	\$ 172.7	\$ 172.8	\$ 128.7	\$ 112.1	\$ 301.4	\$ 284.9

Additional information on the City's capital assets can be found in Note 5.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-term debt. At the end of the current fiscal year, the City had total outstanding debt of \$217.7 million. Capital leases, claims payable and compensated absences are not included in these figures.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Bonds Payable	\$ 141.0	\$ 132.3	\$ 66.0	\$ 67.0	\$ 207.0	\$ 199.3
Loans and Notes Payable	10.7	8.2	-	3.3	10.7	11.5
Total	\$ 151.7	\$ 140.5	\$ 66.0	\$ 70.3	\$ 217.7	\$ 210.8

The Commonwealth of Virginia limits the amount of debt outstanding to 10% of the locality's assessed value of real property. The City Charter further limits this calculation to 7% of the City's assessed value of real property. The City's outstanding debt is significantly below both limitations representing the City's conservative debt borrowing policy.

During the fiscal year the City issued \$18.75 million in general obligation debt in support of general governmental activities. In addition, the City issued \$11.7 million in VRA Water and Sewer Revenue Bonds to advance refund the outstanding 1996 Water and Sewer Revenue Bonds. Subsequent to the end of the current fiscal year, the City issued \$21.7 million in general obligation debt of which \$12.3 million was new debt in support of general government activities and \$10.4 million was a refunding.

In June 2004, the rating agency of Standard & Poor's revised the City's Outlook from Stable to Positive while affirming its "AA-" general obligation bond rating. The ratings from Moody's Investor Service and Fitch Ratings were reaffirmed at "Aa2" and "AA", respectively. These ratings were affirmed in October 2005.

Additional information on the City's long-term debt can be found in Notes 7 and 8.

ECONOMIC FACTORS

- During the current fiscal year, retail sales increased 10.3% over the prior year.
- The City's economic development initiatives created over 685 new jobs and over \$78 million dollars in new capital investment in the City.
- The City's per capita income, as of the latest data available from the Bureau of Economic Analysis was \$26,975 compared to the Hampton Roads Metropolitan Statistical Area (MSA) of \$29,337 and the Commonwealth of Virginia's of \$33,730.
- The City's unemployment rate was 4.0% (average annual rate not seasonally adjusted) compared to the Hampton Roads MSA of 4.2%, the Commonwealth of Virginia of 3.7% and the United States of 5.5%.
- The City's assessed value of real property increased by 16.22% for fiscal year 2005.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the City's Director of Finance, 441 Market Street, Suffolk, Virginia, 23434.

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STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	\$ 3,366,001	\$ 1,725,748	\$ 5,091,749	\$ 13,840,038
Restricted assets- cash and investments	30,298,931	5,844,652	36,143,583	5,348,755
Receivables- net	4,692,461	2,810,369	7,502,830	260,300
Internal balances	850,274	(850,274)	-	-
Due from component units	238,292	-	238,292	-
Due from other governments	5,373,906	640,816	6,014,722	4,383,094
Inventories	465,685	159,189	624,874	6,884,286
Prepaid items	387,425	243,577	631,002	80,000
Note and interest receivable	-	-	-	31,119
Deferred charges	513,508	818,601	1,332,109	2,215,185
Capital assets not depreciated	34,137,868	33,475,658	67,613,526	17,320,086
Other capital assets- net	138,587,035	95,212,422	233,799,457	47,199,013
Total assets	\$ 218,911,386	\$ 140,080,758	\$ 358,992,144	\$ 97,561,876
LIABILITIES				
Vouchers and accounts payable	\$ 4,323,621	\$ 2,611,876	\$ 6,935,497	\$ 1,502,312
Accrued liabilities	-	-	-	341,790
Accrued payroll	-	-	-	8,324,703
Accrued interest	2,042,598	907,162	2,949,760	-
Claims payable	451,791	-	451,791	-
Payables from restricted assets	727,056	-	727,056	-
Due to other governments	-	-	-	21,792
Due to component units	3,535	-	3,535	-
Due to primary government	-	-	-	235,720
Amounts held for others	-	51,538	51,538	128,643
Unearned revenue	2,976,501	-	2,976,501	275,339
Long-term liabilities:				
Due within one year	13,762,895	2,215,430	15,978,325	120,583
Due in more than one year	146,166,825	63,218,790	209,385,615	19,638,303
Total liabilities	170,454,822	69,004,796	239,459,618	30,589,185
NET ASSETS				
Invested in capital assets- net of related debt	22,018,105	69,299,223	91,317,328	50,875,197
Restricted:				
Capital projects	2,862,010	-	2,862,010	-
Other purposes	944,650	-	944,650	500,000
Special programs	-	-	-	358,904
Unrestricted	22,631,799	1,776,739	24,408,538	15,238,590
Total net assets	48,456,564	71,075,962	119,532,526	66,972,691
Total liabilities and net assets	\$ 218,911,386	\$ 140,080,758	\$ 358,992,144	\$ 97,561,876

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF ACTIVITIES

Exhibit B

Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Component Units
Primary Government							
Governmental activities:							
General government	\$ 1,900,766	\$ 2,243,348	\$ 443,125	\$ -	\$ 785,707	\$ -	\$ 785,707
Judicial	4,936,491	588,401	2,267,307	-	(2,080,783)	-	(2,080,783)
Public safety	26,846,128	198,638	745,611	-	(25,701,879)	-	(25,701,879)
Public works	4,657,083	1,386,084	292,492	1,763,201	(1,215,306)	-	(1,215,306)
Health and welfare	13,810,781	-	11,788,079	-	(2,022,702)	-	(2,022,702)
Education	56,260,122	-	-	1,290,471	(94,969,651)	-	(94,969,651)
Parks, recreation, cultural	15,384,543	316,658	368,363	27,652	(14,650,870)	-	(14,650,870)
Community development	10,058,214	33,296	996,938	86,672	(8,941,308)	-	(8,941,308)
Other public services	2,949,560	602,404	72,711	170,280	(2,104,165)	-	(2,104,165)
Nondepartmental	5,481,997	-	-	18,701	(5,463,296)	-	(5,463,296)
Interest on long-term debt	7,266,452	-	-	-	(7,266,452)	-	(7,266,452)
Bond service and miscellaneous	27,970	-	-	-	(27,970)	-	(27,970)
Total governmental activities	149,360,107	5,368,829	16,975,626	3,356,977	(123,658,675)	-	(123,658,675)
Business-type activities:							
Utility	17,773,204	19,586,580	240,093	3,284,662	-	5,318,131	5,318,131
Golf course	1,834,057	1,430,093	-	-	(403,964)	-	(403,964)
Total business-type activities	19,607,261	20,996,673	240,093	3,284,662	-	4,914,167	4,914,167
Total primary government	\$ 168,967,368	\$ 26,365,502	\$ 17,215,719	\$ 6,641,639	(123,658,675)	4,914,167	(118,744,508)
Component units:							
Suffolk Public Schools	\$ 98,447,861	\$ 2,174,387	\$ 25,147,840	\$ 2,521,815	-	-	(68,603,819)
Industrial Development Authority	770,248	329,051	-	394,327	-	-	(46,870)
Total component units	\$ 99,218,109	\$ 2,503,438	\$ 25,147,840	\$ 2,916,142	-	-	(68,650,689)
General Revenues							
Real estate and personal property taxes					74,904,163		74,904,163
Other local taxes					27,514,690		27,514,690
Payments from City of Suffolk Commonwealth of Virginia					-		-
Reimbursements from other agencies					-	23,000	23,000
Grants and contributions not restricted to specific programs					3,239,271		3,239,271
Use of property and money					537,380		537,380
Investment earnings					1,523,360	237,146	1,760,506
Miscellaneous					1,215,238	82,570	1,297,808
Transfers					567,900	(567,900)	-
Total general revenues, transfers and miscellaneous					109,502,002	(225,184)	109,276,818
Change in net assets					(14,156,673)	4,688,983	(9,467,690)
Net assets - beginning of year, as previously reported					65,887,938	66,366,979	132,274,917
Prior period adjustment					(3,274,701)	-	3,274,701
Net assets - beginning of year, restated					62,613,237	66,366,979	129,000,216
Net assets - end of year					\$ 48,456,564	\$ 71,075,962	\$ 119,532,526
							\$ 66,972,691

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2005

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Unrestricted	\$ 576,654	\$ -	\$ -	\$ 2,280,307	\$ 2,856,961
Restricted	3,619,066	26,679,865	-	-	30,298,931
Receivables - net:					
Real estate taxes	1,078,273	-	494,365	35,569	1,608,207
Personal property taxes	160,711	-	-	-	160,711
Accounts receivable	2,650,106	-	39,865	7,065	2,697,036
Accrued interest	76,495	-	-	-	76,495
Due from other funds	27,193,746	-	-	-	27,193,746
Due from component units	238,292	-	-	-	238,292
Due from other governments	3,322,280	616,452	-	826,362	4,765,094
Inventories	34,567	-	-	-	34,567
Prepaid items	38,340	-	-	-	38,340
Total assets	\$ 38,988,530	\$ 27,296,317	\$ 534,230	\$ 3,149,303	\$ 69,968,380
LIABILITIES					
Vouchers and accounts payable	\$ 1,128,526	\$ 2,614,677	\$ 205,774	\$ 80,589	\$ 4,029,566
Compensated absences	284,643	-	-	-	284,643
Payables from restricted assets	675,576	51,480	-	-	727,056
Due to component units	-	3,535	-	-	3,535
Due to other funds	5,000,000	11,900,667	1,644,138	362,726	18,907,531
Deferred revenue	917,364	50,000	256,481	32,927	1,256,772
Unearned revenue	2,667,068	-	-	-	2,667,068
Total liabilities	10,673,177	14,620,359	2,106,393	476,242	27,876,171
FUND BALANCES					
Reserved:					
Encumbrances	2,385,603	4,348,776	-	224,616	6,958,995
Cable TV	806,227	-	-	-	806,227
Inventories	34,568	-	-	-	34,568
Grant compliance	9,360	19,518	-	175,762	204,640
Unreserved:					
Designated:					
Capital project reserve	9,445,325	-	-	-	9,445,325
Other specific projects	4,202,740	8,307,664	-	29,874	12,540,278
Special revenue funds	-	-	-	2,242,809	2,242,809
Undesignated (accumulated deficit)	11,431,530	-	(1,572,163)	-	9,859,367
Total fund balances (accumulated deficit)	28,315,353	12,675,958	(1,572,163)	2,673,061	42,092,209
Total liabilities and fund balances	\$ 38,988,530	\$ 27,296,317	\$ 534,230	\$ 3,149,303	\$ 69,968,380

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

BALANCE SHEET - GOVERNMENTAL FUNDS**June 30, 2005****Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets**

Total fund balances - governmental funds		\$ 42,092,209
Amounts reported for governmental activities in the statement of net assets are different due to:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		159,582,297
Other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by deferred revenue in the governmental funds.		985,127
Internal service funds are used by management to charge the costs of certain activities, such as information technology, fleet management, and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		3,635,584
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
General obligation bonds	\$ (142,977,983)	
Unamortized premium on bonds	(1,947,366)	
Notes payable	(10,750,000)	
Compensated absences (annual leave)	(2,676,812)	
		(158,352,161)
Current period expenditures related to long-term liabilities, net.		<u>513,508</u>
Total net assets - governmental activities		<u>\$ 48,456,564</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (ACCUMULATED DEFICIT) -
GOVERNMENTAL FUNDS**

Year Ended June 30, 2005

	General	Capital Projects	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Real estate and personal property taxes	\$ 57,040,430	\$ -	\$ 16,426,175	\$ 1,360,895	\$ 74,827,500
Other local taxes	27,184,816	-	329,874	-	27,514,690
Permits, fees, and licenses	1,581,725	-	-	-	1,581,725
Fines and forfeitures	661,587	-	-	36	661,623
Use of money and property	1,533,102	-	487,273	40,365	2,060,740
Intergovernmental	13,416,647	4,213,276	-	6,772,355	24,402,278
Charges for services	2,784,144	-	-	172,932	2,957,076
Miscellaneous	311,349	-	6,373	19,220	336,942
Total revenues	104,513,800	4,213,276	17,249,695	8,365,803	134,342,574
Expenditures					
Current:					
General government	6,322,342	-	-	111,310	6,433,652
Judicial	4,387,688	-	-	527,965	4,915,653
Public safety	25,579,685	-	-	659,891	26,239,576
Public works	7,058,240	-	-	1,709,025	8,767,265
Health and welfare	9,969,241	-	-	3,816,764	13,786,005
Education	34,230,484	-	-	-	34,230,484
Parks, recreation, and cultural	4,102,324	-	-	197,460	4,299,784
Community development	3,301,860	-	-	1,183,761	4,485,621
Other public services	2,556,659	-	-	392,901	2,949,560
Nondepartmental	4,995,690	-	-	-	4,995,690
Capital outlay	-	29,512,856	-	-	29,512,856
Debt service:					
Principal	-	-	9,949,599	-	9,949,599
Interest	-	-	6,829,437	-	6,829,437
Bond issuance costs	-	161,869	103,154	-	265,023
Bond service and miscellaneous	-	-	27,970	-	27,970
Total expenditures	102,504,213	29,674,725	16,910,160	8,599,077	157,688,175
Excess (deficiency) of revenues over expenditures	2,009,587	(25,461,449)	339,535	(233,274)	(23,345,601)
Other financing sources (uses)					
Issuance of debt	-	21,160,000	-	-	21,160,000
Premiums on debt	-	168,989	-	-	168,989
Transfers in	1,163,919	5,458,987	472,106	645,442	7,740,454
Transfers out	(6,416,529)	(432,013)	(23,000)	(382,112)	(7,253,654)
Total other financing sources (uses)	(5,252,610)	26,355,963	449,106	263,330	21,815,789
Net change in fund balances	(3,243,023)	894,514	788,641	30,056	(1,529,812)
Fund balances (accumulated deficit) - beginning of year	31,558,376	11,781,444	(2,360,804)	2,643,005	43,622,021
Fund balances (accumulated deficit) - end of year	\$ 28,315,353	\$ 12,675,958	\$ (1,572,163)	\$ 2,673,061	\$ 42,092,209

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES (ACCUMULATED DEFICIT) - GOVERNMENTAL FUNDS**

Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds \$ (1,529,812)

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

Governmental funds 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 outlay exceeded depreciation.

General Government Capital outlay expenditures	\$ 29,512,856	
Change in amount of school assets allocated to City as a result of additional construction and debt	18,414,792	
Disposals of assets	(131,202)	
Capital outlay expenditures not capitalized	(6,393,542)	
Depreciation of General Government Assets	(2,247,093)	
Completed capital projects donated to component units	<u>(40,444,430)</u>	(1,288,619)

Deferred charges arising from the issuance of long-term bonds, net of current amortization	265,023
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	(11,210,401)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	76,663
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(102,171)
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Internal service funds are used by management to charge the cost of certain activities, such as information technology, fleet management and insurance to individual funds. The net revenue of certain internal service funds is reported with governmental activities.	<u>(367,356)</u>
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Change in net assets of governmental activities \$ (14,156,673)

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2005

ASSETS	Business-type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Utility Fund	Nonmajor Enterprise Fund	Total	
Current assets				
Cash and investments	\$ 1,725,748	\$ -	\$ 1,725,748	\$ 509,040
Receivables - net	2,756,664	53,705	2,810,369	112,224
Due from other funds	5,000,000	-	5,000,000	-
Due from other governments	640,816	-	640,816	608,812
Inventories	159,189	-	159,189	431,118
Prepaid items	243,577	-	243,577	349,085
Total current assets	10,525,994	53,705	10,579,699	2,010,279
Noncurrent assets				
Restricted cash and investments	5,844,652	-	5,844,652	-
Deferred charges	778,167	40,434	818,601	-
Capital assets:				
Land	2,216,439	1,390,791	3,607,230	298,000
Construction in progress	29,868,428	-	29,868,428	-
Buildings	20,655,560	213,826	20,869,386	1,221,050
Improvements other than buildings	57,612,678	2,779,656	60,392,334	35,157
Machinery and equipment	42,521,390	42,982	42,564,372	26,637,469
Less - accumulated depreciation	(28,333,193)	(280,477)	(28,613,670)	(15,049,070)
Total noncurrent assets	131,164,121	4,187,212	135,351,333	13,142,606
Total assets	\$ 141,690,115	\$ 4,240,917	\$ 145,931,032	\$ 15,152,885
LIABILITIES AND NET ASSETS				
Current liabilities				
Vouchers and accounts payable	\$ 2,606,726	\$ 5,150	\$ 2,611,876	\$ 294,055
Compensated absences - current	18,045	-	18,045	-
Cash held for others	51,538	-	51,538	-
Accrued interest	826,039	81,123	907,162	95,232
Claims payable - current portion	-	-	-	451,791
Due to other funds	5,014,794	835,480	5,850,274	7,435,941
Bonds, notes payable and capital lease obligations - current	2,112,385	85,000	2,197,385	726,407
Total current liabilities	10,629,527	1,006,753	11,636,280	9,003,426
Noncurrent liabilities				
Compensated absences - net of current	234,204	-	234,204	72,120
Bonds, notes payable and capital lease obligations - net of current	58,819,148	4,165,438	62,984,586	2,441,755
Total noncurrent liabilities	59,053,352	4,165,438	63,218,790	2,513,875
Total liabilities	69,682,879	5,172,191	74,855,070	11,517,301
Net assets				
Invested in capital assets - net of related debt	69,402,883	(103,660)	69,299,223	9,974,444
Unrestricted (deficit)	2,604,353	(827,614)	1,776,739	(6,338,860)
Total net assets	72,007,236	(931,274)	71,075,962	3,635,584
Total liabilities and net assets	\$ 141,690,115	\$ 4,240,917	\$ 145,931,032	\$ 15,152,885

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS**

Year Ended June 30, 2005

	Business-type Activities			Governmental Activities- Internal Service Fund
	Enterprise Funds			
	Utility Fund	Nonmajor Enterprise Fund	Total	
OPERATING REVENUES				
Charges for services	\$ 19,443,409	\$ 1,190,093	\$ 20,633,502	\$ 17,834,881
Use of money and property	123,171	240,000	363,171	-
Total operating revenues	19,566,580	1,430,093	20,996,673	17,834,881
OPERATING EXPENSES				
Personnel services	4,780,976	-	4,780,976	1,430,088
Self-insured claims	-	-	-	7,669,586
Purchased services	947,373	1,099,390	2,046,763	505,743
Contractual services	1,600,078	129,659	1,729,737	700,688
Supplies	532,972	2,173	535,145	3,831,093
Utilities	505,573	-	505,573	64,530
Insurance and bonds	-	-	-	640,953
Bulk-water purchases	2,919,050	-	2,919,050	-
Bad debts	43,999	-	43,999	-
Depreciation and amortization	2,729,232	142,252	2,871,484	2,636,022
Leased property	177,271	207,800	385,071	240,130
Other charges	1,075,849	47,829	1,123,678	378,434
Total operating expenses	15,312,373	1,629,103	16,941,476	18,097,267
Operating income (loss)	4,254,207	(199,010)	4,055,197	(262,386)
NONOPERATING REVENUES (EXPENSES)				
Interest income	222,657	14,489	237,146	-
Federal and state grants	240,093	-	240,093	22,701
Interest expense	(2,436,878)	(204,954)	(2,641,832)	(231,659)
Debt service expenses	(23,953)	-	(23,953)	(1,719)
Gain (loss) on disposal of capital assets	12,800	-	12,800	3,506
Other revenues	69,770	-	69,770	2,400
Total nonoperating revenues (expenses)	(1,915,511)	(190,465)	(2,105,976)	(204,771)
Income (loss) before contributions and transfers	2,338,696	(389,475)	1,949,221	(467,157)
Transfers in	-	12,100	12,100	300,000
Transfers out	(580,000)	-	(580,000)	(218,900)
Capital contributions	3,307,662	-	3,307,662	18,701
Total	2,727,662	12,100	2,739,762	99,801
Change in net assets	5,066,358	(377,375)	4,688,983	(367,356)
Net assets - beginning of year as previously reported	66,940,878	(553,899)	66,386,979	7,277,641
Prior period adjustment	-	-	-	(3,274,701)
Net assets - beginning of year, restated	66,940,878	(553,899)	66,386,979	4,002,940
Total net assets - end of year	\$ 72,007,236	\$ (931,274)	\$ 71,075,962	\$ 3,635,584

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

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2005

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Nonmajor		Totals	
	Utility Fund	Enterprise Fund		
Cash flows from operating activities				
Received from customers and users	\$ 18,542,217	\$ 1,430,463	\$ 19,972,680	\$ 17,919,051
Payments to suppliers for goods and services	(7,973,326)	(1,614,716)	(9,588,042)	(14,203,288)
Payments to employees	(4,782,785)	-	(4,782,785)	(1,463,924)
Cash received from other funds	14,794	540,180	554,974	1,707,352
Net cash from operating activities	5,800,900	355,927	6,156,827	3,959,191
Cash flows from noncapital financing activities				
Other nonoperating revenues	69,780	-	69,780	2,400
Transfers to other funds	(580,000)	-	(580,000)	(218,900)
Transfers from other funds	-	12,100	12,100	300,000
Interest paid on other transactions	-	-	-	(56,989)
Federal and state grants	(9)	-	(9)	22,701
Net cash from noncapital financing activities	(510,229)	12,100	(498,129)	49,212
Cash flows from capital and related financing activities				
Proceeds from capital debt	11,695,000	590,000	12,285,000	1,213,155
Principal paid on capital debt	(16,097,956)	(570,000)	(16,667,956)	(731,048)
Interest paid on capital debt	(2,784,671)	(204,424)	(2,989,095)	(163,661)
Debt service expenses	(23,953)	-	(23,953)	(1,719)
Acquisition and construction of capital assets	(15,898,761)	(241,625)	(16,140,386)	(3,821,684)
Proceeds from disposition of fixed assets	12,800	-	12,800	3,506
Net cash provided (used) in capital and related financing activities	(23,097,541)	(426,049)	(23,523,590)	(3,501,451)
Cash flows from investing activities				
Interest received	222,657	14,489	237,146	-
Net cash provided (used) in investing activities	222,657	14,489	237,146	-
Net change in cash and cash equivalents	(17,584,213)	(43,533)	(17,627,746)	506,952
Cash and cash equivalents - beginning of year	25,154,613	43,533	25,198,146	2,088
Cash and cash equivalents - end of year	\$ 7,570,400	\$ -	\$ 7,570,400	\$ 509,040
Cash and Investments	\$ 1,725,748	\$ -	\$ 1,725,748	\$ 509,040
Restricted cash and investments	5,844,652	-	5,844,652	-
Cash and cash equivalents - end of year	\$ 7,570,400	\$ -	\$ 7,570,400	\$ 509,040
Reconciliation of operating income to net cash from operating activities				
Operating Income (Loss)	\$ 4,254,207	\$ (199,010)	\$ 4,055,197	\$ (262,386)
Adjustments:				
Depreciation and amortization	2,729,232	142,252	2,871,484	2,636,022
Change in compensated absences	28,191	-	28,191	(33,836)
Change in assets and liabilities:				
Receivables - net	(397,696)	(49,705)	(447,401)	84,170
Due from other funds	(5,000,000)	-	(5,000,000)	-
Inventories	(20,408)	-	(20,408)	(25,537)
Prepaid items	1,627	50,074	51,701	(30,756)
Vouchers and accounts payable	(226,379)	(127,864)	(354,243)	(161,796)
Claims payable	-	-	-	45,958
Due to other funds	5,014,794	540,180	5,554,974	1,707,352
Amounts held for others	(582,668)	-	(582,668)	-
Total adjustments	1,546,693	554,937	2,101,630	4,221,577
Net cash from operating activities	\$ 5,800,900	\$ 355,927	\$ 6,156,827	\$ 3,959,191
Noncash investing, capital, and financing activities:				
Capital contributions	\$ 3,307,662	\$ -	\$ 3,307,662	\$ 18,701
Acquisition and construction of capital assets	(3,307,662)	-	(3,307,662)	(18,701)
Net cash from noncash investing, capital and financing activities	\$ -	\$ -	\$ -	\$ -

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2005

ASSETS	Agency Funds
Cash and cash equivalents	\$ 22,371
Accounts receivable	<u>10,710</u>
Total assets	\$ 33,081
LIABILITIES	
Accounts payable	\$ 15,947
Cash held for others	<u>17,134</u>
Total liabilities	\$ 33,081

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

STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2005

	Suffolk Public Schools	Industrial Development Authority	Total
ASSETS			
Cash	\$ 12,634,296	\$ 1,205,742	\$ 13,840,038
Restricted assets- cash and investments	132,658	5,216,097	5,348,755
Receivables	214,911	45,389	260,300
Due from other governments	4,383,094	-	4,383,094
Inventory	341,972	6,542,314	6,884,286
Prepaid items	80,000	-	80,000
Notes and interest receivable	-	31,119	31,119
Deferred charges	-	2,215,185	2,215,185
Capital assets not depreciated	1,654,700	15,665,386	17,320,086
Other capital assets- net	47,199,013	-	47,199,013
Total assets	\$ 66,640,644	\$ 30,921,232	\$ 97,561,876
LIABILITIES			
Vouchers and accounts payable	\$ 1,477,386	\$ 24,926	\$ 1,502,312
Accrued liabilities	341,790	-	341,790
Accrued payroll	8,324,703	-	8,324,703
Due to other governments	21,792	-	21,792
Due to primary government	-	235,720	235,720
Amounts held for others	44,393	84,250	128,643
Deferred revenue	-	275,339	275,339
Long-term liabilities:			
Due within one year	120,583	-	120,583
Due in more than one year	1,561,558	18,076,745	19,638,303
Total liabilities	11,892,205	18,696,980	30,589,185
NET ASSETS			
Invested in capital assets- net of related debt	48,853,713	2,021,484	50,875,197
Restricted:			
Other purposes	-	500,000	500,000
Special programs	358,904	-	358,904
Unrestricted	5,535,822	9,702,768	15,238,590
Total net assets	54,748,439	12,224,252	66,972,691
Total liabilities and net assets	\$ 66,640,644	\$ 30,921,232	\$ 97,561,876

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

STATEMENT OF ACTIVITIES - COMPONENT UNITS

Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Suffolk Public Schools	Industrial Development Authority	Total
Suffolk Public Schools							
Governmental activities:							
Instruction	\$ 58,755,234	\$ 133,000	\$ 14,080,990	\$ 2,521,815	\$ (42,019,429)	\$ -	\$ (42,019,429)
Administration, attendance, health services	5,635,431	-	-	-	(5,635,431)	-	(5,635,431)
Transportation	5,604,784	-	-	-	(5,604,784)	-	(5,604,784)
Operations and maintenance	10,938,648	-	-	-	(10,938,648)	-	(10,938,648)
Food service	4,517,877	1,944,899	2,710,195	-	137,217	-	137,217
Grants	8,530,355	-	8,356,655	-	(173,700)	-	(173,700)
Primary government capital projects	2,165,471	-	-	-	(2,165,471)	-	(2,165,471)
Component Unit	2,300,061	96,488	-	-	(2,203,573)	-	(2,203,573)
Total Suffolk Public Schools	98,447,861	2,174,387	25,147,840	2,521,815	(68,603,819)	-	(68,603,819)
Industrial Development Authority							
Business-type activities:							
Industrial Development Authority	770,248	329,051	-	394,327	-	(46,870)	(46,870)
Total Industrial Development Authority	770,248	329,051	-	394,327	(46,870)	-	(46,870)
Total component units	\$ 99,218,109	\$ 2,503,438	\$ 25,147,840	\$ 2,916,142	(68,603,819)	(46,870)	(68,650,689)
General Revenues							
City of Suffolk - primary government					33,900,000	-	33,900,000
Commonwealth of Virginia					46,890,650	-	46,890,650
Unrestricted grants and contributions					2,267,862	-	2,267,862
Use of property and money					78,320	128,600	206,920
Gain on disposal of capital asset					46,799	-	46,799
Miscellaneous					436,172	-	436,172
Total general revenues, transfers and miscellaneous					83,619,803	128,600	83,748,403
Change in net assets					15,015,984	81,730	15,097,714
Net assets - beginning of year					36,457,754	12,142,522	48,600,276
Prior period adjustment					3,274,701	-	3,274,701
Net assets - beginning of year, as restated					39,732,455	12,142,522	51,874,977
Net assets - end of year					\$ 54,748,439	\$ 12,224,252	\$ 66,972,691

June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Suffolk, Virginia (City) was formed on January 1, 1974, by the merger of the former Cities of Suffolk and Nansemond. The City of Nansemond was previously formed by the merger of the County of Nansemond and the Towns of Whaleyville and Holland. The City is a political subdivision of the Commonwealth of Virginia operating under the council-manager form of government. The elected seven-member City Council, vested with legislative powers, appoints the City Manager who is the executive and administrative head of the City's government.

The financial statements of the City of Suffolk, Virginia have been prepared in conformity with accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

Financial Reporting Model

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement). The Statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 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 2006. The City implemented the basic model in fiscal year 2002 and anticipates completing the implementation of the infrastructure-related portion of the Statement by fiscal year 2006.

Management's Discussion and Analysis

GASB Statement No. 34 requires financial statements to be accompanied by a narrative introduction of the basic financial statements and an analytical overview of the government's financial activities in the form of Management's Discussion and Analysis (MD&A).

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

Government-wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenue and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

Statement of Net Assets

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

Statement of Activities

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

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budget over the course of the year for a variety of reasons. The government's original budget is included along with the final budget and actual results.

Government-wide and Fund Accounting Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund accounting financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the current reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund accounting financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

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

Government-wide and Fund Accounting Financial Statements (Continued)

The government-wide Statement of Activities is reported using the economic resources measurement focus and the accrual basis of accounting which reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include fees and charges paid by the recipients of goods or services offered by the programs, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation.

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the revised model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Classification

The focus of governmental and proprietary fund financial statements is on major funds. Fund statements present the financial information of each major fund in a separate column. Nonmajor funds are aggregated and displayed in a single column.

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

Fund Classification (Continued)

The main operating fund, the general fund, is always reported as a major fund. Other individual governmental enterprise funds are reported in separate columns as major funds based on these criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the fund are at least 10% of the corresponding total for all funds of that category or type (that is, total governmental or total enterprise funds), and
- b. Total assets, liabilities, revenues, or expenditures/expense of the fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that management believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

The City presents the following major governmental funds:

▪ ***General Fund***

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. A significant part of the General Fund's revenues is transferred to other funds and component units, principally to finance the operations of the City of Suffolk Public Schools.

▪ ***Capital Projects Fund***

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types).

▪ ***Debt Service Fund***

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The City presents the following nonmajor governmental funds:

▪ ***Special Revenue Funds***

The Special Revenue funds account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

- ***Suffolk Taxing District Fund*** - Accounts for revenues and expenditures related to services provided in the Suffolk Taxing District. Most revenues are derived from a specific percentage of the annual real estate tax assessments in the Suffolk Taxing District.

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

Governmental Funds *(Continued)*

▪ **Special Revenue Funds** *(Continued)*

- **Route 17 Taxing District Fund** - Accounts for revenues and expenditures related to services provided in the Route 17 Taxing District. Most revenues are derived from a specific percentage of the annual real estate tax assessments in the Route 17 Taxing District.
- **Mosquito Taxing District Fund** - Accounts for revenues and expenditures related to mosquito spraying services provided in the Mosquito Taxing District. Most revenues are derived from a specific percentage of the annual real estate tax assessments in the Mosquito Taxing District.
- **Consolidated Grants Fund** - Accounts for revenues and expenditures involving nonmajor governmental grant programs.
- **Transit System Fund** - Accounts for the operation of a transit system in the City of Suffolk. A portion of the revenue is derived from charges for services. The majority of the revenues are derived from a General Fund appropriation and grants.
- **Law Library Fund** - Accounts for the maintenance of a law library. Revenue is derived from court fees.
- **Law Enforcement Block Grant Fund** - Accounts for revenues and expenditures related to the Law Enforcement Block Grant. Revenues are derived from a federal grant.
- **Wireless E-911 Fund** - Accounts for revenues and expenditures related to developing and implementing the technology for wireless E-911. Surcharges are paid into a Commonwealth of Virginia wireless 911 fund and then distributed to counties and cities that operate public safety answering points and to service providers to defray capital assets and operating expenses incurred in providing service to wireless E-911 calls.
- **Cemetery Fund** - Accounts for monies received from the sale of burial sites, lots and mausoleum sites, the revenue from which is to be applied to the perpetual care of the City's cemeteries.

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the primary government's business activities are accounted for through proprietary funds. The measurement focus is on the determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise funds are charges for services. Operating expenses include cost of sales and services, personnel, contractual services, and depreciation. The City has chosen not to implement private sector guidance issued after November 30, 1989 in reporting business-type activities of the proprietary funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

▪ **Enterprise Funds**

The Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City presents the following major enterprise fund:

- **Utility Fund** - Accounts for the provision of water and sewer services to City residents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, billing, collections, financing and related debt service and capital assets of the water and sewage systems.

The City presents the following nonmajor enterprise fund:

- **Golf Course Fund** – Accounts for the development and maintenance of the Municipal Golf Course activities.

The City presents the following other fund types:

▪ **Internal Service Funds**

The Internal Service Funds account for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The Internal Service Funds are included in governmental activities for government-wide reporting purposes. The excess revenue or expenses for the fund are allocated to the appropriate functional activity.

- **Information Technology Fund** - Accounts for the City's technology infrastructure and allocates operating costs to the various departments or agencies using the service.
- **Fleet Management Fund** - Accounts for, on a cost-reimbursement basis, the financing of vehicles and the related maintenance, repairs and fuel costs of the City and allocates operating costs to the various departments or agencies using the equipment.
- **Risk Management Fund** - Accounts for the funding and payment of auto, police liability, general liability, health insurance, and workers' compensation claims against the City exclusive of the School Board employees. Charges to other funds are based on estimated claims for the year.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City as an agent for individual, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements.

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

▪ **Agency Funds**

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. In addition to the Funds listed below, the Suffolk Public School's Combined School Activity Funds are also agency funds.

- **Special Welfare Fund** - Accounts for receipt of welfare checks and foster children support checks from the state and payments made on behalf of individuals.
- **Commonwealth Fund** - Accounts for monies collected by the City on behalf of the Commonwealth of Virginia.

Discretely Presented Component Units

▪ **City of Suffolk Public Schools**

The City of Suffolk Public Schools (School Board) is responsible for elementary and secondary education within the City. The Schools are fiscally dependent upon the City because the City Council approves the annual budget of the Schools, levies the necessary taxes to finance the Schools' operations and approves the borrowing of money.

The School Board has one discretely presented component unit, the Pruden Center for Industry and Technology (Center). The Center is a vocational and technical center used by both the Suffolk City Schools and the Isle of Wight County Schools to provide classes to high school students and adults in various occupational trades. The Center is dependent upon the Suffolk School Board for a majority of its funding. The Center is shown as a discretely presented component unit as it is legally separate from the School Board.

The School Board does not issue separate financial statements.

- **School Operating Fund** - Accounts for revenues and expenditures relating to the operation of the City of Suffolk Public Schools. Revenues are derived from the City's General Fund and from state and federal funds.
- **School Food Service Fund** - Accounts for revenues and expenditures relating to the operation of school cafeterias. Revenues are derived from state and federal funds and the sale of commodities.
- **School Grants Fund** - Accounts for revenues and expenditures relating to grants received by the school system from the federal and state governments.
- **Combined School Activity Funds** - Accounts for revenues and expenditures of the various activity funds of each of the twenty Suffolk public schools. Revenues are derived from school fundraisers, athletic and state event receipts and School Board allocations.
- **The Pruden Center for Industry and Technology Component Unit** - Accounts for revenues and expenditures relating to operation of The Pruden Center for Industry and Technology operated jointly by Suffolk Public Schools and Isle of Wight County Public Schools. Revenues are derived primarily from local appropriations.

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

Discretely Presented Component Units *(Continued)*

▪ ***Industrial Development Authority***

The Industrial Development Authority of the City of Suffolk (IDA) was established under the Industrial Development and Revenue Bond Act - *Code of Virginia*. A separate board appointed by the City Council governs the IDA. The IDA is authorized to acquire, own, lease and dispose of properties and to conduct related activities to promote industry and develop trade by inducing manufacturing, industrial, governmental and commercial enterprises to locate or to remain in the City. The City makes significant capital contributions to the IDA relating to the property the IDA develops and markets. Separate audited financial statements may be obtained from the IDA by contacting the Executive Director, City of Suffolk Industrial Development Authority, 127 E. Washington Street, Suite 200, Suffolk, Virginia 23434.

Basis of Accounting

The government-wide statements of net assets and statement of activities and all proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the balance sheet or on the statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Statement of Net Assets and Statement of Activities of the Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net assets.

The fund financial statements of the General, Capital Projects, Debt Service, and Special Revenue Funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenues and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligibility requirements imposed by the provider have been met. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred. Real property taxes are levied as of July 1 for each year. The taxes are due on December 5 and June 5.

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

Basis of Accounting (Continued)

Allowance for Uncollectible Accounts

The City calculates its allowances for uncollectibles on property taxes and utility service charges using historical collection data. The receivables shown on the Statement of Net Assets are presented net of the following allowances for doubtful accounts as of June 30, 2005:

<u>Fund</u>	
General Fund:	
Taxes receivable	\$ 501,192
Special Revenue Funds:	
Taxes receivable	10,208
Debt Service Fund:	
Taxes receivable	141,883
Utility Fund:	
Accounts receivable	<u>354,152</u>
Total	<u>\$1,007,435</u>

Receivables for the School Board and IDA do not include an allowance for doubtful accounts.

Cash and Cash Equivalents and Investments

Cash and cash equivalents and temporary investments are stated at cost which approximates fair value. Interest income on investments is allocated to the appropriate funds based upon the average monthly cash balance of each fund. Interest income is accrued as earned.

Inventories

Inventories of materials and supplies in the governmental and proprietary fund types are recorded at cost. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method) on a first-in, first-out basis.

The School Board's inventories consist of materials, supplies, and food. They are recorded at cost. The cost of inventory is recorded on a first-in, first-out basis.

The IDA holds land for sale. The land is recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased, and at estimated fair value at the date of contribution, if contributed. Costs of property improvements are capitalized.

Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, a portion of infrastructure has been capitalized retroactively to 1980, with the remaining portion to be capitalized by fiscal year 2006. Depreciation is recorded on capital assets on a government-wide basis.

Capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund's basis and the government-wide basis. Interest expense is capitalized on proprietary fund type assets acquired with tax-exempt debt. The amount of interest expense capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest income earned on invested proceeds over the same period.

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

Capital Assets *(Continued)*

The City's capitalization policy threshold is \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated assets are valued at their estimated fair market value on the date donated. Assets acquired under capital leases are capitalized at the net present value of all lease payments, and related amortization expense is included with depreciation expense.

The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Buildings	40
Improvements other than buildings	20 - 50
Machinery and equipment	3 - 50

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Restricted Cash

Restricted cash in the General Fund is comprised of developer, bond, various other deposits and unspent bond proceeds restricted for various capital projects in the Capital Projects Fund. Restricted cash in the Enterprise Funds is comprised of customer deposits, developer fees and unspent bond proceeds restricted for various capital projects. Restricted cash in the Agency Funds is comprised of social services' client funds and monies collected for the Commonwealth of Virginia.

Restricted cash in the School Board is in an interest bearing checking account with Branch Banking & Trust for the Pruden Center for Industry and Technology. The cash balance of \$132,658 at June 30, 2005 is restricted for future use to cover the payroll and payroll related expenses of teachers who are employed over the 10 month period ended June 30, 2005, but who have elected to be paid over a 12 month period. The Center is obligated to pay this amount in July and August 2005.

Compensated Absences

City employees are granted vacation and sick pay in varying amounts based on years of service. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination or death, may be compensated for certain amounts at specified rates. The cost of accumulated vacation and sick pay expected to be paid from future expendable resources is accounted for as a liability in the government-wide statements and proprietary fund statements.

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

Deferred Revenue

Deferred revenue in the governmental fund types consists of revenues that are measurable but not available for use during the current period. Property taxes receivable at June 30 but not collected within 45 days after that date are reported as deferred revenue in the financial statements. Bond maintenance fees received in advance and Façade Grant Program revenues are recorded as deferred revenue in the Industrial Development Authority's financial statements.

Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The governmental fund types classify fund balances as follows:

Reserved Fund Balances

Reserved for grant compliance represents state and federal grant funds received in advance of use.

Reserved for encumbrances represents the portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved for inventories represents the portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for workers compensation claims represents the portion of fund balance in which funds were received from the various School Board departments for workers compensation claims which have not yet been required for payment of claims.

Reserved for health insurance claims represents the portion of fund balance in which funds received from employees and School Board departments for health insurance claims which have not yet been required for payment of claims.

Reserved for cable TV represents the portion of fund balance available for appropriation for the municipal cable channel.

Unreserved Fund Balances

Designated for other specific projects represents the portion of fund balance identified for specific uses in the general fund and special revenue funds.

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

Net Assets/Fund Balances (Continued)

Unreserved Fund Balances (Continued)

Designated for capital project reserve represents the portion of fund balance which resulted from the change from an annual to semiannual real estate tax collection schedule in 1998 and is to be used for capital projects.

Undesignated represents the portion of total fund balance available for appropriation that is uncommitted at year-end.

Statement of Cash Flows

For purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with original maturities of three months or less are considered to be cash equivalents.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures/expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Credit Risk

The assessed value of real estate and personal property for the City's ten largest taxpayers comprises 5.94% and 0.20% of the City's real estate and personal property tax base, respectively. Concentration of credit risk with respect to receivables is limited due to the large number of citizens comprising the City's taxpayer base.

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool for all funds except the IDA. The cash and investments of these funds are held separately from other City funds and the Treasurer of the City of Suffolk is not accountable for these funds. Each fund's portion of the pool is reported in the balance sheet as cash and cash equivalents and/or restricted assets.

Deposits

All deposits, which have a carrying value of \$29,261,713, in the City's cash and investment pool are 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

Credit risk is the risk an investor is subject to as a result of the credit quality of investments in debt securities. State statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, mutual fund shares of Virginia State Non-Arbitrage Program (SNAP), "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

As of June 30, 2005, the City had \$11,982,535 invested in the State Non Arbitrage Program (SNAP). SNAP funds are rated AAA by Standard & Poor's.

2. DEPOSITS AND INVESTMENTS (Continued)

The City Treasurer's policy for deposits and investments applies to both the City and the School Board. The policy refers to relevant state statutes identifying allowable types of investments, which are deemed to be high quality. The state statutes specify the following minimum levels of credit ratings: A-1 or P-1 for commercial paper and certificates of deposit, AA or Aa for corporate notes, and AAA for asset-backed securities. The Treasurer's policy emphasizes the use of securities of high credit quality and marketability, and follows state statute, but does not specify minimum credit ratings.

Regarding interest rate risk, the policy states that the investment portfolio shall be designed to attain a market rate of return, taking into account investment risk constraints and liquidity needs. The portfolio shall be structured so that securities mature concurrent with estimated cash needs and remain sufficiently liquid to meet anticipated operating requirements. Investments of current operating funds shall have maturities of no longer than 24 months.

Component Units

School Board

All deposits, which have a carrying value of \$12,766,954, in the School Board's cash and investment pool are 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. The School Board had no investments at June 30, 2005. The City Treasurer's investment policies also apply to the School Board.

IDA

At June 30, 2005, the carrying amount of the IDA's deposits with banks and savings institutions were \$6,421,839 and the bank balances were \$6,435,789. The IDA's temporary investments in money markets were \$722,445 as of June 30, 2005 and are rated AAA by Standard & Poor's. The June 30, 2005 bank balance was fully covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Restricted cash at June 30, 2005 included \$4,716,098 of unexpended bond proceeds and interest on these balances from the Hilton Garden Inn and Suffolk Conference Center project.

3. RECEIVABLES

Receivables in the fund statements at June 30, 2005, are as follows:

Primary Government

	General	Debt Service	Nonmajor Governmental Funds	Business- type Activities	Total
Real estate taxes	\$ 1,387,739	\$ 636,248	\$ 45,777	\$ -	\$ 2,069,764
Personal property taxes	352,437	-	-	-	352,437
Accounts receivable	2,650,106	39,865	7,065	3,164,521	5,861,557
Accrued interest	76,495	-	-	-	76,495
	<u>4,466,777</u>	<u>676,113</u>	<u>52,842</u>	<u>3,164,521</u>	<u>8,360,253</u>
Less - allowance for uncollectible accounts	(501,192)	(141,883)	(10,208)	(354,152)	(1,007,435)
Receivables - net	<u>\$ 3,965,585</u>	<u>\$ 534,230</u>	<u>\$ 42,634</u>	<u>\$ 2,810,369</u>	<u>\$ 7,352,818</u>

Total receivables for the primary government of \$7,352,818 per above plus internal service receivables of \$112,224 and accrued interest for taxes receivable of \$37,788 amount to total receivables shown on Exhibit A.

4. DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following at June 30, 2005:

Primary Government

<u>Commonwealth of Virginia</u>	General	Capital Projects	Nonmajor Governmental Funds	Business- Type Activities	Internal Service	Total
Airport improvements/maintenance	\$ 11,896	\$ 35,954	\$ -	\$ -	\$ -	\$ 47,850
Shared expenses	190,305	-	-	-	-	190,305
Social services reimbursement	305,120	-	-	-	-	305,120
Street maintenance	-	125,000	193,639	-	-	318,639
Public assistance	470,771	-	322,388	139,337	133,177	1,065,673
Various grants	172,957	40,152	75,238	-	-	288,347
Total due from the Commonwealth of Virginia	1,151,049	201,106	591,265	139,337	133,177	2,215,934
<u>Federal Government</u>						
Airport improvements/maintenance	-	62,448	-	-	-	62,448
CMAQ road projects	-	141,466	-	-	-	141,466
HUD grants	-	201,432	171,789	-	-	373,221
Criminal justice grants	-	-	63,308	-	-	63,308
Social services reimbursement	441,422	-	-	-	-	441,422
Public assistance	1,695,711	-	-	501,479	475,635	2,672,825
Various grants	34,098	10,000	-	-	-	44,098
Total due from the Federal government	2,171,231	415,346	235,097	501,479	475,635	3,798,788
Total due from other governments	\$ 3,322,280	\$ 616,452	\$ 826,362	\$ 640,816	\$ 608,812	\$ 6,014,722

Component Units

<u>Commonwealth of Virginia</u>	<u>School Board</u>
State sales taxes	\$ 1,018,586
State technology reimbursement	81,703
Various grants	317,749
Total due from the Commonwealth of Virginia	1,418,038
<u>Federal Government</u>	
ECIA Program	
Title I	886,812
Title II	370,956
Title IV A	36,332
Title VI	51,335
Title VI B	1,065,056
School Lunch Program	106,499
Various grants	448,066
Total due from the federal government	2,965,056
Total due from other governments	\$ 4,383,094

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	Balance June 30, 2004 restated	Increases	Decreases	Balance June 30, 2005
<u>Government activities</u>				
Capital assets not being depreciated				
Land	\$ 9,927,368	\$ 4,707,836	\$ -	\$ 14,635,204
Construction in progress	44,940,120	29,512,856	(59,027,096)	15,425,880
Total capital assets not being depreciated	<u>54,867,488</u>	<u>34,220,692</u>	<u>(59,027,096)</u>	<u>30,061,084</u>
Other capital assets				
Buildings	37,308,151	269,541	(980,881)	36,596,811
Improvements other than buildings	22,244,631	6,684,756	(21,918)	28,907,469
Machinery and equipment	30,245,181	4,367,375	(38,908)	34,573,648
Total other capital assets	<u>89,797,963</u>	<u>11,321,672</u>	<u>(1,041,707)</u>	<u>100,077,928</u>
Less - accumulated depreciation				
Buildings	(9,624,884)	(899,282)	849,678	(9,674,488)
Improvements other than buildings	(5,881,966)	(1,042,562)	21,918	(6,902,610)
Machinery and equipment	(17,481,426)	(2,941,270)	38,908	(20,383,788)
Total accumulated depreciation	<u>(32,988,276)</u>	<u>(4,883,114)</u>	<u>910,504</u>	<u>(36,960,886)</u>
Other capital assets - net	<u>56,809,687</u>	<u>6,438,558</u>	<u>(131,203)</u>	<u>63,117,042</u>
	<u>111,677,175</u>	<u>40,659,250</u>	<u>(59,158,299)</u>	<u>93,178,126</u>
Allocation of School Board Assets - net				
	<u>61,131,985</u>	<u>21,517,655</u>	<u>(3,102,863)</u>	<u>79,546,777</u>
Total	<u>\$ 172,809,160</u>	<u>\$ 62,176,905</u>	<u>\$ (62,261,162)</u>	<u>\$ 172,724,903</u>

Adjustment to Beginning Capital Assets and Net Assets:

The beginning capital assets and net assets in the government-wide statements have been restated to adjust historical cost and accumulated depreciation for the prior period adjustment discussed in Note 16.

Adjustment to the beginning capital assets and net assets are as follows:

Balance June 20, 2004	\$ 176,083,861
Adjustments to historical cost and accumulated depreciation	(3,274,701)
Adjusted Balance June 30, 2004	<u>\$ 172,809,160</u>

5. **CAPITAL ASSETS** (Continued)

Primary Government (Continued)

Depreciation was charged to governmental functions as follows:

General Governmental Administration	\$ 702,185
Judicial Administration	20,838
Public Safety	1,017,861
Public Works	1,431,741
Public Health	24,776
Parks, Recreation, and Culture	243,432
Nondepartmental	1,442,281
Total	<u>\$ 4,883,114</u>

Capital outlays are reported as expenditures in the governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements for the primary government is as follows:

Capital outlay for construction in progress	<u>\$ 29,512,856</u>
Total adjustment	<u>\$ 29,512,856</u>

	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land	\$ 3,344,792	\$ 262,438	\$ -	\$ 3,607,230
Construction in progress	23,262,657	16,281,017	(9,675,246)	29,868,428
Total capital assets not being depreciated	<u>26,607,449</u>	<u>16,543,455</u>	<u>(9,675,246)</u>	<u>33,475,658</u>
Other capital assets				
Buildings	20,550,481	318,905	-	20,869,386
Improvements other than buildings	48,299,818	12,092,516	-	60,392,334
Machinery and equipment	42,395,954	168,418	-	42,564,372
Total other capital assets	<u>111,246,253</u>	<u>12,579,839</u>	<u>-</u>	<u>123,826,092</u>
Less - accumulated depreciation				
Buildings	(5,861,568)	(528,918)	-	(6,390,486)
Improvements other than buildings	(4,686,778)	(1,267,038)	-	(5,953,816)
Machinery and equipment	(15,193,841)	(1,075,527)	-	(16,269,368)
Total accumulated depreciation	<u>(25,742,187)</u>	<u>(2,871,483)</u>	<u>-</u>	<u>(28,613,670)</u>
Other capital assets - net	<u>85,504,066</u>	<u>9,708,356</u>	<u>-</u>	<u>95,212,422</u>
Total	<u>\$112,111,515</u>	<u>\$ 26,251,811</u>	<u>\$ (9,675,246)</u>	<u>\$ 128,688,080</u>

5. CAPITAL ASSETS (Continued)

Primary Government (Continued)

Depreciation was charged to business-type functions as follows:

Utility	\$ 2,729,232
Golf	142,252
Total	<u>\$ 2,871,484</u>

Component Units
School Board

	Balance June 30, 2004 restated	Increases	Decreases	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 5,407,064	\$ 324,420	\$ -	\$ 5,731,484
Other capital assets				
Buildings	115,909,396	31,310,282	192,200	147,027,478
Improvements	7,630,666	4,325,987	11,600	11,945,053
Machinery and equipment	18,884,669	5,001,194	30,100	23,855,763
Total other capital assets	<u>142,424,731</u>	<u>40,637,463</u>	<u>233,900</u>	<u>182,828,294</u>
Less - accumulated depreciation				
Buildings	(38,373,303)	(3,932,994)	(188,934)	(42,117,363)
Improvements	(4,717,544)	(495,666)	(11,600)	(5,201,610)
Machinery and equipment	(10,938,395)	(1,932,020)	(30,100)	(12,840,315)
Total accumulated depreciation	<u>(54,029,242)</u>	<u>(6,360,680)</u>	<u>(230,634)</u>	<u>(60,159,288)</u>
Other capital assets - net	<u>88,395,489</u>	<u>34,276,783</u>	<u>3,266</u>	<u>122,669,006</u>
	<u>93,802,553</u>	<u>34,601,203</u>	<u>3,266</u>	<u>128,400,490</u>
Allocation to City, assets - net	<u>(61,131,985)</u>	<u>(21,517,655)</u>	<u>3,102,863</u>	<u>(79,546,777)</u>
Total	<u>\$ 32,670,568</u>	<u>\$ 13,083,548</u>	<u>\$ (3,099,597)</u>	<u>\$ 48,853,713</u>

The beginning capital assets and net assets in the government-wide statements have been restated to adjust historical cost and for the prior period adjustment discussed in Note 16.

5. CAPITAL ASSETS (Continued)

COMPONENT UNITS (Continued)

IDA

	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets not being depreciated				
Land	\$ 784,162	\$ -	\$ -	\$ 784,162
Construction in progress	9,366,079	-	(9,366,079)	-
Total capital assets not being depreciated	10,150,241	-	(9,366,079)	784,162
Other capital assets				
Land Improvement	-	1,119,377	-	1,119,377
Conference Center	-	11,122,075	-	11,122,075
Hotel	-	2,842,311	-	2,842,311
Total other capital assets	-	15,083,763	-	15,083,763
Less - accumulated depreciation				
Land Improvements	-	(27,984)	-	(27,984)
Buildings	-	(174,555)	-	(174,555)
Total accumulated depreciation	-	(202,539)	-	(202,539)
Other capital assets - net	-	14,881,224	-	14,881,224
Capital assets - net	\$ 10,150,241	\$ 14,881,224	\$ (9,366,079)	\$ 15,665,386

6. RETIREMENT PLAN

Plan Description

The City contributes to the Virginia Retirement System (VRS), an agent multiple-employer public retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. In addition, professional and nonprofessional employees of the School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost-sharing pool and nonprofessional employees participate as a separate group in the agent multiple-employer retirement system.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service. Employees are eligible for an unreduced benefit at 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 years service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement should 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 VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing to VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

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. This 5% member contribution has been assumed by both the City and School Board. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City and School Board's (non-professional employees) contribution rate for the year ended June 30, 2005, was 8.5% and 6.5%, respectively, of annual covered payroll. The School Board's required employer contributions to the teacher cost-sharing pool for all professional employees for the fiscal years ended 2005, 2004 and 2003 were \$3,386,801, \$1,992,458, and \$2,798,174, respectively. The School Board contributed 100% of required contributions to the pool for fiscal year ended 2005 and each of the two preceding years.

6. **RETIREMENT PLAN** (Continued)

Annual Pension Costs

For the year ended June 30, 2005, the City's annual pension cost of \$3,210,017 was equal to the required and actual contributions. The School Board's annual pension costs and actual and required contributions were \$387,019. The required contributions of \$3,210,017 and \$387,019, respectively, were determined as part of the June 30, 2003, actuarial valuations using the entry age normal actuarial cost method. The actuarial assumptions included (1) an investment rate of return of 8%, (2) projected salary increases ranging from 4.25% to 6.10%, (3) 3% per year cost-of-living adjustments. Both (1) and (2) included an inflation component of 3%. The actuarial value of the City and School Board'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. The amortization method is level percent, open, for both the City and the School Board, with 12 years remaining for the City and 16 years remaining for the School Board.

The Schedules of Funding Progress and Employer Contributions are presented as required supplementary information. The information presented in the schedules of employer contributions and funding progress was determined as part of the actuarial valuation on June 30, 2004. Actuarial assumptions used include an investment rate of return of 8%.

7. **LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES**

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
General obligation debt	\$ 132,322,065	\$ 18,160,000	\$ (9,449,598)	\$ 141,032,467	\$ 10,751,845
Loans payable	8,250,000	3,000,000	(500,000)	10,750,000	2,000,000
Capital lease obligations	2,686,055	1,213,155	(731,048)	3,168,162	726,408
	<u>143,258,120</u>	<u>22,373,155</u>	<u>(10,680,646)</u>	<u>154,950,629</u>	<u>13,478,253</u>
Plus bond premium, unamortized	1,922,557	168,989	(146,029)	1,945,517	-
	<u>145,180,677</u>	<u>22,542,144</u>	<u>(10,826,675)</u>	<u>156,896,146</u>	<u>13,478,253</u>
Compensated absences	3,199,872	27,151	(193,449)	3,033,574	284,642
	<u>\$ 148,380,549</u>	<u>\$ 22,569,295</u>	<u>\$ (11,020,124)</u>	<u>\$ 159,929,720</u>	<u>\$ 13,762,895</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$72,120 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Interest costs for the year totaled \$7,004,107 and was all expensed to the governmental activities.

7. **LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES** (Continued)

General obligation debt payable at June 30, 2005, consists of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate %</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2005</u>
Bonds payable:					
Virginia Public School Authority	08/30/90	07/15/10	6.40 - 7.10	\$ 365,000	\$ 1,340,000
Virginia Public School Authority	07/31/91	07/15/12	4.85 - 6.60	\$ 451,546	186,650
General Obligation Bonds - Public Improvement	03/01/94	02/01/14	4.50 - 7.15	\$ 5,410,000	3,289,000
General Obligation Bonds - Public Improvement Series 1996	06/01/96	06/01/17	5.40 - 5.90	\$ 12,420,000	2,405,500
General Obligation Bonds - Public Improvement Series 1997	10/01/97	12/01/17	4.50 - 5.25	\$ 29,910,000	22,430,000
General Obligation Bonds - Public Improvement Series 1999	04/29/99	04/01/19	4.4 - 4.90	\$ 10,485,000	7,560,000
General Obligation Bonds - Public Improvement Series 2000	04/26/00	04/01/20	5.00 - 5.5	\$ 18,285,000	14,135,000
General Obligation Bonds - Public Improvement Series 2001	06/07/01	06/30/21	4.00 - 5.00	\$ 21,135,000	17,435,000
General Obligation Bonds - Refunding	06/07/01	06/30/15	4.00 - 5.00	\$ 5,430,883	5,198,417
General Obligation Bonds - Public Improvement Series 2002	07/18/02	06/30/23	3.00 - 5.00	\$ 18,195,000	16,890,000
General Obligation Bonds - Public Improvement Series 2003	07/01/03	08/01/23	2.50 - 6.00	\$ 17,515,000	17,155,000
General Obligation Bonds - Refunding	07/16/03	08/01/16	2.50 - 6.00	\$ 18,129,532	14,847,900
General Obligation Bonds - Public Improvement Series 2004	07/28/04	06/30/25	2.50 - 6.00	\$ 18,160,000	18,160,000
Total general obligation debt payable					141,032,467
Loans payable:					
Literary Fund loan	12/01/99	12/01/19	3.00	\$ 5,000,000	4,000,000
Literary Fund loan	04/01/01	04/01/21	3.00	\$ 5,000,000	3,750,000
Obici Property loan	06/30/05	12/30/06	4.00	\$ 3,000,000	3,000,000
Total loans payable					10,750,000
Total general obligation debt					\$ 151,782,467

7. LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES (Continued)

Debt service on the preceding general obligation debt payable for future fiscal years is as follows:

Fiscal Year Ending June 30,	Principal	Interest
2006	\$ 12,751,846	\$ 6,651,765
2007	13,316,216	6,039,595
2008	10,688,402	5,520,878
2009	10,740,861	5,087,871
2010	9,304,618	4,648,015
2011-2015	46,550,600	16,828,639
2016-2020	36,014,924	6,842,489
2021-2025	12,415,000	1,097,021
	<u>\$ 151,782,467</u>	<u>\$ 52,716,273</u>

The Internal Service Funds capital lease obligations are collateralized by equipment with a book value of \$3,305,167, which is net of accumulated depreciation of \$2,255,578 at June 30, 2005. Following is a schedule of capital lease obligations:

	Issue Date	Final Maturity	Interest Rate %	Authorized and Issued	Outstanding June 30, 2005
Ladder trucks	10/01/99	10/01/06	5.10	\$ 483,505	\$ 118,412
Communications system	10/01/03	10/01/08	5.14	2,415,743	1,810,023
Golf Course Equipment	06/01/04	08/01/07	4.998	95,033	70,045
Golf Course Equipment	04/13/04	06/15/06	3.75	196,914	132,086
Refuse Trucks	02/03/03	01/03/08	3.549	153,484	82,448
Refuse Trucks	10/01/04	10/01/08	3.17	1,213,155	955,148
Total capital lease obligations					<u>\$ 3,168,162</u>

Future minimum lease payments under capitalized leases together with the present value (outstanding principal) of the net minimum lease payments as of June 30, 2005, follows:

Fiscal Year Ending June 30,	Internal Service Funds
2006	\$ 863,950
2007	994,233
2008	841,549
2009	816,342
	<u>3,516,074</u>
Less - amount representing interest	<u>(347,912)</u>
Present value of net minimum lease payments	<u>\$ 3,168,162</u>

7. LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (Continued)

General Obligation Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property on the amount of general obligation borrowing which may be outstanding by the City. The City of Suffolk has independently set a lower debt limit of 7% of the assessed valuation. As of June 30, 2005, the City's aggregate general obligation indebtedness is approximately \$167 million less than the City's limit and \$309 million less than the Commonwealth's limit as summarized in the following table:

The City was in compliance with all significant financial covenants contained in the various bond indentures at June 30, 2005. The City did not have overlapping debt at June 30, 2005.

	<u>City's Legal Debt Margin</u>	<u>Commonwealth's Legal Debt Margin</u>
Assessed value (as of July 1, 2004) - taxable real property, including public service corporations	\$ 4,716,665,061	\$ 4,716,665,061
Legal debt limits:		
7% of assessed value (authorized limit imposed by City Charter)	\$ 330,166,554	
10% of assessed value (authorized by the Commonwealth for all cities)		\$ 471,666,506
Deduct amount of debt applicable to debt limit:		
Gross general debt (includes bonds and note payable)	<u>163,136,650</u>	<u>163,136,650</u>
City's legal debt margin	<u>\$ 167,029,904</u>	
Commonwealth's legal debt margin		<u>\$ 308,529,856</u>

School Board Long-Term Liabilities

Following is a summary of changes in noncurrent liabilities of the School Board and its component unit for the year ended June 30, 2005:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Current Portion</u>
Compensated absences:					
School Board	\$ 1,470,945	\$ 988,198	\$ 891,488	\$ 1,567,655	\$ 67,259
Pruden Center for Industry and Technology	<u>55,238</u>	<u>5,924</u>	<u>-</u>	<u>61,162</u>	<u>-</u>
	<u>\$ 1,526,183</u>	<u>\$ 994,122</u>	<u>\$ 891,488</u>	<u>\$ 1,628,817</u>	<u>\$ 67,259</u>

Bonds Authorized and Unissued

In addition to the debt outstanding at June 30, 2005, City Council had authorized issuance of \$19 million in general obligation public improvement bonds and \$41 million in general obligation refunding bonds in September 2005. On November 17, 2005, the City issued \$10,005,000 of general obligation refunding bonds and \$11,710,000 of general obligation public improvement bonds. The refunding bonds carry interest rates from 4.00 to 5.00 percent mature at annually at various amounts from 2006 to 2019. The public improvement bonds carry interest rates from 4.00 to 5.00 percent and mature annually at various amounts from 2006 to 2025.

7. LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (Continued)

Bonds Authorized and Unissued (Continued)

Primary Government

Bonded debt authorized by City Council in previous years but unissued as of June 30, 2005, totals \$44,555,739 general obligation and \$18,315,000 VRA.

Arbitrage Rebate

Management has calculated its estimated arbitrage rebate liability relating to the City's 1989, 1993, 1994, 1996, 1997, 1999, 2000, 2001 and 2002 Public Improvement and General Obligation Bonds, 1996 and 1997 Bond Anticipation Notes, and Water and Sewer Revenue Bonds for the years 1996, 2000 and 2001, in accordance with Internal Revenue Service regulations. Internal Revenue Service regulations require the City to remit the rebate to the United States Treasury once every five years. At June 30, 2005, the City recorded the estimated rebate liability of \$205,635 in the Debt Service Fund.

Defeasance of Debt

On November 17, 2004, the City issued \$11,695,000 in VRA bonds, which were entirely Refunding Bonds. These Refunding Bonds, with an average interest rate of 3.76%, were issued to advance refund \$11,380,000 of outstanding 1996 Water and Sewer Revenue Bonds with an average interest rate of 5.63%. Of the net proceeds, \$11,677,563 (\$11,695,000 plus premium of \$143,920 minus payment of issuance and other related costs of \$161,357) was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1996 Series bonds. As a result, \$11,380,000 of the 1996 bonds is considered to be defeased and the liability for that portion of the outstanding balance of the bonds has been removed from the Utility Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$297,563. This Utility Fund's difference net of the current year's amortization of \$8,086, reported in the accompanying financial statements as a deduction from water and sewer revenue bonds, is being charged to operations through the year 2027 using the straight-line method, which approximates the effective interest method. The City completed the advance refunding to reduce its total debt service payments over the next 22 years by \$2,486,384 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,445,332.

As of June 30, 2005, the amount of debt defeased during the fiscal year which was outstanding but removed from non-current liabilities of the City amounted to \$12,870,555.

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's non-current liabilities. As of June 30, 2005, the amount of defeased debt outstanding but removed from the non-current liabilities of the City amounted to \$6,703,020.

8. LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES

Following is a summary of debt transactions of the enterprise funds, which includes the Utility Fund and Nonmajor Enterprise Fund for the fiscal year ended June 30, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Amount Due Within One Year
Bonds payable	\$ 67,003,139	\$ 12,285,000	\$ (13,333,956)	\$ 65,954,183	\$ 2,197,385
Note payable	3,334,000	-	(3,334,000)	-	-
	70,337,139	12,285,000	(16,667,956)	65,954,183	2,197,385
Less - net bond discount, premium, refunding loss unamortized	(672,461)	(441,483)	341,732	(772,212)	-
	69,664,678	11,843,517	(16,326,224)	65,181,971	2,197,385
Compensated absences	224,058	65,603	(37,412)	252,249	18,045
	<u>\$ 69,888,736</u>	<u>\$ 11,909,120</u>	<u>\$ (16,363,636)</u>	<u>\$ 65,434,220</u>	<u>\$ 2,215,430</u>

Long-term liabilities of the Enterprise Funds at June 30, 2005, is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate %	Authorized and Issued	Outstanding June 30, 2005
Bonds payable:					
General Obligation Bonds - Public Improvement	03/01/94	02/01/14	4.50 - 7.15	\$ 250,000	\$ 181,000
General Obligation Bonds - Public Improvement Series 1996	06/01/96	06/01/17	5.40 - 5.90	\$ 275,000	84,500
Water and Sewer Revenue Bonds	01/08/97	04/01/27	.	\$ 13,830,000	605,000
Water and Sewer Revenue Bonds	03/29/00	04/01/30	4.20 - 5.90	\$ 14,435,000	13,415,000
General Obligation Bonds - Refunding	06/07/01	06/30/15	4.00 - 5.00	\$ 1,344,117	1,286,583
Water and Sewer Bonds	12/14/01	04/01/31	3.85 - 5.10	\$ 18,340,000	17,345,000
General Obligation Bonds - Public Improvement Series 2002	07/18/02	06/30/33	3.00 - 5.00	\$ 3,765,000	3,695,000
General Obligation Bonds - Refunding	07/16/03	08/01/16	2.50 - 6.00	\$ 3,250,469	2,662,100
Water and Sewer Revenue Bonds	12/04/03	10/01/33	2.10 - 5.10	\$ 11,725,000	11,540,000
General Obligation Bonds - Refunding	08/07/03	10/01/16	2.00 - 5.00	\$ 3,295,000	2,855,000
Water and Sewer Bonds	11/17/04	10/01/26	2.00 - 6.00	\$ 11,695,000	11,695,000
Municipal Golf	07/02/04	06/30/03	2.00 - 6.00	\$ 590,000	590,000
Total bonds payable					<u>\$ 65,954,183</u>

8. LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES (Continued)

Debt service on the enterprise funds, bonds and note payable is as follows:

Fiscal Year Ending June 30,	Utility Fund		Non-major Enterprise Fund	
	Principal	Interest	Principal	Interest
2006	\$ 2,112,385	\$ 2,945,903	\$ 85,000	\$ 193,420
2007	2,213,738	2,864,342	90,000	190,795
2008	1,977,324	2,772,957	90,000	188,058
2009	2,060,690	2,708,158	95,000	185,045
2010	1,862,815	2,624,961	95,000	181,776
2011-2015	10,587,155	11,801,781	555,000	848,756
2016-2020	10,720,076	9,220,725	680,000	719,711
2021-2025	12,740,000	6,427,221	845,000	542,634
2026-2030	13,570,000	2,969,937	1,085,000	305,981
2031-2035	3,825,000	335,784	665,000	51,125
	<u>\$ 61,669,183</u>	<u>\$ 44,671,769</u>	<u>\$ 4,285,000</u>	<u>\$ 3,407,301</u>

The last payment of the Utility Fund debt is due in fiscal year 2034.

Interest costs for the year totaled \$4,700,136. Interest expense charged to the business-type activities was \$2,641,832. Interest capitalized in the current year amounted to \$2,058,304.

Bonds Authorized and Unissued

In addition to the debt outstanding at June 30, 2005, on November 17, 2005, the City issued \$14,050,000 of VRA Water and Sewer System Revenue Bonds for utility improvements. The bonds carry interest rates from 4.77 to 5.10 percent and mature annually at various amounts from 2006 to 2035.

9. DEFERRED/UNEARNED REVENUE

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid licenses and fees not yet earned (General)	\$ 529,805	\$ 529,805
Prepaid street light revenues (General)	2,137,263	2,137,263
Unearned grant receipts (Special Revenue)	20,178	20,178
Unearned donation receipts (Capital Projects)	50,000	50,000
Taxes receivable, net (General)	678,109	-
Taxes receivable, net (Special Revenue)	12,749	-
Taxes receivable, net (Debt Service)	256,481	-
Accounts and notes receivable (General)	239,255	239,255
Total	<u>\$ 3,923,840</u>	<u>\$ 2,976,501</u>

10. CERTAIN INTERFUND TRANSACTIONS AND FUND RESULTS

Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2005, are as follows:

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 27,193,746	\$ 5,000,000
Debt Service Fund	-	1,644,138
Capital Projects Fund	-	11,900,667
Nonmajor Governmental Funds	-	362,726
Utility Fund	5,000,000	5,014,794
Nonmajor Enterprise Fund	-	835,480
Internal Service Funds	-	7,435,941
Totals	<u>\$ 32,193,746</u>	<u>\$ 32,193,746</u>

Purpose:

Due to General Fund:

- \$ 1,644,138 Debt Service Fund: to eliminate negative cash balances at June 30, 2005.
- \$ 11,900,667 Capital Projects Funds: Advances for current year projects, pending bond issuance.
- \$ 362,726 Nonmajor Governmental Funds: to eliminate negative cash balances at June 30, 2005.
- \$ 5,014,794 Utility Fund: to eliminate negative cash balances at June 30, 2005.
- \$ 835,480 Nonmajor Enterprise Fund: to eliminate negative cash balances at June 30, 2005.
- \$ 7,435,941 Internal Service Funds: To eliminate negative cash balances at June 30, 2005.

Due to Utility Fund:

- \$ 5,000,000 General Fund: to eliminate negative cash balances at June 30, 2005.

Receivable and payable balances between the primary government and component units at June 30, 2005, are as follows:

Transactions between primary government and component units

	<u>Due To</u>	<u>Due From</u>
Primary government	\$ 239,255	\$ 4,498
Component units:	-	-
School Board	963	-
Industrial Development Authority	3,535	239,255
Totals	<u>\$ 243,753</u>	<u>\$ 243,753</u>

The City transferred \$34 million to Suffolk School Board as part of its annual operating budget appropriation for support of schools.

10. CERTAIN INTERFUND TRANSACTIONS AND FUND RESULTS (Continued)

Interfund Receivables and Payables (Continued)

Interfund Transfers

Interfund transfers for the year ended June 30, 2005 are as follows:

	Transfers from:						Total
	General Fund	Debt Service Service	Capital Projects	Utility	Nonmajor Governmental	Internal Service	
Transfers to:							
General Fund	\$ -	\$ 23,000	\$ 301,712	\$ 580,000	\$ 40,307	\$ 218,900	\$ 1,163,919
Debt Service Fund	-	-	130,301	-	341,805	-	472,106
Capital Projects Fund	5,458,987	-	-	-	-	-	5,458,987
Nonmajor Governmental Funds	645,442	-	-	-	-	-	645,442
Nonmajor Enterprise Fund	12,100	-	-	-	-	-	12,100
Internal Service Funds	300,000	-	-	-	-	-	300,000
	\$ 6,416,529	\$ 23,000	\$ 432,013	\$ 580,000	\$ 382,112	\$ 218,900	\$ 8,052,554

Purpose:

Transfers from General Fund:

- \$ 5,458,987 Capital Projects Fund: Represents funding to support cash funded projects.
- \$ 645,442 Nonmajor Governmental Funds: Funding for operational support of existing programs.
- \$ 12,100 Nonmajor Enterprise Fund: Funding for operational support of existing programs.
- \$ 300,000 Internal Service Funds: Funding for operational support of existing programs.

Transfers from Nonmajor Governmental Funds

- \$ 341,805 Debt Service Fund: Current year debt service payments funded by Route 17 Taxing District.
- \$ 40,307 General Fund: Funding for operational support.

Transfers from Debt Service Fund

- \$ 23,000 General Fund: Funding for operational support.

Transfers from Capital Projects Funds

- \$ 130,301 Debt Service Fund: Current year debt service costs funded by various capital projects.
- \$ 301,712 General Fund: Repayment of advances for capital projects.

Transfers from Utility Fund

- \$ 580,000 General Fund: Funding for operational support.

Transfers from Internal Service Funds

- \$ 218,900 General Fund: Reimbursement for operational funding.

10. CERTAIN INTERFUND TRANSACTIONS AND FUND RESULTS *(Continued)*

Accumulated Deficit and Negative Net Assets

At June 30, 2005, an accumulated deficit or negative net assets position existed in the following funds:

Golf Course	\$ 931,274
Debt Service	1,572,163
Information Technology	163,081
Risk Management	3,658,760

11. JOINT VENTURE AND RELATED ORGANIZATIONS

Western Tidewater Water Authority

The Western Tidewater Water Authority (Water Authority) was created March 18, 1998, by the City Council of the City of Suffolk, Virginia and the Board of Supervisors of the County of Isle of Wight, Virginia pursuant to the Virginia Water and Sewer Authorities Act, Chapter 51, Title 15.2, Code of Virginia.

The Water Authority was formed for the purpose of acquiring, financing, constructing, leasing, operating and maintaining facilities for the production, impoundment, treatment and transmission of potable and non-potable water. Those facilities may include, but not be limited to, sources of water supply, water intakes, reservoirs, filtration and purification plants, pumping stations, transmission lines, storage facilities and all other facilities deemed appropriate for fulfilling the purpose of the Water Authority together with all appurtenant equipment and appliances necessary or suitable therefore, and all properties, rights, easements or franchises relating thereto and deemed necessary, convenient or appropriate by the Water Authority for its operation. The City is not obligated to pay the principal or premium, if any, or interest on notes or any other liabilities of the Authority and has no financial interest in the Authority beyond the note payable from the Authority to the City.

Separate financial statements are available from the Western Tidewater Water Authority and can be obtained by contacting the Treasurer at P.O. Box 1858, Suffolk, Virginia 23434.

Western Tidewater Regional Jail Authority

The Western Tidewater Regional Jail Authority (Jail Authority) was created as a political subdivision of the Commonwealth of Virginia jointly through an agreement dated November 1, 1989, among the Cities of Suffolk (59.3%) and Franklin (6.8%), and the County of Isle of Wight (33.9%) (the member jurisdictions) under the Jail Authorities Act, Code of the Commonwealth of Virginia. The Jail Authority has the responsibility to finance the acquisition, construction, equipping and maintenance of a regional jail facility to operate for the benefit of the member jurisdictions.

Notes issued by the Jail Authority are limited obligations payable solely from revenues received from the member jurisdictions. The City is not obligated to pay the principal or premium, if any, or interest on the notes or other incidental costs except from revenues it provides to the Jail Authority and has no financial interest in the Authority beyond its initial contribution to the Authority.

Separate financial statements are available from the Western Tidewater Regional Jail Authority and can be obtained by contacting the Superintendent at 2402 Godwin Blvd., Suffolk, Virginia 23434.

11. JOINT VENTURE AND RELATED ORGANIZATIONS (Continued)

Suffolk Redevelopment and Housing Authority

City Council is responsible for appointing members of the Board of the Suffolk Redevelopment and Housing Authority, but the City's accountability does not extend beyond making such appointments. Suffolk Redevelopment and Housing Authority does not have a significant operational or financial relationship with the City.

The Suffolk Redevelopment and Housing Authority administers public housing and redevelopment activities in the City. It applies, receives and invests its own funds and formulates and approves its own budget.

Separate financial statements are available from the Suffolk Redevelopment and Housing Authority and can be obtained by contacting the Executive Director at 804W Constance Rd., Suffolk, Virginia 23434.

12. CONTINGENT LIABILITIES AND COMMITMENTS

Litigation

Various claims and lawsuits are pending against the City and School Board. In the opinion of the City and School Board attorneys, resolution of these cases will not involve a significant liability to the City or the School Board.

Federally Assisted Grant Programs

The City participates in a number of federally assisted grant programs. Although the City has been audited in accordance with the provisions of OMB Circular A-133, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, City management believes such disallowances, if any, will not be significant.

Self-Insurance

The City is self-insured for a portion of its health insurance risks up to \$100,000 per occurrence. An external insurance policy provides coverage over the specified amount up to \$1,000,000 per individual for life.

12. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Self-Insurance (Continued)

Claims payable reported in the Risk Management Fund at June 30, 2005 consists of all current self-insured claims payable amounting to \$451,791. Claims payable for health insurance are based on current enrollment and benefits and historical experience. Following is a summary of changes in claims payable for the fiscal year ended June 30, 2005 and 2004:

	Claims Payable July 1, 2004	Current Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30, 2005
Health insurance	\$ 405,833	\$ 7,772,533	\$ (7,726,575)	\$ 451,791

	Claims Payable July 1, 2003	Current Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30, 2004
Health insurance	\$ 364,459	\$ 5,092,847	\$ (5,051,473)	\$ 405,833

Third-party administrators acting on behalf of the City pay all self-insured claims. Cash includes \$140,000 held by a third-party from which the health insurance administrator draws for payments made in excess of claims and charges.

There have been no claims settled that exceeded insurance coverage in any of the past three years.

Workers' Compensation Self-Insurance Coverage - School Board

The School Board maintains a self-insurance plan for workers' compensation benefits. Charges are made to the School Operating, Grants and Food Service Funds as approved by City Council in the annual operating budgets. Any excess charges are reflected as a reserved fund balance for workers' compensation claims in the School Operating Fund.

12. CONTINGENT LIABILITIES (Continued)

Workers' Compensation Self-Insurance Coverage - School Board (Continued)

Claims are paid by a third-party administrator acting on behalf of the School Board under terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The plan pays all claims up to \$250,000 for each covered accident. Any claims exceeding \$250,000 for each covered accident are paid by specific stop-loss insurance provided by a third-party insurance company. As of June 30, 2005, the workers' compensation benefit obligation consisted of \$207,352 in reported unpaid claims and estimated incurred but not reported claims. Changes in the balance of claims liabilities during the years ended June 30, 2005 and 2004, are as follows:

	Claims Payable July 1, 2004	Current Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30, 2005
Worker's compensation	\$ 241,645	\$ 212,043	\$ (246,336)	\$ 207,352

	Claims Payable July 1, 2003	Current Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30, 2004
Worker's compensation	\$ 119,501	\$ 539,932	\$ (417,788)	\$ 241,645

At June 30, 2005, School Operating Fund cash of \$547,643 was held for purposes of funding the School's future claims liabilities. As a result, \$547,643 of the School Operating Fund balance is reserved for payment of future claims liabilities.

Health Insurance Self-Insurance Coverage - School Board

Claims are paid by a third-party administrator acting on behalf of the School Board under terms of a contractual agreement. The plan pays all claims up to \$70,000 for each participant. Any claims exceeding \$70,000 for each participant are paid by specific stop-loss insurance provided by a third-party insurance company.

As of June 30, 2005, School Operating Fund cash of \$380,122 was held for purposes of funding the School's future claims liabilities. As a result, \$380,122 of the School Operating Fund balance is reserved for payment of future claims liabilities.

Stormont Hospitality Group, L.L.C. – Industrial Development Authority

Pursuant to the Master Development Agreement between the Authority and Stormont Hospitality Group, L.L.C., formally Stormont Trice Development Company, the Authority has agreed to pay \$13,000,000 toward construction of the Hilton Garden Inn and Suffolk Conference Center. During the year ended June 30, 2004, the Authority issued \$18,360,000 in Economic Development Revenue Bonds in support of this project including funding for debt service reserve requirements, capitalized interest and issuance costs. The bond matures in October 2035 and is due in annual principal payments beginning in October 2006. Interest on this bond is 2.5% through 2007 and will gradually increase to 5.125% by the maturity date. Interest is due semiannually, and began in April 2004.

12. CONTINGENT LIABILITIES (Continued)

Surety Bonds

Surety bonds of the City of Suffolk are as follows:

Ronald H. Williams, Treasurer	Constitutional Officer's Self-Insurance Plan	\$ 1,000,000
	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	\$ 500,000
Thomas A. Hazelwood, Commissioner of Revenue	Constitutional Officer's Self-Insurance Plan	\$ 1,000,000
	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	\$ 3,000
Raleigh H. Isaacs, Sheriff	Constitutional Officer's Self-Insurance Plan	\$ 1,000,000
	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	\$ 30,000
W. Randolph Carter, Jr., Clerk of Circuit Court	Constitutional Officer's Self-Insurance Plan	\$ 1,000,000
	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	\$ 485,000
C. Phillips Ferguson, Commonwealth Attorney	Constitutional Officer's Self-Insurance Plan	\$ 1,000,000

Other

The General Fund has a contingent liability for repayment of the general obligation bonds outstanding in the Enterprise Fund, from which repayment is anticipated, should the Enterprise Fund be unable to do so.

Construction Commitments

The City has authorized expenditures for capital additions and construction of various governmental and utility capital projects. At June 30, 2005, projects expected to be completed at various dates through 2005 had a total unexpended balance of \$21,641,660 (governmental) and \$17,618,340 (utility).

13. LANDFILL POST CLOSURE CARE COSTS

State and federal laws and regulations require that the City of Suffolk perform certain maintenance and monitoring functions subsequent to closure of the City's landfill site. The City ceased accepting solid waste at the landfill in 1984 and completed initial closure measures in 1995. The City's ten-year post closure period began in 1995 and has been extended. The estimated post closure cost is \$548,369. This cost estimate includes site maintenance, water quality testing, and applicable methane gas monitoring measures, leachate collection and disposal. The total current cost of landfill closure and post closure care is an estimate and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations. The City has expended \$288,112 through fiscal year 2005. It is estimated that the remaining \$260,257 will be recognized as post closure care expenses between June 30, 2005, and the date post closure care requirements expire.

14. PERSONAL PROPERTY TAX RELIEF ACT OF 1998

Previous legislation by the State enacted the Personal Property Tax Relief Act of 1998. The effect of the legislation resulted in a steady decline in personal property tax revenue, with a corresponding increase in intergovernmental revenue from the Commonwealth of Virginia. The Commonwealth of Virginia directly reimbursed taxpayers for tangible personal property tax levies paid on qualifying vehicles for calendar year 1998. The Commonwealth will pay to the City of Suffolk a percentage of the reimbursable amount for calendar year 2005. In fiscal year 2005, the effect of the legislation shifted \$9,300,380 from general property taxes to state revenue.

The amount of the payments to the Treasurer for tax years between 1998 and 2005 were 100% for qualifying vehicles with a value of \$1,000 or less and for each qualifying vehicle with a value of more than \$1,000, on the first \$20,000 the reimbursement was as follows:

<u>Tax Year Beginning Calendar Year</u>	<u>Percentage Level</u>
1998	12.5%
1999	27.5%
2000	47.5%
2001-2005	70.0%

Recent legislation by the state had amended the Personal Property Tax Relief Act to set a specific amount of state reimbursement to each locality based on previous state revenue received. For calendar year 2006 and going forward, the City of Suffolk will receive approximately \$9.3 million in state funds to support personal property tax relief for the City.

15. SUBSEQUENT EVENTS

On July 15, 2005, the City purchased a 1/5 undivided interest in the Planter's Club for \$240,000 and issued a promissory note to pay an additional \$240,000 per year for the next 4 years, acquiring a 1/5 interest with each payment.

As described in Notes 7 and 8, the City Council authorized additional new debt and refunding debt in September 2005 and the refunding debt was issued in November 2005.

16. PRIOR PERIOD ADJUSTMENT

Primary Government

The beginning Internal Service Funds net assets in the Statement of Net Assets-Proprietary Funds have been restated to adjust capital assets for the effect of an agreement with the School Board. Due to late implementation of the terms of the agreement, school buses leased by the City to the School Board were not transferred to the School Board as scheduled. All buses should have been transferred prior to July 1, 2004.

Adjustments to beginning net assets are as follows:

Net Assets, June 30, 2004, as previously reported	\$ 7,277,641
Adjustment to capital assets (net)	\$ (3,274,701)
Net Assets, June 30, 2004, as restated	<u>\$ 4,002,940</u>

16. PRIOR PERIOD ADJUSTMENT (Continued)

Component Units

School Board

The beginning School Board net assets in the Statement of Net Assets-Component Units have been restated to adjust capital assets for the effect of an agreement with the City. Due to late implementation of the terms of the agreement, school buses leased by the City to the School Board were not transferred to the School Board as scheduled. All buses should have been transferred prior to July 1, 2004.

Adjustments to beginning net assets are as follows:

Net Assets, June 30, 2004, as previously reported	\$ 36,457,754
Adjustment to capital assets	\$ 3,274,701
Net Assets, June 30, 2004, as restated	<u>\$ 39,732,455</u>

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CITY OF SUFFOLK, VIRGINIA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Original Budget	Budget as Amended	Actual (Budgetary Basis)	Variance Actual to Amended Budget Positive Negative
Revenues and Other Financing Sources				
Property taxes				
Real estate	\$ 35,061,000	\$ 35,061,000	\$ 35,570,782	\$ 509,782
Personal property	19,483,095	19,483,095	19,097,308	(385,787)
Public service corporations	1,940,000	1,940,000	1,693,701	(246,299)
Penalties and interest on taxes	610,000	610,000	678,639	68,639
Total property taxes	57,094,095	57,094,095	57,040,430	(53,665)
Local taxes				
Sales and use	6,275,127	6,275,127	6,393,278	118,151
Utility tax	7,492,950	7,492,950	6,160,225	(1,332,725)
Business and occupational licenses	4,259,500	4,259,500	4,528,220	268,720
Franchise	197,000	197,000	233,565	36,565
Motor vehicle license	1,347,141	1,347,141	1,350,308	3,167
Bank stock	250,000	250,000	283,547	33,547
Recordation	708,000	708,000	2,001,254	1,293,254
Tobacco	1,550,000	1,550,000	1,538,959	(11,041)
Lodging	241,000	241,000	274,705	33,705
Meals	3,030,887	3,030,887	3,021,122	(9,765)
Admission	425,000	425,000	369,995	(55,005)
Emergency phone services	1,040,000	1,040,000	1,029,638	(10,362)
Total local taxes	26,816,605	26,816,605	27,184,816	368,211
Permits, fees and licenses				
Animal license	18,000	18,000	14,183	(3,817)
Permits & other licenses	1,802,000	1,802,000	1,567,542	(234,458)
Total permits, fees and licenses	1,820,000	1,820,000	1,581,725	(238,275)
Fines and forfeitures	550,000	550,000	661,587	111,587
Use of money and property				
Interest on investments	800,000	800,000	1,066,067	266,067
General property rental	374,268	374,268	435,537	61,269
Other rentals	86,000	86,000	31,498	(54,502)
Total use of money and property	1,260,268	1,260,268	1,533,102	272,834
Other charges for services				
Excess fees- Circuit Court Clerk	355,786	355,786	521,689	165,903
Police & traffic control	20,000	20,000	25,606	5,606
Charges for other protection	15,000	15,000	14,965	(35)
Bridges, streets and sidewalk	152,750	152,750	112,568	(40,182)
Charges for parks and recreation	265,000	265,000	346,713	81,713
Charges for cultural enrichment	40,000	40,000	19,917	(20,083)
Charges for planning and community development	3,000	30,339	33,296	2,957
Charges for other services	3,271,020	1,698,117	1,207,630	(490,487)
Airport sales	500,000	500,000	501,760	1,760
Total other charges for services	4,622,556	3,076,992	2,784,144	(292,848)
Miscellaneous				
Miscellaneous	334,442	343,548	311,349	(32,199)
Intergovernmental				
Revenue from the Commonwealth				
Noncategorical aid				
ABC Profits	100,000	100,000	74,660	(25,340)
Wine Tax	80,000	80,000	78,258	(1,742)
FEMA	-	-	(107,693)	(107,693)
Tax on Deeds	520,000	520,000	390,451	(129,549)
Railroad rolling stock tax	110,000	110,000	92,782	(17,218)
House Bill 599 Funds	2,537,129	2,537,129	2,537,144	15

CITY OF SUFFOLK, VIRGINIA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Original Budget	Budget as Amended	Actual (Budgetary Basis)	Variance Actual to Amended Budget Positive (Negative)
Intergovernmental (Continued)				
Revenue from the Commonwealth (Continued)				
Noncategorical aid (Continued)				
Grants administration costs	\$ 45,000	\$ 45,000	\$ 63,188	\$ 18,188
Commonwealth Attorney	644,938	667,555	671,006	3,451
Commissioner of Revenue	149,351	149,351	149,933	582
Treasurer	193,804	195,662	195,387	(275)
Sheriff	694,448	718,302	697,284	(21,018)
Medical Examiner	-	-	1,100	1,100
Circuit Court Clerk	374,628	418,133	399,764	(18,369)
Registrar	48,500	65,882	72,841	6,959
Total noncategorical aid	5,497,798	5,607,014	5,316,105	(290,909)
Categorical aid	7,802,666	7,995,159	8,329,364	334,205
Total Commonwealth of Virginia	13,300,464	13,602,173	13,645,469	43,296
Revenue from the federal government				
FEMA	-	-	(374,370)	(374,370)
Community Development Block Grant	-	62,000	62,000	-
Revenue Maximization	88,000	88,000	-	(88,000)
Emergency services	18,000	18,000	13,032	(4,968)
Parks, recreation and cultural	40,000	76,418	70,516	(5,902)
Total federal government	146,000	244,418	(228,822)	(473,240)
Other financing sources except appropriated fund balance				
Transfer from Capital Projects Fund	-	301,712	301,712	-
Transfer from Debt Service Fund	23,000	23,000	23,000	-
Transfer from Utility Fund	580,000	580,037	580,000	(37)
Transfer from Fleet Management	115,500	115,500	115,500	-
Transfer from Information Technology Fund	68,900	68,900	68,900	-
Transfer from Mosquito Taxing District Fund	21,000	21,000	21,000	-
Transfer from Cemetery Fund	-	-	19,307	19,307
Transfer from Risk Management Fund	34,500	34,500	34,500	-
Total other financing sources except appropriated fund balance and refunding bonds	842,900	1,144,649	1,163,919	19,270
Appropriated fund balance	-	9,753,455	-	(9,753,455)
Appropriated reserved fund balance	74,000	74,000	-	(74,000)
Total appropriated fund balance	74,000	9,827,455	-	(9,827,455)
Total revenues and other financing sources	106,861,330	115,780,203	105,677,719	(10,102,484)
General government administrative				
Legislative:				
City Council	\$ 431,927	\$ 391,700	\$ 387,669	\$ 4,031
General and financial administration:				
City Manager	309,015	276,882	273,081	3,801
Assistant City Managers	639,549	528,368	494,506	33,862
City Attorney	597,700	1,029,187	1,023,406	5,781
Human resources	888,688	885,010	849,553	35,457
Commissioner of the Revenue	563,244	566,792	564,977	1,815
City Assessor	845,946	809,247	806,956	2,291
City Treasurer	918,720	923,789	923,788	1
Finance	893,743	903,489	738,858	164,631
Purchasing	253,384	247,773	198,339	49,434
Board of elections:				
Registrar	201,728	215,306	205,029	10,277
Total general government administration	6,543,644	6,777,543	6,466,162	311,381

CITY OF SUFFOLK, VIRGINIA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Original Budget	Budget as Amended	Actual (Budgetary Basis)	Variance Actual to Amended Budget Positive (Negative)
Expenditures and other financing uses (continued)				
Judicial administration				
Courts:				
Circuit Court	\$ 182,713	\$ 182,619	\$ 174,868	\$ 7,751
District Court	42,080	41,094	32,433	8,661
Magistrate	17,686	17,686	13,708	3,978
Juvenile and Domestic Relations Court	24,630	25,602	20,035	5,567
Juvenile and Domestic Relations Court Service Unit	459,515	460,197	542,504	(82,307)
Circuit Court Clerk	773,294	854,684	795,178	59,506
Sheriff	1,403,111	1,421,679	1,408,020	13,659
Commonwealth's Attorney	1,398,113	1,471,835	1,419,559	52,276
Total judicial administration	4,301,142	4,475,396	4,406,305	69,091
Public safety				
Police	10,994,547	10,832,096	10,683,003	149,093
Communications	1,085,522	960,400	958,981	1,419
Fire	11,044,058	11,931,209	11,920,523	10,686
Neighborhood development services	1,838,125	1,816,523	1,778,718	37,805
Animal shelter and management	466,479	395,023	372,563	22,460
Emergency services	17,466	15,498	14,066	1,432
Total public safety	25,446,197	25,950,749	25,727,854	222,895
Health and welfare				
Social services	10,287,763	10,664,888	10,119,258	545,630
Parks, recreation and cultural				
Parks and recreation	3,017,505	3,100,434	3,050,767	49,667
Public libraries	1,101,972	1,109,999	1,070,196	39,803
Total parks, recreation and cultural	4,119,477	4,210,433	4,120,963	89,470
Community development				
Planning	1,225,764	1,372,955	1,240,303	132,652
Economic development	1,547,166	4,151,875	983,365	3,168,510
Management services	621,256	611,167	472,743	138,424
Communications	373,101	369,990	338,344	31,646
Tourism	385,283	422,634	420,113	2,521
Cooperative extension services	74,985	74,985	64,638	10,347
Total community development	4,227,555	7,003,606	3,519,506	3,484,100
Other public services				
Aviation facilities	738,878	819,452	818,246	1,206
Capital projects management	203,920	200,009	194,848	5,161
Local and regional organizations	1,591,304	1,569,513	1,564,804	4,709
Total other public services	2,534,102	2,588,974	2,577,898	11,076
Public works				
Administration	561,633	563,640	563,424	216
Traffic engineering and maintenance	2,683,839	2,864,359	2,867,555	(3,196)
Engineering	698,577	663,378	662,704	674
Refuse collection	1,945,834	2,612,532	2,817,975	(205,443)
Maintenance building and grounds	1,948,116	1,809,297	1,809,088	209
Mosquito control	276,863	-	4,950	(4,950)
Total public works	8,114,862	8,513,206	8,725,696	(212,490)
Nondepartmental				
Fringe benefits and insurance	5,035,088	5,008,156	4,995,690	12,466
Total nondepartmental	5,035,088	5,008,156	4,995,690	12,466
Education	34,231,400	34,231,400	34,230,484	916

CITY OF SUFFOLK, VIRGINIA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Original Budget	Budget as Amended	Actual (Budgetary Basis)	Variance Actual to Amended Budget Positive (Negative)
Expenditures and other financing uses (continued)				
Other financing uses				
Transfer to Consolidated Grants Fund	\$ 133,000	\$ 303,485	\$ 260,898	\$ 42,587
Transfer to Transit Fund	275,000	275,000	381,084	(106,084)
Transfer to Law Enforcement Block Grant	-	3,500	3,460	40
Transfer to Capital Projects Fund	1,300,000	5,458,987	5,458,987	-
Transfer to Golf Course Fund	12,100	12,100	12,100	-
Transfer to Fleet Management Fund	-	2,780	-	2,780
Transfer to Risk Management Fund	300,000	300,000	300,000	-
Total other financing uses	2,020,100	6,355,852	6,416,529	(60,677)
Total expenditures and other financing uses	\$ 106,861,330	\$ 115,780,203	\$ 111,306,345	\$ 4,473,858

CITY OF SUFFOLK, VIRGINIA

RETIREMENT PLAN
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS (Unaudited)

Year Ended June 30, 2005

Schedules of Funding Progress		Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability	Over (Under) Funded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
City Employees		06/30/2004	\$ 97,833,385	\$ 110,153,343	\$ 12,319,958	88.82%	\$ 35,742,743	34.47%
		06/30/2003	95,870,388	101,226,595	5,356,207	94.71%	33,093,526	16.19%
		06/30/2002	93,771,400	92,200,160	(1,571,240)	101.70%	30,415,239	-5.17%
School Board								
Non-professional Employees		06/30/2004	10,333,698	11,290,956	957,258	91.52%	5,634,473	16.99%
		06/30/2003	10,025,424	10,468,147	442,723	95.77%	5,368,033	8.25%
		06/30/2002	9,776,903	9,089,533	(687,370)	107.56%	4,838,486	-14.21%

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Schedules of Employer Contributions

Schedules of Employer Contributions		Valuation Date	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
City Employees		06/29/2005	\$ 3,210,017	100.00%	\$ -
		06/30/2004	1,390,297	100.00%	-
		06/30/2003	1,304,082	100.00%	-
School Board					
Non-professional Employees		06/29/2005	387,019	100.00%	-
		06/30/2004	172,361	100.00%	-
		06/30/2003	159,418	100.00%	224,930

June 30, 2005

1. Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the basic financial statements:

- At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is formulated from estimates of revenues and expected expenditures from each department. The School Board is treated as a single expenditure line item.
- When the City Manager submits the proposed budget to City Council, he also recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
- City Council then holds public hearings on the proposed budget. Notice of such public hearing must appear in a local newspaper not less than seven days prior to the hearing.
- The budget must be approved by a majority vote of City Council and legally adopted before July 1. If City Council does not adopt the proposed budget before July 1, the budget as submitted is automatically adopted.
- Additional appropriations may be made by City Council only if there is an unencumbered fund balance or additional funding becomes available. Supplemental budget appropriations were approved during the fiscal year ended June 30, 2005 for the following funds: General Fund, \$1,298,218, Consolidated Grants, \$2,451,893, Mosquito Taxing District, \$19,030, Local Law Enforcement Block Grant, \$45,238, E-911 Wireless, \$121,416, Capital Projects, \$6,741,421, Utility Fund, \$53,000, and Fleet Fund, \$22,700.
- The City Manager is authorized to transfer budgeted amounts within departments. Expenditures over the original budget of any department must be approved by City Council.

Formal budgetary integration is employed as a management control device. Annual operating budgets are adopted by ordinance passed by City Council for the General Fund, the Debt Service Fund, the Utility Fund, the Internal Service Funds and the following Special Revenue Funds: Route 17 Taxing District, Suffolk Taxing District, Mosquito Taxing District, Transit System, Law Library. Annual operating budgets are also adopted for the School Operating, School Food Service and School Grants funds.

1. Budgets and Budgetary Accounting (Continued)

Budgets for proprietary fund types are prepared on the accrual basis of accounting. The General, Special Revenue and Debt Service Funds' budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for the recognition of encumbrances as expenditures in the General and Special Revenue Funds.

Therefore, the "actual" data included in statements comparing expenditures with budgets differs from the expenditures reported in accordance with GAAP by the amount of the reported encumbrances.

On a budgetary basis, expenditures in the following fund exceeded appropriations: Transit System.

Beginning fund balances for budgetary basis presentation purposes are adjusted for the carryforward of prior year encumbrances. According to City Code, unexpended and unencumbered appropriations lapse at June 30 of each year. Appropriations that are encumbered at June 30 are carried forward into the following year's appropriations to allow for liquidation of the encumbrances.

Individual grants and projects included in the Consolidated Grants Fund, Law Enforcement Block Grant Fund, Wireless E-911 Fund, Capital Projects Fund, are budgeted separately from the operating budget. These appropriations do not parallel the City's fiscal year and the accounting, encumbering and controlling of the funds are based upon the length of each individual grant or project, which may be over more than one year. Therefore, budgetary comparisons are not presented for the Consolidated Grants Fund, Law Enforcement Block Grant Fund, Wireless E-911 Fund or the Capital Projects Fund.

2. Reconciliations of GAAP to Budget Basis

Following is a reconciliation of the General Fund from GAAP basis to budgetary basis:

	<u>Exhibit D</u>	<u>Encumbrances</u>	<u>Exhibit K</u>
Total revenues	\$ 104,513,800	\$ -	\$ 104,513,800
Total other financing sources	<u>1,163,919</u>	<u>-</u>	<u>1,163,919</u>
Total revenues and other financing sources	<u>\$ 105,677,719</u>	<u>\$ -</u>	<u>\$ 105,677,719</u>
Total expenditures	\$ 102,504,213	\$ 2,385,603	\$ 104,889,816
Total other financing uses	<u>6,416,529</u>	<u>-</u>	<u>6,416,529</u>
Total expenditures and other financing uses	<u>\$ 108,920,742</u>	<u>\$ 2,385,603</u>	<u>\$ 111,306,345</u>

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COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Suffolk Taxing District	Consolidated Grants	Transit System	Law Library	Route 17 Taxing District	Mosquito Taxing District	Law Enforcement Block Grant	Wireless E-911	Cemetery	Total
ASSETS										
Cash and investments	\$ 412,116	\$ -	\$ 60,409	\$ 170,972	\$ 149,637	\$ 433,946	\$ 79,252	\$ 12,798	\$ 960,977	\$ 2,280,307
Real estate taxes receivable	14,984	-	-	-	9,416	11,159	-	-	-	35,569
Accounts receivable	-	-	680	6,385	-	-	-	-	-	7,065
Due from other governments	193,639	631,384	-	-	-	-	-	1,339	-	826,362
Total assets	\$ 620,749	\$ 631,384	\$ 61,089	\$ 177,357	\$ 159,253	\$ 445,105	\$ 79,252	\$ 14,137	\$ 960,977	\$ 3,149,303
LIABILITIES										
Liabilities:										
Vouchers and accounts payable	\$ 4	\$ 67,240	\$ 9,489	\$ 3,086	\$ -	\$ -	\$ 770	\$ -	\$ -	\$ 80,589
Due to other funds	-	362,726	-	-	-	-	-	-	-	362,726
Deferred revenue	7,985	11,426	-	-	(2,251)	7,005	8,752	-	-	32,927
Total liabilities	7,999	441,392	9,489	3,086	(2,251)	7,005	9,522	-	-	476,242
FUND BALANCES										
Reserved:										
Encumbrances	35,735	134,284	51,600	2,997	-	-	-	-	-	224,616
Grant compliance	-	121,769	-	-	-	-	53,993	-	-	175,762
Specific programs	-	-	-	-	-	-	15,737	14,137	-	29,874
Unreserved (accumulated deficit)	577,015	(66,061)	-	171,274	161,504	438,100	-	-	960,977	2,242,809
Total fund balances	612,750	189,992	51,600	174,271	161,504	438,100	69,730	14,137	960,977	2,673,051
Total liabilities and fund balances	\$ 620,749	\$ 631,384	\$ 61,089	\$ 177,357	\$ 159,253	\$ 445,105	\$ 79,252	\$ 14,137	\$ 960,977	\$ 3,149,303

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2005

	Suffolk Taxing District	Consolidated Grants	Transit System	Law Library	Route 17 Taxing District	Mosquito Taxing District	Law Enforcement Block Grant	Wireless E-911	Cemetery	Total
Revenues										
Real estate taxes	\$ 482,981	-	-	-	\$ 563,702	\$ 304,212	-	-	-	\$ 1,350,895
Fines and forfeitures	36	-	-	-	-	-	-	-	-	36
Use of money and property	9,474	-	-	-	1,960	5,318	4,406	-	19,307	40,365
Intergovernmental	774,555	5,856,000	-	-	-	-	31,148	110,652	-	6,772,355
Charges for services	21,440	-	63,417	62,388	-	-	-	-	25,687	172,932
Miscellaneous	-	19,220	-	-	-	-	-	-	-	19,220
Total revenues	1,298,486	5,875,220	63,417	62,388	565,562	309,530	35,554	110,652	44,994	8,385,803
Expenditures										
Current:										
General government	-	-	-	-	111,310	-	-	-	-	111,310
Judicial	-	469,447	-	58,518	-	-	-	-	-	527,965
Public safety	-	467,648	-	-	-	-	70,420	121,823	-	659,891
Public works	1,490,353	10,172	-	-	-	208,500	-	-	-	1,709,025
Health and welfare	-	3,816,764	-	-	-	-	-	-	-	3,816,764
Parks, recreation, and cultural	-	197,460	-	-	-	-	-	-	-	197,460
Community development	-	1,183,761	-	-	-	-	-	-	-	1,183,761
Other public services	-	-	392,901	-	-	-	-	-	-	392,901
Total expenditures	1,490,353	6,145,252	392,901	58,518	111,310	208,500	70,420	121,823	-	8,595,077
Excess (deficiency) of revenues over expenditures	(191,867)	(270,032)	(329,484)	3,870	454,252	101,030	(34,866)	(11,171)	44,994	(233,274)
Other financing sources (uses)										
Transfers in	-	280,898	381,084	-	-	-	3,460	-	-	645,442
Transfers out	-	-	-	-	(341,805)	(21,000)	-	-	(19,307)	(382,112)
Total other financing sources (uses)	-	280,898	381,084	-	(341,805)	(21,000)	3,460	-	(19,307)	263,330
Net change in fund balances	(191,867)	(9,134)	51,600	3,870	112,447	80,030	(31,406)	(11,171)	25,687	30,056
Fund balances - beginning of year	804,617	199,126	-	170,401	49,057	358,070	101,136	25,308	935,290	2,643,005
Fund balances - end of year	\$ 612,750	\$ 189,992	\$ 51,600	\$ 174,271	\$ 161,504	\$ 438,100	\$ 69,730	\$ 14,137	\$ 950,977	\$ 2,673,061

**SUFFOLK TAXING DISTRICT SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE**

 Year Ended June 30, 2005

	Original Budget	Budget as Amended	Actual (Budgetary Basis)	Variance Actual to Amended Budget Positive (Negative)
Revenues				
Real estate taxes	\$ 513,065	\$ 513,065	\$ 492,981	\$ (20,084)
Fines and forfeitures	-	-	36	36
Use of money and property	20,000	20,000	9,474	(10,526)
Intergovernmental	765,960	765,960	774,555	8,595
Charges for services	38,000	38,000	21,440	(16,560)
Total revenues	1,337,025	1,337,025	1,298,486	(38,539)
Other financing sources				
Appropriated fund balance	-	367,065	-	(367,065)
Total revenues and other financing sources	\$ 1,337,025	\$ 1,704,090	\$ 1,298,486	\$ (405,604)
Expenditures				
Public works	\$ 1,337,025	\$ 1,704,090	\$ 1,526,088	\$ 178,002

**TRANSIT SYSTEM SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2005

	Original Budget	Budget as Amended	Actual (Budgetary Basis)	Variance Actual to Amended Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 81,100	\$ 81,100	\$ -	\$ (81,100)
Charges for services	52,000	52,000	63,417	11,417
Total revenues	<u>133,100</u>	<u>133,100</u>	<u>63,417</u>	<u>(69,683)</u>
Other financing sources				
Transfers in	275,000	275,000	381,084	106,084
Total other financing sources	<u>275,000</u>	<u>275,000</u>	<u>381,084</u>	<u>106,084</u>
Total revenues and other financing sources	<u>\$ 408,100</u>	<u>\$ 408,100</u>	<u>\$ 444,501</u>	<u>\$ 36,401</u>
Expenditures				
Other public services	\$ 408,100	\$ 408,100	\$ 444,501	\$ (36,401)

**LAW LIBRARY SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2005

	Original Budget	Budget as Amended	Actual (Budgetary Basis)	Variance Actual to Amended Budget Positive (Negative)
Revenues				
Court costs	\$ 71,800	\$ 71,800	\$ 62,388	\$ (9,412)
Expenditures				
Judicial	\$ 71,800	\$ 71,800	\$ 61,516	\$ 10,284

**ROUTE 17 TAXING DISTRICT SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2005

	Original Budget	Budget as Amended	Actual (Budgetary Basis)	Variance Actual to Amended Budget Positive (Negative)
Revenues				
Real estate taxes	\$ 453,115	\$ 453,115	\$ 563,702	\$ 110,587
Use of money and property	-	-	1,860	1,860
Total revenues and other financing sources	\$ 453,115	\$ 453,115	\$ 565,562	\$ 112,447
Expenditures				
General government	\$ 111,310	\$ 111,310	\$ 111,310	\$ -
Total Expenditures	111,310	111,310	111,310	-
Other financing uses				
Transfers out	341,805	341,805	341,805	-
Total other financing uses	341,805	341,805	341,805	-
Total expenditures and other financing uses	\$ 453,115	\$ 453,115	\$ 453,115	\$ -

**MOSQUITO TAXING DISTRICT SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2005

	Original Budget	Budget as Amended	Actual (Budgetary Basis)	Variance Actual to Amended Budget Positive (Negative)
Revenues				
Real estate taxes	\$ 267,459	\$ 286,489	\$ 304,212	\$ 17,723
Use of money and property	-	-	5,318	5,318
Total revenues	\$ 267,459	\$ 286,489	\$ 309,530	\$ 23,041
Expenditures				
Public works	\$ 246,459	\$ 265,489	\$ 208,500	\$ 56,989
Other financing uses				
Transfers out	21,000	21,000	21,000	-
Total expenditures and other financing uses	\$ 267,459	\$ 286,489	\$ 229,500	\$ 56,989

**DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE**
Year Ended June 30, 2005

	Original Budget	Budget as Amended	Actual (Budgetary Basis)	Variance Actual to Amended Budget Positive (Negative)
Revenues				
Real estate taxes	\$ 15,880,595	\$ 15,880,595	\$ 16,426,175	\$ 545,580
Other local taxes	342,500	342,500	329,874	(12,626)
Use of money and property	1,466,100	1,466,100	487,273	(978,827)
Miscellaneous	5,000	5,000	6,373	1,373
Total revenues	17,694,195	17,694,195	17,249,695	(444,500)
Other financing sources				
Appropriated fund balance	-	(27,147)	-	27,147
Transfers in	341,805	472,106	472,106	-
Total other financing sources	341,805	444,959	472,106	27,147
Total revenues and other financing sources	\$ 18,036,000	\$ 18,139,154	\$ 17,721,801	\$ (417,353)
Expenditures				
Principal	\$ 9,949,600	\$ 9,949,600	\$ 9,949,599	\$ 1
Interest	7,690,900	7,683,500	6,829,437	854,063
Bond issuance costs	-	103,154	103,154	-
Reserve for debt service	342,500	342,500	-	342,500
Bond service and miscellaneous	30,000	37,400	27,970	9,430
Total expenditures	18,013,000	18,116,154	16,910,160	1,205,994
Other financing uses				
Transfers out	23,000	23,000	23,000	-
Total other financing uses	23,000	23,000	23,000	-
Total expenditures and other financing uses	\$ 18,036,000	\$ 18,139,154	\$ 16,933,160	\$ 1,205,994

**SCHEDULE OF CAPITAL ASSETS BY SOURCE
GOVERNMENTAL FUNDS**

June 30, 2005

Land	\$ 18,413,988
Buildings	122,980,874
Improvements other than buildings	28,872,312
Machinery and equipment	7,936,179
Construction in progress	15,425,880
	<u>193,629,233</u>
Less - accumulated depreciation	<u>(34,046,936)</u>
	<u>\$ 159,582,297</u>
Capital projects funds:	
General obligation and public improvement bonds	\$ 8,801,945
Federal grants	1,793,750
State grants	952,121
General Fund revenues	3,878,064
General obligation and public improvement bonds	131,007,835
General fund revenue	10,712,824
Federal grants	10,797,893
State grants	5,468,005
Gifts	2,449,793
School operating revenue	107,004
Internal service fund reserves	29,744
Special revenue funds	35,786
Debt service funds	455,689
Combined sources	17,138,780
	<u>193,629,233</u>
Less - accumulated depreciation	<u>(34,046,936)</u>
	<u>\$ 159,582,297</u>

**SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
GOVERNMENTAL FUNDS**

June 30, 2005

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Total
General government administration					
City Council	\$ -	\$ -	\$ -	\$ 9,329	\$ 9,329
Assistant City Manager-Development	853,519	210,789	-	-	1,064,308
Economic Development	4,528,560	-	21,597	-	4,550,157
Tourism	-	25,000	-	-	25,000
Planning	-	-	-	56,000	56,000
Management Services	-	-	-	264,927	264,927
City Assessor	129,096	237,682	-	7,285	374,063
Registrar	-	-	-	380,005	380,005
Communications	-	-	-	123,771	123,771
Capital Program Management	-	-	59,967	-	59,967
Total general government administration	5,511,175	473,471	81,564	841,317	6,907,527
Public safety					
Police	771,501	5,005,406	17,492	3,103,425	8,897,824
Fire	245,710	6,387,215	33,676	536,173	7,202,774
Emergency Services and Civil Defense	-	-	-	7,000	7,000
Total public safety	1,017,211	11,392,621	51,168	3,646,598	16,107,598
Public works					
Traffic engineering	916,466	6,005	8,814,248	830,626	10,567,345
Administration	-	-	-	155,171	155,171
Maintenance and operation	196,367	12,384,384	10,219,734	804,458	23,604,943
Mosquito control	-	-	-	32,836	32,836
Refuse collection	290,012	-	47,770	68,960	406,742
Street and storm sewers	-	-	124,988	-	124,988
Total public works	1,402,845	12,390,389	19,206,740	1,892,051	34,892,025
Public health	45,000	991,037	4,620	-	1,040,657
Justice					
Circuit Court	-	-	-	84,562	84,562
District Court	500	5,000	-	-	5,500
Commonwealth Attorney	-	-	-	21,977	21,977
Total justice	500	5,000	-	106,539	112,039
Culture and recreation					
Library	122,760	697,272	22,508	66,974	909,514
Parks, recreation and cultural	3,923,047	2,715,616	2,900,206	838,246	10,377,115
Total culture and recreation	4,045,807	3,412,888	2,922,714	905,220	11,286,629
Other public services	289,614	1,316,236	5,706,990	544,454	7,857,294
Nondepartmental	2,025,052	5,394,119	898,516	-	8,317,687
Education	4,076,784	87,605,113	-	-	91,681,897
Total allocation to function	\$ 18,413,988	\$ 122,980,874	\$ 28,872,312	\$ 7,936,179	178,203,353
Construction in progress					15,425,880
Total fixed assets					193,629,233
Less accumulated depreciation					(34,046,936)
Total fixed assets (net of accumulated depreciation)					\$ 159,582,297

**SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY
GOVERNMENTAL FUNDS**

Year Ended June 30, 2005

Function and Activity	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
General government administration				
City Council	\$ -	\$ 9,329	\$ -	\$ 9,329
Assistant City Manager-Development	827,308	237,000	-	1,064,308
Economic Development	21,596	4,528,561	-	4,550,157
Planning	56,000	-	-	56,000
Tourism	25,000	-	-	25,000
Management Services	250,903	14,024	-	264,927
City Assessor	374,063	-	-	374,063
Registrar	380,005	-	-	380,005
Capital Program Management	59,967	-	-	59,967
Communications	123,771	-	-	123,771
Total general government administration	2,118,613	4,788,914	-	6,907,527
Public safety				
Police	8,874,515	23,309	-	8,897,824
Fire	6,827,817	374,957	-	7,202,774
Emergency Services and Civil Defense	7,000	-	-	7,000
Total public safety	15,709,332	398,266	-	16,107,598
Public works				
Traffic engineering	9,794,633	772,712	-	10,567,345
Administration	155,171	-	-	155,171
Buildings & Grounds	17,931,495	5,673,448	-	23,604,943
Mosquito control	32,836	-	-	32,836
Refuse collection	358,972	47,770	-	406,742
Street and storm sewers	124,988	-	-	124,988
Total public works	28,398,095	6,493,930	-	34,892,025
Public health	1,040,657	-	-	1,040,657
Justice				
Circuit Court	84,562	-	-	84,562
District Court	362,576	-	357,076	5,500
Commonwealth Attorney	21,977	-	-	21,977
Total Justice	469,115	-	357,076	112,039

**SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY
GOVERNMENTAL FUNDS**

Year Ended June 30, 2005

Function and Activity	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Culture and recreation				
Library	\$ 909,514	\$ -	\$ -	\$ 909,514
Parks, recreation and cultural	10,522,653	500,185	645,723	10,377,115
Total culture and recreation	11,432,167	500,185	645,723	11,286,629
Other public services				
Aviation facilities	7,849,465	7,829	-	7,857,294
Total other public services	7,849,465	7,829	-	7,857,294
Nondepartmental	8,317,687	-	-	8,317,687
Education	70,164,242	21,517,655	-	91,681,897
Construction in progress	44,940,120	29,512,856	59,027,096	15,425,880
Accumulated depreciation	(29,568,577)	(5,349,955)	(871,596)	(34,046,936)
Net capital assets	\$ 160,870,916	\$ 57,869,680	\$ 59,158,299	\$ 159,582,297

CAPITAL PROJECTS FUND
SCHEDULE OF CURRENT CAPITAL PROJECTS

June 30, 2005

Project Name	Total Project Authorization	Portion Completed at June 30, 2005	Construction in Progress at June 30, 2005	Committed	Total Expended and Committed
Airport Development	\$ 300,000	\$ -	\$ -	\$ -	\$ -
Airport Drainage Study	80,000	-	-	-	-
Airport Maintenance Facility	70,000	-	-	-	-
Airport - Three Phase Power	100,000	-	-	-	-
Airport Water and Sewer Lines	314,000	-	251,934	-	251,934
Animal Shelter Kennel Floor	30,000	-	-	-	-
Bennett's Creek Park & Rec Center	450,000	-	71,732	11,576	83,308
Breathing Air Refill System	50,000	-	-	-	-
Business Imp Matching Incentive	50,000	50,000	-	-	50,000
Center Avenue Construction	95,000	-	81,483	-	81,483
Central Storage Facility	100,000	100,000	-	-	100,000
Chuckatuck Village Plan	300,000	65,748	-	-	65,748
Chuckatuck Volunteer Fire Engine Replacement	162,500	162,500	-	-	162,500
Citywide Emergency Home Repair - CDBG	125,000	-	-	-	-
Clean Communities Revitalization	121,205	121,202	-	-	121,202
CMAQ - Main St. Pedestrian Improvements	726,983	-	73,984	1,510	75,494
CMAQ - Signal Coord Downtown Suffolk	150,000	-	67,482	30,318	97,800
Comprehensive Plan Update	225,000	112,210	-	62,790	175,000
Constant's Wharf Development	7,986,082	7,534,528	(16,933)	31,289	7,548,884
Corridor Plans Implementation	175,000	-	48,866	-	48,866
Creekside Elementary	16,073,610	1,556,851	10,982	(10,982)	1,556,851
Cypress Park Improvements	980,043	715,479	6,382	228,187	950,048
Demolition Inspection Bldg/Muni Parking Imp	50,000	-	153	-	153
Demolition of Birdsong Rec Center	157,758	-	152,675	3,961	156,636
Demolition of Jefferson School	50,000	-	47,732	-	47,732
Demolition of Old Jail/Parking Construction	240,000	-	177,257	4,430	181,687
Demolition of School Administration Building	112,242	-	112,242	-	112,242
Downtown Connector Road Improvements	1,474,000	611,028	259,094	13,186	883,308
Downtown Plan	150,438	89,692	12,346	-	102,038
Driver Park Sports Complex	450,000	-	347,775	30,674	378,449
Driver Village Plan	150,000	-	-	-	-
East Suffolk Complex	2,855,227	-	254,076	397,313	651,389
East Washington Street/Hall Place Neighborhood	839,957	284,884	559,717	-	824,601
East Washington Street Precinct	2,623,884	2,623,884	-	-	2,623,884
East Washington Streetscape	7,833,000	832,163	2,129,564	1,058,162	4,019,889
Eclipse/Crittenden Plan	150,000	-	1,588	41,842	43,430
EPA Phase II Stormwater	1,109,740	549,546	-	241,005	790,551
Festival Site	25,000	-	-	-	-
FG/JFK/JY MS Limited Renovations	3,495,000	716,022	14,491	(14,491)	716,022
Finney Avenue Extension	735,259	-	140,912	-	140,912
Fire Engine	725,000	364,013	-	-	364,013
Former Suffolk High School Renovations	4,525,925	4,525,925	-	-	4,525,925
Gateway Signage	101,978	101,097	-	881	101,978
Geographical Info. System Design	4,090,000	473,098	2,824,117	118,043	3,415,258
Great Dismal Swamp Interpretive Center	2,349,115	-	-	-	-
Greenways, Blueways, & Trails	1,099,250	-	27,716	165,461	193,177
Hampton Roads Technology Park	1,443,405	7,884	-	-	7,884
Totals (carried forward)	\$ 65,480,601	\$ 21,577,754	\$ 7,657,367	\$ 2,415,155	\$ 31,650,276

CAPITAL PROJECTS FUND

SCHEDULE OF CURRENT CAPITAL PROJECTS

June 30, 2005

Project Name	Total Project Authorization	Portion Completed at June 30, 2005	Construction in Progress at June 30, 2005	Committed	Total Expended and Committed
Totals (brought forward)	\$ 65,480,601	\$ 21,577,754	\$ 7,657,367	\$ 2,415,155	\$ 31,650,276
Hangar Taxiway Const/Site Preparation	1,103,405	40,082	598,783	318,119	956,984
Hazardous Materials Management	100,000	64,706	604	(604)	64,706
Holland Fire Station Addition	141,524	141,524	-	-	141,524
Holland Village Plan	300,000	246,541	-	7,827	254,368
Huntersville Community Plan	50,000	-	-	-	-
HR Building Roof Replacement	60,000	-	6,449	-	6,449
J.F.K. Recreational Complex	1,034,773	807,437	207,168	20,499	1,035,104
Kings Fork High School Construction	41,489,041	40,239,550	458,588	(225,000)	40,473,138
Lake Kennedy Park Improvements	75,000	75,000	-	-	75,000
Land Easement Acq Runway 4/22	172,334	-	61,649	9,473	71,122
Lone Star Lake	1,100,000	-	293,098	80,945	374,043
Lone Star Lakes Demolition	100,000	53,289	46,711	-	100,000
Mullican Drive Rural Addition Roadway	152,000	-	5,960	4,478	10,438
Municipal Center Renovation	593,122	-	72,829	471,151	543,980
Municipal Channel Upgrade	880,901	801,197	-	79,702	880,899
Nansemond Parkway Civic League	50,000	-	-	-	-
Nansemond Pkwy Recreation Facility	53,000	-	-	-	-
Nansemond Parkway Shoulders Hill Road	500,000	-	-	-	-
Neighborhood Curb, Gutter & Sidewalk	150,000	47,770	72,420	-	120,190
Neighborhood Initiatives Plan	50,000	-	18,262	31,738	50,000
Neighborhood Plans	200,000	88,740	-	-	88,740
New Main Library	100,999	-	100,999	-	100,999
New Public Safety Building	362,608	287,047	75,561	-	362,608
North Main Street Fifth Lane Project	44,000	-	39,391	-	39,391
North Main Street Landscaping	50,000	-	-	-	-
North Suffolk Library	4,824,001	-	387,382	364,678	752,060
North Suffolk Public Safety Center	5,077,172	5,077,172	-	-	5,077,172
Northgate Industrial Park	5,628,920	5,618,782	-	-	5,618,782
Obici House Stabilization	250,000	95,125	-	7,706	102,831
Old Courthouse Renovation/Jail Demolition	350,000	-	112,442	-	112,442
Old East Washington Street Improvements	250,000	-	45,189	204,811	250,000
Old Main Street Commercial Development	2,178,834	-	1,873,004	197,886	2,070,890
Orlando Street Improvements	1,125,000	1,063,379	-	-	1,063,379
Parks - Capital Maintenance	1,605,734	978,972	598,034	11,421	1,588,427
Perimeter Fence	228,176	228,176	-	-	228,176
Pike Street Rural Addition Roadway	87,000	-	85,159	1,682	86,841
Planters Club Improvements	25,000	24,783	-	-	24,783
Police Administrative Building	500,000	-	10,215	-	10,215
Police Headquarters Renovation	200,000	-	128,455	1,650	130,105
Program Administration	110,000	82,984	-	-	82,984
Property Acquisition Shell Building	2,571,404 *	4,608,778	-	18,500	4,627,278
Public Bldg. - Capital Maintenance	1,498,535	457,256	830,697	28,196	1,316,149
Pughsville Park	512,651	512,651	-	-	512,651
Recreation Building Capital Maintenance	1,075,265	705,114	309,457	33,529	1,048,100
Totals (carried forward)	\$ 142,491,000	\$ 83,923,809	\$ 14,095,873	\$ 4,083,542	\$ 102,103,224

CAPITAL PROJECTS FUND

SCHEDULE OF CURRENT CAPITAL PROJECTS

June 30, 2005

Project Name	Total Project Authorization	Portion Completed at June 30, 2005	Construction in Progress at June 30, 2005	Committed	Total Expended and Committed
Totals (brought forward)	\$ 142,491,000	\$ 83,923,809	\$ 14,095,873	\$ 4,083,542	\$ 102,103,224
Route 17 Improvements (Spec. Tax District)	11,167	-	-	-	-
Runway 4-22 Safety Area Expansion	1,200,000	-	-	-	-
Saratoga Phase II Neighborhood Rehab.	533,530	-	412,528	-	412,528
Storm Drainage Improvements	1,046,085	-	805,387	2,683	808,070
Street Landscape	735,001	695,826	-	-	695,826
Suffolk Comprehensive Housing Study	20,000	8,436	-	-	8,436
Suffolk Industrial Park	2,537,780	1,729,989	5,798	8,586	1,744,373
Suffolk Shelter for the Homeless	65,000	47,951	-	-	47,951
Vehicle Exhaust System	222,050	222,050	-	-	222,050
Village Plans	250,000	133,623	106,294	2,190	242,107
Whaleyville Fire Station Addition	152,907	152,907	-	-	152,907
Whaleyville Village Plan	300,000	69,179	-	-	69,179
White Marsh and Lake Kennedy Access Improvements	650,000	616,680	-	-	616,680
Totals	\$ 150,214,520	\$ 87,600,450	\$ 15,425,880	\$ 4,097,001	\$ 107,123,331

* \$3,000,00 is funded by debt and is therefore not budgeted.

UTILITY FUND
SCHEDULE OF CURRENT CAPITAL PROJECTS

June 30, 2005

Project Name	Total Project Authorization	Portion Completed at June 30, 2005	Construction in Progress at June 30, 2005	Committed	Total Expended and Committed
Admin Eng & Customer Service	\$ 100,000	\$ 117,056	\$ -	\$ -	\$ 117,056
Airport Sanitary Sewer	1,785,206	-	76,910	21,157	98,067
Airport Water Distribution System Improvement	57,410	-	-	-	-
Bennett's Harbor Neighborhood Water	958,028	-	516,480	439,370	955,850
Bennett's Harbor Sanitary Sewer	3,069,992	-	131,601	2,940,553	3,072,154
Bennett's Pasture Water Main	2,050,963	2,081,875	2,778	218,590	2,303,243
Berwyn Water System Acquisition	20,000	-	3,346	-	3,346
Berwyn Water System Interconnection	5,750	-	5,175	575	5,750
Byrd Street Water Main	191,308	200,182	-	-	200,182
Cedar Point Phase I Sewer Extension	2,182,957	2,198,446	-	-	2,198,446
Cedar Point Sanitary Sewer Ext	300,334	1,973	287,750	26,639	316,362
Chuckatuck Water System Upgrades	189,513	196,184	-	49,484	245,668
City Farm Water Tank	119,237	-	113,679	2,157	115,836
City Well Systems - Central Treatment	498,304	498,304	97,389	-	595,693
Community Well Sites Abandonment	3,071,175	1,594,095	1,334,601	9,137	2,937,833
Constance Rd Sanitary Sewer Rehab	283,305	-	147,261	135,114	282,375
Constant's Wharf Sewer Site Work	59,684	55,964	7,038	-	63,002
Constant's Wharf Utility Relocation	865,599	897,717	(13,332)	-	884,385
Constant's Wharf Wastewater Pump Station	1,012,758	1,106,114	-	-	1,106,114
Constant's Wharf Water Site Work	201,632	-	180,190	19,799	199,989
County St Tank Water Transmision	501,720	509,731	-	-	509,731
Crittenden/Eclipse Water	100,000	-	66,733	36,390	103,123
Crittenden/Eclipse Sewer	350,000	-	205,755	117,512	323,267
Crittenden Rd./Rt. 17 Wtr. Trans. Phase 2	752,207	752,206	17,593	-	769,799
Crittenden Rd./Rt. 17 Wtr. Trans. Phase 3	3,266,363	3,708,854	-	-	3,708,854
Crittenden Rd./Rt. 17 Wtr. Trans. Phase 5	1,287,229	1,223,035	-	79,074	1,302,109
Deerfield Sewer Extension	1,159,763	1,223,350	-	-	1,223,350
EDR/IONICS	5,000,000	-	475,117	4,439,883	4,915,000
Expansion of Treatment Plant	1,641,788	1,255,613	332,896	141,941	1,730,450
Fairgrounds Sewer Upgrades	12,433	-	4,788	-	4,788
Fairgrounds Water Upgrades	12,432	-	4,788	-	4,788
Finney Avenue Extension	570,996	-	5,084	20,335	25,419
Finney Avenue Project	243,194	-	-	-	-
Fire Hydrant Upgrades	50,000	53,432	-	-	53,432
Fire Station 4 Grinder Pump Force	4,076	-	347	-	347
Hampton Roads Youth Center Pro Rata Sewer	26,499	31,095	-	-	31,095
High Service Pump Station	194,750	-	84,884	141,036	225,920
Hobson Water System Improvement	332,353	344,530	-	-	344,530
Hollywood/Jericho Water	1,038,259	1,225,164	-	-	1,225,164
Holland Consent Wells	1,850	-	335	-	335
Holland Emergency Wells	98,150	-	24,538	73,613	98,151
Holland Sewage Treatment Study	170,215	162,990	-	10,871	173,861
Kilby Shores Water Main Interconnect	4,000	-	3,799	-	3,799
Kings Highway Water Extension	10,000	-	4,295	-	4,295
Lake Gaston Embankment Repair	10,848	10,848	-	-	10,848
Lake Kennedy Water	50,668	50,668	-	-	50,668
Lake Kennedy Sewer	104,834	106,374	(401)	-	105,973
Lake Prince Meadows Water Tr Dis Main	1,381,238	-	419,353	829,259	1,248,612
Lake Prince Raw Water Trans Main	1,155,566	-	1,185,730	-	1,185,730
Lake Speight Neighborhood Sew Ext.	90,380	-	41,628	49,983	91,611
Lakeside Area Sewer	1,979,540	1,984,655	42,655	(39,039)	1,988,271
Lakeside Area Water Upgrade	809,547	-	829,699	(12,516)	817,183
Lone Star/Crumps Mill Dam Repair	6,345	-	6,345	-	6,345
Magnolia Trailer Park Water	217,543	226,006	-	-	226,006
Maple Hills/Forest Glenn Water	605,510	20,700	563,508	46,028	630,236
Maple Hills/Forest Glenn Sewer	2,098,905	101,134	2,163,240	6,667	2,271,041
Master Plan Revision	141,150	141,150	307	-	141,457
Master Sanitary Sewer Plan Update	214,368	131,644	-	102,796	234,440
Meadow Country Road Water Ext.	450	-	173	-	173
MH, D, BH, LF, SLH, LM Interconnection	180,667	179,713	-	-	179,713
Miscellaneous Pump Station Upgrades	558,713	661,082	-	-	661,082
Murphy's Mill Road VDOT Roadway Betterment	1,066,985	1,142,471	-	-	1,142,471
Totals (carried forward)	\$ 44,524,669	\$ 24,194,355	\$ 9,374,055	\$ 9,906,408	\$ 43,474,818

UTILITY FUND
SCHEDULE OF CURRENT CAPITAL PROJECTS

June 30, 2005

Project Name	Total Project Authorization	Portion Completed at June 30, 2005	Construction In Progress at June 30, 2005	Committed	Total Expended and Committed
Totals (brought forward)	\$ 44,524,669	\$ 24,194,355	\$ 9,374,055	\$ 9,906,408	\$ 43,474,818
Nansemond Gardens/Wilroy Acres Water	925,033	919,952	21,852	5,079	946,883
Nansemond Gardens/Wilroy Acres Sewer	17,617	-	11,749	7,327	19,076
Nansemond Parkway Northeast Sewer Extension	1,853,117	203,785	542,793	1,273,008	2,019,586
Nansemond Parkway Northeast Water	643,278	-	252,736	377,267	630,003
Nansemond Pkwy Sewer Force Main Ext.	174,143	168,240	-	-	168,240
Nansemond Parkway Water Main Offset	10,127	10,127	-	-	10,127
Nansemond Shores/Holiday Pt Water	2,627,146	-	2,180,361	212,658	2,393,019
Nansemond Shores/Holiday Pt Sewer	4,459,711	42,447	4,519,254	556,728	5,118,429
Nansemond Suffolk Academy Sewer Extension	627,039	629,773	-	-	629,773
Neighborhood Sewer Projects	5,763,029	-	1,134	-	1,134
Non -Residential Sewer Ext.	401,999	-	38,522	-	38,522
North East Water Source and Transmission	867,119	867,118	18,655	-	885,773
North Main Street Sewer	208,498	-	47,114	109,443	156,557
North Main Street Water	326,926	-	327,088	(162)	326,926
Oakland Water System Interconnection	23,790	-	12,371	11,419	23,790
Operations and Maintenance Facility	3,447,800	-	1,332,093	37,226	1,369,319
Palmyra Subd. & Stuart St. Neighborhoods S.E.	557,310	647,390	-	-	647,390
Pavement Overlays	77,000	78,059	-	-	78,059
Pearl Street	35,095	35,902	-	-	35,902
Pitchkettle Farms Sanitary Sewer	114,750	109,514	-	3,478	112,992
Pitchkettle Farms Water Trans Main	32,686	29,555	-	-	29,555
Prentiss Street Project Phase 1B	300,311	-	253,486	-	253,486
Pump Station #3, #30, #64, #22, #25, #5	97,486	-	81,900	15,585	97,485
Respass Beach/Holly Acres Water	30,000	-	13,102	15,770	28,872
Respass Beach/Holly Acres Sewer	129,700	-	103,963	25,467	129,430
Rt. 460/Main St. VDOT Roadway Betterment	222,063	220,002	53,485	-	273,487
Rt. 460 Water Transmission	2,250,982	29,938	2,174,609	66,242	2,270,789
Sewer Manhole Casting	100,000	84,042	-	-	84,042
Sewer Pump Station Emerg Gen Connection	19,091	20,791	-	-	20,791
Sewer Pump Station #14 Upgrades	243,722	-	241,438	(114)	241,324
Sewer Pumping Station Access Driveway	44,114	-	-	-	-
Sewer System Upgrades	1,875,221	-	31,910	-	31,910
Sleepy Hole Golf Course Wastewater	12,848	-	-	12,848	12,848
Suffolk Center for Cultural Arts Rehab	25,000	13,944	-	-	13,944
Suffolk/Isle of Wight Interconnect	331,208	331,208	544	-	331,752
Supply System and Chemical Feed System Upgrade	2,439,843	2,510,775	-	-	2,510,775
Turlington Park Sewer Extension	489	-	488	-	488
Turlington Rd Trans & Force Main Extension	891,055	-	691,041	234,385	925,426
Turlington Rd Trans Force Main	2,856,924	142,244	2,026,568	695,848	2,864,660
Wastewater Rate Study	79,295	78,522	-	683	79,205
Wir and Sew Fac Generator Connect	279,826	-	91,604	170,676	262,280
Water Dist and Trans System Expansion	255,674	-	5,427	-	5,427
Water Distribution Systems Upgrades	1,211,144	-	21,026	-	21,026
Water Layer GIS	343	-	342	-	342
Water Main & Structural Crossing	329,959	-	2,365,687	-	2,365,687
Water Master Plan Update	339,520	330,556	-	17,656	348,212
Water Meter Upgrades	232,533	245,313	-	-	245,313
Water Plant Basin/Filter Upgrade	3,815,366	-	2,183,478	1,639,576	3,823,054
Water Plant Property	4,575	4,675	-	-	4,675
Water Source Development	2,188,975	-	-	-	-
Water System Emergency Response Plan	166,275	-	105,243	60,465	165,708
Water Treatment Plant PH II	879,055	-	449	878,605	879,054
Weaver Property Acquisition	4,019	3,619	-	-	3,619
Whaleyville Water Distribution Sys	180,500	-	128,717	42,625	171,342
Whaleyville Water Source	819,042	-	608,008	209,801	817,809
White Marsh/Lake Kennedy Water	7,356	-	6,136	-	6,136
White Marsh/Lake Kennedy Sewer Imp	4,412	5,003	-	-	5,003
Totals	\$ 90,385,828	\$ 31,956,849	\$ 29,868,428	\$ 16,585,997	\$ 78,411,274

Note - This schedule includes capitalized interest which is not budgeted.

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COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2005

	Information Technology	Fleet Management	Risk Management	Totals
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ -	\$ 509,040	\$ 509,040
Receivables - net	8	868	111,348	112,224
Due from other governments	-	608,812	-	608,812
Inventories	82,372	348,746	-	431,118
Prepaid items	-	2,543	346,542	349,085
Total current assets	82,380	960,969	966,930	2,010,279
Capital assets:				
Land	-	298,000	-	298,000
Buildings	-	1,221,050	-	1,221,050
Improvements other than buildings	-	35,157	-	35,157
Machinery and equipment	2,835,086	23,802,383	-	26,637,469
Less - accumulated depreciation	(2,428,640)	(12,620,430)	-	(15,049,070)
Total capital assets	406,446	12,736,160	-	13,142,606
Total assets	\$ 488,826	\$ 13,697,129	\$ 966,930	\$ 15,152,885
LIABILITIES				
Current liabilities:				
Vouchers and accounts payable	\$ 75,789	\$ 185,393	\$ 32,873	\$ 294,055
Accrued interest	-	95,232	-	95,232
Claims payable - current portion	-	-	451,791	451,791
Due to other funds	509,466	2,785,449	4,141,026	7,435,941
Capital lease obligations - current portion	-	726,407	-	726,407
Total current liabilities	585,255	3,792,481	4,625,690	9,003,426
Noncurrent liabilities				
Compensated absences - net of current	66,652	5,468	-	72,120
Capital lease obligations - less current portion	-	2,441,755	-	2,441,755
Total long-term liabilities	66,652	2,447,223	-	2,513,875
Total liabilities	651,907	6,239,704	4,625,690	11,517,301
NET ASSETS				
Invested in capital assets - net of related debt	406,446	9,567,998	-	9,974,444
Unrestricted (deficit)	(569,527)	(2,110,573)	(3,658,760)	(6,338,860)
Total net assets	(163,081)	7,457,425	(3,658,760)	3,635,584
Total liabilities and net assets	\$ 488,826	\$ 13,697,129	\$ 966,930	\$ 15,152,885

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS**
Year Ended June 30, 2005

	Information Technology	Fleet Management	Risk Management	Total
Operating revenues				
Charges for services	\$ 1,578,117	\$ 7,388,718	\$ 8,868,046	\$ 17,834,881
Total operating revenues	<u>1,578,117</u>	<u>7,388,718</u>	<u>8,868,046</u>	<u>17,834,881</u>
Operating expenses				
Personnel services	710,953	719,135	-	1,430,088
Insurance claims and expenses	-	-	7,669,586	7,669,586
Purchased services	344,432	121,651	39,660	505,743
Contractual services	90,964	609,724	-	700,688
Supplies	63,731	3,767,362	-	3,831,093
Utilities	26,257	38,273	-	64,530
Insurance and bonds	-	-	640,953	640,953
Depreciation and amortization	186,415	2,449,607	-	2,636,022
Building and equipment rental	19,800	220,330	-	240,130
Other charges	372,934	5,500	-	378,434
Total operating expenses	<u>1,815,486</u>	<u>7,931,582</u>	<u>8,350,199</u>	<u>18,097,267</u>
Operating income (loss)	<u>(237,369)</u>	<u>(542,864)</u>	<u>517,847</u>	<u>(262,386)</u>
Nonoperating revenue (expense)				
Federal and state grants	-	22,701	-	22,701
Interest expense	(4,824)	(169,846)	(56,989)	(231,659)
Debt service expenses	-	(1,719)	-	(1,719)
Gain (loss) on disposal of capital assets	-	3,506	-	3,506
Other revenues	-	2,400	-	2,400
Total nonoperating revenue (expense)	<u>(4,824)</u>	<u>(142,958)</u>	<u>(56,989)</u>	<u>(204,771)</u>
Income (loss) before transfers, contributions special items, and extraordinary items	<u>(242,193)</u>	<u>(685,822)</u>	<u>460,858</u>	<u>(467,157)</u>
Transfers in	-	-	300,000	300,000
Transfers out	(68,900)	(115,500)	(34,500)	(218,900)
Capital contributions	-	18,701	-	18,701
Change in net assets	<u>(311,093)</u>	<u>(782,621)</u>	<u>726,358</u>	<u>(367,356)</u>
Net assets - beginning of year as previously reported	148,012	11,514,747	(4,385,118)	7,277,641
Prior period adjustment	-	(3,274,701)	-	(3,274,701)
Net assets - beginning of year, restated	<u>148,012</u>	<u>8,240,046</u>	<u>(4,385,118)</u>	<u>4,002,940</u>
Net assets - end of year	<u>\$ (163,081)</u>	<u>\$ 7,457,425</u>	<u>\$ (3,658,760)</u>	<u>\$ 3,635,584</u>

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

Year Ended June 30, 2005

	Information Technology	Fleet Management	Risk Management	Total
Cash flows from operating activities				
Received from customers and users	\$ 1,578,109	\$ 7,387,850	\$ 8,953,092	\$ 17,919,051
Payments to suppliers for goods and services	(914,413)	(4,919,675)	(8,369,200)	(14,203,288)
Payments to employees	(701,802)	(762,122)	-	(1,463,924)
Cash received from other funds	305,266	1,685,449	(283,363)	1,707,352
Net cash from operating activities	267,160	3,391,502	300,529	3,959,191
Cash flows from noncapital financing activities				
Other nonoperating revenues	-	2,400	-	2,400
Transfers to other funds	(68,900)	(115,500)	(34,500)	(218,900)
Transfers from other funds	-	-	300,000	300,000
Interest paid on other transactions	-	-	(56,989)	(56,989)
Federal and state grants	-	22,701	-	22,701
Net cash from noncapital financing activities	(68,900)	(90,399)	208,511	49,212
Cash flows from capital and related financing activities				
Proceeds from capital debt	-	1,213,155	-	1,213,155
Principal paid on capital debt	-	(731,048)	-	(731,048)
Interest paid on capital debt	(4,824)	(158,837)	-	(163,661)
Debt service expenses	-	(1,719)	-	(1,719)
Acquisition and construction of capital assets	(193,455)	(3,628,229)	-	(3,821,684)
Proceeds from disposition of fixed assets	-	3,506	-	3,506
Net cash from capital and related financing activities	(198,279)	(3,303,172)	-	(3,501,451)
Net change in cash and cash investments	(19)	(2,069)	509,040	506,952
Cash and investments - beginning of year	19	2,069	-	2,088
Cash and investments - end of year	\$ -	\$ -	\$ 509,040	\$ 509,040
Reconciliation of operating income (loss) to net cash from operating activities				
Operating income (loss)	\$ (237,369)	\$ (542,864)	\$ 517,847	\$ (262,386)
Adjustments:				
Depreciation and amortization	186,415	2,449,607	-	2,636,022
Change in compensated absences	9,151	(42,987)	-	(33,836)
Change in assets and liabilities:				
Receivables - net	(8)	(868)	85,046	84,170
Inventories	(12,078)	(13,459)	-	(25,537)
Prepaid items	-	244	(31,000)	(30,756)
Vouchers and accounts payable	15,783	(143,620)	(33,959)	(161,796)
Claims payable	-	-	45,958	45,958
Due to other funds	305,266	1,685,449	(283,363)	1,707,352
Total adjustments	504,529	3,934,366	(217,318)	4,221,577
Net cash from operating activities	\$ 267,160	\$ 3,391,502	\$ 300,529	\$ 3,959,191
Noncash investing, capital, and financing activities:				
Capital contributions	\$ -	\$ 18,701	\$ -	\$ 18,701
Acquisition and construction of capital assets	-	(18,701)	-	(18,701)
Net change in cash from noncash investing, capital, and financing activities	\$ -	\$ -	\$ -	\$ -

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

June 30, 2005

ASSETS	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Restricted cash	\$ 27,560	\$ 252,025	\$ 257,214	\$ 22,371
Accounts receivable	11,112	-	402	10,710
Total assets	\$ 38,672	\$ 252,025	\$ 257,616	\$ 33,081
LIABILITIES				
Accounts payable	\$ 15,519	\$ 428	\$ -	\$ 15,947
Cash held for others	23,153	251,597	257,616	17,134
Total liabilities	\$ 38,672	\$ 252,025	\$ 257,616	\$ 33,081

Note that City and School Board agency funds were combined in the prior year. This schedule reports the City's agency funds only.

SCHOOL BOARD

COMBINING BALANCE SHEET

June 30, 2005

	Governmental Activities			Subtotal Excluding Component Unit	Component Unit	Total School Board
	School Operating	School Food Service	School Grants		The Pruden Center for Industry and Technology	
ASSETS						
Cash and investments:						
Unrestricted	\$ 11,699,094	\$ 935,202	\$ -	\$ 12,634,296	\$ -	\$ 12,634,296
Restricted	-	-	-	-	132,658	132,658
Receivables - net:						
Receivables	101,497	91,487	135	193,119	21,792	193,119
Due from other funds	1,340,001	-	-	1,340,001	-	1,340,001
Due from other governments	1,411,484	106,499	2,865,111	4,383,094	-	4,383,094
Inventories	138,084	203,888	-	341,972	-	341,972
Prepaid expenses	80,000	-	-	80,000	-	80,000
Total assets	\$ 14,770,160	\$ 1,337,076	\$ 2,865,246	\$ 18,972,482	\$ 154,450	\$ 19,126,932
LIABILITIES						
Vouchers and accounts payable	\$ 1,242,583	\$ 55,135	\$ 179,668	\$ 1,477,386	\$ -	\$ 1,477,386
Accrued liabilities	209,132	-	-	209,132	132,658	341,790
Accrued payroll	7,531,919	134,544	658,240	8,324,703	-	8,324,703
Accrued benefits	114,733	5,850	-	120,583	-	120,583
Amounts held for others	44,393	-	-	44,393	-	44,393
Due to primary government	-	-	-	-	-	-
Due to other governments	-	-	-	-	21,792	21,792
Due to other funds	-	-	1,340,001	1,340,001	-	1,340,001
Total liabilities	9,142,760	195,529	2,177,909	11,516,198	154,450	11,670,648
FUND BALANCES						
Reserved:						
Encumbrances	4,561,551	-	421,736	4,983,287	-	4,983,287
Inventories	138,084	203,888	-	341,972	-	341,972
Workers compensation claims	547,643	-	-	547,643	-	547,643
Health insurance claims	380,122	-	-	380,122	-	380,122
State funds	-	-	358,904	358,904	-	358,904
Unreserved:						
Designated:						
Grant compliance	-	-	217,763	217,763	-	217,763
Undesignated (accumulated deficit)	-	937,659	(311,066)	626,593	-	626,593
Total fund balances (accumulated deficit)	5,627,400	1,141,547	687,337	7,456,284	-	7,456,284
Total liabilities and fund balances	\$ 14,770,160	\$ 1,337,076	\$ 2,865,246	\$ 18,972,482	\$ 154,450	\$ 19,126,932
Reconciliation of Fund Balance to Net Assets						
Fund balances (accumulated deficit)						\$ 7,456,284
Amounts reported for governmental activities in the statement of net assets because:						
Capital assets used in governmental activities are not financial sources and therefore are not reported in the funds:						48,853,713
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:						(1,581,558)
Total net assets						\$ 54,728,439

SCHOOL BOARD

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	Governmental Activities			Subtotal School Board	Component Unit	Total School Board
	School Operating	School Food Service	School Grants		The Pruden Center for Industry and Technology	
Revenues						
Intergovernmental revenues	\$ 97,532,772	\$ 2,710,195	\$ 8,186,816	\$ 108,429,783	\$ 2,055,121	\$ 110,484,904
Charges for services	133,000	1,944,899	-	2,077,899	96,488	2,174,387
Use of money and property	69,701	8,284	-	77,985	355	78,320
Miscellaneous	473,869	82,302	-	556,171	3,489	559,660
Total revenues	98,209,342	4,745,680	8,186,816	111,141,818	2,155,453	113,297,271
Expenditures						
Current:						
Education	99,014,328	4,517,877	8,565,394	112,097,599	2,155,453	114,253,052
Total expenditures	99,014,328	4,517,877	8,565,394	112,097,599	2,155,453	114,253,052
Excess (deficiency) of revenues over expenditures	(804,986)	227,783	(378,578)	(955,781)	-	(955,781)
Other financing sources (uses)						
Transfers in	-	-	169,839	169,839	-	169,839
Transfers out	(169,839)	-	-	(169,839)	-	(169,839)
Total other financing sources (uses)	(169,839)	-	169,839	-	-	-
Net change in fund balances	(974,825)	227,783	(208,739)	(955,781)	-	(955,781)
Fund balances (accumulated deficit) - beginning of year	6,802,225	913,784	896,076	8,412,065	-	8,412,065
Fund balances (accumulated deficit) - end of year	\$ 5,827,400	\$ 1,141,547	\$ 687,337	\$ 7,456,284	\$ -	\$ 7,456,284
Reconciliation of Changes in Fund Balance to Changes in Net Assets						
Change in fund balance						\$ (955,781)
Changes in capital assets						18,183,145
Changes in compensated absences						(211,380)
Change in net assets						\$ 15,015,984

COMPONENT UNIT - SCHOOL BOARD

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Original Budget	Budget as Amended	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
GENERAL FUND				
Revenues				
Intergovernmental revenues	\$ 98,215,000	\$ 98,215,000	\$ 97,532,772	\$ (682,228)
Charges for services	90,000	90,000	133,000	43,000
Use of money and property	60,000	60,000	69,701	9,701
Miscellaneous	673,000	673,000	473,869	(199,131)
Total revenues	\$ 99,038,000	\$ 99,038,000	\$ 98,209,342	\$ (828,658)
Expenditures				
Education	\$ 98,710,477	\$ 104,489,140	\$ 103,575,879	\$ 913,261
Other financing uses				
Transfers out	327,523	175,460	169,839	5,621
Total expenditures and other financing uses	\$ 99,038,000	\$ 104,664,600	\$ 103,745,718	\$ 918,882
FOOD SERVICE FUND				
Revenues				
Intergovernmental revenues	\$ 2,291,000	\$ 2,291,000	\$ 2,710,195	\$ 419,195
Charges for services	1,896,000	1,896,000	1,944,899	48,899
Use of money and property	5,000	5,000	8,264	3,264
Miscellaneous	120,000	120,000	82,302	(37,698)
Total revenues	4,312,000	4,312,000	4,745,660	433,660
Other financing sources				
Appropriated fund balance	300,000	300,000	-	(300,000)
Total other financing sources	300,000	300,000	-	(300,000)
Total revenues and other financing sources	\$ 4,612,000	\$ 4,612,000	\$ -	\$ 133,660
Expenditures				
Food services	\$ 4,612,000	\$ 4,612,000	\$ 4,517,877	\$ 94,123
Total expenditures	\$ 4,612,000	\$ 4,612,000	\$ 4,517,877	\$ 94,123
GRANTS FUND				
Revenues				
Intergovernmental revenues	\$ 9,300,000	\$ 9,130,161	\$ 8,186,816	\$ (943,345)
Total revenues	9,300,000	9,130,161	8,186,816	(943,345)
Other financing sources				
Transfers in	-	169,839	169,839	-
Total other financing sources	-	169,839	169,839	-
Total revenues and other financing sources	\$ 9,300,000	\$ 9,300,000	\$ 8,356,655	\$ (943,345)
Expenditures				
Grant expenditures	\$ 9,300,000	\$ 9,300,000	\$ 8,987,130	\$ 312,870
Total expenditures	\$ 9,300,000	\$ 9,300,000	\$ 8,987,130	\$ 312,870

**SCHOOL BOARD INCLUDING DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF CAPITAL ASSETS BY SOURCE**

June 30, 2005

	School Board	Component Unit - The Pruden Center for Industry and Technology	Total
Land	\$ 1,649,415	\$ 5,285	\$ 1,654,700
Buildings	56,874,078	2,548,287	59,422,365
Improvements	10,561,902	1,383,150	11,945,052
Equipment	23,704,072	151,691	23,855,763
	<u>92,789,467</u>	<u>4,088,413</u>	<u>96,877,880</u>
Less - accumulated depreciation	<u>(45,664,907)</u>	<u>(2,359,260)</u>	<u>(48,024,167)</u>
	<u>\$ 47,124,560</u>	<u>\$ 1,729,153</u>	<u>\$ 48,853,713</u>
Federal grants	\$ 271,528	\$ -	\$ 271,528
State grants	2,304,698	-	2,304,698
Contributions from participating municipalities	7,803,940	4,088,413	11,892,353
Gifts	378,900	-	378,900
School operating revenues	94,165,521	-	94,165,521
	<u>104,924,587</u>	<u>4,088,413</u>	<u>109,013,000</u>
Less - accumulated depreciation	<u>(57,800,027)</u>	<u>(2,359,260)</u>	<u>(60,159,287)</u>
	<u>\$ 47,124,560</u>	<u>\$ 1,729,153</u>	<u>\$ 48,853,713</u>

**SCHOOL BOARD INCLUDING DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY**

Year Ended June 30, 2005

	Balance June 30, 2004 as Restated	Increases	Decreases	Balance June 30, 2005
School Board	\$ 143,759,172	\$ 40,946,093	\$ (233,900)	\$ 184,471,365
Component Unit				
The Pruden Center for Industry and Technology	4,072,623	15,790	-	4,088,413
	147,831,795	40,961,883	(233,900)	188,559,778
Less - accumulated depreciation	(54,029,242)	(6,360,680)	230,634	(60,159,288)
	93,802,553	34,601,203	(3,266)	128,400,490
Allocation of assets to City	70,164,242	21,517,655	-	91,681,897
Less - accumulated depreciation	(9,032,257)	(3,102,863)	-	(12,135,120)
	61,131,985	18,414,792	-	79,546,777
	\$ 32,670,568	\$ 16,186,411	\$ (3,266)	\$ 48,853,713

SCHOOL BOARD

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

 June 30, 2005

ASSETS	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Cash	\$ 740,563	\$ 2,687,666	\$ 2,635,935	\$ 792,294
Total assets	\$ 740,563	\$ 2,687,666	\$ 2,635,935	\$ 792,294
LIABILITIES				
Due to students	\$ 740,563	\$ 2,687,666	\$ 2,635,935	\$ 792,294
Total liabilities	\$ 740,563	\$ 2,687,666	\$ 2,635,935	\$ 792,294

Note that City and School Board agency funds were combined in the prior year. This schedule reports the School Board's agency funds only.

CITY OF SUFFOLK, VIRGINIA
 GOVERNMENT-WIDE REVENUES

LAST FOUR FISCAL YEARS

Fiscal Year	Program Revenues				General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Reimbursements from Other Agencies	Grants and Contributions Not Restricted to Specific Programs	Investment Earnings	Gain on Disposal of Capital Assets	Transfers/Miscellaneous	
2002	\$ 22,218,053	\$ 15,898,230	\$ 4,174,266	\$ 75,735,139	\$ 518,131	\$ 3,032,196	\$ 1,893,229	\$ -	\$ 1,067,121	\$ 124,536,365
2003	\$ 21,686,431	\$ 15,990,921	\$ 5,971,261	\$ 82,192,711	\$ 113,312	\$ 2,954,054	\$ 2,588,774	\$ 28,464	\$ 537,957	\$ 132,063,885
2004	\$ 22,407,629	\$ 24,581,150	\$ 5,661,508	\$ 91,734,955	\$ -	\$ 3,041,024	\$ 2,297,750	\$ (30,742)	\$ 209,172	\$ 149,902,446
2005	\$ 26,365,502	\$ 17,215,719	\$ 6,641,639	\$ 102,418,853	\$ 23,000	\$ 3,239,271	\$ 2,297,886	\$ -	\$ 1,297,808	\$ 159,499,678

CITY OF SUFFOLK, VIRGINIA
 GOVERNMENT-WIDE EXPENSES BY FUNCTION
 LAST FOUR FISCAL YEARS

Fiscal Year	General Government	Judicial	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation and Cultural	Community Development	Other Public Services	Interest on Long-term Debt	Bond Costs	Non-Departmental	Utility	Golf Course	Total Expenditures
2002	\$ 5,952,937	\$ 4,771,088	\$ 22,521,545	\$ 7,922,717	\$ 14,043,726	\$ 26,882,975	\$ 4,515,517	\$ 4,193,781	\$ 2,868,171	\$ 6,510,669	\$ 94,231	\$ 3,201,419	\$ 12,672,901	\$ 17,317	\$ 116,168,994
2003	\$ 5,617,639	\$ 4,457,170	\$ 21,195,772	\$ 7,633,769	\$ 12,527,607	\$ 32,979,130	\$ 4,130,338	\$ 9,677,963	\$ 2,375,419	\$ 6,549,846	\$ 27,383	\$ 4,292,818	\$ 13,045,332	\$ 1,181,521	\$ 125,691,707
2004	\$ 8,019,005	\$ 4,428,005	\$ 24,623,891	\$ 13,763,814	\$ 13,014,409	\$ 26,253,784	\$ 4,043,316	\$ 6,556,252	\$ 3,662,585	\$ 7,359,854	\$ 13,390	\$ 7,587,424	\$ 15,593,938	\$ 1,148,610	\$ 136,068,277
2005	\$ 1,900,766	\$ 4,936,491	\$ 26,646,128	\$ 4,657,083	\$ 13,810,781	\$ 56,260,122	\$ 15,364,543	\$ 10,058,214	\$ 2,949,560	\$ 7,266,452	\$ 27,970	\$ 5,481,997	\$ 17,773,204	\$ 1,834,057	\$ 169,967,368

**GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses, Permits and Fees	Fines and Forfeitures	Use of Money and Property	Inter-Governmental	Charges for Services	Sale of		Total Revenues
								Commodities and Property	Miscellaneous	
1996	\$ 32,210,191	\$ 12,081,260	\$ 834,167	\$ 422,610	\$ 1,626,901	\$ 47,676,143	\$ 601,892	\$ 987,259	\$ 1,053,235	\$ 97,493,658
1997	\$ 35,245,027	\$ 12,999,525	\$ 808,415	\$ 482,133	\$ 1,896,829	\$ 53,083,326	\$ 790,276	\$ 1,115,353	\$ 1,054,149	\$ 107,475,033
1998	\$ 49,751,898 *	\$ 13,737,800	\$ 923,801	\$ 393,722	\$ 2,401,550	\$ 57,044,533	\$ 806,654	\$ 1,164,610	\$ 1,628,391	\$ 127,852,959
1999	\$ 40,308,221	\$ 15,196,339	\$ 1,010,150	\$ 462,477	\$ 3,219,184	\$ 64,033,941	\$ 979,532	\$ 1,277,441	\$ 892,314	\$ 127,379,599
2000	\$ 43,970,282	\$ 16,113,495	\$ 1,122,990	\$ 370,031	\$ 3,849,062	\$ 70,977,637	\$ 993,625	\$ 1,352,834	\$ 1,458,900	\$ 140,208,856
2001	\$ 47,924,487	\$ 18,567,350	\$ 1,236,861	\$ 414,419	\$ 4,681,210	\$ 76,770,071	\$ 1,438,789	\$ 1,472,687	\$ 865,580	\$ 153,371,454
2002	\$ 53,892,139	\$ 21,843,000	\$ 1,405,319	\$ 949,377	\$ 2,392,127	\$ 75,580,902	\$ 1,784,194	\$ 1,556,057	\$ 1,677,663	\$ 160,480,778
2003	\$ 57,961,870	\$ 23,503,407	\$ 1,452,509	\$ 553,375	\$ 3,115,965	\$ 109,139,733	\$ 2,258,268	\$ 1,683,594	\$ 623,446	\$ 200,292,167
2004	\$ 66,231,547	\$ 25,361,853	\$ 1,459,690	\$ 655,114	\$ 2,163,780	\$ 125,785,260	\$ 2,781,664	\$ 1,888,064	\$ 2,627,721	\$ 228,954,693
2005	\$ 74,827,500	\$ 27,514,690	\$ 1,581,725	\$ 661,623	\$ 2,139,060	\$ 130,673,906	\$ 2,957,076	\$ 2,174,387	\$ 896,602	\$ 243,426,569

Note: Includes General, Special Revenue, Debt Service, School Operating, School Food Service, and the School Grants Fund. School Funds are reported in the component unit section of the financial statements, but are included here since they are part of the general government function.

* Includes \$12,202,627 from the first semi-annual real estate tax collection.

CITY OF SUFFOLK, VIRGINIA
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
 LAST TEN FISCAL YEARS

Fiscal Year	General Government	Judicial	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation and Cultural	Community Development	Other Public Services	Non-Departmental	Debt Service	Total Expenditures
1996	\$3,107,139	\$2,199,588	\$9,309,843	\$4,529,077	\$8,565,448	\$50,624,834	\$1,408,115	\$1,108,558	\$1,548,658	\$3,692,730	\$6,477,480	\$92,571,470
1997	\$3,834,112	\$2,331,910	\$10,352,954	\$4,368,302	\$9,205,553	\$55,981,094	\$2,070,460	\$1,401,470	\$1,681,124	\$4,038,924	\$7,628,235	\$102,894,138
1998	\$3,834,909	\$2,744,697	\$11,426,217	\$4,472,789	\$9,937,223	\$61,870,942	\$2,262,563	\$1,353,831	\$2,170,627	\$4,348,295	\$8,215,895	\$112,637,988
1999	\$4,234,732	\$3,116,112	\$12,887,950	\$4,835,078	\$11,119,975	\$64,418,271	\$2,479,360	\$2,174,564	\$2,136,223	\$4,629,563	\$9,273,273	\$121,305,101
2000	\$4,157,453	\$3,430,025	\$15,109,512	\$5,857,877	\$11,657,214	\$72,545,507	\$2,747,630	\$2,381,685	\$2,156,018	\$5,383,726	\$15,466,807	\$140,893,454
2001	\$4,583,998	\$3,670,902	\$16,443,143	\$6,412,480	\$12,168,833	\$78,070,900	\$2,943,721	\$2,362,377	\$1,452,488	\$5,798,002	\$17,355,943	\$151,262,787
2002	\$5,089,739	\$4,147,075	\$19,529,292	\$6,390,227	\$12,257,769	\$84,091,273	\$3,750,968	\$3,666,922	\$2,439,054	\$2,796,469	\$14,279,347	\$158,438,135
2003	\$5,481,723	\$4,420,572	\$20,911,023	\$6,806,929	\$12,495,701	\$92,760,306	\$3,885,476	\$3,643,667	\$2,380,779	\$3,755,336	\$15,381,661	\$171,923,173
2004	\$5,803,203	\$4,402,709	\$23,876,250	\$7,008,118	\$13,001,895	\$128,797,315	** \$3,810,234	\$6,506,643	** \$2,725,172	\$10,749,106	* \$17,364,415	\$224,145,060
2005	\$6,433,652	\$4,915,653	\$26,239,576	\$8,767,265	\$13,786,005	\$148,483,536	** \$4,299,784	\$4,485,621	\$2,949,560	\$4,995,690	\$16,910,160	\$242,266,502

Note: Includes General, Special Revenue, Debt Service, School Operating, School Food Service and School Grants Funds. School Funds are reported in the component unit section of the financial statements, but are included here since they are part of the general government function.

* Nondepartmental includes expenditures for Hurricane Isabel.

** Education includes the City's payments to the School Board, as listed below, which were reported as transfers in prior years.

2004	30,386,932
2005	34,230,484

*** Includes \$2,437,088 of funding for the IDA's Secondary Debt Service Reserve Fund to support the \$18.3 million Economic Development Revenue Bonds relating to the Hilton Garden Inn and Suffolk Conference Center.

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	[1] Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections		Total Tax Collection		Outstanding Delinquent Taxes		
				Amount	As Percent of Outstanding Delinquent Taxes	Amount	As Percent of Current Levy	[2] At End of Fiscal Year	As Percent of Current Levy	As Percent of Applicable Levies
1996 *	\$ 32,186,027	\$ 31,221,007	97.00%	\$ 757,539	43.17%	\$ 31,978,546	99.36%	\$ 1,754,629	5.45%	1.98%
1997 *	\$ 35,376,204	\$ 34,403,817	97.25%	\$ 563,752	31.72%	\$ 34,967,569	98.84%	\$ 1,777,151	5.02%	1.83%
1998 **	\$ 37,283,952	\$ 36,474,256	97.83%	\$ 639,766	39.24%	\$ 37,114,022	99.54%	\$ 1,630,477	4.37%	1.56%
1999	\$ 39,983,151	\$ 39,075,654	97.73%	\$ 691,573	45.92%	\$ 39,767,227	99.46%	\$ 1,506,111	3.77%	1.34%
2000	\$ 44,173,971	\$ 43,215,689	97.83%	\$ 565,926	35.06%	\$ 43,781,615	99.11%	\$ 1,614,009	3.65%	1.33%
2001	\$ 47,995,899	\$ 46,948,148	97.82%	\$ 689,913	39.64%	\$ 47,638,061	99.25%	\$ 1,740,460	3.63%	1.32%
2002	\$ 53,553,363	\$ 52,796,334	98.59%	\$ 840,621	48.02%	\$ 53,636,955	100.16%	\$ 1,750,679	3.27%	1.20%
2003	\$ 58,175,390	\$ 57,393,884	98.66%	\$ 835,992	44.17%	\$ 58,229,876	100.09%	\$ 1,892,505	3.25%	1.18%
2004	\$ 66,303,851	\$ 65,447,182	98.71%	\$ 777,317	40.50%	\$ 66,224,499	99.88%	\$ 1,919,065	2.89%	1.08%
2005	\$ 74,108,747	\$ 73,148,580	98.70%	\$ 745,533	36.69%	\$ 73,894,113	99.71%	\$ 2,032,137	2.74%	1.02%

Note: For delinquent real property taxes not collected within three years, a lien is recorded on the property for the collection thereof.

[1] Beginning in the year ended June 30, 2000, the total tax levy includes the Commonwealth's reimbursement.

[2] Represents collections through August 15.

* Revised - For 1996, all columns have been revised; For 1997, delinquent tax and total tax collections columns have been revised.

** Amounts exclude semi-annual real estate tax collection for comparability.

CITY OF SUFFOLK, VIRGINIA

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property				Personal Property				Total		Ratio of Total Assessed to Total Estimated Actual Value
	Citizens Property [1]	Assessed Value Public Service [2]	Total	Estimated Actual Value	Assessed Value Citizens Property [3]	Public Service [2]	Total	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1996	\$1,958,489,100	\$13,690,247	\$1,972,179,347	\$2,148,901,486	\$266,411,048	\$123,266,169	\$389,677,217	\$403,373,458	\$2,361,856,564	\$2,552,274,944	92.54%
1997	\$2,136,913,200	\$14,289,317	\$2,151,202,517	\$2,452,536,817	\$300,559,830	\$125,658,180	\$426,218,010	\$441,344,613	\$2,577,420,527	\$2,893,881,430	89.06%
1998	\$2,438,511,900	\$14,862,434	\$2,453,394,334	\$2,617,388,053	\$349,622,362	\$124,837,580	\$474,459,942	\$488,330,784	\$2,927,854,276	\$3,105,718,837	94.27%
1999	\$2,487,432,000	\$14,541,320	\$2,501,973,320	\$2,669,084,938	\$369,507,750	\$132,916,008	\$502,423,758	\$517,192,203	\$3,004,397,078	\$3,186,277,141	94.29%
2000	\$2,738,220,300	\$14,497,039	\$2,752,717,339	\$2,930,313,339	\$414,544,994	\$138,101,347	\$552,646,341	\$567,990,935	\$3,305,363,680	\$3,498,304,274	94.48%
2001	\$2,973,951,700	\$15,638,034	\$2,989,589,734	\$3,178,132,234	\$450,578,178	\$146,698,674	\$597,276,852	\$613,576,705	\$3,586,866,586	\$3,791,708,939	94.60%
2002	\$3,197,461,000	\$17,455,240	\$3,214,916,240	\$3,402,129,340	\$487,554,205	\$172,908,792	\$660,462,997	\$679,675,085	\$3,875,379,237	\$4,081,804,425	94.94%
2003	\$3,532,824,000	\$17,669,080	\$3,550,493,080	\$3,750,119,580	\$529,426,302	\$167,961,412	\$697,387,714	\$715,774,193	\$4,247,880,794	\$4,465,893,773	95.12%
2004	\$4,044,414,400	\$18,332,444	\$4,062,746,844	\$4,280,219,144	\$608,825,985	\$166,161,886	\$774,987,871	\$793,450,303	\$4,837,734,715	\$5,073,669,447	95.35%
2005	\$4,700,248,600	\$16,416,461	\$4,716,665,061	\$4,983,988,261	\$624,278,865	\$153,824,486	\$778,103,351	\$795,194,961	\$5,494,768,412	\$5,779,183,222	95.08%

Notes:

[1] Real property is assessed at 100% of estimated actual value except land use property which approximates 30%.

[2] Determined by the State Corporation Commission of Virginia.

[3] Vehicles are assessed at 100% of average loan value; recreation vehicles are assessed at 100% of lowest NADA value; and machinery and tools are assessed at 20% of original cost for the first five years and 10% thereafter.

CITY OF SUFFOLK, VIRGINIA

PROPERTY TAX RATES (PER HUNDRED) [1]

LAST TEN FISCAL YEARS

Fiscal Year	Real Property [2]				Personal Property [3]	Machinery and Tools [4]
	Suffolk Taxing District	City Wide	Route 17 Taxing District	Mosquito Control District		
1996	\$1.21	\$1.03	\$1.22	-	\$4.35/\$4.25	\$3.15
1997	\$1.21	\$1.03	\$1.22	-	\$4.25	\$3.15
1998	\$1.21	\$1.03	\$1.22	-	\$4.25	\$3.15
1999	\$1.21	\$1.03	\$1.29	\$1.065	\$4.25	\$3.15
2000	\$1.19	\$1.03	\$1.29	\$1.065	\$4.25	\$3.15
2001	\$1.19	\$1.03	\$1.29	\$1.065	\$4.25	\$3.15
2002	\$1.24	\$1.08	\$1.34	\$1.115	\$4.25	\$3.15
2003	\$1.24	\$1.08	\$1.34	\$1.115	\$4.25	\$3.15
2004	\$1.24	\$1.08	\$1.34	\$1.115	\$4.25	\$3.15
2005	\$1.24	\$1.08	\$1.34	\$1.115	\$4.25	\$3.15

Notes:

- [1] The City is not a component of any overlapping governments; therefore, it does not share any overlapping tax rates nor debt.
- [2] Real property is assessed at 100% of estimated actual value, except land use property which approximates 30%.
- [3] Vehicles are assessed at 100% of average loan value. The tax rate was lowered calendar year 1996 to \$4.25.
- [4] Assessed at 20% of original cost during the first five years of life; 10% thereafter.

CITY OF SUFFOLK, VIRGINIA

SPECIAL ASSESSMENT COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Current Assessments Due	Current Assessments Collected	Ratio of Collections to Amount Due	Total Outstanding Assessments
1996	\$34,063	\$32,172	91.5%	\$ 1,891
1997	-	-	-	\$ 1,655
1998	-	-	-	\$ 1,529
1999	-	-	-	\$ 361
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-

Notes:

Special assessments were made on properties in the Downtown Service District beginning fiscal year 1988 and ending in fiscal year 1996 for the purpose of economic revitalization of the Central Business District.

Total Outstanding Assessments represent balances outstanding at June 30th for each respective year.

**RATIO OF NET GENERAL DEBT TO ASSESSED VALUE AND NET GENERAL DEBT PER CAPITA
LAST TEN FISCAL YEARS**

Fiscal Year	Population [1]	Assessed Value [2]	Gross General Debt [3]	Debt Service Monies Available	Debt Payable From Enterprise Revenues	Net General Debt	Ratio of Net General Debt to Assessed Value	Net General Debt Per Capita
1996	55,600	\$2,361,856,564	\$94,971,748	-	\$16,127,570	\$78,844,178	3.34%	\$ 1,418
1997	59,677	\$2,577,420,527	\$104,402,316	\$30,734	\$28,757,367	\$75,614,215	2.93%	\$ 1,267
1998	61,800	\$2,927,854,276	\$119,086,107	\$119,006	\$27,577,119	\$91,389,982	3.12%	\$ 1,479
1999	63,895	\$3,004,397,078	\$128,473,910	\$340,467	\$26,063,460	\$102,069,983	3.40%	\$ 1,597
2000	63,677	\$3,305,363,680	\$156,127,608	\$798,819	\$39,251,588	\$116,077,201	3.51%	\$ 1,823
2001	64,415	\$3,586,866,586	\$170,029,102	\$2,017,096	\$37,999,154	\$130,012,852	3.62%	\$ 2,018
2002	67,568	\$3,875,379,237	\$181,223,078	\$6,680	\$57,012,706	\$124,203,692	3.20%	\$ 1,838
2003	70,100	\$4,247,880,794	\$192,734,211	-	\$58,927,021	\$133,807,190	3.15%	\$ 1,909
2004	72,700	\$4,837,734,715	\$210,909,203	-	\$70,337,138	\$140,572,065	2.91%	\$ 1,934
2005	75,500	\$5,494,768,412	\$217,736,649	-	\$65,954,182	\$151,782,467	2.76%	\$ 2,010

Notes:

[1] Source - Center for Public Service, University of Virginia.
1996 - University of Virginia, Weldon Cooper Center for Public Service (estimate of 1995 population).
1997 - 1999 and 2001 - 2005 - City of Suffolk Planning Department.
2000 - U. S. Census.

[2] Includes all taxable property (real estate, personal property and public service corporation property).

[3] Includes bonds and notes payable only.

COMPUTATION OF LEGAL DEBT MARGIN**June 30, 2005**

Assessed Value (as of July 1, 2004)	
Taxable Real Estate, including Public Service Corporations	<u>\$ 4,716,665,061</u>
Legal Debt Limits	
7% of Assessed Value (authorized limit imposed by City Charter)	<u>\$ 330,166,554</u>
10% of Assessed Value (authorized by the Commonwealth for all cities)	<u>\$ 471,666,506</u>
Amount of debt applicable to debt limit	
Gross General Debt	<u>\$ 163,136,650</u>
City's Legal Debt Margin	<u>\$ 167,029,904</u>
Commonwealth's Legal Debt Margin	<u>\$ 308,529,856</u>

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL DEBT TO TOTAL GENERAL EXPENDITURES [1]
LAST TEN FISCAL YEARS**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures [2]	Ratio of Debt Service to Total General Expenditures
1996	\$ 3,476,320	\$2,909,333	\$ 6,385,653	\$ 92,571,470	6.90%
1997	\$ 3,199,229	\$4,258,783	\$ 7,458,012	\$102,894,138	7.25%
1998	\$ 3,329,209	\$4,708,397	\$ 8,037,606	\$112,637,988	7.14%
1999	\$ 4,343,238	\$4,767,178	\$ 9,110,416	\$121,305,101	7.51%
2000	\$ 10,234,430 [3]	\$5,145,207	\$ 15,379,637	\$140,893,454	10.92%
2001	\$ 16,411,955 [4]	\$5,838,026	\$ 22,249,981	\$151,262,787	14.71%
2002	\$ 7,819,576	\$6,363,939	\$ 14,183,515	\$158,438,135	8.95%
2003	\$ 8,598,182	\$6,649,310	\$ 15,247,492	\$169,821,144	8.98%
2004	\$ 28,879,457 [5]	\$6,553,373	\$ 35,432,830	\$224,145,060 [6]	15.81%
2005	\$ 9,949,598	\$6,829,437	\$ 16,779,035	\$242,266,502 [7]	6.93%

Notes:

- [1] Includes bonds and notes payable.
- [2] Includes General, Special Revenue, Debt Service, School Operating, School Food Service and School Grants Fund. School Funds are reported in the component unit section of the financial statements, but are included here since they are part of the general government function.
- [3] Includes \$5,000,000 payoff of bond anticipation note with proceeds from Literary Fund loan.
- [4] Includes \$5,000,000 payoff of bond anticipation note with proceeds from Literary Fund loan and \$5,065,800 of defeased debt.
- [5] Includes \$18,797,740 of defeased debt.
- [6] Education includes the City's payments of \$30,386,932 to the School Board, which were reported in previous fiscal years as transfers.
- [7] Education includes the City's payments of \$34,230,484 to the School Board, which were reported in previous fiscal years as transfers.

**UTILITY FUND BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue	Direct Operating Expenses *	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	\$ 8,082,960	\$ 3,772,631	\$ 4,310,329	\$ -	\$ -	\$ -	-
1997	\$ 11,280,426	\$ 4,443,168	\$ 6,837,258	\$ -	\$ -	\$ -	-
1998	\$ 14,208,487	\$ 5,387,888	\$ 8,820,599	\$ 210,000	\$ 596,557	\$ 806,557	10.94
1999	\$ 13,498,885	\$ 7,172,733	\$ 6,326,152	\$ 120,000	\$ 751,560	\$ 871,560	7.26
2000	\$ 13,803,535	\$ 9,085,623	\$ 4,717,912	\$ 225,000	\$ 744,044	\$ 969,044	4.87
2001	\$ 15,841,289	\$ 10,255,802	\$ 5,585,487	\$ 315,000	\$ 1,611,999	\$ 1,926,999	2.90
2002	\$ 19,964,675	\$ 9,267,731	\$ 10,696,944	\$ 465,000	\$ 1,797,855	\$ 2,262,855	4.73
2003	\$ 16,819,531	\$ 9,249,002	\$ 7,570,529	\$ 810,000	\$ 2,409,152	\$ 3,219,152	2.35
2004	\$ 17,127,179	\$ 10,439,332	\$ 6,687,847	\$ 840,000	\$ 2,601,036	\$ 3,441,036	1.94
2005	\$ 19,789,237	\$ 12,583,141	\$ 7,206,096	\$ 1,060,000	\$ 2,674,468	\$ 3,734,468	1.93

* Exclusive of depreciation, amortization, interest expense, debt issuance costs and loss on disposal of capital assets.

Restated to include only Public Utility revenue debt that falls under the debt covenant requirements of the master indenture.

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population [1]	Per Capita Income [2]	Average Daily Membership [3]	Unemployment Rate [4]
1996	55,600	\$21,995 **	10,018	6.5%
1997	59,677	\$21,354 **	10,500	6.1%
1998	61,800 **	\$22,608 **	10,749	4.7%
1999	63,985	\$23,564 **	11,099	4.3%
2000	63,677	\$25,319 **	11,387	3.9%
2001	64,415	\$26,264 **	11,608	3.4%
2002	67,568	\$26,059	12,003	5.1%
2003	70,100	\$26,975	12,476	5.2%
2004	72,700	*	12,966	4.3%
2005	75,500	*	13,483	3.8%

Sources:

- [1] Center for Public Service, University of Virginia:
1996 and 2004 - University of Virginia, Weldon Cooper Center for Public Service
(estimate of 1995 population).
1997 - 1999 and 2001 - 2005 - City of Suffolk Planning Department.
2000 - U. S. Census
- [2] Bureau of Economic Analysis, U. S. Department of Commerce.
- [3] City of Suffolk Public Schools.
- [4] Virginia Employment Commission :
1996 - 1999 - Average annual rate for all years.
2000 - 2005 - City of Suffolk Employment Commission.

* Data not available.

** Revised.

CITY OF SUFFOLK, VIRGINIA

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

Fiscal Year	Commercial Construction [1]		Residential Construction [1]		Bank Deposits [2] (in Thousands)	Real Property Value [3]			
	Number of Permits	Value	Number of Permits	Value		Residential	Commercial	Agricultural	Nontaxable
1996	232	\$ 17,290,807	1,816	\$ 66,438,370	\$ 340,424	\$ 1,537,979,800	\$ 444,780,600	\$ 318,393,200	\$ 439,765,100
1997	203	\$ 37,163,945	1,681	\$ 68,087,439	\$ 394,989	\$ 1,650,810,900	\$ 464,521,700	\$ 322,914,900	\$ 454,032,500
1998	224	\$ 90,218,040	1,779	\$ 70,580,388	\$ 410,539	\$ 1,793,861,900	\$ 482,739,800	\$ 324,564,500	\$ 515,633,000
1999	232	\$ 39,712,953	1,794	\$ 82,300,439	\$ 399,920	\$ 1,848,690,400	\$ 482,223,400	\$ 322,321,100	\$ 522,523,900
2000	160	\$ 77,495,825	1,424	\$ 77,538,340	\$ 401,000	\$ 2,053,803,800	\$ 520,146,100	\$ 341,866,400	\$ 534,782,700
2001	169	\$ 65,079,091	1,811	\$ 116,922,016	\$ 416,000	\$ 2,209,050,400	\$ 586,899,400	\$ 366,544,400	\$ 571,385,800
2002	212	\$ 63,388,257	2,024	\$ 133,069,941	\$ 427,000	\$ 2,391,608,700	\$ 631,472,700	\$ 361,592,700	\$ 631,546,300
2003	175	\$ 108,959,711	1,799	\$ 119,230,994	\$ 450,000	\$ 2,626,448,600	\$ 723,716,810	\$ 382,285,100	\$ 688,124,300
2004	184	\$ 57,183,116	1,791	\$ 138,229,794	\$ 481,000	\$ 3,086,553,300	\$ 792,445,200	\$ 382,888,200	\$ 714,195,300
2005	191	\$ 86,239,759	1,585 *	\$ 182,767,959	\$ 504,000	\$ 3,633,548,700	\$ 876,319,900	\$ 457,703,200	\$ 751,744,400

[1] Neighborhood Development Services

[2] Federal Home Loan Bank of Atlanta and Federal Deposit Insurance Corporation.

[3] City Assessor's Office, estimated actual value.

* Includes 1,088 of new construction residential permits with a total value of \$167,270,285.

PRINCIPAL TAXPAYERS

Year Ended June 30, 2005

Real Estate Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation *
Rubicon - NGP	Joint Military Training Facility	\$ 44,233,400	0.94 %
Target Corporation	Distribution Warehouse	42,287,300	0.90
CVN Distribution	Distribution Warehouse	35,801,700	0.76
Ciba Specialty Chemicals	Chemical Plant	26,105,400	0.56
Douthtie's Sysco Food Services	Food Services	24,298,900	0.52
SaraLee	Coffee Plant	24,259,000	0.52
Lake Prince Center, Inc.	Retirement Community	23,575,500	0.50
Walmart Stores, Inc.	Discount Retail	21,439,500	0.46
City of Norfolk	Municipal Water System	20,332,400	0.43
Planters Lifesavers Company	Peanut Snacks	16,294,000	0.35
		<u>\$ 278,627,100</u>	<u>5.94 %</u>

* Total assessed valuation of real estate for fiscal year 2004-2005 - \$4,700,248,600
Does not include Public Service Corporations.

Personal Property Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation **
Ciba Specialty Chemicals	Chemical Plant	\$ 261,831	0.04 %
Planters Lifesavers Co.	Peanut Products	217,445	0.03
Thomas J. Lipton Co.	Beverage Products	212,507	0.03
Sara Lee Coffee & Tea Co.	Coffee Roasting	160,193	0.03
CVN Distribution Co., Inc.	Distribution Warehouse	131,402	0.02
Target Corporation	Distribution Warehouse	91,375	0.01
Sysco Food Svc. Of Hampton Roads	Food Services	71,046	0.01
Charter Communications, Inc.	Communication Services	70,582	0.01
Suffolk Energy Partners L.P.	Energy Services	35,452	0.01
Vitex Packaging, Inc.	Packaging Warehouse	32,686	0.01
		<u>\$ 1,284,519</u>	<u>0.20 %</u>

** Total assessed valuation of personal property for fiscal year 2004-2005 - \$624,278,865.
Does not include Public Service Corporations.

PRINCIPAL COMMERCIAL/INDUSTRIAL WATER AND SEWER CONSUMERS

Year Ended June 30, 2005			
Water Consumers	Type of Business	Annual Consumption in Gallons	% of Total Annual Consumption *
Ciba Specialty Chemicals	Chemical Plant	63,841,800	3.50%
Sara Lee Coffee and Tea Co.	Coffee Roasting	47,838,340	2.63%
Western Tidewater Water Authority	Regional Water Supply	43,683,948	2.40%
Western Tidewater Regional Jail	Jail – Regional facility	26,987,840	1.48%
Obici Hospital	Hospital	24,354,880	1.34%
Thomas J. Lipton Co.	Beverage Products	20,733,812	1.14%
Planters Lifesavers Co	Peanut Products	17,542,844	0.96%
Wanchese Fish Co.	Seafood Processing	17,374,544	0.95%
Suffolk Public Schools	Education	15,183,652	0.83%
Univar USA, Inc.	Chemical Plant	11,459,360	0.63%
		289,001,020	15.86%

* Total annual consumption for fiscal year 2004-2005 was 1,822,053,000 gallons.

Sewer Consumers	Type of Business	Annual Consumption in Gallons	% of Total Annual Consumption *
Ciba Specialty Chemicals	Chemical Plant	63,841,800	4.19%
Sara Lee Coffee and Tea Co.	Coffee Roasting	47,838,340	3.14%
Western Tidewater Regional Jail	Jail - Regional Facility	27,223,460	1.79%
Obici Hospital	Hospital	24,354,880	1.60%
Planters Lifesavers Co	Peanut Products	17,542,096	1.15%
Wanchese Fish Co.	Seafood Processing	17,374,544	1.14%
Suffolk Public Schools	Education	15,183,652	1.00%
Univar USA, Inc.	Chemical Plant	11,459,360	0.75%
30 West Pershing, LLC	Real Property Management	10,391,216	0.68%
Harbour Breeze Apartments	Apartment Rental	10,233,388	0.67%
		245,442,736	16.10%

* Total annual consumption for fiscal year 2004-2005 was 1,524,291,000 gallons.

MISCELLANEOUS STATISTICAL DATA**Year Ended June 30, 2005**

Date of Incorporation - Nansemond	1646
Date of Incorporation - Suffolk	1742
Date of Merger	January 1, 1974
Form of Government	Council-Manager
Population	75,500
Area	430 square miles
Miles of Streets	
State maintenance	654
City maintenance	38
Number of street lights	6,710
Fire Protection	
Number of stations	8
Number of firefighters and officers	190
Number of volunteers	75
Police Protection	
Number of stations	4
Number of policemen and officers	160
Number of auxiliary	15
Rescue	
Number of squads	1
Number of volunteers	30
Education	
Elementary schools	12
Middle schools	4
High schools	3
Alternative school	1
Municipal Water Department	
Number of customers	21,515
Average daily consumption	5.551 million gallons
Miles of water mains	271 miles
Treatment capacity - daily	7.45 million gallons
Sewers	
Sanitary sewers	198 miles
Storm sewers	5.95 miles

MISCELLANEOUS STATISTICAL DATA**Year Ended June 30, 2005****Building permits**

Number	1,776
Value	\$ 268,507,718

Recreation and culture

Number of major parks and recreational facilities	41
Acreage of major parks and recreational facilities	1825 acres
Number of libraries	1
Number of branch libraries	3
Number of bookmobiles	1
Number of volumes	175,054

Employees

City	806
Schools	1,951
Social Services	97
Constitutional Officers	82

Registered Voters

45,922

Taxable Retail Sales [1]Calendar Year

1995	\$ 265,095,501
1996	\$ 280,327,640
1997	\$ 306,732,771
1998	\$ 312,722,141
1999	\$ 315,419,926
2000	\$ 352,196,486
2001	\$ 419,863,185
2002	\$ 453,363,903
2003	\$ 488,806,697
2004	\$ 539,290,760

[1] Source - Virginia Department of Taxation.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of City Council
City of Suffolk, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Suffolk, Virginia (City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 17, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the City in a separate letter dated November 17, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note certain matters that we have reported to management of the City in a separate letter dated November 17, 2005.

This report is intended solely for the information and use of the City Council, management, 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.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
November 17, 2005



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

Honorable Mayor and Members of City Council
City of Suffolk, Virginia

Compliance

We have audited the compliance of the City of Suffolk, Virginia (the "City") 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, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information of the City Council, management, 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.

Cherry, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
November 17, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS,
CONTRACTS AND GRANTS**

Honorable Mayor and City Council
City of Suffolk, Virginia

We have audited the basic financial statements of the City of Suffolk, Virginia (the "City"), as of and for the year ended June 30, 2005, and have issued our report thereon dated November 17, 2005.

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.

As part of obtaining reasonable assurance about whether the 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and, accordingly, we do not express such an opinion,

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

<u>Code of Virginia</u>	<u>State Agency Requirements</u>	
Budget and Appropriation Laws	Procurement	Education
Cash and Investments	Unclaimed Property	Comprehensive Services Act
Conflicts of Interest	Enhanced 911 Service Taxes	Highway Maintenance
Debt Provisions	Personal Property Tax Relief Act	Social Services
Retirement Systems		

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph.

This report is intended solely for the information of 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.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
November 17, 2005

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

Federal Grantor/State Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Department of Agriculture		
Pass-through payments:		
Department of Agriculture and Consumer Services:		
National School Lunch Program	10.555	\$ 2,592,216
Department of Education:		
Summer Food Service Program for Children	10.559	53,174
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	805,598
Department of Defense		
Direct payments:		
Junior ROTC	12.xxx	79,698
Department of Housing and Urban Development		
Direct payments:		
Community Development Block Grants/State's Program	14.228	1,219,617
HOME Investment Partnerships Program	14.239	983,905
Neighborhood Initiatives Grant	14.246	215,136
Department of Interior		
Pass-through payments:		
Dismal Swamp	15.xxx	34,098
National Park Service Grant - Outdoor Recreation Acquisition Development and Planning Program	15.916	10,000
Department of Justice		
Direct payments:		
Local Law Enforcement Block Grants	16.592	40,397
Bulletproof Vest Partnership Program	16.607	8,318
Pass-through payments:		
Department of Criminal Justice Services:		
State Domestic Preparedness Equipment Support Program	16.007	211,917
Juvenile Accountability Incentive Block Grants	16.523	10,046
Byrne Formula Grant Program	16.579	124,417
Violence Against Women Formula Grants	16.588	59,051
State Criminal Alien Assistance Program	16.606	3,163
Federal Department of Transportation		
Direct payments:		
Congestion Mitigation and Air Quality Improvement Program	20.205	17,604
Airport Improvement Program	20.106	2,718
Pass-through payments:		
Department of Transportation Tea-21	20.xxx	27,652
National Foundation on the Arts and Humanities		
Direct payments:		
Promotion of the Arts	45.024	10,000

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

Federal Grantor/State Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Department of Education		
Direct payments:		
Impact Aid	84.041	\$ 212,741
Pass-through payments:		
Department of Education:		
Adult Education - State Grant Program	84.002	90,134
Title I Grants to Local Educational Agencies	84.010	3,088,883
Special Education - Grants to States	84.027	2,344,993
Vocational Education - Basic Grants to States	84.048	103,239
Special Education - Preschool Grants	84.173	108,025
Safe and Drug Free Schools and Communities - State Grants	84.186	70,081
Even Start - State Educational Agencies	84.213	119,350
Goals 2000-State and Local Education Systemic Improvement Grants	84.276	45,166
Improving Teacher Quality State Grants	84.367	797,319
State Grants for Innovative Programs	84.298	115,621
Comprehensive School Reform Demonstration	84.332	190,502
Reading First State Grants	84.357	613,274
Department of Health and Human Services		
Pass through payments:		
Department for the Aging:		
Special Programs for the Aging-Title III, Part D - Disease Prevention and Health Promotion Services	93.043	24,366
Department of Social Services:		
Promoting Safe and Stable Families	93.556	41,297
Temporary Assistance for Needy Families (TANF)	93.558	894,816
Refugee and Entrant Assistance - State Administered Programs	93.566	1,181
Low-Income Home Energy Assistance	93.568	47,047
Child Care and Development Block Grant	93.575	660,787
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	614,577
Chafee Education and Training Vouchers Program (ETV)	93.599	5,422
Foster Care - Title IV-E	93.658	805,758
Adoption Assistance	93.659	194,633
Social Services Block Grant	93.667	624,085
Chafee Foster Care Independent Living	93.674	13,099
Medical Assistance Program	93.778	690,002
Fraud Free Program	93.xxx	34,383
Department of Homeland Security		
Direct payments:		
State Domestic Preparedness Equipment Support Program	97.004	81,896
Pass through payments:		
Department of Emergency Management:		
Emergency Management Performance Grant	97.042	11,062
Hazard Mitigation Grant	97.039	13,032
State Homeland Security	97.073	11,956
Fire Determined Promise	97.xxx	12,226
		<u>\$ 19,189,678</u>

CITY OF SUFFOLK, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Suffolk, Virginia (the "City"). The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards not received through direct programs are passed through departments and agencies of the Commonwealth of Virginia.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City of Suffolk provided federal awards to subrecipients as follows:

HOME Investment Partnership Program	CFDA # 14.239	\$983,905
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CITY OF SUFFOLK, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

1. SUMMARY OF AUDITORS' RESULTS

- a) The auditor's report expresses an unqualified opinion on the basic financial statements of the City.
- b) There were no reportable conditions noted in internal control required to be disclosed.
- c) No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d) No reportable conditions were disclosed during the audit of internal control over major federal programs.
- e) No instances of noncompliance material to major federal award programs for the City were disclosed during the audit.
- f) The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal award programs.
- g) The audit disclosed no audit findings required to be reported.
- h) The major programs are:
 - i) Child Care Cluster (Child Care and Development Block Grant and Child Care Mandatory and Matching Funds of the Child Care and Development Block Grant) (CFDA No. 93.575 and 93.596)
 - ii) HOME Investment Partnerships Program (CFDA No. 14.239)
 - iii) Social Services Block Grant (CFDA No. 93.667)
 - iv) Special Education Cluster (Special Education – Grants to States and Special Education – Preschool Grants) (CFDA No. 84.027 and 84.173)
 - v) Reading First State Grant (CFDA No. 84.357)
 - vi) Child Nutrition Cluster (National School Lunch Program and Summer Food Service Program for Children) (CFDA No. 10.555 and 10.559)
 - vii) Neighborhood Initiatives Grant (CFDA No. 14.246)
- i) The dollar threshold used to distinguish between Type A and Type B programs is \$575,690.
- i) The auditee qualified as a low-risk auditee.

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

None

CITY OF SUFFOLK, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year Ended June 30, 2005

3. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS

None

4. FINDINGS AND QUESTIONED COSTS FOR STATE COMPLIANCE

None

CITY OF SUFFOLK, VIRGINIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2005

Finding: 04-01

Status: Completed.