Parking Facilities Fund of the City of Norfolk, Virginia

Financial and Compliance Report
Year Ended June 30, 2012

Parking Facilities Fund of the City of Norfolk, Virginia

Financial and Compliance Report
Years Ended June 30, 2012 and 2011

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KPMG LLP
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Norfolk, VA 23510

Independent Auditors' Report

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

We have audited the accompanying balance sheet of the Parking Fund of the City of Norfolk, Virginia (the Fund), as of June 30, 2012 and 2011, 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 audit.

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; 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 City'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 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 respective financial position of the Parking Fund of the City of Norfolk, Virginia, as of June 30, 2012 and 2011, and the respective changes in 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 Management's Discussion and Analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not be a part of, the financial statements.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
('KPMG International'), a Swiss entity.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013 on our consideration of the Fund'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

U.S. generally accepted accounting principles requires that the Supplemental Other Post Employment Benefit (OPEB) Information on page 25 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 Fund's basic financial statements. The Supplemental Debt Capacity Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Supplemental Debt Capacity Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 Supplemental Debt Capacity Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

January 15, 2013

Parking Facilities Fund of the City of Norfolk, Virginia

Balance Sheet
June 30, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and short term investments (Note 2)	$ 19,619,093	$ 19,497,798
Receivables:		
Billed (net)	1,182,427	1,130,411
Unbilled	220,440	223,745
Accrued Investment Income	45,218	256
Inventories	389,050	397,560
Restricted cash and short term investments held with fiscal agent (Note 2)	14,030,459	24,566,838
Total current assets	35,486,687	45,816,608
Restricted assets:		
Certificates of deposit	1,927,822	1,927,772
Investments	2,797,987	2,913,313
	4,725,809	4,841,085
Capital assets (Note 3):		
Non-depreciable assets	36,121,191	36,145,187
Depreciable assets, net	135,654,818	140,036,680
	171,776,009	176,181,867
Total assets	$ 211,988,505	$ 226,839,560
Liabilities		
Current liabilities:		
Vouchers payable	$ 475,397	$ 472,308
Contract retainage	26,972	50,967
Accrued payroll	61,542	102,148
Contribution to Employees Retirement System	583,304	606,650
Current portion of bonds payable (Note 5)	3,778,426	4,029,104
Accrued interest	2,124,294	2,167,613
Other liabilities	162,329	155,370
Compensated absences	124,784	114,039
Total current liabilities	7,337,048	7,698,199
Noncurrent liabilities:		
General obligation bonds payable (Note 5)	74,755,565	86,052,428
Revenue bonds payable (Note 5)	76,479,929	78,923,585
Post employment benefits (OPEB) (Note 6)	519,243	418,749
Compensated absences	187,175	171,058
Total noncurrent liabilities	151,941,912	165,565,820
Total liabilities	159,278,960	173,264,019
Net Assets		
Invested in capital assets, net of related debt	33,590,535	34,656,901
Restricted	1,927,822	1,927,772
Unrestricted	17,191,188	16,990,868
Total net assets	52,709,545	53,575,541
Total liabilities and net assets	$ 211,988,505	$ 226,839,560

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, 2012 and 2011

	2012	2011
Operating revenue-		
Charges for services	$ 19,451,861	$ 19,681,613
Operating expenses:		
Personnel services	6,642,590	7,942,997
Parking operations	1,092,320	977,143
Depreciation	5,473,362	5,490,422
Retirement contribution	583,304	606,650
Administrative expenses	343,878	379,639
Other	514,217	607,294
Total operating expenses	14,649,671	16,004,145
Operating income	4,802,190	3,677,468
Nonoperating revenues (expenses):		
Investment income	219,396	283,522
Interest expense and fiscal charges	(5,813,170)	(6,045,238)
Other non-operating income-contributions	18,823	114,483
Loss on sale or disposal of capital assets	(6,257)	-
Total nonoperating expenses, net	(5,581,208)	(5,647,233)
Loss before transfers	(779,018)	(1,969,765)
Transfer out	(86,978)	(52,045)
Change in net assets	(865,996)	(2,021,810)
Net assets:		
Beginning	53,575,541	55,597,351
End	$ 52,709,545	$ 53,575,541

See Notes to Financial Statements.

Parking Facilities Fund of the City of Norfolk, Virginia

Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities:		
Receipts from customers	$ 19,403,150	$ 19,621,129
Payments to suppliers	(1,080,721)	(920,898)
Payments to employees	(7,262,984)	(8,441,784)
Other payments	(750,642)	(1,184,984)
Net cash provided by operating activities	10,308,803	9,073,463
Cash Flows From Noncapital Financing Activities:		
Internal activity, payments from other funds	-	(396,701)
Transfer out	(86,978)	(52,045)
Net cash used in noncapital financing activities	(86,978)	(448,746)
Cash Flows From Capital and Related Financing Activities:		
Proceeds from capital/refunding debt	1,626,320	72,683,241
Purchases of capital assets	(1,078,933)	(1,174,249)
Refunding/Refinancing of debt principal	(11,569,440)	(74,961,176)
Principal paid on capital debt	(4,029,104)	(4,200,555)
Interest paid on capital debt	(5,875,462)	(5,062,106)
Net cash used in capital and related financing activities	(20,926,619)	(12,714,845)
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	3,055,958	3,209,927
Purchase of investments	(2,940,682)	(3,104,081)
Interest and dividends	174,434	283,522
Net cash provided by investing activities	289,710	389,368
Net decrease in cash and short term investments	(10,415,084)	(3,700,760)
Cash and short term investments:		
Beginning	44,064,636	47,765,396
End	$ 33,649,552	$ 44,064,636

Parking Facilities Fund of the City of Norfolk, Virginia

Statements of Cash Flows (Continued)
Year Ended June 30, 2012 and 2011

	2012	2011
Reconciliation of Operating Income to Net Cash and Short Term Investments Provided by Operating Activities:		
Operating income	$ 4,802,190	$ 3,677,468
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	5,473,362	5,490,422
Change in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivables (net), billed and unbilled	(48,711)	(60,484)
Inventories	8,510	(39,195)
Increase (Decrease) in:		
Vouchers payables	3,089	95,440
Accrued payroll	(37,090)	107,863
Other liabilities	107,453	(198,051)
Net cash provided by operating activities	$ 10,308,803	$ 9,073,463
Reconciliation of Cash and Short Term Investments to the Statement of Net Assets		
Cash and short term investments	$ 19,619,093	$ 19,497,798
Restricted cash and short term investments held with fiscal agent	14,030,459	24,566,838
Total cash and short term investments per statements cash flows	$ 33,649,552	$ 44,064,636
Supplemental Schedule of Noncash Investing, Capital and Financing Activities		
Unrealized loss on investments	$ -	$ (6,883)
Loss on disposal of capital assets	$ (6,257)	$ -
Acquisition of capital assets through the change in contract retainage	$ (23,995)	$ (937,737)
Acquisition of capital assets through the change in vouchers payable	$ (159,927)	$ (151,055)

See Notes to Financial Statements.

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.

Receivables: Unbilled accounts, net are estimated at each fiscal year end based on parking usage by customers for whom billings have not yet been processed. Billed accounts are presented on a net basis and consist of the following at June 30, 2012 and 2011:

	2012	2011
Gross receivables	$10,374,661	$10,320,768
Less: Allowance for doubtful accounts	(9,192,234)	(9,190,357)
Net receivables	$ 1,182,427	$ 1,130,411

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 Fund are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the Fund 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 $662,527 and $728,070 for the years ended June 30, 2012 and 2011, 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.

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 $17,735,970 and $15,341,906 invested in the State Treasurer's LGIP, included in cash and short term investments, at June 30, 2012 and 2011 respectively, which carries a Standard and Poor's rating of AAAm.

The Fund's investments for the years ended June 30, 2012 and 2011, other than LGIP, are categorized to give an indication of the level of interest rate risk for each investment type by the entity at year-end. Included in the $20,469,353 and $33,371,506 investments in Note 2a are $4,725,809 and $4,841,085 of restricted assets at June 30, 2012 and 2011, 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 2012:

Investment Type	Fair Value	Less than 1 Yr	1-5 Years
LGIP Investments	$ 2,595,124	$ 2,595,124	$ -
SNAP MMMF	10,744,820	10,744,820	-
PFM MMMF	826,459	826,459	-
US Bank MMMF	1,045,782	1,045,782	-
U. S. Government securities	2,593,647	1,799,186	794,461
Money Market Funds	2,663,521	2,663,521	-
Total	$ 20,469,353	$ 19,674,892	$ 794,461

Fiscal Year 2011:

Investment Type	Fair Value	Less than 1 Yr	1-5 Years
LGIP Investments	$ 4,547,088	$ 4,547,088	$ -
SNAP MMMF	20,956,310	20,956,310	-
PFM MMMF	1,229,213	1,229,213	-
US Bank MMMF	1,344,267	1,344,267	-
U. S. Government securities	2,603,272	1,808,428	794,844
Money Market Funds	2,691,357	2,691,357	-
Total	$ 33,371,507	$ 32,576,663	$ 794,844

The Fund's rated debt investments, other than LGIP, as of June 30, 2012 and 2011 were rated by Standard and Poor's and the credit ratings are presented below using the Standard and Poor's rating scale.

Note 2. Cash and Investments (Continued)

Note2b

Fiscal Year 2012:

Investment Type	AAA	AAAm	Total
LGIP Investments	$ -	$ 2,595,124	$ 2,595,124
SNAP MMMF	-	10,744,820	10,744,820
PFM MMMF	-	826,459	826,459
US Bank MMMF		1,045,782	1,045,782
U. S. Government securities	2,593,647		2,593,647
Money Market Funds	-	2,663,521	2,663,521
Total	$ 2,593,647	$ 17,875,706	$ 20,469,353

Fiscal Year 2011:

Investment Type	AAA	AAAm	Total
LGIP Investments	$ -	$ 4,547,088	$ 4,547,088
SNAP MMMF	-	20,956,310	20,956,310
PFM MMMF	-	1,229,213	1,229,213
US Bank MMMF		1,344,267	1,344,267
U. S. Government securities	2,603,272		2,603,272
Money Market Funds	-	2,691,357	2,691,357
Total	$ 2,603,272	$ 30,768,235	$ 33,371,507

At June 30, 2012 and 2011 the Fund's cash and investment consist of the following:

Note2c

	2012	2011
Investments in LGIP	$ 17,735,970	$ 15,341,906
Other Investments	20,469,353	33,371,507
Cash	170,038	192,308
Total Cash and Investments	$ 38,375,361	$ 48,905,721

	2012	2011
Cash and short-term investments	$ 19,619,093	$ 19,497,798
Restricted cash and short-term investments held with fiscal agent	14,030,459	24,566,838
Other restricted assets	4,725,809	4,841,085
Total Cash and Investments	$ 38,375,361	$ 48,905,721

Note 3. Capital Assets

Capital assets at June 30, 2012 and 2011 are comprised of the following:

	Balance June 30, 2011	Additions	Retirements/Transfers	Balance June 30, 2012
Nondepreciable assets:				
Land	$ 35,952,094	$ -	$ -	$ 35,952,094
Construction-in-progress	193,093	26,972	(50,968)	169,097
Nondepreciable assets	36,145,187	26,972	(50,968)	36,121,191
Depreciable assets:				
Buildings and building improvements	187,434,674	745,813	-	188,180,487
Furniture, fixtures and equipment	5,139,570	351,944	(38,792)	5,452,722
Total depreciable assets	192,574,244	1,097,757	(38,792)	193,633,209
Less accumulated depreciation:				
Buildings and building improvements	(51,348,545)	(4,973,520)	-	(56,322,065)
Furniture, fixtures and equipment	(1,189,019)	(499,842)	32,535	(1,656,326)
Total accumulated depreciation	(52,537,564)	(5,473,362)	32,535	(57,978,391)
Depreciable assets, net	140,036,680	(4,375,605)	(6,257)	135,654,818
Total capital assets, net	$ 176,181,867	$ (4,348,633)	$ (57,225)	$ 171,776,009

	Balance June 30, 2010	Additions	Retirements/Transfers	Balance June 30, 2011
Nondepreciable assets:				
Land	$ 35,952,094	$ -	$ -	$ 35,952,094
Construction-in-progress	1,230,830	50,967	(1,088,704)	193,093
Nondepreciable assets	37,182,924	50,967	(1,088,704)	36,145,187
Depreciable assets:				
Buildings and building improvements	187,019,966	414,708	-	187,434,674
Furniture, fixtures and equipment	4,098,797	1,095,105	(54,332)	5,139,570
Total depreciable assets	191,118,763	1,509,813	(54,332)	192,574,244
Less accumulated depreciation:				
Buildings and building improvements	(46,402,141)	(4,946,404)	-	(51,348,545)
Furniture, fixtures and equipment	(699,333)	(544,018)	54,332	(1,189,019)
Total accumulated depreciation	(47,101,474)	(5,490,422)	54,332	(52,537,564)
Depreciable assets, net	144,017,289	(3,980,609)	-	140,036,680
Total capital assets, net	$ 181,200,213	$ (3,929,642)	$ (1,088,704)	$ 176,181,867

There was no capitalized interest for fiscal year 2012 or 2011. The total interest cost was $5,813,170 and $6,045,238 for the fiscal years ended June 30, 2012 and 2011, respectively.

Note 4. Short-Term Obligations

On March 9, 2011, the City issued a $51,655,000 General Obligation Bond Anticipation Note (BAN), Series 2011A (Tax-Exempt). The 2011A BAN consisted of a $36,930,000 Note with an interest rate of 3.00% to yield 1.25% and a $14,725,000 Note with an interest rate of 2.000% to yield 1.280%. The proceeds of the Series 2011A BAN were used to current refund on April 1, 2011 the outstanding principal amount and accrued and unpaid interest on the City's General Obligation BAN, Series 2010C. Parking portion of the Series 2011A BAN to be used to fund the cash flow needs of the Parking Facilities Fund capital improvement project is $41,093,137 with the balance of the Series 2011A BAN funding the cash flow needs of various General Capital projects of the City. City Council has authorized that the Series 2011A BAN may be extended or refinanced from time to time by or at the direction of the City Manager provided that no extension or refinancing matures later than five years from the date of the original issuance of such Note.

On March 9, 2011, the City issued a $23,650,000 General Obligation BAN, Series 2011B (Taxable) with an interest rate of 2.090% to yield 2.090%. The proceeds of the Series 2011B BAN refund on April 1, 2011, the outstanding principal amount and accrued and unpaid interest on the City's General Obligation BAN, Series 2010D (Taxable). Parking portion of the Series 2011B Ban to be used to fund the cash flow needs of the Parking Facilities Fund capital improvement project is $21,550,018 with the balance of the Series 2011B BAN funding the cash flow needs of various General Capital projects of the city. City Council has authorized that the Series 2011B BAN may be extended or refinanced from time to time by or at the direction of the City Manager provided that no extension or refinancing matures later than five years from the date of the original issuance of such Note (January 21, 2010).

Interest on both the Series 2011A and the Series 2011B BANs will be payable semi-annually on January 1 and July 1, commencing January 1, 2012. Principal and interest accrued on the Series 2011A and the Series 2010B BANs shall be payable at maturity on January 1, 2014.

Moody's Investors Service, Inc. ("Moody's) and Standard & Poor's Rating Services reaffirmed the City's existing long-term rating "Aa2" and "AA", respectively on both the Series 2011A and the Series 2011B BANs. Moody's additionally assigned a short-term rating of "MIG-1" on both the Series 2011A and the Series 2011B BANs. Both the Series 2011A and the Series 2011B BANs are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest. Either of the Series 2011A BANs or the Series 2011B BANs may be retired, at the discretion of the City Council, from the proceeds of future Capital Improvement Bonds, any revenue bonds of the City or by means of current revenues, special assessments or other funds.

Note 4. Short -Term Obligations (Continued)

General Obligation BANs	Purpose	Maturity Date	Interest Rate	Outstanding Balance as of 6/30/11	Additions	Reductions	Outstanding Balance as of 6/30/12
General Obligation Bond Anticipation Note, Series 2011A (Tax-Exempt)	Refund Series 2010C (Tax-Exempt)	1/1/2014	3.000%	36,930,000	-	-	36,930,000
General Obligation Bond Anticipation Note, Series 2011A (Tax-Exempt)	Refund Series 2010C (Tax-Exempt)	1/1/2014	2.000%	14,725,000	-	-	14,725,000
General Obligation Bond Anticipation Note, Series 2011B (Taxable)	Finance Parking Taxable Capital Projects	1/1/2014	2.090%	23,650,000	-	-	23,650,000
Total BANs				75,305,000	-	-	75,305,000
Less: Non parking related							
General Capital Project Funding, Not Parking Facilities Fund projects	Refund Series 2010C (Tax-Exempt)	1/1/2014	2-3 %	(721,403)	-	(9,840,460)	(10,561,863)
General Capital Project Funding, Not Parking Facilities Fund projects	Finance Parking Taxable Capital Projects	1/1/2014	2.090%	(2,099,982)	-	-	(2,099,982)
				(2,821,385)	-	(9,840,460)	(12,661,845)
Net Parking BANs				72,483,615	-	(9,840,460)	62,643,155

Outstanding amounts for the General Obligation Bond Anticipation Notes have also been included in the Long-Term Obligations Note.

Note 5. Long -Term Obligations

General obligation bonds: A summary of general obligation bond transactions, including bond anticipation notes, for the fiscal year ended June 30, 2012 and 2011 follows:

Note5a

	2012	2011
General obligation bonds outstanding at July 1	$ 85,976,693	$ 89,431,183
Bonds retired/refunded/refinanced	(11,407,224)	(76,137,731)
Bonds issued/allocated to Fund	-	72,683,241
Bonds outstanding at June 30	74,569,469	85,976,693
Plus Unamortized premium	1,274,522	1,539,839
General obligation bonds outstanding at June 30, adjusted for unamortized premium	75,843,991	87,516,532
Less current portion	(1,088,426)	(1,464,104)
	$ 74,755,565	$ 86,052,428

Note 5. Long -Term Obligations (Continued)

Parking facilities general obligation bonds outstanding at June 30, 2012 and 2011 are comprised of the following individual issues:

Note5b

FY 2012

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Parking Facilities General Obligation Bonds Outstanding
Series 2002 B Refunding	11/1/2002	39,890,000	4.00 - 5.50%	263,803
Series 2006 New Money	11/15/2006	99,225,000	4.00 - 5.00%	667,484
Series 2009 Refunding	5/21/2009	21,895,000	3.00 - 5.00%	282,930
Series 2010 A & B	1/21/2010	4,526,010	1.75 - 5.96%	4,136,151
Series 2010 E	2/25/2010	5,000,000	2.00 - 4.00%	4,750,000
Series 2010 G Refunding	10/19/2010	199,626	2.50 - 5.00%	199,626
Series 2011 A BAN	3/24/2011	50,933,597	2.00 - 3.00%	41,093,137
Series 2011 B BAN	3/24/2011	21,550,018	2.09%	21,550,018
Series 2012 A	5/30/2012	1,632,184	2.07%	1,626,320
Total Parking Facilities General Obligation Bonds				$74,569,469

FY 2011

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Parking Facilities General Obligation Bonds Outstanding
Series 2002 Refunding	2/13/2002	47,200,000	2.00 - 5.00%	92,308
Series 2002 B Refunding	11/1/2002	39,890,000	4.00 - 5.50%	424,774
Series 2006 New Money	11/15/2006	99,225,000	4.00 - 5.00%	2,567,640
Series 2009 Refunding	5/21/2009	21,895,000	3.00 - 5.00%	682,721
Series 2010 A & B	1/21/2010	4,526,010	1.75 - 5.96%	4,526,009
Series 2010 E	2/25/2010	5,000,000	2.00 - 4.00%	5,000,000
Series 2010 G Refunding	10/19/2010	199,626	2.50 - 5.00%	199,626
Series 2011 A BAN	3/24/2011	50,933,597	2.00 - 3.00%	50,933,597
Series 2011 B BAN	3/24/2011	21,550,018	2.09%	21,550,018
Total Parking Facilities General Obligation Bonds				$85,976,693

Note 5. Long -Term Obligations (Continued)

A summary of the requirement to amortize general obligation bonds outstanding at June 30, 2012 is as follows:

Note5c

Year Ending, June 30,	Principal	Interest
2013	$ 1,088,426	$ 1,982,708
2014	63,619,279	1,986,929
2015	980,566	394,795
2016	758,075	330,092
2017	593,450	297,205
2018-2022	2,943,261	1,210,635
2023-2027	2,926,412	670,422
2028-2032	1,660,000	167,652
General Obligation bonds outstanding	$ 74,569,469	$ 7,040,438

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 is pledged to the payment of the principal and interest on all general obligation bonds. There are no sinking fund requirements.

Current and Advanced Refunding: On May 30, 2012, the City sold $76,835,000 of general obligation bonds. The two-prong sale was comprised of $69,030,000 of General Obligation Capital Improvement Refunding Bonds, Series 2012A and $7,805,000 of General Obligation Qualified Redevelopment Bonds, Series 2012B (AMT). The Series 2012A Bonds were used to defeased $5,580,000 of the City's Series 2005 General Obligation Bonds, $55,745,000 of the City's Series 2006 General Obligation Bonds and $12,735,000 of the City's Series 2004 HUD Loan. The Series 2012B Bonds were used to defease $1,00,000 of the City's Series 1997 Qualified Redevelopment Bonds, $775,000 of the City's Series 1998 Qualified Redevelopment Bonds, $1,400,000 of the Series 1999 Qualified Redevelopment Bonds, $1,595,000 of the City's Series 2000 Qualified Redevelopment Bonds and $4,000,000 of the City's Series 2002 Qualified Redevelopment Bonds. The refunding will reduce the City's total debt service payments for bonds and result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7,434,987.

The Parking Facilities Fund's portion of the $69,030,000 General Obligation Refunding Bonds, Series 2012A was $1,626,320. It was used to defease $1,728,980 of Parking's Series 2006 General Obligation Bonds. The refunded bond is considered to be defeased and the liability for the bond has been removed.

Revenue bonds: A summary of revenue bond transactions for the fiscal year ended June 30, 2012 and 2011 follows:

Note5d

	2012	2011
Revenue bonds outstanding at July 1	$ 84,820,000	$ 87,844,000
Bonds retired	(2,565,000)	(3,024,000)
Bonds outstanding at June 30	82,255,000	84,820,000
Less unamortized discount	(3,085,071)	(3,331,415)
Revenue bonds outstanding at June 30 adjusted for unamortized discount/premium	79,169,929	81,488,585
Less current portion	(2,690,000)	(2,565,000)
	$ 76,479,929	$ 78,923,585

Note 5. Long -Term Obligations (Continued)

Parking revenue bonds outstanding at June 30, 2012 are comprised of the following individual issues:

Note5e

2012

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%	$12,840,000
Series 2000B Parking System Revenue and Refunding	10/1/2000	17,860,000	5.50%	15,155,000
Series 2004A Variable Rate Parking System Revenue	10/28/2004	6,695,000	Variable	5,940,000
Series 2004B Parking System Revenue	10/28/2004	30,905,000	2.50 - 5.00%	23,960,000
Series 2005 Parking System Revenue Refunding	6/15/2005	26,045,000	4.00 - 5.00%	24,360,000
Total Parking Facilities General Obligation Bonds				$82,255,000

2011

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%	$13,320,000
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%	0
Series 2003II Subordinate Parking System Revenue	7/11/2003	435,000	4.50%	0
Series 2004A Variable Rate Parking System Revenue	10/28/2004	6,695,000	Variable	6,065,000
Series 2004B Parking System Revenue	10/28/2004	30,905,000	2.50 - 5.00%	25,890,000
Series 2005 Parking System Revenue Refunding	6/15/2005	26,045,000	4.00 - 5.00%	24,390,000
Total Parking Facilities General Obligation Bonds				$84,820,000

Note 5. Long -Term Obligations (Continued)

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

Note5f

Year Ending June 30,	Principal	Interest
2013	$ 2,690,000	$ 3,776,469
2014	2,835,000	3,650,501
2015	2,970,000	3,517,135
2016	3,085,000	3,399,360
2017	3,540,000	3,264,211
2018-2022	18,775,000	14,059,244
2023-2027	23,985,000	9,251,361
2028-2032	21,560,000	3,226,787
2033-2036	3,115,000	178,809
Revenue bonds outstanding	$ 82,555,000	$ 44,323,877

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 two years of Parking Facilities Fund, Revenue Bond Senior Debt Service Coverage is included at the end of this report.

The City issued $6,695,000 in Variable Rate Parking System Revenue Bonds, Series 2004A (Taxable) on October 28, 2004, to finance the costs of acquiring, constructing and equipping capital improvements to the Parking System. As of June 30, 2012, $5,940,000 remains outstanding and included in long-term debt. The bonds mature February 1, 2035.

The Series 2004A Bonds are limited obligations of the City payable from the Net Revenues derived from the City's Parking System and other funds pledged for their payment under the terms of the Master Indenture of Trust dated as of February 1, 1997, as supplemented, between the City and U.S. Bank Trust National Association, as successor Trustee (the "Trustee").

The Indenture provides that the Series 2004A Bonds shall bear interest from time to time in any one of four Interest Mode: (i) a Daily Rate Mode, (ii) a Weekly Rate Mode, (iii) a Long-Term Mode, or (vii) a Fixed Mode. All Series 2004A Bonds must be in the same Interest Mode at any one time. Since initial delivery, the interest rate mode on the Series 2004A Bonds has been at the Weekly Rate. The interest rate on the Bonds is subject to Conversion to another interest rate mode, except from a Fixed Rate to another interest rate mode, in whole and not in part, at the

Note 5. Long -Term Obligations (Continued)

option of the City, by mailing a notice thereof to the Trustee at least 30 days before the Conversion Date. Upon change in an Interest Mode, the Series 2004A Bonds are subject to mandatory tender for purchase to U.S. Bank Trust National Association, as tender agent. Notice must be sent by mail to the Owners of the Series 2004A Bonds no less than 15 days prior to the change in the Interest Mode. The Maximum Bond Rate (other than with respect to Bank Bonds) at any time is 15% per annum.

In conjunction with these bonds, the City maintains a Credit Facility. The Credit Facility is an irrevocable direct-pay letter of credit (LOC) obligation of Bank of America, N.A. (the "Credit Facility Issuer"). The annual LOC fee is 48 basis points for the current three-year LOC that expires on October 26, 2013. The LOC provides (i) the principal of the 2004A Bonds or the portion of the Purchase Price corresponding to the principal of the 2004A Bonds, to the extent remarketing proceeds are insufficient and (ii) 45 days' accrued interest (at a maximum rate of 15% per annum) on such 2004A Bonds or that portion of the Purchase Price corresponding to the interest accrued thereon.

The LOC provides for the purchase of the Bonds which have been tendered, but not remarketed. The unremarketed Bonds held by the Bank (the "Bank Bonds") shall bear interest at the Bank Rate in accordance with the Credit Facility. Interest on the Bank Bonds will be computed as the per annum rate (rounded upwards, if necessary, to the next higher 1/100 of 1%) equal to one month LIBOR plus 200 basis points (2.0%). The Bank Rate shall not be subject to the Maximum Bond Rate.

At the option of the City, any 2004A Bonds are subject to redemption prior to maturity as further described in the Fifth Supplemental Indenture of Trust between the City and the Trustee.

At June 30, 2012, all the Series 2004A Bonds have been successfully remarketed by the remarketing agent.

Bonds authorized and unissued as of June 30, 2012 were approximately $72,422,529.

On August 15, 2012, the City issued a $5,845,000 Parking System Revenue Refunding Bond to the Bank of America, N.A. to refinance the previously issued Series 2004A Parking Revenue Bonds. The City converted the existing Series 2004A Bonds to a 7-year variable rate loan. Interest shall be equal to the sum of (i) One Month LIBOR, plus (ii) one and ten hundredths percent (1.10%), and shall be computed on the basis of a 30/360 day year. Interest is payable in arrears on each February 1, May 1, August 1 and November 1, commencing November 1, 2012. Key legal and payment provisions would remain unchanged.

Note 6. 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, 2012, 2011, and 2010 was $583,304, $606,650 and $499,452, respectively.

The City 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

Note 6: Retirement & OPEB Obligations (Continued)

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, 2011 with results projected for the fiscal year ended June 30, 2012.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GAAP wherein 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 ARC as computed for the City is allocated to the Fund based on payroll.

The Fund and the City use the pay as you go method to calculate the OPEB liability for June 30, 2012 as the City has not funded a trust for the OPEB liability. Using the most recent OPEB Plan Valuation Date of July 1, 2011, the following table shows the components of the Fund's annual OPEB costs projected for the current fiscal year, the amount contributed to the Plan and the changes in the net OPEB obligation:

	2012	2011
Net beginning OPEB obligation	$ 418,749	$ 291,071
Annual required contributions	151,930	169,027
Interest on net OPEB obligation	15,666	13,253
Adjustment to ARC	(14,547)	(12,307)
Annual OPEB cost	153,049	169,973
Less: contributions made	52,555	42,295
Increase in net OPEB obligation	100,494	127,678
Net ending OPEB obligation	$ 519,243	$ 418,749

The total unfunded actuarial accrued liability (UAAL) for 2012 and 2011 was is $1,109,800 and $1,280,679, respectively, and is allocated to the Fund on the same basis as the ARC. The allocation is based on covered 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 for further information.

Note 7. Commitments

Commitments for completion of capital projects authorized were approximately $1,623,290 and $1,433,984 at June 30, 2012 and 2011, respectively.

Note 8. Litigation

From time to time the Fund 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 9. 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's combination of purchased insurance policies and self-insurance plans.

Note 10. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements that may impact future financial presentations. Management has not determined what, if any, impact implementation of the following statements will have on the City.

- GASB Statement 60: *Accounting and Reporting for Service Concession Arrangements*. GASB 60 addresses issues related to accounting for, financial reporting and disclosure requirements of certain service concession arrangements, which are a type of public-private partnership. The provisions of GASB 60 are effective for fiscal years beginning after December 15, 2011.

- GASB Statement 61: *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The objectives of GASB 61 are to improve financial reporting for governmental entities. The statement modifies certain requirements for inclusion of component units, by clarifying the manner in which the determination should be made and the type of relationships that should be considered when making that determination. The statement also amends the criteria for reporting blended component units. The provisions of GASB 61 are effective for fiscal years beginning after June 15, 2012.

- GASB Statement 62: *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 from the following sources: FASB statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA, so long as it does not contradict or conflict with GASB pronouncements. This statement also supersedes Statement No. 20: Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. The provisions of GASB 62 are effective for fiscal years beginning after December 15, 2011.

- GASB Statement 63: *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. GASB 63 provides financial reporting guidance for deferred outflows and inflows of resources. These terms are defined as the consumption or acquisition of net assets by the government that is applicable to a future reporting period respectively. The provisions of GASB 62 are effective for fiscal years beginning after December 15, 2011.

- GASB Statement No. 65: *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to clarify GASB's conceptual definitions of deferred outflows of resources and deferred inflows of resources elements to a broader range of items to enhance consistency in state and local government financial statements. The statement reclassifies or recognizes certain items currently reported as assets and liabilities as one of four financial statement elements — deferred outflows of resources, outflows of resources, deferred inflows of resources or inflows of resources. Before this guidance, many items that appeared to meet the definition of deferred outflows of resources and deferred inflows of resources in Concepts Statement No. 4, Elements of Financial Statements, were not specifically identified as such in the GASB's authoritative literature, because the Concepts Statement limits recognition of deferred outflows and deferred inflows to those instances identified in authoritative GASB pronouncement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

- GASB Statement 66: *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement also amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

- GASB Statement 67: *Financial Reporting for Pension Plans*—an amendment of GASB Statement No.25 and No.50. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement 50 for pension plans that are administered through trusts or similar arrangements meeting certain criteria. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. Statement 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information. The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

- GASB Statement 68: *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No.27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. Governments providing defined benefit pensions will be required to recognize their long-term obligation for pension benefits as a liability and to recognize more pension expense immediately. The Statement also requires revised and new disclosures, and required

- supplementary information. It also requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014; however, earlier application is encouraged.

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

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service			Coverage
				Principal (3)	Interest (3 & 4)	Total	
2003	18,879,428	7,481,301	11,398,127	1,080,000	4,305,825	5,385,825	2.12
2004	21,614,695	8,503,800	13,110,895	1,155,000	4,232,717	5,387,717	2.43
2005	21,329,936	9,984,289	11,345,647	1,225,000	4,540,463	5,765,463	1.97
2006	21,823,360	9,493,391	12,329,969	1,760,000	4,147,035	5,907,035	2.09
2007	22,348,513	9,359,808	12,988,705	1,825,000	4,628,423	6,453,423	2.01
2008	21,338,661	10,554,971	10,783,690	1,935,000	4,456,598	6,391,598	1.69
2009	20,060,905	10,762,214	9,298,691	2,040,000	4,254,117	6,294,117	1.48
2010	19,039,563	10,741,343	8,298,220	2,370,000	4,084,135	6,454,135	1.29
2011	20,079,618	10,513,723	9,565,895	2,445,000	4,009,864	6,454,864	1.48
2012	19,842,724	9,176,309	10,666,415	2,565,000	3,894,835	6,459,835	1.65

Notes:

1. Includes operating revenue plus interest income not capitalized and use of operating reserves.
2. Includes operating expenses less depreciation and amortization.
3. Excludes subordinate debt service.
4. Reflects actual interest paid on the Variable Rate Parking System Revenue Bonds, Series 2000A and 2004A.

Supplemental Other Post Employment Benefit (OPEB) Information
Schedule of Funding Progress
Parking Facilities Fund
Last Three Fiscal Years
(Unaudited)

Actuarial valuation Date	Actuarial value of assets (a)	Actuarial accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated covered payroll (c)	UAA as a percentage of covered payroll (b-a)/c
July 1, 2011	$ -	1,109,800	1,109,800	0%	3,242,816	34.2%
July 1, 2010	$ -	1,280,678	1,280,678	0%	3,743,396	34.2%
July 1, 2009	$ -	1,234,647	1,234,647	0%	3,543,430	34.8%

Note:
OPEB Data was obtained by Actuarial Valuation performed by Cheiron.

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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 Auditing Standards*

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

We have audited the financial statements of the Parking Fund of the City of Norfolk, Virginia (the Fund) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated January 15, 2013. 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 necessary to supplement, although not required to be a part of, the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 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 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.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 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 Fund 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

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