

CITY OF SUFFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2011

Prepared by:

Deborah H. White, Director of Finance
Michelle Clark, Accounting Manager
and
the Department of Finance

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 21, 2011

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, 2010 through June 30, 2011. 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. 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 CPAs 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, 2011. 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 “reserved” fund balance at June 30, 2011. 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. Thirty-six companies with diverse market interests said “yes” to Suffolk’s many advantages as they planted new businesses here during calendar year 2010 (including 396,741 in new square footage). An additional eighteen existing businesses invested in the city’s economic position by expanding their presence in the community (with 240,560 additional square footage). Together, these activities produced a capital investment of more than \$71 million and the creation of 1,088 jobs, a two-year high for the city. Add in the commitment of strong city leadership and it is understandable why more than \$1.2 billion in new capital investment, for major new and expanding commercial projects, have taken place in the community since 2000. As a result, more than 9,500 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 retail sector, a boon to Suffolk’s tax base and overall quality of life for all its residents. Other growth areas included advanced manufacturing, modeling/simulation and technology, medical, warehousing and distribution, and service providers. The following chart highlights some of this activity.

Business Highlights January 1 – December 31, 2010

<u>New Business</u>	<u>Sector</u>	<u>Investment</u>
GPC Green Technologies	Manufacturing	\$20,000,000
American Condenser and Coil	Distribution	\$500,000
Dick’s Sporting Goods	Retail	\$4,500,000
LWSS Dentistry	Medial	\$2,750,000
75 Commerce	Redevelopment	\$2,000,000
Oast & Hooks	Office and Admin.	\$123,000
ISHPI	Technology	\$2,000,000
<u>Expanding Business</u>	<u>Sector</u>	<u>Investment</u>
Lipton Tea	Food & Bev. Processing	\$750,000
Northgate Commons II	Distribution	\$678,000
MarketPlace at HarbourView	Retail	\$3,000,000
Bon Secours	Medial	\$3,700,000
TowneBank	Office and Admin.	\$12,000,000

Suffolk economic development opportunities have continued to grow throughout 2011. New capital investments from major announcements in the City of Suffolk from January 1, 2011 – September 1, 2011 total more than \$85 million and will lead to the creation of over 600 new jobs. The following chart highlights some of this activity.

Business Highlights January 1 – September 1, 2011

New Business

TowneBank
Skydive Suffolk

YMCA

Bon Secours

California Cartage

Kerma Medical Products

111 W Washington

Ace Hardware

NEXCOM

Sector

Office and Admin.

Service

Service

Medical

Distribution

Manufacturing

Redevelopment

Distribution

Distribution

Investment

\$3,000,000

\$50,000

\$3,200,000

\$300,000

\$23,000,000

\$5,500,000

\$3,000,000

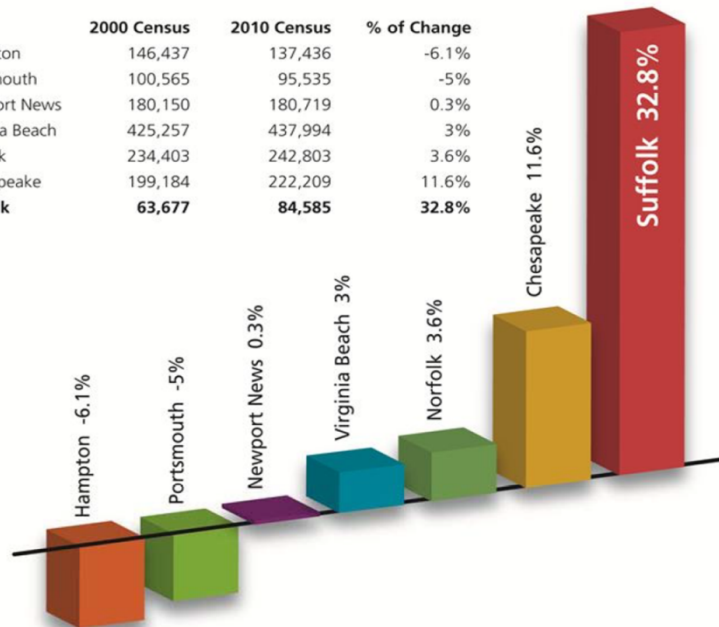
\$18,000,000

\$20,000,000

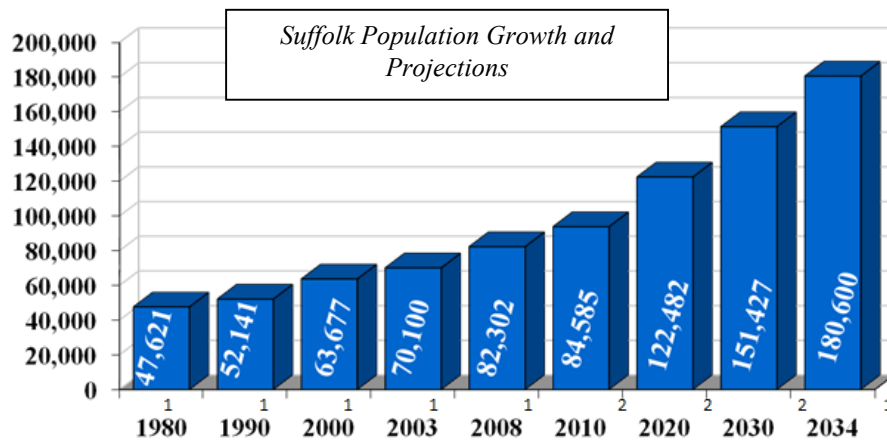
Over the past 10 years Suffolk has also outpaced its neighboring Hampton Roads cities in population growth by a wide margin. Where some saw a decrease in population, Suffolk grew by a whopping 32.8%.

Hampton Roads population growth by city.

City	2000 Census	2010 Census	% of Change
Hampton	146,437	137,436	-6.1%
Portsmouth	100,565	95,535	-5%
Newport News	180,150	180,719	0.3%
Virginia Beach	425,257	437,994	3%
Norfolk	234,403	242,803	3.6%
Chesapeake	199,184	222,209	11.6%
Suffolk	63,677	84,585	32.8%



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 69% from 2000 to 2010 making the City, with a current MHI of \$69,294, the highest in the region and higher than both the state MHI (\$60,674) and the national MHI (\$50,046).



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 ensure 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 2012 through fiscal year 2021 totals approximately \$724 million. Of this amount, water and sewer projects are estimated at \$259 million while general government projects are estimated at \$463 million.

Financial policies are vital in maintaining consistency and focus. One of the financial policies continually reviewed are the fund balance levels. The ratio of unassigned General Fund balance as a percentage of total budgeted expenditures in the Governmental Funds, Capital Projects Fund, and 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, 2011, the target rate 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 Rating Agency 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, 2010, representing the twenty-seventh 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, 2010. 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 third consecutive year for this recognition as it is valid for a one year period.

America's 100 Best Small Cities to Live for 2010


Suffolk has been named as one of America's 100 Best Small Cities to Live for 2010 by CNN Money Magazine. The magazine compared statistics from 746 U.S. cities with a population of 50,000 to 300,000 to make its rankings. Suffolk placed 91st and was one of only four Virginia cities to make the list. It was also the first time Suffolk had received this esteemed recognition. Some of the factors considered in the selection included job and housing markets, quality of education, crime rate and overall quality of life including leisure and cultural activities. Learning of the prestigious designation, Mayor Linda Johnson stated, "We were thrilled to learn of Suffolk's selection by CNN Money Magazine as one of the Top 100 Small Cities in America. 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-Glegh
City Manager


Deborah H. White, C.P.A.
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, 2010

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. Danison

President

Jeffrey R. Emer

Executive Director

CITY OF SUFFOLK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2011

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
C. Edward Roettger, Jr.	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
Debbie George	Media and Community Relations
D. Scott Mills	Planning and Community Development
Eric T. Nielsen	Public Works
Sherry Hunt	Chief of Staff
Jean Jackson	City Assessor
Erika S. Dawley	City Clerk
Anne Seward	Budget
Deborah H. White	Finance
Mark R. Outlaw	Fire and Rescue
Ronnie Charles	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, 2011

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

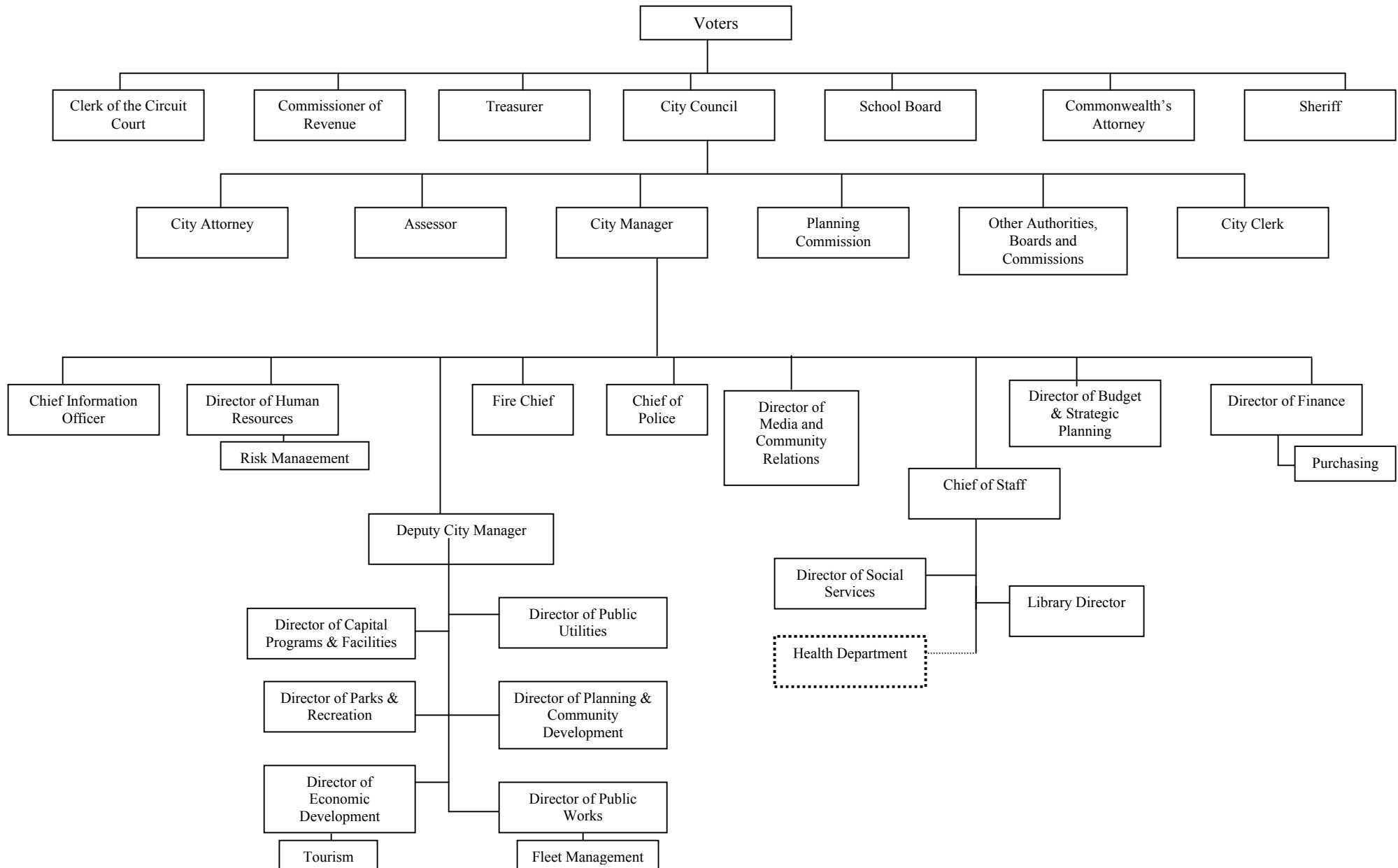
SUFFOLK PUBLIC SCHOOLS – ADMINISTRATION

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

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

CITY OF SUFFOLK, VA

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, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Suffolk, Virginia, as of and for the year ended June 30, 2011, 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, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund 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 19, 2011, 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 19, 2011

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, 2011. 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 \$366.7 million at June 30, 2011. Of this balance, \$199 million is attributed to the governmental activities and \$167.7 million to the business-type activities.
- For fiscal year 2011, taxes and other general revenues of the City's governmental activities amounted to \$149.5 million and net program expenses \$146 million, which resulted in an increase from 2010 in net assets for the City's governmental activities of \$3.5 million.
- Revenues of the City's business-type activities were \$38.7 million, expenses were \$36.3 million and transfers to the general fund were \$1.0 million, which resulted in an increase of net assets for the City's business-type activities of \$1.4 million.
- 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.

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. 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 and the activities of the Stormwater Utility Fund. 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 103.3	\$ 116.7	\$ 30.7	\$ 46.6	\$ 134.0	\$ 163.3
Capital and other non-current assets	320.9	323.3	355.1	343.3	676.0	666.6
Total assets	<u>\$ 424.2</u>	<u>\$ 440.0</u>	<u>\$ 385.8</u>	<u>\$ 389.9</u>	<u>\$ 810.0</u>	<u>\$ 829.9</u>
Current and other liabilities	\$ 11.2	\$ 13.3	\$ 8.8	\$ 11.7	\$ 20.0	\$ 25.0
Long-term liabilities	214.0	231.2	209.3	211.9	423.3	443.1
Total liabilities	<u>\$ 225.2</u>	<u>\$ 244.5</u>	<u>\$ 218.1</u>	<u>\$ 223.6</u>	<u>\$ 443.3</u>	<u>\$ 468.1</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 118.7	\$ 105.9	\$ 159.4	\$ 159.3	\$ 278.1	\$ 265.2
Restricted net assets	18.6	8.6	1.9	1.5	20.5	10.1
Unrestricted net assets	61.7	81.0	6.4	5.5	68.1	86.5
Total net assets	<u>\$ 199.0</u>	<u>\$ 195.5</u>	<u>\$ 167.7</u>	<u>\$ 166.3</u>	<u>\$ 366.7</u>	<u>\$ 361.8</u>
Fiscal Year 2010 has been restated.						

The City's combined net assets (which are the City's bottom line) grew by 1.4% or \$4.9 million in fiscal year 2011, of which approximately 5.7% 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 \$278 million are 76% of total net assets and increased by \$13 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 19% of the net assets or \$68.1 million as unrestricted net assets. The \$61.7 million from governmental activities and \$6.4 million from business-type activities are available to allow the City to provide services to citizens.

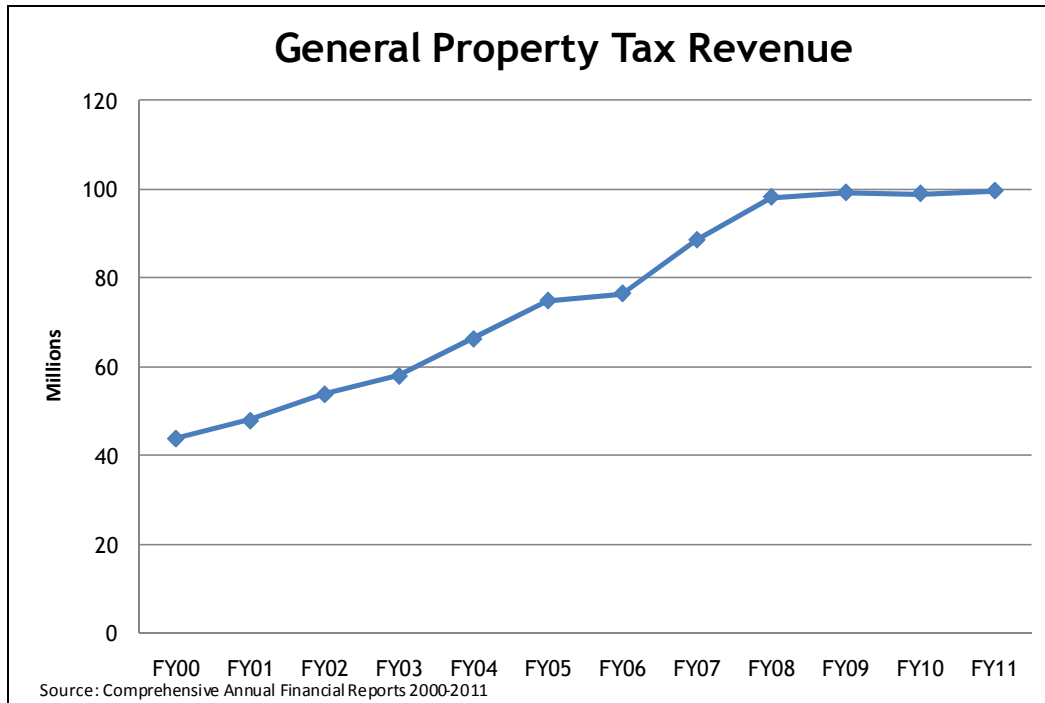
Statement of Activities

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	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 6.7	\$ 6.9	\$ 33.7	\$ 32.9	\$ 40.4	\$ 39.8
Operating grants and contributions	33.4	34.3	-	-	33.4	34.3
Capital grants and contributions	7.7	1.9	4.4	1.5	12.1	3.4
General revenues:						
Real estate and property taxes	99.5	98.8	-	-	99.5	98.8
Other taxes	34.4	33.0	-	-	34.4	33.0
Grants and contributions, not restricted	12.6	13.9	-	-	12.6	13.9
Unrestricted investment earnings	1.1	1.1	0.4	0.5	1.5	1.6
Miscellaneous	0.9	1.7	0.2	0.2	1.1	1.9
Total Revenues	<u>196.3</u>	<u>191.6</u>	<u>38.7</u>	<u>35.1</u>	<u>235.0</u>	<u>226.7</u>
Expenses:						
General government	11.8	9.4	-	-	11.8	9.4
Judicial	7.2	7.4	-	-	7.2	7.4
Public safety	43.6	42.4	-	-	43.6	42.4
Public works	30.8	34.7	-	-	30.8	34.7
Health and welfare	13.8	13.6	-	-	13.8	13.6
Education	56.5	53.6	-	-	56.5	53.6
Parks, recreation, cultural	7.8	8.3	-	-	7.8	8.3
Community development	13.8	9.3	-	-	13.8	9.3
Interest on long-term debt	8.5	9.3	-	-	8.5	9.3
Utility	-	-	33.3	38.6	33.3	38.6
Stormwater Utility	-	-	3.0	3.0	3.0	3.0
Total expenses	<u>193.8</u>	<u>188.0</u>	<u>36.3</u>	<u>41.6</u>	<u>230.1</u>	<u>229.6</u>
Excess of revenues over expenses	2.5	3.6	2.4	(6.5)	4.9	(2.9)
Transfers	1.0	2.2	(1.0)	(2.2)	-	-
Change in net assets	3.5	5.8	1.4	(8.7)	4.9	(2.9)
Net assets - beginning of year (as restated)	<u>195.5</u>	<u>189.7</u>	<u>166.3</u>	<u>175.0</u>	<u>361.8</u>	<u>364.7</u>
Net assets - ending	<u>\$ 199.0</u>	<u>\$ 195.5</u>	<u>\$ 167.7</u>	<u>\$ 166.3</u>	<u>\$ 366.7</u>	<u>\$ 361.8</u>

Revenue Highlights:

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$99.5 million and \$98.8 million in fiscal year 2011 and 2010 respectively. The chart below indicates the growth in the General Property Taxes revenue over the past ten years. The real estate tax revenue has been relatively consistent while increasing property construction has assisted the growth. The City's assessed value of real property remained relatively the same as last year.



Other Local Taxes are comprised of revenue from local sales tax, meals, lodging, and utilities increased by \$1.4 million. This increase is due primarily to the new development and growth in the Northern part of the City. Revenue from the Use of Money and Property decreased by \$0.2 million due to lower interest rates on investments. Revenue from the Commonwealth decreased as well due to the reduction in funding from the State in this weak economy.

Expense Highlights:

The City is committed to ensuring the highest level of safety for its citizens and has expended \$43.6 million towards public safety efforts. This is a \$1.2 million increase over last fiscal year due to staffing of the newly completed Kings Fork Fire Station and an increase in contribution to the Western Tidewater Regional Jail.

Education continues to be one of the City's highest priorities and commitments representing \$56.5 million or a \$2.9 million increase over last fiscal year.

Community Development increased in fiscal year 2011 due to paying off an Economic Development Authority loan of \$5.6 million for the acquisition of 55 acres of prime commercial property.

Business-type Activities

The business-type activities are made up of Public Utilities and Stormwater Utilities.

Revenue Highlights:

Charges for services, including water and sewer fees, and Stormwater Utility fees represent 87% of the total revenues collected. These revenues remained steady from fiscal year 2010 to 2011 due to rate increases (despite a loss in water consumption).

Expense Highlights:

Utility Fund expenses were \$33.3 million of which 35% is depreciation and amortization expenses. Stormwater expenses were \$3 million for fiscal year 2011. Both utility funds decreased their expenses from fiscal year 2010 to 2011 in order to build their reserves.

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 \$76 million. Approximately 46.7% 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 \$47.5 million of which \$35.6 million represents unassigned fund balance of the general fund. The net decrease to fund balance for the general fund for 2011 was \$6.1 million. This decrease was principally due to paying off a \$5.6 million Economic Development Authority bond issue in order to continue to stimulate new private capital investments in the City.

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, \$8.2 million is comprised of a capital project reserve and economic incentives.

Debt service fund. The debt service fund has a fund balance of \$1.7 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 \$13.5 million, \$2.0 million was committed for contracts and purchase orders in process, and the balance of \$11.4 million are unspent bond proceeds for subsequent years' projects. The City's top five construction projects consisted of the following in fiscal year 2011:

- Transportation Improvements-Route 17 Townpoint Road
- Citywide Repaving Projects
- Finney Avenue Extension
- Benton Road Improvements
- East Washington Street Streetscape

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the proprietary funds at the end of the current fiscal year totaled \$167.7 million.

Enterprise funds. The City's enterprise funds account for its water and sewer operations and stormwater utility efforts. Unrestricted net assets of the enterprise funds were \$6.4 million at the end of the current fiscal year.

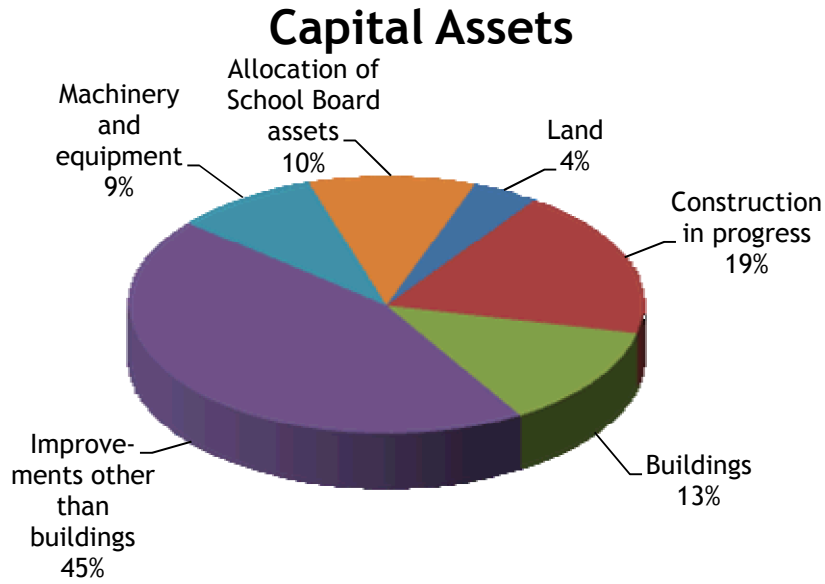
Internal service funds. The internal service funds are used to account for entity-wide fleet management, information technology, and risk management programs. The total net assets at the end of the current fiscal year were \$22.0 million. Two of the internal service funds finished strong this year with positive changes in net assets.

Trust funds. The City funded \$3.0 million in other post employment benefits in the OPEB Trust Fund. The City participates in the Virginia Pooled OPEB Trust Fund. In fiscal year 2011, the City fully funded its annual contribution to the fund as calculated by the actuaries and there is now \$12.7 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, 2011, totaled \$676 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)						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 24.7	\$ 24.5	\$ 3.4	\$ 3.3	\$ 28.1	\$ 27.8
Construction in progress	57.3	42.4	69.5	55.1	126.8	97.5
Buildings	38.1	39.5	48.3	46.9	86.4	86.4
Improvements other than buildings	111.2	115.7	191.7	190.9	302.9	306.6
Machinery and equipment	19.1	20.3	42.2	41.3	61.3	61.6
Allocation of School Board assets	70.5	80.3	-	-	70.5	80.3
Total	\$ 320.9	\$ 322.7	\$ 355.1	\$ 337.5	\$ 676.0	\$ 660.2
Fiscal year 2010 has been restated.						



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 \$403.2 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	
	2011	2010	2011	2010	2011	2010
Bonds Payable	\$ 188.8	\$ 201.7	\$ 206.7	\$ 211.4	\$ 395.5	\$ 413.1
Loans and Notes Payable	7.7	8.5	-	-	7.7	8.5
Total	<u>\$ 196.5</u>	<u>\$ 210.2</u>	<u>\$ 206.7</u>	<u>\$ 211.4</u>	<u>\$ 403.2</u>	<u>\$ 421.6</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 \$907 million for 2011. Of the debt shown above, only \$226.5 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 \$635 million. City financial policies have further restricted the debt ratio to 4% or \$363 million to reflect its conservative use of borrowed monies. The City's outstanding general obligation debt is significantly 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 1,088 new jobs and over \$71 million dollars in new capital investment in the City during the calendar year.
- For the fiscal year 2011 the City maintained its tax rate of \$0.91 per \$100 but increased it to \$0.97 as of July 1, 2011.
- Utility rates increased as of July 1, 2011 to \$5.84 for water and \$4.50 for sewer due to increasing debt service requirements.
- Population in the City increased 32.8% 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.

BASIC FINANCIAL STATEMENTS

EXHIBIT 1

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business Type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 66,330,223	\$ 4,184,844	\$ 70,515,067	\$ 17,318,384	\$ 1,876,328
Cash and cash equivalents, restricted (Note 2)	19,709,242	18,350,149	38,059,391	-	1,346,657
Receivables, net (Note 3)	7,200,490	5,237,724	12,438,214	285,913	255,527
Due from other governmental units (Note 4)	5,228,546	-	5,228,546	7,046,792	-
Due from component units (Note 6)	333,888	-	333,888	-	-
Inventories	312,998	73,377	386,375	513,571	12,608,896
Prepaid items	20,240	-	20,240	60,000	-
OPEB asset (Note 12)	923,275	123,622	1,046,897	-	-
Deferred charges	2,071,550	2,694,333	4,765,883	-	116,071
Due from developer	1,177,182	-	1,177,182	-	-
Capital assets: (Note 7)					
Land and construction in progress	81,986,174	72,983,319	154,969,493	5,878,723	1,021,162
Capital assets, net	238,961,144	282,147,495	521,108,639	65,212,060	27,654,134
Total Assets	424,254,952	385,794,863	810,049,815	96,315,443	44,878,775
LIABILITIES					
Accounts payable and accrued liabilities	3,824,751	3,533,398	7,358,149	2,348,486	373,759
Accrued payroll and related liabilities	950,578	7,698	958,276	11,230,269	-
Accrued interest payable	2,640,876	2,802,938	5,443,814	-	227,475
Due to primary government (Note 6)	-	-	-	94,633	239,255
Due to other governments	-	2,123,009	2,123,009	52,670	-
Deposits and amounts held for others	1,099,829	32,827	1,132,656	49,897	35,000
Unearned revenue (Note 8)	2,615,185	305,504	2,920,689	-	154,005
Long-term liabilities: (Note 9)					
Due within one year	18,347,331	4,706,215	23,053,546	234,422	703,000
Due in more than one year	195,797,263	204,602,036	400,399,299	3,246,973	13,014,086
Total Liabilities	225,275,813	218,113,625	443,389,438	17,257,350	14,746,580
NET ASSETS					
Invested in capital assets, net of related debt	118,657,373	159,389,941	278,047,314	71,090,783	15,661,210
Restricted	18,609,413	1,920,402	20,529,815	-	416,182
Unrestricted	61,712,353	6,370,895	68,083,248	7,967,310	14,054,803
Total Net Assets	\$ 198,979,139	\$ 167,681,238	\$ 366,660,377	\$ 79,058,093	\$ 30,132,195

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 11,784,825	\$ -	\$ 395,505	\$ -	\$ (11,389,320)	\$ -	\$ (11,389,320)		
Judicial administration	7,221,482	932,474	2,377,742	-	(3,911,266)	-	(3,911,266)		
Public safety	43,635,617	2,074,431	3,256,578	-	(38,304,608)	-	(38,304,608)		
Public works	30,775,346	1,504,393	18,781,620	3,384,540	(7,104,793)	-	(7,104,793)		
Health and welfare	13,796,431	-	8,540,671	-	(5,255,760)	-	(5,255,760)		
Education	56,504,857	-	-	-	(56,504,857)	-	(56,504,857)		
Parks, recreation, and cultural	7,818,362	759,323	18,228	-	(7,040,811)	-	(7,040,811)		
Community development	13,789,850	1,470,640	-	4,368,366	(7,950,844)	-	(7,950,844)		
Interest on long-term debt	8,525,637	-	-	-	(8,525,637)	-	(8,525,637)		
Total governmental activities	193,852,407	6,741,261	33,370,344	7,752,906	(145,987,896)	-	(145,987,896)	-	-
Business-type activities:									
Utility	33,381,183	29,818,675	-	4,468,834	-	906,326	906,326		
Stormwater	2,955,327	3,861,677	-	-	-	906,350	906,350		
Total business-type activities	36,336,510	33,680,352	-	4,468,834	-	1,812,676	1,812,676	-	-
Total primary government	\$ 230,188,917	\$ 40,421,613	\$ 33,370,344	\$ 12,221,740	\$ (145,987,896)	\$ 1,812,676	\$ (144,175,220)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 139,542,731	\$ 2,499,729	\$ 89,847,820	\$ -	\$ -	\$ -	\$ -	\$ (47,195,182)	\$ -
Economic Development Authority	3,514,472	2,053,105	-	-	-	-	-	-	(1,461,367)
Total component units	\$ 143,057,203	\$ 4,552,834	\$ 89,847,820	\$ -	-	-	-	(47,195,182)	(1,461,367)
General revenues:									
Property taxes					99,497,154	-	99,497,154	-	-
Sales and use taxes					7,534,722	-	7,534,722	-	-
Business license taxes					6,668,905	-	6,668,905	-	-
Meals taxes					6,430,769	-	6,430,769	-	-
Utility taxes					4,388,706	-	4,388,706	-	-
Communication taxes					3,649,188	-	3,649,188	-	-
Motor vehicle license taxes					1,695,869	-	1,695,869	-	-
Tobacco taxes					1,383,896	-	1,383,896	-	-
Lodging taxes					924,901	-	924,901	-	-
Recordation taxes					830,076	-	830,076	-	-
Other local taxes					837,295	-	837,295	-	-
Grants and contributions not restricted to specific prog					12,591,336	-	12,591,336	-	-
Miscellaneous					925,226	205,592	1,130,818	1,027,153	-
City of Suffolk contribution					-	-	-	48,667,517	6,543,488
Unrestricted revenues from use of money and property					1,142,359	363,684	1,506,043	62,438	8,246
Transfers (Note 5)					978,986	(978,986)	-	-	-
Total general revenues and transfers					149,479,388	(409,710)	149,069,678	49,757,108	6,551,734
Change in net assets					3,491,492	1,402,966	4,894,458	2,561,926	5,090,367
Net assets at July 1, as restated (Note 17)					195,487,647	166,278,272	361,765,919	76,496,167	25,041,828
Net assets at June 30					\$ 198,979,139	\$ 167,681,238	\$ 366,660,377	\$ 79,058,093	\$ 30,132,195

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

CITY OF SUFFOLK, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 41,175,337	\$ 2,323,353	\$ 6,965,369	\$ 1,358,856	\$ 3,099,327	\$ 54,922,242
Cash and cash equivalents, restricted (Note 2)	2,106,682	11,446,040	4,134,898	392,169	1,220,844	19,300,633
Receivables, net (Note 3)	7,087,989	-	12,753	-	78,577	7,179,319
Due from other governmental units (Note 4)	3,098,666	1,627,665	-	-	502,215	5,228,546
Due from other funds (Note 5)	547,445	-	-	-	-	547,445
Due from component units	333,888	-	-	-	-	333,888
Inventories	71,155	-	-	-	-	71,155
Prepays	10,542	-	-	-	-	10,542
Total assets	<u>\$ 54,431,704</u>	<u>\$ 15,397,058</u>	<u>\$ 11,113,020</u>	<u>\$ 1,751,025</u>	<u>\$ 4,900,963</u>	<u>\$ 87,593,770</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 798,341	\$ 1,248,678	\$ 1,044,033	\$ -	\$ 130,426	\$ 3,221,478
Accrued payroll and related liabilities	880,104	-	-	-	-	880,104
Payables from restricted assets	556,374	543,455	-	-	-	1,099,829
Due to other funds (Note 5)	-	-	-	-	547,445	547,445
Deferred revenue (Note 8)	4,718,458	101,381	872,002	-	172,949	5,864,790
Total liabilities	<u>6,953,277</u>	<u>1,893,514</u>	<u>1,916,035</u>	<u>-</u>	<u>850,820</u>	<u>11,613,646</u>
Fund Balances: (Note 16)						
Nonspendable	81,697	-	-	-	-	81,697
Restricted	2,106,682	11,446,040	4,134,898	392,169	1,222,725	19,302,514
Committed	8,200,533	2,057,504	4,190,085	1,358,856	2,899,128	18,706,106
Assigned	1,520,457	-	872,002	-	-	2,392,459
Unassigned	35,569,058	-	-	-	(71,710)	35,497,348
Total fund balances	<u>47,478,427</u>	<u>13,503,544</u>	<u>9,196,985</u>	<u>1,751,025</u>	<u>4,050,143</u>	<u>75,980,124</u>
Total liabilities and fund balances	<u>\$ 54,431,704</u>	<u>\$ 15,397,058</u>	<u>\$ 11,113,020</u>	<u>\$ 1,751,025</u>	<u>\$ 4,900,963</u>	<u>\$ 87,593,770</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	Primary Government
Total fund balances - governmental funds	\$ 75,980,124
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.	303,349,667
Deferred revenue represents amounts that were not available to fund current expenditures and therefore are not reported in the funds	4,250,086
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.	
Deferred charges	2,071,550
OPEB asset	883,509
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.	(2,614,372)
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	(196,693,955)
Landfill liability	(1,685,358)
Unamortized premiums and other credits on bonds	(4,401,772)
Compensated absences	(4,342,606)
Unearned revenue not recorded in the funds as it did not arise from current financial resources relating to the golf course lease agreement	(1,000,481)
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.	22,005,565
Net assets of governmental activities	<u>\$ 198,979,139</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
REVENUES						
Real estate and personal property taxes	\$ 97,287,855	\$ -	\$ -	\$ -	\$ 1,473,117	\$ 98,760,972
Other local taxes	34,520,691	-	-	-	-	34,520,691
Permits, privilege fees and regulatory licenses	798,573	-	384,173	-	-	1,182,746
Fines and forfeitures	869,701	-	-	-	-	869,701
Revenue from use of money and property	753,126	363	20,783	-	12,087	786,359
Charges for services	3,776,824	-	846,823	-	88,083	4,711,730
Miscellaneous	1,110,702	25,484	41,691	-	267,325	1,445,202
Intergovernmental:						
Revenue from the Commonwealth	20,469,733	790,399	18,767,063	-	448,302	40,475,497
Revenue from the Federal Government	5,249,253	3,872,179	-	-	2,624,557	11,745,989
Total revenues	164,836,458	4,688,425	20,060,533	-	4,913,471	194,498,887
EXPENDITURES						
Current:						
General government administration	11,008,630	-	-	-	-	11,008,630
Judicial administration	6,346,409	-	-	-	397,331	6,743,740
Public safety	39,377,786	-	-	-	807,646	40,185,432
Public works	4,646,605	-	17,442,843	-	241,069	22,330,517
Health and welfare	13,044,516	-	-	-	111,814	13,156,330
Education	46,648,209	-	-	-	97,882	46,746,091
Parks, recreation, and cultural	6,301,505	-	-	-	151,626	6,453,131
Community development	11,755,487	-	-	-	1,888,823	13,644,310
Nondepartmental	6,977,603	-	-	-	-	6,977,603
Capital outlay	-	16,235,879	-	-	-	16,235,879
Debt service:						
Principal retirement	-	-	-	13,571,169	-	13,571,169
Interest and fiscal charges	-	-	-	8,843,123	-	8,843,123
Total expenditures	146,106,750	16,235,879	17,442,843	22,414,292	3,696,191	205,895,955
Excess (deficiency) of revenues over expenditures	18,729,708	(11,547,454)	2,617,690	(22,414,292)	1,217,280	(11,397,068)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,356,241	5,196,420	-	23,172,289	345,075	31,070,025
Transfers out	(27,207,723)	-	(1,386,081)	-	(1,121,061)	(29,714,865)
Total other financing sources (uses)	(24,851,482)	5,196,420	(1,386,081)	23,172,289	(775,986)	1,355,160
Net change in fund balance	(6,121,774)	(6,351,034)	1,231,609	757,997	441,294	(10,041,908)
FUND BALANCES AT JULY 1, as restated (Note 17)	53,600,201	19,854,578	7,965,376	993,028	3,608,849	86,022,032
FUND BALANCES AT JUNE 30	\$ 47,478,427	\$ 13,503,544	\$ 9,196,985	\$ 1,751,025	\$ 4,050,143	\$ 75,980,124

(Continued)

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Total Governmental Funds
Change in fund balance - total governmental funds	\$ (10,041,908)
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	16,206,989
Depreciation expense	(8,307,883)
Transfer of joint tenancy assets to the School Board	(9,758,765)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred revenues	220,786
Assets to be dedicated from developer	643,851
Lease revenue paid in form of leasehold improvements	345,233
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	13,571,169
Amortization of deferred costs	20,107
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	479,113
Change in compensated absences	(18,269)
Change in OPEB asset	303,185
Change in landfill liability	(430,418)
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.	258,302
Change in net assets of governmental activities	<u><u>\$ 3,491,492</u></u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2011

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
		Non-Major Stormwater Utility Fund	Total	
	Utility Fund			
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 926,469	\$ 3,258,375	\$ 4,184,844	\$ 11,407,981
Cash and cash equivalents, restricted	18,350,149	-	18,350,149	408,609
Receivables, net	5,118,023	119,701	5,237,724	21,171
Prepays	-	-	-	9,698
Inventories	73,377	-	73,377	241,843
Total current assets	24,468,018	3,378,076	27,846,094	12,089,302
Noncurrent assets:				
OPEB asset	97,687	25,935	123,622	39,766
Deferred charges	2,694,333	-	2,694,333	-
Land and construction in progress	72,983,319	-	72,983,319	646,875
Capital assets, net	282,147,495	-	282,147,495	16,950,776
Total noncurrent assets	357,922,834	25,935	357,948,769	17,637,417
Total assets	382,390,852	3,404,011	385,794,863	29,726,719
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	214,932	8,099	223,031	603,273
Accounts payable from restricted resources	3,310,367	-	3,310,367	-
Accrued payroll and related liabilities	6,479	1,219	7,698	70,474
Due to other governments	2,123,009	-	2,123,009	-
Unearned revenue	305,504	-	305,504	-
Deposits payable	32,827	-	32,827	-
Claims payable	-	-	-	1,454,017
Accrued interest payable	2,802,938	-	2,802,938	26,504
Compensated absences	12,446	2,265	14,711	5,765
Bonds and leases payable	4,691,504	-	4,691,504	1,823,996
Total current liabilities	13,500,006	11,583	13,511,589	3,984,029
Noncurrent liabilities:				
Compensated absences	372,099	61,187	433,286	195,243
Claims payable	-	-	-	816,262
Bonds and leases payable	204,168,750	-	204,168,750	2,725,620
Total noncurrent liabilities	204,540,849	61,187	204,602,036	3,737,125
Total liabilities	218,040,855	72,770	218,113,625	7,721,154
NET ASSETS				
Invested in capital assets, net of related debt	159,389,941	-	159,389,941	13,456,644
Restricted	1,920,402	-	1,920,402	-
Unrestricted	3,039,654	3,331,241	6,370,895	8,548,921
Total net assets	\$ 164,349,997	\$ 3,331,241	\$ 167,681,238	\$ 22,005,565

CITY OF SUFFOLK, VIRGINIA

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

PROPRIETARY FUNDS

Year Ended June 30, 2011

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
		Non-Major Stormwater		
	Utility Fund	Utility Fund	Total	
OPERATING REVENUES				
Charges for services	\$ 29,818,675	\$ 3,861,677	\$ 33,680,352	\$ 26,950,547
Other	28,275	34,553	62,828	228,361
Total operating revenues	29,846,950	3,896,230	33,743,180	27,178,908
OPERATING EXPENSES				
Personnel services	6,504,093	1,747,069	8,251,162	2,732,609
Self-insured claims	-	-	-	8,823,383
Contractual services	776,818	5,670	782,488	1,515,567
Administration	1,237,467	782,087	2,019,554	797,018
Supplies	754,902	139,297	894,199	97,897
Repairs and maintenance	480,154	-	480,154	59,393
Vehicle & power equipment - fuel	-	-	-	2,113,295
Vehicle & power equipment - supplies	-	-	-	1,702,818
Utilities	963,916	2,219	966,135	78,453
Insurance	-	-	-	1,936,335
OPEB – contributions to trust	-	-	-	3,014,322
Bulk-water purchases	3,574,025	-	3,574,025	-
Depreciation and amortization	8,075,590	-	8,075,590	3,522,844
Building and equipment rental	361,977	63,477	425,454	584,774
Other charges	356,350	215,508	571,858	40,228
Total operating expenses	23,085,292	2,955,327	26,040,619	27,018,936
Operating income	6,761,658	940,903	7,702,561	159,972
NONOPERATING REVENUES (EXPENSES)				
Loss on disposal of capital assets	-	-	-	(34,636)
Interest income	352,402	11,282	363,684	63,272
Interest expense	(8,873,964)	-	(8,873,964)	(199,521)
Contributions to WTW A infrastructure	(1,421,927)	-	(1,421,927)	-
Rental income	142,764	-	142,764	-
Net nonoperating revenues (expenses)	(9,800,725)	11,282	(9,789,443)	(170,885)
Income (loss) before contributions and transfers	(3,039,067)	952,185	(2,086,882)	(10,913)
CAPITAL CONTRIBUTIONS	4,468,834	-	4,468,834	645,389
TRANSFERS OUT	(876,092)	(102,894)	(978,986)	(376,174)
Change in net assets	553,675	849,291	1,402,966	258,302
NET ASSETS AT JULY 1, as restated (Note 17)	163,796,322	2,481,950	166,278,272	21,747,263
NET ASSETS AT JUNE 30	\$ 164,349,997	\$ 3,331,241	\$ 167,681,238	\$ 22,005,565

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, 2011

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
		Non-Major		
	Utility Fund	Stormwater Utility Fund	Total	
OPERATING ACTIVITIES				
Receipts from customers	\$ 29,770,969	\$ 3,899,518	\$ 33,670,487	\$ 27,187,355
Payments to employees	(6,541,618)	(1,744,857)	(8,286,475)	(2,633,114)
Payments to suppliers	(10,281,088)	(1,265,665)	(11,546,753)	(21,635,663)
Net cash provided by operating activities	<u>12,948,263</u>	<u>888,996</u>	<u>13,837,259</u>	<u>2,918,578</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(876,092)	(102,894)	(978,986)	(1,464,214)
Net cash used in noncapital financing activities	<u>(876,092)</u>	<u>(102,894)</u>	<u>(978,986)</u>	<u>(1,464,214)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(18,163,626)	-	(18,163,626)	(1,690,248)
Construction of capital assets held for others	470,243	-	470,243	-
Capital contributions	239,042	-	239,042	-
Principal paid on capital debt	(4,535,206)	-	(4,535,206)	(3,044,270)
Proceeds from capital lease obligations	-	-	-	1,324,956
Interest paid on capital debt	(10,614,665)	-	(10,614,665)	(212,613)
Net cash used in capital and related financing activities	<u>(32,604,212)</u>	<u>-</u>	<u>(32,604,212)</u>	<u>(3,622,175)</u>
INVESTING ACTIVITIES				
Rental income	142,764	-	142,764	-
Interest received	352,402	11,282	363,684	63,272
Net cash provided by investing activities	<u>495,166</u>	<u>11,282</u>	<u>506,448</u>	<u>63,272</u>
Net increase (decrease) in cash and cash equivalents	<u>(20,036,875)</u>	<u>797,384</u>	<u>(19,239,491)</u>	<u>(2,104,539)</u>
CASH AND CASH EQUIVALENTS				
Beginning, July 1, as restated (Note 17)	39,313,493	2,460,991	41,774,484	13,921,129
Ending, June 30	<u>\$ 19,276,618</u>	<u>\$ 3,258,375</u>	<u>\$ 22,534,993</u>	<u>\$ 11,816,590</u>
RECONCILIATION TO STATEMENT OF NET ASSETS:				
Cash and cash equivalents	\$ 926,469	\$ 3,258,375	\$ 4,184,844	\$ 11,407,981
Cash and cash equivalents, restricted	18,350,149	-	18,350,149	408,609
	<u>\$ 19,276,618</u>	<u>\$ 3,258,375</u>	<u>\$ 22,534,993</u>	<u>\$ 11,816,590</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
		Non-Major		
	Utility Fund	Stormwater Utility Fund	Total	
RECONCILIATION OF OPERATING INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 6,761,658	\$ 940,903	\$ 7,702,561	\$ 159,972
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	8,075,590	-	8,075,590	3,522,844
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(381,485)	3,288	(378,197)	8,447
Inventories	(11,247)	-	(11,247)	7,286
Prepays	-	1,420	1,420	25,818
Increase (decrease) in:				
Accounts payable and accrued liabilities	(1,734,685)	(52,198)	(1,786,883)	184,028
Accrued payroll and related liabilities	(67,072)	(4,417)	(71,489)	79,035
Unearned revenue	305,504	-	305,504	-
Claims payable	-	-	-	(1,068,852)
Net cash provided by operating activities	<u>\$ 12,948,263</u>	<u>\$ 888,996</u>	<u>\$ 13,837,259</u>	<u>\$ 2,918,578</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases financed by accounts payable	\$ 1,923,884	\$ -	\$ 1,923,884	\$ -
Non cash capital contributions	\$ 4,229,792	\$ -	\$ 4,229,792	\$ 645,389
Capitalized interest	\$ 1,525,006	\$ -	\$ 1,525,006	\$ -

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2011

	OPEB Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 12,672,664	\$ 570,812
Total assets	<u>\$ 12,672,664</u>	<u>\$ 570,812</u>
LIABILITIES		
Amounts held for others	\$ -	\$ 570,812
Total liabilities	<u>-</u>	<u>570,812</u>
NET ASSETS		
Held in trust for OPEB benefits	12,672,664	-
Total net assets	<u>12,672,664</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 12,672,664</u>	<u>\$ 570,812</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
OPEB TRUST FUND
June 30, 2011

ADDITIONS

Employer contributions	\$ 3,014,322
Gain on investments	<u>1,769,725</u>
Total additions	<u>4,784,047</u>

DEDUCTIONS

Administrative fees	<u>12,413</u>
Total deductions	<u>12,413</u>

Change in net assets	4,771,634
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NET ASSETS AT JULY 1	<u>7,901,030</u>
NET ASSETS AT JUNE 30	<u><u>\$ 12,672,664</u></u>

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NOTES TO FINANCIAL STATEMENTS

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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, 2011

Note 1. Summary of Significant Accounting Policies

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, 2011

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, 2011 to the VRA was \$43,360,000 and Suffolk's guarantee percentage was 12.87% which totaled \$5,580,432.

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, 2011

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, 2011

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, and the Cemetery 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 fund:

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, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

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

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, 2011

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, 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, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Stewardship, Compliance and Accountability

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, the Internal Service Funds and the following Special Revenue Funds: 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 2011 totaled \$1,525,006.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011

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 require formal action of the City Council either by resolution or ordinance that identifies the specific circumstances under which there resources may be expended.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 an official to whom that authority has been given. 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, 2011

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, 2011

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, 2011

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				Nonmajor Governmental Funds	Internal Service Funds	Business-type Activities	Total Primary Government
	General	Capital Projects	Road Maintenance	Debt Service				
Unspent debt proceeds	\$ -	\$ 11,446,040	\$ -	\$ -	\$ -	\$ 408,609	\$ 18,317,322	\$ 30,171,971
Debt service	-	-	-	392,169	-	-	-	392,169
Cemetery	-	-	-	-	1,002,851	-	-	1,002,851
Bridge repair	-	-	4,134,898	-	-	-	-	4,134,898
Escrow/bond/customer deposits	641,339	-	-	-	-	-	32,827	674,166
Other external purposes	1,465,343	-	-	-	217,993	-	-	1,683,336
	<u>\$ 2,106,682</u>	<u>\$ 11,446,040</u>	<u>\$ 4,134,898</u>	<u>\$ 392,169</u>	<u>\$ 1,220,844</u>	<u>\$ 408,609</u>	<u>\$ 18,350,149</u>	<u>\$ 38,059,391</u>

	Component Units		
	Primary Government	School Board	Economic Development Authority
Deposits and investments:			
SNAP	\$ 28,535,013	\$ -	\$ -
Deposits	80,039,445	17,318,384	3,222,985
	<u>\$ 108,574,458</u>	<u>17,318,384</u>	<u>\$ 3,222,985</u>
Statement of net assets:			
Cash and cash equivalents	\$ 70,515,067	\$ 17,318,384	\$ 1,876,328
Cash and cash equivalents, restricted	38,059,391	-	1,346,657
	<u>\$ 108,574,458</u>	<u>\$ 17,318,384</u>	<u>\$ 3,222,985</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 3. Receivables

Receivables are as follows:

	General	Road Maintenance	Nonmajor Governmental Funds	Internal Service Funds	Business-type Activities	Component Unit – School Board
Taxes	\$ 5,570,551	\$ -	\$ 40,775	\$ -	\$ -	\$ -
Accounts	8,173,399	12,753	49,382	21,171	5,600,078	285,913
Subtotal	13,743,950	12,753	90,157	21,171	5,600,078	285,913
Less allowance	6,655,961	-	11,580	-	362,354	-
Receivables, net	<u>\$ 7,087,989</u>	<u>\$ 12,753</u>	<u>\$ 78,577</u>	<u>\$ 21,171</u>	<u>\$ 5,237,724</u>	<u>\$ 285,913</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:

General Fund – Taxes receivable	\$ 2,049,906
General Fund – EMS receivable	4,606,055
Nonmajor Funds – Taxes receivable	11,580
Utility Fund – Accounts receivable	314,875
Nonmajor Proprietary Funds – Fees receivable	<u>47,479</u>
	<u>\$ 7,029,895</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, 2011

Note 4. Due From Other Governments

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

Primary Government:

Governmental Activities	General	Capital Projects	Nonmajor Governmental Funds	Total
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,311,686	\$ -	\$ -	\$ 1,311,686
Communication sales tax	555,708	-	-	555,708
Shared expenses	225,520	-	-	225,520
Social services reimbursement	364,670	-	-	364,670
Various grants	159,962	311,827	66,743	538,532
	<u>2,617,546</u>	<u>311,827</u>	<u>66,743</u>	<u>2,996,116</u>
<u>Federal Government:</u>				
HUD grants	-	-	156,500	156,500
Social services reimbursement	481,120	-	-	481,120
Department of Transportation	-	1,008,365	-	1,008,365
Various grants	-	307,473	278,972	586,445
	<u>481,120</u>	<u>1,315,838</u>	<u>435,472</u>	<u>2,232,430</u>
Total due from other governments	\$ 3,098,666	\$ 1,627,665	\$ 502,215	\$ 5,228,546

Component Unit – School Board:

Governmental Activities	School Operating	School Grants	School Food Service	Total
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 2,258,888	\$ -	\$ -	\$ 2,258,888
Various grants	91,995	12,791	-	104,786
	<u>2,350,883</u>	<u>12,791</u>	<u>-</u>	<u>2,363,674</u>
<u>Federal Government:</u>				
School food reimbursement	-	-	233,663	233,663
Title I	-	1,632,775	-	1,632,775
Title VI-B	-	1,609,313	-	1,609,313
Stablization	-	534,935	-	534,935
Various grants	52,629	619,803	-	672,432
	<u>52,629</u>	<u>4,396,826</u>	<u>233,663</u>	<u>4,683,118</u>
Total due from other governments	\$ 2,403,512	\$ 4,409,617	\$ 233,663	\$ 7,046,792

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 5. Interfund Transactions

Individual fund interfund receivable and payable balances are as follows:

	<u>Due To</u>	<u>Due From</u>
General fund	\$ -	\$ 547,445
Nonmajor governmental funds:		
Consolidated Grants fund	<u>547,445</u>	<u>-</u>
	<u>\$ 547,445</u>	<u>\$ 547,445</u>

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:

	<u>Transfers to:</u>				
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers from:					
General Fund	\$ -	\$ 4,811,420	\$ 22,051,228	\$ 345,075	\$ 27,207,723
Road maintenance	1,001,081	385,000	-	-	1,386,081
Utility	876,092	-	-	-	876,092
Nonmajor:					
Governmental	-	-	1,121,061	-	1,121,061
Enterprise	102,894	-	-	-	102,894
Internal Service	<u>376,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,174</u>
	<u>\$ 2,356,241</u>	<u>\$ 5,196,420</u>	<u>\$ 23,172,289</u>	<u>\$ 345,075</u>	<u>\$ 31,070,025</u>

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, 2011

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. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation as “jointly owned” assets. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the City’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.
4. 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 22)	\$ 139,309,010
Repayment of School debt and reduction in Joint Tenancy in Common Assets (Note 7)	<u>9,758,765</u>
Total expenditures for school activities	<u><u>\$ 149,067,775</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.

During the current year, the City contributed \$5,600,000 to retire the remaining amount of the EDA’s revenue note to save future interest costs and to promote future economic development and job creation opportunities.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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	\$ 24,536,919	\$ 134,598	\$ -	\$ 24,671,517
Construction in progress	42,352,868	16,196,009	1,234,220	57,314,657
Total capital assets, not depreciated	66,889,787	16,330,607	1,234,220	81,986,174
Capital assets, depreciated				
Buildings	54,452,346	7,980	-	54,460,326
Improvements other than buildings	150,587,194	1,790,967	-	152,378,161
Machinery and equipment	54,915,196	2,960,246	1,033,850	56,841,592
Total capital assets depreciated	259,954,736	4,759,193	1,033,850	263,680,079
Less accumulated depreciation for:				
Buildings	14,954,313	1,383,255	-	16,337,568
Improvements other than buildings	34,865,054	6,279,280	-	41,144,334
Machinery and equipment	34,573,215	4,168,191	999,214	37,742,192
Total accumulated depreciation	84,392,582	11,830,726	999,214	95,224,094
Total capital assets, depreciated, net	175,562,154	(7,071,533)	34,636	168,455,985
School Board Joint Tenancy Assets	80,263,924	-	9,758,765	70,505,159
Governmental activities, capital assets, net	<u>\$ 322,715,865</u>	<u>\$ 9,259,074</u>	<u>\$ 11,027,621</u>	<u>\$ 320,947,318</u>

*As restated, see Note 17.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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	\$ 3,340,405	\$ 91,969	\$ -	\$ 3,432,374
Construction in progress	55,126,858	22,214,725	7,790,638	69,550,945
Total capital assets, not depreciated	58,467,263	22,306,694	7,790,638	72,983,319
Capital assets, depreciated				
Buildings	56,500,812	2,872,026	-	59,372,838
Improvements other than buildings	243,467,482	5,514,670	-	248,982,152
Machinery and equipment	62,865,355	2,714,324	-	65,579,679
Total capital assets depreciated	362,833,649	11,101,020	-	373,934,669
Less accumulated depreciation for:				
Buildings	9,630,482	1,381,268	-	11,011,750
Improvements other than buildings	52,526,806	4,840,156	-	57,366,962
Machinery and equipment	21,552,163	1,856,299	-	23,408,462
Total accumulated depreciation	83,709,451	8,077,723	-	91,787,174
Total capital assets, depreciated, net	279,124,198	3,023,297	-	282,147,495
Governmental activities, capital assets, net	<u>\$ 337,591,461</u>	<u>\$ 25,329,991</u>	<u>\$ 7,790,638</u>	<u>\$ 355,130,814</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	\$ 5,938,618	\$ -	\$ 59,895	\$ 5,878,723
Capital assets, depreciated				
Buildings	184,223,716	-	-	184,223,716
Improvements other than buildings	16,786,216	26,959	104,518	16,708,657
Machinery and equipment	34,897,532	1,378,015	342,491	35,933,056
Total capital assets depreciated	235,907,464	1,404,974	447,009	236,865,429
Less accumulated depreciation for:				
Buildings	64,798,089	4,801,201	-	69,599,290
Improvements other than buildings	8,022,799	584,964	41,807	8,565,956
Machinery and equipment	20,742,456	2,545,389	304,881	22,982,964
Total accumulated depreciation	93,563,344	7,931,554	346,688	101,148,210
Total capital assets, depreciated, net	142,344,120	(6,526,580)	100,321	135,717,219
City Joint Tenancy Assets	(80,263,924)	9,758,765	-	(70,505,159)
Governmental activities, capital assets, net	<u>\$ 68,018,814</u>	<u>\$ 3,232,185</u>	<u>\$ 160,216</u>	<u>\$ 71,090,783</u>

*As restated, see Note 17.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 7. Capital Assets (Continued)

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

Governmental Activities:	
General government	\$ 308,009
Judicial administration	40,149
Public safety	612,932
Public works	9,974,307
Parks, recreation, and cultural	<u>895,329</u>
	<u>\$ 11,830,726</u>

Governmental activities included depreciation of \$3,350,356 for the Fleet Maintenance Fund and \$172,488 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:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes and other amounts – unearned	\$ 621,794	\$ 621,794
Developer deposits – unearned (General)	120,908	120,908
Developer deposits – unearned (Road Maintenance)	872,002	872,002
Deferred capital project revenue – unavailable	101,381	-
Grant receipts – unavailable	151,852	-
Taxes receivable, net – unavailable	2,537,586	-
EMS receivable, net – unavailable	1,459,267	-
Golf-course lease revenue – unearned	<u>-</u>	<u>1,000,481</u>
Total deferred/unearned revenue – governmental funds	<u>\$ 5,864,790</u>	<u>\$ 2,615,185</u>

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, 2011

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	\$201,749,125	\$ -	\$ 12,878,169	\$ 188,870,956	\$ 13,827,876
Literary fund loans	5,250,000	-	500,000	4,750,000	500,000
Section 108 loan	3,266,000	-	193,000	3,073,000	193,000
Capital lease obligations	6,268,930	1,324,956	3,044,270	4,549,616	1,823,996
Add bond premiums and other credits	7,137,068	-	413,356	6,723,712	-
Less deferred costs	(2,590,000)	-	(268,060)	(2,321,940)	-
	<u>221,081,124</u>	<u>1,324,956</u>	<u>16,760,733</u>	<u>205,645,347</u>	<u>16,344,872</u>
Claims payable	3,339,131	7,475,593	8,544,444	2,270,279	1,454,017
Compensated absences	4,496,324	47,286	-	4,543,614	297,725
Landfill liability	<u>1,254,940</u>	<u>627,366</u>	<u>196,948</u>	<u>1,685,358</u>	<u>250,717</u>
Governmental activities, long-term liabilities	<u>\$230,171,518</u>	<u>\$ 9,475,201</u>	<u>\$ 25,502,127</u>	<u>\$ 214,144,594</u>	<u>\$ 18,347,331</u>
<u>Business-type activities:</u>					
Bonds payable	\$211,358,631	\$ -	\$ 4,535,206	\$ 206,823,425	\$ 4,691,504
Add bond premiums and other credits	<u>2,157,377</u>	<u>-</u>	<u>120,548</u>	<u>2,036,829</u>	<u>-</u>
	<u>213,516,008</u>	<u>-</u>	<u>4,655,754</u>	<u>208,860,254</u>	<u>4,691,504</u>
Compensated absences	<u>425,593</u>	<u>22,404</u>	<u>-</u>	<u>447,997</u>	<u>14,711</u>
Total	<u>\$213,941,601</u>	<u>\$ 22,404</u>	<u>\$ 4,655,754</u>	<u>\$ 209,308,251</u>	<u>\$ 4,706,215</u>

*As restated, see Note 17.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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:						
Virginia Public School Authority	07/31/91	07/15/12	4.85 – 5.60	\$ 700,000	\$ 29,380	\$ -
Public Improvement Series 2001	06/07/01	06/30/21	4.00 – 5.00	21,135,000	2,195,000	-
2001 Refunding Bonds	06/07/01	06/30/15	4.00 – 5.00	6,775,000	2,176,359	538,641
Public Improvement Series 2002	07/18/02	06/30/23	3.00 – 5.00	18,195,000	2,060,000	-
Public Improvement Series 2003	07/01/03	08/01/23	2.50 – 6.00	17,515,000	11,725,000	-
2003 Refunding Bonds	07/16/03	08/01/16	2.50 – 6.00	21,380,000	3,748,011	671,989
2003 VRA Refunding Bonds	08/07/03	10/01/16	2.00 – 5.00	3,295,000	-	1,590,000
Public Improvement Series 2004	07/28/04	06/30/25	2.50 – 6.00	18,160,000	12,635,000	-
Public Improvement Series 2005	11/17/05	12/01/25	4.00 – 5.00	11,710,000	8,775,000	-
2005 Refunding Bonds	11/17/05	12/01/19	4.00 – 5.00	10,005,000	8,542,114	22,886
2007 Public Improvement and Refunding Bonds	04/11/07	02/01/35	4.00 – 4.50	88,245,000	73,690,092	74,909
2007B Public Improvement Bonds	12/01/07	12/01/27	4.00 – 5.00	24,475,000	20,800,000	-
2008 Public Improvement Bonds	10/28/08	02/01/29	4.00 – 5.00	16,600,000	9,130,000	-
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	33,365,000	-
Total general obligation bonds					188,870,956	29,898,425
Literary Fund Loans:						
Literary Fund Loan	12/01/99	12/01/19	3.00	5,000,000	2,250,000	-
Literary Fund Loan	04/01/01	04/01/21	3.00	5,000,000	2,500,000	-
Total literary fund loans					4,750,000	-
Other Notes:						
Section 108 Loan Payable	09/14/06	08/01/26	4.96 – 5.77	3,845,000	3,073,000	-
					\$ 196,693,956	\$ 29,898,425

(Continued)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 9. Long-Term Liabilities (Continued)

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

	<u>Governmental Activities</u>
Capital Lease Obligations:	
\$245,968 issued September 13, 2006 for the purchase of 2 freightliner trash trucks; payable in quarterly installments of \$13,668 through September 2011; interest at 4.11%	\$ 13,532
\$2,083,504 issued February 28, 2007 for the purchase of various roadway maintenance equipment; payable in quarterly installments of \$115,371 through February, 2012; interest at 3.97%	339,355
\$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	160,265
\$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%	2,837,333
\$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%	<u>1,199,131</u>
Total capital lease obligations	<u>\$ 4,549,616</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	\$ 10,210,000
2004B Series Water and Sewer Revenue Bond – VRA	11/17/04	10/01/26	2.00-6.00	11,695,000	9,795,000
2005B Series Water and Sewer Revenue Bond – VRA	12/07/05	10/01/35	4.77-5.10	14,050,000	12,780,000
2006B VRA Refunding Bonds	08/09/06	04/01/30	4.10-4.87	12,750,000	12,140,000
2006C Series Water and Sewer Revenue Bond – VRA	11/29/06	10/01/36	4.26-4.91	36,460,000	34,545,000
2007 Series Water and Sewer Revenue Bond – VRA	12/13/07	10/01/37	3.40-5.10	39,795,000	38,325,000
2008 Series Water and Sewer Revenue Bond – VRA	12/10/08	10/01/38	2.29-5.54	45,300,000	44,545,000
2009 Series Water and Sewer Revenue Bond – VRA	06/17/09	10/01/25	1.13-4.86	10,200,000	9,665,000
2010 VRA Refunding Bonds (VPFP)	06/16/10	04/01/31	4.52	4,945,000	4,920,000
Total long-term debt					<u>\$ 176,925,000</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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
2012	\$ 13,827,876	\$ 8,302,867	\$ 500,000	\$ 142,500	\$ 193,000	\$ 160,406	\$ 1,823,996	\$ 129,088
2013	13,964,857	7,748,472	500,000	127,500	193,000	150,707	1,454,619	70,334
2014	14,212,945	7,104,538	500,000	112,500	193,000	140,979	857,584	18,892
2015	13,212,952	6,495,059	500,000	97,500	193,000	131,214	274,042	47,093
2016	13,409,433	5,888,295	500,000	82,500	193,000	121,410	139,375	1,193
2017-2021	57,672,893	20,535,507	2,250,000	187,500	965,000	455,154	-	-
2022-2026	40,595,000	9,499,608	-	-	965,000	180,662	-	-
2027-2031	17,535,000	2,465,281	-	-	178,000	5,135	-	-
2032-2035	4,440,000	477,263	-	-	-	-	-	-
	<u>\$ 188,870,956</u>	<u>\$ 68,516,890</u>	<u>\$ 4,750,000</u>	<u>\$ 750,000</u>	<u>\$ 3,073,000</u>	<u>\$ 1,345,667</u>	<u>\$ 4,549,616</u>	<u>\$ 266,600</u>

Business-Type Activities		
Revenue Bonds		
	Principal	Interest
2012	\$ 4,691,504	\$ 10,093,642
2013	5,485,142	9,899,199
2014	5,717,055	9,688,681
2015	5,742,048	9,462,990
2016	5,925,567	9,212,376
2017-2021	31,532,109	41,940,628
2022-2026	38,970,000	33,652,827
2027-2031	44,405,000	23,006,628
2032-2036	43,205,000	11,661,871
2037-2040	21,150,000	1,878,622
	<u>\$ 206,823,425</u>	<u>\$ 160,497,464</u>

The Internal Services Funds capital lease obligations are collateralized by equipment with a book value of \$6,209,461, which is net of accumulated depreciation of \$7,407,669 at June 30, 2011. Capital lease obligations relate to the fleet management and information technology funds.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 12, the debt coverage ratio for the year ended June 30 was 1.18. 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, 2011, the City's aggregate general obligation indebtedness is approximately \$681 million less than the Commonwealth's limit and \$136 million less than the City's financial policy, as summarized in statistical Table 11.

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, 2011:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Other post-employment benefits	\$ 637,339	\$ 713,588	\$ -	\$ 1,350,927	\$ -
Compensated absences	1,915,731	214,737	-	2,130,468	234,422
	<u>\$ 2,553,070</u>	<u>\$ 928,325</u>	<u>\$ -</u>	<u>\$ 3,481,395</u>	<u>\$ 234,422</u>

*As restated, see Note 17.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 9. Long-Term Liabilities (Continued)

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, 2011, \$40,550,000 of bonds outstanding are considered defeased.

Bonds Authorized and Unissued:

Bonded debt authorized by City Council in previous years but unissued as of June 30, 2011, totals \$136,420,739.

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 2010, the City reevaluated the estimate and determined that the monitoring period could extend for another ten years, through 2020.

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 \$1,685,358. 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.

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, 2011, the operator made certified capital improvements of \$1.3 million. These costs have been capitalized by the City and amounts exceeding the current year lease payment, of approximately \$1.0 million, have been recorded as unearned lease revenue.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 10. Leases (Continued)

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 \$769,533 and \$249,597, respectively.

Future minimum lease payments under these leases are as follows:

2012	\$ 944,449
2013	952,159
	<hr/>
	\$ 1,896,608

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, 2011

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 -0.0%. 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 2011 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, 2011

Note 11. Defined Benefit Pension Plan (Continued)

B. Funding Policy (Continued)

The School Board's contributions for professional employees were \$6,327,523 to the teacher cost-sharing pool for the fiscal years ended June 30, 2011, and these contributions represented 15.66% of current covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the City's annual pension cost of \$8,407,146 was equal to the City's required and actual contributions.

For fiscal year 2011, the School Board's annual pension cost for non-professional employees was \$820,689 which was equal to the Board's required and actual contributions.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City:			
June 30, 2011	\$ 8,407,146	100%	\$ -
June 30, 2010	\$ 4,817,023	100%	\$ -
June 30, 2009	\$ 4,730,739	100%	\$ -
School Board:			
Nonprofessional			
June 30, 2011	\$ 820,689	100%	\$ -
June 30, 2010	\$ 871,508	100%	\$ -
June 30, 2009	\$ 837,098	100%	\$ -

The FY2011 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, 2011

Note 11. Defined Benefit Pension Plan (Continued)

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the City's plan was 74.48% funded. The actuarial accrued liability for benefits was \$202,160,646, and the actuarial value of assets was \$150,572,774, resulting in an unfunded actuarial accrued liability (UAAL) of \$51,587,872. The covered payroll (annual payroll of active employees covered by the plan) was \$52,101,413 and ratio of the UAAL to the covered payroll was 99.01%.

As of June 30, 2010, the most recent actuarial valuation date, the City School Board's plan was 83.55% funded. The actuarial accrued liability for benefits was \$20,116,600, and the actuarial value of assets was \$16,807,237, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,309,363. The covered payroll (annual payroll of active employees covered by the plan) was \$7,204,137 and ratio of UAAL to the covered payroll was 45.94%.

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 Governmental Accounting Standards Board (GASB) Statement No. 45, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The City and School Board prospectively adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. Recognition of the liability accumulated from prior years is being phased in over 30 years, commencing with the 2008 liability.

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, 2011 the City contributed \$3,014,322 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, 2011 totaled \$12,413 for the City and \$6,708 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, 2011

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 \$580,165 and \$282,893 towards the estimated pay as you go cost for OPEB benefits in fiscal year 2011, and in addition contributed \$3,014,322 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	\$ 3,014,322	\$ 2,229,232
Interest on net OPEB obligation	(51,531)	53,519
Adjustment to annual required contribution	<u>22,903</u>	<u>(53,519)</u>
Annual OPEB cost	2,985,694	2,229,232
Contributions made	<u>3,345,515</u>	<u>1,591,893</u>
Increase (decrease) in net OPEB obligation	(359,821)	637,339
Net OPEB obligation (asset) – beginning of year, as restated (see Note 17)	<u>(687,076)</u>	<u>713,588</u>
Net OPEB obligation (asset) – end of year	<u><u>\$ (1,046,897)</u></u>	<u><u>\$ 1,350,927</u></u>

CITY OF SUFFOLK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011	\$ 2,985,694	112.05%	\$ (1,046,897)
June 30, 2010	\$ 3,017,535	111.88%	\$ (687,076)
June 30, 2009	\$ 2,321,226	123.33%	\$ (332,175)

Schools:

June 30, 2011	\$ 2,229,232	71.41%	\$ 1,350,927
*June 30, 2010	\$ 2,229,232	67.99%	\$ 713,588
June 30, 2009	\$ 2,214,000	100%	\$ -

* Restated, see Note 17.

Funding Status and Funding Progress

The funding status of the plan as of July 1, 2009 was as follows:

	City	School Board
Actuarial Accrued Liability (AAL)	\$ 24,529,651	\$ 17,122,042
Actuarial Value of Plan Assets	4,796,332	4,315,618
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 19,733,319</u>	<u>\$ 12,806,424</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	19.6%	25.2%
Covered Payroll (Active Plan Members)	58,766,577	59,353,222
UAAL as a Percentage of Covered Payroll	33.58%	21.58%

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, 2011

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, 2009, 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 9% (City) and 8.09% (Schools) for 2011 to 5% (City) and 6.59% (Schools) for 2011. The unfunded accrued liability is being amortized over 30 years using the level dollar amount method. The remaining amortization period at July 1, 2009 was 29 years.

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, 2011, projects expected to be completed at various dates through 2012 had a total unexpended balance of \$2,766,204 (governmental) and \$14,233,298 (utility).

Contingency:

The City currently has been notified by a taxpayer that may be requesting the manufacturing exemption for the Business Professional Occupancy License taxes for the years 2007 to 2009 which total \$690,470. At the date of this report this evaluation is on-going.

Litigation:

There are various lawsuits pending against the City and School Board, one of which has a potential range of loss up to \$7,500,000. 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011 consists of all current self-insured claims payable amounting to \$2,270,279. The current portion is \$1,454,017 for 2011. 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, 2011 and 2010:

		Beginning Balance	Claims and Reserves	Claim Payments	Ending Balance
Workers' Compensation	2011	\$ 2,446,799	\$ 387,990	\$ 1,443,302	\$ 1,391,487
	2010	1,038,741	2,315,147	907,089	2,446,799
Health Insurance	2011	892,332	7,804,906	7,818,446	878,792
	2010	761,501	8,511,717	8,380,886	892,332

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.

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, \$813,550 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 stoploss insurance provided by a third-party insurance company. As of June 30, 2011, the workers' compensation benefit obligation consisted of \$326,664 in reported unpaid claims and estimated incurred but not reported claims. Changes in the balance of claims liabilities during the years ended June 30, 2011 and 2010, are as follows:

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 14. Risk Management (Continued)

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

			Beginning Balance	Claims and Reserves	Claim Payments	Ending Balance
Workers' Compensation	2011	\$	309,178	\$ 948,321	\$ 930,835	\$ 326,664
	2010		465,510	300,479	456,811	309,178

Healthcare insurance:

The School Board provides coverage for employees through policies with Anthem. The School Board contributes 95% (HMO) and 82% (PPO) of the required premium amount for single coverage for each enrolled employee. Dependents of employee are also covered by the policy provided they pay the additional premium to the School Board. Total premiums for fiscal year 2011 paid by the School Board were approximately \$10,200,000.

Note 15. Subsequent Events

The City issued \$114,575,000 of authorized General Obligation and Refunding Bonds, Series 2011, on July 7, 2011 with a maturity date of February 1, 2041. 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.

The Virginia Public School Authority (VPSA) has authorized \$7,500,000 of General Obligation school bonds to the City as partial funding for new school construction. These Qualified School Construction Bonds will be issued in December 2011.

The City authorized and issued \$606,000 of five-year capital leases on November 18, 2011 for various public safety and general government vehicles.

CITY OF SUFFOLK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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	\$ 10,542	\$ -	\$ -	\$ -	\$ -
Inventories	71,155	-	-	-	-
Total nonspendable	<u>\$ 81,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted for:					
Judicial administration	\$ 158,837	\$ -	\$ -	\$ -	\$ 197,613
Public Safety	875,907	-	-	-	23,194
Public Works	628,155	-	4,134,898	-	-
Health and Welfare	375,848	-	-	-	-
Parks, recreation, and cultural	54,751	-	-	-	1,001,918
Community development	13,184	-	-	-	-
Capital Outlay	-	11,446,040	-	-	-
Debt Service	-	-	-	392,169	-
Total restricted	<u>\$ 2,106,682</u>	<u>\$ 11,446,040</u>	<u>\$ 4,134,898</u>	<u>\$ 392,169</u>	<u>\$ 1,222,725</u>
Committed to					
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ 1,528,024
Public Works	-	-	4,190,085	-	1,371,104
Community development	1,666,734	-	-	-	-
Capital Outlay	6,533,799	2,057,504	-	-	-
Debt Service	-	-	-	1,358,856	-
Total committed	<u>\$ 8,200,533</u>	<u>\$ 2,057,504</u>	<u>\$ 4,190,085</u>	<u>\$ 1,358,856</u>	<u>\$ 2,899,128</u>
Assigned to:					
General government administration	\$ 34,317	\$ -	\$ -	\$ -	\$ -
Judicial administration	14,820	-	-	-	-
Public Safety	405,540	-	-	-	-
Public Works	646,732	-	872,002	-	-
Health and Welfare	223,416	-	-	-	-
Parks, recreation, and cultural	34,933	-	-	-	-
Community development	160,699	-	-	-	-
Total assigned	<u>\$ 1,520,457</u>	<u>\$ -</u>	<u>\$ 872,002</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned	<u>\$ 35,569,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,710)</u>
Total fund balance	<u>\$ 47,478,427</u>	<u>\$ 13,503,544</u>	<u>\$ 9,196,985</u>	<u>\$ 1,751,025</u>	<u>\$ 4,050,143</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 17. Prior Period Adjustments

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

	Primary Government							Stormwater Utility Fund
	Governmental Activities	General Fund	Road Maintenance Fund	Fleet Management Fund	Information Technology Fund	Risk Management Fund	Utility Fund	
Fund balance/net assets								
June 30, 2010, as previously stated	\$ 191,918,449	\$ 52,534,043	\$ 6,475,018	\$ 13,636,067	\$ 1,825,104	\$ 6,500,088	\$ 168,949,774	\$ 2,388,088
Restatement to:								
Correct capital lease fund asset	(155,409)	-	-	-	(155,409)	-	-	-
Correct prepaid amounts	(36,330)	144,394	-	-	-	(180,724)	-	-
Correct inventory amounts	(21,893)	667	-	(22,560)	-	-	-	-
Record August sales tax	672,419	672,419	-	-	-	-	-	-
Record August communication tax	306,538	306,538	-	-	-	-	-	-
Record developer deposit revenue	1,490,358	-	1,490,358	-	-	-	-	-
Record fixed assets previously expensed	-	-	-	-	-	-	592,659	-
Record WTWA asset contributions	-	-	-	-	-	-	(6,229,118)	-
Correct accrued interest on deposits	-	-	-	-	-	-	61,232	-
Correct capital lease payable	125,391	-	-	-	125,391	-	-	-
Record stormwater fund revenue	-	-	-	-	-	-	-	74,556
Correct utility fund debt items	-	-	-	-	-	-	298,794	-
Record utility fund cash	-	-	-	-	-	-	54,841	-
Record ambulance revenue and allowance	1,399,535	1,399,535	-	-	-	-	-	-
Record ambulance receivable, net of allowance	-	(1,482,182)	-	-	-	-	-	-
Recognize golf course revenue	24,787	24,787	-	-	-	-	-	-
Record OPEB asset	599,630	-	-	11,924	6,814	568	68,140	19,306
Correct net capital assets	(475,496)	-	-	-	-	-	-	-
Record landfill liability	(1,254,940)	-	-	-	-	-	-	-
Record amount due from developer	533,331	-	-	-	-	-	-	-
Correct accrued interest payable	1,509,002	-	-	-	-	-	-	-
To adjust for debt items:								
Adjust Cost of Issuance	(748,551)	-	-	-	-	-	-	-
Adjust Premiums/Discounts	(399,174)	-	-	-	-	-	-	-
Fund balance/net assets								
June 30, 2010, as restated	\$ 195,487,647	\$ 53,600,201	\$ 7,965,376	\$ 13,625,431	\$ 1,801,900	\$ 6,319,932	\$ 163,796,322	\$ 2,481,950

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 17. Prior Period Adjustments (Continued)

	Component-Unit School Board <hr/> Entity-Wide <hr/>
Fund balance/net assets	
June 30, 2010, as previously stated	\$ 75,271,501
Restatement to:	
Record August sales tax	1,319,975
Record capital assets	542,030
Record OPEB liability	(637,339)
	<hr/>
Fun balance/net assets	
June 30, 2010, as restated	\$ 76,496,167
	<hr/> <hr/>
	Component Unit <hr/> Economic Development Authority <hr/>
Net assets	
June 30, 2010, as previously stated	\$ 24,376,580
Restatement to:	
Record cash	50,000
Correct accrued interest	(120,792)
Record value of land	237,000
Record fixed assets	516,630
Record bond issue cost	(17,590)
	<hr/>
Net assets	
June 30, 2010, as restated	\$ 25,041,828
	<hr/> <hr/>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

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
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
General property taxes:				
Real estate	\$ 77,500,000	\$ 80,206,000	\$ 78,576,956	\$ (1,629,044)
Personal property	14,700,000	14,700,000	13,520,102	(1,179,898)
Public service corporations	2,150,000	2,150,000	2,294,311	144,311
Mobile homes	-	-	69,771	69,771
Machinery and tools	-	-	1,508,084	1,508,084
Penalties	1,000,000	1,000,000	946,106	(53,894)
Interest	-	-	372,525	372,525
Total general property taxes	95,350,000	98,056,000	97,287,855	(768,145)
Other Local Taxes				
Sales and use	7,400,000	7,400,000	7,534,722	134,722
Utility tax	3,800,000	4,050,000	4,388,705	338,705
Communication taxes	3,800,000	3,800,000	3,649,188	(150,812)
Business and occupational licenses	5,900,000	6,424,000	6,668,907	244,907
Motor vehicle license	1,700,000	1,700,000	1,695,869	(4,131)
Bank stock	300,000	300,000	498,527	198,527
Recordation	1,000,000	1,000,000	830,076	(169,924)
Tobacco	1,280,000	1,280,000	1,383,896	103,896
Lodging	900,000	900,000	924,901	24,901
Meals	5,550,000	6,170,000	6,430,769	260,769
Public facility taxes	78,000	78,000	176,364	98,364
Admission	390,000	390,000	338,767	(51,233)
Total other local taxes	32,098,000	33,492,000	34,520,691	1,028,691
Permits, fees, and licenses				
Animal license	36,000	36,000	33,365	(2,635)
Permits and other licenses	853,500	853,500	765,208	(88,292)
Total permits, fees, and licenses	889,500	889,500	798,573	(90,927)
Fines and forfeitures	660,000	660,000	869,701	209,701
Revenue from use of money and property:				
Revenue From use of money	450,000	450,000	237,388	(212,612)
Revenue From use of property	469,000	469,000	515,738	46,738
Total use of money and property	919,000	919,000	753,126	(165,874)

(Continued)

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES (Continued)				
Charges for services:				
Court costs	\$ 239,787	\$ 239,787	\$ 263,225	\$ 23,438
Police and traffic control	33,075	33,075	23,441	(9,634)
Charges for other protection	65,000	65,000	72,308	7,308
Charges for parks and recreation	575,000	575,000	726,224	151,224
Charges for library	10,000	10,000	15,016	5,016
Charges for planning and community development	47,900	47,900	32,117	(15,783)
Charges for other services	2,658,000	2,658,000	1,947,391	(710,609)
Airport sales	780,000	780,000	697,102	(82,898)
Total charges for services	4,408,762	4,408,762	3,776,824	(631,938)
Miscellaneous revenue				
Miscellaneous	937,000	937,000	1,110,702	173,702
Total revenue from local sources	135,262,262	139,362,262	139,117,472	(244,790)
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carrier tax	2,000	2,000	-	(2,000)
Tax on deeds	700,000	700,000	672,837	(27,163)
Railroad rolling stock tax	100,000	100,000	120,055	20,055
House bill 599 funds	2,865,179	2,865,179	2,865,400	221
PPTRA	10,169,729	10,169,729	10,169,729	-
Mobile home titling tax	45,000	45,000	33,626	(11,374)
Vehicle rental tax	106,000	106,000	101,568	(4,432)
Local aid Commonwealth state reduction	(392,933)	(392,933)	(374,601)	18,332
Total noncategorical aid	13,594,975	13,594,975	13,588,614	(6,361)
Categorical aid:				
Commonwealth's Attorney	850,000	850,000	900,095	50,095
Commissioner of Revenue	145,000	145,000	153,211	8,211
Treasurer	190,000	190,000	194,389	4,389
Sheriff	850,000	850,000	869,801	19,801
Circuit Court Clerk	440,000	562,735	559,065	(3,670)
Registrar	52,000	52,000	47,905	(4,095)
Total categorical aid	2,527,000	2,649,735	2,724,466	74,731
Other categorical aid:				
Public assistance and welfare administration	3,804,042	3,804,042	3,394,244	(409,798)
Other categorical aid	665,000	674,540	762,409	87,869
Total other categorical aid	4,469,042	4,478,582	4,156,653	(321,929)
Total categorical aid	6,996,042	7,128,317	6,881,119	(247,198)
Total revenue from the Commonwealth	20,591,017	20,723,292	20,469,733	(253,559)
Revenue from the Federal Government				
Categorical aid:				
Public assistance and welfare administration	5,195,631	5,195,631	5,146,427	(49,204)
Emergency services	11,000	11,000	11,032	32
Parks, recreation and cultural	35,642	35,642	18,228	(17,414)
Property seizure	-	-	20,413	20,413
Other Federal grants	-	-	53,153	53,153
Total revenue from the Federal Government	5,242,273	5,242,273	5,249,253	6,980
Total revenues	161,095,552	165,327,827	164,836,458	(491,369)

(Continued)

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
EXPENDITURES				
General Government administration:				
Legislative:				
City Council	\$ 336,702	\$ 343,250	\$ 327,487	\$ 15,763
General and financial administration:				
City Manager	819,703	784,428	777,943	6,485
Budget and strategic planning	383,929	390,059	386,660	3,399
City Attorney	887,685	857,828	841,297	16,531
Human resources	959,284	1,103,142	1,063,794	39,348
Commissioner of the Revenue	899,084	874,032	856,064	17,968
City Assessor	1,176,087	1,326,919	1,317,889	9,030
City Treasurer	1,202,755	1,200,030	1,197,642	2,388
Finance	1,243,297	1,176,738	1,132,495	44,243
Purchasing	286,176	291,329	281,809	9,520
Capital Program Management	2,763,949	2,729,611	2,587,151	142,460
Board of Elections:				
Registrar	264,830	262,918	238,399	24,519
Total general government administration	11,223,481	11,340,285	11,008,630	331,655
Judicial administration:				
Courts:				
Circuit Court	157,387	159,942	158,078	1,864
District Court	63,840	63,840	45,791	18,049
Magistrate	19,269	19,269	16,556	2,713
Juvenile and Domestic Relations Court	21,173	21,173	19,182	1,991
Juvenile and Domestic Relations Court Service Unit	872,872	872,872	809,809	63,063
Circuit Court Clerk	1,086,362	1,271,739	1,189,236	82,503
Sheriff	1,933,608	1,822,616	1,804,602	18,014
Commonwealth Attorney	2,308,390	2,464,571	2,303,155	161,416
Total judicial administration	6,462,901	6,696,022	6,346,409	349,613
Public safety:				
Police	15,462,502	15,911,346	15,847,330	64,016
Communications	1,493,212	1,436,005	1,414,980	21,025
Property seizure program - Federal	-	154,098	-	154,098
Confiscation program - State	-	163,642	-	163,642
DARE	-	8,307	-	8,307
Fire	17,292,735	18,093,053	17,594,661	498,392
Western Tidewater Regional Jail	1,965,834	1,965,834	1,965,834	-
Animal shelter and management	563,649	907,479	548,409	359,070
Neighborhood development services	2,051,512	2,218,704	1,981,433	237,271
Emergency services	26,615	26,615	25,139	1,476
Total public safety	38,856,059	40,885,083	39,377,786	1,507,297
Public works:				
Administration	1,112,820	1,204,624	932,322	272,302
Refuse collection	3,367,071	3,737,125	3,290,703	446,422
Maintenance of buildings and grounds	428,123	430,882	423,580	7,302
Total public works	4,908,014	5,372,631	4,646,605	726,026

(Continued)

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
EXPENDITURES (Continued)				
Health and welfare:				
Social Services	\$ 14,256,057	\$ 14,692,274	\$ 13,044,516	\$ 1,647,758
Total health and welfare	14,256,057	14,692,274	13,044,516	1,647,758
Education:				
Contributions to component unit school board	44,552,130	46,232,130	46,137,497	94,633
Lease rent of building	511,589	511,589	510,712	877
Total education	45,063,719	46,743,719	46,648,209	95,510
Parks, recreation, and cultural:				
Parks and recreation	4,423,359	4,495,229	4,361,730	133,499
Public libraries	2,052,904	1,996,644	1,939,775	56,869
Total parks, recreation, and cultural	6,476,263	6,491,873	6,301,505	190,368
Community Development:				
Planning	1,277,605	1,238,278	1,093,749	144,529
Aviation facilities	1,022,147	1,034,856	966,432	68,424
Economic development	902,752	2,966,174	1,287,779	1,678,395
Communications	557,913	561,880	556,900	4,980
Tourism	427,031	422,632	411,129	11,503
Local and regional organizations	1,829,225	7,429,225	7,400,123	29,102
Cooperative extension services	73,263	71,263	39,375	31,888
Total community development	6,089,936	13,724,308	11,755,487	1,968,821
Nondepartmental:				
Fringe benefits and insurance	6,988,969	7,097,032	6,977,603	119,429
Total nondepartmental	6,988,969	7,097,032	6,977,603	119,429
Total expenditures	140,325,399	153,043,226	146,106,750	6,936,478
Excess of revenues over expenditures	20,770,153	12,284,601	18,729,708	6,445,109
OTHER FINANCING SOURCES (USES)				
Transfers in	2,356,241	2,356,241	2,356,241	-
Transfers out	(23,126,394)	(25,390,199)	(27,207,723)	(1,817,524)
Total other financing sources (uses)	(20,770,153)	(23,033,958)	(24,851,482)	(1,817,524)
Net change in fund balances	\$ -	\$ (10,749,359)	\$ (6,121,774)	\$ 4,627,585

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
OTHER MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	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	\$ -	\$ -	\$ -	\$ -	\$ 151,250	\$ 151,250	\$ 384,173	\$ 232,923	
Revenue from use of money and property	-	-	-	-	-	-	20,783	20,783	
Charges for services	-	-	-	-	896,040	896,040	846,823	(49,217)	
Micellaneous	-	-	-	-	30,000	31,000	41,691	10,691	
Intergovernmental:									
Revenue from the Commonwealth	-	-	-	-	18,053,108	18,053,108	18,767,063	713,955	
Fund balance (rollover/appropriations)	-	-	-	-	-	1,604,896	-	(1,604,896)	
Total revenues	-	-	-	-	19,130,398	20,736,294	20,060,533	(675,761)	
EXPENDITURES									
Current:									
Public works	-	-	-	-	19,130,398	20,736,294	17,442,843	3,293,451	
Principal	13,266,169	13,266,169	13,571,169	(305,000)	-	-	-	-	
Interest and other fiscal charges	9,339,326	9,339,326	8,825,336	513,990	-	-	-	-	
Bond and coupon handling	70,000	70,000	17,787	52,213	-	-	-	-	
Total expenditures	22,675,495	22,675,495	22,414,292	261,203	19,130,398	20,736,294	17,442,843	3,293,451	
Excess (deficiency) of revenues over expenditures	(22,675,495)	(22,675,495)	(22,414,292)	(261,203)	-	-	2,617,690	2,617,690	
OTHER FINANCING SOURCES									
Transfers in	22,675,495	22,675,495	23,172,289	496,794	-	-	320,224	320,224	
Transfers out	-	-	-	-	-	-	(1,386,081)	(1,386,081)	
Total other financing sources	22,675,495	22,675,495	23,172,289	496,794	-	-	(1,065,857)	(1,065,857)	
Net change in fund balances	\$ -	\$ -	\$ 757,997	\$ 757,997	\$ -	\$ -	\$ 1,551,833	\$ 1,551,833	

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2011

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
City:						
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%
June 30, 2008	142,580,456	168,516,668	25,936,212	84.61%	50,262,100	51.60%
School Board:						
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%
June 30, 2008	15,498,806	16,575,497	1,076,691	93.50%	6,776,948	15.89%

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS
June 30, 2011

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
City:							
	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%
	July 1, 2007	4,368,558	24,529,651	20,161,093	17.81%	57,292,676	35.19%
School Board:							
	July 1, 2009	\$ 6,439,907	\$ 17,122,042	\$ 10,682,135	37.61%	\$ 59,353,222	18.00%
	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%	59,163,327	19.85%

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.

CITY OF SUFFOLK, VIRGINIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2011

	Suffolk Taxing District	Downtown Business Overlay District	Consolidated Grants	Law Library	Route 17 Taxing District	Mosquito Taxing District	Cemetery	Total Non-Major Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 320,224	\$ 90,013	\$ 414,634	\$ -	\$ 1,479,785	\$ 794,671	\$ -	\$ 3,099,327
Cash and cash equivalents, restricted	-	-	23,194	194,799	-	-	1,002,851	1,220,844
Receivables, net:								
Taxes	-	10,791	-	-	18,404	-	-	29,195
Accounts	-	-	45,230	4,152	-	-	-	49,382
Due from other governmental units	-	-	502,215	-	-	-	-	502,215
Total assets	<u>\$ 320,224</u>	<u>\$ 100,804</u>	<u>\$ 985,273</u>	<u>\$ 198,951</u>	<u>\$ 1,498,189</u>	<u>\$ 794,671</u>	<u>\$ 1,002,851</u>	<u>\$ 4,900,963</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 125,655	\$ 1,338	\$ 2,500	\$ -	\$ 933	\$ 130,426
Due to other funds	-	-	547,445	-	-	-	-	547,445
Deferred revenue	-	6,868	151,853	-	14,228	-	-	172,949
Total liabilities	<u>-</u>	<u>6,868</u>	<u>824,953</u>	<u>1,338</u>	<u>16,728</u>	<u>-</u>	<u>933</u>	<u>850,820</u>
Fund Balances:								
Restricted	-	-	23,194	197,613	-	-	1,001,918	1,222,725
Committed	320,224	93,936	208,836	-	1,481,461	794,671	-	2,899,128
Unassigned	<u>-</u>	<u>-</u>	<u>(71,710)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,710)</u>
Total fund balances	<u>320,224</u>	<u>93,936</u>	<u>160,320</u>	<u>197,613</u>	<u>1,481,461</u>	<u>794,671</u>	<u>1,001,918</u>	<u>4,050,143</u>
Total liabilities and fund balances	<u>\$ 320,224</u>	<u>\$ 100,804</u>	<u>\$ 985,273</u>	<u>\$ 198,951</u>	<u>\$ 1,498,189</u>	<u>\$ 794,671</u>	<u>\$ 1,002,851</u>	<u>\$ 4,900,963</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Suffolk Taxing District	Downtown Business Overlay District	Consolidated Grants	Law Library	Route 17 Taxing District	Mosquito Taxing District	Cemetery	Total Non-Major Governmental Funds
REVENUES								
Real estate taxes	\$ 3,098	\$ 206,424	\$ -	\$ -	\$ 1,262,967	\$ 628	\$ -	\$ 1,473,117
Revenue from use of money and property	-	1,310	-	831	6,413	3,533	-	12,087
Charges for services	-	-	28,715	43,900	-	-	15,468	88,083
Miscellaneous	-	-	267,283	42	-	-	-	267,325
Intergovernmental:								
Revenue from the Commonwealth	-	-	448,302	-	-	-	-	448,302
Revenue from the Federal Government	-	-	2,624,557	-	-	-	-	2,624,557
Total revenues	<u>3,098</u>	<u>207,734</u>	<u>3,368,857</u>	<u>44,773</u>	<u>1,269,380</u>	<u>4,161</u>	<u>15,468</u>	<u>4,913,471</u>
EXPENDITURES								
Current:								
Judicial administration	-	-	362,684	34,647	-	-	-	397,331
Public safety	-	-	743,964	-	63,682	-	-	807,646
Public works	-	173,724	49,345	-	-	18,000	-	241,069
Health and welfare	-	-	111,814	-	-	-	-	111,814
Education	-	-	97,882	-	-	-	-	97,882
Parks, recreation, and cultural	-	-	151,626	-	-	-	-	151,626
Community development	-	-	1,888,823	-	-	-	-	1,888,823
Total expenditures	<u>-</u>	<u>173,724</u>	<u>3,406,138</u>	<u>34,647</u>	<u>63,682</u>	<u>18,000</u>	<u>-</u>	<u>3,696,191</u>
Excess (deficiency) of revenues over expenditures	<u>3,098</u>	<u>34,010</u>	<u>(37,281)</u>	<u>10,126</u>	<u>1,205,698</u>	<u>(13,839)</u>	<u>15,468</u>	<u>1,217,280</u>
Other financing sources (uses):								
Transfers in	-	-	345,075	-	-	-	-	345,075
Transfers out	-	-	(363,065)	-	(757,996)	-	-	(1,121,061)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(17,990)</u>	<u>-</u>	<u>(757,996)</u>	<u>-</u>	<u>-</u>	<u>(775,986)</u>
Net changes in fund balances	3,098	34,010	(55,271)	10,126	447,702	(13,839)	15,468	441,294
Fund balances at July 1	317,126	59,926	215,591	187,487	1,033,759	808,510	986,450	3,608,849
Fund balances at June 30	<u>\$ 320,224</u>	<u>\$ 93,936</u>	<u>\$ 160,320</u>	<u>\$ 197,613</u>	<u>\$ 1,481,461</u>	<u>\$ 794,671</u>	<u>\$ 1,001,918</u>	<u>\$ 4,050,143</u>

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, 2011

	Law Library				Downtown Business Overlay District			
	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	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 206,424	\$ 6,424
Permits, privilege fees and regulatory licenses	-	-	-	-	-	-	-	-
Revenue from use of money and property	-	-	831	831	-	-	1,310	1,310
Charges for services	47,000	49,000	43,900	(5,100)	-	-	-	-
Micellaneous	1,139	1,139	42	(1,097)	-	-	-	-
Intergovernmental:								
Revenue from the Commonwealth	-	-	-	-	-	-	-	-
Total revenues	48,139	50,139	44,773	(5,366)	200,000	200,000	207,734	7,734
EXPENDITURES								
Current:								
Judicial administration	48,139	50,139	34,647	(15,492)	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	200,000	200,000	173,724	(26,276)
Total expenditures	48,139	50,139	34,647	(15,492)	200,000	200,000	173,724	(26,276)
Excess (deficiency) of revenues over expenditures	-	-	10,126	10,126	-	-	34,010	34,010
OTHER FINANCING USES								
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ 10,126	\$ 10,126	\$ -	\$ -	\$ 34,010	\$ 34,010

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, 2011

	Route 17 Taxing District			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Real estate taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,262,967	\$ (137,033)
Revenue from use of money and property	-	-	6,413	6,413
Fund balance (rollover/appropriations)	-	758	-	(758)
Total revenues	1,400,000	1,400,758	1,269,380	(131,378)
EXPENDITURES				
Current:				
Public safety	100,000	170,758	63,682	107,076
Total expenditures	100,000	170,758	63,682	107,076
Excess (deficiency) of revenues over expenditures	1,300,000	1,230,000	1,205,698	(24,302)
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,300,000)	(1,230,000)	(757,996)	472,004
Total other financing sources (uses)	(1,300,000)	(1,230,000)	(757,996)	472,004
Net change in fund balances	\$ -	\$ -	\$ 447,702	\$ 447,702

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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, 2011

	<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	<u>\$ 28,327</u>	<u>\$ 2,618</u>	<u>\$ 539,867</u>	<u>\$ 570,812</u>
Total assets	<u><u>\$ 28,327</u></u>	<u><u>\$ 2,618</u></u>	<u><u>\$ 539,867</u></u>	<u><u>\$ 570,812</u></u>
LIABILITIES				
Amounts held for others	<u>\$ 28,327</u>	<u>\$ 2,618</u>	<u>\$ 539,867</u>	<u>\$ 570,812</u>
Total liabilities	<u><u>\$ 28,327</u></u>	<u><u>\$ 2,618</u></u>	<u><u>\$ 539,867</u></u>	<u><u>\$ 570,812</u></u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 26,010	\$ 72,165	\$ 69,848	\$ 28,327
Total assets	\$ 26,010	\$ 72,165	\$ 69,848	\$ 28,327
LIABILITIES				
Amounts held for others	\$ 26,010	\$ 72,165	\$ 69,848	\$ 28,327
Total liabilities	\$ 26,010	\$ 72,165	\$ 69,848	\$ 28,327
Commonwealth of Virginia Fund				
ASSETS				
Cash and cash equivalents	\$ 2,533	\$ 134,171	\$ 134,086	\$ 2,618
Total assets	\$ 2,533	\$ 134,171	\$ 134,086	\$ 2,618
LIABILITIES				
Amounts held for others	\$ 2,533	\$ 134,171	\$ 134,086	\$ 2,618
Total liabilities	\$ 2,533	\$ 134,171	\$ 134,086	\$ 2,618
Western Tidewater Water Authority				
ASSETS				
Cash and cash equivalents	\$ -	\$ 6,345,415	\$ 5,805,548	\$ 539,867
Total assets	\$ -	\$ 6,345,415	\$ 5,805,548	\$ 539,867
LIABILITIES				
Amounts held for others	\$ -	\$ 6,345,415	\$ 5,805,548	\$ 539,867
Total liabilities	\$ -	\$ 6,345,415	\$ 5,805,548	\$ 539,867
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 28,543	\$ 6,551,751	\$ 6,009,482	\$ 570,812
Total assets	\$ 28,543	\$ 6,551,751	\$ 6,009,482	\$ 570,812
LIABILITIES				
Amounts held for others	\$ 28,543	\$ 6,551,751	\$ 6,009,482	\$ 570,812
Total liabilities	\$ 28,543	\$ 6,551,751	\$ 6,009,482	\$ 570,812

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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, 2011

	Information Technology Fund	Fleet Management Fund	Risk Management Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,958,386	\$ 1,833,771	\$ 7,615,824	\$ 11,407,981
Cash and cash equivalents, restricted	-	408,609	-	408,609
Receivables, net	-	-	21,171	21,171
Prepays	-	-	9,698	9,698
Inventories	-	241,843	-	241,843
Total current assets	<u>1,958,386</u>	<u>2,484,223</u>	<u>7,646,693</u>	<u>12,089,302</u>
Noncurrent assets:				
OPEB asset	17,290	19,883	2,593	39,766
Land and construction in progress	348,875	298,000	-	646,875
Capital assets, net	1,062,880	15,887,896	-	16,950,776
Total noncurrent assets	<u>1,429,045</u>	<u>16,205,779</u>	<u>2,593</u>	<u>17,637,417</u>
Total Assets	<u>3,387,431</u>	<u>18,690,002</u>	<u>7,649,286</u>	<u>29,726,719</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	216,440	306,773	80,060	603,273
Accrued payroll and related liabilities	137	16	70,321	70,474
Claims payable	-	-	1,454,017	1,454,017
Accrued interest	-	26,504	-	26,504
Compensated absences	2,653	1,834	1,278	5,765
Capital leases	113,128	1,710,868	-	1,823,996
Total current liabilities	<u>332,358</u>	<u>2,045,995</u>	<u>1,605,676</u>	<u>3,984,029</u>
Noncurrent liabilities:				
Compensated absences	100,620	83,402	11,221	195,243
Claims payable	-	-	816,262	816,262
Capital leases	47,137	2,678,483	-	2,725,620
Total noncurrent liabilities	<u>147,757</u>	<u>2,761,885</u>	<u>827,483</u>	<u>3,737,125</u>
Total liabilities	<u>480,115</u>	<u>4,807,880</u>	<u>2,433,159</u>	<u>7,721,154</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,251,490	12,205,154	-	13,456,644
Unrestricted assets	1,655,826	1,676,968	5,216,127	8,548,921
Total Net Assets	<u>\$ 2,907,316</u>	<u>\$ 13,882,122</u>	<u>\$ 5,216,127</u>	<u>\$ 22,005,565</u>

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2011

	Information Technology Fund	Fleet Management Fund	Risk Management Fund	Total
OPERATING REVENUES				
Charges for services	\$ 3,971,952	\$ 10,125,013	\$ 12,853,582	\$ 26,950,547
Other	6,238	89,462	132,661	228,361
Total operating revenues	<u>3,978,190</u>	<u>10,214,475</u>	<u>12,986,243</u>	<u>27,178,908</u>
OPERATING EXPENSES				
Personnel services	1,332,895	1,178,775	220,939	2,732,609
Self-insured claims	-	-	8,823,383	8,823,383
Contractual services	941,262	518,785	55,520	1,515,567
Administration	133,947	652,236	10,835	797,018
Supplies	51,368	33,204	13,325	97,897
Repairs and maintenance	26,051	33,342	-	59,393
Vehicle and power equipment - fuel	-	2,113,295	-	2,113,295
Vehicle and power equipment - supplies	-	1,702,818	-	1,702,818
Utilities	38,544	37,886	2,023	78,453
Insurance	-	-	1,936,335	1,936,335
OPEB – contributions to trust	-	-	3,014,322	3,014,322
Depreciation	172,488	3,350,356	-	3,522,844
Building and equipment rental	44,476	540,298	-	584,774
Other charges	26,637	3,274	10,317	40,228
Total operating expenses	<u>2,767,668</u>	<u>10,164,269</u>	<u>14,086,999</u>	<u>27,018,936</u>
Operating income (loss)	<u>1,210,522</u>	<u>50,206</u>	<u>(1,100,756)</u>	<u>159,972</u>
NONOPERATING REVENUES (EXPENSES)				
Loss on disposal of capital assets	-	(34,636)	-	(34,636)
Interest income	6,472	24,231	32,569	63,272
Interest expense	-	(199,521)	-	(199,521)
Total nonoperating revenues (expenses)	<u>6,472</u>	<u>(209,926)</u>	<u>32,569</u>	<u>(170,885)</u>
Net income (loss) before contributions and transfers	<u>1,216,994</u>	<u>(159,720)</u>	<u>(1,068,187)</u>	<u>(10,913)</u>
CAPITAL CONTRIBUTIONS	-	645,389	-	645,389
TRANSFERS OUT	<u>(111,578)</u>	<u>(228,978)</u>	<u>(35,618)</u>	<u>(376,174)</u>
Change in net assets	1,105,416	256,691	(1,103,805)	258,302
NET ASSETS AT JULY 1, as restated	<u>1,801,900</u>	<u>13,625,431</u>	<u>6,319,932</u>	<u>21,747,263</u>
NET ASSETS AT JUNE 30	<u>\$ 2,907,316</u>	<u>\$ 13,882,122</u>	<u>\$ 5,216,127</u>	<u>\$ 22,005,565</u>

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2011

	Information Technology Fund	Fleet Management Fund	Risk Management Fund	Total
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,978,190	\$ 10,220,135	\$ 12,989,030	\$27,187,355
Payments to employees	(1,312,441)	(1,175,484)	(145,189)	(2,633,114)
Payments to suppliers	(1,080,384)	(5,549,869)	(15,005,410)	(21,635,663)
Net cash provided (used) by operating activities	<u>1,585,365</u>	<u>3,494,782</u>	<u>(2,161,569)</u>	<u>2,918,578</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(111,578)	(1,317,018)	(35,618)	(1,464,214)
Net cash used in noncapital financing activities	<u>(111,578)</u>	<u>(1,317,018)</u>	<u>(35,618)</u>	<u>(1,464,214)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(648,691)	(1,041,557)	-	(1,690,248)
Principal paid on capital lease obligations	(113,129)	(2,931,141)	-	(3,044,270)
Capital lease proceeds	-	1,324,956	-	1,324,956
Interest paid on debt	-	(212,613)	-	(212,613)
Net cash (used in) capital and related financing activities	<u>(761,820)</u>	<u>(2,860,355)</u>	<u>-</u>	<u>(3,622,175)</u>
INVESTING ACTIVITIES				
Interest earned	6,472	24,231	32,569	63,272
Net increase (decrease) in cash and cash equivalents	718,439	(658,360)	(2,164,618)	(2,104,539)
Beginning, July 1	1,239,947	2,900,740	9,780,442	13,921,129
Ending, June 30	<u>\$ 1,958,386</u>	<u>\$ 2,242,380</u>	<u>\$ 7,615,824</u>	<u>\$11,816,590</u>
RECONCILIATION TO STATEMENT OF NET ASSETS:				
Cash and cash equivalents	\$ 1,958,386	\$ 1,833,771	\$ 7,615,824	\$11,407,981
Cash and cash equivalents, restricted	-	408,609	-	408,609
	<u>\$ 1,958,386</u>	<u>\$ 2,242,380</u>	<u>\$ 7,615,824</u>	<u>\$11,816,590</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,210,522	\$ 50,206	\$ (1,100,756)	\$ 159,972
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	172,488	3,350,356	-	3,522,844
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	-	5,660	2,787	8,447
Inventories	-	7,286	-	7,286
Prepays	-	-	25,818	25,818
Increase (decrease) in:				
Accounts payable and accrued liabilities	192,377	85,942	(94,291)	184,028
Accrued payroll and related liabilities	9,978	(4,668)	73,725	79,035
Claims payable	-	-	(1,068,852)	(1,068,852)
Net cash provided by (used in) operating activities	<u>\$ 1,585,365</u>	<u>\$ 3,494,782</u>	<u>\$ (2,161,569)</u>	<u>\$ 2,918,578</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Noncash capital contributions	<u>\$ -</u>	<u>\$ 645,389</u>	<u>\$ -</u>	<u>\$ 645,389</u>

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, 2011

	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	\$ 14,347,209	\$ -	\$ 2,764,490	\$ 17,111,699	\$ 206,685	\$ 17,318,384
Receivables, net:						
Accounts receivable	215,882	7,244	59,108	282,234	3,679	285,913
Due from other funds	2,585,974	-	-	2,585,974	-	2,585,974
Due from other governmental units	2,403,512	4,409,617	233,663	7,046,792	-	7,046,792
Inventories	166,312	-	347,259	513,571	-	513,571
Prepays	60,000	-	-	60,000	-	60,000
Total assets	<u>\$ 19,778,889</u>	<u>\$ 4,416,861</u>	<u>\$ 3,404,520</u>	<u>\$ 27,600,270</u>	<u>\$ 210,364</u>	<u>\$ 27,810,634</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 1,510,323	\$ 535,909	\$ 298,575	\$ 2,344,807	\$ 3,679	\$ 2,348,486
Accrued Liabilities	561,086	-	-	561,086	154,015	715,101
Accrued Payroll	9,725,160	858,474	165,956	10,749,590	-	10,749,590
Amounts held for others	49,897	-	-	49,897	-	49,897
Due to primary government	94,633	-	-	94,633	-	94,633
Deferred revenue	1,152,971	-	-	1,152,971	-	1,152,971
Due to other governments	-	-	-	-	52,670	52,670
Due to other funds	-	2,585,974	-	2,585,974	-	2,585,974
Total liabilities	<u>13,094,070</u>	<u>3,980,357</u>	<u>464,531</u>	<u>17,538,958</u>	<u>210,364</u>	<u>17,749,322</u>
Fund Balances:						
Nonspendable						
Inventories and prepaids	226,312	-	347,259	573,571	-	573,571
Premiums held for workers compensation claims	813,550	-	-	813,550	-	813,550
Committed						
Grant local match	-	362,488	-	362,488	-	362,488
Assigned						
Special revenue	-	-	2,552,668	2,552,668	-	2,552,668
Encumbrances	5,299,086	1,941,661	40,062	7,280,809	-	7,280,809
Unassigned	<u>345,871</u>	<u>(1,867,645)</u>	<u>-</u>	<u>(1,521,774)</u>	<u>-</u>	<u>(1,521,774)</u>
Total fund balances	<u>6,684,819</u>	<u>436,504</u>	<u>2,939,989</u>	<u>10,061,312</u>	<u>-</u>	<u>10,061,312</u>
Total liabilities and fund balances	<u>\$ 19,778,889</u>	<u>\$ 4,416,861</u>	<u>\$ 3,404,520</u>	<u>\$ 27,600,270</u>	<u>\$ 210,364</u>	<u>\$ 27,810,634</u>
Reconciliation to the Statement of Net Assets (Exhibit 1)						
Total fund balance						\$ 10,061,312
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						
City of Suffolk Schools						69,852,129
Pruden Center						1,238,654
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.						1,152,971
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.						
Other post-employment benefits						(1,350,927)
School Board Compensated absences						(1,829,613)
Pruden Center Compensated absences						(66,433)
Net assets of governmental activities						<u>\$ 79,058,093</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
June 30, 2011

	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	\$ 61,395	\$ -	\$ 1,043	\$ 62,438	\$ -	\$ 62,438
Charges for services	108,166	-	2,335,796	2,443,962	55,767	2,499,729
Miscellaneous	682,340	-	344,813	1,027,153	-	1,027,153
Intergovernmental:						
City Contribution	46,137,497	-	-	-	-	46,137,497
Revenue from the Commonwealth	71,575,899	124,505	131,774	71,832,178	26,000	71,858,178
Revenue from the Federal Government	2,996,826	11,104,740	4,055,080	18,156,646	-	18,156,646
School Board contribution to Pruden Center	-	-	-	-	1,710,847	1,710,847
Isle of Wright contribution to Pruden Center	-	-	-	-	819,173	819,173
Total revenues	<u>121,562,123</u>	<u>11,229,245</u>	<u>6,868,506</u>	<u>139,659,874</u>	<u>2,611,787</u>	<u>142,271,661</u>
EXPENDITURES						
Current:						
Education	121,935,916	11,236,850	6,136,244	139,309,010	2,611,787	141,920,797
Total expenditures	<u>121,935,916</u>	<u>11,236,850</u>	<u>6,136,244</u>	<u>139,309,010</u>	<u>2,611,787</u>	<u>141,920,797</u>
Excess (deficiency) of revenues over expenditures	<u>(373,793)</u>	<u>(7,605)</u>	<u>732,262</u>	<u>350,864</u>	<u>-</u>	<u>350,864</u>
Other financing sources (uses):						
Transfers in	-	121,691	-	121,691	-	121,691
Transfers (out)	<u>(121,691)</u>	<u>-</u>	<u>-</u>	<u>(121,691)</u>	<u>-</u>	<u>(121,691)</u>
Total other financing sources (uses)	<u>(121,691)</u>	<u>121,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(495,484)</u>	<u>114,086</u>	<u>732,262</u>	<u>350,864</u>	<u>-</u>	<u>350,864</u>
Fund balances at July 1, as restated	<u>7,180,303</u>	<u>322,418</u>	<u>2,207,727</u>	<u>9,710,448</u>	<u>-</u>	<u>9,710,448</u>
Fund balances at June 30	<u>\$ 6,684,819</u>	<u>\$ 436,504</u>	<u>\$ 2,939,989</u>	<u>\$ 10,061,312</u>	<u>\$ -</u>	<u>\$ 10,061,312</u>

Reconciliation to the Statement of Activities (Exhibit 2)

Net change in fund balance - governmental fund	\$ 350,864
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 capitalized expenditures (\$11,100,447) exceeded depreciation expense (\$7,763,469) and loss on disposals (\$160,216) for the School Board.	3,176,762
The Pruden Center had depreciation expense (\$168,085) exceeding capital asset additions (\$63,291)	(104,794)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(167,004)
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	(705,715)
This amount represents the current year change in compensated absences for the Pruden Center	11,813
Change in net assets of governmental activities	<u>\$ 2,561,926</u>

CITY OF SUFFOLK, VIRGINIA

BUDGETARY RECONCILIATION SCHEDULE
GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2011

	School Operating Fund			School Grants Fund			School Food Service Fund		
	Total Exhibit 25	Encumbrances	Total Exhibit 23	Total Exhibit 25	Encumbrances	Total Exhibit 23	Total Exhibit 25	Encumbrances	Total Exhibit 23
Total revenues	\$ 121,562,123	\$ -	\$ 121,562,123	\$ 11,229,245	\$ -	\$ 11,229,245	\$ 6,868,506	\$ -	\$ 6,868,506
Total other financing sources	-	-	-	121,691	-	121,691	-	-	-
Total revenues and other financing sources	121,562,123	-	121,562,123	11,350,936	-	11,350,936	6,868,506	-	6,868,506
Total expenditures	127,235,002	(5,299,086)	121,935,916	13,178,511	(1,941,661)	11,236,850	6,176,306	(40,062)	6,136,244
Total other financing uses	121,691	-	121,691	-	-	-	-	-	-
Total expenditures and other financing uses	127,356,693	(5,299,086)	122,057,607	13,178,511	(1,941,661)	11,236,850	6,176,306	(40,062)	6,136,244
Net changes in fund balances	<u>\$ (5,794,570)</u>	<u>\$ 5,299,086</u>	<u>\$ (495,484)</u>	<u>\$ (1,827,575)</u>	<u>\$ 1,941,661</u>	<u>\$ 114,086</u>	<u>\$ 692,200</u>	<u>\$ 40,062</u>	<u>\$ 732,262</u>

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
For the Year Ended June 30, 2011

	School Operating Fund				School Grants Fund				School Food Service Fund			
	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	Original	Final	Actual	Original	Final	Actual			
REVENUES												
Revenue from use of money and property	\$ 80,000	\$ 80,000	\$ 61,395	\$ (18,605)	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,043	\$ 43
Charges for services	100,000	100,000	108,166	8,166	-	-	-	-	2,425,000	2,425,000	2,335,796	(89,204)
Miscellaneous	760,000	760,000	682,340	(77,660)	-	-	-	-	205,000	205,000	344,813	139,813
Intergovernmental:												
Contribution from the City of Suffolk	44,552,130	46,232,130	46,137,497	(94,633)	-	-	-	-	-	-	-	-
Revenue from the Commonwealth	72,216,358	72,264,293	71,575,899	(688,394)	-	686,577	124,505	(562,072)	121,000	121,000	131,774	10,774
Revenue from the Federal Government	2,992,512	2,944,577	2,996,826	52,249	15,613,000	14,804,732	11,104,740	(3,699,992)	3,580,000	3,580,000	4,055,080	475,080
Total revenues	120,701,000	122,381,000	121,562,123	(818,877)	15,613,000	15,491,309	11,229,245	(4,262,064)	6,332,000	6,332,000	6,868,506	536,506
EXPENDITURES												
Current:												
Education	120,701,000	128,423,927	127,235,002	1,188,925	-	-	-	-	-	-	-	-
Grant expenditures	-	-	-	-	15,613,000	15,613,000	13,178,511	2,434,489	-	-	-	-
Food Services	-	-	-	-					6,732,000	6,732,773	6,176,306	556,467
Total expenditures	120,701,000	128,423,927	127,235,002	1,188,925	15,613,000	15,613,000	13,178,511	2,434,489	6,732,000	6,732,773	6,176,306	556,467
Excess (deficiency) of revenues over (under) expenditures	-	(6,042,927)	(5,672,879)	370,048	-	(121,691)	(1,949,266)	(1,827,575)	(400,000)	(400,773)	692,200	1,092,973
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	121,691	121,691	-	-	-	-	-
Transfers out	-	(121,691)	(121,691)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(121,691)	(121,691)	-	-	121,691	121,691	-	-	-	-	-
Net change in fund balances	\$ -	\$ (6,164,618)	\$ (5,794,570)	\$ 370,048	\$ -	\$ -	\$ (1,827,575)	\$ (1,827,575)	\$ (400,000)	\$ (400,773)	\$ 692,200	\$ 1,092,973

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

June 30, 2011

	OPEB Trust Fund	School Activity Funds
Assets		
Cash and cash equivalents	\$ 6,439,907	\$ 1,184,668
Total assets	<u>\$ 6,439,907</u>	<u>\$ 1,184,668</u>
Liabilities		
Amounts held for others	\$ -	\$ 1,184,668
Total Liabilities	<u>\$ -</u>	<u>\$ 1,184,668</u>
Net Assets		
Held in trust for OPEB benefits	\$ 6,439,907	\$ -
Total net assets	<u>6,439,907</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 6,439,907</u>	<u>\$ -</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
OPEB TRUST FUND – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2011

	<u>School Board</u>
Additions:	
Employer Contributions	\$ 1,309,000
Gain (loss) on investments	<u>930,925</u>
Total additions	<u>2,239,925</u>
Deductions:	
Administrative fees	<u>6,708</u>
Total liabilities	<u>6,708</u>
Change in net assets	<u>2,233,217</u>
Net assets - beginning of year	<u>4,206,690</u>
Net assets - end of year	<u><u>\$ 6,439,907</u></u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
School Activity Funds:				
Cash	\$ 1,120,379	\$ 2,507,844	\$ 2,443,555	\$ 1,184,668
Liabilities:				
Amounts held for students	\$ 1,120,379	\$ 2,507,844	\$ 2,443,555	\$ 1,184,668

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.

Table 1

CITY OF SUFFOLK, VIRGINIA

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in capital assets, net of related debt	\$ 14,455,117	\$ 17,854,254	\$ 41,339,232	\$ 22,018,105	\$ 50,694,555	\$ 128,097,710	\$ 140,789,631	\$ 129,638,603	\$ 105,871,501	\$ 118,657,373
Restricted:										
Capital Projects	11,273,870	8,845,303	12,565,077	2,862,010	5,222,554	-	-	-	-	-
Debt Service	(245,575)	(1,679,443)	-	-	-	392,169	392,169	392,169	392,169	392,169
Other Purposes	1,714,508	1,439,773	2,250,498	944,650	3,703,280	-	959,304	-	8,269,446	18,217,244
Unrestricted	28,290,778	29,082,266	9,733,131	22,631,799	12,468,387	44,337,037	57,234,531	60,941,946	80,951,531	61,712,353
Total Governmental Activities Net Assets	<u>\$ 55,488,698</u>	<u>\$ 55,542,153</u>	<u>\$ 65,887,938</u>	<u>\$ 48,456,564</u>	<u>\$ 72,088,776</u>	<u>\$ 172,826,916</u>	<u>\$ 199,375,635</u>	<u>\$ 190,972,718</u>	<u>\$ 195,484,647</u>	<u>\$ 198,979,139</u>
Business-Type Activities										
Invested in capital assets, net of related debt	\$ 27,866,304	\$ 38,652,097	\$ 56,290,404	\$ 69,299,223	\$ 170,862,396	\$ 173,084,623	\$ 172,165,375	\$ 171,309,403	\$ 159,253,886	\$ 159,389,941
Restricted:										
Capital Projects	21,854,006	17,214,206	1,689,149	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	1,525,006	1,887,575
Other Purposes	-	-	634,206	-	39,426	-	-	-	-	32,827
Unrestricted	6,869,399	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
Total Business-Type Activities Net Assets	<u>\$ 56,589,709</u>	<u>\$ 62,898,584</u>	<u>\$ 66,386,979</u>	<u>\$ 71,075,962</u>	<u>\$ 173,960,370</u>	<u>\$ 173,529,795</u>	<u>\$ 173,655,191</u>	<u>\$ 174,244,827</u>	<u>\$ 166,278,272</u>	<u>\$ 167,681,238</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 42,321,421	\$ 56,506,351	\$ 97,629,636	\$ 91,317,328	\$ 221,556,951	\$ 301,182,333	\$ 312,955,006	\$ 300,948,006	\$ 265,125,387	\$ 278,047,314
Restricted:										
Capital Projects	33,127,876	26,059,509	14,254,226	2,862,010	5,222,554	-	-	-	-	-
Debt Service	(245,575)	(1,679,443)	-	-	-	392,169	392,169	392,169	1,917,175	2,279,744
Other Purposes	1,714,508	1,439,773	2,884,704	944,650	3,742,706	-	959,304	-	8,269,446	18,250,071
Unrestricted	35,160,177	36,114,547	17,506,351	24,408,538	15,526,935	44,782,209	58,724,347	63,877,370	86,450,911	68,083,248
Total Primary Government Net Assets	<u>\$ 112,078,407</u>	<u>\$ 118,440,737</u>	<u>\$ 132,274,917</u>	<u>\$ 119,532,526</u>	<u>\$ 246,049,146</u>	<u>\$ 346,356,711</u>	<u>\$ 373,030,826</u>	<u>\$ 365,217,545</u>	<u>\$ 361,762,919</u>	<u>\$ 366,660,377</u>
				(1)	(2)	(3)			(4)	

(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 in both the Governmental and Business-Type Activities Net Assets as per Note 17 in Notes to Financial Statements.

CITY OF SUFFOLK, VIRGINIA

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental Activities:										
General Government	\$ 5,952,937	\$ 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
Judicial	4,771,088	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
Public Safety	22,521,545	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
Public Works	7,950,702	7,665,951	13,763,814	4,657,083	5,275,996	28,828,221	29,772,711	32,530,396	34,682,047	30,775,346
Health and Welfare	14,043,726	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
Education	26,882,975	32,979,130	26,253,784	56,260,122	38,779,835	51,958,540	42,109,639	77,678,641	53,624,148	56,504,857
Parks, Recreation and Cultural	4,515,517	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
Community Development	4,193,781	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
Other Public Services	2,868,171	2,375,419	3,662,585	2,949,560	3,669,173	-	-	-	-	-
Interest on Long-Term Debt	6,510,669	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
Bond Costs	94,231	27,383	13,390	27,970	22,272	-	-	-	-	-
Non-Departmental	3,201,419	4,292,818	7,587,424	5,481,997	-	-	-	-	-	-
Total Governmental Activities Expenses	103,506,761	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
Business-Type Activities:										
Utilities	12,672,901	13,045,332	15,593,938	17,773,204	23,296,106	30,173,237	29,147,386	29,133,054	38,634,542	33,381,183
Golf course	17,317	1,181,521	1,148,610	1,834,057	1,934,301	1,979,380	1,780,625	1,689,229	-	-
Stormwater management	-	-	-	-	-	1,911,122	2,591,374	2,924,270	3,001,245	2,955,327
Total Business-Type Activities Expenses	12,690,218	14,226,853	16,742,548	19,607,261	25,230,407	34,063,739	33,519,385	33,746,553	41,635,787	36,336,510
Total Primary Government Expenses	\$ 116,196,979	\$ 125,723,889	\$ 136,068,277	\$ 168,967,368	\$ 159,706,739	\$ 217,797,671	\$ 197,039,664	\$ 234,110,268	\$ 229,708,965	\$ 230,188,917
Program Revenues										
Governmental activities:										
Charges for Services:										
General Government Administration	\$ 103,970	\$ 931,888	\$ 2,114,804	\$ 2,243,348	\$ 2,507,468	\$ -	\$ -	\$ -	\$ 6,299	\$ -
Judicial Administration	566,751	1,475,505	493,282	588,401	687,317	939,300	788,324	753,969	736,610	932,474
Public Safety	1,380,455	994,414	184,587	198,638	249,612	1,313,880	2,361,369	2,587,982	2,931,733	2,074,431
Public Works	769,700	-	1,380,740	1,386,084	1,254,981	1,746,854	1,531,857	2,195,198	2,367,267	1,504,393
Health and Welfare	-	-	-	-	-	15,015	15,201	7,388	25,280	-
Parks, Recreation and Cultural	430,920	457,370	288,075	316,658	325,748	335,642	476,376	628,393	670,162	759,323
Community Development	59,509	25,102	11,357	33,296	27,930	948,983	1,215,821	302,134	248,816	1,470,640
Other Public Service	547,591	499,626	575,318	602,404	812,681	-	-	-	-	-
Total Charges for Services	3,858,896	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
Operating Grants and Contributions:										
General Government Administration	383,924	370,679	1,195,139	443,125	294,285	473,712	531,013	170,905	122,185	395,505
Judicial Administration	2,477,980	2,463,581	2,131,555	2,267,307	2,141,741	1,802,021	1,846,680	1,829,318	1,766,209	2,377,742
Public Safety	889,563	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
Public Works	706,517	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	10,513,767	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
Education	150,897	83,991	131,645	-	-	-	-	-	-	-
Parks, Recreation and Cultural	513,362	268,232	305,659	369,363	749,244	285,761	297,489	305,120	294,402	18,228
Community Development	163,529	572,857	780,466	996,938	550,749	756,429	302,122	575,172	1,808,426	-
Other Public Services	98,691	41,039	11,494	72,711	28,630	-	-	-	-	-
Total Operating Grants and Contributions	15,898,230	15,990,921	24,180,426	16,975,626	15,800,530	30,167,363	30,758,083	32,356,868	34,303,823	33,370,344
Capital Grants and Contributions:										
Public Safety	-	-	-	-	-	-	-	70,500	-	-
Public Works	1,538,340	926,906	1,151,499	1,763,201	1,979,527	105,190,141	138,253	587,602	1,802,779	3,384,540
Health and Welfare	-	78,000	-	-	-	8,383	-	-	-	-
Education	1,538,360	1,030,585	1,035,898	1,290,471	1,394,061	-	-	-	-	-
Parks, Recreation and Cultural	28,687	-	41,378	27,652	227,199	2,043	-	-	-	-
Community Development	1,068,879	-	26,935	86,672	628,900	1,127,019	1,088,018	966,594	109,151	4,368,366
Other Public Services	-	-	-	170,280	-	-	-	-	-	-
Nondepartmental	-	-	1,172,283	18,701	-	-	-	-	-	-
Total Capital Grants and Contributions	4,174,266	2,035,491	3,427,993	3,356,977	4,229,687	106,327,586	1,226,271	1,624,696	1,911,930	7,752,906
Total Governmental Activities Program Revenues	23,931,392	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

CITY OF SUFFOLK, VIRGINIA

CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues: (Continued)										
Business-Type Activities:										
Charges for Services:										
Utility	18,359,157	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
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
Total Charges for Services	18,359,157	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
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
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
Total Business-Type Activities Program Revenues	18,359,157	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
Total Primary Government Program Revenues	\$ 42,290,549	\$ 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
Net (Expense)/Revenue										
Governmental Activities	\$ (79,575,369)	\$ (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)
Business-Type Activities	5,668,939	7,011,443	3,251,157	4,914,167	(2,905,722)	(697,287)	(973,116)	547,859	(7,225,586)	1,812,676
Total Primary Government Net Expense	\$ (73,906,430)	\$ (82,075,276)	\$ (83,417,990)	\$ (118,744,508)	\$ (111,486,100)	\$ (42,636,596)	\$ (126,120,093)	\$ (159,359,228)	\$ (152,096,844)	\$ (144,175,220)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes	\$ 75,735,139	\$ 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
Grants and Contributions Not Restricted to Specific Programs	2,947,490	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
Revenue from use of money and property	1,686,545	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
Gain on Disposal of Capital Assets	-	-	(30,742)	-	180,500	-	-	-	-	-
Transfers/Miscellaneous	1,104,708	1,517,103	169,414	1,783,138	2,659,201	4,235,712	1,930,839	2,692,356	3,968,437	1,109,541
Total Governmental Activities	81,473,882	89,140,174	97,014,932	109,502,002	126,365,900	142,677,449	151,695,696	151,504,170	150,792,383	148,684,717
Business-Type Activities:										
Reimbursements from Other Agencies	518,131	113,312	-	23,000	-	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	84,706	-	-	-	-	-	-	-	-	-
Investment Earnings	235,370	129,655	197,469	237,146	476,611	1,042,633	1,633,718	640,041	555,814	363,684
Gain on Disposal of Capital Assets	-	28,464	-	-	-	-	-	-	-	-
Transfers/Miscellaneous	(41,608)	(973,999)	39,758	(485,330)	(158,526)	(329,670)	(535,206)	(598,264)	(2,063,316)	21,277
Total Business-Type Activities	796,599	(702,568)	237,227	(225,184)	318,085	712,963	1,098,512	41,777	(1,507,502)	384,961
Total Primary Government	\$ 82,270,481	\$ 88,437,606	\$ 97,252,159	\$ 109,276,818	\$ 126,683,985	\$ 143,390,412	\$ 152,794,208	\$ 151,545,947	\$ 149,284,881	\$ 149,069,678
Change in Net Assets										
Governmental Activities	\$ 1,898,513	\$ 53,455	\$ 10,345,785	\$ (14,156,673)	\$ 17,785,522	\$ 100,738,140	\$ 26,548,719	\$ (8,402,917)	\$ 5,921,125	\$ 2,696,821
Business-Type Activities	6,465,538	6,308,875	3,488,384	4,688,983	(2,587,637)	15,676	125,396	589,636	(8,733,088)	2,197,637
Total Primary Government	\$ 8,364,051	\$ 6,362,330	\$ 13,834,169	\$ (9,467,690)	\$ 15,197,885	\$ 100,753,816	\$ 26,674,115	\$ (7,813,281)	\$ (2,811,963)	\$ 4,894,458
						(1)			(2)	

(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

Table 3

CITY OF SUFFOLK, VIRGINIA

FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 3,740,533	\$ 2,872,994	\$ 2,656,053	\$ 3,235,758	\$ 2,008,158	\$ 594,170	\$ 810,492	\$ 670,027	\$ -	\$ -
Unreserved	32,785,732	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
Restricted	-	-	-	-	-	-	-	-	-	2,106,682
Committed	-	-	-	-	-	-	-	-	585,475	8,200,533
Assigned	-	-	-	-	-	-	-	-	9,515,153	1,520,457
Unassigned	-	-	-	-	-	-	-	-	43,222,091	35,569,058
Total General Fund	<u>\$ 36,526,265</u>	<u>\$ 37,042,775</u>	<u>\$ 31,558,376</u>	<u>\$ 28,315,353</u>	<u>\$ 30,154,560</u>	<u>\$ 33,811,978</u>	<u>\$ 48,089,670</u>	<u>\$ 51,210,069</u>	<u>\$ 53,600,201</u>	<u>\$ 47,478,427</u>
All Other Governmental Funds										
Reserved	\$ 8,189,533	\$ 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	3,564,030	7,378,260	8,082,082	8,307,664	(7,242,148)	28,003,480	21,339,005	19,353,128	-	-
Debt Service Funds	(245,575)	(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	2,137,286	1,850,914	2,224,696	2,272,683	(174,585)	4,171,904	6,635,295	8,214,906	-	-
Restricted, reported in:	-	-	-	-	-	-	-	-	392,169	17,195,832
Committed, reported in:										
Capital Projects Funds	-	-	-	-	-	-	-	-	12,986,435	2,057,504
Nonmajor Governmental Funds	-	-	-	-	-	-	-	-	5,889,037	2,899,128
Other Governmental Funds	-	-	-	-	-	-	-	-	72,154	5,548,941
Assigned, reported in:										
Other Governmental Funds	-	-	-	-	-	-	-	-	6,868,143	-
Special Revenue Funds	-	-	-	-	-	-	-	-	5,468,839	872,002
Debt Service Funds	-	-	-	-	-	-	-	-	600,859	-
Unassigned	-	-	-	-	-	-	-	-	(69,801)	(71,710)
Total all other Governmental Funds	<u>\$ 13,645,274</u>	<u>\$ 9,498,256</u>	<u>\$ 12,063,645</u>	<u>\$ 13,776,856</u>	<u>\$ (1,305,771)</u>	<u>\$ 36,355,453</u>	<u>\$ 37,984,924</u>	<u>\$ 40,566,677</u>	<u>\$ 32,207,835</u>	<u>\$ 28,501,697</u>
Component Unit (School Board)										
Reserved	\$ 4,477,136	\$ 6,353,892	\$ 8,191,095	\$ 6,611,928	\$ 5,378,752	\$ 8,174,301	\$ 8,065,992	\$ 10,459,827	\$ -	\$ -
Unreserved	798,427	773,035	220,970	844,356	1,011,181	783,382	1,370,368	1,404,236	-	-
Nonspendable	-	-	-	-	-	-	-	-	451,829	1,387,121
Restricted	-	-	-	-	-	-	-	-	322,418	-
Committed	-	-	-	-	-	-	-	-	1,007,606	362,488
Assigned	-	-	-	-	-	-	-	-	7,928,595	9,833,477
Total Component Unit (School Board)	<u>\$ 5,275,563</u>	<u>\$ 7,126,927</u>	<u>\$ 8,412,065</u>	<u>\$ 7,456,284</u>	<u>\$ 6,389,933</u>	<u>\$ 8,957,683</u>	<u>\$ 9,436,360</u>	<u>\$ 11,864,063</u>	<u>\$ 9,710,448</u>	<u>\$ 10,061,312</u>
	(1)						(2)		(3)	

(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.

Table 4

CITY OF SUFFOLK, VIRGINIA

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
General Property Taxes	\$ 53,892,139	\$ 57,961,870	\$ 66,231,547	\$ 74,827,500	\$ 76,472,589	\$ 88,450,925	\$ 98,037,522	\$ 99,044,697	\$ 98,299,291	\$ 98,760,972
Other Local Taxes	21,843,000	23,503,407	25,361,853	27,514,690	30,512,149	31,261,557	33,104,223	33,090,604	32,916,852	34,520,691
Licenses, Permits and Fees	1,405,319	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
Fines and Forfeitures	349,377	553,375	655,114	661,623	695,620	552,063	475,350	521,771	852,307	869,701
Use of Money and Property	2,420,813	3,185,964	2,164,113	2,139,060	2,542,192	3,966,250	3,794,438	1,845,378	1,136,704	786,359
Intergovernmental	79,370,828	113,176,486	127,923,434	134,887,182	155,028,233	(8) 180,010,723	47,805,781	49,182,612	50,154,248	52,221,486
Charges for Services	1,784,194	2,076,100	2,781,664	2,957,076	3,166,463	5,811,425	4,538,081	4,770,991	4,739,019	4,711,730
Sale of Commodities and Property	1,580,723	1,888,096	2,011,073	2,174,387	2,371,587	-	-	-	-	-
Miscellaneous	2,062,003	640,633	908,522	896,602	2,678,000	(7) 4,315,695	1,368,871	1,784,155	1,674,116	1,445,202
Total Revenues	164,708,396	204,438,440	229,497,010	247,639,845	275,278,681	315,901,367	190,499,774	191,422,510	191,167,379	194,498,887
Expenditures										
General Government Administration	5,089,739	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
Judicial Administration	4,147,075	4,420,572	4,402,709	4,915,653	5,183,428	6,602,250	6,770,319	6,815,601	6,812,528	6,743,740
Public Safety	19,529,292	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
Public Works	6,418,212	6,839,111	7,008,118	8,767,265	11,172,271	(8) 22,157,962	24,379,984	26,204,343	26,784,701	22,330,517
Health and Welfare	12,257,769	12,495,701	13,001,895	13,786,005	12,581,669	10,493,819	11,040,820	11,597,910	12,718,523	13,156,330
Education	84,091,273	92,760,306	131,062,322	(2) 148,483,536	(2) 161,903,529	(2) 171,941,517	(2) 45,999,422	48,472,908	44,725,754	46,746,091
Parks, Recreation and Cultural	3,750,968	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
Community Development	3,666,922	3,643,667	6,506,643	(3) 4,485,621	4,541,559	(5) 26,784,795	6,192,145	8,032,334	8,783,239	13,644,310
Other Public Services	2,439,054	2,380,779	2,725,172	2,949,560	3,561,018	-	-	-	-	-
Non-Departmental	2,796,469	3,755,336	10,749,106	(4) 4,995,690	5,530,537	7,012,669	7,622,634	8,753,753	8,264,861	6,977,603
Capital Outlay	18,144,092	25,488,540	24,763,361	29,674,725	38,086,252	18,741,520	28,574,620	20,582,782	20,789,098	16,235,879
Debt Service										
Other	94,231	133,327	150,408	131,124	209,398	1,005,084	190,205	288,914	339,170	17,787
Interest	6,365,540	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
Principal	7,819,576	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
Total Expenditures	176,610,212	197,443,895	251,250,069	271,941,227	304,862,697	332,589,954	200,384,687	203,494,719	206,177,544	205,895,955
Excess of Revenues Over (Under) Expenditures	(11,901,816)	6,994,545	(21,753,059)	(24,301,382)	(29,584,016)	(16,688,587)	(9,884,913)	(12,072,209)	(15,010,165)	(11,397,068)
Other Financing Sources (Uses)										
Proceeds of Refunding Bonds	-	-	19,770,997	-	9,978,267	28,440,000	-	-	30,605,000	-
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	-
Premiums on Debt	-	-	-	168,989	918,255	3,131,272	501,623	-	2,102,918	-
Transfers to Component Units	(25,184,762)	(27,434,956)	-	-	-	-	-	-	-	-
Transfers In	33,920,389	5,980,095	12,522,466	7,910,293	6,114,990	6,699,896	27,223,057	30,481,200	31,222,564	31,070,025
Payment to Refunded Bonds Escrow Agent	-	-	(19,770,997)	-	(10,365,390)	(29,703,423)	-	-	(32,350,000)	-
Proceeds from Sale of Asset	-	-	1,722,690	-	-	-	-	-	-	-
Transfers Out	(8,521,719)	(5,443,097)	(12,308,996)	(7,423,493)	(5,778,826)	(6) (9,204,842)	(26,407,603)	(29,306,840)	(27,016,486)	(29,714,865)
Total Other Financing Sources (Uses)	213,908	(8,773,688)	20,119,188	21,815,789	15,274,245	62,849,142	25,792,077	17,774,360	8,113,996	1,355,160
Net Change in Fund Balance	<u>\$ (11,687,908)</u>	<u>\$ (1,779,143)</u>	<u>\$ (1,633,871)</u>	<u>\$ (2,485,593)</u>	<u>\$ (14,309,771)</u>	<u>\$ 46,160,555</u>	<u>\$ 15,907,164</u>	<u>\$ 5,702,151</u>	<u>\$ (6,896,169)</u>	<u>\$ (10,041,908)</u>
Debt Service as a percentage of non-capital expenditures (1)	8.76%	8.87%	7.63%	6.92%	7.64%	6.93%	12.67%	12.75%	12.84%	11.81%
									(1)	

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

Note B: In Fiscal Year 2007 the City adjusted grouping categories based on new fund additions, changes in operational structure and GFOA comments.

- (1) 2010 values were not restated (see Note 17 in the Notes to Financial Statements which covered multiple years).
 (2) Education includes the City's payments to the School Board, as listed below, which were reported as transfers in prior years.
 2004 – \$30,386,932 2005 – \$34,230,484 2006 – \$38,779,835 2007 – \$41,553,626
 (3) Includes \$2,437,088 of funding for the IDA's Secondary Debt Service Reserve Fund to support the \$18.3 million Economic Development Revenue Bonds relating to the Hilton Garden Inn and Suffolk Conference Center.

- (4) Nondepartmental includes expenditures for Hurricane Isabel.
 (5) Includes \$18,451,749 contribution to the IDA from the refunding of the Economic Development Revenue Bonds relating to the Hilton Garden Inn and Suffolk Conference Center.
 (6) Includes approximately \$3,000,000 in transfers to the internal service funds to eliminate fund deficits and establish a reserve for future claims in the Risk Management Fund.
 (7) Includes \$1,500,000 from the first installment payment on the sale of the Obici property.
 (8) Includes revenues and expenditures for the Road Maintenance fund which had a full year of maintenance for fiscal year 2007.
 (9) Includes \$5.6 million paid on EDA revenue bond for hotel and conference center.

Table 5

CITY OF SUFFOLK, VIRGINIA
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Change 2001-2010
General Property Tax	\$ 53,892,139	\$ 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	85%
Other Local Taxes:											
Sales and Use	5,033,151	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	50%
Utility Tax	6,619,362	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	-34%
Communication Taxes	-	-	-	-	-	1,723,627	3,682,126	3,733,667	3,614,856	3,649,188	(1) 112%
Business and Occupational License	3,460,903	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	93%
Franchise	197,742	481,015	216,994	233,565	251,447	138,635	-	-	-	-	-100%
Motor Vehicle License	1,196,784	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	42%
Bank Stock	204,459	166,264	242,789	283,547	362,571	350,564	288,973	306,405	641,735	498,527	144%
Recordation	507,616	644,418	855,860	2,001,254	2,632,855	2,122,575	1,563,745	1,186,018	1,009,592	830,076	64%
Tobacco	898,407	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	54%
Lodging	201,284	224,742	227,152	302,463	235,137	226,867	832,049	778,559	957,654	924,901	360%
Meals	2,530,282	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	154%
Admission	293,405	351,413	386,899	369,995	356,211	382,592	354,950	376,024	377,341	338,767	0%
Emergency Phone Services	699,605	736,691	988,243	1,029,638	1,033,810	502,503	-	-	-	-	(1) 0%
Public Facility Tax Rebate	-	-	-	-	347,860	395,398	106,549	39,667	-	-	0%
Total	<u>\$ 75,735,139</u>	<u>\$ 81,465,277</u>	<u>\$ 91,593,399</u>	<u>\$ 102,342,190</u>	<u>\$ 106,984,738</u>	<u>\$ 119,712,482</u>	<u>\$ 131,141,745</u>	<u>\$ 132,135,301</u>	<u>\$ 131,216,143</u>	<u>\$ 133,841,480</u>	

(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.

Table 6

CITY OF SUFFOLK, VIRGINIA

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

Fiscal Year	Real Property					Personal Property				Total Assessed Value
	Assessed Value			Estimated Actual Value	City Wide Rate	Assessed Value			Personal Property Rate	
	Citizens Property (1)	Public Service (2)	Total			Citizens Property (3)	Public Service (2)	Total		
2002	\$ 3,197,461,000	\$ 17,455,240	\$ 3,214,916,240	\$ 3,402,129,340	\$ 1.08	\$ 487,554,205	\$ 172,908,792	\$ 660,462,997	\$ 4.25	\$ 3,875,379,237
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

(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.

Table 7

CITY OF SUFFOLK, VIRGINIA

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

Fiscal Year	Real Property (2)					Personal Property (3)	Machinery and Tools (4)	Minimum Total Direct Rate (5)
	Suffolk Taxing District	City Wide	Route 17 Taxing District	Mosquito Control District	Downtown Business Overlay District			
2002	\$ 1.24	\$ 1.08	\$ 0.26	\$ 0.035	\$ -	\$ 4.25	\$ 3.15	\$ 5.33
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

(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) In Fiscal Year 2008, the Suffolk Taxing District and Mosquito Control District supplemental taxes were not 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.

Table 8

CITY OF SUFFOLK, VIRGINIA

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Real Property		2011		2002	
Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total City	Taxable Assessed Value	Percentage of Total City
			Taxable Assessed Value (1)		Taxable Assessed Value (1)
Ashley Bridgeway, LLC	Ship Building	\$ 66,763,000	0.74%	\$ -	-
116 Lakeview Parkway, LLC	Joint Military Training Facility	53,520,300	0.59%	-	-
City of Norfolk	Municipal Water System	46,478,800	0.51%	21,889,400	0.68%
CVN Distribution	Distribution Warehouse	43,843,300	0.48%	34,958,000	1.09%
Doughties Sysco Food Services	Food Services	42,381,300	0.47%	24,296,000	0.76%
Bon Secours Hampton Rds Health Sys	Health Systems	42,153,800	0.47%	-	-
Target Corporation	Distribution Warehouse	39,245,000	0.43%	-	-
Liberty Property Ltd Partnership	Office/Distribution Warehouse	35,023,600	0.39%	-	-
Walmart	Retail Merchandise	31,648,200	0.35%	21,439,400	0.67%
Lake Prince Center, Inc.	Retirement Community	30,253,500	0.33%	19,817,700	0.62%
Fortress GSA Suffolk LLC	Joint Military Training Facility	-	-	34,456,900	1.08%
Harborview Partners	Real Estate Developers	-	-	25,463,100	0.80%
City of Portsmouth	Municipal Water System	-	-	15,074,600	0.47%
		<u>\$ 431,310,800</u>	<u>4.76%</u>	<u>\$ 197,395,100</u>	<u>6.17%</u>

(1) Does not include public service corporations. Total assessed valuation of real estate for fiscal year 2010-2011 - \$9,045,325,900; for 2001-2002 -\$3,197,461,000

Source: City of Suffolk Assessor's Office

Personal Property		2011		2002	
Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total City	Taxable Assessed Value	Percentage of Total City
			Taxable Assessed Value (2)		Taxable Assessed Value (2)
BASF Corporation	Chemical Plant	\$ 10,172,090	1.31%	\$ -	-
Unilever Bestfoods/Lipton Tea	Beverage Company	8,274,200	1.07%	-	-
Planters/Kraft Foods	Peanut Products	7,636,620	0.99%	5,878,760	1.21%
QVC of Suffolk Inc	Distribution Warehouse	6,473,270	0.84%	-	-
Massimo Zanetti Beverage USA	Beverage Company	5,245,690	0.68%	-	-
Sara Lee International	Beverage Company	4,424,250	0.57%	5,309,940	1.09%
Lockheed Martin Corporation	Technology Company	3,824,680	0.49%	-	-
Target Corporation	Distribution Warehouse	3,627,560	0.47%	-	-
Sysco Food Services of Hampton Roads	Food Services	3,031,590	0.39%	-	-
Charter Communications	Cable Products	2,584,960	0.33%	1,067,130	0.22%
Ciba Specialty Chemical	Chemical Plant	-	-	9,842,820	2.02%
Thomas J. Lipton Co.	Beverage Company	-	-	4,328,850	0.89%
CVN Distribution Co	Distribution Warehouse	-	-	2,841,930	0.58%
Penn Engineering & Manufacturing	Self Clenching Fasteners	-	-	1,769,360	0.36%
Vixtex Packaging, Inc.	Packaging Warehouse	-	-	1,665,220	0.34%
Sonoco Products Company	Fuel Services	-	-	1,144,580	0.23%
Prillaman Chemical Corp	Chemical Plant	-	-	908,110	0.19%
		<u>\$ 55,294,910</u>	<u>21.80%</u>	<u>\$ 34,756,700</u>	<u>7.13%</u>

(2) Does not include public service corporations. Total assessed valuation of personal property for fiscal year 2010-2011 - \$773,957,600; for 2001-2002 -\$487,554,205

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

Table 9

CITY OF SUFFOLK, VIRGINIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Tax Collections			Outstanding Delinquent Taxes At End of Fiscal Year (2)
				Delinquent	As Percent of Outstanding Delinquent Taxes	Total	
				Amount		Amount (2)	
2002	\$ 53,553,363	\$ 52,796,334	98.59%	\$ 840,621	48.02%	\$ 53,636,955	\$ 1,750,679
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

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

(2) Adjusted for collections through August 15.

Data furnished by City Treasurer

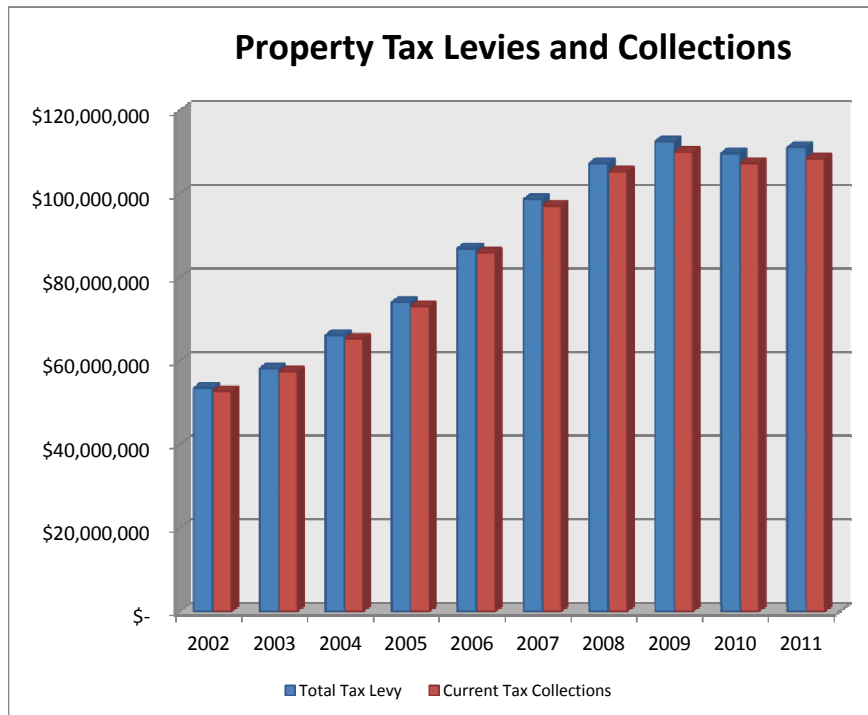


Table 10

CITY OF SUFFOLK, VIRGINIA

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	
2002	212	\$ 63,388,257	2,024	\$ 133,069,941	\$ 2,391,608,700	\$ 631,472,700	\$ 361,592,700	\$ 631,546,300	\$ 4,016,220,400
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

(1) City Zoning Administration and Enforcement

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

Table 11

CITY OF SUFFOLK, VIRGINIA

**PRINCIPAL COMMERCIAL/INDUSTRIAL WATER AND SEWER CONSUMERS
YEAR ENDED JUNE 30, 2011**

Water Consumers	Type of Business	Annual Consumption in Gallons (Hundred Cubic Feet)	% of Total Annual Consumption*
Western Tidewater Water Authority	Regional Water Supply	156,198	6.01%
Sara Lee Coffee & Tea	Beverage Company	56,276	2.17%
BASF Corporaton	Chemical Plant	49,810	1.92%
Suffolk Public Schools	School System	41,054	1.58%
Western Tidewater Regional Jail	Jail-Regional Facility	40,340	1.55%
Sentara/Obici Hospital	Hospital	35,460	1.36%
Unilever Bestfoods	Beverage Company	28,648	1.10%
Planters Peanut Co.	Peanut Products	24,267	0.93%
Wanchese Fish Company	Seafood Processing	16,964	0.65%
Harbour Breeze Apartments	Real Property Management	15,093	0.58%
		<u>464,110</u>	<u>17.86%</u>

*Total annual consumption for fiscal year 2010-2011 was 2,599,204

Sewer Consumers	Type of Business	Annual Consumption in Gallons (Hundred Cubic Feet)	% of Total Annual Consumption**
BASF Corporation	Chemical Plant	49,810	2.33%
Sara Lee Coffee and Tea	Beverage Company	44,749	2.09%
Suffolk Public School	Education	41,054	1.92%
Western Tidewater Regional Jail	Jail-Regional Facility	40,340	1.89%
Sentara/Obici Hospital	Hospital	35,460	1.66%
Unileaver Best Foods	Beverage Company	19,103	0.89%
Wanchese Fish Company	Seafood Processing	16,964	0.79%
Harbour Breeze Apartments	Real Property Management	15,093	0.71%
Remington Park Condominium Association	Real Property Management	10,756	0.50%
30 West Pershing LLC	Real Property Management	9,963	0.47%
		<u>283,292</u>	<u>13.52%</u>

**Total annual consumption for fiscal year 2010-2011 was 2,095,402

Source: Department of Public Utilities

Table 12

CITY OF SUFFOLK, VIRGINIA

WATER AND SEWER RATE SCHEDULE
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
WATER										
Water Rate per 100 cubic feet	\$ 2.51	\$ 2.58	\$ 2.66	\$ 2.74	\$ 2.82	\$ 3.09	\$ 3.41	\$ 3.92	\$ 4.94	\$ 5.84
Minimum Bi-monthly Charge (5 ccf)	11.00	11.33	11.67	12.02	12.48	15.45	17.05	19.60	24.70	29.20
Meter Service Charge (per month)										
5/8 inch meter	1.50	1.50	1.50	1.50	1.50	2.40	2.40	2.40	2.40	2.40
Water Connection Charge (installed by city)										
5/8 inch meter	915.00	940.00	970.00	1,000.00	1,030.00	1,100.00	1,100.00	1,100.00	1,100.00	1,100.00
Water Connection Charge (installed by developer)	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Water Availability Charge (residential)										
Single Family	4,015.00	4,135.00	4,260.00	4,390.00	4,520.00	5,390.00	5,520.00	5,520.00	5,520.00	5,520.00
Water Availability Charge (commercial)										
5/8 inch meter	4,015.00	4,135.00	4,260.00	4,390.00	4,520.00	5,390.00	5,520.00	5,520.00	5,520.00	5,520.00
3/4 inch meter	6,020.00	6,200.00	6,390.00	6,580.00	6,780.00	8,090.00	8,180.00	8,180.00	8,180.00	8,180.00
1 inch meter	10,035.00	10,340.00	10,650.00	10,970.00	11,300.00	13,480.00	13,520.00	13,520.00	13,520.00	13,520.00
1½ inch meter	20,075.00	20,675.00	21,300.00	21,940.00	22,600.00	26,950.00	26,950.00	26,950.00	26,950.00	26,950.00
2 inch meter	33,120.00	33,080.00	34,080.00	35,100.00	36,155.00	43,120.00	43,120.00	43,120.00	43,120.00	43,120.00
3 inch meter	60,225.00	62,025.00	6,390.00	65,820.00	67,795.00	80,850.00	80,850.00	80,850.00	80,850.00	80,850.00
4 inch meter	100,375.00	103,375.00	106,500.00	109,695.00	112,985.00	134,750.00	134,750.00	134,750.00	134,750.00	134,750.00
WTWA Wholesale Water Rate										
Water Rate (CCF)	3.07	3.17	3.27	3.37	3.47	3.29	3.43	3.53	3.99	3.76
Fixed Capacity Charge (Per Month)	N/A	N/A	N/A	N/A	N/A	87,567.00	102,370.00	147,242.00	160,979.00	190,452.00
SEWER										
Sewer Collection (per 100 cubic feet)	1.63	1.68	1.73	1.78	1.83	2.12	2.61	2.88	3.78	4.50
Minimum Bi-monthly period (5 ccf)	12.15	12.51	12.88	13.27	11.38	10.60	13.05	14.40	18.90	22.50
Sewer Connection Charge (installed by city)										
4 inch lateral size	1,200.00	1,235.00	1,270.00	1,310.00	1,350.00	1,450.00	1,450.00	1,450.00	1,450.00	1,450.00
6 inch lateral size	2,195.00	2,260.00	2,330.00	2,400.00	2,475.00	2,650.00	2,650.00	2,650.00	2,650.00	2,650.00
Sewer Connection Charge (installed by developer)	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Sewer Availability Charge (residential)										
Single Family	1,945.00	2,005.00	2,065.00	2,125.00	2,190.00	4,920.00	6,000.00	6,000.00	6,000.00	6,000.00
Sewer Availability Charge (commercial)										
5/8 inch meter	1,945.00	2,005.00	2,065.00	2,125.00	2,190.00	4,920.00	6,000.00	6,000.00	6,000.00	6,000.00
3/4 inch meter	2,915.00	3,010.00	3,100.00	3,195.00	3,285.00	7,380.00	9,000.00	9,000.00	9,000.00	9,000.00
1 inch meter	4,860.00	5,015.00	5,165.00	5,320.00	5,475.00	12,300.00	14,800.00	14,800.00	14,800.00	14,800.00
1½ inch meter	9,725.00	10,025.00	10,325.00	10,635.00	10,950.00	24,600.00	29,500.00	29,500.00	29,500.00	29,500.00
2 inch meter	15,560.00	16,040.00	16,520.00	17,015.00	17,525.00	39,360.00	47,100.00	47,100.00	47,100.00	47,100.00
3 inch meter	29,175.00	30,075.00	30,975.00	31,905.00	32,860.00	73,800.00	88,100.00	88,100.00	88,100.00	88,100.00
4 inch meter	48,625.00	50,125.00	51,625.00	53,175.00	54,770.00	123,000.00	146,700.00	146,800.00	146,800.00	146,800.00

Source: Department of Public Utilities

CITY OF SUFFOLK, VIRGINIA

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)	VPSA & Literary Bonds	Notes Payable	Section 108 Loan Payable	Total		
2002	\$ 123,088,168	\$ 9,250,000	\$ 1,415,000	\$ -	\$ 133,753,168	3.93%	\$ 1,980
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

Fiscal Year	Internal Svc Fund 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			
2002	\$ 1,951,375	\$ 45,270,000	\$ -	\$ 2,200,000	\$ 183,174,543	9.82%	\$ 2,711
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	14.02%	5,156
2011	4,549,616	176,925,000	27,000,000	-	408,066,996	13.37%	4,824

(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 15 for personal income and population data. The most recent personal income data available from the Bureau of Economic Analysis is 2009 and is used to analyze years 2009 through 2011.

(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.

CITY OF SUFFOLK, VIRGINIA

LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2011

	City's Financial Policy Goal	City's Legal Debt Limit	Commonwealth's Legal Debt Limit
Assessed value (as of July 1, 2010) - taxable real property, including public service corporations	\$ 9,072,342,738	\$ 9,072,342,738	\$ 9,072,342,738
Adopted and Legal debt limits:			
4% of assessed value (authorized limit adopted by City Council 2010)	\$ 362,893,710		
7% of assessed value (authorized limit imposed by City Charter)		\$ 635,063,992	
10% of assessed value (authorized by the Commonwealth for all cities)			\$ 907,234,274
Deduct amount of debt applicable to debt limit:			
Gross general bonded debt (includes bonds and notes payable)	226,592,380	226,592,380	226,592,380
TOTALS	\$ 136,301,330	\$ 408,471,612	\$ 680,641,894

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City's Legal Debt Margin										
Debt Limit	\$ 225,044,137	\$ 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
Total Net Debt Applicable to Limit*	133,753,168	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
Legal Debt Margin	\$ 91,290,969	\$ 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
Total Net Debt Applicable to Limit as percentage of Debt Limit	59.4%	57.6%	53.5%	49.4%	40.5%	39.6%	37.3%	35.1%	37.9%	35.7%
Commonwealth's Legal Debt Margin										
Debt Limit	\$ 321,491,624	\$ 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
Total Net Debt Applicable to Limit*	133,753,168	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
Legal Debt Margin	\$ 187,738,456	\$ 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
Total Net Debt Applicable to Limit as percentage of Debt Limit	41.6%	41.1%	37.5%	34.6%	28.4%	27.7%	26.1%	24.6%	26.5%	25.0%

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). 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 \$12,901,023 at June 30, 2011.

(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.

CITY OF SUFFOLK, VIRGINIA

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)								
2002	\$ 19,197,558	\$ 9,267,731	\$ 9,929,827	\$ 465,000	\$ 1,981,575	\$ 2,446,575	4.06	
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	3,791,220	5,601,220	2.70	
2008	28,893,476	14,820,616	14,072,860	1,610,000	5,695,515	7,305,515	1.93	
2009	29,758,790	16,601,440	13,157,350	2,290,000	7,665,981	9,955,981	1.32	
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	

- (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 \$2,2786,976 in 2010 and \$1,525,006 in 2011) 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)

CITY OF SUFFOLK, VIRGINIA

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
2002	67,568	\$ 1,904,148	\$ 27,478	12,003	4.3%	4.2%	5.8%
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	not available	not available	13,801	7.7%	6.9%	9.6%
2011	84,585	not available	not available	13,863	7.4%	6.4%	8.5%

Sources:

- (1) 2000 - 2008: U.S. Census Bureau: 2009-2011 - City of Suffolk Planning Department
- (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 2011

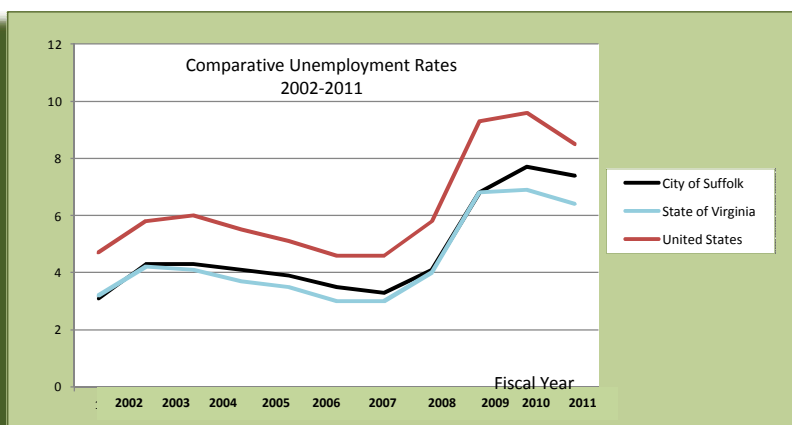


Table 17

CITY OF SUFFOLK, VIRGINIA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	Type of Business	2011	
		Employees	Percentage of Total City Employment
Sentara/Obici Memorial Hospital	Health Care	1,200	3.11%
Joint and Coalition Warfighting Center	Computer Modeling and Simulation (Civilian)	1,000	2.59%
QVC Distribution	Home Shopping Distribution	900	2.33%
Wal-Mart Stores	Retail	840	2.18%
Sysco Food Services of Hampton Roads	Food Service Distribution	350	0.91%
Unilever Bestfoods/Lipton Tea	Beverage Manufacture and Distribution	350	0.91%
Planters/Kraft Foods	Peanut Products	340	0.88%
BASF	Chemical Manufacturer	320	0.83%
Target Corporation	Warehouse Distribution	300	0.78%
Towne Bank	Retail Banking	281	0.73%
Bon Secours Health System	Health Care	269	0.70%
Lakeview Medical Center	Health Care	232	0.60%
Massimo Zanetti Beverage USA	Beverage Company	227	0.59%
California Cartage	Distribution	218	0.56%
Birdsong Peanuts	Peanut Products	150	0.39%
Amadas Industries	Agricultural Equipment Manufacturer	100	0.26%
Sara Lee International	Beverage Company	85	0.22%
		<u>7,162</u>	<u>18.56%</u>

Total number of employees city-wide (daytime population) for fiscal year

38,586

Employer	Type of Business	2002	
		Employees	Percentage of Total City Employment
Sentara/Obici Memorial Hospital	Health Care	800	2.51%
QVC Distribution	Home Shopping Distribution	725	2.27%
U.S. Joint Forces Command/Joint Warfighting Center	Computer Modeling and Simulation (Civilian)	700	2.19%
Target Import Warehouse	Distribution Center	500	1.57%
Wal-Mart Stores	Retail	500	1.57%
Hampton Roads BASF	Chemical Manufacturer	275	0.86%
Planters/Kraft Foods	Peanut Products	275	0.86%
Unilever Bestfoods/Lipton Tea	Beverage Manufacture and Distribution	250	0.78%
Sara Lee International	Beverage Company	250	0.78%
Lakeview Medical Center	Health Care	190	0.60%
Birdsong Peanuts	Peanut Products	175	0.55%
Towne Bank	Retail Banking	150	0.47%
Amadas Industries	Agricultural Equipment Manufacturer	100	0.31%
		<u>4,890</u>	<u>15.33%</u>

Total number of employees city-wide (daytime population) for fiscal year

31,904

The Suffolk Public Schools (1,780 employees) and the City of Suffolk (1,211 FTE employees) have not been included to give a clearer reflection of community activity.

Source: Economic Development Department and Virginia Employment Commission

CITY OF SUFFOLK, VIRGINIA

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

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

Table 18

CITY OF SUFFOLK, VIRGINIA

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

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

1. Road maintenance fund was increased in 2007 due to VA Dept. of Transportation turning over the highway system within the City to Suffolk.
2. New program adopted by City Council in 2007 and staffing realignment.
3. Change in methodology of calculating full time employees in this department.
4. 2009 - 2011 actual data furnished by Human Resources. 2003-2008 provided by Budget Office.

Information not available prior to 2003. The goal of the City is to report ten years in the future.

Table 19

CITY OF SUFFOLK, VIRGINIA

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government:										
Building permits issued	1,296	1,974	1,975	1,776	1,886	1,416	1,294	488	949	638
Value of permits issued (millions)	\$ 184.9	\$ 228.8	\$ 195.4	\$ 268.5	\$ 288.5	\$ 272.8	\$ 179.4	\$ 134.0	\$ 108.2	\$ 45.4
Number of registered voters	41,253	41,966	44,341	45,922	47,569	48,170	50,843	55,578	55,008	55,941
Taxable retail sales (millions)	\$ 453.3	\$ 488.8	\$ 539.3	\$ 530.7	\$ 628.6	\$ 645.2	\$ 652.8	\$ 632.9	\$ 642.3	**not available
Taxable retail sales per capita	6,710	6,973	7,418	7,029	8,153	8,114	7,931	7,727	7,738	**not available
Parks, Recreation and Cultural:										
Library volumes in collection (,000)	160.2	157.8	160.1	175.0	175.7	218.1	222.7	228.4	221.4	221.4
Circulation (,000)	-	-	-	-	-	-	-	401	401	401
Enterprise Fund:										
Public Utilities										
Customers - Water	20,351	20,566	19,885	21,515	22,533	23,435	24,370	24,576	24,663	24,657
Customers - Sewer						19,795	20,319	20,708	20,911	20,892
Average daily consumption (mgd)	5.43	5.38	5.21	5.55	6.49	6.70	7.68	6.89	6.79	6.42
Treatment Capacity daily (mgd)	7.45	7.45	7.45	7.45	11.20	11.20	11.20	11.20	17.45	17.45
Pump Stations	90	98	104	112	113	125	129	131	134	136

Sources: Various City Departments

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

Table 20

CITY OF SUFFOLK, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety:										
Police Stations	5	4	4	4	4	4	4	4	5	5
Fire Stations	7	7	8	8	8	8	8	8	8	9
Public Works: (1)										
State maintained road miles	1,302	1,302	1,308	1,308	1,308	17	18	18	18	18
City maintained road miles	74	76	76	76	76	1,420	1,500	1,531	1,581	1,581
Streetlights	5,768	5,968	6,467	6,710	6,940	6,980	7,000	7,139	7,648	7,917
Bridges	3	3	3	3	3	144	144	147	147	147
Traffic Signals	23	23	23	23	23	86	89	91	91	93
Education:										
Elementary Schools	12	12	12	12	12	13	13	14	14	14
Middle Schools	4	4	4	4	4	4	4	4	4	4
High Schools	2	2	2	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	1,212	1,246	1,295	1,347	1,380	1,393	1,405	1,448	1,425	1,419
Average Daily Membership	12,003	12,476	12,966	13,297	13,452	13,490	13,512	13,568	13,801	13,863
Capacity of Schools	11,450	11,450	11,450	13,250	13,250	14,050	14,050	14,632	14,577	14,577
Enterprise Fund:										
Public Utilities										
Miles of Water Main	254	256	261	271	400	415	420	420	422	436
Miles of Sanitary Sewers	182	184	188	198	293	308	309	313	315	334
Miles of Storm Sewers	6	6	6	6	6	142	495	505	505	505
Parks, Recreation and Cultural:										
Parks and Recreation										
Number of major parks and recreation facilities (2)	38	41	41	41	41	41	41	40	40	42
Acreage of major parks and recreation facilities	1,405	1,821	1,825	1,825	1,825	1,825	1,827	1,827	1,827	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	3	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. 2009 sold the American Legion Building

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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, each discretely presented component unit, 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, 2011, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

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 deficiencies described in the accompanying schedule of findings and questioned costs on pages 122-123 as Items 11-01 and 11-02 to be material weaknesses.**

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs on page 124 as Items 11-03 through 11-04.**

We noted certain other matters that we reported to the City's management in a separate letter dated December 19, 2011

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 19, 2011

**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, 2011. 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, 2011.

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 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.**

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, do not express an opinion on these responses.

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 19, 2011

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

<u>Federal Grantor/Pass-through Grantor</u> <u>(Commonwealth of Virginia)/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
<u>PRIMARY GOVERNMENT:</u>		
<u>Department of Agriculture:</u>		
<u>Direct payments:</u>		
Summer Food Service Program for Children	10.559	\$ 89,084
<u>Pass through payments:</u>		
Food Stamp Program		
<u>Department of Social Services:</u>		
State Administrative Matching Grants - Supplemental Nutrition Assistance Program	10.561	1,185,111
ARRA State Administrative Matching Grants - Supplemental Nutrition Assistance Program	10.561	37,755
Total Department of Agriculture		<u>1,311,950</u>
<u>Department of Labor:</u>		
<u>Direct payments:</u>		
WIA Pilots, Demonstrations, and Research Projects	17.261	74,755
<u>Pass-through Payments:</u>		
<u>Operation Incorporated of Hampton Roads:</u>		
ARRA Workforce Investment Act - Youth Activities	17.259	24,469
Total Department of Labor		<u>99,224</u>
<u>Department of Transportation:</u>		
<u>Direct payments:</u>		
Airport Improvement Program	20.106	1,617,622
Highway Safety Grant	20.601	6,571
Highway Planning and Construction	20.205	31,873
<u>Pass through payments:</u>		
<u>Virginia Department of Transportation:</u>		
ARRA Highway Planning and Construction	20.205	1,874,457
Total Department of Transportation		<u>3,530,523</u>
<u>Department of Energy:</u>		
<u>Direct payments:</u>		
ARRA Energy Efficiency and Conservation Block Grant Program	81.128	147,246
<u>Department of Housing and Urban Development:</u>		
<u>Direct payments:</u>		
Home Investment Partnerships Program	14.239	467,211
Community Development Block Grants/Entitlement Grants	14.218	501,875
ARRA Community Development Block Grants/Entitlement Grants	14.253	70,611
<u>Pass through payments:</u>		
<u>Department of Housing and Community Development:</u>		
Community Development Block Grants - Neighborhood Stabilization Program	14.228	449,975
ARRA Homelessness Prevention and Rapid Re-Housing Program	14.257	296,409
Economic Development Initiative - Special Project	14.251	208,113
Total Department of Housing and Urban Development		<u>1,994,194</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

<u>Federal Grantor/Pass-through Grantor</u> <u>(Commonwealth of Virginia)/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
<u>PRIMARY GOVERNMENT: (Continued)</u>		
<u>Department of Health and Human Services:</u>		
<u>Pass - through payments:</u>		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	\$ 45,971
Temporary Assistance for Needy Families	93.558	1,020,798
Refugee and Entrant Assistance	93.566	2,959
Low-Income Home Energy Assistance	93.568	61,279
Child Care and Development Block Grant	93.575	293,861
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	304,538
ARRA Child Care and Development Block Grant	93.713	26,451
ILP Education & Training	93.599	4,226
Child Welfare Services	93.645	4,070
Foster Care-Title IV-E	93.658	546,416
ARRA Foster Care-Title IV-E	93.658	12,273
Adoption Assistance	93.659	118,721
ARRA Adoption Assistance	93.659	6,314
Social Services Block Grant	93.667	683,590
Foster Care Independence Program	93.674	17,750
Children's Health Insurance Program	93.767	37,169
Medical Assistance Program	93.778	718,297
Total Department of Health and Human Services		<u>3,904,683</u>
<u>Department of Interior:</u>		
<u>Pass - through payments:</u>		
Department of Historic Resources:		
Dismal Swamp	15.000	<u>18,228</u>
Total Department of Interior		<u>18,228</u>
<u>Department of Justice:</u>		
<u>Direct payments:</u>		
Bulletproof Vest Partnership Program	16.607	8,041
<u>Pass through payments:</u>		
Department of Criminal Justice Services:		
Crime Victim Assistance	16.575	164,420
State Criminal Alien Assistance Program	16.606	5,489
Edward Byrne Memorial Justice Assistance Grant Program	16.738	117,634
Public Safety Partnership and Community Policing Grants	16.710	70,601
Violence Against Women Formula Grants	16.588	53,662
ARRA Edward Byrne Memorial Competitive Grant Program	16.808	<u>134,779</u>
Total Department of Justice		<u>554,626</u>
<u>Department of Defense Office of Economic Adjustment:</u>		
<u>Pass through payments:</u>		
Virginia Department of Emergency Management:		
Community Economic Adjustment Assistance for a Military Installation	12.607	<u>118,190</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

<u>Federal Grantor/Pass-through Grantor</u> <u>(Commonwealth of Virginia)/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
<u>PRIMARY GOVERNMENT: (Continued)</u>		
<u>Department of Homeland Security:</u>		
<u>Pass through payments:</u>		
Department of Criminal Justice:		
Hazard Mitigation Grant	97.039	\$ 11,032
ARRA Port Security Grant Program	97.056	54,621
Department of Emergency Services:		
State Homeland Security Program	97.073	2,810
Total Department of Homeland Security		68,463
Total Primary Government		11,747,328
<u>COMPONENT UNIT-SCHOOL BOARD:</u>		
<u>Department of Agriculture:</u>		
<u>Pass through payments:</u>		
Department of Agriculture and Consumer Services:		
Food Distribution	10.555	420,784
Department of Education:		
National School Breakfast Program	10.553	942,268
National School Lunch Program	10.555	2,571,861
Summer Food Service Program for Children	10.559	44,014
Fresh Fruit and Vegetable Program	10.582	79,842
Total Department of Agriculture		4,058,769
<u>Department of Health and Human Services:</u>		
<u>Direct payments:</u>		
Medical Assistance Program	93.778	49,500
<u>Department of Defense:</u>		
<u>Direct payments:</u>		
JROTC Instruction	12.000	165,097
<u>Department of Education:</u>		
<u>Direct payments:</u>		
Impact Aid	84.041	568,292
<u>Pass through payments:</u>		
Department of Education:		
Adult Education - Basic Grants to States	84.002	111,277
Title I Grants to Local Educational Agencies	84.010	2,915,435
ARRA Title I Grants to Local Educational Agencies	84.389	720,657
Special Education Grants to States	84.027	2,918,529
ARRA Special Education Grants to States	84.391	1,132,542
Vocational Education:		
Career and Technical Education - Basic grants to states	84.048	63,430

(Continued)

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

<u>Federal Grantor/Pass-through Grantor</u> <u>(Commonwealth of Virginia)/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
<u>COMPONENT UNIT-SCHOOL BOARD: (Continued)</u>		
<u>Department of Education: (Continued)</u>		
<u>Pass through payments: (Continued)</u>		
Special Projects:		
Special Education - Preschool Grants	84.173	\$ 65,217
ARRA Special Education - Preschool Grants	84.392	35,545
Safe and Drug-Free Schools and Communities-State Grants	84.186	8,588
Education Technology State Grants	84.318	11,041
ARRA Education Technology State Grants	84.386	16,293
Improving Teacher Quality State Grants	84.367	651,630
School Improvement Grants	84.377	203,327
ARRA State Fiscal Stabilization Funds, Education State Grants	84.394	3,032,361
ARRA Education Jobs Fund	84.410	1,080,456
Total Department of Education		<u>13,534,620</u>
Total Component Unit School Board		<u>17,807,986</u>
Total Expenditures of Federal Awards		<u><u>\$ 29,555,313</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, 2011, the School Board had food commodities totaling \$347,259 in inventory.

CITY OF SUFFOLK, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2011

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, 2011**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **Two significant deficiencies** relating to the audit of the financial statements are 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*. **Both of the significant deficiencies were deemed to be material weaknesses.**
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>
Highway Planning and Construction – ARRA	20.205
Title I Grants to Local Education Agencies – ARRA	84.010, 84.389
Special Education Cluster	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 **\$886,659**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

11-01: 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 capital assets and long-term liabilities related to landfill liabilities, other post-retirement benefits, deferred debits and credits, capital lease payments, and accrued interest. There were also significant adjustments relating to ambulance accounts receivable, deferred revenue, and allowance for uncollectibles, utility fund allowance calculations, activity between the City and the EDA, prepaid expenses, and inventory. School Board adjustments related to capital assets, OPEB, and sales tax accounts receivable. In addition, an uncorrected misstatement related to a potential impairment of the EDA land and improvements held for sale was noted. 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 with the Finance Department regarding the nature of the transaction, while others occurred due to improper conclusions reached regarding the nature of the transactions and the lack of a Finance Director to provide oversight.

CITY OF SUFFOLK, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

11-01: City, School, and EDA Adjustments – (Material Weakness) (Continued)

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.

11-02: EDA Segregation of Duties (Material Weakness)

Condition:

In general, internal control is designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept of internal control is the segregation of duties. The basic premise of this concept is that no one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. Conflicting duties being performed by employees should be avoided. While we realize that any internal control system must be cost effective, steps should be taken to eliminate performance of conflicting duties where possible. Due in part to the size of the operations of the EDA, certain functions may not be fully segregated. One individual is responsible for collecting receipts and for preparing and delivering the deposit. This same individual maintains check stock, prepares and mails checks, and reconciles the bank statements.

Recommendation:

We recommend considering implementing controls to prevent such conflicting duties. However, compensating controls may be considered to alleviate this control weakness.

Management's Response:

The auditee concurs with these recommendations.

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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

None

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

11-03: Disclosure Statements

Condition:

Six out of the forty-six 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 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.

11-04: Annual School Report

Condition:

The annual school report was not filed by the required deadline.

Recommendation:

Ensure that the annual school report is completed and submitted by the required deadline.

Management's Response:

The auditee will take appropriate action to ensure that the annual school report is completed and filed timely.