Parking Facilities Fund of the City of Norfolk, Virginia

Financial and Compliance Report
Year Ended June 30, 2009

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Financial and Compliance Report
Years Ended June 30, 2009 and 2008

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KPMG LLP
Suite 2100
999 Waterside Drive
Norfolk, VA 23510

Independent Auditors' Report

The Honorable Members of the City Council
Parking Facilities Fund of the City of Norfolk, Virginia:

We have audited the accompanying statements of net assets of the Parking Facilities Fund of the City of Norfolk, Virginia (the Fund) as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the City of Norfolk. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 the *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the accompanying financial statements present only the Parking Facilities Fund and do not purport to, and do not, present fairly the financial position of the City of Norfolk, Virginia, the changes in its financial position or its cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Facilities Fund of the City of Norfolk, Virginia as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The Fund has not presented a Management's Discussion and Analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Fund, taken as a whole. The supplemental schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

KPMG LLP, a U.S. limited liability partnership, is the U.S.
member firm of KPMG International, a Swiss cooperative.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2010 on our consideration of the Fund's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

January 19, 2010

Parking Facilities Fund of the City of Norfolk, Virginia

Statements of Net Assets
June 30, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and short term investments	$ 18,009,097	$ 14,546,896
Receivables:		
Billed (net)	1,367,881	1,023,534
Unbilled	350,203	334,178
Accrued investment income	-	1,579
Inventories	420,724	431,061
Other assets	-	343,716
Restricted cash and short term investments held with fiscal agent	5,935,071	2,051,511
Total current assets	26,082,976	18,732,475
Restricted assets:		
Certificates of deposit	2,271,000	2,506,000
Investments	2,649,352	2,661,566
	4,920,352	5,167,566
Capital assets:		
Non-depreciable assets	78,856,387	42,508,834
Depreciable assets, net	92,560,771	95,864,755
	171,417,158	138,373,589
Total assets	202,420,486	162,273,630
Liabilities		
Current liabilities:		
Vouchers payable	2,234,927	1,701,732
Contract retainage	1,926,057	221,778
Accrued payroll	75,266	70,869
Due to other funds	266,056	5,033,311
Contribution to Employees Retirement System	409,080	276,732
Current portion of bonds payable	48,457,133	3,482,958
Accrued interest	1,976,713	2,019,550
Other liabilities	488,070	582,659
Compensated absences	123,384	119,899
Total current liabilities	55,956,686	13,509,488
Noncurrent liabilities:		
General obligation bonds payable	5,412,510	6,960,191
Revenue bonds payable	83,982,027	85,604,396
Post employment benefits (OPEB)	164,147	124,134
Compensated absences	179,029	158,937
Total noncurrent liabilities	89,737,713	92,847,658
Total liabilities	145,694,399	106,357,146
Net Assets		
Invested in capital assets, net of related debt	36,819,806	42,326,044
Restricted	7,601,105	7,219,077
Unrestricted	12,305,176	6,371,363
Total net assets	$ 56,726,087	$ 55,916,484

See Notes to Financial Statements.

Parking Facilities Fund of the City of Norfolk, Virginia

Statements of Revenues, Expenses and Changes in Fund Net Assets
Years Ended June 30, 2009 and 2008

	2009	2008
Operating revenue-		
Charges for services	$ 20,048,100	$ 20,425,125
Operating expenses:		
Personal services	8,035,974	7,769,824
Parking operations	1,020,356	916,813
Depreciation	3,830,472	3,873,999
Retirement contribution	513,011	276,732
Administrative expenses	322,457	376,946
Other	870,416	1,214,656
Total operating expenses	14,592,686	14,428,970
Operating income	5,455,414	5,996,155
Nonoperating revenue (expenses):		
Interest income	12,805	913,536
Interest expense and fiscal charges	(4,434,666)	(4,997,032)
Loss on sale or disposal of capital assets	(8,759)	(2,113,172)
Total nonoperating expenses	(4,430,620)	(6,196,668)
Income before transfers	1,024,794	(200,513)
Transfer out	(215,191)	(79,417)
Change in net assets	809,603	(279,930)
Net assets:		
Beginning	55,916,484	56,196,414
Ending	$ 56,726,087	$ 55,916,484

See Notes to Financial Statements.

Parking Facilities Fund of the City of Norfolk, Virginia

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities:		
Receipts from customers	$ 19,687,728	$ 20,213,559
Payments to suppliers	(476,825)	(1,096,391)
Payments to employees	(8,512,797)	(7,977,273)
Other payments	(779,598)	(1,068,358)
Net cash provided by operating activities	9,918,508	10,071,537
Cash Flows From Noncapital Financing Activities:		
Internal activity, payments from other funds	(4,767,255)	5,419,689
Transfer out	(215,191)	(79,417)
Net cash provided by (used in) noncapital financing activities	(4,982,446)	5,340,272
Cash Flows From Capital and Related Financing Activities:		
Proceeds from capital debt	45,808,420	3,857,692
Purchases of capital assets	(35,178,521)	(13,428,092)
Refunding of debt principal	(1,230,744)	0
Principal paid on capital debt	(3,482,958)	(3,554,453)
Interest paid on capital debt	(3,768,096)	(5,529,985)
Net cash provided by (used in) capital and related financing activities	2,148,101	(18,654,838)
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	1,312,800	5,401,977
Purchase of investments	(1,065,586)	(5,035,160)
Interest and dividends	14,384	919,629
Net cash provided by investing activities	261,598	1,286,446
Net increase (decrease) in cash and short term investments	7,345,761	(1,956,583)
Cash and short term investments:		
Beginning	16,598,407	18,554,990
Ending	$ 23,944,168	$ 16,598,407

Parking Facilities Fund of the City of Norfolk, Virginia

Statements of Cash Flows (Continued)
Year Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income	$ 5,455,414	$ 5,996,155
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	3,830,472	3,873,999
Change in assets and liabilities:		
Increase in:		
Accounts receivables (net), billed and unbilled	(360,372)	(211,566)
Inventories	10,337	(64,814)
Other assets/prepaid expenses	343,716	(59,415)
Increase (decrease) in:		
Vouchers payables	533,195	(114,764)
Accrued payroll	160,322	(54,851)
Other liabilities	(54,576)	706,793
Net cash provided by operating activities	$ 9,918,508	$ 10,071,537
	-	-
Reconciliation of Cash and Short Term Investments to the Statement of Net Assets		
Cash and short term investments	$ 18,009,097	$ 14,546,896
Restricted cash and short term investments held with fiscal agent	5,935,071	2,051,511
Total cash and cash equivalents per statements of net assets	$ 23,944,168	$ 16,598,407
Supplemental Schedule of Noncash Investing, Capital and Financing Activities		
Transfer of land and related debt from Capital projects fund	$ -	$ 3,500,000
Loss on disposal of capital assets	$ (8,759)	$ (2,113,172)
Acquisition of capital assets though the incurrence of contract retainage	$ 1,704,279	$ 172,552
Acquisition of capital assets though vouchers payable	$ (1,993,697)	$ (1,232,988)

Note 1. Summary of Significant Accounting Policies

The Parking Facilities Fund (the "Fund") was established at the direction of Norfolk City Council as an enterprise fund on July 1, 1990. The Fund accounts for the operation of City of Norfolk (City) owned parking facilities, including operations, maintenance, financing and related debt service, and billing and collection. The cost of providing services on a continuing basis is financed or recovered through parking charges to the City's residents and nonresidents. Although separate financial statements have been presented for the Fund, it is also included in the City of Norfolk's Comprehensive Annual Financial Report as a major Enterprise Fund.

A summary of the Fund's significant accounting policies follows:

Basis of accounting: The financial statements are presented on the accrual-basis of accounting, wherein revenues are recognized in the accounting period in which they are earned and expenses are recognized in the accounting period in which the related liabilities are incurred. The Fund adopted Statement No. 20 of the Governmental Accounting Standards Board ("GASB"), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. Accordingly, the Fund has elected not to apply Statements and Interpretations issued by the Financial Accounting Standards Board after November 30, 1989.

Deposits and investments: The Fund's cash and short-term investments include cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Investments of the Fund are stated at fair value. Short-term investments are recorded at cost, which approximates fair value. The fair value of the State Treasurer's Local Government Investment Pool (LGIP) is the same as the value of the pool shares. The LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The external investment pool is administered by the Treasury Board of Virginia. Other investments are stated at their fair value; these investments are reported in the accompanying financial statements as cash and short-term investments, unless the original investment period exceeded one year, in which case they are reported as investments. Investment income includes both realized and unrealized gain and loss components.

Receivables: Unbilled accounts, net are estimated at each fiscal year end based on parking usage by customers for which billings have not yet been processed. Billed accounts that are three years old or less are presented on a net basis and consist of the following at June 30, 2009 and 2008:

	2009	2008
Gross receivables	$3,853,318	$3,982,997
Less: Allowance for doubtful accounts	(2,485,437)	(2,959,463)
Net receivables	$1,367,881	$1,023,534

Inventories: Inventories are stated at the lower of cost (using the first-in, first-out method) or market.

Restricted assets: Certain unspent proceeds of the revenue bonds as well as certain resources set aside for their repayment are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets are recorded at cost, less accumulated depreciation. Assets acquired prior to July 1985, for which historical cost records were not available, were appraised and valued at estimated historical cost by means of accepted price indexing methodology.

Depreciation: Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10 - 40
Furniture, fixtures and equipment	3 - 15

When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected as non operating revenue or expense.

Interest costs incurred on funds borrowed for construction projects are capitalized, net of interest earned on the temporary investment of the unexpended portion of those funds during the period of construction.

The Fund evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

Compensated absences: It is the Fund's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is fully vested when earned by Fund employees. Sick leave does not vest for Fund employees; however, upon retirement, Fund employees receive credit for each day of accumulated sick leave toward their pension benefit. There is no liability for unpaid accrued sick leave service since the Fund does not pay when the employee separates from service.

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

Operating and non-operating revenues: The Fund reports as operating revenues all charges for services generated through parking fees and certain other miscellaneous revenues. Other revenues, including interest revenue and grants, are reported as non-operating.

Note 1. Summary of Significant Accounting Policies (Continued)

Due to/from other funds: The General Fund of the City provides administrative services to the Fund, which totaled $708,257 and $694,423 for the years ended June 30, 2009 and 2008, respectively. Charges for these services are treated as expenses by the Fund.

Bond discount or premium: Discount or premium on bonds is amortized, using the effective interest method, over the life of the debt and is included in interest expense.

Deferred gain (loss) on advance refundings: Gain or (loss) on advance refunding is amortized, using the effective interest method, over the shorter of the life of the refunded bonds or the life of the new bonds.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications have been made to balances at June 30, 2008 to conform to the June 30, 2009 financial statement presentation.

Note 2. Cash and Investments

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

Investments: Statutes authorize the Fund 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") and Asian Development Bank, the African Development Bank, commercial paper rated A-1 by Standard and Poor's or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's LGIP, certain mutual funds, corporate notes, asset-backed securities, and savings accounts or time deposits.

The Fund has no formal policy regarding credit risk, interest rate risk, concentration of credit risk, custodial credit risk, or foreign investment risk.

The Fund had $753,456 and $9,800,000 invested in the State Treasurer's LGIP, included in cash and short term investments, at June 30, 2009 and 2008 respectively, which carries a Standard and Poor's rating of AAAm.

The Fund's investments for the years ended June 30, 2009 and 2008, other than LGIP, are categorized below to give an indication of the level of interest rate risk for each investment type by the entity at year-end. Included in the $12,550,423 and $9,367,077 investments in Note 2a are $4,920,352 and $5,167,566 of restricted assets at June 30, 2009 and 2008, respectively.

Certain cash and investments of the Fund are combined with other City monies for investment purposes. These amounts were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Reference should be made to the Comprehensive Annual Financial Report of the City of Norfolk for further cash and investment disclosures.

Note 2. Cash and Investments (Continued)

Note2a

Fiscal Year 2009:

Investment Type	Fair Value	Less than 1 Yr	1-5 Years
Virginia AIM Mutual Fund	$ 15,013	$ 15,013	$ -
SNAP Mutual Fund	3,254,318	3,254,318	-
PFM Money Market	795,207	795,207	-
Certificates of deposit	3,966,000	3,966,000	-
U. S. Government securities	1,839,132	1,839,132	-
Money Market Funds	2,680,753	2,680,753	-
Total	$ 12,550,423	$ 12,550,423	$ -

Fiscal Year 2008:

Investment Type	Fair Value	Less than 1 Yr	1-5 Years
Virginia AIM Mutual Fund	$ 2,013	$ 2,013	$ -
SNAP Mutual Fund	771,502	97,768	673,734
Certificates of deposit	4,654,000	4,654,000	-
U. S. Government securities	1,888,051	1,888,051	-
Money Market Funds	2,051,511	2,051,511	-
Total	$ 9,367,077	$ 8,693,343	$ 673,734

The Fund's rated debt investments, other than LGIP, as of June 30, 2009 and 2008 were rated by Standard and Poor's and the credit ratings are presented below using the Standard and Poor's rating scale.

Note2b

Fiscal Year 2009:

Investment Type	AAA	AAAm	AA+	AA-	Total
Virginia AIM Mutual Fund	$ -	$ 15,013	$ -	$ -	$ 15,013
SNAP Mutual Fund	-	3,254,318	-	-	3,254,318
PFM Money Market	-	795,207	-	-	795,207
U. S. Government securities	1,839,132	-	-	-	1,839,132
Money Market Funds	2,680,753	-	-	-	2,680,753
Total	$ 4,519,885	$ 4,064,538	$ -	$ -	$ 8,584,423

Fiscal Year 2008:

Investment Type	AAA	A-1+	AA+	AA-	Total
Virginia AIM Mutual Fund	$ 437	$ 1,272	$ 169	$ 135	$ 2,013
SNAP Mutual Fund	687,030	79,681	2,542	2,249	771,502
U. S. Government securities	1,888,051	-	-	-	1,888,051
Money Market Funds	2,051,511	-	-	-	2,051,511
Total	$ 4,627,029	$ 80,953	$ 2,711	$ 2,384	$ 4,713,077

At June 30, 2009 and 2008 the Fund's cash and investment consist of the following:

Note2c

	2009	2008
Investments in LGIP	$ 753,456	$ 9,800,000
Other Investments	12,550,423	9,367,077
Cash	15,560,641	2,598,896
Total Cash and Investments	$ 28,864,520	$ 21,765,973

	2009	2008
Cash and shortterm investments	$ 18,009,097	$ 14,546,896
Restricted cash and shorterm investments held with fiscal agent	5,935,071	2,051,511
Other restricted assets	4,920,352	5,167,566
Total Cash and Investments	$ 28,864,520	$ 21,765,973

Note 3. Capital Assets

Capital assets at June 30, 2009 and 2008 are comprised of the following:

	Balance June 30, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
Nondepreciable assets:					
Land	$ 35,862,888	$ -	$ -	$ -	$ 35,862,888
Construction-in-progress	6,645,946	36,569,332	(221,778)	-	42,993,500
Nondepreciable assets	42,508,834	36,569,332	(221,778)	-	78,856,388
Depreciable assets:					
Buildings and building improvements	135,015,991	491,014	(6,643)	-	135,500,362
Furniture, fixtures and equipment	834,331	50,874	(30,884)	-	854,321
Total depreciable assets	135,850,322	541,888	(37,527)	-	136,354,683
Less accumulated depreciation:					
Buildings and building improvements	(39,411,631)	(3,775,239)	-	-	(43,186,870)
Furniture, fixtures and equipment	(573,936)	(55,233)	22,126	-	(607,043)
Total accumulated depreciation	(39,985,567)	(3,830,472)	22,126	-	(43,793,913)
Depreciable assets, net	95,864,755	(3,288,584)	(15,401)	-	92,560,770
Total capital assets, net	$ 138,373,589	$ 33,280,748	$ (237,179)	$ -	$ 171,417,158

	Balance June 30, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Nondepreciable assets:					
Land	$ 30,675,683	$ 1,687,205	$ -	$ 3,500,000	$ 35,862,888
Construction-in-progress	127,537	6,567,635	(49,226)	-	6,645,946
Nondepreciable assets	30,803,220	8,254,840	(49,226)	3,500,000	42,508,834
Depreciable assets:					
Buildings and building improvements	137,389,289	3,114,022	(5,487,320)	-	135,015,991
Furniture, fixtures and equipment	849,644	13,995	(29,308)	-	834,331
Total depreciable assets	138,238,933	3,128,017	(5,516,628)	-	135,850,322
Less accumulated depreciation:					
Buildings and building improvements	(38,995,452)	(3,796,572)	3,380,393	-	(39,411,631)
Furniture, fixtures and equipment	(519,573)	(77,427)	23,064	-	(573,936)
Total accumulated depreciation	(39,515,025)	(3,873,999)	3,403,457	-	(39,985,567)
Depreciable assets, net	98,723,908	(745,982)	(2,113,171)	-	95,864,755
Total capital assets, net	$ 129,527,128	$ 7,508,858	$ (2,162,397)	$ 3,500,000	$ 138,373,589

Note 4. Long -Term Obligations

General obligation bonds: A summary of general obligation bond transactions for the fiscal year ended June 30, 2009 and 2008 follows:

Note4a

	2009	2008
General obligation bonds outstanding at July 1	$ 7,687,588	$ 5,617,041
Bonds retired/refunded	(2,483,702)	(1,429,453)
Bonds issued/allocated to Fund	45,808,420	3,500,000
Bonds outstanding at June 30	51,012,306	7,687,588
Unamortized discount/premium	(297,337)	(525,561)
General obligation bonds outstanding at June 30, adjusted for unamortized discount/premium	51,309,643	8,213,149
Less current portion	(45,897,133)	(1,252,958)
	$ 5,412,510	$ 6,960,191

Parking facilities general obligation bonds outstanding at June 30, 2009 and 2008 are comprised of the following individual issues:

Note4b

FY 2009

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Parking Facilities General Obligation Bonds Outstanding
Series 1998 Refunding	6/15/1998	$49,190,000	5.00%	$438,263
Series 2002 Refunding	2/13/2002	47,200,000	2.00 - 5.00%	279,829
Series 2002 B Refunding	11/1/2002	39,890,000	4.00 - 5.50%	746,173
Series 2004 Refunding	3/16/2004	96,395,000	4.00 - 5.00%	658,453
Series 2006 New Money	11/15/2006	99,225,000	4.00 - 5.00%	3,081,168
Series 2009 Refunding	5/21/2009	21,895,000	3.00 - 5.00%	1,098,420
Series 2009 BAN	5/21/2009	44,710,000	1.25%	44,710,000
Total Parking Facilities General Obligation Bonds				$51,012,306

Note 4b (continued)

FY 2008

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Parking Facilities General Obligation Bonds Outstanding
Series 1998 Refunding	6/15/1998	$49,190,000	4.25 - 5.00%	$2,111,238
Series 2002 Refunding	2/13/2002	47,200,000	2.00 - 5.00%	374,876
Series 2002 B Refunding	11/1/2002	39,890,000	5.00 - 5.25%	909,037
Series 2004 Refunding	3/16/2004	96,395,000	2.00 - 5.00%	1,040,093
Series 2006 New Money	11/15/2006	99,225,000	4.00 - 5.00%	3,252,344
Total Parking Facilities General Obligation Bonds				$7,687,588

A summary of the requirement to amortize general obligation bonds outstanding at June 30, 2009 is as follows:

Note4c

Year Ending, June 30,	FY 2009 Principal	Interest
2010	$ 45,897,133	$ 663,669
2011	1,176,555	228,757
2012	824,246	180,682
2013	434,979	127,511
2014	315,483	134,768
2015-2019	994,502	407,620
2020-2024	855,880	199,848
2025-2029	513,528	32,737
General Obligation bonds outstanding	$ 51,012,306	$ 1,975,592

Note 4. Long -Term Obligations (Continued)

General obligation bonds are payable first from the revenue of the specific funds in which they are recorded; however, the full faith and credit of the City are pledged to the payment of the principal and interest on all general obligation bonds. There are no sinking fund requirements.

Revenue bonds: A summary of revenue bond transactions for the fiscal year ended June 30, 2009 and 2008 follows:

Note4d

	2009	2008
Revenue bonds outstanding at July 1	$ 92,634,000	$ 94,759,000
Bonds retired	(2,230,000)	(2,125,000)
Bonds outstanding at June 30	90,404,000	92,634,000
Less unamortized discount	3,861,973	4,799,604
Revenue bonds outstanding at June 30 adjusted for unamortized discount/premium	86,542,027	87,834,396
Less current portion	(2,560,000)	(2,230,000)
	$ 83,982,027	$ 85,604,396

Parking revenue bonds outstanding at June 30, 2009 are comprised of the following individual issues:

Note4e

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Parking Facilities Revenue Bonds Outstanding
Series 1999 Parking System Revenue	2/15/1999	$54,450,000	4.00 - 5.00%	$14,220,000
Series 2000B Parking System Revenue and Refunding	10/1/2000	17,860,000	5.50%	15,155,000
Series 2003I Subordinate Parking System Revenue	7/11/2003	1,474,000	4.50%	619,000
Series 2003II Subordinate Parking System Revenue	7/11/2003	435,000	4.50%	150,000
Series 2004A Variable Rate Parking System Revenue	10/28/2004	6,695,000	Variable	6,300,000
Series 2004B Parking System Revenue	10/28/2004	30,905,000	2.50 - 5.00%	29,510,000
Series 2005 Parking System Revenue Refunding	6/15/2005	26,045,000	4.00 - 5.00%	24,450,000
Total Parking Facilities General Obligation Bonds				$90,404,000

Note 4. Long -Term Obligations (Continued)

A summary of the requirement to amortize revenue bonds outstanding at June 30, 2009 is as follows:

Note4f

Year Ending June 30,	Principal	Interest
2010	$ 2,560,000	$ 4,437,658
2011	2,635,000	4,349,050
2012	2,755,000	4,220,648
2013	2,840,000	4,086,138
2014	2,884,000	3,947,125
2015 - 2019	16,225,000	17,637,056
2020 - 2024	20,750,000	13,435,262
2025 - 2029	25,020,000	7,761,496
2030 - 2034	13,645,000	1,700,804
2035 - 2038	1,090,000	47,491
Revenue bonds outstanding	$ 90,404,000	$ 61,622,728

Parking revenue bonds are payable solely from the revenues of the Fund. The most restrictive covenant of the Parking revenue bonds requires the Fund net revenue to not be less than the greater of (i) the sum of 1.25 times Senior Debt Service and 1.0 times Subordinated Debt service for the fiscal year and (ii) 1.0 times the funding requirements for transfers from the Revenue Fund to the Bond Fund, the Parity Debt Service Fund, the Repair and Replacement Reserve Fund, the Surety Bond Interest Fund and the Subordinate Debt Service Fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the Statement of Net Assets because their use is limited by applicable bond covenants. A supplementary schedule of past ten years of Parking Facilities Fund, Revenue Bond Senior Debt Service Coverage is included at the end of this report.

Bonds authorized and unissued as of June 30, 2009 were approximately $84,817,000.

Note 5. Retirement & OPEB Obligations

The Fund contributes to the Employee's Retirement System of the City of Norfolk (the "System"), a single-employer noncontributory defined benefit plan, which is accounted for as a separate Pension Trust Fund. Reference should be made to the Comprehensive Annual Financial Report of the System for further description of the plan. The retirement expense for June 30, 2009 and 2008 was $513,011 and $276,732, respectively.

Note 5: Retirement & OPEB Obligations (Continued)

The Fund adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Other Postemployment Benefits (OPEB) in FY2008.

The City of Norfolk provides post-retirement health care benefits, in accordance with state statutes which require extending access to healthcare benefits to certain retirees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. Employees who retire on accidental disability are also eligible. Retirees that elect to participate may purchase health care coverage using the same health care plans and premium structures available to active employees. Retiree participation, plan/benefit elections and contributions are administered by the City's Retirement Bureau based on the participation guidelines established by the Norfolk City Council.

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial valuation was performed as of July 1, 2008 with results projected for the fiscal year ended June 30, 2009.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. Under this Statement, governments report on an accrual basis, benefit costs related to the period in which benefits are earned rather than to the period of benefit distribution. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The Fund used the pay as you go method to calculate the OPEB liability for June 30, 2009 as the City has not funded a trust for the OPEB liability. Using the most recent OPEB Plan Valuation Date of July 1, 2008, prepared by Cheiron, the City's actuary, the City has allocated to the Fund a 2009 and 2008 ARC cost of $164,147 and $124,134, respectively and total OPEB unfunded actuarial liability for 2009 and 2008 of $910,384 and $895,070, respectively. The allocation is based on recovered payroll and does not purport to represent the OPEB liability of the Fund on a stand-alone basis. Reference should be made to the Comprehensive Annual Financial Report of the City of Norfolk.

Note 6. Commitments

Commitments for completion of capital projects authorized at June 30, 2009 and 2008 were approximately $16,996,474 and $47,798,360, respectively.

Note 7. Litigation

From time to time the City is a defendant in a number of lawsuits. Although it is not possible to determine the final outcome of these matters, management and the City attorney are of the opinion that the ultimate liability will not be material and will not have a significant effect on the Fund's financial condition.

Note 8. Risk Management

The Fund is exposed to various risks of loss related to: theft of, damage to, and destruction of assets; injuries to employees; general liability; automobile liability; crime and employee dishonesty; professional liability; and directors and officers' liability. The Fund's coverage is provided through the City of Norfolk's combination of purchased insurance policies and self-insurance plans.

Note 9. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements prior to June 30, 2009 that has effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Fund.

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated and establishes criteria for when such expenditures should be capitalized. This Statement is effective for periods beginning after June 15, 2009 (the Fund's fiscal year ended June 30, 2010) and generally requires its provisions to be applied retroactively.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* GASB 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments to manage specific risks or to make investments. A key provision of this statement is that derivative instruments covered in its scope with limited exception, are reported at fair value. For many derivative instruments, historical prices are zero because their terms are developed so that the instruments may be entered into without a payment being received or made. The changes in fair value of derivative instruments used for investment purposes are reported within the investment revenue classification. Alternatively, changes in fair value of derivative instruments that are classified as hedging derivative instruments are reported in the statement of net assets as deferred inflows or outflows. Effectiveness of the instruments is to be analyzed. Objectives, terms and risks of hedging derivative instruments are required disclosures. Disclosures also will include a summary of derivative instrument activity that provides an indication of the fair value amounts reported on the financial statements. The improvements under GASB 53, which becomes effective for periods beginning after June 15, 2009, should allow users of a government's financial statements to more fully understand resources available to provide services.

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund type Definitions.* GASB 54 more clearly defines the classifications of fund balance for more consistent application, and also clarifies the definition of existing governmental fund types. The new classifications of fund balance will comprise a hierarchy based on the extent to which the government is bound to observe constraints imposed upon the use of the financial resources of the funds. Fund balance will be reported in the following categories: nonspendable, restricted, committed, assigned and unassigned, depending on the relative strength of the constraints that control how the resources are spent. Disclosures are required about the processes through which constraints are imposed on amounts in the committed and assigned categories.

Note 9. Accounting Pronouncements Issued But Not Yet Implemented (Continued)

Disclosures must also include the governments policies that determine the type of fund balance categories spent. There is also guidance in the statement regarding classification of stabilization amounts on the financial statements and related note disclosures. The changes to fund balance required by GASB 54 are effective for periods beginning after June 15, 2010, with reclassifications of fund balance applied retroactively for all periods presented.

Supplemental Debt Capacity Information
Revenue Bonds Debt Service Coverage
Parking Facilities Fund
Last Ten Fiscal Years

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service Principal (3)	Debt Service Interest (3)	Debt Service Total	Coverage
2000	$ 15,820,975	$ 5,495,665	$ 10,325,310	$ 935,000	$ 3,686,053	$ 4,621,053	2.23
2001	17,246,291	5,706,458	11,539,833	1,285,000	3,679,744	4,964,744	2.32
2002	18,427,725	7,309,883	11,117,842	1,010,000	4,673,455	5,683,455	1.96
2003	18,879,428	7,481,301	11,398,127	1,080,000	4,324,816	5,404,816	2.11
2004	21,614,695	8,503,800	13,110,895	1,155,000	4,274,056	5,429,056	2.41
2005	21,329,936	9,984,289	11,345,647	1,225,000	4,219,772	5,444,772	2.08
2006	21,823,360	9,493,391	12,329,969	1,760,000	4,252,397	6,012,397	2.05
2007	22,348,513	9,359,808	12,988,705	1,825,000	4,653,189	6,478,189	2.00
2008	21,338,661	10,554,971	10,783,690	1,935,000	4,592,680	6,527,680	1.65
2009	20,060,905	10,762,214	9,298,691	2,040,000	4,488,970	6,528,970	1.42

Notes:

1. Includes operating revenue plus interest income not capitalized.

2. Includes operating expenses less depreciation and amortization.

3. Excludes subordinate debt service.

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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 Audit Standards*

The Honorable Members of City Council
Parking Facilities Fund of the City of Norfolk, Virginia:

We have audited the financial statements of the Parking Facilities Fund of the City of Norfolk, Virginia (the Fund) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated January 19, 2010. As discussed in note 1 to the financial statements, the accompanying financial statements present only the Parking Facilities Fund and do not purport to, and do not, present fairly the financial position of the City of Norfolk, Virginia, the changes in its financial position or its cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. Our report also discusses that the Fund has not presented a Management's Discussion and Analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be a part of, the financial statements. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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

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determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 19, 2010