



Highway 58



Historic Obici House

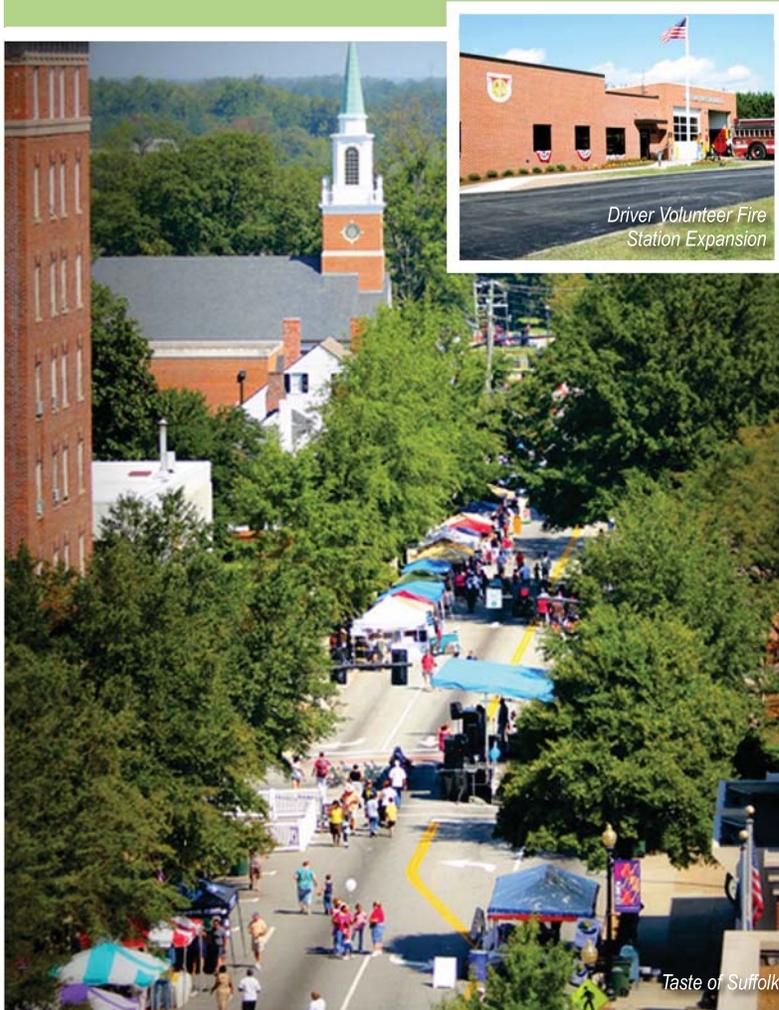


Suffolk
VIRGINIA
It's a good time to be in Suffolk

City of Suffolk, Virginia

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2012



Taste of Suffolk 2011



Driver Volunteer Fire Station Expansion



Hall Place, Suffolk



Virginia Regional Center for USJFCOM Workforce Transition and Business Development



Lake Meade Skate Park Ribbon Cutting



Suffolk Police Department



CITY OF SUFFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2012

Prepared by:
The Department of Finance

CITY OF SUFFOLK, VIRGINIA

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CITY OF SUFFOLK, VIRGINIA

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CITY OF SUFFOLK, VIRGINIA

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INTRODUCTORY SECTION



CITY OF SUFFOLK

P.O. BOX 1858, SUFFOLK, VIRGINIA 23439-1858 PHONE: (757) 514-4012

CITY MANAGER

December 18, 2012

The Honorable Council
City of Suffolk, Virginia

Dear Council Members:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the period of July 1, 2011 through June 30, 2012. The code of the Commonwealth of Virginia and the charter of the City of Suffolk (the City) require the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and complies with state law and guidelines of the Auditor of Public Accounts of the Commonwealth of Virginia.

The City's Management assumes full responsibility for the accuracy, completeness, and reliability of all information presented in this report. We believe the data, as presented, are accurate in all material respects and are presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. In order to provide reasonable, but not absolute, assurance regarding the data, the management of the City has designed a framework of internal accounting controls to protect the City's assets from loss of unauthorized use or disposition, provide reliability of financial records for preparing financial statements and maintain the accountability of assets.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and that the valuation of costs and benefits requires estimates and judgments by management. We assert to the best of our knowledge this CAFR is complete and reliable in all material aspects.

According to Section 8.08 of the City Charter and Section 15.2-2511 of the 1950 Code of Virginia, as amended, an annual audit by an independent auditor of the City is required. The City's financial statements have been audited by Brown, Edwards & Company, L.L.P ("Brown Edwards"). As a result of an audit of the City's financial records and transactions of all funds, component units, and departments of the City, Brown Edwards has concluded that the financial statements are in compliance with generally accepted accounting principles and have issued an unqualified opinion on the City's financial statements for the year ended June 30, 2012. The independent auditor's report is presented as the first component of the financial section of this report.

The audit included and was part of a broader federally mandated “Single Audit” designed to meet the special needs of federal grants. 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 City’s internal control and compliance with legal requirements, with special emphasis on those involving the administration of federal awards. The analysis by the auditors is included in the CAFR within the Compliance Section.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found within the financial section immediately following the independent auditor’s opinion.

Profile of the City

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 with over 400 square miles. The diverse landscape includes a mix of rural, suburban and urban development areas. 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. It is also known as the Hampton Roads area.

The City’s government is organized under the Council-Manager form of government. The governing body, the City Council, is composed of seven members and a Mayor who develop policies for the administration of the City. The Mayor is elected at large and the Council are elected by borough in a city-wide election every other year with terms of office being four years. The City Council appoints a City Manager to act as administrative head of the City. The City Manager serves at the pleasure of City Council and carries out the City Council’s policies and directs business procedures. The City Manager also appoints and removes the directors of all departments and all employees of those departments under his/her 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.

As a full-service city, Suffolk provides a broad range of municipal services authorized by statute or charter. Those services include education, public safety, highways and streets, parks and recreation, sanitation, health and social services, public improvements, planning and zoning, public utilities, storm water management and general administrative services.

The funds and entities included in the City’s CAFR are those controlled by, or dependent on, the City. This determination is explained in Note 1A within the Notes to the Financial Statements tab. Consequently, this report includes the public School System and the Economic Development Authority as component units and excludes related organizations such as the Suffolk Redevelopment and Housing Authority, the Western Tidewater Regional Jail Authority, and the Western Tidewater Water Authority.

The City maintains budgetary controls, the objective of which is to ensure compliance with the 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 within the appropriate classification of “committed” or “assigned” fund balance at June 30, 2012. A description of the procedures utilized to establish budgetary data is presented in Note 1D within the Notes to Financial Statements tab.

Economic Activity

Suffolk is one of the fastest growing, most livable cities in a top-ranked, business-friendly state. With a diversified and skilled workforce, proximity to the Port of Virginia, available land for development, efficient transportation access, high quality of life, a regard for its historic past and a dynamic vision for the future, Suffolk continues to attract new business and investment, create jobs, and provide an invigorating economic climate for expansion. Twenty-six companies with diverse market interests said “yes” to Suffolk’s many advantages as they planted new businesses here during calendar year 2011 (including 1,573,949 in new square footage). An additional twenty-one existing businesses invested in the city’s economic position by expanding their presence in the community (with 136,680 additional square footage). Together, these activities produced a capital investment of more than \$103 million and the creation of 980 jobs. Add in the commitment of strong city leadership and it is understandable why more than \$1.3 billion in new capital investment, for major new and expanding commercial projects, have taken place in the community since 2001. As a result, more than 9,200 new jobs have been created. Suffolk is sending the message that they are open for businesses, both large and small.

Economic activity numbers were particularly high in the distribution sector, a boon to Suffolk’s tax base and overall quality of life for all its residents. Other growth areas included manufacturing, office and administration, and retail, and service providers. The following chart highlights some of this activity.

Business Highlights January 1 – December 31, 2011

<u>New Business</u>	<u>Sector</u>	<u>Investment</u>
California Cartage	Distribution	\$23,000,000
New Exchange Service Command	Distribution	\$16,000,000
ACE Hardware Redistribution Center	Distribution	\$14,000,000
Kerma Medical Products	Manufacturing	\$5,500,000
Caspari	Distribution	\$3,000,000
The Lofts at One Eleven	Office and Apts.	\$3,000,000
AAAA Self Storage	Service – Storage	\$1,500,000
Goodwill	Retail	\$1,300,000
O’Reilly’s Auto Parts	Retail	\$1,200,000
Dollar Tree Deals	Retail	\$1,000,000
<u>Expanding Business</u>	<u>Sector</u>	<u>Investment</u>
CSX National Gateway	Service – Railroad	\$15,000,000
TowneBank	Office and Admin.	\$5,000,000
YMCA Camp Arrowhead	Service – Camp	\$3,200,000
R.E. Michel Company	Service – HVAC	\$2,130,000
Market Center at Harbour View	Retail	\$1,750,000

Suffolk economic development opportunities have continued to grow throughout 2012. The following chart highlights some of this activity.

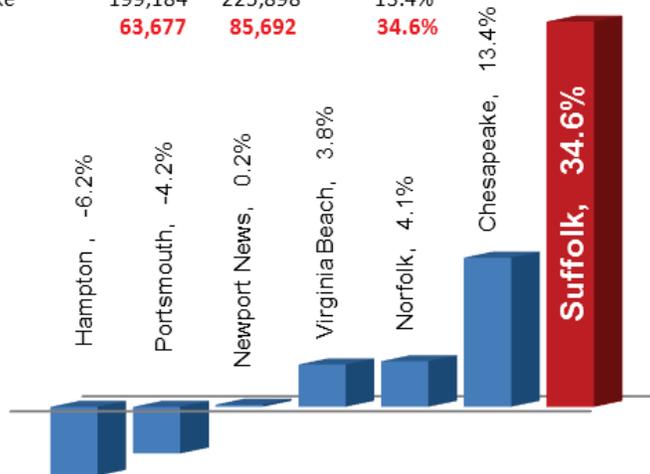
Business Highlights January 1 – September 1, 2012

<u>New Business</u>	<u>Sector</u>	<u>Investment</u>
Cyber Command	Office and Admin	\$54,000,000
Dana Corp (expansion)	Distribution	\$8,000,000
Massimo Zanetti (expansion)	Food Processing	\$5,000,000
NowCare Urgent Care	Medical	\$3,000,000
Differential Pressure Instruments	Manufacturing	\$1,500,000
Sumitomo	Distribution	\$1,000,000
Center for Arthritis and Rheumatic Diseases	Medical	\$200,000

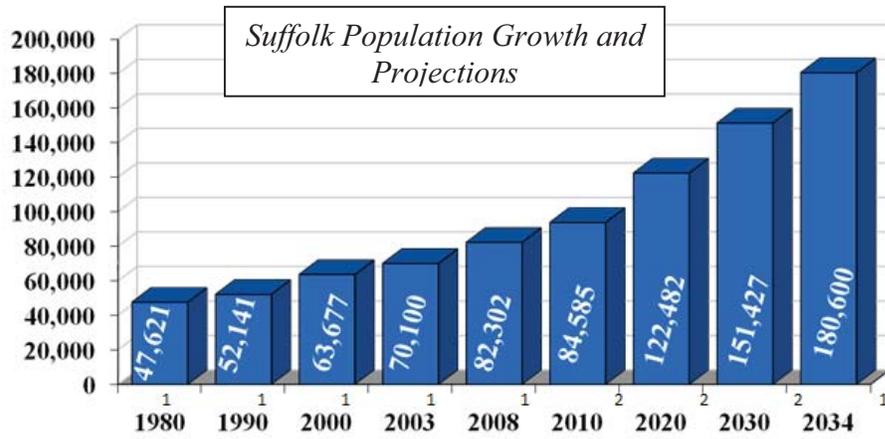
Over the past 11 years Suffolk has also outpaced its neighboring Hampton Roads cities in population growth by a wide margin. Where some saw a decrease in population, Suffolk grew by a whopping 34.6%.

Hampton Roads population growth by city

City	2000	2011	% of Change
Hampton	146,437	137,372	-6.2%
Portsmouth	100,565	96,368	-4.2%
Newport News	180,697	181,027	0.2%
Virginia Beach	425,527	441,246	3.8%
Norfolk	234,403	243,985	4.1%
Chesapeake	199,184	225,898	13.4%
Suffolk	63,677	85,692	34.6%



This population trend is projected to continue over the foreseeable future. By 2034, we expect to see an increase in population by 113%. Furthermore, median household income (MHI) has grown in the City by 58% from 2000 to 2011 making the City, with a current MHI of \$65,104, the second highest in the region and higher than both the state MHI (\$61,406) and the national MHI (\$51,914).



Source: 1. Hampton Roads Planning District Commission; 2. Virginia Employment Commission

This residential growth and change requires the City to be proactive in planning for its future to insure efficient and effective delivery of services and a high quality of life for its citizens. By managing Suffolk’s residential and commercial development, however, the City continues to offer families and businesses plenty of room to live, work and play.

Long-term Financial Planning

City Council and City Management maintain 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 priorities as the guiding principles to move the city into the twenty-first century and to develop partnerships to further the City’s objectives. Financial planning is further extended with the aid of financial advisors for bond issues and rate consultants for utility rate analysis.

In planning for the specific initiatives under these priorities, the City’s adopted ten-year Capital Improvement Plan represents 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 2013 through fiscal year 2022 totals approximately \$707 million. Of this amount, water and sewer projects are estimated at \$242 million while general government projects are estimated at \$465 million.

Financial policies are vital in maintaining consistency and focus. One of the financial policies continually reviewed is the fund balance levels. The ratio of unassigned General Fund balance as a percentage of budgeted governmental funds expenditures, (net of the general fund contribution to the Schools, transfers to other governmental funds, and Capital Projects fund expenditures) plus the budgeted expenditures in the School Operating and Food Service Funds indicates the ability of the City to cope with unexpected financial challenges or emergencies. The larger the unassigned General Fund balance, the greater the City’s ability to cope with these potential financial emergencies and fluctuations in revenue cycles. The City has established a target rate of 12% at the close of each fiscal year. At June 30, 2012, the fund balance ratio exceeded the target.

Financial policies were developed for the Utility Fund which provided for a written documentation of many sound business practices. Categories include financial independence, target percentage for unrestricted cash and long-term investments, debt service coverage ratios, plus policies for asset replacement and system extension. The Utility Fund is further governed by revenue bond Master Trust Indenture requirements.

Awards and Recognition

Bond Ratings Upgrade to AA+

The City of Suffolk received bond rating upgrades in June 2011 from Standard and Poor's and Fitch rating agencies to AA+. The City is rated Aa2 by Moody's. This is a validation of the City's creditworthiness and financial strength.

Comprehensive Annual Financial Report

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, 2011, representing the twenty-eighth 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 state and local government financial reports.

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.

Annual Budget

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Suffolk, Virginia for its annual budget for the fiscal year beginning July 1, 2011. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This is the fourth consecutive year for this recognition as it is valid for a one year period.

America's Best Places to Live for 2012

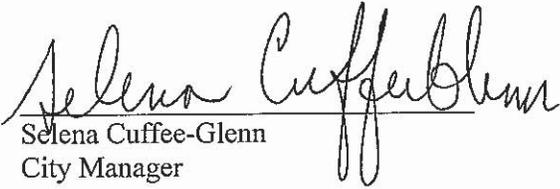
Suffolk has been named as one of America's Best Places to Live for 2012 by CNN Money Magazine. The City of Suffolk was named the 9th best community in CNN Best Places to Live Top 25 List of "Where the Jobs Are" for 2012. Statistics were used from 2000 to 2011 for areas which were experiencing job and population growth and where unemployment was below the national average. The City of Suffolk experienced a 43% increase during this time frame. The City of Suffolk was also named in CNN Money Magazine's 100 Best Small Cities to Live in 2010. We are well aware of Suffolk's unique and diverse offerings, from its historic downtown and rich farmland to its high-tech corridor and beautiful recreational offerings. It is wonderful that others are learning what we already know: whether it's to work, live or play...It's a good time to be in Suffolk."

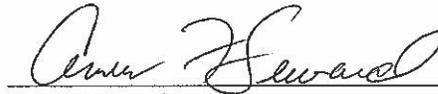
Acknowledgments

During the year, the staff of the Finance department rendered professional and knowledgeable services to the City. We are most appreciative of these efforts and take this opportunity to recognize these outstanding public servants.

The City Council's oversight of the financial affairs of the City has resulted in the City's strong financial position and Council is commended for the policies and practices which have made it so.

Respectfully,


Selena Cuffee-Glenn
City Manager


Anne Seward
Interim 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, 2011

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.



Linda C. Dandison

President

Jeffrey R. Enos

Executive Director

CITY OF SUFFOLK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2012

MEMBERS OF CITY COUNCIL

Linda T. Johnson	Mayor
Charles F. Brown	Vice-Mayor
Michael D. Duman	City Council Member
Robert C. Barclay, IV	City Council Member
Curtis R. Milteer, Sr.	City Council Member
Leroy Bennett	City Council Member
Jeffrey L. Gardy	City Council Member
Charles D. Parr, Sr.	City Council Member

CONSTITUTIONAL OFFICERS

Raleigh H. Isaacs	Sheriff
C. Phillips “Phil” Ferguson	Commonwealth’s Attorney
Thomas A. Hazelwood	Commissioner of the Revenue
Ronald H. Williams	City Treasurer
W. Randolph Carter, Jr.	Clerk of the Circuit Court

CITY ADMINISTRATION

Selena Cuffee-Glenn.....	City Manager
Patrick Roberts.....	Deputy City Manager
Helivi L. Holland	City Attorney
Kevin Hughes	Economic Development
Gerry Jones	Capital Programs and Buildings
Captain James T. Judkins	Emergency Management
Dr. Lisa McCoy	Health
Elliott A. Drew	Library
Diana L. Klink	Media and Community Relations
D. Scott Mills	Planning and Community Development
Eric T. Nielsen	Public Works
Debbie George	Chief of Staff
Jean Jackson.....	City Assessor
Erika S. Dawley	City Clerk
Anne Seward.....	Budget
Deborah H. White.....	Finance
Edward L. Taylor.....	Fire and Rescue
Jessica Stallings	Human Resources
Thomas E. Bennett.....	Police
Lakita Frazier	Parks and Recreation
Albert S. Moor, II	Public Utilities
Leonard Horton.....	Social Services

CITY OF SUFFOLK, VIRGINIA

**DIRECTORY OF PRINCIPAL OFFICIALS
(Continued)**

June 30, 2012

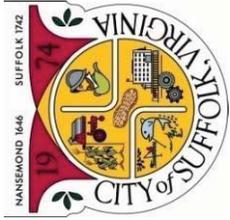
SUFFOLK PUBLIC SCHOOLS – SCHOOL BOARD

Michael J. Debranski, Ed.D. Chairman
Thelma V. Hinton Vice Chairwoman
Phyllis C. Byrum Board Member
Linda W. Bouchard Board Member
Diane B. Foster Board Member
Enoch C. Copeland Board Member
Lorraine B. Skeeter Board Member
Cynthia B. Chavis Clerk

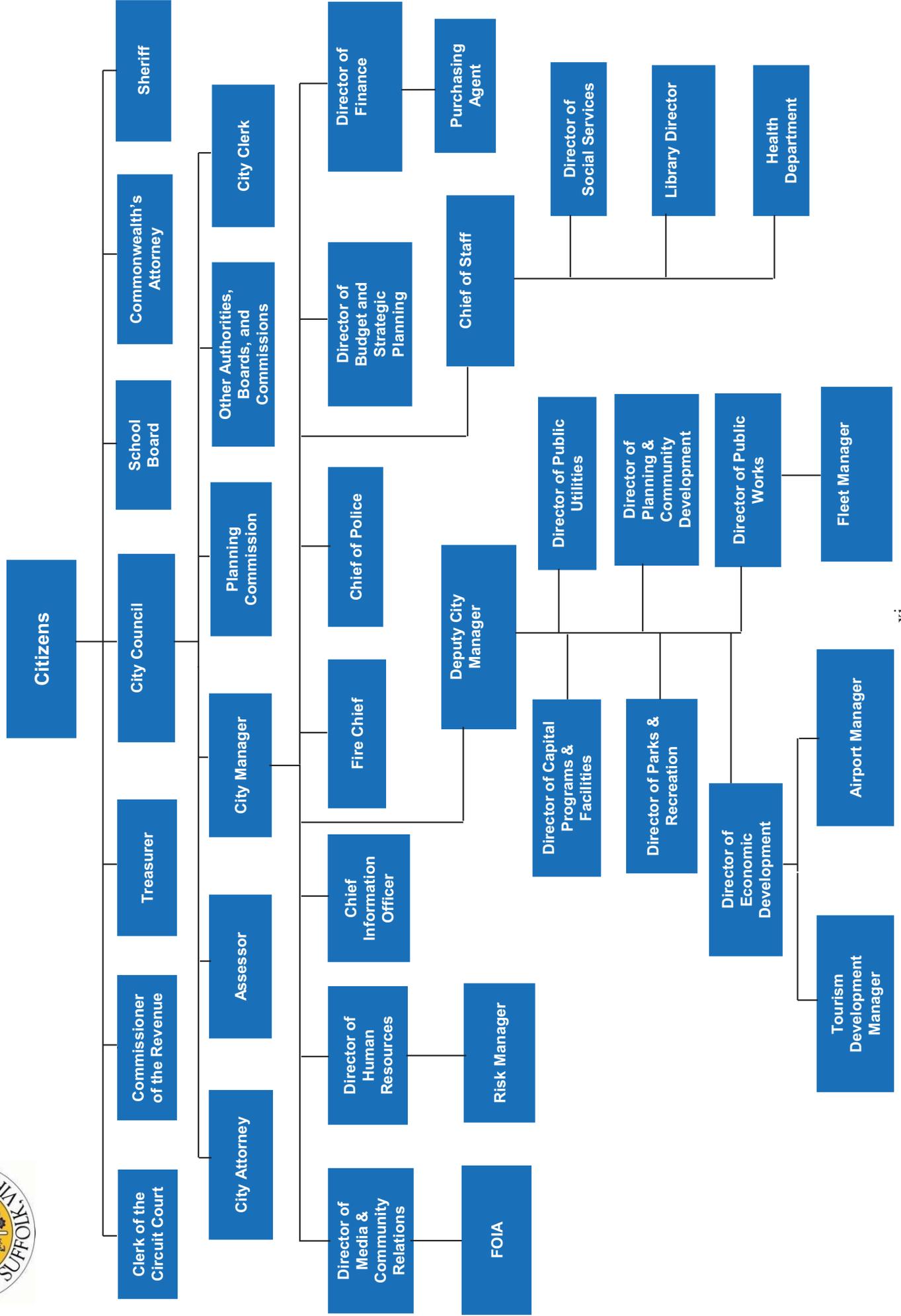
SUFFOLK PUBLIC SCHOOLS – ADMINISTRATION

Deran R. Whitney, Ed.D. School Superintendent
Wendy Forsman Executive Director of Finance

Brown, Edwards & Company, L.L.P.
Auditors



City of Suffolk FY 2011-2012 Operating and Capital Budget Organizational Chart



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable 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, 2012, 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* and *Specifications for Audits of Authorities, Boards, and Commissions* 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 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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, 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, and 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual non-major fund statements, non-major funds budgetary comparison statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. 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 financial statements. The combining and individual non-major fund financial statements, the non-major funds budgetary comparison statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 18, 2012

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, 2012. 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

The government-wide financial statements report information about the City as a whole using the economic resources measurement focus and accrual basis of accounting.

- The City's total net assets (assets less liabilities) on a government-wide basis were \$533.6 million at June 30, 2012. Of this balance, \$368 million is attributed to the governmental activities and \$165.6 million to the business-type activities.
- For fiscal year 2012, taxes and other general revenues of the City's governmental activities amounted to \$161 million and net program expenses \$119.6 million, which resulted in an increase from 2011 in net assets for the City's governmental activities of \$41.4 million.
- Revenues of the City's business-type activities were \$45.4 million, expenses were \$44.7 million and transfers to the general fund were \$2.0 million, which resulted in a decrease of net assets for the City's business-type activities of \$1.3 million.
- The City of Suffolk maintained its AA+ bond rating from Standard and Poor's and Fitch rating agencies, and Aa2 by Moody's during fiscal year 2012.

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 the 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 stormwater utilities, and the refuse collection service. 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 Economic 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.

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, the activities of the Stormwater Utility Fund, and the refuse collection services. 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 the 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 the 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

Statement of Net Assets

The following table reflects the condensed statement of net assets:

Statement of Net Assets (in Millions)						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011*	2012	2011*	2012	2011*
Current and other assets	\$ 151.5	\$ 105.0	\$ 75.4	\$ 30.7	\$ 226.9	\$ 135.7
Capital and other non-current assets	465.4	448.0	376.1	357.8	841.5	805.8
Total assets	<u>\$ 616.9</u>	<u>\$ 553.0</u>	<u>\$ 451.5</u>	<u>\$ 388.5</u>	<u>\$ 1,068.4</u>	<u>\$ 941.5</u>
Current and other liabilities	\$ 15.3	\$ 11.2	\$ 11.2	\$ 8.8	\$ 26.5	\$ 20.0
Long-term liabilities	233.6	215.1	274.7	212.8	508.3	427.9
Total liabilities	<u>\$ 248.9</u>	<u>\$ 226.3</u>	<u>\$ 285.9</u>	<u>\$ 221.6</u>	<u>\$ 534.8</u>	<u>\$ 447.9</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 335.4	\$ 329.2	\$ 157.1	\$ 158.6	\$ 492.5	\$ 487.8
Restricted net assets	6.1	18.6	2.0	1.9	8.1	20.5
Unrestricted net assets	26.5	(21.1)	6.5	6.4	33.0	(14.7)
Total net assets	<u>\$ 368.0</u>	<u>\$ 326.7</u>	<u>\$ 165.6</u>	<u>\$ 166.9</u>	<u>\$ 533.6</u>	<u>\$ 493.6</u>
Total liabilities and net assets	<u>\$ 616.9</u>	<u>\$ 553.0</u>	<u>\$ 451.5</u>	<u>\$ 388.5</u>	<u>\$ 1,068.4</u>	<u>\$ 941.5</u>

*Fiscal Year 2011 has been restated.

The City's combined net assets (which are the City's bottom line) grew by 8.1% or \$40 million in fiscal year 2012, of which approximately 1.5% represents resources that are subject to external restrictions or enabling legislation. Net assets invested in capital, less any related debt used to acquire those assets of \$492.5 million are 92.3% of total net assets and increased by \$4.7 million. These assets are not available for future expenses because they are land, buildings, improvements, machinery and equipment used to provide services to citizens.

The City has a strong financial position with 6.2% of the net assets or \$33.0 million as unrestricted net assets. The unrestricted net assets are available to allow the City to provide services to citizens.

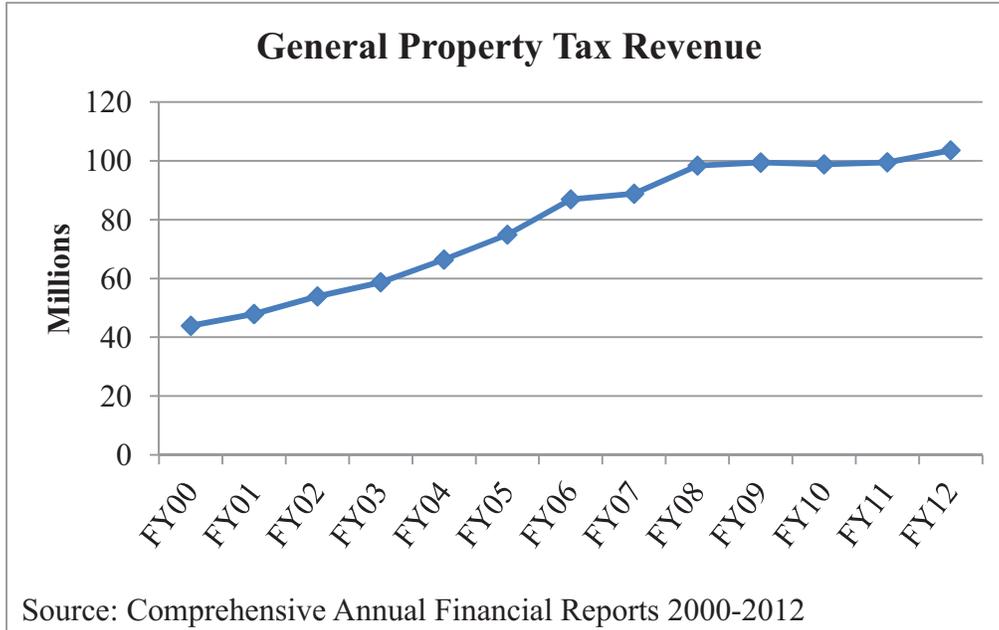
Statement of Activities

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

Changes in Net Assets (in Millions)						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011*	2012	2011*	2012	2011*
Revenues:						
Program Revenues:						
Charges for services	\$ 5.9	\$ 6.7	\$ 43.0	33.7	\$ 48.9	\$ 40.4
Operating grants and contributions	14.7	33.4	-	-	14.7	33.4
Capital grants and contributions	48.3	7.7	1.1	4.4	49.4	12.1
General revenues:						
Real estate and property taxes	103.6	99.5	-	-	103.6	99.5
Other taxes	36.9	34.4	-	-	36.9	34.4
Grants and contributions, not restricted	13.1	12.6	-	-	13.1	12.6
Unrestricted investment earnings	1.1	1.1	0.8	0.4	1.9	1.5
Miscellaneous	4.2	0.9	0.5	0.2	4.7	1.1
Total Revenues	<u>227.8</u>	<u>196.3</u>	<u>45.4</u>	<u>38.7</u>	<u>273.2</u>	<u>235.0</u>
Expenses:						
General government	12.6	11.8	-	-	12.6	11.8
Judicial	7.6	7.2	-	-	7.6	7.2
Public safety	48.6	43.6	-	-	48.6	43.6
Public works	37.1	30.8	-	-	37.1	30.8
Health and welfare	12.6	13.8	-	-	12.6	13.8
Education	44.2	56.5	-	-	44.2	56.5
Parks, recreation, cultural	7.9	7.8	-	-	7.9	7.8
Community development	6.0	13.8	-	-	6.0	13.8
Interest on long-term debt	11.8	8.5	-	-	11.8	8.5
Utility	-	-	35.9	33.3	35.9	33.3
Refuse Collection Services	-	-	5.7	-	5.7	-
Stormwater Utility	-	-	3.1	3.0	3.1	3.0
Total expenses	<u>188.4</u>	<u>193.8</u>	<u>44.7</u>	<u>36.3</u>	<u>233.1</u>	<u>230.1</u>
Excess of revenues over expenses	39.4	2.5	0.7	2.4	40.1	4.9
Transfers	<u>2.0</u>	<u>1.0</u>	<u>(2.0)</u>	<u>(1.0)</u>	<u>-</u>	<u>-</u>
Change in net assets	41.4	3.5	(1.3)	1.4	40.1	4.9
Effect of restatement on Net Assets	-	127.6	-	(0.8)	-	126.8
Net assets - beginning of year (as restated)	<u>326.6</u>	<u>195.5</u>	<u>166.9</u>	<u>166.3</u>	<u>493.5</u>	<u>361.9</u>
Net assets - ending	<u>\$ 368.0</u>	<u>\$ 326.6</u>	<u>\$ 165.6</u>	<u>\$ 166.9</u>	<u>\$ 533.6</u>	<u>\$ 493.6</u>

Revenue Highlights:

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$103.6 million and \$99.5 million in fiscal year 2012 and 2011 respectively. The chart below indicates the growth in the General Property Taxes revenue over the past ten years. The increase in the Real estate and Property taxes is due to an increase in the real estate tax rate of \$.06 per \$100.



Other Local Taxes are comprised of revenue from local sales tax, meals, lodging, and utilities increased by \$2.4 million, due to the increase in 2012 of the bank stock tax, lodging, and meal tax rates.

Expense Highlights:

The City is committed to ensuring the highest level of safety for its citizens and has expended \$48.6 million towards public safety efforts.

Education continues to be one of the City’s highest priorities and commitments representing \$44.2 million.

Overall the governmental activities expenses of the City decreased in fiscal year 2012 by \$5.4 million. This decrease is a result of the City’s commitment to sound financial management practices.

Business-type Activities

The business-type activities are made up of Public Utilities, Stormwater Utilities, and Refuse Collection services.

Revenue Highlights:

Charges for services, including water and sewer fees, Stormwater Utility fees and refuse collection fees represent 94.7% of the total revenues collected. These revenues increased from fiscal year 2011 to 2012 due to an increase in the rates for water and sewer on the service charges. The addition of the monthly fee for the refuse collection also contributed to the increase in the revenue

Expense Highlights:

Utility Fund expenses were \$35.9 million of which 20% is depreciation and amortization expenses. The increase in the Utility fund expenditures are due to an increase in the debt service expenditures. Stormwater expenses were \$3.1 million for fiscal year 2012, which is consistent with fiscal year 2011. The Refuse fund expenditures were \$5.7 million in fiscal year 2012.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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's financing requirements. In particular, unassigned 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 \$115.6 million. Approximately 31.9% of this amount is available for spending at the government's discretion (unassigned fund balance). Fund Balance is divided into five new classifications: non-spendable, restricted, committed, assigned and unassigned.

General Fund. The general fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund balance was \$54.5 million of which \$36.9 million represents unassigned fund balance of the general fund. The net increase to fund balance for the general fund for 2012 was \$7 million. This increase was principally due to the increase in the real estate tax rate as well as other local tax rate increases.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total budgeted expenditures. The City has a financial policy goal that unassigned fund balance should be greater than 12%. The restricted portion of fund balance, \$2.1 million reflects restricted cash for unspent grant funds and developer deposits. The committed portion, \$12.9 million is comprised of a capital project reserve and economic incentives.

Debt service fund. The debt service fund has a fund balance of \$2.4 million. The General Fund routinely transfers monies to this fund to meet debt service requirements.

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 \$41.5 million, \$31.8 million was committed for contracts and purchase orders in process, and the balance of \$9.6 million are unspent bond proceeds for subsequent years' projects. The City's top five construction projects consisted of the following in fiscal year 2012:

- New Municipal Building
- Improvements to Nansemond Parkway/Shoulders Hill Road
- Replacement of Southern Elementary School
- Airport Runway Safety Area Extension
- Route 58 Corridor Widening

Proprietary funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Enterprise funds. The City’s enterprise funds account for its water and sewer operations, stormwater utility efforts, and refuse collection services. The net assets of the enterprise funds at the end of the current fiscal year totaled \$165.6 million.

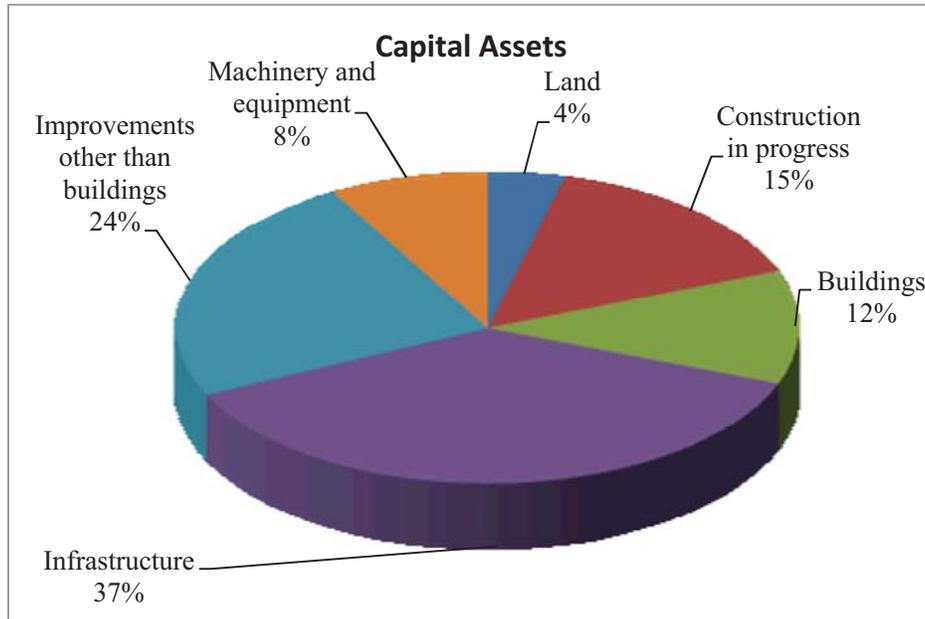
Internal service funds. The internal service funds are used to account for entity-wide fleet management, information technology and risk management programs. The total net assets at the end of the current fiscal year were \$30.6 million. Each of the internal service funds finished strong this year with positive changes in net assets.

Trust funds. The City funded \$1.5 million in other post employment benefits in the OPEB Trust Fund. The City participates in the Virginia Pooled OPEB Trust Fund. In fiscal year 2012, the City fully funded its annual contribution to the fund as calculated by the actuaries and there is now \$14.1 million in the OPEB Trust Fund.

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, 2012, totaled \$841.5 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, machinery and equipment and construction in progress.

Capital Assets (net of depreciation) (in Millions)							
* Fiscal Year 2011 has been restated							
	Governmental Activities		Business-type Activities		Total		
	2012	2011*	2012	2011*	2012	2011*	
Land	\$ 28.2	\$ 24.7	\$ 5.4	\$ 3.4	\$ 33.6	\$ 28.1	
Construction in progress	45.7	57.3	80.6	69.6	126.3	126.9	
Buildings	48.5	38.1	50.7	48.3	99.2	86.4	
Infrastructure	312.8	295.5	-	-	312.8	295.5	
Improvements other than buildings	7.8	12.3	192.5	191.6	200.3	203.9	
Machinery and equipment	22.4	20.0	46.9	44.9	69.3	64.9	
Total	\$ 465.4	\$ 447.9	\$ 376.1	\$ 357.8	\$ 841.5	\$ 805.7	



Additional information on the City’s capital assets can be found in Note 7.

Long-term debt. At the end of the current fiscal year, the City had total outstanding debt of \$478.1 million. Capital leases, claims payable, compensated absences and premiums and other credits are not included in these figures.

Outstanding Debt (in millions)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds Payable	\$ 205.5	\$ 188.8	\$ 265.5	\$ 206.7	\$ 471.0	\$ 395.5
Loans and Notes Payable	7.1	7.7	-	-	7.1	7.7
Total	<u>\$ 212.6</u>	<u>\$ 196.5</u>	<u>\$ 265.5</u>	<u>\$ 206.7</u>	<u>\$ 478.1</u>	<u>\$ 403.2</u>

The Commonwealth of Virginia limits the amount of general obligation debt outstanding to 10% of the locality’s assessed value of real property, which is \$880.5 million for 2012. Of the debt shown above, only \$312.4 million is general obligation debt, the balance is pledged with water and sewer utility revenues.

The City Charter further limits this general obligation limit to 7% of the City’s assessed value of real property or \$616.4 million. City financial policies have further restricted the debt ratio to 4% or \$352.2 million to reflect its conservative use of borrowed monies. The City’s outstanding general obligation debt is below both limitations representing the City’s conservative debt borrowing policy.

Additional information on the City’s long-term debt can be found in Note 9.

ECONOMIC FACTORS

- The City's economic development initiatives created over 980 new jobs and over \$103.4 million dollars in new capital investment in the City during the calendar year.
- For the fiscal year 2012 the City increased its tax rate to \$0.97 per \$100 but remains the second lowest tax rate in the region.
- Utility rates increased as of July 1, 2012 to \$6.43 per 100 cubic feet for water and \$4.91 per 100 cubic feet for sewer due to increasing debt service requirements.
- Population in the City increased 34.6% in the last ten years. This is significant as other cities within the region have seen a decline.

Additional information on relevant economic factors can be found in the Letter of Transmittal.

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 Department of Finance, 441 Market Street, Suffolk, Virginia, 23439.

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BASIC FINANCIAL STATEMENTS

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business Type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 115,861,952	\$ 6,593,307	\$ 122,455,259	\$ 15,960,705	\$ 2,895,343
Cash and cash equivalents, restricted (Note 2)	16,354,570	59,403,944	75,758,514	-	1,309,197
Receivables, net (Note 3)	7,969,659	6,297,639	14,267,298	201,301	109,238
Due from other governments (Note 4)	6,426,619	-	6,426,619	5,840,218	-
Due from component units (Note 6)	274,205	-	274,205	-	-
Inventories	349,834	116,868	466,702	458,938	9,451,659
Prepaid items	8,653	-	8,653	4,080,847	-
OPEB asset (Note 12)	873,436	116,949	990,385	-	-
Deferred charges	2,203,527	2,886,320	5,089,847	-	105,357
Due from developer	1,177,182	-	1,177,182	-	-
Capital assets: (Note 7)					
Land and construction in progress	73,896,204	86,036,482	159,932,686	7,082,258	1,021,162
Other capital assets, net	391,460,428	290,073,412	681,533,840	130,648,957	27,040,622
Total Assets	616,856,269	451,524,921	1,068,381,190	164,273,224	41,932,578
LIABILITIES					
Accounts payable and accrued liabilities	6,299,598	3,455,626	9,755,224	1,616,071	129,515
Accrued payroll and related liabilities	236,923	2,517	239,440	11,086,603	-
Accrued interest payable	3,238,066	4,089,678	7,327,744	-	215,817
Due to primary government (Note 6)	-	-	-	-	274,205
Due to other governments	-	3,309,106	3,309,106	59,802	-
Deposits and amounts held for others	1,175,663	32,827	1,208,490	33,556	10,000
Unearned revenue (Note 8)	4,305,105	295,710	4,600,815	-	138,765
Long-term liabilities: (Note 9)					
Due within one year	19,572,576	2,893,969	22,466,545	84,669	757,539
Due in more than one year	214,024,784	271,788,701	485,813,485	3,719,899	12,431,262
Total Liabilities	248,852,715	285,868,134	534,720,849	16,600,600	13,957,103
NET ASSETS					
Invested in capital assets, net of related debt	335,377,003	157,084,814	492,461,817	137,731,215	14,872,983
Restricted:					
Debt service	392,725	-	392,725	-	1,093,380
Repair and maintenance	2,669,183	500,000	3,169,183	-	-
Operating reserves	-	1,478,028	1,478,028	-	-
Other governmental purposes	3,087,787	-	3,087,787	-	-
Unrestricted	26,476,856	6,593,945	33,070,801	9,941,409	12,009,112
Total Net Assets	\$ 368,003,554	\$ 165,656,787	\$ 533,660,341	\$ 147,672,624	\$ 27,975,475

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority		
PRIMARY GOVERNMENT:											
Governmental activities:											
General government administration	\$ 12,554,225	\$ 3,287,250	\$ 4,620,917	\$ 99,389	\$ (4,546,669)	\$ -	\$ (4,546,669)				
Judicial administration	7,622,124	374,594	1,451,567	-	(5,795,963)	-	(5,795,963)				
Public safety	48,587,624	575,653	892,671	1,958,630	(45,160,670)	-	(45,160,670)				
Public works	37,156,299	872,302	-	46,194,289	9,910,292	-	9,910,292				
Health and welfare	12,616,178	-	7,731,229	-	(4,884,949)	-	(4,884,949)				
Education	44,206,593	-	-	-	(44,206,593)	-	(44,206,593)				
Parks, recreation, and cultural	7,888,484	719,783	-	-	(7,168,701)	-	(7,168,701)				
Community development	5,951,888	35,124	-	3,828	(5,912,936)	-	(5,912,936)				
Interest on long-term debt	11,832,809	-	-	-	(11,832,809)	-	(11,832,809)				
Total governmental activities	188,416,224	5,864,706	14,696,384	48,256,136	(119,598,998)	-	(119,598,998)				
Business-type activities:											
Utility	35,912,782	32,934,240	-	1,078,380	-	(1,900,162)	(1,900,162)				
Stormwater utility	3,072,703	4,157,419	-	-	-	1,084,716	1,084,716				
Refuse	5,712,045	5,898,251	-	-	-	186,206	186,206				
Total business-type activities	44,697,530	42,989,910	-	1,078,380	-	(629,240)	(629,240)				
Total primary government	\$ 233,113,754	\$ 48,854,616	\$ 14,696,384	\$ 49,334,516	\$ (119,598,998)	\$ (629,240)	\$ (120,228,238)	\$ -	\$ -	\$ -	\$ -
COMPONENT UNITS:											
School Board	\$ 149,659,867	\$ 2,465,572	\$ 92,219,980	\$ -	\$ -	\$ -	\$ -	\$ (54,974,315)	\$ -	\$ 537,638	\$ -
Economic Development Authority	2,315,717	2,853,355	-	-	-	-	-	-	-	-	-
Total component units	\$ 151,975,584	\$ 5,318,927	\$ 92,219,980	\$ -	\$ -	\$ -	\$ -	\$ (54,974,315)	\$ -	\$ 537,638	\$ -
General revenues:											
Property taxes				103,640,094			103,640,094				
Sales and use taxes				8,378,591			8,378,591				
Business license taxes				7,536,501			7,536,501				
Meals taxes				7,076,131			7,076,131				
Utility taxes				3,580,799			3,580,799				
Communication taxes				3,826,015			3,826,015				
Motor vehicle license taxes				2,104,948			2,104,948				
Tobacco taxes				1,352,797			1,352,797				
Lodging taxes				1,198,551			1,198,551				
Recordation taxes				922,372			922,372				
Other local taxes				940,056			940,056				
Grants and contributions not restricted to specific programs				13,143,469			13,143,469				
Miscellaneous				4,180,567		523,372	4,703,939	930,153			
City of Suffolk contribution				-		-	-	46,153,031			418,363
Unrestricted revenues from use of money and property				1,091,549		835,126	1,926,675	38,399			4,469
Transfers (Note 5)				1,985,022		(1,985,022)	-	-			-
Total general revenues and transfers				160,957,462		(626,524)	160,330,938	47,121,583			422,832
Change in net assets				41,358,464		(1,255,764)	40,102,700	(7,852,732)			960,470
Net assets at July 1, as restated (Note 17)											
				326,645,090		166,912,551	493,557,641	155,525,356			27,015,005
Net assets at June 30											
				368,003,554		165,656,787	533,660,341	147,672,624			27,975,475

CITY OF SUFFOLK, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 48,260,296	\$ 33,145,569	\$ 11,469,069	\$ 1,979,191	\$ 3,161,721	\$ 98,015,846
Cash and cash equivalents, restricted (Note 2)	2,106,682	9,609,804	2,669,183	392,178	1,576,176	16,354,023
Receivables, net (Note 3)	7,516,000	-	154,132	-	141,811	7,811,943
Due from other governmental units (Note 4)	2,898,471	2,141,675	-	-	1,386,473	6,426,619
Due from other funds (Note 5)	1,378,100	-	-	-	341,681	1,719,781
Due from component units	274,205	-	-	-	-	274,205
Inventories	32,433	-	-	-	87,847	120,280
Prepays	8,653	-	-	-	-	8,653
Total assets	<u>\$ 62,474,840</u>	<u>\$ 44,897,048</u>	<u>\$ 14,292,384</u>	<u>\$ 2,371,369</u>	<u>\$ 6,695,709</u>	<u>\$ 130,731,350</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,768,206	\$ 2,774,122	\$ 951,382	\$ -	\$ 234,020	\$ 5,727,730
Accrued payroll and related liabilities	147,845	-	21,374	-	-	169,219
Payables from restricted assets	595,071	580,592	-	-	-	1,175,663
Due to other funds (Note 5)	341,681	-	-	-	1,378,100	1,719,781
Deferred revenue (Note 8)	5,169,831	90,000	870,471	-	234,387	6,364,689
Total liabilities	<u>8,022,634</u>	<u>3,444,714</u>	<u>1,843,227</u>	<u>-</u>	<u>1,846,507</u>	<u>15,157,082</u>
Fund Balances: (Note 16)						
Nonspendable	41,086	-	-	-	-	41,086
Restricted	2,106,682	9,609,804	2,669,183	392,178	1,555,998	16,333,845
Committed	12,907,628	31,842,530	8,830,070	1,979,191	3,293,204	58,852,623
Assigned	2,515,436	-	949,904	-	-	3,465,340
Unassigned	36,881,374	-	-	-	-	36,881,374
Total fund balances	<u>54,452,206</u>	<u>41,452,334</u>	<u>12,449,157</u>	<u>2,371,369</u>	<u>4,849,202</u>	<u>115,574,268</u>
Total liabilities and fund balances	<u>\$ 62,474,840</u>	<u>\$ 44,897,048</u>	<u>\$ 14,292,384</u>	<u>\$ 2,371,369</u>	<u>\$ 6,695,709</u>	<u>\$ 130,731,350</u>

(Continued)

	Primary Government
Total fund balances - governmental funds	\$ 115,574,268
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	445,092,762
Deferred revenue represents amounts that were not available to fund current expenditures and therefore are not reported in the funds	4,428,872
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.	
Deferred charges	2,165,907
OPEB asset	873,436
Long-term receivables	1,177,182
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(3,223,590)
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation bonds, literary fund and Section 108 loans	(213,617,914)
Landfill liability	(2,094,130)
Unamortized premiums and other credits on bonds	(6,430,361)
Compensated absences	(4,124,850)
Unearned revenue not recorded in the funds as it did not arise from current financial resources relating to the golf course lease agreement	(2,369,288)
The 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 the governmental activities in the statement of net assets.	30,551,260
Net assets of governmental activities	<u>\$ 368,003,554</u>

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
REVENUES						
Real estate and personal property taxes	\$ 102,177,097	\$ -	\$ -	\$ -	\$ 1,605,700	\$ 103,782,797
Other local taxes	36,916,761	-	-	-	-	36,916,761
Permits, privilege fees and regulatory licenses	1,021,235	-	246,142	-	-	1,267,377
Fines and forfeitures	1,024,324	-	-	-	-	1,024,324
Revenue from use of money and property	605,106	163	32,732	164,880	14,445	817,326
Charges for services	3,248,180	-	847,905	-	1,283,899	5,379,984
Miscellaneous	1,127,136	1,220	66,237	-	705,654	1,900,247
Intergovernmental:						
Revenue from the Commonwealth	19,756,867	3,617,997	19,671,103	-	373,652	43,419,619
Revenue from the Federal Government	4,842,119	1,975,554	-	-	3,019,067	9,836,740
Total revenues	<u>170,718,825</u>	<u>5,594,934</u>	<u>20,864,119</u>	<u>164,880</u>	<u>7,002,417</u>	<u>204,345,175</u>
EXPENDITURES						
Current:						
General government administration	12,575,611	-	-	-	988,065	13,563,676
Judicial administration	7,038,598	-	-	-	692,620	7,731,218
Public safety	46,925,243	-	-	-	2,021,884	48,947,127
Public works	1,221,746	-	17,527,250	-	270,325	19,019,321
Health and welfare	12,786,402	-	-	-	16,354	12,802,756
Education	44,151,993	-	-	-	54,600	44,206,593
Parks, recreation, and cultural	7,401,555	-	-	-	165,961	7,567,516
Community development	5,035,207	-	-	-	970,253	6,005,460
Nondepartmental	455,436	-	-	-	-	455,436
Capital outlay	-	15,988,154	-	-	-	15,988,154
Debt service:						
Principal retirement	-	-	-	14,862,418	-	14,862,418
Interest and fiscal charges	-	-	-	9,354,705	-	9,354,705
Total expenditures	<u>137,591,791</u>	<u>15,988,154</u>	<u>17,527,250</u>	<u>24,217,123</u>	<u>5,180,062</u>	<u>200,504,380</u>
Excess (deficiency) of revenues over expenditures	<u>33,127,034</u>	<u>(10,393,220)</u>	<u>3,336,869</u>	<u>(24,052,243)</u>	<u>1,822,355</u>	<u>3,840,795</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt	-	32,874,136	-	14,295,853	-	47,169,989
Bond issuance costs	-	-	-	(347,705)	-	(347,705)
Payment to escrow agent	-	-	-	(14,096,458)	-	(14,096,458)
Transfers in	2,069,174	5,467,874	-	24,820,897	482,253	32,840,198
Transfers out	(28,222,429)	-	(1,650,942)	-	(1,505,549)	(31,378,920)
Total other financing sources (uses)	<u>(26,153,255)</u>	<u>38,342,010</u>	<u>(1,650,942)</u>	<u>24,672,587</u>	<u>(1,023,296)</u>	<u>34,187,104</u>
Net change in fund balance	6,973,779	27,948,790	1,685,927	620,344	799,059	38,027,899
FUND BALANCES AT JULY 1, as restated (Note 17)	<u>47,478,427</u>	<u>13,503,544</u>	<u>10,763,230</u>	<u>1,751,025</u>	<u>4,050,143</u>	<u>77,546,369</u>
FUND BALANCES AT JUNE 30	<u>\$ 54,452,206</u>	<u>\$ 41,452,334</u>	<u>\$ 12,449,157</u>	<u>\$ 2,371,369</u>	<u>\$ 4,849,202</u>	<u>\$ 115,574,268</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	<u>Total Governmental Funds</u>
Change in fund balance - total governmental funds	\$ 38,027,899
Adjustments for the statement of activities:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay	11,253,052
Depreciation expense	(16,090,011)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred revenues	178,786
Lease revenue paid in form of leasehold improvements	211,541
Infrastructure dedicated from the Commonwealth to the City	18,900,000
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayment and payments to escrow agent	29,711,523
Bond issue costs	347,705
Proceeds from issuance of new debt	(47,169,989)
Net change in deferred items	(1,747,430)
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.	
Accrued interest payable	(609,218)
Change in compensated absences	217,756
Change in OPEB asset	(10,073)
Change in landfill liability	(408,772)
The internal service fund is used by management to charge the costs of the information technology, fleet management, and insurance. The change in net assets of internal service funds is reported with governmental activities.	8,545,695
Change in net assets of governmental activities	\$ 41,358,464

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2012

	Business-type Activities – Enterprise Funds			Governmental Activities –
	Utility Fund	Non-Major Funds	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,257,926	\$ 3,335,381	\$ 6,593,307	\$ 17,846,106
Cash and cash equivalents, restricted	59,403,944	-	59,403,944	547
Receivables, net	5,825,859	471,780	6,297,639	157,716
Inventories	116,868	-	116,868	229,554
Total current assets	68,604,597	3,807,161	72,411,758	18,233,923
Noncurrent assets:				
OPEB asset	92,414	24,535	116,949	-
Deferred charges	2,886,320	-	2,886,320	37,620
Land and construction in progress	86,036,482	-	86,036,482	1,088,875
Other capital assets, net	290,042,755	30,657	290,073,412	19,174,995
Total noncurrent assets	379,057,971	55,192	379,113,163	20,301,490
Total assets	447,662,568	3,862,353	451,524,921	38,535,413
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	885,071	326,678	1,211,749	571,868
Accounts payable from restricted resources	2,243,877	-	2,243,877	-
Accrued payroll and related liabilities	-	2,517	2,517	67,704
Due to other governments	3,309,106	-	3,309,106	-
Unearned revenue	295,710	-	295,710	-
Deposits payable	32,827	-	32,827	-
Claims payable	-	-	-	1,694,614
Accrued interest payable	4,089,678	-	4,089,678	14,476
Compensated absences	23,980	10,611	34,591	15,655
Bonds and leases payable	2,859,378	-	2,859,378	1,591,617
Total current liabilities	13,739,627	339,806	14,079,433	3,955,934
Noncurrent liabilities:				
Compensated absences	334,315	139,473	473,788	158,062
Claims payable	-	-	-	2,063,165
Bonds and leases payable	271,314,913	-	271,314,913	1,806,992
Total noncurrent liabilities	271,649,228	139,473	271,788,701	4,028,219
Total liabilities	285,388,855	479,279	285,868,134	7,984,153
NET ASSETS				
Invested in capital assets, net of related debt	157,054,157	30,657	157,084,814	16,898,261
Restricted:				
Other purposes	1,978,028	-	1,978,028	-
Unrestricted	3,241,528	3,352,417	6,593,945	13,652,999
Total net assets	\$ 162,273,713	\$ 3,383,074	\$ 165,656,787	\$ 30,551,260

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended June 30, 2012

	Business-type Activities – Enterprise Funds			Governmental
	Utility Fund	Non-Major Funds	Total	Activities –
				Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 32,934,240	\$ 10,055,670	\$ 42,989,910	\$ 32,753,778
Other	443,785	79,587	523,372	131,494
Total operating revenues	<u>33,378,025</u>	<u>10,135,257</u>	<u>43,513,282</u>	<u>32,885,272</u>
OPERATING EXPENSES				
Personnel services	6,016,494	3,320,913	9,337,407	2,781,983
Self-insured claims	-	-	-	12,208,415
Contractual services	498,038	1,612,778	2,110,816	1,064,256
Administration	2,384,675	2,956,678	5,341,353	1,004,362
Supplies	666,289	664,889	1,331,178	50,126
Repairs and maintenance	891,552	29,567	921,119	58,275
Vehicle and power equipment – fuel	-	-	-	2,378,982
Vehicle and power equipment – supplies	-	-	-	1,734,455
Utilities	1,085,678	20,437	1,106,115	100,629
Insurance	-	-	-	1,735,847
OPEB – contributions to trust	-	-	-	1,525,200
Bulk-water purchases	3,932,706	-	3,932,706	-
Depreciation and amortization	7,020,058	61,864	7,081,922	3,374,539
Building and equipment rental	490,157	60,402	550,559	668,741
Other charges	635,346	57,220	692,566	36,800
Total operating expenses	<u>23,620,993</u>	<u>8,784,748</u>	<u>32,405,741</u>	<u>28,722,610</u>
Operating income	<u>9,757,032</u>	<u>1,350,509</u>	<u>11,107,541</u>	<u>4,162,662</u>
NONOPERATING REVENUES (EXPENSES)				
Loss on disposal of capital assets	-	-	-	(173,419)
Interest income	712,929	-	712,929	62,682
Interest expense and other fiscal changes	(11,327,216)	-	(11,327,216)	(121,456)
Contribution to WTWA infrastructure	(964,573)	-	(964,573)	-
Rental income	122,197	-	122,197	-
Net nonoperating revenues (expenses)	<u>(11,456,663)</u>	<u>-</u>	<u>(11,456,663)</u>	<u>(232,193)</u>
(Loss) income before contributions and transfers	(1,699,631)	1,350,509	(349,122)	3,930,469
CAPITAL CONTRIBUTIONS	1,078,380	-	1,078,380	4,091,482
TRANSFERS IN	-	555,427	555,427	1,062,000
TRANSFERS OUT	(686,346)	(1,854,103)	(2,540,449)	(538,256)
Change in net assets	(1,307,597)	51,833	(1,255,764)	8,545,695
NET ASSETS AT JULY 1, as restated (Note 17)	<u>163,581,310</u>	<u>3,331,241</u>	<u>166,912,551</u>	<u>22,005,565</u>
NET ASSETS AT JUNE 30	<u>\$ 162,273,713</u>	<u>\$ 3,383,074</u>	<u>\$ 165,656,787</u>	<u>\$ 30,551,260</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Business-type Activities – Enterprise Funds			Governmental
	Utility Fund	Non-Major Funds	Total	Internal Service Funds
OPERATING ACTIVITIES				
Receipts from customers	\$ 32,660,395	\$ 9,783,178	\$ 42,443,573	\$ 32,748,727
Payments to employees	(6,043,950)	(3,231,583)	(9,275,533)	(2,809,898)
Payments to suppliers	(10,192,755)	(5,083,392)	(15,276,147)	(21,088,006)
Net cash provided by operating activities	16,423,690	1,468,203	17,891,893	8,850,823
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	555,427	555,427	1,062,000
Transfers to other funds	(686,346)	(1,854,103)	(2,540,449)	(538,256)
Net cash used in noncapital financing activities	(686,346)	(1,298,676)	(1,985,022)	523,744
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(22,783,199)	(92,521)	(22,875,720)	(6,199,974)
Proceeds from issuance of debt	82,623,377	-	82,623,377	-
Capital contributions	-	-	-	4,091,482
Principal paid on capital debt	(3,472,632)	-	(3,472,632)	(1,165,210)
Refunding proceeds placed in escrow	(17,347,221)	-	(17,347,221)	-
Bond issuance costs	(637,991)	-	(637,991)	-
Interest paid on capital debt	(11,569,552)	-	(11,569,552)	(133,484)
Net cash provided by (used in) capital and related financing activities	26,812,782	(92,521)	26,720,261	(3,407,186)
INVESTING ACTIVITIES				
Rental income	122,197	-	122,197	-
Interest received	712,929	-	712,929	62,682
Net cash provided by investing activities	835,126	-	835,126	62,682
Net increase in cash and cash equivalents	43,385,252	77,006	43,462,258	6,030,063
CASH AND CASH EQUIVALENTS				
Beginning, July 1, as restated (Note 17)	19,276,618	3,258,375	22,534,993	11,816,590
Ending, June 30	\$ 62,661,870	\$ 3,335,381	\$ 65,997,251	\$ 17,846,653
RECONCILIATION TO STATEMENT OF NET ASSETS:				
Cash and cash equivalents	\$ 3,257,926	\$ 3,335,381	\$ 6,593,307	\$ 17,846,106
Cash and cash equivalents, restricted	59,403,944	-	59,403,944	547
	\$ 62,661,870	\$ 3,335,381	\$ 65,997,251	\$ 17,846,653

(Continued)

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Business-type Activities – Enterprise Funds			Governmental
	Utility Fund	Non-Major Funds	Total	Activities – Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 9,757,032	\$ 1,350,509	\$ 11,107,541	\$ 4,162,662
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	7,020,058	61,864	7,081,922	3,374,539
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(707,836)	(352,079)	(1,059,915)	(136,545)
Inventories	(43,491)	-	(43,491)	12,289
OPEB asset	5,273	1,400	6,673	2,146
Prepays	-	-	-	9,698
Increase (decrease) in:				
Accounts payable and accrued liabilities	435,177	318,579	753,756	(31,405)
Accrued payroll and related liabilities	(32,729)	87,930	55,201	(30,061)
Unearned revenue	(9,794)	-	(9,794)	-
Claims payable	-	-	-	1,487,500
Net cash provided by operating activities	<u>\$ 16,423,690</u>	<u>\$ 1,468,203</u>	<u>\$ 17,891,893</u>	<u>\$ 8,850,823</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases financed by capital leases	\$ 352,501	\$ -	\$ 352,501	\$ 14,203
Capital asset purchases financed by accounts payable	\$ 1,313,880	\$ -	\$ 1,313,880	\$ -
Non cash capital contributions	\$ 1,078,380	\$ -	\$ 1,078,380	\$ -
Capitalized interest	\$ 1,660,471	\$ -	\$ 1,660,471	\$ -

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2012

	OPEB Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 14,110,974	\$ 341,560
Total assets	<u>\$ 14,110,974</u>	<u>\$ 341,560</u>
LIABILITIES		
Amounts held for others	<u>\$ -</u>	<u>\$ 341,560</u>
Total liabilities	<u>-</u>	<u>341,560</u>
NET ASSETS		
Held in trust for OPEB benefits	<u>14,110,974</u>	<u>-</u>
Total net assets	<u>14,110,974</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 14,110,974</u>	<u>\$ 341,560</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
OPEB TRUST FUND
Year Ended June 30, 2012

ADDITIONS	
Employer contributions	\$ 1,525,200
Total additions	<u>1,525,200</u>
DEDUCTIONS	
Administrative fees	16,135
Loss on investments	<u>70,755</u>
Total deductions	<u>86,890</u>
Change in net assets	1,438,310
NET ASSETS AT JULY 1	<u>12,672,664</u>
NET ASSETS AT JUNE 30	<u><u>\$ 14,110,974</u></u>

NOTES TO FINANCIAL STATEMENTS

CITY OF SUFFOLK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Suffolk, Virginia (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the City are described below.

A. Reporting Entity

Primary Government – The City of Suffolk, Virginia 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 the legislative powers, appoints the City Manager who is the executive and administrative head of the City’s government.

The City provides a full range of services to include the following: public safety (police and fire), education, community development (planning and zoning), water treatment and distribution, sewage collection, refuse collection, maintenance of highways, streets and infrastructure, stormwater management, recreational activities including a golf course, cultural events, social services, and library, among other services.

Discretely Presented Component Units – Discretely presented component units are entities that are legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government’s financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

City of Suffolk Public Schools

The City of Suffolk Public Schools (the “School Board”) is responsible for elementary and secondary education within the City. The School Board is composed of seven members popularly elected to a four-year term. 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 operations and approves the borrowing of money and issuance of debt. The School Board does not issue separate financial statements, as such, they have been included in these statements.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

City of Suffolk Public Schools

The School Board has one discretely presented component unit, the Pruden Center for Industry and Technology (The 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. Separate audited financial statements may be obtained from the Pruden Center by contacting the Pruden Center for Industry and Technology, 4169 Pruden Blvd., Suffolk, Virginia 23434.

Economic Development Authority of the City of Suffolk

The Economic Development Authority of the City of Suffolk (the “EDA”) was established under the Industrial Development and Revenue Bond Act – *Code of Virginia*. A separate board appointed by the City Council governs the EDA. The EDA 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 contributions to the EDA relating to the property the EDA develops and markets. Separate audited financial statements may be obtained from the EDA by contacting the Deputy Secretary/Treasurer, City of Suffolk Economic Development Authority, P.O. Box 1858, Suffolk, Virginia 23439.

The following entities are excluded from the accompanying financial statements.

Jointly governed organizations:

Western Tidewater Water Authority

The Western Tidewater Water Authority (the “Water Authority”) was created March 18, 1998, by the City 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. The City is not obligated to pay the principal or interest on notes or any other liabilities of the Authority and has no financial interest in the Authority. Separate audited financial statements can be obtained by contacting the Finance Director at the City of Suffolk at 441 Market Street, Suffolk, Virginia 23434.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

Western Tidewater Regional Jail Authority

The Western Tidewater Regional Jail Authority (the “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.

Historically, notes issued by the Jail Authority are limited obligations payable solely from revenues received from the member jurisdictions. The City has not been obligated to pay the principal or interest on the notes or any other liabilities of the Jail Authority and has no financial interest in the Authority beyond its initial contribution. However, during 2011, the member jurisdictions pledged to pay its pro rata share of any debt service on the issuance of the Authority’s 2011 bonds. Separate financial statements can be obtained by contacting the Superintendent of the Jail Authority at 2402 Godwin Blvd., Suffolk, Virginia 23434.

Suffolk Redevelopment and Housing Authority

The Suffolk Redevelopment and Housing Authority (the “SRHA”) administers public housing and redevelopment activities in the City. It applies, receives, and invests its own funds and formulates and approves its own budget. City Council is responsible for appointing members of the Board of SRHA, but the City’s accountability does not extend beyond making such appointments. SRHA does not have a significant operational or financial relationship with the City. Separate financial statements can be obtained by contacting the Executive Director of SRHA at 530 E. Pinner Street, Suffolk, Virginia 23434.

Southeastern Public Service Authority of Virginia

The Southeastern Public Service Authority of Virginia (the “PSA”) is a special purpose government entity engaged in business-type activities with no component units and was created for Solid Waste Disposal. The members of the PSA are the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk, and Virginia Beach and the counties of Isle of Wight and Southampton. Each member jurisdiction has agreed to deliver or cause to be delivered to the PSA at least 95% of all disposable solid waste generated within, collected by, or otherwise under the control of the contracting community.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

Southeastern Public Service Authority of Virginia (Continued)

Upon executing a debt retirement plan, the Virginia Resources Authority (the "VRA") required the eight member jurisdictions to guarantee, by general obligation, repayment of the remaining VRA bonds outstanding. The member jurisdiction guarantees percentages were calculated based on a three year average of proportional municipal tonnages. The total debt outstanding as of June 30, 2012 to the VRA was \$32,700,000 and Suffolk's guarantee percentage was 12% which totaled \$3,924,000.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities that report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, *the primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, with the exception of agency fund financial statements, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Types:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current period.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally one or two months preceding receipt by the City. Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts which are recorded as compensated absences and other post-employment benefits, which are recognized when paid, and (2) principal and interest payments on general long-term debt, both of which are recognized when due.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City presents the following major governmental funds:

General Fund – The General Fund is primary operating fund of the City which accounts for all financial resources not accounted for in another fund.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

Road Maintenance Fund – accounts for revenue and expenditures related to maintaining roads city wide. Revenues are derived from the state and sale of service to other funds.

Debt Service Fund – The Debt Service Fund is used to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest related costs as well as the financial resources being accumulated for future debt service.

The City presents the following nonmajor governmental funds:

Special Revenue Funds – account for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds consist of Suffolk Taxing District Fund, Downtown Business Overlay District Fund, Consolidated Grants Fund, Law Library Fund, Route 17 Taxing District Fund, Mosquito Taxing District Fund, Cemetery Fund, and the Aviation Fund.

Proprietary Fund Types:

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The proprietary funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income. Proprietary funds consist of enterprise and internal service funds.

The City presents the following major enterprise fund:

Utility Fund – accounts for the provision of water and sewer services. 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.

The City presents the following nonmajor enterprise funds:

Stormwater Utility Fund – accounts for the maintenance and improvements to the City's stormwater infrastructure. All activities necessary to provide such services are funded by charges to citizens and are accounted for in this fund.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Refuse Fund – accounts for the provision of refuse and waste management services. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, billing, and collections.

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 of the funds are allocated to the appropriate functional activity.

The City has the following internal service funds:

Information Technology Fund – accounts for technology infrastructure and allocates 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 and allocates those costs to the various departments or agencies using the equipment.

Risk Management Fund – accounts for the funding and payment of auto, personal 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 Fund Types:

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

The City has the following fiduciary funds:

OPEB Trust Fund – accounts for activities related to other post-employment benefits (OPEB). This fund accumulates resources for health insurance for retired employees.

Agency funds – custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. In addition to the City's agency funds listed below, the Suffolk Public School 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 of Virginia Fund – accounts for monies collected by the City on behalf of the Commonwealth of Virginia.

Western Tidewater Water Authority – accounts for monies held by the City as an agent for the private organization.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. 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 utility fund, stormwater utility fund, refuse fund, and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the operating definition are reported as non-operating revenues and expenses.

D. Stewardship, Compliance, and Accountability

The provisions of the Code of Virginia shall control the preparation, consideration, adoption, and execution of the budget of the City. The City Charter requires the budget to be balanced with planned expenditures equal to revenue estimates. The City will prepare and annually update a long range (5 year) financial forecast model utilizing trend indicators and projections of annual operating revenues, expenditures, capital improvements, and related debt service and operating costs as well as fund balance levels. The City Manager through the Budget and Finance Department will exercise appropriate fiscal management as necessary to live within the limits of the adopted budget.

Budgeting Information

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.
- The City Manager submits the proposed budget to City Council, and recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.

CITY OF SUFFOLK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

D. Stewardship, Compliance and Accountability (Continued)

Budgeting Information (Continued)

- 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.

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, Stormwater Utility Fund, Refuse Fund, the Internal Service Funds, and the following Special Revenue Funds: Aviation, Route 17 Tax District, Downtown Business Overlay District, Road Maintenance, and Law Library. Annual operating budgets are also adopted for the School Operating, School Food Service, and School Grants funds.

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 the modified accrual basis.

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

Individual grants and projects included in the Consolidated Grants Fund and Capital Projects Fund are budgeted separate 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 more than one year.

Financial Policies

The City's Finance Committee has been established by Council to implement and establish various financial policies. The Committee meets on a monthly basis to manage and review financial activities and to insure compliance with the established policies. Members of the Committee include those individuals stipulated by ordinance adopted by City Council. It is the City's policy to fund current expenditures with current revenues and the City's mission is to strive to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services. The City's unassigned General Fund balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

(Continued)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market funds, certificates of deposit, and investments with maturities of three months or less.

F. Investments

Investments are reported at 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.

G. Receivables

Receivables are shown net of an allowance for uncollectible amounts calculated by management using historical collection data, specific account analysis, and management's judgment.

H. Inventories and Prepaid Items

Inventories of materials and supplies and fuel 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. Inventories held by the Economic Development Authority consist of land and improvements held for sale and are valued at the lower of cost or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the proprietary funds and the government-wide financial statements to the extent the City's capitalization threshold is met.

Property, plant, equipment, and infrastructure capital outlays are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis in both the fund's and the government-wide statements. Interest expense is capitalized on proprietary fund type assets. The amount of interest expense capitalized is offset by interest income earned on invested proceeds. Interest capitalized during 2012 totaled \$1,660,471.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

I. 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:

Buildings	40 years
Improvements other than buildings	15-75 years
Machinery and equipment	3-50 years

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.

Capital assets having historical significance and that are being maintained by the City are not expected to decrease in value and, therefore, are not depreciated.

J. Deferred/Unearned 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. Unearned revenues consist of amounts prepaid and not yet earned, such as property taxes collected prior to their due date. Unearned revenue in the government-wide statements also consist of lease payments credited for future years relating to certified capital improvements at the golf course.

CITY OF SUFFOLK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

City and School Board 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.

For governmental fund types, the amount of accumulated unpaid vacation leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirement or resignation. For City proprietary funds, the cost of vacation and sick leave is recorded as a liability when earned.

L. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds:

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance – Restricted funds are either externally imposed (such as debt covenants, grantor, contributors or other governments) or are imposed by law (constitutionally or enabling legislation).

Committed fund balance – The City's Committed Funds include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority – City Council. Formal Council action includes the annual adoption of the City's Budget Ordinance/Resolution, Council Resolutions appropriating funds and/or resources, and Budget Amendments to carry forward appropriations that were unexpended at fiscal year end.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Balance (Continued)

Assigned fund balance – Amounts that are constrained by the City’s expressed intent to use resources for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as the Finance Committee), or by the City Manager. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.

Unassigned fund balance – This is the residual classification of the General Fund. Only the General Fund can report a positive “unassigned fund balance”. Other governmental funds might report a negative balance in this classification.

General fund unassigned fund balance target – The ratio of Unassigned General Fund balance as a percentage of Budgeted Governmental Funds Expenditures (net of the General Fund Contribution to Schools, transfer to other Governmental Funds, and Capital Projects Fund Expenditures) plus budgeted expenditures in the School Operating and Food Service Funds indicates the ability of the City to cope with unexpected financial problems or emergencies. The larger the Unassigned General Fund balance, the greater the City’s ability to cope with financial emergencies and fluctuations in revenue cycles. The City has established a target rate of 12% at the close of each fiscal year as computed on the upcoming budget year.

Once the Unassigned General Fund Balance target is achieved by the City, it is intended to be maintained for the upcoming fiscal year from prior year surpluses and budgeted additions as available before any other needs are addressed. In the event Unassigned Fund Balance is required to be drawn below the 12% target rate due to an emergency (such as a natural disaster) or due to severe economic circumstances, the City will develop a plan to restore the Unassigned Fund Balance over the ensuing two to three years.

The City considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unrestricted fund balances are available unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

The School Board currently does not have a policy regarding whether to first apply restricted or unrestricted resources when an expenditure is incurred.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

N. Net Assets

Net assets in the government-wide and proprietary financial statements represent the difference between assets and liabilities and are classified as invested in capital assets, net of related debt, restricted, and unrestricted. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments and can be offset by related debt and other payables.

O. 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.

P. Component Unit-School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction, or improvement of its capital assets. That responsibility lies with the City who issues the debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the assets.

In the Statement of Net Assets, this scenario presents a dilemma for the City. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net assets of the City. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net assets.

The Virginia General Assembly amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 2. Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

The City's investments are subject to credit risk, concentration of credit risk, and interest rate risk as described below. The City's investments are not subject to custodial risk or foreign currency risk.

Credit Risk

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, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP). The City's policy emphasizes the use of securities of high credit quality and marketability, and follows state statute, but does not specify minimum credit ratings.

Interest Rate Risk

The City Treasurer's 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.

Interest rate risk does not apply to the State Non-Arbitrage Program pooled investments.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 2. Deposits and Investments (Continued)

External Investment Pool

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the SNAP is the same as the value of the pool shares.

Concentration of Credit Risk

100% of the City's investments at June 30 were with SNAP. These investments were not considered by management to represent a risk to the City.

Restricted Cash

The City has restricted cash as follows:

	Governmental Activities	Business-type Activities	Primary Government
Unspent debt proceeds	\$ 9,609,804	\$ 59,371,117	\$ 68,980,921
Debt service	392,725	-	392,725
Cemetery	1,139,532	-	1,139,532
Bridge repair	2,669,183	-	2,669,183
Escrow/bond/customer deposits	732,429	32,827	765,256
Other external purposes	1,810,897	-	1,810,897
Total	<u>\$ 16,354,570</u>	<u>\$ 59,403,944</u>	<u>\$ 75,758,514</u>

	Component Units		
	Primary Government	School Board	Economic Development Authority
Deposits and investments:			
SNAP	\$ 94,386,755	\$ -	\$ -
Deposits	103,827,018	15,960,705	4,204,540
	<u>\$ 198,213,773</u>	<u>15,960,705</u>	<u>\$ 4,204,540</u>
Statement of net assets:			
Cash and cash equivalents	\$ 122,455,259	\$ 15,960,705	\$ 2,895,343
Cash and cash equivalents, restricted	75,758,514	-	1,309,197
	<u>\$ 198,213,773</u>	<u>\$ 15,960,705</u>	<u>\$ 4,204,540</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Receivables

Receivables are as follows:

	Governmental Activities						
	General	Road Maintenance	Nonmajor Governmental Funds	Internal Service Funds	Total	Business-type Activities	Component Unit – School Board
	Taxes	\$ 6,085,719	\$ -	\$ 59,210	\$ -	\$ 6,144,929	\$ -
Accounts	5,781,904	154,132	105,752	157,716	6,199,504	6,655,632	201,301
Subtotal	11,867,623	154,132	164,962	157,716	12,344,433	6,655,632	201,301
Less allowance	(4,351,623)	-	(23,151)	-	(4,374,774)	(357,993)	-
Receivables, net	<u>\$ 7,516,000</u>	<u>\$ 154,132</u>	<u>\$ 141,811</u>	<u>\$ 157,716</u>	<u>\$ 7,969,659</u>	<u>\$ 6,297,639</u>	<u>\$ 201,301</u>

Allowances for Uncollectible Accounts

The City calculates its allowances for uncollectible receivables using historical collection data. The receivables shown on the Statement of Net Assets are presented net of the following allowances for doubtful accounts:

	Governmental Activity	Business-type Activities
General Fund – Taxes receivable	\$ 2,475,103	\$ -
General Fund – EMS receivable	1,876,520	-
Nonmajor Funds – Taxes receivable	23,151	-
Utility Fund – Accounts receivable	-	310,514
Nonmajor Proprietary Funds – Fees receivable	-	47,479
	<u>\$ 4,374,774</u>	<u>\$ 357,993</u>

Property Taxes – Property taxes are levied as of January 1 for personal property and as of July 1 for real estate, based on the assessed value the related property as of the date. The City’s legal right to collect property taxes attaches each year when the rates are approved and the taxes are assessed. Real estate taxes are collectible twice a year, on June 5 and December 5. Personal property taxes are due on December 5. Amounts not collected within 45 days after year-end are reflected as deferred revenue. A lien is created on real property three years from the original due date.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 4. Due From Other Governments

Due from other governments in the fund statements are as follows:

Primary Government:

<u>Governmental Activities</u>	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,378,804	\$ -	\$ -	\$ 1,378,804
Communication sales tax	610,654	-	-	610,654
Shared expenses	265,521	-	-	265,521
Social services reimbursement	249,013	-	-	249,013
Various grants	6,353	334,877	246,836	588,066
	<u>2,510,345</u>	<u>334,877</u>	<u>246,836</u>	<u>3,092,058</u>
<u>Federal Government:</u>				
Disaster grants – public assistance	-	-	807,419	807,419
Social services reimbursement	388,126	-	-	388,126
Department of Transportation	-	1,796,575	-	1,796,575
Various grants	-	10,223	332,218	342,441
	<u>388,126</u>	<u>1,806,798</u>	<u>1,139,637</u>	<u>3,334,561</u>
Total due from other governments	<u>\$ 2,898,471</u>	<u>\$ 2,141,675</u>	<u>\$ 1,386,473</u>	<u>\$ 6,426,619</u>

Component Unit – School Board:

<u>Governmental Activities</u>	<u>School Operating</u>	<u>School Grants</u>	<u>School Food Service</u>	<u>Total</u>
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 2,421,449	\$ -	\$ -	\$ 2,421,449
Various grants	298,595	125,617	-	424,212
	<u>2,720,044</u>	<u>125,617</u>	<u>-</u>	<u>2,845,661</u>
<u>Federal Government:</u>				
School food reimbursement	-	-	652,659	652,659
Title I	-	1,040,611	-	1,040,611
Title VI-B	-	700,082	-	700,082
Education Jobs Grant	-	416,740	-	416,740
Various grants	62,089	122,376	-	184,465
	<u>62,089</u>	<u>2,279,809</u>	<u>652,659</u>	<u>2,994,557</u>
Total due from other governments	<u>\$ 2,782,133</u>	<u>\$ 2,405,426</u>	<u>\$ 652,659</u>	<u>\$ 5,840,218</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5. Interfund Transactions

Individual fund interfund receivable and payable balances are as follows:

	Due To	Due From
General fund	\$ 341,681	\$ 1,378,100
Nonmajor governmental funds:		
Consolidated Grants fund	1,378,100	341,681
	\$ 1,719,781	\$ 1,719,781

The primary purpose of the interfund balance between the Consolidated Grants fund and the General fund is for advances to cover grant receivables from other governments to be reimbursed in subsequent fiscal year.

Interfund Transfers:

	Transfers to:						Total
	General Fund	Capital Projects	Debt Service	Nonmajor Governmental	Enterprise Funds	Internal Service	
Transfers from:							
General Fund	\$ -	\$3,467,790	\$23,716,959	\$ 482,253	\$ 555,427	\$ -	\$28,222,429
Road Maintenance	548,942	128,000	-	-	-	974,000	1,650,942
Utility	686,346	-	-	-	-	-	686,346
Nonmajor:							
Governmental	53,027	348,584	1,103,938	-	-	-	1,505,549
Enterprise	242,603	1,523,500	-	-	-	88,000	1,854,103
Internal Service	538,256	-	-	-	-	-	538,256
	\$2,069,174	\$5,467,874	\$24,820,897	\$ 482,253	\$ 555,427	\$1,062,000	\$34,457,625

Transfers are used to (1) move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 6. Transactions Between Primary Government and Component Units

Significant Transactions of the City and Component Unit – School Board

Certain transactions between the City and School Board are explained here in detail to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

1. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the City issues debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the City. The proceeds from the debt issued “on behalf” of the School Board are recorded in the City’s General Fund. This fund then accounts for capital expenditures relating to major school construction projects.
2. Debt service payments for school bonded debt are reported as part of the City in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund.
3. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be as follows:

Expenditures of School Board – Component Unit (Exhibit 26)	\$ 141,942,983
Repayment of School debt	<u>11,072,237</u>
Total expenditures for school activities	<u><u>\$ 153,015,220</u></u>

Significant Transactions of the City and Component Unit – Economic Development Authority

The City provides personnel and office space to the EDA at no charge.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Capital Assets

The following is a summary of governmental activities capital asset activity.

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 24,671,517	\$ 3,549,411	\$ -	\$ 28,220,928
Construction in progress	57,314,657	14,023,584	25,662,965	45,675,276
Total capital assets, not depreciated	<u>81,986,174</u>	<u>17,572,995</u>	<u>25,662,965</u>	<u>73,896,204</u>
Capital assets, depreciated				
Buildings	54,460,326	12,426,397	-	66,886,723
Infrastructure	355,345,526	24,462,284	-	379,807,810
Improvements other than buildings	16,800,814	1,713,343	-	18,514,157
Machinery and equipment	58,565,302	6,714,758	1,209,370	64,070,690
Total capital assets depreciated	<u>485,171,968</u>	<u>45,316,782</u>	<u>1,209,370</u>	<u>529,279,380</u>
Less accumulated depreciation for:				
Buildings	16,337,568	2,069,598	-	18,407,166
Infrastructure	59,811,509	7,198,322	-	67,009,831
Improvements other than buildings	4,496,140	6,257,529	-	10,753,669
Machinery and equipment	38,541,666	3,939,101	832,481	41,648,286
Total accumulated depreciation	<u>119,186,883</u>	<u>19,464,550</u>	<u>832,481</u>	<u>137,818,952</u>
Total capital assets, depreciated, net	<u>365,985,085</u>	<u>25,852,232</u>	<u>376,889</u>	<u>391,460,428</u>
Governmental activities, capital assets, net	<u>\$ 447,971,259</u>	<u>\$ 43,425,227</u>	<u>\$ 26,039,854</u>	<u>\$ 465,356,632</u>

*As restated, see Note 17.

CITY OF SUFFOLK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Capital Assets (Continued)

The following is a summary of Business-type Activities capital asset activity:

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 3,432,374	\$ 1,957,392	\$ -	\$ 5,389,766
Construction in progress	69,550,945	23,825,551	12,729,780	80,646,716
Total capital assets, not depreciated	<u>72,983,319</u>	<u>25,782,943</u>	<u>12,729,780</u>	<u>86,036,482</u>
Capital assets, depreciated				
Buildings	59,372,838	4,728,244	-	64,101,082
Improvements other than buildings	248,982,152	4,337,638	-	253,319,790
Machinery and equipment	68,689,100	3,238,018	-	71,927,118
Total capital assets depreciated	<u>377,044,090</u>	<u>12,303,900</u>	<u>-</u>	<u>389,347,990</u>
Less accumulated depreciation for:				
Buildings	11,011,750	2,368,592	-	13,380,342
Improvements other than buildings	57,366,962	3,413,703	-	60,780,665
Machinery and equipment	23,813,944	1,299,627	-	25,113,571
Total accumulated depreciation	<u>92,192,656</u>	<u>7,081,922</u>	<u>-</u>	<u>99,274,578</u>
Total capital assets, depreciated, net	<u>284,851,434</u>	<u>5,221,978</u>	<u>-</u>	<u>290,073,412</u>
Business-type activities, capital assets, net	<u>\$ 357,834,753</u>	<u>\$ 31,004,921</u>	<u>\$ 12,729,780</u>	<u>\$ 376,109,894</u>

The following is a summary of Component Unit – School Board capital asset activity:

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 5,878,723	\$ 564,000	\$ 26,200	\$ 6,416,523
Building improvements (in process)	-	665,735	-	665,735
Total capital assets, Not depreciated	<u>5,878,723</u>	<u>1,229,735</u>	<u>26,200</u>	<u>7,082,258</u>
Capital assets, depreciated				
Buildings	184,223,716	5,200	609,876	183,619,040
Improvements other than buildings	16,708,657	-	32,900	16,675,757
Machinery and equipment	35,933,056	3,123,428	3,396,262	35,660,222
Total capital assets depreciated	<u>236,865,429</u>	<u>3,128,628</u>	<u>4,039,038</u>	<u>235,955,019</u>
Less accumulated depreciation for:				
Buildings	69,599,290	4,775,360	504,085	73,870,565
Improvements other than buildings	8,565,956	542,406	32,900	9,075,462
Machinery and equipment	22,982,964	2,718,306	3,341,235	22,360,035
Total accumulated depreciation	<u>101,148,210</u>	<u>8,036,072</u>	<u>3,878,220</u>	<u>105,306,062</u>
Total capital assets, depreciated, net	<u>135,717,219</u>	<u>(4,907,444)</u>	<u>160,818</u>	<u>130,648,957</u>
Governmental activities, capital assets, net	<u>\$ 141,595,942</u>	<u>\$ (3,677,709)</u>	<u>\$ 187,018</u>	<u>\$ 137,731,215</u>

*As restated, see Note 17.

(Continued)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Capital Assets (Continued)

The following is a summary of depreciation expense charged to various functions/funds:

Governmental Activities:	
General government	\$ 670,755
Judicial administration	16,523
Public safety	637,084
Public works	17,485,221
Parks, recreation, and cultural	654,967
	<hr/>
	\$ 19,464,550
	<hr/> <hr/>

Governmental activities included depreciation of \$3,370,269 for the Fleet Maintenance Fund and \$4,270 for Information Technology Fund.

Note 8. Deferred and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not year earned. At year end, the various components of deferred revenue and unearned revenue in the governmental funds were as follows:

	Deferred Revenue	Unearned Revenue
	<hr/>	<hr/>
Prepaid taxes and other amounts – unearned	\$ 730,383	\$ 730,383
Developer deposits – unearned (General)	120,908	120,908
Developer deposits – unearned (Road maintenance)	870,471	870,471
Deferred capital project revenue – unavailable	90,000	-
Grant receipts – unearned	214,055	214,055
Taxes receivable, net – unavailable	2,394,883	-
EMS receivable, net – unavailable	1,943,989	-
Golf-course lease revenue – unearned	-	2,369,288
	<hr/>	<hr/>
Total deferred/unearned revenue – governmental funds	\$ 6,364,689	\$ 4,305,105
	<hr/> <hr/>	<hr/> <hr/>

Unearned revenue in the utility fund represents payments that will be recognized as the City provides services to the Western Tidewater Water Authority.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance*</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General obligation debt	\$ 188,870,956	\$ 44,545,000	\$ 27,919,626	\$ 205,496,330	\$ 14,924,376
Literary fund loans	4,750,000	-	500,000	4,250,000	500,000
Section 108 loan	3,073,000	-	193,000	2,880,000	193,000
Capital lease obligations	5,473,851	985,484	2,069,142	4,390,193	1,775,387
Add bond premiums and other credits	6,723,712	3,271,866	924,437	9,071,141	-
Less deferred costs	<u>(2,321,940)</u>	<u>(607,138)</u>	<u>(288,298)</u>	<u>(2,640,780)</u>	<u>-</u>
	206,569,579	48,195,212	31,317,907	223,446,884	17,392,763
Claims payable	2,270,279	9,867,866	8,380,366	3,757,779	1,694,614
Compensated absences	4,543,614	331,095	576,142	4,298,567	234,482
Landfill liability	<u>1,685,358</u>	<u>560,954</u>	<u>152,182</u>	<u>2,094,130</u>	<u>250,717</u>
Governmental activities, long-term liabilities	<u>\$ 215,068,830</u>	<u>\$ 58,955,127</u>	<u>\$ 40,426,597</u>	<u>\$ 233,597,360</u>	<u>\$ 19,572,576</u>
<u>Business-type activities:</u>					
Bonds payable	\$206,823,425	\$ 77,530,000	\$ 18,889,755	\$ 265,463,670	\$ 2,500,624
Capital lease obligations	2,703,939	352,501	337,877	2,718,563	358,754
Add bond premiums and other credits	2,674,896	3,635,178	318,016	5,992,058	-
	212,202,260	81,517,679	19,545,648	274,174,291	2,859,378
Compensated absences	<u>447,997</u>	<u>75,093</u>	<u>14,711</u>	<u>508,379</u>	<u>34,591</u>
Total	<u>\$212,650,257</u>	<u>\$ 81,592,772</u>	<u>\$ 19,560,359</u>	<u>\$ 274,682,670</u>	<u>\$ 2,893,969</u>

*As restated, see Note 17.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	Issue Date	Final Maturity	Interest Rate	Authorized and Issued	Governmental Activities	Business-Type Activities
Bonds Payable:						
General Obligation Bonds:						
Public Improvement Series 2002	07/18/02	06/30/23	3.00 – 5.00	\$ 18,195,000	\$ 1,030,000	\$ -
Public Improvement Series 2003	07/01/03	08/01/23	2.50 – 6.00	17,515,000	5,700,000	-
2003 Refunding Bonds	07/16/03	08/01/16	2.50 – 6.00	21,380,000	1,844,325	330,675
2003 VRA Refunding Bonds	08/07/03	10/01/16	2.00 – 5.00	3,295,000	-	1,355,000
Public Improvement Series 2004	07/28/04	06/30/25	2.50 – 6.00	18,160,000	8,810,000	-
Public Improvement Series 2005	11/17/05	12/01/25	4.00 – 5.00	11,710,000	8,190,000	-
2005 Refunding Bonds	11/17/05	12/01/19	4.00 – 5.00	10,005,000	7,564,733	20,267
2007 Public Improvement and Refunding Bonds	04/11/07	02/01/35	4.00 – 4.50	88,245,000	69,669,149	50,851
2007B Public Improvement Bonds	12/01/07	12/01/27	4.00 – 5.00	24,475,000	19,575,000	-
2008 Public Improvement Bonds	10/28/08	02/01/29	4.00 – 5.00	16,600,000	8,300,000	-
2009 Series (Taxable – Build America Bonds)	11/10/09	02/01/40	3.87	27,000,000	-	27,000,000
2010A Public Improvement and Refunding Bonds	04/29/10	08/01/32	3.38	34,155,000	32,575,000	-
2011 Public Improvement Bonds	07/07/11	02/01/41	2.00 – 5.00	84,510,000	23,265,000	61,245,000
2011 Public Improvement and Refunding Bonds	07/07/11	02/01/27	2.00 – 5.00	30,065,000	11,473,123	16,931,877
2011 VPSA Local School Bond	12/15/11	06/30/31	4.97	7,500,000	7,500,000	-
Total general obligation bonds					205,496,330	106,933,670
Literary Fund Loans:						
Literary Fund Loan	12/01/99	12/01/19	3.00	5,000,000	2,000,000	-
Literary Fund Loan	04/01/01	04/01/21	3.00	5,000,000	2,250,000	-
Total literary fund loans					4,250,000	-
Other Notes:						
Section 108 Loan Payable	09/14/06	08/01/26	4.96 – 5.77	3,845,000	2,880,000	-
					\$ 212,626,330	\$ 106,933,670

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows: (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital Lease Obligations:		
\$495,043 issued September 24, 2010 for the purchase of a time and attendance system; payable in monthly installments of \$13,751 through November 2012	\$ 47,137	\$ -
\$4,833,129 issued for the purchase of generators; payable in monthly installments through June 2022	1,116,423	2,718,563
\$5,412,300 issued November 10, 2008 for the purchase of 28 public safety vehicles; payable in quarterly installments of \$299,170 through November 2013; interest at 3.90%	1,735,323	-
\$1,324,956 issued November 23, 2010 for the purchase of a lighting project and various vehicles and equipment; payable in quarterly installments of \$70,284 through November 23, 2015; interest at 2.28%	943,160	-
\$606,000 issued November 18, 2011 for the purchase of various vehicles and equipment; payable in quarterly installments of \$31,957 through November 18, 2016; interest at 2.05%	<u>548,150</u>	<u>-</u>
Total capital lease obligations	<u>\$ 4,390,193</u>	<u>\$ 2,718,563</u>

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized And Issued</u>	<u>Business-Type Activities</u>
Bonds Payable:					
Pledged Revenue Bonds:					
2003 Series Water and Sewer Revenue Bond – VRA	12/04/03	10/01/33	2.10-5.10	\$ 11,725,000	\$ 8,530,000
2004B Series Water and Sewer Revenue Bond – VRA	11/17/04	10/01/26	2.00-6.00	11,695,000	9,345,000
2005B Series Water and Sewer Revenue Bond – VRA	12/07/05	10/01/35	4.77-5.10	14,050,000	10,910,000
2006B VRA Refunding Bonds	08/09/06	04/01/30	4.10-4.87	12,750,000	11,705,000
2006C Series Water and Sewer Revenue Bond – VRA	11/29/06	10/01/36	4.26-4.91	36,460,000	30,200,000
2007 Series Water and Sewer Revenue Bond – VRA	12/13/07	10/01/37	3.40-5.10	39,795,000	34,460,000
2008 Series Water and Sewer Revenue Bond – VRA	12/10/08	10/01/38	2.29-5.54	45,300,000	39,270,000
2009 Series Water and Sewer Revenue Bond – VRA	06/17/09	10/01/25	1.13-4.86	10,200,000	9,190,000
2010 VRA Refunding Bonds (VPFP)	06/16/10	04/01/31	4.52	4,945,000	4,920,000
Total long-term debt					<u>\$ 158,530,000</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Long-Term Liabilities (Continued)

Amortization requirements for governmental activities:

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

Year Ending June 30,	Governmental Activities							
	General Obligation Bonds		Literary Fund Loans		Section 108 Loan Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 14,924,376	\$ 9,015,074	\$ 500,000	\$ 127,500	\$ 193,000	\$ 150,707	\$ 1,775,387	\$ 80,672
2014	15,331,016	8,386,875	500,000	112,500	193,000	140,979	1,164,296	26,803
2015	14,522,462	7,777,991	500,000	97,500	193,000	131,214	577,299	12,527
2016	14,647,462	7,176,731	500,000	82,500	193,000	121,410	402,795	4,098
2017	14,120,428	6,542,392	500,000	67,500	193,000	111,567	160,540	488
2018-2022	61,110,586	23,490,733	1,750,000	120,000	965,000	403,182	309,876	-
2023-2027	46,915,000	11,938,627	-	-	950,000	134,303	-	-
2028-2032	20,635,000	3,699,056	-	-	-	-	-	-
2033-2035	3,290,000	283,425	-	-	-	-	-	-
	<u>\$ 205,496,330</u>	<u>\$ 78,310,904</u>	<u>\$ 4,250,000</u>	<u>\$ 607,500</u>	<u>\$ 2,880,000</u>	<u>\$ 1,193,362</u>	<u>\$ 4,390,193</u>	<u>\$ 124,588</u>

	Business-Type Activities					
	General Obligation Bonds		Revenue Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,095,624	\$ 5,191,377	\$ 1,405,000	\$ 7,715,494	\$ 358,754	\$ -
2014	993,984	5,152,609	1,455,000	7,665,308	356,853	-
2015	902,538	5,115,897	1,505,000	7,609,600	349,889	-
2016	1,432,538	5,078,584	2,160,000	7,533,162	342,733	-
2017	1,734,572	5,013,870	2,630,000	7,432,007	338,781	-
2018-2022	18,477,535	23,204,087	28,980,000	33,697,006	971,553	-
2023-2027	23,431,879	22,002,582	36,480,000	25,959,276	-	-
2028-2032	17,290,000	13,894,183	38,415,000	16,410,126	-	-
2033-2038	21,765,000	8,816,580	37,380,000	6,819,452	-	-
2039-2041	19,810,000	2,525,700	8,120,000	360,463	-	-
	<u>\$ 106,933,670</u>	<u>\$ 95,995,469</u>	<u>\$ 158,530,000</u>	<u>\$ 121,201,894</u>	<u>\$ 2,718,563</u>	<u>\$ -</u>

The Governmental Activities Capital lease obligations are collateralized by equipment with a book value of \$4,390,193, which is net of accumulated depreciation of \$5,016,156 at June 30, 2012.

The Business-Type Activities Capital lease obligations are collateralized by equipment with a book value of \$2,718,563, which is net of accumulated depreciation of \$390,858 at June 30, 2012.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Long-Term Liabilities (Continued)

Pledged-Revenue Bond Restrictions:

Due to the master trust indenture, the revenue covenant has been met for the pledged-revenue bonds. Net revenues are required to be no less than the greater of (i) the sum of 1.5 times senior debt service and 1.0 times subordinated debt service for the fiscal year or (ii) net revenues are not less than 1.0 times the funding requirements for transfers from the revenue fund to the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund, and the rate stabilization fund. As shown in the statistical Table 14, the debt coverage ratio for the year ended June 30 was 36.3%. Furthermore, there has been no occurrence of any condition or event which constitutes, or which, with notice or lapse of time, or both, would constitute an event of default within the terms of the master trust indenture.

General Obligation Bonds and the Legal Debt Limit:

General Fund revenues are used to pay all general long-term liabilities. The City retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board.

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.

General obligation bonds are direct obligations and pledge the full faith and credit of the City.

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%, further reduced by financial policy in 2010 to 4% of the assessed valuation. As of June 30, 2012, the City's aggregate general obligation indebtedness is approximately \$561.0 million less than the Commonwealth's limit and \$296.8 million less than the City's financial policy, as summarized in statistical Table 14.

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, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other post-employment benefits	\$ 1,350,927	\$ 2,315,635	\$ 1,883,643	\$ 1,782,919	\$ -
Compensated absences	2,130,468	-	108,819	2,021,649	84,669
	<u>\$ 3,481,395</u>	<u>\$ 2,315,635</u>	<u>\$ 1,992,462</u>	<u>\$ 3,804,568</u>	<u>\$ 84,669</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Long-Term Liabilities (Continued)

Current Year Refunding of Debt

In July 2011, the City issued \$30,065,000 in general obligation bonds with an average interest rate ranging between 2%-5%. These bonds were issued to refund approximately \$29,530,000 in outstanding bonds including bond issuances in 2001, and partial refunding of bonds issued in 2003, 2004, 2005, 2006, 2007 and 2008. The net proceeds of the refunding were \$32,268,326 (including \$2,203,326 in bond premium and \$228,730 in underwriting fees and other issuance costs). The liability for the refunded bonds has been replaced with the liability from new debt with the difference between the reacquisition price and the net carrying amount of the old debt totaling \$2,065,336 and is being deferred and amortized over the life of the defeased debt in proportion to the stated interest due on the new debt. Approximately \$23,095,000 remains outstanding at June 30, 2012 related to the partially defeased bonds described above.

The City refunded these bonds to extend the maturity its total debt service over an additional 7 years, which increased the overall debt service by \$5,531,959. In addition, this resulted in an economic loss (the difference between the present values of the debt service payments on the old and new debt) of \$362,731.

Prior Year Defeasances:

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2012, \$86,271,250 of bonds outstanding were considered defeased.

Bonds Authorized and Unissued:

Bonded debt authorized by City Council in previous years but unissued as of June 30, 2012, totals \$51,910,739.

Landfill Postclosure Care Costs:

The City closed its former landfill site in 1984 and completed initial closure measures in 1995. In accordance with federal and state laws, the City placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure. In 2011, the City reevaluated the estimate and determined that the monitoring period could extend for another ten years, through 2021.

The estimated liability is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the City as discussed. If the DEQ does not accept the active remedy, the actual costs may change. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. The cumulative amount of estimated postclosure care costs, and corrective action to date for this site, less cash paid for such costs to date, totals \$2,094,130. This amount is included in the long-term liabilities in the primary government.

The City uses the bond method test of demonstrating assurance for postclosure care.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10. Leases

Lessor:

On October 27, 2009, the City entered into an operating lease whereby the City leased the Sleepy Hole Golf Course to a private operator. The lease was amended on May 1, 2010 and the term of the lease ends on April 30, 2030. The agreement requires annual lease payments to the City of \$356,000. This amount is reduced by certified annual capital costs made by the operator to enhance the integrity of the golf course facility. For the year ended June 30, 2012, the operator made certified capital improvements of \$1.7 million. These costs have been capitalized by the City and amounts exceeding last year's lease payment, of approximately \$1.4 million, have been recorded as unearned lease revenue.

Lessee:

The City also leases various equipment and facilities through operating leases which are subject to appropriation annually. Rent expense for governmental and business-type activities was \$971,784 and \$550,559 respectively.

Future minimum lease payments under these leases are as follows:

2013	\$ 978,494
2014	<u>987,204</u>
	<u><u>\$ 1,965,698</u></u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11. Defined Benefit Pension Plan

A. Plan Description

The City contributes to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the “System”).

All full-time salaried permanent employees must participate in the VRS. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

CITY OF SUFFOLK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 11. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is -0-%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2010-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution has been assumed by the City and the School Board. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's and School's non-professional employees contribution rates for the fiscal year ended 2012 were 16.07% and 8.93% of annual covered payroll, respectively (which includes 5% member contribution).

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11. Defined Benefit Pension Plan (Continued)

B. Funding Policy (Continued)

The School Board's contributions for professional employees were \$7,895,331 to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, and these contributions represented 13.44% of current covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the City's annual pension cost of \$8,526,249 was equal to the City's required and actual contributions.

For fiscal year 2012, the School Board's annual pension cost for non-professional employees was \$787,554 which was equal to the Board's required and actual contributions.

Fiscal Year Ending	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City:			
June 30, 2012	\$ 8,526,249	100%	\$ -
June 30, 2011	\$ 8,407,146	100%	\$ -
June 30, 2010	\$ 4,817,023	100%	\$ -
School Board:			
Nonprofessional			
June 30, 2012	\$ 787,554	100%	\$ -
June 30, 2011	\$ 820,689	100%	\$ -
June 30, 2010	\$ 871,508	100%	\$ -

The FY2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost of living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's and the 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 City's, School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Liability (UAAL) was 20 years.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11. Defined Benefit Pension Plan (Continued)

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the City's plan was 73.50% funded. The actuarial accrued liability for benefits was \$214,109,548, and the actuarial value of assets was \$157,369,852, resulting in an unfunded actuarial accrued liability (UAAL) of \$56,739,696. The covered payroll (annual payroll of active employees covered by the plan) was \$52,788,904 and ratio of the UAAL to the covered payroll was 107.48%.

As of June 30, 2011, the most recent actuarial valuation date, the City School Board's plan was 83.00% funded. The actuarial accrued liability for benefits was \$20,908,655, and the actuarial value of assets was \$17,353,631, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,555,024. The covered payroll (annual payroll of active employees covered by the plan) was \$7,038,507 and ratio of UAAL to the covered payroll was 50.51%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 12. Other Post-Employment Benefits Program

The City of Suffolk has established an irrevocable trust pursuant to Section 15.2-1544 of the *Code of Virginia*, as amended for the purpose of accumulated and investing assets to fund Other Post-Employment Benefits (OPEB), to participate in the Virginia Pooled OPEB Trust Fund and has established a Local Finance Board to become a Participating Employer in the Trust Fund. The Trust Fund provides administrative, custodial, and investment services to the Participating Employers in the Trust Fund. For the fiscal year ending June 30, 2012 the City contributed \$1,525,200 and the School Board contributed \$1,309,000 to the Trust Fund. Expenses allocated to the Trust Fund during the fiscal year ended June 30, 2012 totaled \$86,890 for the City and \$8,462 for the School Board. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League ("VML") at P.O. Box 12164, Richmond, Virginia 23241.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 12. Other Post-Employment Benefits Program (Continued)

Plan Description

The City and School Board provide post-employment medical coverage for retired employees through a single-employer defined benefit plan. The plan is established under the authority of City Council and the School Board, which may also amend the plan as deemed appropriate.

Participants in the City’s and School Board’s OPEB plans must have attained 20 years and 10 years of full-time consecutive service, respectively, and been enrolled in the group health insurance plan for the 24 months prior to their retirement date to be eligible and coverage ceases at age 65. Retirees pay 100% of spousal premiums and surviving spouses are not allowed access to the plan.

Funding Policy

The City and School Board establishes employer contribution rates for plan participants as part of the budgetary process each year and determines how the plan will be funded each year and whether it will partially fund or fully fund the plan. The City and School Board currently fund post-employment health care benefits on a pay-as-you-go basis and as contributions to their respective Trust Funds.

Annual Other Post-employment Benefit Cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) under GASB 45 is the Annual Required Contribution (ARC). The City and School Board paid \$842,236 and \$0 towards the estimated pay as you go cost for OPEB benefits in fiscal year 2012, and in addition contributed \$1,525,200 and \$1,309,000 to a Trust Fund, respectively. The City and School Board elected to pre-fund OPEB liabilities. The City and School Board are contributing the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The thirty year amortization period is open.

The following table shows the components of the City and School Board’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City’s net OPEB obligation for the healthcare benefits:

	<u>City</u>	<u>School Board</u>
Annual required contribution	\$ 2,109,900	\$ 2,328,700
Interest on net OPEB obligation	(78,517)	101,320
Adjustment to annual required contribution	<u>88,642</u>	<u>(114,385)</u>
Annual OPEB cost	2,120,025	2,315,635
Contributions made	<u>2,063,513</u>	<u>1,883,643</u>
Increase (decrease) in net OPEB obligation	56,512	431,992
Net OPEB obligation (asset) – beginning of year	<u>(1,046,897)</u>	<u>1,350,927</u>
Net OPEB obligation (asset) – end of year	<u><u>\$ (990,385)</u></u>	<u><u>\$ 1,782,919</u></u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 12. Other Post-Employment Benefits Program (Continued)

Annual Other Post-employment Benefit Cost and Net OPEB Obligation (Continued)

The City and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years are as follows.

City:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset) Obligation
June 30, 2012	\$ 2,120,025	97.33%	\$ (990,385)
June 30, 2011	\$ 2,985,694	112.05%	\$ (1,046,897)
June 30, 2010	\$ 3,017,535	111.88%	\$ (687,076)

Schools:

June 30, 2012	\$ 2,315,635	81.34%	\$ 1,782,919
June 30, 2011	\$ 2,229,232	71.41%	\$ 1,350,927
*June 30, 2010	\$ 2,229,232	67.99%	\$ 713,588

* Restated, see Note 17.

Funding Status and Funding Progress

The funding status of the plan as of July 1, 2011 was as follows:

	City	School Board
Actuarial Accrued Liability (AAL)	\$ 21,100,600	\$ 16,559,900
Actuarial Value of Plan Assets	11,918,849	6,050,180
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 9,181,751</u>	<u>\$ 10,509,720</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	56.49%	36.5%
Covered Payroll (Active Plan Members)	52,047,300	58,739,000
UAAL as a Percentage of Covered Payroll	17.64%	17.90%

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 12. Other Post-Employment Benefits Program (Continued)

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation, the projected unit credit actuarial cost method, was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 7.5% discount rate for a funded plan. Healthcare cost trend rates ranged from 6.30% and 4.70% for the City and Schools for 2011. The unfunded accrued liability is being amortized over 30 years using the level dollar amount method.

Note 13. Commitments and Contingencies

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.

Construction Commitments:

The City has authorized expenditures for capital additions and construction of various governmental and utility capital projects. At June 30, 2012, projects expected to be completed at various dates through 2013 had a total unexpended balance of \$581,046 (governmental) and \$3,359,689 (utility).

Lease Commitment:

The City has authorized expenditures for capital lease payments, which include monthly and annual payments for repairs and maintenance costs. At June 30, 2012, lease payments relating to repairs and maintenance commitments had a total unexpended balance of \$4,443,532.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 13. Commitments and Contingencies (Continued)

Litigation:

There are various lawsuits pending against the City and School Board, two of which have a potential range of loss up to \$1,000,000 and \$7,500,000, respectively. There are other claims outstanding against the City and School Board as well that, in the opinion of management after consulting with legal counsel, will not materially affect the City or School Board's financial position.

Note 14. Risk Management

Self-Insurance – City:

The City is self-insured for a portion of its health insurance risks up to \$125,000 per occurrence. An external insurance policy provides coverage over the specified amount up to \$1,000,000 per individual for life.

Claims payable reported in the Risk Management Fund at June 30, 2012 consists of all current self-insured claims payable amounting to \$3,757,779. The current portion is \$1,694,614 for 2012. Claims payable for health insurance are based on current enrollment and benefits and historical experience. Claims payable for workers' compensation and other contingent liabilities are based on insurance coverage and specific claims which have been presented. Following is a summary of changes in claims payable for the fiscal years ended June 30, 2012 and 2011:

		<u>Beginning Balance</u>	<u>Claims and Reserves</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
Workers' Compensation	2012	\$ 1,391,487	\$ 1,840,974	\$ 564,091	\$ 2,668,370
	2011	2,446,799	387,990	1,443,302	1,391,487
Health Insurance	2012	878,792	8,380,366	8,169,749	1,089,409
	2011	892,332	7,804,906	7,818,446	878,792

The City is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City also participates with other localities in a public entity risk pool, the Virginia Municipal League, for their coverage of property damage. The City pays an annual premium to the pools for its general insurance coverage. The agreement for the formation of the pools provides that the pools will be self-sustaining through member premiums. The City continues to carry commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 14. Risk Management (Continued)

Workers' Compensation Self-Insurance Coverage – School Board:

The School Board is self-insured 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 nonspendable balance for workers' compensation claims in the School Operating Fund. At June 30, \$516,140 was held for purposes of funding future claims.

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 \$600,000 for each covered accident. Any claims exceeding \$600,000 for each covered accident are paid by specific stop-loss insurance provided by a third-party insurance company. As of June 30, 2012, the workers' compensation benefit obligation consisted of \$578,730 in reported unpaid claims and estimated incurred but not reported claims. Changes in the balance of claims liabilities during the years ended June 30, 2012 and 2011, are as follows:

			<u>Beginning Balance</u>		<u>Claims and Reserves</u>		<u>Claim Payments</u>		<u>Ending Balance</u>
Workers' Compensation	2012	\$	326,664	\$	935,459	\$	683,393	\$	578,730
	2011		309,178		948,321		930,835		326,664

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 \$125,000 for each participant. Any claims exceeding \$125,000 for each participant are paid by specific stop-loss insurance provided by a third-party insurance company. As of June 30, 2012, School Operating Fund prepaids of \$3,985,847 was held for purposes of funding the School's future claims liabilities. As a result, \$3,985,847 of the School Operating Fund balance is reserved for payment of future claims liabilities.

Note 15. Subsequent Events

The City issued \$60,610,000 of authorized General Obligation and Refunding Bonds, Series 2012 on August 22, 2012 with a maturity date of June 1, 2042. These bonds were issued to finance various public improvement and public utility capital projects as well as refund certain general obligation and utility revenue bonds previously issued by the City.

CITY OF SUFFOLK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 16. Fund Balances

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the general fund balance and other governmental funds balance are presented below:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Road Maintenance Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Government Funds</u>
Nonspendable:					
Prepays	\$ 8,653	\$ -	\$ -	\$ -	\$ -
Inventories	32,433	-	-	-	-
Total nonspendable	<u>\$ 41,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted for:					
Judicial administration	\$ 158,837	\$ -	\$ -	\$ -	\$ 204,817
Public Safety	875,907	-	-	-	214,055
Public Works	628,155	-	2,669,183	-	-
Health and Welfare	375,848	-	-	-	1,137,126
Parks, recreation, and cultural	54,751	-	-	-	-
Community development	13,184	-	-	-	-
Capital Outlay	-	9,609,804	-	-	-
Debt Service	-	-	-	392,178	-
Total restricted	<u>\$ 2,106,682</u>	<u>\$ 9,609,804</u>	<u>\$ 2,669,183</u>	<u>\$ 392,178</u>	<u>\$ 1,555,998</u>
Committed to					
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ 8,756
Public Works	-	-	8,830,070	-	3,284,448
Community development	5,161,108	-	-	-	-
Capital Outlay	7,746,520	31,842,530	-	-	-
Debt Service	-	-	-	1,979,191	-
Total committed	<u>\$ 12,907,628</u>	<u>\$ 31,842,530</u>	<u>\$ 8,830,070</u>	<u>\$ 1,979,191</u>	<u>\$ 3,293,204</u>
Assigned to:					
General government administration	\$ 84,112	\$ -	\$ -	\$ -	\$ -
Judicial administration	24,069	-	-	-	-
Public Safety	384,594	-	-	-	-
Public Works	505,630	-	949,904	-	-
Health and Welfare	592,924	-	-	-	-
Parks, recreation, and cultural	54,300	-	-	-	-
Community development	869,807	-	-	-	-
Total assigned	<u>\$ 2,515,436</u>	<u>\$ -</u>	<u>\$ 949,904</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned	<u>\$ 36,881,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total fund balance	<u>\$ 54,452,206</u>	<u>\$ 41,452,334</u>	<u>\$ 12,449,157</u>	<u>\$ 2,371,369</u>	<u>\$ 4,849,202</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 17. Prior Period Adjustments

The following is a summary of the restatements to fund balance/net assets:

	Primary Government					Component Units	
	Governmental Activities	Road Maintenance Fund	Fleet Management Fund	Information Technology Fund	Utility Fund	School Board	Economic Development Authority
Fund balance/net assets							
June 30, 2011, as previously stated	\$ 198,979,139	\$ 9,196,985	\$ 13,882,122	\$ 2,907,316	\$ 164,349,997	\$ 79,058,093	\$ 30,132,195
Restatement to:							
Correct capital lease fund asset	924,235	-	133,249	18,036	2,703,939	-	-
Correct capital lease payable	(924,235)	-	(133,249)	(18,036)	(2,703,939)	-	-
Record reimbursement revenue	1,566,245	1,566,245	-	-	-	-	-
Record self-insurance	-	-	-	-	-	5,962,104	-
Eliminate joint tenancy assets	(70,505,159)	-	-	-	-	70,505,159	-
Record capital assets, including roads	196,604,865						
Restate land value	-	-	-	-	-	-	(3,117,190)
To adjust for debt items:	-	-	-	-	-	-	-
Adjust Premiums/Discounts	-	-	-	-	(768,687)	-	-
Fund balance/net assets							
June 30, 2011, as restated	\$ 326,645,090	\$ 10,763,230	\$ 13,882,122	\$ 2,907,316	\$ 163,581,310	\$ 155,525,356	\$ 27,015,005

Note 18. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued to address service concession arrangements, which are a type of public-private or public-public partnership. The statement defines a service concession arrangement in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this statement establish recognition, measurement, and disclosure requirements for these types of arrangements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement will be effective for the year ending June 30, 2013.

CITY OF SUFFOLK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 18. New Accounting Standards (Continued)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes standards for reclassification of certain items as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The statement will be effective for the year ending June 30, 2014.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The statement amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The statement also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The statement will be effective for the year ending June 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 25 and No. 50* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement will be effective for the year ending June 30, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 27 and No. 50* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This statement will be effective for the year ending June 30, 2015.

Management has not yet evaluated the effects, if any, of adopting these standards.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes:				
Real estate	\$ 83,042,378	\$ 83,042,378	\$ 82,349,990	\$ (692,388)
Personal property	14,500,000	15,100,000	14,376,500	(723,500)
Public service corporations	2,232,000	2,632,000	2,655,939	23,939
Machinery and tools	-	-	1,563,347	1,563,347
Penalties	1,100,000	1,100,000	1,231,321	131,321
Total general property taxes	100,874,378	101,874,378	102,177,097	302,719
Other Local Taxes				
Sales and use	7,500,000	7,500,000	8,378,591	878,591
Utility tax	3,800,000	3,800,000	3,580,799	(219,201)
Communication taxes	3,800,000	3,800,000	3,826,015	26,015
Business and occupational licenses	5,900,000	6,900,000	7,536,501	636,501
Motor vehicle license	2,000,000	2,000,000	2,104,948	104,948
Bank stock	500,000	500,000	493,688	(6,312)
Recordation	900,000	900,000	922,372	22,372
Tobacco	1,300,000	1,300,000	1,352,797	52,797
Lodging	1,000,000	1,000,000	1,198,551	198,551
Meals	6,000,000	6,000,000	7,076,131	1,076,131
Public facility taxes	40,000	40,000	140,172	100,172
Admission	360,000	360,000	306,196	(53,804)
Total other local taxes	33,100,000	34,100,000	36,916,761	2,816,761
Permits, fees, and licenses				
Animal license	36,000	36,000	33,074	(2,926)
Permits and other licenses	711,000	711,000	988,161	277,161
Total permits, fees, and licenses	747,000	747,000	1,021,235	274,235
Fines and forfeitures				
	730,000	730,000	1,024,324	294,324
Revenue from use of money and property:				
Revenue From use of money	500,000	500,000	247,394	(252,606)
Revenue From use of property	285,968	285,968	357,712	71,744
Total use of money and property	785,968	785,968	605,106	(180,862)

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (Continued)				
Charges for services:				
Court costs	\$ 399,787	\$ 399,787	\$ 330,451	\$ (69,336)
Police and traffic control	23,920	23,920	23,597	(323)
Charges for other protection	65,000	65,000	67,334	2,334
Charges for parks and recreation	825,000	825,000	719,783	(105,217)
Charges for library	14,000	14,000	16,666	2,666
Charges for planning and community development	37,000	37,000	35,124	(1,876)
Charges for other services	2,318,000	2,318,000	2,055,225	(262,775)
Total charges for services	3,682,707	3,682,707	3,248,180	(434,527)
Miscellaneous revenue				
Miscellaneous	1,131,759	1,236,778	1,127,136	(109,642)
Total revenue from local sources	141,051,812	143,156,831	146,119,839	2,963,008
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carrier tax	2,000	2,000	-	(2,000)
Tax on deeds	700,000	700,000	492,919	(207,081)
Railroad rolling stock tax	120,000	120,000	112,424	(7,576)
House bill 599 funds	2,765,110	2,765,110	2,764,800	(310)
PPTRA	10,169,729	10,169,729	10,169,730	1
Mobile home titling tax	45,000	45,000	15,579	(29,421)
Vehicle rental tax	106,000	106,000	117,235	11,235
Local aid Commonwealth state reduction	(374,601)	(374,601)	(377,366)	(2,765)
Total noncategorical aid	13,533,238	13,533,238	13,295,321	(237,917)
Categorical aid:				
Commonwealth's Attorney	898,592	898,592	897,092	(1,500)
Commissioner of Revenue	151,387	151,387	151,677	290
Treasurer	189,685	189,685	189,353	(332)
Sheriff	852,574	852,574	865,742	13,168
Circuit Court Clerk	456,247	456,747	554,475	97,728
Registrar	52,000	52,000	81,677	29,677
Total categorical aid	2,600,485	2,600,985	2,740,016	139,031
Other categorical aid:				
Public assistance and welfare administration	3,938,449	3,938,449	2,916,039	(1,022,410)
Other categorical aid	674,511	675,696	805,491	129,795
Total other categorical aid	4,612,960	4,614,145	3,721,530	(892,615)
Total categorical aid	7,213,445	7,215,130	6,461,546	(753,584)
Total revenue from the Commonwealth	20,746,683	20,748,368	19,756,867	(991,501)
Revenue from the Federal Government				
Categorical aid:				
Public assistance and welfare administration	5,112,821	5,112,821	4,815,190	(297,631)
Emergency services	11,000	11,000	26,929	15,929
Parks, recreation and cultural	35,000	35,000	-	(35,000)
Total revenue from the Federal Government	5,158,821	5,158,821	4,842,119	(316,702)
Total revenues	166,957,316	169,064,020	170,718,825	1,654,805

(Continued)

CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government administration:				
Legislative:				
City Council	\$ 430,174	\$ 416,175	\$ 411,975	\$ 4,200
General and financial administration:				
City Manager	853,417	953,603	948,705	4,898
Budget and strategic planning	432,574	436,075	435,482	593
City Attorney	920,753	931,255	928,412	2,843
Human resources	1,122,632	1,050,584	998,016	52,568
Commissioner of the Revenue	975,897	968,365	964,308	4,057
City Assessor	1,302,212	1,258,305	1,252,819	5,486
City Treasurer	1,360,997	1,331,997	1,326,440	5,557
Finance	1,384,229	1,316,407	1,308,290	8,117
Purchasing	344,626	346,990	345,265	1,725
Capital Program Management	3,140,696	3,267,084	3,262,274	4,810
Board of Elections:				
Registrar	299,642	395,768	393,625	2,143
Total general government administration	12,567,849	12,672,608	12,575,611	96,997
Judicial administration:				
Courts:				
Circuit Court	177,555	177,589	176,567	1,022
District Court	63,994	58,994	55,614	3,380
Magistrate	17,634	17,634	16,819	815
Juvenile and Domestic Relations Court	22,578	22,798	22,794	4
Juvenile and Domestic Relations Court Service Unit	967,044	921,462	920,884	578
Circuit Court Clerk	1,209,479	1,318,670	1,286,534	32,136
Sheriff	2,162,657	2,055,844	2,050,762	5,082
Commonwealth Attorney	2,513,182	2,647,324	2,508,624	138,700
Total judicial administration	7,134,123	7,220,315	7,038,598	181,717
Public safety:				
Police	17,943,438	17,986,836	17,604,404	382,432
Communications	1,778,967	1,752,272	1,749,845	2,427
Property seizure program - Federal	-	174,897	24,962	149,935
Confiscation program - State	-	188,895	16,876	172,019
DARE	-	4,695	520	4,175
Fire	21,843,065	21,603,041	21,403,076	199,965
Western Tidewater Regional Jail	2,589,482	2,589,482	2,575,604	13,878
Animal shelter and management	699,129	1,076,247	1,073,673	2,574
Neighborhood development services	2,326,211	3,280,749	2,443,897	836,852
Emergency services	23,488	34,170	32,386	1,784
Total public safety	47,203,780	48,691,284	46,925,243	1,766,041
Public works:				
Administration	720,836	598,246	740,749	(142,503)
Refuse collection	780,000	343	-	343
Maintenance of buildings and grounds	497,970	988,158	480,997	507,161
Total public works	1,998,806	1,586,747	1,221,746	365,001

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Health and welfare:				
Social Services	\$ 14,735,155	\$ 14,621,079	\$ 12,786,402	\$ 1,834,677
Total health and welfare	14,735,155	14,621,079	12,786,402	1,834,677
Education:				
Contributions to component unit school board	43,643,200	43,643,200	43,643,200	-
Lease rent of building	520,518	520,518	508,793	11,725
Total education	44,163,718	44,163,718	44,151,993	11,725
Parks, recreation, and cultural:				
Parks and recreation	4,948,586	4,982,397	4,921,593	60,804
Public libraries	2,476,078	2,486,083	2,479,962	6,121
Total parks, recreation, and cultural	7,424,664	7,468,480	7,401,555	66,925
Community Development:				
Planning	1,651,811	1,605,864	1,336,394	269,470
Economic development	1,246,338	7,564,304	1,171,468	6,392,836
Communications	618,427	546,330	529,704	16,626
Tourism	461,495	393,923	388,145	5,778
Local and regional organizations	1,533,579	1,597,158	1,576,007	21,151
Cooperative extension services	72,085	37,085	33,489	3,596
Total community development	5,583,735	11,744,664	5,035,207	6,709,457
Nondepartmental:				
Fringe benefits and insurance	587,009	487,738	455,436	32,302
Total nondepartmental	587,009	487,738	455,436	32,302
Total expenditures	141,398,839	148,656,633	137,591,793	11,064,839
Excess of revenues over expenditures	25,558,477	20,407,387	33,127,031	12,719,644
OTHER FINANCING SOURCES (USES)				
Transfers in	2,401,778	2,401,778	2,069,174	(332,604)
Transfers out	(28,020,255)	(30,470,246)	(28,222,429)	2,247,817
Total other financing sources (uses)	(25,618,477)	(28,068,468)	(26,153,255)	1,915,213
Net change in fund balances	\$ (60,000)	\$ (7,661,583)	\$ 6,973,779	\$ 14,635,362

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2012

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as of Percentage of Covered Payroll
City:						
June 30, 2011	\$ 157,369,852	\$ 214,109,548	\$ 56,739,696	73.50%	\$ 52,788,904	107.48%
June 30, 2010	150,572,774	202,160,646	51,587,872	74.48%	52,101,413	99.01%
June 30, 2009	147,279,719	181,382,891	34,103,172	81.20%	52,462,203	65.01%
School Board:						
June 30, 2011	\$ 17,353,631	\$ 20,908,655	\$ 3,555,024	83.00%	\$ 7,038,507	50.51%
June 30, 2010	16,807,237	20,116,600	3,309,363	83.55%	7,204,137	45.94%
June 30, 2009	16,285,337	17,857,433	1,572,096	91.20%	7,212,065	21.80%

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS
June 30, 2012

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as of Percentage of Covered Payroll
City:						
July 1, 2011	\$ 11,918,849	\$ 21,100,600	\$ 9,181,751	56.49%	\$ 52,047,300	17.64%
July 1, 2009	12,672,664	27,341,308	14,668,644	46.35%	58,766,577	24.96%
July 1, 2009	8,076,990	27,341,308	19,264,318	29.54%	58,766,577	32.78%
School Board:						
July 1, 2011	\$ 6,050,180	\$ 16,559,900	\$ 10,509,720	36.54%	\$ 58,739,000	17.89%
July 1, 2009	4,315,618	17,122,042	12,806,424	25.21%	59,353,222	21.58%
July 1, 2007	2,756,021	14,499,271	11,743,250	19.01%	59,163,237	19.85%

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OTHER SUPPLEMENTARY INFORMATION

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OTHER SUPPLEMENTARY INFORMATION: NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

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. These additional assessments ceased as of July 1, 2007.

Downtown Business Overlay District Fund – accounts for revenues and expenditures related to services provided in the Downtown Business Overlay District. Most revenues are derived from a specific percentage of the annual real estate tax assessments in the Downtown Business Overlay District.

Consolidated Grants Fund – accounts for revenues and expenditures involving governmental grant programs.

Law Library Fund – accounts for the maintenance of a law library. Revenue is derived from court fees.

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. These additional assessments ceased as of July 1, 2007.

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.

Aviation Fund – Accounts for revenues generated through use of airport facilities and governmental grant programs to be used solely for expansion, maintenance, and use of city municipal airport.

CITY OF SUFFOLK, VIRGINIA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2012

	Suffolk Taxing District	Downtown Business Overlay District	Consolidated Grants	Law Library	Route 17 Taxing District	Mosquito Taxing District	Cemetery	Aviation	Total Non-Major Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 1,165	\$ 117,618	\$ -	\$ -	\$ 2,127,027	\$ 797,788	\$ -	\$ 118,123	\$ 3,161,721
Cash and cash equivalents, restricted	-	-	214,055	206,139	-	-	1,139,532	16,450	1,576,176
Receivables, net:									
Taxes	-	11,703	-	-	24,356	-	-	-	36,059
Accounts	-	-	50,098	3,167	-	-	-	52,487	105,752
Due from other governmental units	-	-	1,386,473	-	-	-	-	-	1,386,473
Due from other funds	-	-	341,681	-	-	-	-	-	341,681
Inventory	-	-	-	-	-	-	-	87,847	87,847
Total assets	\$ 1,165	\$ 129,321	\$ 1,992,307	\$ 209,306	\$ 2,151,383	\$ 797,788	\$ 1,139,532	\$ 274,907	\$ 6,695,709
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ -	\$ 11,817	\$ 177,341	\$ 4,489	\$ -	\$ -	\$ 2,406	\$ 37,967	\$ 234,020
Due to other funds	-	-	1,378,100	-	-	-	-	-	1,378,100
Deferred revenue	-	6,155	214,055	-	14,177	-	-	-	234,387
Total liabilities	-	17,972	1,769,496	4,489	14,177	-	2,406	37,967	1,846,507
Fund Balances:									
Restricted	-	-	214,055	204,817	-	-	1,137,126	-	1,555,998
Committed	1,165	111,349	8,756	-	2,137,206	797,788	-	236,940	3,293,204
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	1,165	111,349	222,811	204,817	2,137,206	797,788	1,137,126	236,940	4,849,202
Total liabilities and fund balances	\$ 1,165	\$ 129,321	\$ 1,992,307	\$ 209,306	\$ 2,151,383	\$ 797,788	\$ 1,139,532	\$ 274,907	\$ 6,695,709

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Suffolk Taxing District	Downtown Business Overlay District	Consolidated Grants	Law Library	Route 17 Taxing District	Mosquito Taxing District	Cemetery	Aviation	Total Non-Major Governmental Funds
REVENUES									
Real estate taxes	\$ 51	\$ 211,091	\$ -	\$ -	\$ 1,394,407	\$ 151	\$ -	\$ -	\$ 1,605,700
Revenue from use of money and property	1,083	335	-	748	7,944	2,966	1,369	-	14,445
Charges for services	-	-	25,978	44,143	-	-	24,397	1,189,381	1,283,899
Miscellaneous	31	1,098	590,858	127	3,927	-	109,442	171	705,654
Intergovernmental:									
Revenue from the Commonwealth	-	-	356,009	-	-	-	-	17,643	373,652
Revenue from the Federal Government	-	-	3,019,067	-	-	-	-	-	3,019,067
Total revenues	1,165	212,524	3,991,912	45,018	1,406,278	3,117	135,208	1,207,195	7,002,417
EXPENDITURES									
Current:									
General government administration	-	-	654,806	-	-	-	-	988,065	988,065
Judicial administration	-	-	2,021,884	37,814	-	-	-	-	692,620
Public safety	-	-	75,214	-	-	-	-	-	2,021,884
Public works	-	195,111	16,354	-	-	-	-	-	270,325
Health and welfare	-	-	54,600	-	-	-	-	-	16,354
Education	-	-	165,961	-	-	-	-	-	54,600
Parks, recreation, and cultural	-	-	970,253	-	-	-	-	-	165,961
Community development	-	-	3,959,072	37,814	-	-	-	-	970,253
Total expenditures	-	195,111	32,840	7,204	1,406,278	3,117	135,208	219,130	1,822,355
Excess of revenues over expenditures	1,165	17,413	3,959,072	37,814	-	-	-	988,065	5,180,062
Other financing sources (uses):									
Transfers in	-	-	383,056	-	-	-	-	99,197	482,253
Transfers out	(320,224)	-	(353,405)	-	(750,533)	-	-	(81,387)	(1,505,549)
Total other financing sources (uses)	(320,224)	-	29,651	-	(750,533)	-	-	17,810	(1,023,296)
Net changes in fund balances	(319,059)	17,413	62,491	7,204	655,745	3,117	135,208	236,940	799,059
Fund balances at July 1	320,224	93,936	160,320	197,613	1,481,461	794,671	1,001,918	-	4,050,143
Fund balances at June 30	\$ 1,165	\$ 111,349	\$ 222,811	\$ 204,817	\$ 2,137,206	\$ 797,788	\$ 1,137,126	\$ 236,940	\$ 4,849,202

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL
 OTHER MAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	Debt Service Fund				Road Maintenance			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Permits, privilege fees, and regulatory licenses	\$ -	\$ -	\$ -	\$ -	\$ 255,000	\$ 255,000	\$ 246,142	\$ (8,858)
Revenue from use of money and property	-	-	164,880	164,880	-	-	32,732	32,732
Charges for services	-	-	-	-	1,086,040	1,086,040	847,905	(238,135)
Micellaneous	-	-	-	-	19,000	19,000	66,237	47,237
Intergovernmental:								
Revenue from the Commonwealth	-	-	-	-	18,652,572	19,610,151	19,671,103	60,952
Fund balance (rollover/appropriations)	-	-	-	-	-	5,511,794	-	(5,511,794)
Total revenues	-	-	164,880	164,880	20,012,612	26,481,985	20,864,119	(5,617,866)
EXPENDITURES								
Current:								
Public works	-	-	-	-	18,361,670	24,831,043	17,527,250	7,303,793
Principal	14,770,876	14,862,876	14,862,418	458	-	-	-	-
Interest and other fiscal charges	10,368,450	10,668,619	9,354,705	1,313,914	-	-	-	-
Total expenditures	25,139,326	25,531,495	24,217,123	1,314,372	18,361,670	24,831,043	17,527,250	7,303,793
Excess (deficiency) of revenues over expenditures	(25,139,326)	(25,531,495)	(24,052,243)	1,479,252	1,650,942	1,650,942	3,336,869	1,685,927
OTHER FINANCING SOURCES (USES)								
Proceeds from issuance of debt	-	-	14,295,853	14,295,853	-	-	-	-
Bond issuance costs	-	-	(347,705)	(347,705)	-	-	-	-
Payment to escrow agent	-	-	(14,096,458)	(14,096,458)	-	-	-	-
Transfers in	25,139,326	25,531,495	24,820,897	(710,598)	-	-	-	-
Transfers out	-	-	-	-	(1,650,942)	(1,650,942)	(1,650,942)	-
Total other financing sources (uses)	25,139,326	25,531,495	24,672,587	(858,908)	(1,650,942)	(1,650,942)	(1,650,942)	-
Net change in fund balances	\$ -	\$ -	\$ 620,344	\$ 620,344	\$ -	\$ -	\$ 1,685,927	\$ 1,685,927

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2012

	Law Library			Downtown Business Overlay District			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	
	Original	Final		Original	Final		
REVENUES							
Real estate taxes	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 211,091	\$ 11,091
Revenue from use of money and property	-	-	748	-	-	335	335
Charges for services	40,953	40,953	44,143	-	-	-	-
Miscellaneous	1,567	1,567	127	-	-	1,098	1,098
Fund balance (rollover/appropriations)	-	-	-	-	8,802	-	(8,802)
Total revenues	42,520	42,520	45,018	200,000	208,802	212,524	3,722
EXPENDITURES							
Current:							
Judicial administration	42,520	42,520	37,814	-	-	-	-
Public works	-	-	-	200,000	208,802	195,111	(13,691)
Total expenditures	42,520	42,520	37,814	200,000	208,802	195,111	(13,691)
Excess of revenues over expenditures	-	-	7,204	-	-	17,413	17,413
Net change in fund balances	\$ -	\$ -	\$ 7,204	\$ -	\$ -	\$ 17,413	\$ 17,413

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2012

	Route 17 Taxing District				Aviation			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Real estate taxes	\$ 1,350,000	\$ 1,350,000	\$ 1,394,407	\$ 44,407	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	7,944	7,944	-	-	-	-
Charges for services	-	-	-	-	1,089,456	1,089,456	1,189,381	99,925
Miscellaneous	-	-	3,927	3,927	-	-	171	171
Intergovernmental:								
Revenue from the Commonwealth	-	-	-	-	-	-	17,643	17,643
Fund balance (rollover/appropriations)	-	450	-	(450)	-	-	-	-
Total revenues	1,350,000	1,350,450	1,406,278	55,828	1,089,456	1,089,456	1,207,195	117,739
EXPENDITURES								
Current:								
General government administration	-	-	-	-	1,143,506	1,166,146	988,065	178,081
Public safety	599,467	599,467	-	599,467	-	-	-	-
Total expenditures	599,467	599,467	-	599,467	1,143,506	1,166,146	988,065	178,081
Excess of revenues over expenditures	750,533	750,983	1,406,278	655,295	(54,050)	(76,690)	219,130	295,820
OTHER FINANCING USES								
Transfers in	-	-	-	-	107,077	158,077	99,197	(58,880)
Transfers out	(750,533)	(750,533)	(750,533)	-	(53,027)	(81,387)	(81,387)	-
Total other financing uses	(750,533)	(750,533)	(750,533)	-	54,050	76,690	17,810	(58,880)
Net change in fund balances	\$ -	\$ 450	\$ 655,745	\$ 655,295	\$ -	\$ -	\$ 236,940	\$ 236,940

OTHER SUPPLEMENTARY INFORMATION: NON-MAJOR PROPRIETARY FUNDS

Enterprise Funds are used to account for:

Stormwater Utility Fund – accounts for the maintenance and improvements to the City’s stormwater infrastructure. All activities necessary to provide such services are funded by charges to citizens and are accounted for in this fund.

Refuse Fund – accounts for the provision of refuse and waste management services. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, billing, and collections.

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS

June 30, 2012

	Busines-type Activities - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,605,810	\$ 729,571	\$ 3,335,381
Receivables, net	166,843	304,937	471,780
Total current assets	<u>2,772,653</u>	<u>1,034,508</u>	<u>3,807,161</u>
Noncurrent assets:			
OPEB asset	24,535	-	24,535
Other capital assets, net	30,657	-	30,657
Total noncurrent assets	<u>55,192</u>	<u>-</u>	<u>55,192</u>
Total assets	<u>2,827,845</u>	<u>1,034,508</u>	<u>3,862,353</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	136,616	190,062	326,678
Accrued payroll and related liabilities	2,517	-	2,517
Compensated absences	5,566	5,045	10,611
Total current liabilities	<u>144,699</u>	<u>195,107</u>	<u>339,806</u>
Noncurrent liabilities:			
Compensated absences	65,236	74,237	139,473
Total noncurrent liabilities	<u>65,236</u>	<u>74,237</u>	<u>139,473</u>
Total liabilities	<u>209,935</u>	<u>269,344</u>	<u>479,279</u>
NET ASSETS			
Invested in capital assets, net of related debt	30,657	-	30,657
Unrestricted	2,587,253	765,164	3,352,417
Total net assets	<u>\$ 2,617,910</u>	<u>\$ 765,164</u>	<u>\$ 3,383,074</u>

CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2012**

	Business-type Activies - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
OPERATING REVENUES			
Charges for services	\$ 4,157,419	\$ 5,898,251	\$ 10,055,670
Other	56,056	23,531	79,587
Total operating revenues	<u>4,213,475</u>	<u>5,921,782</u>	<u>10,135,257</u>
OPERATING EXPENSES			
Personnel services	1,793,378	1,527,535	3,320,913
Contractual services	374,161	1,238,617	1,612,778
Administration	616,259	2,340,419	2,956,678
Supplies	106,926	557,963	664,889
Repairs and maintenance	11,144	18,423	29,567
Utilities	15,401	5,036	20,437
Depreciation and amortization	61,864	-	61,864
Building and equipment rental	60,402	-	60,402
Other charges	33,168	24,052	57,220
Total operating expenses	<u>3,072,703</u>	<u>5,712,045</u>	<u>8,784,748</u>
Operating income	1,140,772	209,737	1,350,509
TRANSFERS IN	-	555,427	555,427
TRANSFERS OUT	<u>(1,854,103)</u>	<u>-</u>	<u>(1,854,103)</u>
Change in net assets	(713,331)	765,164	51,833
NET ASSETS AT JULY 1	3,331,241	-	3,331,241
NET ASSETS AT JUNE 30	<u>\$ 2,617,910</u>	<u>\$ 765,164</u>	<u>\$ 3,383,074</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 4,166,333	\$ 5,616,845	\$ 9,783,178
Payments to employees	(1,783,330)	(1,448,253)	(3,231,583)
Payments to suppliers	(1,088,944)	(3,994,448)	(5,083,392)
Net cash provided by operating activities	<u>1,294,059</u>	<u>174,144</u>	<u>1,468,203</u>
NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	555,427	555,427
Transfers to other funds	(1,854,103)	-	(1,854,103)
Net cash (used in) provided by noncapital financing activities	<u>(1,854,103)</u>	<u>555,427</u>	<u>(1,298,676)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(92,521)	-	(92,521)
Net cash used in capital and related financing activities	<u>(92,521)</u>	<u>-</u>	<u>(92,521)</u>
Net (decrease) increase in cash and cash equivalents	(652,565)	729,571	77,006
CASH AND CASH EQUIVALENTS			
Beginning, July 1	<u>3,258,375</u>	<u>-</u>	<u>3,258,375</u>
Ending, June 30	<u>\$ 2,605,810</u>	<u>\$ 729,571</u>	<u>\$ 3,335,381</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,140,772	\$ 209,737	\$ 1,350,509
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	61,864	-	61,864
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(47,142)	(304,937)	(352,079)
OPEB asset	1,400	-	1,400
Increase (decrease) in:			
Accounts payable and accrued liabilities	128,517	190,062	318,579
Accrued payroll and related liabilities	8,648	79,282	87,930
Net cash provided by operating activities	<u>\$ 1,294,059</u>	<u>\$ 174,144</u>	<u>\$ 1,468,203</u>

OTHER SUPPLEMENTARY INFORMATION: FIDUCIARY NET ASSETS

Fiduciary Funds are used to account for assets held by the City as an agent for private organizations or other governments. Funds in this category include:

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 of Virginia Fund – accounts for monies collected by the City on behalf of the Commonwealth of Virginia.

Western Tidewater Water Authority – accounts for monies held by the City as an agent for this public or independent organization.

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	<u>Special Welfare Fund</u>	<u>Commonwealth of Virginia Fund</u>	<u>Western Tidewater Water Authority</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 27,514	\$ 1,820	\$ 312,226	\$ 341,560
Total assets	<u>\$ 27,514</u>	<u>\$ 1,820</u>	<u>\$ 312,226</u>	<u>\$ 341,560</u>
LIABILITIES				
Amounts held for others	\$ 27,514	\$ 1,820	\$ 312,226	\$ 341,560
Total liabilities	<u>\$ 27,514</u>	<u>\$ 1,820</u>	<u>\$ 312,226</u>	<u>\$ 341,560</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 28,327	\$ 101,195	\$ 102,008	\$ 27,514
Total assets	\$ 28,327	\$ 101,195	\$ 102,008	\$ 27,514
LIABILITIES				
Amounts held for others	\$ 28,327	\$ 101,195	\$ 102,008	\$ 27,514
Total liabilities	\$ 28,327	\$ 101,195	\$ 102,008	\$ 27,514
Commonwealth of Virginia Fund				
ASSETS				
Cash and cash equivalents	\$ 2,618	\$ 135,984	\$ 136,782	\$ 1,820
Total assets	\$ 2,618	\$ 135,984	\$ 136,782	\$ 1,820
LIABILITIES				
Amounts held for others	\$ 2,618	\$ 135,984	\$ 136,782	\$ 1,820
Total liabilities	\$ 2,618	\$ 135,984	\$ 136,782	\$ 1,820
Western Tidewater Water Authority				
ASSETS				
Cash and cash equivalents	\$ 539,867	\$ 1,929,429	\$ 2,157,070	\$ 312,226
Total assets	\$ 539,867	\$ 1,929,429	\$ 2,157,070	\$ 312,226
LIABILITIES				
Amounts held for others	\$ 539,867	\$ 1,929,429	\$ 2,157,070	\$ 312,226
Total liabilities	\$ 539,867	\$ 1,929,429	\$ 2,157,070	\$ 312,226
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 570,812	\$ 2,166,608	\$ 2,395,860	\$ 341,560
Total assets	\$ 570,812	\$ 2,166,608	\$ 2,395,860	\$ 341,560
LIABILITIES				
Amounts held for others	\$ 570,812	\$ 2,166,608	\$ 2,395,860	\$ 341,560
Total liabilities	\$ 570,812	\$ 2,166,608	\$ 2,395,860	\$ 341,560

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OTHER SUPPLEMENTARY INFORMATION: INTERNAL SERVICE FUNDS

Information Technology Fund – accounts for technology infrastructure and allocates 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 and allocates those costs to the various departments or agencies using the equipment.

Risk Management Fund – accounts for the funding and payment of auto, personal 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.

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012

	<u>Information Technology</u>	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,218,472	\$ 4,292,696	\$ 11,334,938	\$ 17,846,106
Cash and cash equivalents, restricted	-	547	-	547
Receivables, net	54,415	84,725	18,576	157,716
Inventories	-	229,554	-	229,554
Total current assets	<u>2,272,887</u>	<u>4,607,522</u>	<u>11,353,514</u>	<u>18,233,923</u>
Noncurrent assets:				
OPEB asset	16,357	18,810	2,453	37,620
Land and construction in progress	790,875	298,000	-	1,088,875
Other capital assets, net	1,542,220	17,632,775	-	19,174,995
Total noncurrent assets	<u>2,349,452</u>	<u>17,949,585</u>	<u>2,453</u>	<u>20,301,490</u>
Total Assets	<u>4,622,339</u>	<u>22,557,107</u>	<u>11,355,967</u>	<u>38,535,413</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	209,705	161,892	200,271	571,868
Accrued payroll and related liabilities	3,237	1,009	63,458	67,704
Claims payable	-	-	1,694,614	1,694,614
Accrued interest	-	14,476	-	14,476
Compensated absences	10,401	4,067	1,187	15,655
Capital leases	47,137	1,544,480	-	1,591,617
Total current liabilities	<u>270,480</u>	<u>1,725,924</u>	<u>1,959,530</u>	<u>3,955,934</u>
Noncurrent liabilities:				
Compensated absences	86,897	63,200	7,965	158,062
Claims payable	-	-	2,063,165	2,063,165
Capital leases	14,203	1,792,789	-	1,806,992
Total noncurrent liabilities	<u>101,100</u>	<u>1,855,989</u>	<u>2,071,130</u>	<u>4,028,219</u>
Total liabilities	<u>371,580</u>	<u>3,581,913</u>	<u>4,030,660</u>	<u>7,984,153</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,304,755	14,593,506	-	16,898,261
Unrestricted assets	1,946,004	4,381,688	7,325,307	13,652,999
Total Net Assets	<u>\$ 4,250,759</u>	<u>\$ 18,975,194</u>	<u>\$ 7,325,307</u>	<u>\$ 30,551,260</u>

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2012

	Information Technology	Fleet Management	Risk Management	Total
OPERATING REVENUES				
Charges for services	\$ 4,418,573	\$ 10,453,218	\$ 17,881,987	\$ 32,753,778
Other	13,414	7,008	111,072	131,494
Total operating revenues	<u>4,431,987</u>	<u>10,460,226</u>	<u>17,993,059</u>	<u>32,885,272</u>
OPERATING EXPENSES				
Personnel services	1,471,731	994,219	316,033	2,781,983
Self-insured claims	-	-	12,208,415	12,208,415
Contractual services	1,016,437	9,552	38,267	1,064,256
Administration	256,918	730,224	17,220	1,004,362
Supplies	9,096	31,629	9,401	50,126
Repairs and maintenance	28,334	29,941	-	58,275
Vehicle and power equipment – fuel	-	2,378,982	-	2,378,982
Vehicle and power equipment – supplies	-	1,734,455	-	1,734,455
Utilities	62,646	35,995	1,988	100,629
Insurance	-	-	1,735,847	1,735,847
OPEB – contributions to trust	-	-	1,525,200	1,525,200
Depreciation	4,270	3,370,269	-	3,374,539
Building and equipment rental	106,462	557,851	4,428	668,741
Other charges	17,583	8,581	10,636	36,800
Total operating expenses	<u>2,973,477</u>	<u>9,881,698</u>	<u>15,867,435</u>	<u>28,722,610</u>
Operating income	<u>1,458,510</u>	<u>578,528</u>	<u>2,125,624</u>	<u>4,162,662</u>
NONOPERATING REVENUES (EXPENSES)				
Loss on disposal of capital assets	-	(173,419)	-	(173,419)
Interest income	-	18,162	44,520	62,682
Interest expense	-	(121,456)	-	(121,456)
Total nonoperating revenues (expenses)	<u>-</u>	<u>(276,713)</u>	<u>44,520</u>	<u>(232,193)</u>
Net income before contributions and transfers	<u>1,458,510</u>	<u>301,815</u>	<u>2,170,144</u>	<u>3,930,469</u>
CAPITAL CONTRIBUTIONS	-	4,091,482	-	4,091,482
TRANSFERS IN	-	1,062,000	-	1,062,000
TRANSFERS OUT	<u>(115,067)</u>	<u>(362,225)</u>	<u>(60,964)</u>	<u>(538,256)</u>
Change in net assets	1,343,443	5,093,072	2,109,180	8,545,695
NET ASSETS AT JULY 1	<u>2,907,316</u>	<u>13,882,122</u>	<u>5,216,127</u>	<u>22,005,565</u>
NET ASSETS AT JUNE 30	<u>\$ 4,250,759</u>	<u>\$ 18,975,194</u>	<u>\$ 7,325,307</u>	<u>\$ 30,551,260</u>

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2012

	Information Technology Fund	Fleet Management Fund	Risk Management Fund	Total
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 4,377,572	\$ 10,375,501	\$ 17,995,654	\$32,748,727
Payments to employees	(1,473,673)	(1,010,122)	(326,103)	(2,809,898)
Payments to suppliers	(1,504,211)	(5,649,802)	(13,933,993)	(21,088,006)
Net cash provided by operating activities	<u>1,399,688</u>	<u>3,715,577</u>	<u>3,735,558</u>	<u>8,850,823</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	1,062,000	-	1,062,000
Transfers to other funds	(115,067)	(362,225)	(60,964)	(538,256)
Net cash (used in) provided by noncapital financing activities	<u>(115,067)</u>	<u>699,775</u>	<u>(60,964)</u>	<u>523,744</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(911,407)	(5,288,567)	-	(6,199,974)
Principal paid on capital lease obligations	(113,128)	(1,052,082)	-	(1,165,210)
Capital contributions	-	4,091,482	-	4,091,482
Interest paid on debt	-	(133,484)	-	(133,484)
Net cash used in capital and related financing activities	<u>(1,024,535)</u>	<u>(2,382,651)</u>	<u>-</u>	<u>(3,407,186)</u>
INVESTING ACTIVITIES				
Interest earned	-	18,162	44,520	62,682
Net increase in cash and cash equivalents	260,086	2,050,863	3,719,114	6,030,063
Beginning, July 1	1,958,386	2,242,380	7,615,824	11,816,590
Ending, June 30	<u>\$ 2,218,472</u>	<u>\$ 4,293,243</u>	<u>\$ 11,334,938</u>	<u>\$17,846,653</u>
RECONCILIATION TO STATEMENT OF NET ASSETS:				
Cash and cash equivalents	\$ 2,218,472	\$ 4,292,696	\$ 11,334,938	\$17,846,106
Cash and cash equivalents, restricted	-	547	-	547
	<u>\$ 2,218,472</u>	<u>\$ 4,293,243</u>	<u>\$ 11,334,938</u>	<u>\$17,846,653</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,458,510	\$ 578,528	\$ 2,125,624	\$ 4,162,662
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	4,270	3,370,269	-	3,374,539
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(54,415)	(84,725)	2,595	(136,545)
Inventories	-	12,289	-	12,289
OPEB asset	933	1,073	140	2,146
Prepays	-	-	9,698	9,698
Increase (decrease) in:				
Accounts payable and accrued liabilities	(6,735)	(144,881)	120,211	(31,405)
Accrued payroll and related liabilities	(2,875)	(16,976)	(10,210)	(30,061)
Claims payable	-	-	1,487,500	1,487,500
Net cash provided by (used in) operating activities	<u>\$ 1,399,688</u>	<u>\$ 3,715,577</u>	<u>\$ 3,735,558</u>	<u>\$ 8,850,823</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases financed by capital leases	\$ 47,137	\$ 1,544,480	\$ -	\$ 1,591,617

**OTHER SUPPLEMENTARY INFORMATION:
DISCRETELY PRESENTED
COMPONENT UNIT – CITY OF SUFFOLK
SCHOOL BOARD**

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 cafeteria sales.

School Grants Fund – accounts for revenues and expenditures relating to grants received by the school system from federal and state governments.

OPEB Trust Fund – accounts for the other post-employment benefits (OPEB). This fund accumulates resources for health insurance for retired employees.

Combined School Activity Funds – accounts for the various activity funds of each of the 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 operations of the Center. Revenues are derived primarily from local appropriations.

CITY OF SUFFOLK, VIRGINIA

COMBINING BALANCE SHEET

GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD

June 30, 2012

	School Operating Fund	School Grants Fund	School Food Service Fund	Subtotal Excluding Component Unit	The Pruden Center for Industry & Technology	Total School Board
ASSETS						
Cash and cash equivalents	\$ 12,130,934	\$ 399	\$ 2,689,809	\$ 14,821,142	\$ 1,139,563	\$ 15,960,705
Receivables, net	128,373	24,699	14,067	167,139	34,162	201,301
Due from other funds	810,366	-	-	810,366	-	810,366
Due from other governments	2,782,133	2,405,426	652,659	5,840,218	-	5,840,218
Inventories	140,862	-	318,076	458,938	-	458,938
Prepaid items	4,080,847	-	-	4,080,847	-	4,080,847
Total assets	<u>\$ 20,073,515</u>	<u>\$ 2,430,524</u>	<u>\$ 3,674,611</u>	<u>\$ 26,178,650</u>	<u>\$ 1,173,725</u>	<u>\$ 27,352,375</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 634,198	\$ 111,179	\$ 190,112	\$ 935,489	\$ 680,582	\$ 1,616,071
Accrued payroll and related liabilities	9,955,944	896,609	165,938	11,018,491	152,781	11,171,272
Amounts held for others	33,556	-	-	33,556	-	33,556
Deferred revenue	1,289,059	-	-	1,289,059	-	1,289,059
Due to other governments	-	-	-	-	59,802	59,802
Due to other funds	-	810,366	-	810,366	-	810,366
Total liabilities	<u>11,912,757</u>	<u>1,818,154</u>	<u>356,050</u>	<u>14,086,961</u>	<u>893,165</u>	<u>14,980,126</u>
Fund Balances:						
Nonspendable						
Inventories and prepaids	4,221,709	-	318,076	4,539,785	-	4,539,785
Premiums held for workers compensation claims	516,140	-	-	516,140	-	516,140
Committed						
Grant local match	-	538,353	-	538,353	-	538,353
Capital Outlay	-	-	-	-	280,560	280,560
Assigned						
Special revenue	-	-	2,999,052	2,999,052	-	2,999,052
Encumbrances	3,459,344	165,385	1,433	3,626,162	-	3,626,162
Unassigned	(36,435)	(91,368)	-	(127,803)	-	(127,803)
Total fund balances	<u>8,160,758</u>	<u>612,370</u>	<u>3,318,561</u>	<u>12,091,689</u>	<u>280,560</u>	<u>12,372,249</u>
Total liabilities and fund balances	<u>\$ 20,073,515</u>	<u>\$ 2,430,524</u>	<u>\$ 3,674,611</u>	<u>\$ 26,178,650</u>	<u>\$ 1,173,725</u>	<u>\$ 27,352,375</u>
Reconciliation to the Statement of Net Assets (Exhibit 1)						
Total fund balance						\$ 12,372,249
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						
School Board						135,943,172
Pruden Center						1,788,043
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.						
						1,289,059
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.						
Other post-employment benefits						(1,782,919)
School Board Compensated absences						(1,859,484)
Pruden Center Compensated absences						(77,496)
Net assets of governmental activities						<u>\$ 147,672,624</u>

CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
Year Ended June 30, 2012**

	School Operating Fund	School Grants Fund	School Food Service Fund	Subtotal Excluding Component Unit	The Pruden Center for Industry & Technology	Total School Board
REVENUES						
Revenue from use of money and property	\$ 33,809	\$ -	\$ 4,590	\$ 38,399	\$ -	\$ 38,399
Charges for services	119,037	-	2,328,112	2,447,149	18,423	2,465,572
Miscellaneous	600,295	-	329,858	930,153	-	930,153
Intergovernmental:						
City contribution	43,643,200	-	-	43,643,200	-	43,643,200
Revenue from the Commonwealth	72,087,533	720,603	140,696	72,948,832	106,394	73,055,226
Revenue from the Federal Government	1,449,508	12,322,745	4,231,270	18,003,523	-	18,003,523
School Board contribution to Pruden Center	-	-	-	-	2,509,831	2,509,831
Isle of Wright contribution to Pruden Center	-	-	-	-	1,025,143	1,025,143
Total revenues	<u>117,933,382</u>	<u>13,043,348</u>	<u>7,034,526</u>	<u>138,011,256</u>	<u>3,659,791</u>	<u>141,671,047</u>
EXPENDITURES						
Current:						
Education	122,157,532	13,129,497	6,655,954	141,942,983	3,379,231	145,322,214
Total expenditures	<u>122,157,532</u>	<u>13,129,497</u>	<u>6,655,954</u>	<u>141,942,983</u>	<u>3,379,231</u>	<u>145,322,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,224,150)</u>	<u>(86,149)</u>	<u>378,572</u>	<u>(3,931,727)</u>	<u>280,560</u>	<u>(3,651,167)</u>
Other financing sources (uses):						
Transfers in	-	262,015	-	262,015	-	262,015
Transfers out	(262,015)	-	-	(262,015)	-	(262,015)
Total other financing sources (uses)	<u>(262,015)</u>	<u>262,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(4,486,165)</u>	<u>175,866</u>	<u>378,572</u>	<u>(3,931,727)</u>	<u>280,560</u>	<u>(3,651,167)</u>
Fund balances at July 1, as restated	12,646,923	436,504	2,939,989	16,023,416	-	16,023,416
Fund balances at June 30	<u>\$ 8,160,758</u>	<u>\$ 612,370</u>	<u>\$ 3,318,561</u>	<u>\$ 12,091,689</u>	<u>\$ 280,560</u>	<u>\$ 12,372,249</u>

Reconciliation to the Statement of Activities (Exhibit 2)**Net change in fund balance - governmental fund**

\$ (3,651,167)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$7,887,501) exceeded capitalized expenditures (\$3,660,403) for the School Board.

(4,227,098)

The Pruden Center had capital asset additions (\$697,960) exceeding depreciation expense (\$148,571).

549,389

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

136,088

Losses on the disposal of capital assets are not reported as expenditures in the funds

(187,018)

Compensated absences and other postemployment benefits are not due and payable at June 30, and therefore are not reported in the fund statements.

This amount represents the current year change in those items for the School Board

(461,863)

This amount represents the current year change in compensated absences for the Pruden Center

(11,063)

Change in net assets of governmental activities\$ (7,852,732)

CITY OF SUFFOLK, VIRGINIA

BUDGETARY RECONCILIATION SCHEDULE
 GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
 Year Ended June 30, 2012

	School Operating Fund		School Grants Fund		School Food Service Fund	
	Total Exhibit 28	Total Exhibit 26	Total Exhibit 28	Total Exhibit 26	Total Exhibit 28	Total Exhibit 26
Total revenues	\$ 117,933,382	\$ 117,933,382	\$ 13,043,348	\$ 13,043,348	\$ 7,034,526	\$ 7,034,526
Total other financing sources	-	-	262,015	262,015	-	-
Total revenues and other financing sources	117,933,382	117,933,382	13,305,363	13,305,363	7,034,526	7,034,526
Total expenditures	125,616,876	122,157,532	13,294,882	(165,385)	6,657,387	(1,433)
Total other financing uses	262,015	262,015	-	-	-	-
Total expenditures and other financing uses	125,878,891	122,419,547	13,294,882	(165,385)	6,657,387	(1,433)
Net changes in fund balances	\$ (7,945,509)	\$ (4,486,165)	\$ 10,481	\$ 165,385	\$ 377,139	\$ 1,433
				\$ 175,866	\$ 377,139	\$ 378,572

CITY OF SUFFOLK, VIRGINIA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 Year Ended June 30, 2012

	School Operating Fund			School Grants Fund			School Food Service Fund			Variance with Final Budget - Favorable (Unfavorable)
	Budgeted Amounts			Budgeted Amounts			Budgeted Amounts			
	Original	Final	Actual	Original	Final	Actual	Original	Final	Actual	
REVENUES										
Revenue from use of money and property	\$ 80,000	\$ 80,000	\$ 33,809	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 4,590	\$ 3,590
Charges for services	100,000	100,000	119,037	-	-	-	2,375,000	2,375,000	2,328,112	(46,888)
Miscellaneous	760,000	760,000	600,295	(159,705)	335,354	-	205,000	205,000	329,858	124,858
Intergovernmental:										
Contribution from the City of Suffolk	43,643,200	43,643,200	43,643,200	-	-	-	-	-	-	-
Revenue from the Commonwealth	72,450,870	72,450,870	72,087,533	(363,337)	2,307,908	720,603	137,000	137,000	140,696	3,696
Revenue from the Federal Government	1,227,000	1,227,000	1,449,508	222,508	11,147,236	12,322,745	3,844,000	3,844,000	4,231,270	387,270
Total revenues	118,261,070	118,261,070	117,933,382	(327,688)	13,790,498	13,043,348	6,562,000	6,562,000	7,034,526	472,526
EXPENDITURES										
Current:										
Education	118,261,070	117,636,568	125,616,876	(7,980,308)	-	-	-	-	-	-
Grant expenditures	-	-	-	-	14,415,000	13,294,882	-	-	-	-
Food Services	-	-	-	-	-	-	7,162,000	7,162,000	6,657,387	504,613
Total expenditures	118,261,070	117,636,568	125,616,876	(7,980,308)	14,415,000	13,294,882	7,162,000	7,162,000	6,657,387	504,613
Excess (deficiency) of revenues over (under) expenditures	-	624,502	(7,683,494)	(8,307,996)	(624,502)	(251,534)	(600,000)	(600,000)	377,139	32,087
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	624,502	262,015	-	-	-	-
Transfers out	-	(624,502)	(262,015)	362,487	-	-	-	-	-	-
Total other financing sources (uses)	-	(624,502)	(262,015)	362,487	624,502	262,015	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ (7,945,509)	\$ (7,945,509)	\$ -	\$ 10,481	\$ (600,000)	\$ (600,000)	\$ 377,139	\$ 32,087

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2012

	<u>OPEB Trust Fund</u>	<u>School Activity Funds</u>
Assets		
Cash and cash equivalents	\$ 7,700,105	\$ 1,197,847
Total assets	<u>\$ 7,700,105</u>	<u>\$ 1,197,847</u>
Liabilities		
Amounts held for students	\$ -	\$ 1,197,847
Total Liabilities	<u>\$ -</u>	<u>\$ 1,197,847</u>
Net Assets		
Held in trust for OPEB benefits	\$ 7,700,105	\$ -
Total net assets	<u>7,700,105</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 7,700,105</u>	<u>\$ -</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
OPEB TRUST FUND – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2012

	School Board
Additions:	
Employer Contributions	\$ 1,309,000
Loss on investments	(40,340)
Total additions	1,268,660
Deductions:	
Administrative fees	8,462
Total liabilities	8,462
Change in net assets	1,260,198
Net assets - beginning of year	6,439,907
Net assets - end of year	\$ 7,700,105

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets:				
Cash and cash equivalents	\$ 1,184,668	\$ 2,515,014	\$ 2,501,835	\$ 1,197,847
Liabilities:				
Amounts held for students	\$ 1,184,668	\$ 2,515,014	\$ 2,501,835	\$ 1,197,847

STATISTICAL SECTION

This part of the City of Suffolk Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes, as well as revenues from its water and sewer operations.	5-12
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	13-15
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to help make comparison over time and with other governments.	16-17
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	18-20

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in capital assets, net of related debt	\$ 17,854,254	\$ 41,339,232	\$ 22,018,105	\$ 50,694,555	\$ 128,097,710	\$ 140,789,631	\$ 129,638,603	\$ 105,871,501	\$ 329,191,210	\$ 335,377,003
Restricted:										
Capital Projects	8,845,303	12,565,077	2,862,010	5,222,554	-	-	-	-	-	-
Debt Service	(1,679,443)	-	-	-	392,169	392,169	392,169	392,169	392,169	392,725
Other Purposes	1,439,773	2,250,498	944,650	3,703,280	-	959,304	-	8,269,446	18,217,244	5,756,970
Unrestricted	29,082,266	9,733,131	22,631,799	12,468,387	44,337,037	57,234,531	60,941,946	80,954,531	(21,155,533)	26,476,856
Total Governmental Activities Net Assets	\$ 55,542,153	\$ 65,887,938	\$ 48,456,564	\$ 72,088,776	\$ 172,826,916	\$ 199,375,635	\$ 190,972,718	\$ 195,487,647	\$ 326,645,090	\$ 368,003,554
Business-Type Activities										
Invested in capital assets, net of related debt	\$ 38,652,097	\$ 56,290,404	\$ 69,299,223	\$ 170,862,396	\$ 173,084,623	\$ 172,165,375	\$ 171,309,403	\$ 159,253,886	\$ 158,621,254	\$ 157,084,814
Restricted:										
Capital Projects	17,214,206	1,689,149	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	1,525,006	1,887,575	-
Other Purposes	-	634,206	-	39,426	-	-	-	-	32,827	1,978,028
Unrestricted	7,032,281	7,773,220	1,776,739	3,058,548	445,172	1,489,816	2,935,424	5,499,380	6,370,895	6,593,945
Total Business-Type Activities Net Assets	\$ 62,898,584	\$ 66,386,979	\$ 71,075,962	\$ 173,960,370	\$ 173,529,795	\$ 173,655,191	\$ 174,244,827	\$ 166,278,272	\$ 166,912,551	\$ 165,656,787
Primary Government										
Invested in capital assets, net of related debt	\$ 56,506,351	\$ 97,629,636	\$ 91,317,328	\$ 221,556,951	\$ 301,182,333	\$ 312,955,006	\$ 300,948,006	\$ 265,125,387	\$ 487,812,464	\$ 492,461,817
Restricted:										
Capital Projects	26,059,509	14,254,226	2,862,010	5,222,554	-	-	-	-	-	-
Debt Service	(1,679,443)	-	-	-	392,169	392,169	392,169	1,917,175	2,279,744	392,725
Other Purposes	1,439,773	2,884,704	944,650	3,742,706	-	959,304	-	8,269,446	18,250,071	7,734,998
Unrestricted	36,114,547	17,506,351	24,408,538	15,526,935	44,782,209	58,724,347	63,877,370	86,453,911	(14,784,638)	33,070,801
Total Primary Government Net Assets	\$ 118,440,737	\$ 132,274,917	\$ 119,532,526	\$ 246,049,146	\$ 346,356,711	\$ 373,030,826	\$ 365,217,545	\$ 361,765,919	\$ 493,557,641	\$ 533,660,341

(1) This includes a \$3,274,701 restatement in the Governmental Activities Net Assets.

(2) This includes a \$105,473,045 restatement in the Business-Type Activities Net Assets.

(3) This includes a \$12,376,267 restatement in the Governmental Activities Net Assets and \$446,251 restatement in the Business-Type Activities Net Assets.

(4) This includes a restatement on Net Assets in both the Governmental of \$3,569,198 and Business-Type Activities of \$5,059,590.

(5) This includes a restatement on Net Assets in both the Governmental of \$127,665,951 and Business-Type Activities of \$768,687. In addition, the debt associated with School Board assets began to be reflected as a reduction in unrestricted net assets.

CITY OF SUFFOLK, VIRGINIA

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

Table 2
Page 1 of 2

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	\$ 5,617,639	\$ 8,019,005	\$ 1,900,766	\$ 6,916,053	\$ 8,379,163	\$ 9,575,332	\$ 8,493,992	\$ 9,422,635	\$ 11,784,825	\$ 12,554,225
Judicial	4,457,170	4,428,005	4,936,491	5,535,063	6,807,141	7,157,778	7,159,993	7,393,681	7,221,482	7,622,124
Public Safety	21,195,772	24,623,891	26,646,128	33,410,471	33,914,535	36,275,476	36,372,402	42,448,954	43,635,617	48,587,624
Public Works	7,665,951	13,763,814	4,657,083	5,275,996	28,828,221	29,772,711	32,530,396	34,682,247	30,775,346	37,156,299
Health and Welfare	12,527,607	13,014,409	13,810,781	13,252,584	10,843,875	12,718,036	12,187,513	13,569,286	13,796,431	12,616,178
Education	32,979,130	26,253,784	56,260,122	38,779,835	51,958,540	42,109,639	77,678,641	53,654,148	56,504,857	44,206,593
Parks, Recreation and Cultural	4,130,338	4,043,316	15,364,543	8,707,837	8,783,502	8,524,477	8,301,660	8,309,722	7,818,362	7,888,484
Community Development	9,677,963	6,556,252	10,058,214	11,807,444	27,229,557	6,296,351	7,742,440	9,329,455	13,789,850	5,951,888
Other Public Services	2,375,419	3,662,585	2,949,560	3,669,173	6,989,398	11,090,479	9,896,678	9,293,250	8,525,637	11,832,809
Interest on Long-Term Debt	6,549,846	7,359,854	7,266,452	7,099,604	6,989,398	11,090,479	9,896,678	9,293,250	8,525,637	11,832,809
Bond Costs	27,383	13,390	27,970	22,272	-	-	-	-	-	-
Non-Departmental	4,292,818	7,587,424	5,481,997	22,272	-	-	-	-	-	-
Total Governmental Activities Expenses	111,497,036	119,325,729	149,360,107	134,476,332	183,733,932	163,520,279	200,363,715	188,073,178	193,852,407	188,416,224
Business-Type Activities:										
Utilities	13,045,332	15,593,938	17,773,204	23,296,106	30,173,237	29,147,386	29,133,054	38,634,542	34,149,870	35,912,782
Golf course	1,181,521	1,148,610	1,834,057	1,934,301	1,979,380	1,780,625	1,689,229	-	-	-
Refuse collection	-	-	-	-	1,911,122	2,591,374	2,924,270	3,001,245	2,955,327	5,712,045
Stormwater management	-	-	-	-	34,063,739	33,519,385	33,746,553	41,635,787	37,105,197	44,697,530
Total Business-Type Activities Expenses	14,226,853	16,742,548	19,607,261	25,230,407	34,063,739	33,519,385	33,746,553	41,635,787	37,105,197	44,697,530
Total Primary Government Expenses	\$ 125,723,889	\$ 136,068,277	\$ 168,967,368	\$ 159,706,739	\$ 217,797,671	\$ 197,039,664	\$ 234,110,268	\$ 229,708,965	\$ 230,957,604	\$ 233,113,754
Program Revenues										
Governmental activities:										
Charges for Services:										
General Government Administration	\$ 931,888	\$ 2,114,804	\$ 2,243,348	\$ 2,507,468	\$ -	\$ -	\$ -	\$ 6,299	\$ -	\$ 3,287,250
Judicial Administration	1,475,505	493,282	588,401	687,317	939,300	788,324	753,969	736,610	932,474	374,594
Public Safety	994,414	1,884,587	1,983,638	2,491,612	1,313,880	2,361,369	2,587,982	2,931,733	2,074,431	575,653
Public Works	-	1,380,740	1,386,084	1,254,981	1,746,854	1,531,857	2,195,198	2,367,267	1,504,393	872,302
Health and Welfare	-	-	-	-	15,015	15,201	7,388	25,280	-	-
Parks, Recreation and Cultural	457,370	288,075	316,658	325,748	335,642	476,376	628,393	670,162	759,323	719,783
Community Development	25,102	11,357	33,296	27,930	948,983	1,215,821	302,134	248,816	1,470,640	35,124
Other Public Services	499,626	575,318	602,404	812,681	-	-	-	-	-	-
Total Charges for Services	4,383,905	5,048,163	5,368,829	5,865,737	5,299,674	6,388,948	6,475,064	6,986,167	6,741,261	5,864,706
Operating Grants and Contributions:										
General Government Administration	370,679	1,195,139	443,125	294,285	473,712	531,013	170,905	122,185	395,505	4,620,917
Judicial Administration	2,463,381	2,131,555	2,267,307	2,141,741	1,802,021	1,846,680	1,829,318	1,766,209	2,377,742	1,451,567
Public Safety	475,511	1,971,088	745,611	1,159,591	2,325,968	2,293,795	2,136,678	2,705,501	3,256,578	892,671
Public Works	754,217	6,357,646	292,492	676,331	16,350,686	17,088,074	18,491,121	18,095,389	18,781,620	-
Health and Welfare	10,960,814	11,295,734	11,788,079	10,199,959	8,172,786	8,398,910	8,848,554	9,511,711	8,540,671	7,731,229
Education	83,991	131,645	-	-	-	-	-	-	-	-
Parks, Recreation and Cultural	268,232	305,659	369,363	749,244	285,761	297,489	305,120	294,402	18,228	-
Community Development	572,857	780,466	996,938	550,749	756,429	302,122	575,172	1,808,426	-	-
Other Public Services	41,039	11,494	72,711	28,630	-	-	-	-	-	-
Total Operating Grants and Contributions	15,990,921	24,180,426	16,973,626	15,800,530	30,167,363	30,758,083	32,356,868	34,303,823	33,370,344	14,696,384
Capital Grants and Contributions:										
General Government	-	-	-	-	-	-	-	-	-	99,389
Public Safety	-	-	-	-	-	-	70,500	-	-	1,958,630
Public Works	926,906	1,151,499	1,763,201	1,979,527	105,190,141	138,253	587,602	1,802,779	3,384,540	46,194,289
Health and Welfare	78,000	-	-	-	8,383	-	-	-	-	-
Education	1,030,585	1,035,898	1,290,471	1,394,061	-	-	-	-	-	-
Parks, Recreation and Cultural	-	41,378	27,652	227,199	2,043	-	-	-	-	-
Community Development	-	26,935	86,672	628,900	1,127,019	1,088,018	966,594	109,151	4,368,366	3,828
Other Public Services	-	-	170,280	-	-	-	-	-	-	-
Nondepartmental	-	1,172,283	18,701	-	-	-	-	-	-	-
Total Capital Grants and Contributions	2,035,491	3,427,993	3,556,977	4,229,687	106,327,586	1,226,271	1,624,696	1,911,930	7,752,906	48,256,136
Total Governmental Activities Program Revenues	22,410,317	32,656,582	25,701,432	25,895,954	141,794,623	38,373,302	40,456,628	43,201,920	47,864,511	68,817,226

CITY OF SUFFOLK, VIRGINIA

Table 2
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CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues: (Continued)										
Business-Type Activities:										
Charges for Services:										
Utility	\$ 16,616,219	\$ 16,920,731	\$ 19,566,580	\$ 20,419,822	\$ 22,096,514	\$ 23,803,453	\$ 24,813,989	\$ 29,044,958	\$ 29,818,675	\$ 32,934,240
Non-major	686,307	438,735	1,430,093	1,510,288	4,412,172	5,220,655	5,152,294	3,861,010	3,861,677	10,055,670
Total Charges for Services	17,302,526	17,359,466	20,996,673	21,930,110	26,508,686	29,024,108	29,966,283	32,905,968	33,680,352	42,989,910
Operating Grants and Contributions:										
Utility	-	400,724	240,093	11,163	814,500	864,141	542,287	-	-	-
Total Operating Grants and Contributions	-	400,724	240,093	11,163	814,500	864,141	542,287	-	-	-
Capital Grants and Contributions:										
Utility	3,935,770	2,233,515	3,284,662	383,412	6,043,266	2,658,020	3,785,842	1,504,233	4,468,834	1,078,380
Total Capital Grants and Contributions	3,935,770	2,233,515	3,284,662	383,412	6,043,266	2,658,020	3,785,842	1,504,233	4,468,834	1,078,380
Total Business-Type Activities Program Revenues	21,238,296	19,993,705	24,521,428	22,324,685	33,366,452	32,546,269	34,294,412	34,410,201	38,149,186	44,068,290
Total Primary Government Program Revenues	\$ 43,648,613	\$ 52,650,287	\$ 50,222,860	\$ 48,220,639	\$ 175,161,075	\$ 70,919,571	\$ 74,751,040	\$ 77,612,121	\$ 86,013,697	\$ 112,885,516
Net (Expense)/Revenue										
Governmental Activities	\$ (89,086,719)	\$ (86,669,147)	\$ (123,658,675)	\$ (108,580,378)	\$ (41,939,309)	\$ (125,146,977)	\$ (159,907,087)	\$ (144,871,258)	\$ (145,987,896)	\$ (119,598,998)
Business-Type Activities	7,011,443	3,251,157	4,914,167	(2,905,722)	(697,287)	(973,116)	547,859	(7,225,586)	1,043,989	(629,240)
Total Primary Government Net Expense	\$ (82,075,276)	\$ (83,417,990)	\$ (118,744,508)	\$ (111,486,100)	\$ (42,636,596)	\$ (126,120,093)	\$ (159,359,228)	\$ (152,096,844)	\$ (144,943,907)	\$ (120,228,238)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes	\$ 82,192,711	\$ 91,734,955	\$ 102,418,853	\$ 106,905,524	\$ 120,034,998	\$ 131,543,030	\$ 132,560,748	\$ 131,748,747	\$ 133,841,481	\$ 140,556,855
Grants and Contributions Not Restricted to Specific Programs	2,954,054	3,041,024	3,239,271	14,174,921	14,535,729	14,427,389	14,405,688	13,938,495	12,591,336	13,143,469
Revenue from use of money and property	2,476,306	2,100,281	2,060,740	2,445,754	3,871,010	3,794,438	1,845,378	1,136,704	1,142,359	1,091,549
Gain on Disposal of Capital Assets	-	(30,742)	-	180,500	-	-	-	-	-	-
Transfers/Miscellaneous	1,517,103	169,414	1,783,138	2,659,201	4,235,712	1,930,839	2,692,356	3,968,437	129,570,163	6,165,589
Total Governmental Activities	89,140,174	97,014,932	109,502,002	126,365,900	142,677,449	151,695,696	151,504,170	150,792,383	277,145,339	160,957,462
Business-Type Activities:										
Reimbursements from Other Agencies	113,312	-	23,000	-	-	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-	-	-	-	-	-
Investment Earnings	129,655	197,469	237,146	476,611	1,042,633	1,633,718	640,041	555,814	363,684	835,126
Gain on Disposal of Capital Assets	28,464	-	-	-	-	-	-	-	-	-
Transfers/Miscellaneous	(702,568)	237,227	(225,184)	318,085	(329,670)	(535,206)	(598,264)	(2,063,316)	(773,394)	(1,461,650)
Total Business-Type Activities	88,437,606	97,252,159	109,276,818	126,683,985	143,390,412	152,794,208	151,545,947	149,284,881	276,735,629	160,330,938
Total Primary Government	\$ 53,455	\$ 10,345,785	\$ (14,156,673)	\$ 17,785,522	\$ 100,738,140	\$ 26,548,719	\$ (8,402,917)	\$ 5,921,125	\$ 131,157,443	\$ 41,358,464
Change in Net Assets										
Governmental Activities	\$ 6,308,875	\$ 3,488,384	\$ 4,688,983	\$ (2,587,637)	\$ 15,676	\$ 125,396	\$ 589,636	\$ (8,733,088)	\$ 634,279	\$ (1,255,764)
Business-Type Activities	\$ 6,362,330	\$ 13,834,169	\$ (9,467,690)	\$ 15,197,885	\$ 100,753,816	\$ 26,674,115	\$ (7,813,281)	\$ (2,811,963)	\$ 131,791,722	\$ 40,102,700
Total Primary Government										

(1) In Fiscal Year 2007 the City adjusted grouping categories based on new fund additions, changes in operational structure and GFOA comments.

(2) In FY2011, significant prior period adjustments were made that impacted multiple years. Therefore, FY2010 values were not restated in governmental activities but business-type expenses increased by \$5,153,452 per Note 17 in Notes to Financial Statements.

(3) In FY2011, prior period adjustments were made that impacted multiple years. Therefore, FY2011 values for governmental activities revenues were increased by \$127,665,951 and business-type expenses increased by \$768,687 per Note 17 in Notes to Financial Statements.

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund				(A)						
Reserved	\$ 2,872,994	\$ 2,656,053	\$ 3,235,758	\$ 2,008,158	\$ 594,170	\$ 810,492	\$ 670,027	\$ -	\$ -	\$ -
Unreserved	34,169,781	28,902,323	25,079,595	28,146,402	33,217,808	47,279,178	50,540,042	-	-	-
Non-Spendable	-	-	-	-	-	-	-	277,482	81,697	41,086
Restricted	-	-	-	-	-	-	-	-	2,106,682	2,106,682
Committed	-	-	-	-	-	-	-	585,475	8,200,533	12,907,628
Assigned	-	-	-	-	-	-	-	9,515,153	1,520,457	2,515,436
Unassigned	-	-	-	-	-	-	-	43,222,091	35,569,058	36,881,374
Total General Fund	\$ 37,042,775	\$ 31,558,376	\$ 28,315,353	\$ 30,154,560	\$ 33,811,978	\$ 48,089,670	\$ 51,210,069	\$ 53,600,201	\$ 47,478,427	\$ 54,452,206
All Other Governmental Funds										
Reserved	\$ 1,948,525	\$ 4,117,671	\$ 4,768,672	\$ 5,890,801	\$ 2,419,652	\$ 8,189,612	\$ 12,318,937	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital Projects Funds	7,378,260	8,082,082	8,307,664	(7,242,148)	28,003,480	21,339,005	19,353,128	-	-	-
Debt Service Funds	(1,679,443)	(2,360,804)	(1,572,163)	(757,116)	734,340	861,708	679,706	-	-	-
Permanent	-	-	-	977,277	1,026,077	959,304	-	-	-	-
Special Revenue Funds	1,850,914	2,224,696	2,272,683	(174,585)	4,171,904	6,635,295	8,214,906	-	-	-
Restricted	-	-	-	-	-	-	-	392,169	17,195,832	14,227,163
Committed, reported in:										
Capital Projects Funds	-	-	-	-	-	-	-	12,986,435	2,057,504	31,842,530
Nonmajor Governmental Funds	-	-	-	-	-	-	-	5,889,037	2,899,128	3,293,204
Other Governmental Funds	-	-	-	-	-	-	-	286,150	7,115,186	10,809,261
Assigned, reported in:										
Other Governmental Funds	-	-	-	-	-	-	-	6,868,143	-	-
Special Revenue Funds	-	-	-	-	-	-	-	5,468,839	872,002	949,904
Debt Service Funds	-	-	-	-	-	-	-	600,859	-	-
Unassigned	-	-	-	-	-	-	-	(69,801)	(71,710)	-
Total all other Governmental Funds	\$ 9,498,256	\$ 12,063,645	\$ 13,776,856	\$ (1,305,771)	\$ 36,355,453	\$ 37,984,924	\$ 40,566,677	\$ 32,421,831	\$ 30,067,942	\$ 61,122,062
Component Unit (School Board)										
Reserved	\$ 6,353,892	\$ 8,191,095	\$ 6,611,928	\$ 5,378,752	\$ 8,174,301	\$ 8,065,992	\$ 10,459,827	\$ -	\$ -	\$ -
Unreserved	773,035	220,970	844,356	1,011,181	783,382	1,370,368	1,404,236	-	-	-
Nonspendable	-	-	-	-	-	-	-	451,829	1,387,121	5,055,925
Restricted	-	-	-	-	-	-	-	322,418	-	-
Committed	-	-	-	-	-	-	-	1,007,606	6,324,592	818,913
Assigned	-	-	-	-	-	-	-	7,928,595	9,833,477	6,625,214
Unassigned	-	-	-	-	-	-	-	(1,521,774)	(127,803)	(127,803)
Total	\$ 7,126,927	\$ 8,412,065	\$ 7,456,284	\$ 6,389,933	\$ 8,957,683	\$ 9,436,360	\$ 11,864,063	\$ 9,710,448	\$ 16,023,416	\$ 12,372,249

(A) GASB Statement 54 required new categories of Fund Balance to be reported. Thus, years prior to 2010 are reported under the old methodology, and GASB 54 is applied to FY2010 and forward.

(1) This includes a \$937,447 restatement in the General Fund.

(2) This includes a \$4,703,180 restatement in the Capital Projects Fund.

(3) This includes a restatement in several funds as per Note 17 in the Notes to Financial Statements. GASB 54 implementation caused the fund balance terminology to change.

(4) Includes a restatement the Road Maintenance Fund of \$1,566,245, and the School Board for \$5,962,104

CITY OF SUFFOLK, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Table 4

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General Property Taxes	\$ 57,961,870	\$ 66,231,547	\$ 74,827,500	\$ 87,023,480	\$ 88,450,925	\$ 98,037,522	\$ 99,044,697	\$ 98,299,291	\$ 98,760,972	\$ 103,782,797
Other Local Taxes	23,503,407	25,361,853	27,514,690	30,312,149	31,261,557	33,104,223	33,090,604	32,916,852	34,520,691	36,916,761
Licenses, Permits, and Fees	1,452,509	1,459,690	1,581,725	1,811,848	1,532,729	1,375,508	1,182,302	1,394,842	1,182,746	1,267,377
Fines and Forfeitures	553,375	655,114	661,623	695,200	552,063	475,350	521,771	852,307	869,701	1,024,324
Use of Money and Property	3,115,965	2,100,281	2,060,740	2,433,824	3,871,010	3,794,438	3,794,438	1,136,704	786,359	817,326
Intergovernmental	20,974,679	28,641,137	24,402,278	25,571,959	50,439,343	47,805,781	49,182,612	50,154,248	52,221,486	53,256,359
Charges for Services	2,076,100	2,781,664	2,957,076	3,166,463	3,214,881	4,538,081	4,770,991	4,731,019	4,711,730	5,379,984
Miscellaneous	149,344	305,196	336,942	2,005,995	3,715,402	1,368,871	1,784,155	1,679,116	1,445,202	1,900,287
Total Revenues	\$ 109,787,249	\$ 127,556,482	\$ 134,342,574	\$ 153,221,338	\$ 183,037,910	\$ 190,499,774	\$ 191,422,510	\$ 191,167,379	\$ 194,498,887	\$ 204,345,147
Expenditures										
General Government Administration	\$ 5,481,723	\$ 5,903,203	\$ 6,433,652	\$ 6,648,753	\$ 8,177,101	\$ 8,172,799	\$ 8,075,932	\$ 8,113,416	\$ 11,008,630	\$ 13,563,676
Judicial Administration	4,420,572	4,402,709	4,915,653	5,183,428	6,602,250	6,770,319	6,770,319	6,812,528	6,743,740	7,731,218
Public Safety	20,911,023	23,876,250	26,239,576	30,227,291	31,896,254	33,563,830	34,676,356	37,802,601	40,185,432	48,947,127
Public Works	6,806,929	7,008,118	8,767,265	11,172,271	12,157,962	24,379,984	26,204,343	26,784,701	22,330,517	19,019,521
Health and Welfare	12,495,701	13,001,895	13,786,005	13,881,669	10,493,819	11,040,820	11,597,910	12,718,523	13,156,330	12,802,756
Education	-	30,386,932	34,230,484	38,779,835	41,645,810	45,999,422	48,476,908	44,725,510	46,746,091	44,206,593
Parks, Recreation, and Cultural	3,885,476	3,810,234	4,299,784	4,839,971	6,042,500	5,984,292	6,680,503	6,972,187	6,453,131	7,567,516
Community Development	3,643,667	6,506,643	4,485,621	4,541,559	26,784,795	6,192,145	8,032,334	8,783,239	13,644,310	6,005,460
Other Public Services	2,380,779	2,725,173	2,949,560	3,561,018	7,012,669	7,622,634	8,753,733	8,264,861	6,977,603	455,436
Non-Departmental	3,755,337	10,749,106	4,995,690	5,530,537	18,741,520	28,574,620	20,582,782	20,789,098	16,235,879	15,988,154
Debt Outlay	25,488,540	24,763,361	29,512,856	38,086,252	18,741,520	28,574,620	20,582,782	20,789,098	16,235,879	15,988,154
Other	133,327	150,408	292,993	209,398	1,005,084	190,205	288,914	339,170	17,787	319,789
Interest	6,650,152	7,208,931	6,829,437	7,385,176	6,689,872	8,531,876	9,645,646	9,755,820	8,825,336	9,034,916
Principal	8,598,182	10,081,717	9,949,599	12,991,845	15,044,611	13,361,741	13,667,737	14,315,646	13,571,169	14,862,418
Total Expenditures	\$ 104,651,408	\$ 150,574,680	\$ 157,688,175	\$ 181,739,003	\$ 202,294,247	\$ 200,384,687	\$ 203,494,719	\$ 206,177,544	\$ 205,895,955	\$ 200,504,380
Excess of Revenues Over (Under) Expenditures	\$ 5,135,841	\$ (23,038,198)	\$ (23,345,601)	\$ (28,517,665)	\$ (19,256,337)	\$ (9,884,913)	\$ (12,072,209)	\$ (15,010,165)	\$ (11,397,068)	\$ 3,840,795
Other Financing Sources (Uses)										
Proceeds of Refunding Bonds	\$ -	\$ 19,770,997	\$ -	\$ 9,978,267	\$ 28,440,000	\$ -	\$ -	\$ -	\$ -	\$ 14,295,853
Proceeds of Bonds Issued	18,124,270	18,183,028	21,160,000	14,406,949	63,486,239	24,475,000	16,600,000	3,550,000	-	32,526,431
Premiums on Debt	-	-	-	918,255	3,131,272	501,623	-	2,102,918	-	-
Transfers in	(27,434,956)	12,572,466	7,740,454	6,114,990	6,517,082	27,223,057	30,481,200	31,222,564	31,070,025	32,840,198
Payment to Refunded Bonds Escrow Agent	5,980,095	(19,770,997)	-	(10,365,390)	(29,703,423)	-	-	(32,350,000)	-	(14,096,458)
Proceeds from Sale of Asset	-	1,722,690	-	-	-	-	-	-	-	-
Transfers Out	(5,425,910)	(12,308,996)	(7,253,654)	(5,778,826)	(9,022,028)	(26,407,603)	(29,306,840)	(27,016,486)	(29,714,865)	(31,378,920)
Total Other Financing Sources (Uses)	\$ (8,756,501)	\$ 20,119,188	\$ 21,815,789	\$ 15,274,245	\$ 62,849,142	\$ 25,792,077	\$ 17,774,360	\$ 8,113,996	\$ 1,355,160	\$ 34,187,104
Net Change in Fund Balance	\$ (3,620,660)	\$ (2,919,010)	\$ (1,529,812)	\$ (13,243,420)	\$ 43,592,805	\$ 15,907,164	\$ 5,702,151	\$ (6,896,169)	\$ (10,041,908)	\$ 38,027,899
Capital outlay (Exh 4 recon schedule)(1)	25,488,540	24,755,092	29,512,856	38,086,252	18,741,520	27,619,315	20,582,782	18,694,339	16,206,989	11,253,052
Debt Service as a percentage of non-capital expenditures (1)	14.30%	13.74%	13.09%	14.18%	11.84%	12.67%	12.75%	12.84%	11.81%	12.63%
Adopted School Operating & Food Service Expenditures (2)	57,711,773	60,442,296	69,301,721	73,676,524	79,602,860	85,408,681	91,340,694	89,115,227	81,934,663	85,170,286
Debt Service as a percentage of non-capital plus school expenditures (2)	9.28%	9.28%	8.50%	9.38%	8.26%	8.48%	8.50%	8.70%	8.25%	8.71%

(1) Calculated as the Principal plus Interest shown above divided by the Total Expenditures less Capital Outlay as shown in the Exhibit 4 reconciliation schedule, as defined by GFOA. This ratio may have changed from previous years' presentations.

(2) Additional School expenditures are found in the Component Unit section of the CAFR (School Operating and School Food Service Fund expenditures less Contribution Revenue from the City). The related ratio is part of bond continuing disclosure requirements.

(3) Contribution to IDA/EDA for Hilton Garden Inn/Suffolk Conference Center EDA Revenue Bonds: 2004, \$2.4 M for the IDA's Secondary Debt Service Reserve Fund to support the \$18.3 M Revenue Bonds; 2007, \$18.5 M to refund the Revenue Bonds; 2011, \$5.6 M to make final payment on the Revenue Bonds.

(4) Nondepartmental includes expenditures for Hurricane Isabel.

(5) Includes revenues and expenditures for the Road Maintenance fund which had a full year of maintenance for fiscal year 2007.

(6) Education prior to 2003 was recorded as a Transfer to Component Units instead of an expenditure.

(7) Reclassification due to GFOA comments or management/auditor decisions.

(8) Restatements made in the subsequent year are not reflected here.

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Change 2003-2012
General Property Tax	\$ 57,961,870	\$ 66,231,547	\$ 74,827,500	\$ 76,472,589	\$ 88,450,925	\$ 98,037,522	\$ 99,044,697	\$ 98,299,291	\$ 99,497,154	\$ 103,640,094	79%
Other Local Taxes:											
Sales and Use	5,293,294	5,787,336	6,393,278	7,043,982	7,177,386	7,579,882	7,323,289	7,355,338	7,534,722	8,378,591	58%
Utility Tax	7,062,298	6,439,771	6,160,225	6,420,430	5,348,947	4,190,304	4,279,814	4,238,079	4,388,706	3,580,799	-49%
Communication Taxes	-	-	-	-	1,723,627	3,682,126	3,733,667	3,614,856	3,649,188	3,826,015	(1)
Business and Occupational License	3,618,973	3,901,699	4,528,220	5,177,235	5,674,968	5,806,810	6,261,676	5,985,479	6,668,905	7,536,501	108%
Franchise	481,015	216,994	233,565	251,447	138,635	-	-	-	-	-	0%
Motor Vehicle License	1,248,266	1,330,191	1,350,308	1,359,928	1,532,277	1,650,732	1,713,998	1,711,012	1,695,869	2,104,948	69%
Bank Stock	166,264	242,789	283,547	362,571	350,564	288,973	306,405	641,735	498,527	493,688	197%
Recordation	644,418	855,860	2,001,254	2,632,855	2,122,575	1,563,745	1,186,018	1,009,592	830,076	922,372	43%
Tobacco	971,777	1,693,781	1,538,959	1,403,764	1,378,724	1,415,123	1,408,348	1,382,361	1,383,896	1,352,797	39%
Lodging	224,742	227,152	302,463	235,137	226,867	832,049	778,559	957,654	924,901	1,198,551	433%
Meals	2,704,256	3,291,137	3,323,238	3,886,919	4,306,494	5,632,980	5,683,139	5,643,405	6,430,769	7,076,131	162%
Admission	351,413	386,899	369,995	356,211	382,592	354,950	376,024	377,341	338,767	306,196	-13%
Emergency Phone Services	736,691	988,243	1,029,638	1,033,810	502,503	-	-	-	-	-	(1)
Public Facility Tax Rebate	-	-	-	347,860	395,398	106,549	39,667	-	-	140,172	0%
Total	\$ 81,465,277	\$ 91,593,399	\$ 102,342,190	\$ 106,984,738	\$ 119,712,482	\$ 131,141,745	\$ 132,135,301	\$ 131,216,143	\$ 133,841,480	\$ 140,556,855	

(1) Effective January 1, 2007, the Commonwealth of Virginia moved to a Communication Tax collected by the State and remitted to the locality versus the local taxes previously charged by the jurisdiction.

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

Fiscal Year	Real Property			City Wide Rate	Estimated Actual Value	Personal Property			Tax Rate	Assessed Value	Total
	Assessed Value		Citizens Property (3)			Assessed Value		Total			
	Citizens Property (1)	Public Service (2)				Public Service (2)	Total				
2003	\$ 3,532,824,000	\$ 17,669,080	\$ 3,550,493,080	\$ 3,750,119,580	\$ 1.08	\$ 529,426,302	\$ 167,961,412	\$ 697,387,714	\$ 4.25	\$ 4,247,880,794	
2004	4,044,414,400	18,332,444	4,062,746,844	4,280,219,144	1.08	608,825,985	166,161,886	774,987,871	4.25	4,837,734,715	
2005	4,700,248,600	16,416,461	4,716,665,061	4,983,988,261	1.08	624,278,865	153,824,486	778,103,351	4.25	5,494,768,412	
2006	5,767,166,200	18,411,941	5,785,578,141	6,215,420,841	1.06	699,151,891	175,007,613	874,159,504	4.25	6,659,737,645	
2007	7,615,318,305	16,841,670	7,632,159,975	8,207,595,470	0.94	760,041,770	154,722,996	914,764,766	4.25	8,546,924,741	
2008	8,471,944,000	20,753,336	8,492,697,336	9,466,652,720	0.94	766,350,990	207,604,394	973,955,384	4.25	9,466,652,720	
2009	9,095,186,800	23,662,692	9,118,849,492	9,723,630,800	0.91	804,367,320	217,629,411	1,021,996,731	4.25	10,140,846,223	
2010	9,055,790,400	26,606,668	9,082,397,068	9,705,046,100	0.91	721,104,740	245,272,079	966,376,819	4.25	10,048,773,887	
2011	9,045,325,900	27,016,838	9,072,342,738	9,666,077,300	0.91	773,957,620	253,653,952	1,027,611,572	4.25	10,099,954,310	
2012	8,776,025,000	29,240,750	8,805,265,750	9,371,181,700	0.97	793,373,032	271,085,304	1,064,458,336	4.25	9,869,724,086	

(1) Real property is assessed at 100% of estimated actual value except land use property which approximates 30%. Source: City Assessor's Office

(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. Source: City Commissioner of the Revenue's Office.

DIRECT PROPERTY TAX RATES (PER HUNDRED) (1)
 LAST TEN FISCAL YEARS

Fiscal Year	Real Property (2)									Minimum Total Direct Rate (5)
	Suffolk Taxing District	City Wide	Route 17 Taxing District	Mosquito Control District	Downtown Business Overlay District	Personal Property (3)	Machinery and Tools (4)			
2003	\$ 1.24	\$ 1.08	\$ 0.26	\$ 0.035	\$ -	\$ 4.25	\$ 3.15	\$ 5.33		
2004	1.24	1.08	0.26	0.035	-	4.25	3.15	5.33		
2005	1.24	1.08	0.26	0.035	-	4.25	3.15	5.33		
2006	1.22	1.06	0.26	0.035	-	4.25	3.15	5.31		
2007	0.98	0.94	0.26	0.035	0.125	4.25	3.15	5.19		
2008 (6)	-	0.94	0.26	-	0.125	4.25	3.15	5.19		
2009	-	0.91	0.26	-	0.125	4.25	3.15	5.16		
2010	-	0.91	0.26	-	0.125	4.25	3.15	5.16		
2011	-	0.91	0.26	-	0.125	4.25	3.15	5.16		
2012	-	0.97	0.26	-	0.125	4.25	3.15	5.16		

- (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.
- (4) Assessed at 20% of original cost during the first five years of life; 10% thereafter.
- (5) The district tax rates include the City-wide rate. Additionally, districts overlap some properties, resulting in those properties being taxed at the City rate plus the additional rate for each applicable district. Therefore, only the City-wide rate is used with the personal property rate to calculate the Minimum Total Direct Rate.
- (6) Beginning in Fiscal Year 2008, the Suffolk Taxing District and Mosquito Control District supplemental taxes were no longer assessed because the City instituted a city-wide mosquito control program and incorporated the fees associated with those services into the storm water utility fee.

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Real Property

Taxpayer	Type of Business	2012		2003	
		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)
City of Norfolk	Municipal Water System	\$ 56,671,300	0.65%	\$ 19,980,900	0.57%
116 Lakeview Parkway, LLC	Joint Military Training Facility	54,480,500	0.62%	-	-
City of Portsmouth	Municipal Water System	49,813,300	0.57%	-	-
CVN Distribution	Distribution Warehouse	43,843,300	0.50%	34,960,700	0.99%
Sysco Food Services	Food Services	42,381,300	0.48%	24,296,000	0.69%
Target Corporation	Distribution Warehouse	39,245,000	0.45%	42,287,300	1.20%
Walmart	Retail Merchandise	31,623,000	0.36%	21,439,400	0.61%
Lake Prince Center, Inc.	Retirement Community	30,253,500	0.34%	23,646,100	0.67%
Pergola Group	Apartment Complex	26,818,947	0.31%	-	-
TowneBank	Financial Institution	26,088,800	0.30%	-	-
Fortress GSA Suffolk, LLC	Joint Military Training Facility	-	-	34,456,900	0.98%
Sara Lee Coffee & Tea Co.	Coffee Roasting	-	-	28,802,400	0.82%
Harbourview Partners	Real Estate Development	-	-	25,813,400	0.73%
Ciba Specialty Chemicals	Chemical Plant	-	-	24,339,200	0.69%
		<u>\$ 401,218,947</u>	<u>4.58%</u>	<u>\$ 280,022,300</u>	<u>7.95%</u>

(1) Total Assessed Value (does not include public service corporations) \$ 8,776,025,000 \$ 3,532,824,000

Source: City of Suffolk Assessor's Office

Personal Property

Taxpayer	Type of Business	2012		2003	
		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (2)	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (2)
BASF Corporation	Chemical Plant	\$ 10,169,250	1.28%	\$ -	-
Unilever Best Foods, Inc.	Beverage Company	9,715,940	1.22%	-	-
Planters/Kraft Foods	Peanut Products	8,312,540	1.05%	-	-
QVC of Suffolk Inc	Distribution Warehouse	7,238,880	0.91%	-	-
Sara Lee International	Beverage Company	5,060,330	0.64%	2,887,370	0.55%
Lockheed Martin Corporation	Technology Company	4,467,870	0.56%	-	-
Sysco Food Services of Hampton Roads	Food Services	3,842,850	0.48%	1,543,270	0.29%
Target Corporation	Distribution Warehouse	3,669,950	0.46%	-	-
Massimo Zanetti Beverage USA	Beverage Company	3,603,480	0.45%	-	-
Charter Communications	Cable Products	2,654,570	0.33%	1,859,530	0.35%
Ciba Specialty Chemical	Chemical Plant	-	-	10,162,150	1.92%
Planters Lifesavers Co.	Peanut Products	-	-	6,515,310	1.23%
Thomas J. Lipton Co.	Beverage Company	-	-	4,168,310	0.79%
CVN Distribution Col, Inc.	Distribution Warehouse	-	-	3,382,390	0.64%
Petals Factory Outlet of Delaware	Discount Silk Flowers	-	-	2,100,000	0.40%
Penn Engineering & Manufacturing	Self-clenching Fasteners	-	-	1,760,490	0.33%
Vitex Packaging	Packaging Warehouse	-	-	1,706,320	0.32%
		<u>\$ 58,735,660</u>	<u>7.38%</u>	<u>\$ 36,085,140</u>	<u>6.82%</u>

(2) Total Assessed Value (does not include public service corporations) \$ 793,373,032 \$ 529,426,302

Source: City of Suffolk, Commissioner of Revenue's Office

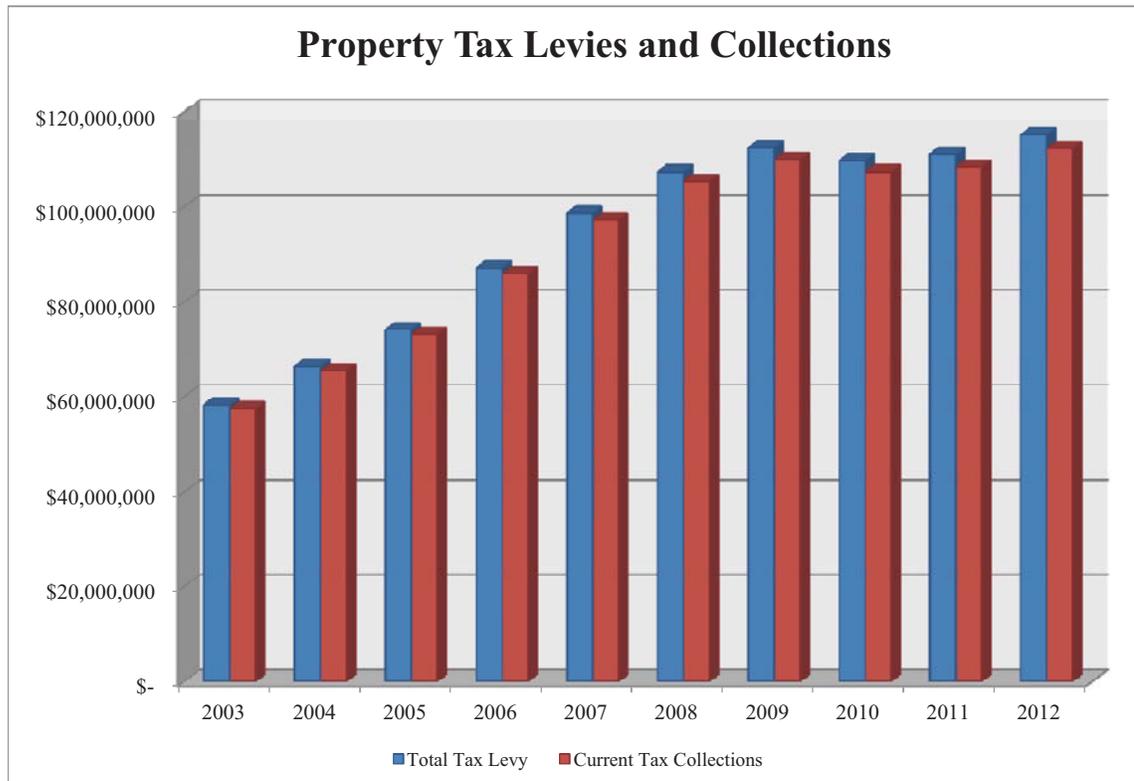
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Tax Collections		Total Tax Collections (2)	Outstanding Delinquent Taxes At End of Fiscal Year (2)
				Delinquent Tax Collections	As Percent of Outstanding Delinquent Taxes		
2003	\$ 58,175,390	\$ 57,393,884	98.66%	\$ 835,992	44.17%	\$ 58,229,876	\$ 1,892,505
2004	66,303,851	65,447,182	98.71%	777,317	40.50%	66,224,499	1,919,065
2005	74,108,747	73,148,580	98.70%	745,533	36.69%	73,894,113	2,032,137
2006	87,028,625	85,921,671	98.73%	968,148	46.59%	86,889,819	2,077,972
2007	98,604,779	97,146,638	98.52%	951,030	40.71%	98,097,668	2,336,057
2008	107,353,414	105,361,772	98.14%	933,545	88.23%	106,295,317	1,058,097
2009	112,502,640	110,007,171	97.78%	1,475,446	40.49%	111,482,617	3,643,790
2010	109,732,744	107,359,137	97.84%	1,585,519	38.92%	108,944,656	4,073,288
2011	111,072,859	108,430,361	97.62%	2,711,843	65.92%	111,142,204	4,113,644
2012	115,190,689	112,303,915	97.49%	1,970,995	43.95%	114,274,910	4,484,190

Note A: Delinquent real property taxes not collected within three years, a lien is recorded on the property of the collection thereof. Collections in subsequent years represent delinquent accounts collected during the course of that fiscal year for all prior fiscal years.

- (1) Beginning in the year ended June 30, 2000, the tax levy includes the Commonwealth's reimbursement.
- (2) Adjusted for collections through August 15.

Source: City Treasurer



PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		Real Property Value (2)				Total
	Number of Permits	Value	Number of Permits	Value	Residential	Commercial	Agricultural	Nontaxable	
2003	175	\$ 108,959,711	1,799	\$ 119,230,994	\$ 2,626,448,600	\$ 723,716,810	\$ 382,285,100	\$ 688,124,300	\$ 4,420,574,810
2004	184	57,183,116	1,791	138,229,794	3,086,553,300	792,445,200	382,888,200	714,195,300	4,976,082,000
2005	191	86,239,759	1,585	182,767,959	3,633,548,700	876,319,900	457,703,200	751,744,400	5,719,316,200
2006	196	59,858,597	1,690	228,671,215	4,537,277,500	1,013,362,100	646,369,300	809,532,500	7,006,541,400
2007	218	140,285,316	1,198	132,475,248	6,060,448,500	1,362,319,600	767,985,700	914,701,000	9,105,454,800
2008	193	73,914,062	1,101	105,455,002	6,850,010,900	1,444,643,500	845,756,000	978,058,800	10,118,469,200
2009	151	79,953,808	337	54,363,185	7,114,848,900	1,779,310,900	829,471,000	1,000,191,500	10,723,822,300
2010	168	40,876,496	781	67,393,951	7,021,145,800	1,655,756,200	378,888,400	1,021,152,900	10,076,943,300
2011	133	28,621,709	638	45,448,453	7,018,590,500	1,862,610,800	865,828,400	974,049,400	10,721,079,100
2012	177	64,189,699	647	53,549,031	6,813,160,700	1,760,322,100	797,698,900	990,739,800	10,361,921,500

(1) City Zoning Administration and Enforcement

(2) City Assessor's Office, estimated actual value (only residential and commercial are reflected in Table 6)

PRINCIPAL COMMERCIAL/INDUSTRIAL WATER AND SEWER CONSUMERS
YEAR ENDED JUNE 30, 2012

<u>Water Consumers</u>	<u>Type of Business</u>	<u>Annual Consumption in Gallons (Hundred Cubic Feet)</u>	<u>% of Total Annual Consumption (1)</u>
Western Tidewater Water Authority	Regional Water Supply	178,684	7.19%
J M Smucker Company	Beverage Company	54,622	2.20%
Western Tidewater Regional Jail	Jail-Regional Facility	46,725	1.88%
BASF Corporation	Chemical Plant	42,930	1.73%
Sentara/Obici Hospital	Hospital	35,530	1.43%
Suffolk Public Schools	Education	34,865	1.40%
Wanchese Fish Company	Seafood Processing	31,348	1.26%
Unilver Best Foods	Beverage Company	23,637	0.95%
Planters Peanuts	Food Services	22,285	0.90%
Nansemond Square LLC	Real Property Management	17,995	0.73%
		<u>488,621</u>	<u>19.67%</u>
(1) Total annual consumption (all water customers)		2,484,222	

<u>Sewer Consumers</u>	<u>Type of Business</u>	<u>Annual Consumption in Gallons (Hundred Cubic Feet)</u>	<u>% of Total Annual Consumption (2)</u>
Western Tidewater Regional Jail	Jail-Regional Facility	46,725	2.34%
BASF Corporation	Chemical Plant	42,930	2.16%
J M Smucker Company	Beverage Company	37,360	1.88%
Sentara/Obici Hospital	Hospital	35,530	1.78%
Suffolk Public Schools	Education	34,865	1.75%
Wanchese Fish Company	Seafood Processing	31,348	1.57%
Nansemond Square LLC	Real Property Management	17,995	0.90%
Unilever Best Foods	Beverage Company	15,902	0.80%
Harbour Breeze Apartments	Real Property Management	15,462	0.78%
30 West Pershing LLC	Real Property Management	11,965	0.60%
		<u>290,082</u>	<u>14.56%</u>
(2) Total annual consumption (all sewer customers)		1,991,723	

Source: Department of Public Utilities

WATER AND SEWER RATE SCHEDULE
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
WATER										
Water Rate per 100 cubic feet										
Minimum Bi-monthly Charge (5 ccf)	2.58 \$	2.66 \$	2.74 \$	2.82 \$	3.09 \$	3.41 \$	3.92 \$	4.94 \$	5.84 \$	6.43
Meter Service Charge (per month)	11.33	11.67	12.02	12.48	15.45	17.05	19.60	24.70	29.20	32.15
5/8 inch meter	1.50	1.50	1.50	1.50	2.40	2.40	2.40	2.40	2.40	2.40
Water Connection Charge (installed by city)										
5/8 inch meter	940	970	1,000	1,030	1,100	1,100	1,100	1,100	1,100	1,100
Water Connection Charge (installed by developer)										
5/8 inch meter	50	50	50	50	50	50	50	50	50	50
Water Availability Charge (residential)										
Single Family	4,135	4,260	4,390	4,520	5,390	5,520	5,520	5,520	5,520	5,520
Water Availability Charge (commercial)										
5/8 inch meter	4,135	4,260	4,390	4,520	5,390	5,520	5,520	5,520	5,520	5,520
3/4 inch meter	6,200	6,390	6,580	6,780	8,090	8,180	8,180	8,180	8,180	8,180
1 inch meter	10,340	10,650	10,970	11,300	13,480	13,520	13,520	13,520	13,520	13,520
1 1/2 inch meter	20,675	21,300	21,940	22,600	26,950	26,950	26,950	26,950	26,950	26,950
2 inch meter	33,080	34,080	35,100	36,155	43,120	43,120	43,120	43,120	43,120	43,120
3 inch meter	62,025	63,900	65,820	67,795	80,850	80,850	80,850	80,850	80,850	80,850
4 inch meter	103,375	106,500	109,695	112,985	134,750	134,750	134,750	134,750	134,750	134,750
WTWA Wholesale Water Rate										
Water Rate (CCF)	3.17	3.27	3.37	3.47	3.29	3.43	3.53	3.99	3.76	3.84
Fixed Capacity Charge (Per Month)	N/A	N/A	N/A	N/A	87,567	102,370	147,242	160,979	190,452	220,668
SEWER										
Sewer Collection (per 100 cubic feet)										
Minimum Bi-monthly period (5 ccf)	1.68	1.73	1.78	1.83	2.12	2.61	2.88	3.78	4.50	4.91
4 inch lateral size	12.51	12.88	13.27	11.38	10.60	13.05	14.40	18.90	22.50	24.55
6 inch lateral size										
Sewer Connection Charge (installed by city)										
4 inch lateral size	1,235	1,270	1,310	1,350	1,450	1,450	1,450	1,450	1,450	1,450
6 inch lateral size	2,260	2,330	2,400	2,475	2,650	2,650	2,650	2,650	2,650	2,650
Sewer Connection Charge (installed by developer)										
4 inch lateral size	50	50	50	50	50	50	50	50	50	50
Sewer Availability Charge (residential)										
Single Family	2,005	2,065	2,125	2,190	4,920	6,000	6,000	6,000	6,000	6,000
Sewer Availability Charge (commercial)										
5/8 inch meter	2,005	2,065	2,125	2,190	4,920	6,000	6,000	6,000	6,000	6,000
3/4 inch meter	3,010	3,100	3,195	3,285	7,380	9,000	9,000	9,000	9,000	9,000
1 inch meter	5,015	5,165	5,320	5,475	12,300	14,800	14,800	14,800	14,800	14,800
1 1/2 inch meter	10,025	10,325	10,635	10,950	24,600	29,500	29,500	29,500	29,500	29,500
2 inch meter	16,040	16,520	17,015	17,525	39,360	47,100	47,100	47,100	47,100	47,100
3 inch meter	30,075	30,975	31,905	32,860	73,800	88,100	88,100	88,100	88,100	88,100
4 inch meter	50,125	51,625	53,175	54,770	123,000	146,700	146,800	146,800	146,800	146,800

Source: Department of Public Utilities

RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS*

Fiscal Year	General Bonded Debt (1)					Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
	General Obligation Bonds (2)	Literary Bonds	Notes Payable	Section 108 Loan Payable	Total		
2003	\$ 135,909,211	\$ 8,750,000	\$ 1,415,000	\$ -	\$ 146,074,211	3.90%	\$ 2,084
2004	143,980,204	8,250,000	-	-	152,230,204	3.56%	2,094
2005	152,386,650	7,750,000	3,000,000	-	163,136,650	3.27%	2,161
2006	152,622,419	7,250,000	4,196,949	-	164,069,368	2.64%	2,128
2007	199,367,465	6,750,000	1,588,475	3,845,000	211,550,940	2.58%	2,660
2008	211,511,740	6,250,000	480,000	3,652,000	221,893,740	2.34%	2,696
2009	214,610,188	5,750,000	240,000	3,459,000	224,059,188	2.30%	2,736
2010	232,142,756	5,250,000	-	3,266,000	240,658,756	2.48%	2,899
2011	218,769,380	4,750,000	-	3,073,000	226,592,380	2.34%	2,679
2012	312,430,000	4,250,000	-	2,880,000	319,560,000	3.41%	3,729

Fiscal Year	Capital Leases	Business-Type Activities (1)			Total Primary Government	Percentage of Personal Income (4)	Per Capita (4)
		Senior: Revenue Bonds	Presentation only Subordinate: GO Bonds (5)	Notes Payable			
2003	\$ 1,738,928	\$ 44,460,000	\$ -	\$ 2,200,000	\$ 194,473,139	9.70%	\$ 2,774
2004	2,686,055	55,345,000	-	3,334,000	213,595,259	9.87%	2,938
2005	3,168,162	54,600,000	-	-	220,904,812	9.44%	2,926
2006	8,370,710	67,410,000	-	-	239,850,078	9.32%	3,111
2007	8,767,219	103,200,000	-	-	323,518,159	11.82%	4,068
2008	6,354,783	141,385,000	-	-	369,633,523	12.71%	4,491
2009	8,786,426	184,380,000	-	-	417,225,614	13.67%	5,094
2010	6,394,321	180,965,000	27,000,000	-	428,018,077	13.69%	5,156
2011	4,549,616	176,925,000	27,000,000	-	408,066,996	13.06%	4,824
2012	7,108,756	158,530,000	27,000,000	-	485,198,756	15.52%	5,662

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. Business-type activities included some Golf Course notes payable in 2002 - 2004.

(2) GO Bonds include Utility GO Bonds (with or without an additional revenue pledge). They exclude the unamortized premiums and deferred amounts for advance refunding. This change required restating previous years' balances.

(3) See Table 6 for estimated actual taxable value of property data.

(4) See Table 16 for personal income and population data. The most recent personal income data available from the Bureau of Economic Analysis is 2010 and is used to analyze years 2010 through 2012.

(5) The subordinate GO bonds are "double-barreled", they have a revenue pledge but are backed by the City's general obligation. They are presented under Business-type activities but are actually included in the General Bonded Debt total.

*Previous years restated to include Utility GO bond debt in General bonded debt.

LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value (as of July 1, 2011) - taxable real property, including public service corporations	\$ 8,805,265,750	\$ 8,805,265,750	\$ 8,805,265,750
Adopted and Legal debt limits:			
4% of assessed value (authorized limit adopted by City Council 2010)	\$ 352,210,630		
7% of assessed value (authorized limit imposed by City Charter)	\$ 616,368,603		
10% of assessed value (authorized by the Commonwealth for all cities)	\$ 880,526,575		
Deduct amount of debt applicable to debt limit:			
Gross general bonded debt (includes bonds and notes payable)	\$ 319,560,000	\$ 319,560,000	\$ 319,560,000
	\$ 32,650,630	\$ 296,808,603	\$ 560,966,575

Fiscal Year

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City's Legal Debt Margin										
Debt Limit	\$ 253,451,638	\$ 284,392,279	\$ 330,166,554	\$ 404,990,470	\$ 534,251,198	\$ 594,488,418	\$ 638,194,643	\$ 635,767,795	\$ 635,063,992	\$ 616,568,603
Total Net Debt Applicable to Limit*	146,074,211	152,230,204	163,136,650	164,069,368	211,550,940	221,893,740	224,059,188	240,658,756	226,592,380	319,560,000
Legal Debt Margin	\$ 107,377,427	\$ 132,162,075	\$ 167,029,904	\$ 240,921,102	\$ 322,700,258	\$ 372,594,678	\$ 414,135,455	\$ 395,109,039	\$ 408,471,612	\$ 296,808,603
Total Net Debt Applicable to Limit as percentage of Debt Limit	57.6%	53.5%	49.4%	40.5%	39.6%	37.3%	35.1%	37.9%	35.7%	51.8%
Commonwealth's Legal Debt Margin										
Debt Limit	\$ 355,049,308	\$ 406,274,684	\$ 471,666,506	\$ 578,557,814	\$ 763,215,997	\$ 849,269,734	\$ 911,884,949	\$ 908,239,707	\$ 907,234,274	\$ 880,526,575
Total Net Debt Applicable to Limit*	146,074,211	152,230,204	163,136,650	164,069,368	211,550,940	221,893,740	224,059,188	240,658,756	226,592,380	319,560,000
Legal Debt Margin	\$ 208,975,097	\$ 254,044,480	\$ 308,529,856	\$ 414,488,446	\$ 551,665,057	\$ 627,375,994	\$ 687,825,761	\$ 667,580,951	\$ 680,641,894	\$ 560,966,575
Total Net Debt Applicable to Limit as percentage of Debt Limit	41.1%	37.5%	34.6%	28.4%	27.7%	26.1%	24.6%	26.5%	25.0%	36.3%

Notes:

(1) Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City (including Utility GO Bonds--with or without an additional revenue pledge, see table 13). Prior fiscal years have been restated in order to accommodate this determination. The calculation excludes the unamortized premiums and deferred amounts for advance refunding, installment purchase contracts, accrued sick and annual leave, landfill liability, and net pension and OPEB obligations. These total \$20,971,030 at June 30, 2012.

(2) See Table 6 for assessed value of real property data.

(3) There are no overlapping or underlying tax jurisdictions.

*Previous years' general bonded debt has been restated to include Utility General Obligation debt.

PLEDGE-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage (4)
				Principal	Interest	Total	
UTILITY REVENUE BONDS (WATER AND SEWER)							
2003	\$ 20,755,301	\$ 9,249,002	\$ 11,506,299	\$ 810,000	\$ 2,585,289	\$ 3,395,289	3.39
2004	19,338,363	10,439,332	8,899,031	840,000	2,687,839	3,527,839	2.52
2005	23,096,899	12,583,141	10,513,758	1,060,000	2,782,571	3,842,571	2.74
2006	21,275,903	13,840,075	7,435,828	1,240,000	3,045,619	4,285,619	1.74
2007	29,991,524	14,859,732	15,131,792	1,810,000	3,123,149	4,933,149	3.07
2008	28,893,476	14,820,616	14,072,860	1,610,000	4,026,864	5,636,864	2.50
2009	29,758,790	16,601,440	13,157,350	2,290,000	4,258,888	6,548,888	2.01
2010	29,579,413	15,710,773	13,868,640	3,155,000	6,441,335	9,596,335	1.45
2011	30,342,116	15,009,702	15,332,414	4,040,000	8,929,768	12,969,768	1.18
2012	34,213,151	16,600,935	17,612,216	2,640,000	9,316,190	11,956,190	1.47

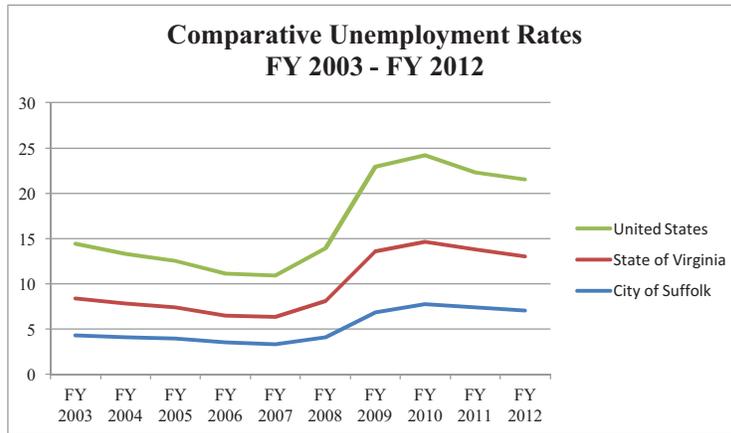
- (1) Gross revenues include operating revenues, miscellaneous revenues, transfers in, interest income and BAB interest subsidy.
- (2) Operating expenses are exclusive of depreciation, amortization, interest expense, debt issuance costs and loss on disposal of capital assets.
- (3) Includes principal and interest of revenue debt that falls under the debt covenant requirements of the master indenture and other agreements. (Capitalized interest paid by bond proceeds is excluded from the Interest; this reduction was \$1,525,006 in 2011 and \$-0- in 2012) There were significant changes in debt service requirements from previous years because they now exclude GO-bonded debt.
- (4) The debt service coverage ratio is calculated as Net Revenue Available for Debt Service divided by Total Debt Service Requirements (For the Utility fund the coverage must be over 1.15; since 2009, Suffolk's financial policy has recommended a target of 1.30, including all non-parity debt which has not been included in this analysis)

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (2) In Thousands	Per Capita Income (2)*	Schools: Average Daily Membership (3)	Unemployment Rate		
					City of Suffolk	State of Virginia	United States
2003	70,100	\$ 2,049,824	\$ 28,131	12,476	4.3%	4.1%	6.0%
2004	72,700	2,222,284	29,338	12,966	4.1%	3.7%	5.5%
2005	75,500	2,403,540	30,845	13,297	3.9%	3.5%	5.1%
2006	77,100	2,654,590	33,119	13,452	3.5%	3.0%	4.6%
2007	79,524	2,861,021	35,255	13,490	3.3%	3.0%	4.6%
2008	82,302	3,018,158	36,618	13,513	4.1%	4.0%	5.8%
2009	81,907	3,053,030	36,494	13,568	6.8%	6.8%	9.3%
2010	83,006	3,125,659	36,828	13,801	7.7%	6.9%	9.6%
2011	84,585	not available	not available	13,863	7.4%	6.4%	8.5%
2012	85,692	not available	not available	13,734	7.0%	6.0%	8.5%

Sources:

- (1) 2000 - 2008: U.S. Census Bureau; 2009-2011 - City of Suffolk Planning Department; 2012 - Weldon Cooper Center for Public Service
- (2) Bureau of Economic Analysis based on calendar year
- (3) City of Suffolk Public Schools based on March 31st collection data for State of Virginia
- (4) Virginia Employment Commission - Area Unemployment Statistics, updates through October 2012



PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	Type of Business	2012	
		Employees	Percentage of Total City Employment
Joint and Coalition Warfighting Center	Computer Modeling and Simulation (Civilian)	1,300	3.24%
Sentara/Obici Memorial Hospital	Health Care	1,200	2.99%
QVC Distribution	Home Shopping Distribution	900	2.24%
Wal-Mart Stores	Retail	900	2.24%
Sysco Food Services of Hampton Roads	Food Service Distribution	500	1.24%
Unilever Bestfoods/Lipton Tea	Beverage Manufacture and Distribution	350	0.87%
Planters/Kraft Foods	Peanut Products	340	0.85%
Target Corporation	Warehouse Distribution	300	0.75%
Lakeview Medical Center	Health Care	270	0.67%
Bon Secours Health System	Health Care	269	0.67%
		<u>6,329</u>	<u>15.76%</u>
Total number of employees city-wide (daytime population) for fiscal year		40,167	
Employer	Type of Business	2003	
		Employees	Percentage of Total City Employment
U.S. Joint Forces Command	Computer Modeling and Simulation (Civilian)	1,200	3.43%
QVC Distribution	Home Shopping Distribution	750	2.14%
Wal-Mart Stores	Retail	500	1.43%
Tidewater Community College	Education	350	1.00%
CIBASpecialty Chemicals	Chemical Manufacturer	280	0.80%
Kraft Foods	Peanut Products	280	0.80%
Conopco Inc./Lipton Tea	Beverage Manufacture and Distribution	255	0.73%
Food Lion	Grocery Store	250	0.71%
Lakeview Medical Center	Health Care	240	0.69%
Sara Lee Coffee & Tea	Beverage Company	225	0.64%
		<u>4,330</u>	<u>12.37%</u>
Total number of employees city-wide (daytime population) for fiscal year		34,991	

The Suffolk Public Schools (1,725 employees) and the City of Suffolk (914 FTE employees) have not been included to give a clearer reflection of community activity.

Source: Economic Development Department and Virginia Employment Commission

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
General Government:										
City Council	8	8	9	9	9	9	10	10	10	10
City Manager	2	2	2	2	5	5	6	6	6	6
Asst City Manager Operations	2	2	2	2	1	-	-	-	-	-
Asst City Manager Development	4	4	4	4	4	2	-	-	-	-
Management Services	8	9	7	7	6	6	-	-	-	-
Budget and Strategic Planning	-	-	-	-	-	-	4	4	4	4
City Attorney	6	7	7	7	9	9	9	8	8	9
Human Resources	6	6	7	7	8	8	8	8	9	13
Commissioner of Revenue	10	10	10	11	12	12	12	11	12	12
City Assessor	13	13	13	13	13	13	14	15	13	14
Treasurer	13	13	13	13	16	16	15	15	15	15
Finance - Administration and Accounting	9	9	11	12	11	11	10	12	11	14
Finance - Purchasing	3	3	4	4	5	5	4	4	3	3
Registrar	2	2	2	2	2	2	2	2	2	2
Total	86	88	91	93	101	98	94	95	93	102
Judicial:										
Circuit Court	2	2	2	2	2	2	2	2	2	2
Circuit Court - Clerk's Office	13	13	13	13	14	14	13	14	14	14
Sheriff	21	21	21	22	25	25	25	24	22	24
Commonwealth Attorney	17	17	17	18	22	29	29	28	23	23
Total	53	53	53	55	63	70	69	68	61	63
Public Safety:										
Police										
Administration and Officers	167	175	186	196	206	206	194	204	205	208
Emergency Communications	22	22	22	22	26	26	26	22	25	26
Animal Shelter and Management	9	9	9	9	9	9	8	7	8	9
Fire										
Fire and Rescue	174	183	187	190	197	197	216	213	220	240
Fire Prevention	3	3	3	3	3	3	5	-	-	-
Community Development	25	27	27	27	27	27	26	24	26	27
Total	400	419	434	447	468	468	475	470	484	510
Public Works:										
Public Works										
Administration	7	7	7	7	7	6	5	3	3	2
Traffic Engineering and Maintenance (1)	24	27	30	34	-	-	-	-	-	-
Engineering (2)	8	9	11	12	-	-	-	-	-	-
Refuse Collection (3)	11	12	12	14	46	46	40	41	40	-
Maintenance Building and Grounds	22	22	25	25	27	27	15	4	4	4
Mosquito Control	1	2	2	2	2	-	-	-	-	-
Capital Programs and Facilities	2	3	3	3	3	3	6	20	22	24
Aviation Facilities	3	3	3	3	3	3	3	3	3	-
Total	78	85	93	100	88	85	69	71	72	30

CITY OF SUFFOLK, VIRGINIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Table 18 (continued)

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Health and Welfare:										
Social Services	103	101	102	101	102	102	101	100	101	98
Comprehensive Services Act	1	1	1	1	1	1	1	1	1	1
Total	104	102	103	102	103	103	102	101	102	99
Parks, Recreation and Cultural:										
Parks and Recreation										
Administration	5	8	5	5	4	4	4	4	4	5
Support Services	-	-	5	5	4	4	4	4	5	5
Parks, Gateway and Facility Maintenance	17	17	18	20	22	22	20	19	18	18
Recreation	13	11	9	9	12	12	14	16	15	16
Library	15	17	17	23	35	34	31	31	30	31
Total	50	53	54	62	77	76	73	74	72	75
Community Development:										
Planning	14	15	16	16	18	16	14	12	14	12
Geographic Information Systems	-	-	-	-	-	3	5	5	-	-
Economic Development	6	7	7	7	7	8	5	4	5	5
Tourism	2	2	3	3	3	3	3	3	3	2
Media and Community Relations	-	-	4	5	5	5	5	5	6	6
Total	22	24	30	31	33	35	32	29	28	25
Total General Fund	793	824	858	890	933	935	914	908	912	904
Special Revenue Fund:										
Transit	5	5	5	5	5	5	-	-	-	-
Road Maintenance (1)										
Road Maintenance	-	-	-	-	93	94	86	91	88	90
Traffic Engineering	-	-	-	-	20	23	22	23	22	23
Aviation Facilities (6)										
	-	-	-	-	-	-	-	-	-	3
Total Special Revenue Fund	5	5	5	5	118	122	108	114	110	116
Enterprise Fund:										
Public Utilities										
Administration	4	4	6	6	6	8	6	9	8	9
Customer Service	7	7	17	17	18	18	18	18	18	18
Line Maintenance	29	29	26	26	26	26	24	27	26	24
Maintenance	19	17	17	20	20	20	19	20	20	22
Water Production	19	23	24	28	28	29	28	29	27	28
Engineering	11	11	11	12	16	18	15	17	14	15
Stormwater Utility										
Stormwater Utility (2)	-	-	-	-	28	28	26	27	25	28
Mosquito Control (2)	-	-	-	-	-	7	6	7	5	7
Refuse (5)	-	-	-	-	-	-	-	-	-	39
Total Enterprise Fund	89	91	101	109	142	154	142	154	143	190
Internal Service Funds:										
Fleet Management	17	18	19	19	25	26	23	21	23	18
Information Technology	10	10	11	12	12	13	13	12	20	21
Risk Management	-	-	2	2	2	2	2	1	3	5
Total Risk Management	27	28	32	33	39	41	38	34	46	44
Total	914	948	996	1,037	1,232	1,252	1,202	1,210	1,211	1,254
							(4)	(4)	(4)	(4)

- Road maintenance fund was increased in 2007 due to VA Dept. of Transportation turning over the highway system within the City to Suffolk.
- New program adopted by City Council in 2007 and staffing realignment.
- Change in methodology of calculating full time employees in this department.
- 2009 - 2012 actual data furnished by Human Resources. 2003-2008 provided by Budget Office.
- The City established a Refuse Fund in FY 2011-2012. The employees for this Fund were transferred from the General Fund.
- The City established an Aviation Facilities Special Revenue Fund in FY 2011-2012. The employees for this Fund were transferred from the General Fund.

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government:										
Building permits issued	1,974	1,975	1,776	1,886	1,416	1,294	488	949	638	647
Value of permits issued (millions)	\$ 228.8	\$ 195.4	\$ 268.5	\$ 288.5	\$ 272.8	\$ 179.4	\$ 134.0	\$ 108.2	\$ 45.4	\$ 53.5
Number of registered voters	41,966	44,341	45,922	47,569	48,170	50,843	55,578	55,008	55,941	56,745
Taxable retail sales (millions)	488.8	539.3	530.7	628.6	645.2	652.8	632.9	642.3	671.2	**
Taxable retail sales per capita	6,973	7,418	7,029	8,153	8,114	7,931	7,727	7,738	7,936	**
Parks, Recreation, and Cultural:										
Library volumes in collection (thousands)	157.8	160.1	175.0	175.7	218.1	222.7	228.4	221.4	218.0	218.9
Circulation (thousands)	n/a	n/a	n/a	n/a	n/a	n/a	401	401	356	327
Enterprise Fund:										
Public Utilities										
Customers - Water	20,566	19,885	21,515	22,533	23,435	24,370	24,576	24,663	24,657	24,729
Customers - Sewer	-	-	-	-	19,795	20,319	20,708	20,911	20,892	20,921
Average daily production (mgd)	5.38	5.21	5.55	6.49	6.70	7.68	6.89	6.79	6.42	6.63
Treatment Capacity daily (mgd)	7.45	7.45	7.45	11.20	11.20	11.20	11.20	17.45	17.45	17.45
Stormwater										
Billed customers	-	-	-	-	29,176	30,307	29,587	29,793	30,342	30,289 (1)
Refuse collection										
Customers	-	-	-	-	-	-	-	-	-	27,573 (2)
Recycled (tons)	-	-	-	-	-	-	-	-	-	4,491 (2)

Sources: Various City Departments

** Data is not available as this is shown on a calendar year basis

(1) Data is not available for Stormwater Utility prior to FY2007, when the fund was created.

(2) Data is not available for the Refuse fund prior to FY2012, the refuse fund was newly created in FY2012.

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety:										
Police Stations	4	4	4	4	4	4	4	5	5	5
Fire Stations	7	8	8	8	8	8	8	8	9	9
Public Works: (1)										
State maintained road miles	1,302	1,308	1,308	1,308	17	18	18	18	18	18
City maintained road miles	76	76	76	76	1,420	1,500	1,531	1,581	1,581	1,600
Streetlights	5,968	6,467	6,710	6,940	6,980	7,000	7,139	7,648	7,917	7,996
Bridges	3	3	3	3	144	144	147	147	147	147
Traffic Signals	23	23	23	23	86	89	91	91	93	93
Education:										
Elementary Schools	12	12	12	12	13	13	14	14	14	12
Middle Schools	4	4	4	4	4	4	4	4	4	4
High Schools	2	2	3	3	3	3	3	3	3	3
Alternative Schools	1	1	1	1	1	1	1	1	1	1
Number of Teachers, Principals, and Assistants	1,246	1,295	1,347	1,380	1,393	1,405	1,448	1,425	1,419	1,420
Average Daily Membership	12,476	12,966	13,297	13,452	13,490	13,512	13,568	13,801	13,863	13,734
Capacity of Schools	11,450	11,450	13,250	13,250	14,050	14,050	14,632	14,577	14,577	14,192
Enterprise Fund:										
Public Utilities										
Miles of Water Main	256	261	271	400	415	420	420	422	436	453
Miles of Sanitary Sewers	184	188	198	293	308	309	313	315	334	316
Miles of Storm Sewers	6	6	6	6	142	236	236	236	236	236
Pump Stations	98	104	112	113	125	129	131	134	136	140
Storage Tanks	6	6	6	6	6	6	7	7	8	9
Parks, Recreation and Cultural:										
Parks and Recreation										
Number of major parks and recreation facilities (2)	41	41	41	41	41	41	40	40	42	42
Acreage of major parks and recreation facilities	1,821	1,825	1,825	1,825	1,825	1,827	1,827	1,827	1,921	1,921
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Number of branch libraries	3	3	3	3	3	2	2	2	2	2
Number of bookmobiles	1	1	1	1	1	1	1	1	1	1

Sources: Various City Departments

1. July 1, 2006: Virginia Department of Transportation turned over the highway system within the City to the City of Suffolk, except for Interstate I-664 and Route 164
2. In 2009 the American Legion Building was sold and in 2011, the East Suffolk Recreation Center and the first segment of the Suffolk Seaboard Coastline Trail were added.



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COMPLIANCE SECTION

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

To the Honorable Members of the 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 (the “City”), as of and for the year ended June 30, 2012, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 18, 2012. 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; *Specifications for Audits of Counties, Cities, and Towns*, and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiency described in the accompanying schedule of findings and questioned costs as Item 12-01 to be a material weakness.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as Item 12-02.**

We noted certain other matters that we reported to the City's management in a separate letter dated December 18, 2012

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and accordingly we express no opinion on them.

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 18, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the Honorable Members of the City Council
City of Suffolk, Virginia

Compliance

We have audited the City of Suffolk, Virginia's (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. 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 of Suffolk, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the 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*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

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

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

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 18, 2012

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2012

Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Federal Expenditures	Department Totals
<u>U.S. Department of Agriculture</u>			
Passed Through Commonwealth of Virginia:			
Department of Agriculture and Department of Education			
Child Nutrition Cluster			
National School Breakfast Program	10.553	\$ 1,056,543	
Food Distribution	10.555	386,957	
National School Lunch Program	10.555	2,696,370	
Summer Food Service Program for Children	10.559	108,873	
Summer Food Service Program for Children	10.559	41,876	
Department of Social Services			
State Administrative Matching Grants for Food Stamp Program	10.561	1,203,839	
Department of Education			
Fresh Fruit and Vegetable Program	10.582	49,524	
Total U.S. Department of Agriculture			<u>\$ 5,543,982</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
JROTC Instruction	12.000	166,879	
Community Economic Adjustment Assistance for a Military Installation	12.607	230,090	
Total U.S. Department of Defense			<u>396,969</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grants/Entitlement Grants	14.218	472,729	
Home Investment Partnerships Program	14.239	357,216	
Passed Through Commonwealth of Virginia:			
Community Development Block Grants-Neighborhood Stabilization Program	14.228	46,351	
ARRA Homelessness Prevention and Rapid Re-Housing Program	14.257	51,538	
Total U.S. Department of Housing and Urban Development			<u>927,834</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Bullet Proof Vests Partnership Program	16.607	6,568	
Passed Through Department of Criminal Justice Services			
Crime Victim Assistance	16.575	167,709	
Violence Against Women Formula Grants	16.588	88,275	
State Criminal Alien Assistance Program	16.606	2,864	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	147,398	
ARRA Edward Byrne Memorial Competitive Grant Program	16.808	28,170	
Total U.S. Department of Justice			<u>440,984</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	2,104,356	
Highway Safety Grant	20.601	19,915	
Highway Planning and Construction Cluster			
Direct Program:			
Highway Planning and Construction	20.205	160,639	
Passed Through Commonwealth of Virginia:			
ARRA Highway Planning and Construction	20.205	531,607	
Total U.S. Department of Transportation			<u>2,816,517</u>

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2012

Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Federal Expenditures	Department Totals
<u>U.S. Department of Education</u>			
Direct Program:			
Impact Aid	84.041	\$ 492,747	
Passed Through Commonwealth of Virginia:			
Adult Education - Basic Grants to States	84.002	128,014	
Career and Technical-Basic Grants to States	84.048	296,233	
Safe and Drug Free Schools and Communities - State Grants	84.186	36,957	
Education Technology State Grants	84.318	12,516	
ARRA State Fiscal Stabilization Funds, Education State Grants	84.394	1,269,233	
ARRA Education Jobs Fund	84.410	2,334,524	
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	2,908,534	
ARRA Title I Grants to Local Educational Agencies	84.389	458,721	
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	3,108,496	
ARRA Special Education-Grants to States	84.391	1,286,753	
ARRA Special Education - Preschool Grants	84.392	77,487	
Special Education - Preschool Grants	84.173	54,038	
School Improvement Grants Cluster			
Improving Teacher Quality State Grants	84.377	560,460	
School Improvement Grants	84.377	185,419	
Total U.S. Department of Education			<u><u>13,210,132</u></u>
<u>U.S. Department of Health and Human Services</u>			
Direct Payments:			
Medical Assistance Program	93.778	270,965	
Passed Through Commonwealth of Virginia:			
Promoting Safe and Stable Families	93.556	38,822	
Temporary Assistance for Needy Families	93.558	989,210	
Refugee & Entrant Assistance	93.566	1,997	
ILP Education & Training	93.599	4,075	
Child Welfare Services	93.645	2,582	
Foster Care - Title IV-E	93.658	494,119	
Adoption Assistance	93.659	167,052	
Social Service Block Grant	93.667	620,116	
Foster Care Independent Living	93.674	15,952	
Children's Health Insurance Program	93.767	36,788	
Medical Assistance Program	93.778	731,370	
CCDF Cluster			
Child Care and Development Block Grant	93.575	189,743	
Child Care Mandatory & Matching Funds for Child Care Dev Fund	93.596	245,024	
Total U.S. Department of Health and Human Services			<u><u>3,807,815</u></u>
<u>U.S. Social Security Administration</u>			
Passed Through Commonwealth of Virginia:			
Low-Income Home Energy Assistance	96.568	74,501	
Total U.S. Social Security Administration			<u><u>74,501</u></u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Department of Criminal Justice:			
Hazard Mitigation Grant	97.039	10,016	
ARRA Port Security Grant Program	97.056	150,222	
Passed Through Department of Emergency Services:			
VDEM HRUASI Program Grant	97.008	6,893	
Disaster Grants - Public Assistance	97.036	807,419	
VDEM Emergency Mgmt Program Grant	97.042	22,382	
VDEM Regional Communication Plan	97.055	133,612	
State Homeland Security Program	97.073	19,703	
Total U.S. Department of Homeland Security			<u><u>1,150,247</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 28,368,981</u></u>

Note 1. Basis of Accounting
This schedule was prepared on the modified accrual basis.

Note 2. Nonmonetary Assistance
Nonmonetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities. At June 30, 2012, the School Board had food commodities totaling \$318,076 in inventory.

CITY OF SUFFOLK, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2012

As more fully described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Comprehensive Services Act

Sheriff Internal Controls

State Agency Requirements

Education

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

CITY OF SUFFOLK, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an **unqualified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements was reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **The significant deficiency was deemed to be a material weakness.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor’s report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings** related to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Child Nutrition Cluster	10.553, 10.555, 10.559
State Administrative Matching Grants for Food Stamp Programs	10.561
Temporary Assistance for Needy Families	93.558
Medical Assistance Program	93.778
Airport Improvement Program	20.106
Special Education Cluster, including ARA	84.027, 84.173, 84.391, 84.392
State Fiscal Stabilization Funds, Education State Grants – ARRA	84.394
Education Jobs Grant – ARRA	84.410

8. The **threshold for** distinguishing Type A and B programs was **\$851,069**.
9. The City was **not** determined to be a **low-risk auditee**.

CITY OF SUFFOLK, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

12-01: City, School, and EDA Adjustments – Material Weakness

Condition:

A significant number of audit adjustments were necessary for the financial statements to be in compliance with generally accepted accounting principles. The adjustments related to improper accounting for:

- City – Governmental receivables, capital assets, deferred debits and credits, accounts payable, capital leases, other post-employment benefits, developer deposits, and landfill monitoring expenditures.
- Schools – Accrued leave and capital assets.
- EDA – Valuation of land inventory, EDIP payable, bond maintenance fees payable, and capital leases.

The items noted above resulted in adjustments to both current and prior period financial statement balances. Some of the adjustments were caused by a lack of communication between the Finance and other Departments regarding the nature of the underlying transactions, while others occurred due to improper conclusions reached regarding the nature of transactions, and the turnover of individuals in oversight positions in the Finance Department.

Recommendation:

Management should develop policies and procedures to address these weaknesses in internal controls. Recommendations include the following:

- Evaluate all activities beyond transactional processing and also focus on the financial reporting implications of those activities.
- The Finance Department should review all City Council, School Board, and EDA board minutes to identify transactions that might have accounting implications.
- The Finance Department should be informed as to all significant agreements entered into by other departments early in the process to ensure that they are recorded properly.
- Supporting documents for account balances should be reviewed and approved by the City Finance Director.

Management's Response:

The auditee concurs with these recommendations.

CITY OF SUFFOLK, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

12-02: Disclosure Statements

Condition:

Four out of the fifty members of City Council appointed boards and commissions failed to file their statements of economic interest by the required deadline.

Recommendation:

Ensure that all statements of economic interest are completed and filed by the state mandated due date.

Management's Response:

The auditee will take appropriate action to ensure that all statements of economic interest are filed timely.

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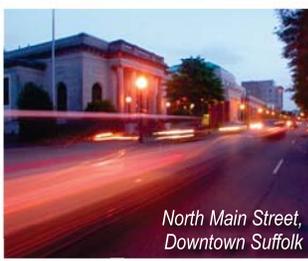
Taste of Suffolk 2011



Snake, Rattle & Roll 2011



Suffolk Relay for Life Golf Tournament 2011

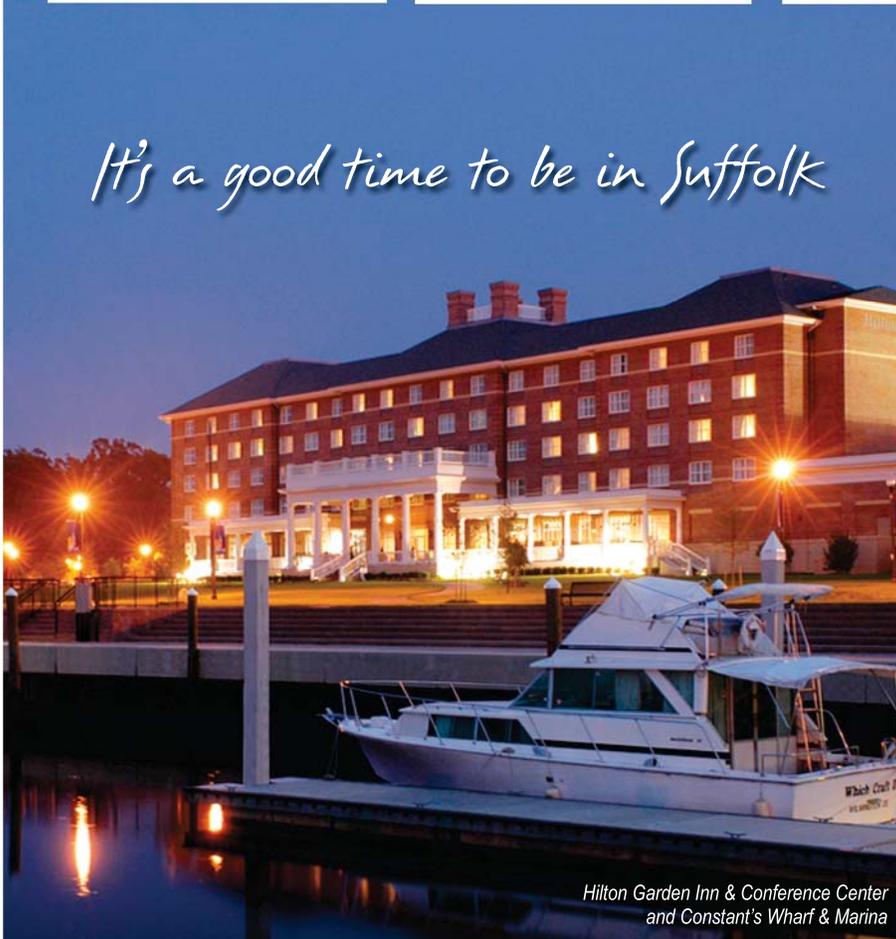


North Main Street, Downtown Suffolk



9/11 Ten-Year Anniversary Commemoration Ceremony

It's a good time to be in Suffolk



Hilton Garden Inn & Conference Center and Constant's Wharf & Marina

City of Suffolk Department of Finance

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Riverfront Golf Club