

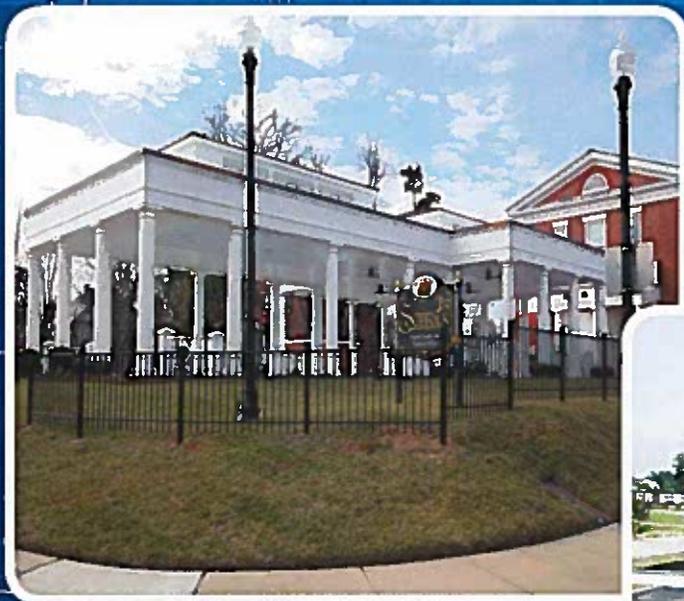
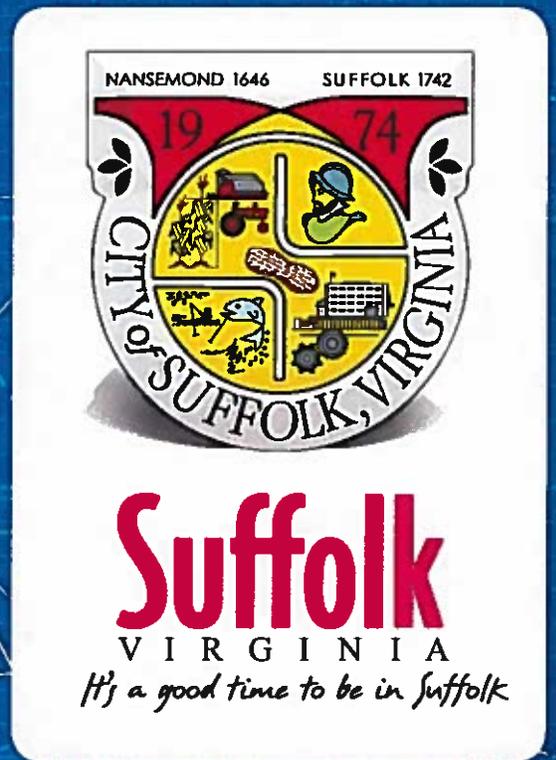
COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the

FISCAL YEAR ENDED JUNE 30, 2013



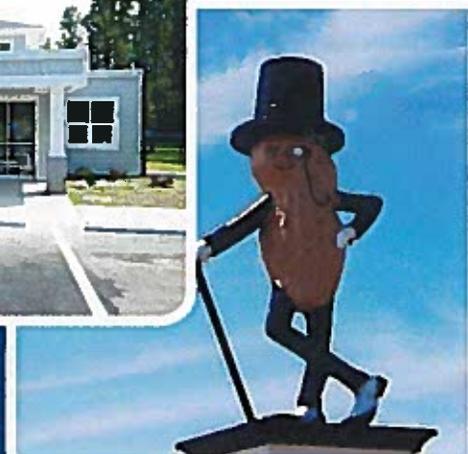
SUFFOLK VISITOR CENTER



PAVILION AT SUFFOLK VISITOR CENTER



ANIMAL CARE FACILITY



CITY OF SUFFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
June 30, 2013

Prepared by:
The Department of Finance

THIS PAGE INTENTIONALLY BLANK

CITY OF SUFFOLK, VIRGINIA
TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting.....	viii
Directory of Principal Officials	ix
Organizational Chart.....	xi

FINANCIAL SECTION

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3

BASIC FINANCIAL STATEMENTS

Government Wide Financial Statements

Exhibit 1: Statement of Net Position	12
Exhibit 2: Statement of Activities.....	13

Fund Financial Statements

Exhibit 3: Balance Sheet – Governmental Funds	14
Exhibit 4: Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Exhibit 5: Statement of Net Position – Proprietary Funds.....	17
Exhibit 6: Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	18
Exhibit 7: Statement of Cash Flow – Proprietary Funds	19
Exhibit 8: Statement of Fiduciary Net Position – Fiduciary Funds	21
Exhibit 9: Statement of Changes in Fiduciary Net Position – OPEB Trust Fund	22

Notes to Financial Statements	23
-------------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 10: Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	66
Exhibit 11: Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Road Maintenance Fund	70
Exhibit 12: Analysis of Funding Progress for Defined Benefit Pension Plan	71
Exhibit 13: Analysis of Funding Progress for Other Postemployment Benefits	72

CITY OF SUFFOLK, VIRGINIA
TABLE OF CONTENTS
(continued)

FINANCIAL SECTION (CONTINUED)

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Exhibit 14: Combining Balance Sheet – Non Major Governmental Funds.....	73
Exhibit 15: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental funds.....	74
Exhibit 16: Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund	75
Exhibit 17: Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Funds	76

NON-MAJOR PROPRIETARY FUNDS

Exhibit 18: Combining Statement of Net Position	79
Exhibit 19: Combining Statement of Revenues, Expenses and Changes in Fund Net Position	80
Exhibit 20: Combining Statement of Cash Flows	81

INTERNAL SERVICE FUNDS

Exhibit 21: Combining Statement of Net Position	82
Exhibit 22: Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	83
Exhibit 23: Combining Statement of Cash Flows	84

FIDUCIARY NET POSITION

Exhibit 24: Combining Statement of Fiduciary Net Position	85
Exhibit 25: Combining Statement of Fiduciary Assets and Liabilities.....	86

DISCRETELY PRESENTED COMPONENT UNIT – CITY OF SUFFOLK SCHOOL BOARD

Exhibit 26: Combining Balance Sheet – Governmental Funds	87
Exhibit 27: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	88
Exhibit 28: Budgetary Reconciliation Schedule – Governmental Funds	89
Exhibit 29 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis)	90
Exhibit 30: Statement of Fiduciary Net Position – Fiduciary Funds	91
Exhibit 31: Statement of Changes in Fiduciary Assets and Liabilities – OPEB Trust Funds	92
Exhibit 32: Statement of Changes in Assets and Liabilities – Agency Funds.....	93

CITY OF SUFFOLK, VIRGINIA

**TABLE OF CONTENTS
(continued)**

STATISTICAL SECTION

Table 1	Net Position by Component.....	94
Table 2	Changes in Net Position	95
Table 3	Fund Balances – Governmental Funds.....	97
Table 4	Changes in Fund Balances – Governmental Funds	98
Table 5	Tax Revenues by Source – Governmental Funds.....	99
Table 6	Assessed Value and Estimated Actual Value of Taxable Property	100
Table 7	Direct Property Tax Rates	101
Table 8	Principal Property Tax Payers	102
Table 9	Property Tax Levies and Collections.....	103
Table 10	Property Value and Construction.....	104
Table 11	Principal Commercial/Industrial Water and Sewer Consumers	105
Table 12	Water and Sewer Rate Schedule.....	106
Table 13	Outstanding Debt by Type.....	107
Table 14	Legal Debt Margin.....	108
Table 15	Pledge-Revenue Coverage.....	109
Table 16	Demographic and Economic Statistics	110
Table 17	Principal Employers	111
Table 18	Full-Time Equivalent City Government Employees by Function/Program	112
Table 19	Operating Indicator by Function/Program.....	114
Table 20	Capital Asset Statistics by Function/Program	115

COMPLIANCE SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	116
Report of Independent Auditor on Compliance for Each Major Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	118
Schedule of Expenditures of Federal Awards.....	120
Schedule of Findings and Questioned Costs.....	122

THIS PAGE INTENTIONALLY BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY BLANK



City of Suffolk

City Manager
P.O. Box 1858 Suffolk, VA 23439
Phone: (757) 514-4012

December 16, 2013

The Honorable Council
City of Suffolk, Virginia

Dear Council Members:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the period of July 1, 2012 through June 30, 2013. The code of the Commonwealth of Virginia and the charter of the City of Suffolk (the City) require the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and complies with state law and guidelines of the Auditor of Public Accounts of the Commonwealth of Virginia.

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

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

According to Section 8.08 of the City Charter and Section 15.2-2511 of the 1950 Code of Virginia, as amended, an annual audit by an independent auditor of the City is required. The City's financial statements have been audited by Cherry Bekaert, L.L.P. As a result of an audit of the City's financial records and transactions of all funds, component units, and departments of the City, Cherry Bekaert, L.L.P., has concluded that the financial statements are in compliance with generally accepted accounting principles and have issued an unqualified opinion on the City's financial statements for the year ended June 30, 2013. The independent auditor's report is presented as the first component of the financial section of this report.

The audit included and was part of a broader federally mandated “Single Audit” designed to meet the special needs of federal grants. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City’s internal control and compliance with legal requirements, with special emphasis on those involving the administration of federal awards. The analysis by the auditors is included in the CAFR within the Compliance Section.

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

Profile of the City

The present City of Suffolk was formed January 1, 1974, from the consolidation of the City of Suffolk and the City of Nansemond (formerly Nansemond County). The City is Virginia’s largest city in land area and one of the top ten in land area in the nation with over 400 square miles. The diverse landscape includes a mix of rural, suburban and urban development areas. The City is situated in the western portion of Hampton Roads, Virginia’s coastal plain area, and is bounded by the James River to the north, the Cities of Chesapeake and Portsmouth to the east, the State of North Carolina to the south, and the Counties of Southampton and Isle of Wight to the west. The City of Suffolk is one of seven major cities that form the Norfolk-Virginia Beach-Newport News metropolitan area with 1.6 million people. It is also known as the Hampton Roads area.

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

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

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

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

The City maintains budgetary controls, the objective of which is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by City Council. Budgetary control is maintained at the expenditure level of each department using an encumbrance accounting system. Open encumbrances are reported within the appropriate classification of “reserved” fund balance at June 30, 2013. A description of the procedures utilized to establish budgetary data is presented in Note 1D within the Notes to Financial Statements tab.

Economic Activity

Suffolk remains one of Virginia’s fastest growing cities. The region continues to attract, develop and nurture business and industry. The attractive business climate and quality of life has garnered some attention and accolades for Suffolk. *CNN Money Magazine* recognized Suffolk among the “Top 100 Best Small Cities to Live”. In 2012, Suffolk ranked #9 out of 25 in *CNN Money* annual “Where the Jobs Are” classification.

In 2012 fifty-nine companies invested over \$62 million in creating new business operations and thirty six existing companies invested over \$32 million, which combined is upwards of \$94 million in total economic investment directly into Suffolk. This resulted in the creation of 1,957 new jobs. Suffolk continued to focus on specific targeted business sectors, which consisted of: Warehousing & Distribution, Office & Administration, Medical, Retail, Modeling/Simulation & Technology, Advanced Manufacturing, Hospitality and Food & Beverage Processing. Mod/Sim & Technology was the strongest performer in 2012, boosted by the pending influx of approximately 1,500 Navy Cyber Forces staff personnel moving into the former U.S. Joint Forces Command site in North Suffolk. Naval Network Warfare Command (NNWC), Navy Cyber Defense Operations Command (NCDOC) and support staff from U.S. Fleet Cyber Command/U.S. TENTH fleet have joined Navy Cyber Forces in this move. At their new headquarters in Suffolk the commands and supporting staff will continue their mission of securing the United States Navy’s assets and infrastructure.

Several noteworthy Warehousing & Distribution projects were conducted in 2012 involving expanding or moving into substantial warehouse space. Advanced Manufacturing was also a strong contender in 2012, with major employers buying new equipment to modernize operations. Food & Beverage processors such as Unilever/Lipton, Massimo Zanetti and Continental Terminals all showed growth in continued interest in their business sectors which led to substantial investments in 2013.

Expanding and New Business Highlights January 1 – December 31, 2012

<u>Expanding Business</u>	<u>Sector</u>	<u>Investment</u>
Dana Corporation	Distribution	\$8,300,000
Massimo Zanetti	Food and Beverage.	\$5,000,000
Virginia Neurology & Sleep Center	Medical	\$3,200,000
Now Care Urgent Care	Medical	\$3,000,000
Continental Terminals	Food and Beverage	\$2,700,000
Elizabeth River Lawn & Landscaping	Lawn Care	\$1,500,000
Salvation Army	Other	\$1,200,000
Dollar Tree	Retail	\$1,200,000

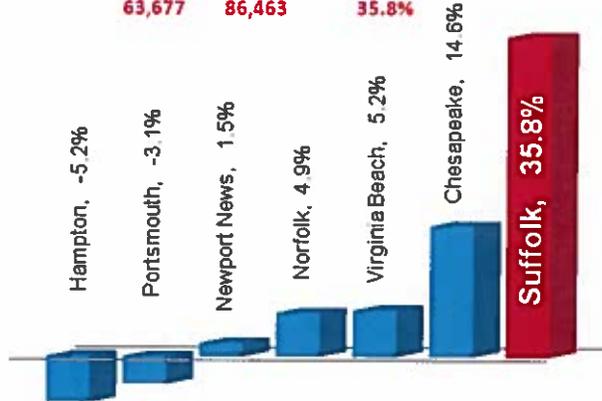
Suffolk economic development opportunities have continued to grow throughout 2012. The following chart highlights some of this activity.

<u>New Business</u>	<u>Sector</u>	<u>Investment</u>
Cyber Command	Technology	\$54,000,000
Main Street Marketplace	Retail	\$3,000,000
Montessori Academy	Other	\$2,650,000
Sumitomo	Distribution	\$1,000,000
Nuts for Wildlife	Food and Beverage	\$600,000
Harper's Table	Retail	\$250,000

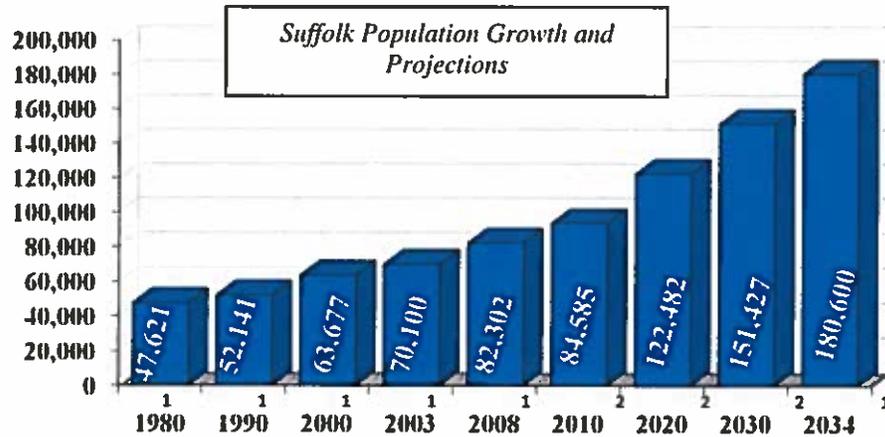
Over the past 12 years Suffolk has also outpaced its neighboring Hampton Roads cities in population growth by a wide margin. Where some saw a decrease in population, Suffolk grew by a whopping 35.8%.

Hampton Roads population growth by city

City	2000	2012	% of Change
Hampton	146,437	138,848	- 5.2%
Portsmouth	100,565	97,450	-3.1%
Newport News	180,697	183,331	1.5%
Norfolk	234,403	245,803	4.9%
Virginia Beach	425,527	447,489	5.2%
Chesapeake	199,184	228,210	14.6%
Suffolk	63,677	86,463	35.8%



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



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

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

Long-term Financial Planning

City Council and City Management maintain their visionary process in their commitment to planning for the future of the City of Suffolk. Through a series of retreats and work sessions, City Council has established priorities as the guiding principles to move the city into the twenty-first century and to develop partnerships to further the City’s objectives. Financial planning is further extended with the aid of financial advisors for bond issues and rate consultants for utility rate analysis.

In planning for the specific initiatives under these priorities, the City’s adopted ten-year Capital Improvement Plan represents a planned schedule of the City’s needed expenditures for physical improvements over the next decade. The Capital Improvements Plan which covers the ten-year period from fiscal year 2014 through fiscal year 2023 totals approximately \$747 million. Of this amount, water and sewer projects are estimated at \$214 million, while general government projects are estimated at \$533 million.

Financial policies are vital in maintaining consistency and focus. One of the financial policies continually reviewed is the fund balance levels. The ratio of unassigned General Fund balance as a percentage of budgeted governmental funds expenditures, (net of the general fund contribution to the Schools, transfers to other governmental funds, and Capital Projects fund expenditures) plus the budgeted expenditures in the School Operating and Food Service Funds indicates the ability of the City to cope with unexpected financial challenges or emergencies. The larger the unassigned General Fund balance, the greater the City’s ability to cope with these potential

financial emergencies and fluctuations in revenue cycles. The City has established a target rate of 12% at the close of each fiscal year. At June 30, 2013 the fund balance ratio exceeded the target.

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

Awards and Recognition

Bond Ratings AA+

The City of Suffolk's received bond rating upgrades in June 2011 from Standard and Poor's and Fitch rating agencies to AA+. The City is rated Aa2 by Moody's. The City's Aa2 and AA+ bond ratings were affirmed in July 2013 by Moody's, Standard and Poor's and Fitch rating agencies. This is a validation of the City's creditworthiness and financial strength.

Comprehensive Annual Financial Report

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Suffolk, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2012, representing the twenty-ninth consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

Annual Budget

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Suffolk, Virginia for its annual budget for the fiscal year beginning July 1, 2012. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This is the fourth consecutive year for this recognition as it is valid for a one year period.

America's Best Places to Live for 2012

Suffolk has been named as one of America's Best Places to Live for 2012 by CNN Money Magazine. The City of Suffolk was named the 9th best community in CNN Best Places to Live Top 25 List of "Where the Jobs Are" for 2012. Statistics were used from 2000 to 2011 for areas which were experiencing job and population growth and where unemployment was below the national average. The City of Suffolk experienced a 43% increase during this time frame. The City of Suffolk was also named in CNN Money Magazine's 100 Best Small Cities to Live in 2010. We are well aware of Suffolk's unique and diverse offerings, from its historic downtown

and rich farmland to its high-tech corridor and beautiful recreational offerings. It is wonderful that others are learning what we already know: whether it's to work, live or play...It's a good time to be in Suffolk."

Acknowledgments

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

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

Respectfully,


Selena Cuffee-Glen
City Manager


Lenora Reid, CPA
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Suffolk
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF SUFFOLK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2013

MEMBERS OF CITY COUNCIL

Linda T. Johnson.....	Mayor
Charles F. Brown.....	Vice Mayor
Michael D. Duman.....	City Council Member
Curtis R. Milteer, Sr.	City Council Member
Jeffrey L. Gardy	City Council Member
Charles D. Parr, Sr.	City Council Member
Lue R. Ward, Jr.	City Council Member
Roger W. Fawcett	City Council Member

CONSTITUTIONAL OFFICERS

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

CITY ADMINISTRATION

Selena Cuffee-Glenn	City Manager
Patrick Roberts	Deputy City Manager
Helivi L. Holland	City Attorney
Kevin Hughes	Economic Development
Gerry Jones	Capital Programs and Buildings
Captain James T. Judkins	Emergency Management
Dr. Lisa McCoy	Health
Clint Rudy	Library
Diana L. Klink	Media and Community Relations
D. Scott Mills	Planning and Community Development
Eric T. Nielsen	Public Works
Debbie George	Chief of Staff
Jean Jackson	City Assessor
Erika S. Dawley.....	City Clerk
Anne Seward	Finance
Cedric Scott	Fire and Rescue
Nancy Olivo	Human Resources
Thomas E. Bennett	Police
Lakita Watson	Parks and Recreation
Albert S. Moor, II	Public Utilities
Azeez Felder	Social Services

CITY OF SUFFOLK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
(continued)

June 30, 2013

SUFFOLK PUBLIC SCHOOLS – SCHOOL BOARD

Michael J. Debranski, Ed.D.....	Chairman
Enoch C. Copeland.....	Vice Chairman
Phyllis C. Byrum.....	Board Member
Linda W. Bouchard.....	Board Member
Diane B. Foster.....	Board Member
Dr. Judith Brooks-Buck.....	Board Member
Lorraine B. Skeeter.....	Board Member

SUFFOLK PUBLIC SCHOOLS – ADMINISTRATION

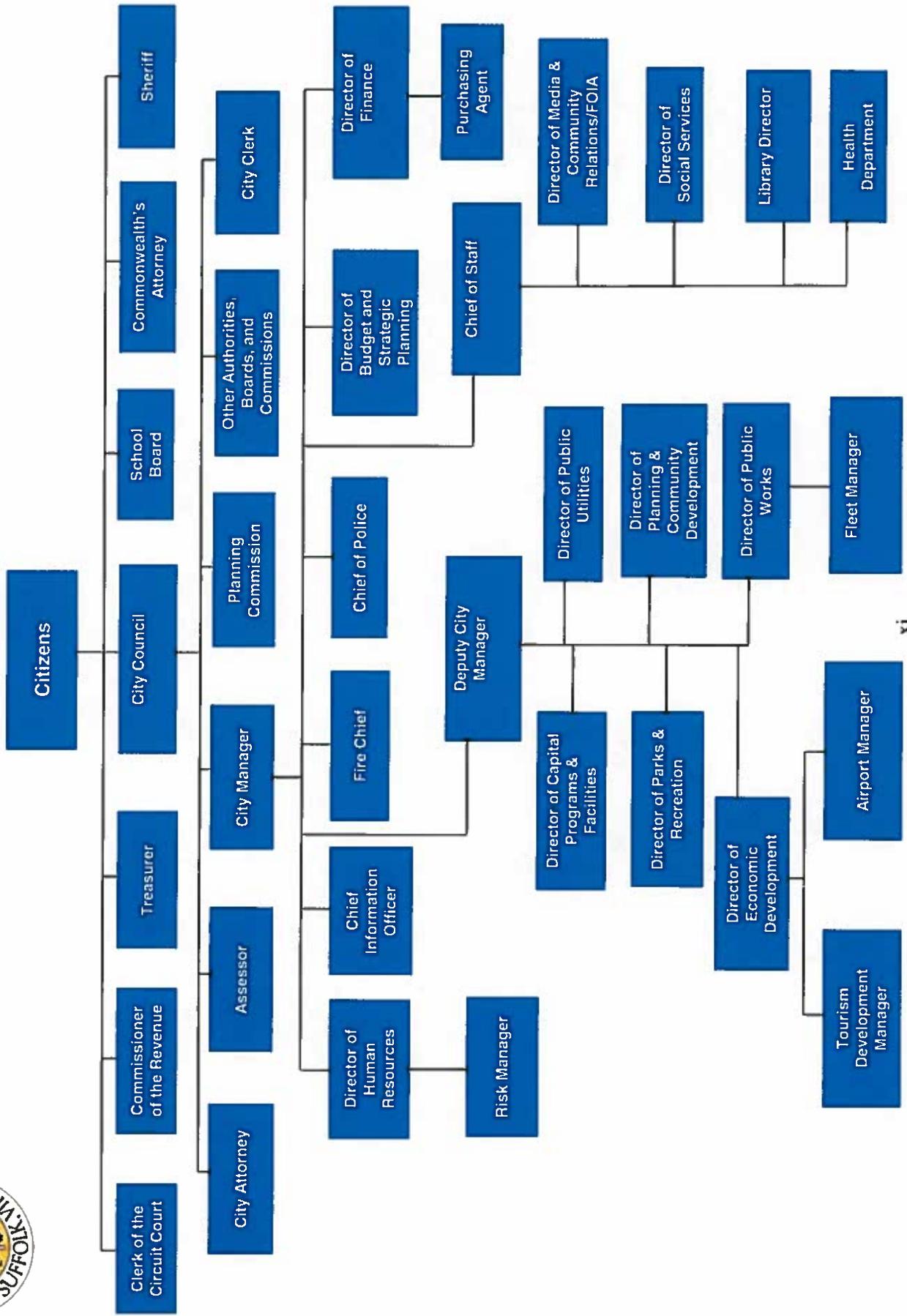
Deran R. Whitney, Ed.D.....	School Superintendent
Wendy Forsman.....	Executive Director of Finance

INDEPENDENT AUDITORS

Cherry Bekaert LLP



City of Suffolk FY 2012-2013 Organizational Chart



THIS PAGE INTENTIONALLY BLANK

FINANCIAL SECTION

THIS PAGE INTENTIONALLY BLANK

Report of Independent Auditor

To the City Council
City of Suffolk, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Suffolk, Virginia (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Suffolk, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and other postemployment benefits information on pages 3-11, 66-70 and 71-72, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Other Supplementary Information, and the Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Other Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of City of Suffolk, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Richmond, Virginia
December 17, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Suffolk, Virginia's (the "City") comprehensive annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2013. Please read this in conjunction with the transmittal letter in the front of this report and the City's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

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

- The City's total net position (assets less liabilities) on a government-wide basis was \$550.4 million at June 30, 2013. Of this balance, \$383.5 million is attributed to the governmental activities and \$166.9 million to the business-type activities.
- For fiscal year 2013, taxes and other general revenues of the City's governmental activities amounted to \$157.8 million and net program expenses \$142.4 million, which resulted in an increase from 2012 in net position for the City's governmental activities of \$15.4 million.
- Revenues of the City's business-type activities were \$52 million, expenses were \$48.5 million and transfers to the general fund were \$2.2 million, which resulted in an increase of net position for the City's business-type activities of \$1.3 million.
- The City maintained its AA+ bond rating from Standard and Poor's and Fitch rating agencies, and Aa2 by Moody's during fiscal year 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

The *Statement of Activities* presents information identifying how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some items of revenues and expenses are reported in this statement that will result in cash flows in future fiscal periods.

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

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

Fund Financial Statements

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental funds’ statements for the General, Capital Projects, Road Maintenance and Debt Service funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

Required Supplementary Information – In addition to the basic financial statements and notes, this section presents budgetary comparison schedules, a schedule of funding progress for defined benefit pension plan and an analysis of funding progress for other post-employment benefits.

Other Supplementary Information – This section of the report presents combining and individual fund statements and schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Net Position (In Millions)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 158.0	\$ 151.5	\$ 89.0	\$ 75.4	\$ 247.0	\$ 226.9
Capital and other non-current assets	470.0	465.4	400.3	376.1	870.3	841.5
Total assets	628.0	616.9	489.3	451.5	1,117.3	1,068.4
Current and other liabilities	15.5	15.3	16.1	11.2	31.6	26.5
Long-term liabilities	229.1	233.6	306.3	274.7	535.4	508.3
Total liabilities	244.6	248.9	322.4	285.9	567.0	534.8
Net position:						
Net investment in capital assets	287.4	335.4	153.1	157.1	440.5	492.5
Restricted	7.0	6.1	2.1	2.0	9.1	8.1
Unrestricted	89.1	26.5	11.7	6.5	100.8	33.0
Net position	\$ 383.5	\$ 368.0	\$ 166.9	\$ 165.6	\$ 550.4	\$ 533.6

The City's combined net position (which is the City's bottom line) grew by 3.1% or \$16.8 million in fiscal year 2013, of which approximately 1.7% represents resources that are subject to external restrictions or enabling legislation. Net investment in capital assets of \$440.5 million comprises 80.0% of the net position. These assets are not available for future expenses because they are land, buildings, infrastructure, improvements, machinery and equipment used to provide services to citizens.

The City has a solid financial position with 18.3% of net position, or \$100.8 million, as unrestricted. The unrestricted portion of net position is available to allow the City to provide services to citizens.

The increase in net position in the governmental activities is due primarily to the increase in the capital assets and a decrease in the long term liabilities.

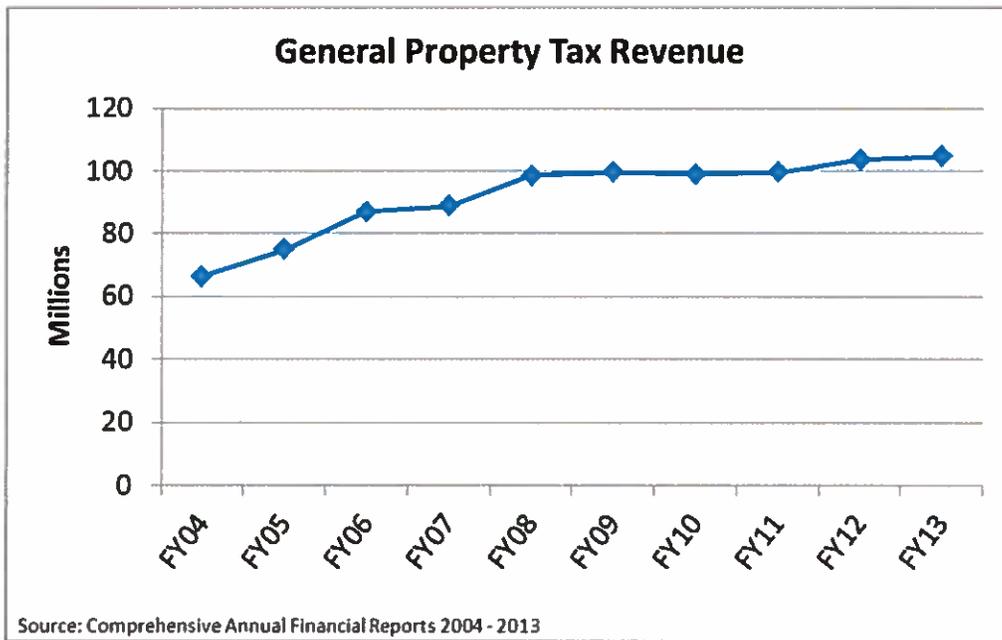
Statement of Activities

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

	Change in Net Position (In Millions)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 10.7	\$ 5.9	\$ 48.7	\$ 43.0	\$ 59.4	\$ 48.9
Operating grants and contributions	37.1	14.7	-	-	37.1	14.7
Capital grants and contributions	6.7	48.3	2.4	1.1	9.1	49.4
General revenues:						
Real estate and property taxes	104.6	103.6	-	-	104.6	103.6
Other taxes	36.4	36.9	-	-	36.4	36.9
Grants and contributions, not restricted	13.6	13.1	-	-	13.6	13.1
Unrestricted investment earnings	1.3	1.1	0.7	0.8	2.0	1.9
Miscellaneous	4.3	4.2	0.2	0.5	4.5	4.7
Total revenues	214.7	227.8	52.0	45.4	266.7	273.2
Expenses:						
General government	17.6	12.6	-	-	17.6	12.6
Judicial	8.1	7.6	-	-	8.1	7.6
Public safety	49.4	48.6	-	-	49.4	48.6
Public works	32.9	37.1	-	-	32.9	37.1
Health and welfare	13.0	12.6	-	-	13.0	12.6
Transportation	0.9	-	-	-	0.9	-
Education	49.4	44.2	-	-	49.4	44.2
Parks, recreation, cultural	8.5	7.9	-	-	8.5	7.9
Community development	8.1	6.0	-	-	8.1	6.0
Interest on long-term debt	9.0	11.8	-	-	9.0	11.8
Utility	-	-	40.1	35.9	40.1	35.9
Refuse collection services	-	-	5.2	5.7	5.2	5.7
Stormwater utility	-	-	3.2	3.1	3.2	3.1
Total expenses	196.9	188.4	48.5	44.7	245.4	233.1
Excess of revenues over expenses	17.8	39.4	3.5	0.7	21.3	40.1
Capital donation to component unit	(4.5)	-	-	-	(4.5)	-
Transfers	2.2	2.0	(2.2)	(2.0)	-	-
Change in net position	15.5	41.4	1.3	(1.3)	16.8	40.1
Net position - beginning	368.0	326.6	165.6	166.9	533.6	493.5
Net position - ending	\$ 383.5	\$ 368.0	\$ 166.9	\$ 165.6	\$ 550.4	\$ 533.6

Revenue Highlights:

Real estate and personal property tax revenue, the City’s largest revenue source, totaled \$104.6 million and \$103.6 million in fiscal year 2013 and 2012 respectively. The chart following indicates the growth in the General Property Taxes revenue over the past ten years. The increase in the real estate and personal property taxes is due to increase in assessed value of the personal property.



Other Local Taxes are comprised of revenue from local sales tax, meals, lodging, and utilities remained consistent from fiscal year 2012 into fiscal year 2013.

Expense Highlights:

The City is committed to ensuring the highest level of safety for its citizens and has expended \$49.4 million towards public safety efforts.

Education continues to be one of the City’s highest priorities and commitments representing \$49.4 million, an increase in fiscal year 2013 by \$5.2 million.

Business-type Activities

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

Revenue Highlights:

Charges for services, including water and sewer fees, stormwater utility fees and refuse collection fees represent 93.6% of the total revenues collected. These revenues increased from fiscal year 2012 to 2013 due to an increase in the rates for water and sewer.

Expense Highlights:

Utility Fund expenses were \$40.1 million of which 24.2% is depreciation and amortization expenses. The increase in the utility fund expenses is due to an increase in the depreciation and amortization, which increased during the year as a result of the completion of capital projects. Stormwater expenses were \$3.2 million for fiscal year 2013, which is consistent with fiscal year 2012. The refuse fund expenses were \$5.2 million in fiscal year 2013, a decrease from fiscal year 2012 due to the fact that fiscal year 2012 was the initial year of the refuse fund and there were initial costs in 2012 for refuse containers.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$121.5 million. Approximately 36.2% of this amount is available for spending at the government's discretion (unassigned fund balance). Fund Balance is divided into five classifications: non-spendable, restricted, committed, assigned and unassigned.

General Fund: The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund balance was \$56.1 million of which \$43.9 million represents unassigned fund balance of the General Fund. The net increase to fund balance for the General Fund for 2013 was \$1.6 million. This increase was principally due to the increase in the revenue from charges for services, specifically the revenue from billing of EMS services.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total budgeted expenditures. The City has a financial policy goal that unassigned fund balance should be greater than 12%. The restricted portion of fund balance, \$0.6 million reflects restricted cash for unspent grant funds and developer deposits. The committed portion, \$9.9 million is comprised of a capital project reserve and economic incentives.

Debt Service Fund: The Debt Service Fund has a fund balance of \$2.5 million. The General Fund routinely transfers monies to this fund to meet debt service requirements.

Capital Projects Fund: The Capital Projects Fund accounts for all construction projects of general public improvements, excluding capital projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$44.4 million, \$34.5 million was committed for contracts and purchase orders in process, and the balance of \$9.9 million are unspent bond proceeds for subsequent years' projects. The City's top five construction projects consisted of the following in fiscal year 2013:

- Improvements to Nansemond Parkway/Shoulders Hill Road
- Replacement of Southern Elementary School
- New Municipal Center
- Village and Neighborhood Improvements
- Airport Runway Safety Area Extension

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

Enterprise funds: The City's enterprise funds account for its water and sewer operations, stormwater utility efforts, and refuse collection services. The net position of the enterprise funds at the end of the current fiscal year totaled \$166.9 million.

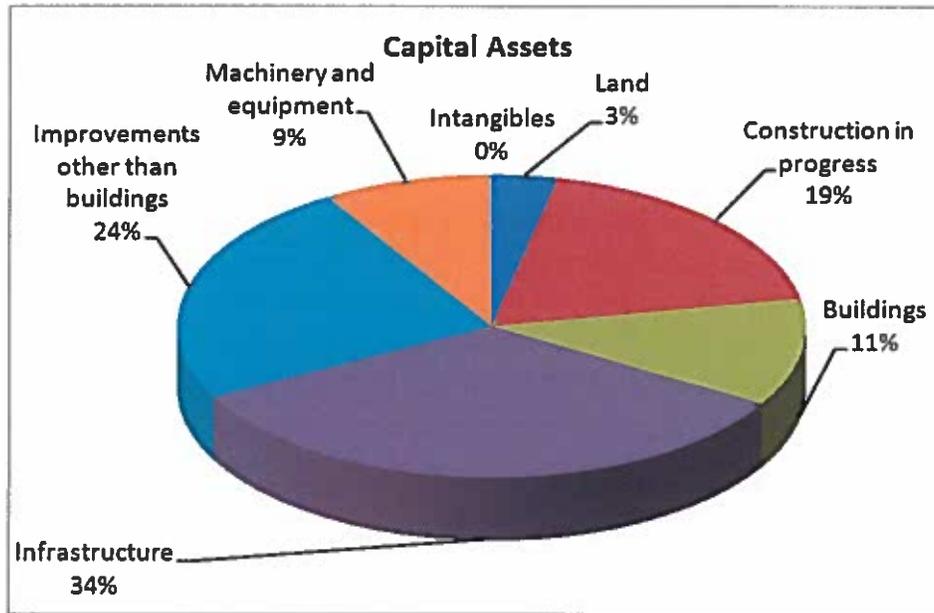
Internal service funds: The internal service funds are used to account for entity-wide fleet management, information technology and risk management programs. The total net position at the end of the current fiscal year was \$33.0 million. Each of the internal service funds finished this year with positive changes in net position.

Trust funds: The City funded \$1.9 million in other postemployment benefits in the OPEB Trust Fund. The City participates in the Virginia Pooled OPEB Trust Fund. In fiscal year 2013, the City fully funded its annual contribution to the fund as calculated by the actuaries and there is now \$17.4 million in the OPEB Trust Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The City's capital assets for its governmental and business-type activities as of June 30, 2013, totaled \$870.4 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, machinery and equipment and construction in progress.

Capital Assets (net of depreciation) (in Millions)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 23.7	\$ 28.2	\$ 5.6	\$ 5.4	\$ 29.3	\$ 33.6
Construction in progress	63.7	45.7	98.6	80.6	162.3	126.3
Buildings	48.4	48.5	51.9	50.7	100.3	99.2
Infrastructure	293.0	312.8	-	-	293.0	312.8
Improvements other than buildings	14.9	7.8	194.2	192.5	209.1	200.3
Machinery and equipment	25.6	22.4	50.1	46.9	75.7	69.3
Intangibles	0.7	-	0.0	-	0.7	-
Total	\$ 470.0	\$ 465.4	\$ 400.4	\$ 376.1	\$ 870.4	\$ 841.5



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

Long-term debt: At the end of the current fiscal year, the City had total outstanding debt of \$506.8 million. Claims payable, compensated absences and premiums and other credits are not included in these figures.

	Outstanding Debt (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonds payable	\$ 202.9	\$ 205.5	\$ 293.5	\$ 265.5	\$ 496.4	\$ 471.0
Capital leases	5.4	4.4	2.3	2.7	7.7	7.1
Loans and notes payable	2.7	7.1	-	-	2.7	7.1
Total	\$ 211.0	\$ 217.0	\$ 295.8	\$ 268.2	\$ 506.8	\$ 485.2

The Commonwealth of Virginia limits the amount of general obligation debt outstanding to 10% of the locality’s assessed value of real property, which is \$880.5 million for 2013. Of the debt shown above, only \$347.9 million is general obligation debt; the balance is pledged with water and sewer utility revenues.

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

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

ECONOMIC FACTORS

- The City's economic development initiatives created over 1,957 new jobs and over \$94 million dollars in new capital investment in the City during the calendar year.
- For fiscal year 2013, the City's tax rate remained the same as the prior year at \$0.97 per \$100 and remains the second lowest tax rate in the region.
- Utility rates increased as of July 1, 2013 to \$7.13 per 100 cubic feet for water and \$5.35 per 100 cubic feet for sewer due to increasing debt service requirements.
- Population in the City increased 19.7% in the last ten years. This is significant as other cities within the region have seen a decline.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the City's Department of Finance, 441 Market Street, Suffolk, Virginia, 23439.

THIS PAGE INTENTIONALLY BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY BLANK

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 96,844,350	\$ 13,475,727	\$ 110,320,077	\$ 22,900,798	\$ 2,652,128
Cash and cash equivalents, restricted (Note 2)	42,146,968	65,120,711	107,267,679	10,963	1,352,706
Receivables, net (Note 3)	9,636,945	7,316,995	16,953,940	219,418	403,637
Due from other governments (Note 4)	4,259,694	-	4,259,694	5,189,419	-
Due from component units (Note 6)	568,605	-	568,605	-	-
Inventories	333,520	97,191	430,711	501,155	14,342,654
Prepaid items	-	-	-	95,000	-
OPEB asset (Note 12)	1,086,921	145,533	1,232,454	-	-
Prepaid bond costs	1,979,398	2,791,275	4,770,673	-	94,643
Due from developer	1,177,182	-	1,177,182	-	-
Capital assets: (Note 7)					
Land and construction in progress	87,440,452	104,111,565	191,552,017	6,416,523	1,021,162
Other capital assets, net	382,570,358	296,223,556	678,793,914	125,447,272	26,205,643
Total assets	628,044,393	489,282,553	1,117,326,946	160,780,548	46,072,573
LIABILITIES					
Accounts payable and accrued liabilities	6,730,876	6,062,523	12,793,399	1,727,711	42,713
Accrued payroll and related liabilities	447,518	50,889	498,407	19,967,150	-
Accrued interest payable	2,878,735	4,096,009	6,974,744	-	203,695
Due to Primary Government (Note 6)	-	-	-	-	568,605
Due to other governments	-	5,424,112	5,424,112	58,171	-
Deposits and amounts held for others	1,128,612	32,827	1,161,439	-	-
Unearned revenue (Note 8)	4,306,025	406,703	4,712,728	-	123,525
Long-term liabilities: (Note 9)					
Due within one year	19,805,840	2,851,913	22,657,753	163,935	787,539
Due in more than one year	209,294,297	303,451,113	512,745,410	4,471,881	11,643,723
Total liabilities	244,591,903	322,376,089	566,967,992	26,388,848	13,369,800
NET POSITION					
Net investment in capital assets	287,319,247	153,147,421	440,466,668	131,863,795	14,795,543
Restricted:					
Debt service	392,219	-	392,219	-	1,149,011
Repair and maintenance	2,669,183	500,000	3,169,183	-	-
Operating reserves	-	1,579,370	1,579,370	-	-
Other governmental purposes	3,989,110	-	3,989,110	-	-
Unrestricted	89,082,731	11,679,673	100,762,404	2,527,905	16,758,219
Total net position	\$ 383,452,490	\$ 166,906,464	\$ 550,358,954	\$ 134,391,700	\$ 32,702,773

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs PRIMARY GOVERNMENT:	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			School Board	Economic Development Authority	
					Governmental Activities	Business-type Activities	Total			
Governmental activities:										
General government administration	\$ 17,558,766	\$ 4,800,759	\$ 467,086	\$ 2,299,245	\$ (9,991,677)	\$ -	\$ (9,991,677)			
Judicial administration	8,138,225	361,926	2,826,315	-	(4,949,984)	-	(4,949,984)			
Public safety	49,413,603	3,130,972	3,414,088	-	(42,868,543)	-	(42,868,543)			
Public works	32,943,383	1,469,668	20,157,859	4,080,584	(7,235,272)	-	(7,235,272)			
Health and welfare	12,972,806	-	8,198,767	-	(4,774,039)	-	(4,774,039)			
Transportation	888,933	47,971	116,122	159,005	(565,835)	-	(565,835)			
Education	49,386,060	-	140,879	-	(49,245,181)	-	(49,245,181)			
Parks, recreation, and cultural	8,456,643	774,237	261,267	157,231	(7,263,908)	-	(7,263,908)			
Community development	8,099,788	100,172	1,522,630	-	(6,476,986)	-	(6,476,986)			
Interest on long-term debt	8,998,878	-	-	-	(8,998,878)	-	(8,998,878)			
Total governmental activities	196,857,086	10,685,705	37,105,013	6,696,065	(142,370,303)	-	(142,370,303)			
Business-type activities:										
Utility	40,101,617	37,884,451	-	2,363,664	-	146,498	146,498			
Stormwater utility	3,249,640	4,460,628	-	-	-	1,210,988	1,210,988			
Refuse	5,204,255	6,305,236	-	-	-	1,100,981	1,100,981			
Total business-type activities	48,555,512	48,650,315	-	2,363,664	-	2,458,467	2,458,467			
Total Primary Government	\$ 245,412,598	\$ 59,336,020	\$ 37,105,013	\$ 9,059,729	\$ (142,370,303)	\$ 2,458,467	\$ (139,911,836)	\$ -	\$ -	\$ -
COMPONENT UNITS:										
School Board	\$ 154,916,821	\$ 2,477,496	\$ 87,811,050	\$ -	\$ -	\$ -	\$ -	\$ (64,628,275)	\$ -	\$ -
Economic Development Authority	2,568,858	1,883,296	-	-	-	-	-	-	-	(685,562)
Total component units	\$ 157,485,679	\$ 4,360,792	\$ 87,811,050	\$ -	\$ -	\$ -	\$ -	\$ (64,628,275)	\$ -	\$ (685,562)
General revenues:										
Property taxes					104,625,641					
Sales and use taxes					8,134,434					
Business license taxes					6,277,297					
Meals taxes					7,452,212					
Utility taxes					4,390,438					
Communication taxes					3,602,321					
Motor vehicle license taxes					2,247,870					
Tobacco taxes					1,313,533					
Lodging taxes					1,071,900					
Recordation taxes					1,165,979					
Other local taxes					723,152					
Grants and contributions not restricted to specific programs					13,624,485					
Miscellaneous					4,294,214	216,299			1,207,600	
City of Suffolk contribution					-	-			47,355,270	
Contribution to Pruden from participating Schools					-	-			2,703,665	
Unrestricted revenues from use of money and property					1,257,594	741,640			1,999,234	
Capital contribution to component unit					(4,528,560)	-			80,816	
Transfers (Note 5)					2,166,729	(2,166,729)			-	
Total general revenues and transfers					157,819,239	(1,208,790)			156,610,449	
Change in net position					15,448,936	1,249,677			16,698,613	
Net position at July 1,					368,003,554	165,656,787			533,660,341	
Net position at June 30					383,452,490	166,906,464			550,358,954	

CITY OF SUFFOLK, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2013

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 47,522,440	\$ 13,469,389	\$ 13,502,429	\$ 2,060,760	\$ 3,182,942	\$ 79,737,960
Cash and cash equivalents, restricted (Note 2)	1,956,672	34,569,024	2,669,183	392,219	2,032,438	41,619,536
Receivables, net (Note 3)	9,082,155	44,863	21,318	-	271,227	9,419,563
Due from other governmental units (Note 4)	3,478,117	272,909	-	-	508,668	4,259,694
Due from other funds (Note 5)	604,290	-	-	-	-	604,290
Due from component units	568,605	-	-	-	-	568,605
Inventories	9,794	-	-	-	82,925	92,719
Total assets	\$ 63,222,073	\$ 48,356,185	\$ 16,192,930	\$ 2,452,979	\$ 6,078,200	\$ 136,302,367
LIABILITIES						
Accounts payable and accrued liabilities	\$ 1,082,449	\$ 3,295,205	\$ 1,030,151	\$ -	\$ 526,321	\$ 5,934,126
Accrued payroll and related liabilities	363,966	-	71,411	-	2,853	438,230
Payables from restricted assets	461,661	666,951	-	-	-	1,128,612
Due to other funds (Note 5)	-	-	-	-	604,290	604,290
Unavailable revenues	5,244,415	-	727,600	-	714,137	6,686,152
Total liabilities	7,152,491	3,962,156	1,829,162	-	1,847,601	14,791,410
FUND BALANCES (NOTE 16)						
Nonspendable	9,794	-	-	-	-	9,794
Restricted	565,969	9,889,915	2,669,183	392,219	1,402,204	14,919,490
Committed	9,909,530	34,504,114	8,830,070	2,060,760	2,839,333	58,143,807
Assigned	1,646,157	-	2,864,515	-	-	4,510,672
Unassigned	43,938,132	-	-	-	(10,938)	43,927,194
Total fund balances	56,069,582	44,394,029	14,363,768	2,452,979	4,230,599	121,510,957
Total liabilities and fund balances	\$ 63,222,073	\$ 48,356,185	\$ 16,192,930	\$ 2,452,979	\$ 6,078,200	\$ 136,302,367

	Primary Government
Total fund balances - governmental funds	\$ 121,510,957
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	446,602,910
Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, are not reported in the funds	4,393,415
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.	
Prepaid bond costs	1,979,398
OPEB asset	1,040,105
Long-term receivables	1,177,182
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(2,872,934)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds, literary fund and Section 108 loans	(206,669,620)
Landfill liability	(1,775,609)
Unamortized premiums and other credits on bonds	(8,262,822)
Compensated absences	(4,632,523)
Unearned revenue not recorded in the funds as it did not arise from current financial resources relating to the golf course lease agreement	(2,013,288)
The internal service funds are used by management to charge the costs of certain activities such as information technology, fleet management, and insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position	32,975,319
Net position of governmental activities	\$ 383,452,490

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
REVENUES						
Real estate and personal property taxes	\$ 103,041,769	\$ -	\$ -	\$ -	\$ 1,535,670	\$ 104,577,439
Other local taxes	36,379,136	-	-	-	-	36,379,136
Permits, privilege fees and regulatory licenses	1,062,718	-	222,105	-	-	1,284,823
Fines and forfeitures	1,048,276	-	-	-	-	1,048,276
Revenue from use of money and property	608,207	21	36,008	319,103	236,210	1,199,549
Charges for services	4,902,494	-	1,309,392	-	787,366	6,999,252
Miscellaneous	1,225,114	165,743	26,954	-	811,955	2,229,766
Intergovernmental:						
Revenue from the Commonwealth	20,679,307	4,569,967	20,105,759	-	667,455	46,022,488
Revenue from the Federal government	4,867,266	1,026,340	-	-	3,827,719	9,721,325
Total revenues	<u>173,814,287</u>	<u>5,762,071</u>	<u>21,700,218</u>	<u>319,103</u>	<u>7,866,375</u>	<u>209,462,054</u>
EXPENDITURES						
Current:						
General government administration	14,198,922	-	-	-	972,113	15,171,035
Judicial administration	7,376,176	-	-	-	710,398	8,086,574
Public safety	45,402,751	-	-	-	3,033,094	48,435,845
Public works	1,749,884	-	17,509,200	-	205,956	19,465,040
Health and welfare	12,844,543	-	-	-	76,022	12,920,565
Transportation	-	-	-	-	888,337	888,337
Education	49,163,443	-	-	-	222,617	49,386,060
Parks, recreation, and cultural	7,542,226	-	-	-	108,770	7,650,996
Community development	7,185,292	-	-	-	877,517	8,062,809
Nondepartmental	474,540	-	-	-	-	474,540
Capital outlay	-	20,951,351	-	-	-	20,951,351
Debt service:						
Principal retirement	-	-	-	15,512,377	-	15,512,377
Bond issuance costs	-	-	-	168,343	-	168,343
Interest and fiscal charges	-	-	-	9,702,110	-	9,702,110
Total expenditures	<u>145,937,777</u>	<u>20,951,351</u>	<u>17,509,200</u>	<u>25,382,830</u>	<u>7,094,824</u>	<u>216,875,982</u>
Excess (deficiency) of revenues over/(under) expenditures	<u>27,876,510</u>	<u>(15,189,280)</u>	<u>4,191,018</u>	<u>(25,063,727)</u>	<u>771,551</u>	<u>(7,413,928)</u>
OTHER FINANCING SOURCES (USES)						
Refunding Bonds issued	-	-	-	11,520,000	-	11,520,000
General obligations bonds issued	-	9,890,000	-	-	-	9,890,000
Premiums on bonds issued	-	1,110,000	-	2,212,503	-	3,322,503
Payment to escrow agent	-	-	-	(13,568,249)	-	(13,568,249)
Transfers in	2,246,878	7,130,975	-	24,981,083	1,004,832	35,363,768
Transfers out	(28,506,012)	-	(2,276,407)	-	(2,394,986)	(33,177,405)
Total other financing sources (uses), net	<u>(26,259,134)</u>	<u>18,130,975</u>	<u>(2,276,407)</u>	<u>25,145,337</u>	<u>(1,390,154)</u>	<u>13,350,617</u>
Net change in fund balances	1,617,376	2,941,695	1,914,611	81,610	(618,603)	5,936,689
Fund balances at July 1	54,452,206	41,452,334	12,449,157	2,371,369	4,849,202	115,574,268
Fund balances at June 30	<u>\$ 56,069,582</u>	<u>\$ 44,394,029</u>	<u>\$ 14,363,768</u>	<u>\$ 2,452,979</u>	<u>\$ 4,230,599</u>	<u>\$ 121,510,957</u>

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>Total Governmental Funds</u>
Change in fund balance - total governmental funds	\$ 5,936,689
Adjustments for the Statement of Activities:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay	23,029,711
Depreciation expense	(16,991,002)
Contribution of Land to Component Unit	(4,528,558)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable Revenues	(35,457)
Lease revenue paid in form of leasehold improvements	356,000
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayment and payments to escrow agent	29,080,626
Deferred Bond issuance costs, and net change in bond losses	(517,749)
Proceeds from issuance of new debt	(21,410,000)
Net change in bond premiums	(2,223,557)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest payable	350,656
Change in compensated absences	(507,672)
Change in OPEB asset	166,669
Change in landfill liability	318,521
The internal service funds are used by management to charge the costs of the information technology, fleet management, and insurance. The change in net position of the internal service funds are reported with governmental activities.	
Change in net position of governmental activities	<u>2,424,059</u>
	<u>\$ 15,448,936</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,681,922	\$ 3,793,805	\$ 13,475,727	\$ 17,106,390
Cash and cash equivalents, restricted	65,120,711	-	65,120,711	527,432
Receivables, net	6,843,271	473,724	7,316,995	217,382
Inventories	97,191	-	97,191	240,801
Total current assets	81,743,095	4,267,529	86,010,624	18,092,005
Noncurrent assets:				
OPEB asset	115,001	30,532	145,533	46,816
Prepaid bond issuance costs	2,791,275	-	2,791,275	-
Land and construction in progress	104,111,565	-	104,111,565	914,066
Other capital assets, net	296,201,714	21,842	296,223,556	22,493,834
Total noncurrent assets	403,219,555	52,374	403,271,929	23,454,716
Total assets	484,962,650	4,319,903	489,282,553	41,546,721
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,367,858	226,601	1,594,459	796,750
Accounts payable from restricted resources	4,468,064	-	4,468,064	-
Accrued payroll and related liabilities	37,789	13,100	50,889	9,288
Due to other governments	5,424,112	-	5,424,112	-
Unearned revenues	406,703	-	406,703	-
Deposits payable	32,827	-	32,827	-
Claims payable	-	-	-	1,694,423
Accrued interest payable	4,096,009	-	4,096,009	5,801
Compensated absences	22,929	8,148	31,077	24,519
Bonds and leases payable	2,820,836	-	2,820,836	1,574,756
Total current liabilities	18,677,127	247,849	18,924,976	4,105,537
Noncurrent liabilities:				
Compensated absences	386,389	157,410	543,799	154,104
Claims payable	-	-	-	1,538,323
Bonds and leases payable	302,907,314	-	302,907,314	2,773,438
Total noncurrent liabilities	303,293,703	157,410	303,451,113	4,465,865
Total liabilities	321,970,830	405,259	322,376,089	8,571,402
NET POSITION				
Net investment in capital assets	153,125,579	21,842	153,147,421	19,059,706
Restricted:				
Other purposes	2,079,370	-	2,079,370	527,432
Unrestricted	7,786,871	3,892,802	11,679,673	13,388,181
Total net position	\$ 162,991,820	\$ 3,914,644	\$ 166,906,464	\$ 32,975,319

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Business-type Activities – Enterprise Funds</u>			<u>Governmental</u>
	<u>Utility Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Activities – Internal Service Funds</u>
OPERATING REVENUES				
Charges for services	\$ 37,884,451	\$ 10,765,864	\$ 48,650,315	\$ 32,467,361
Other	64,586	38,952	103,538	233,371
Total operating revenues	<u>37,949,037</u>	<u>10,804,816</u>	<u>48,753,853</u>	<u>32,700,732</u>
OPERATING EXPENSES				
Personnel services	6,512,358	3,414,953	9,927,311	2,691,192
Self-insured claims	-	-	-	12,311,758
Contractual services	633,878	1,845,795	2,479,673	1,595,221
Administration	2,482,503	2,758,254	5,240,757	949,641
Supplies	812,519	243,300	1,055,819	69,569
Repairs and maintenance	999,247	16,309	1,015,556	99,407
Vehicle and power equipment – fuel	-	-	-	2,314,009
Vehicle and power equipment – supplies	-	-	-	1,946,986
Computers and equipment	-	-	-	520,004
Utilities	1,062,271	28,757	1,091,028	117,402
Insurance	-	-	-	2,088,586
OPEB – contributions to trust	-	-	-	1,865,700
Bulk-water purchases	4,190,112	-	4,190,112	-
Depreciation and amortization	9,694,711	8,815	9,703,526	4,160,369
Building and equipment rental	1,148,060	60,402	1,208,462	113,503
Other charges	650,488	77,310	727,798	109,433
Total operating expenses	<u>28,186,147</u>	<u>8,453,895</u>	<u>36,640,042</u>	<u>30,952,780</u>
Operating income	<u>9,762,890</u>	<u>2,350,921</u>	<u>12,113,811</u>	<u>1,747,952</u>
NONOPERATING REVENUES (EXPENSES)				
Gain on disposal of capital assets	-	-	-	162,304
Interest income	724,001	7,377	731,378	58,045
Interest expense and other fiscal changes	(10,246,122)	-	(10,246,122)	(109,361)
Contribution to WTWA infrastructure	(1,669,348)	-	(1,669,348)	-
Rental income	112,761	-	112,761	-
Recovered Costs	10,262	-	10,262	-
Nonoperating revenues (expenses), net	<u>(11,068,446)</u>	<u>7,377</u>	<u>(11,061,069)</u>	<u>110,988</u>
(Loss) income before contributions and transfers	<u>(1,305,556)</u>	<u>2,358,298</u>	<u>1,052,742</u>	<u>1,858,940</u>
Capital contributions	2,363,664	-	2,363,664	584,753
Transfers in	200,000	-	200,000	1,764,000
Transfers out	(540,001)	(1,826,728)	(2,366,729)	(1,783,634)
Change in net position	718,107	531,570	1,249,677	2,424,059
Net position at July 1	<u>162,273,713</u>	<u>3,383,074</u>	<u>165,656,787</u>	<u>30,551,260</u>
Net position at June 30	<u>\$ 162,991,820</u>	<u>\$ 3,914,644</u>	<u>\$ 166,906,464</u>	<u>\$ 32,975,319</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-type Activities – Enterprise Funds			Governmental
	Utility Fund	Non-Major Funds	Total	Activities – Internal Service Funds
OPERATING ACTIVITIES				
Receipts from customers	\$ 36,992,868	\$ 10,796,876	\$ 47,789,744	\$ 32,631,870
Payments to employees	(6,423,546)	(3,388,896)	(9,812,442)	(2,744,702)
Payments to suppliers	(9,252,428)	(5,130,205)	(14,382,633)	(24,412,616)
Net cash provided by operating activities	21,316,894	2,277,775	23,594,669	5,474,552
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	747,821	-	747,821	1,764,000
Transfers to other funds	(615,001)	(1,826,728)	(2,441,729)	(1,783,634)
Net cash provided by (used in) noncapital financing activities	132,820	(1,826,728)	(1,693,908)	(19,634)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(27,574,702)	-	(27,574,702)	(6,719,646)
Proceeds from issuance of debt	43,911,310	-	43,911,310	2,961,000
Capital contributions	10,261	-	10,261	-
Principal paid on capital debt	(2,981,913)	-	(2,981,913)	(2,011,415)
Refunding proceeds placed in escrow	(9,176,294)	-	(9,176,294)	-
Bond issuance costs	(527,710)	-	(527,710)	-
Gain on sale of assets	-	-	-	162,304
Interest paid on capital debt	(13,806,666)	-	(13,806,666)	(118,037)
Net cash used in capital and related financing activities	(10,145,714)	-	(10,145,714)	(5,725,794)
INVESTING ACTIVITIES				
Rental income	112,761	-	112,761	-
Interest received	724,002	7,377	731,379	58,045
Net cash provided by investing activities	836,763	7,377	844,140	58,045
Net increase (decrease) in cash and cash equivalents	12,140,763	458,424	12,599,187	(212,831)
CASH AND CASH EQUIVALENTS				
Beginning, July 1,	62,661,870	3,335,381	65,997,251	17,846,653
Ending, June 30	\$ 74,802,633	\$ 3,793,805	\$ 78,596,438	\$ 17,633,822
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	9,681,922	3,793,805	13,475,727	17,106,390
Cash and cash equivalents, restricted	65,120,711	-	65,120,711	527,432
	\$ 74,802,633	\$ 3,793,805	\$ 78,596,438	\$ 17,633,822

(Continued)

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Business-type Activities – Enterprise Funds</u>			<u>Governmental</u>
	<u>Utility Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Activities – Internal Service Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 9,762,890	\$ 2,350,921	\$ 12,113,811	\$ 1,747,952
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	9,694,711	8,815	9,703,526	4,160,369
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(1,044,575)	(1,944)	(1,046,519)	(59,665)
Inventories	19,677	-	19,677	(11,247)
OPEB asset	(22,587)	(5,997)	(28,584)	(9,196)
Increase (decrease) in:				
Accounts payable and accrued liabilities	2,706,974	(100,077)	2,606,897	224,881
Accrued payroll and related liabilities	88,811	26,057	114,868	(53,509)
Unearned revenue	110,993	-	110,993	-
Claims payable	-	-	-	(525,033)
Net cash provided by operating activities	<u>\$ 21,316,894</u>	<u>\$ 2,277,775</u>	<u>\$ 23,594,669</u>	<u>\$ 5,474,552</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Non-cash capital contributions	\$ 2,363,665	\$ -	\$ 2,363,665	\$ 584,753
Capitalized interest	\$ 3,990,386	\$ -	\$ 3,990,386	\$ -

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2013

	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 17,433,781	\$ 823,271
Total assets	<u>\$ 17,433,781</u>	<u>\$ 823,271</u>
LIABILITIES		
Amounts held for others	\$ -	\$ 823,271
Total liabilities	<u>-</u>	<u>823,271</u>
NET POSITION		
Held in trust for OPEB benefits	<u>17,433,781</u>	<u>-</u>
Total net position	<u>\$ 17,433,781</u>	<u>\$ -</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OPEB TRUST FUND
Year Ended June 30, 2013

ADDITIONS

Employer contributions	\$ 1,865,700
Gain on Investments	1,471,809
Total additions	<u>3,337,509</u>

DEDUCTIONS

Administrative fees	<u>14,702</u>
Total deductions	<u>14,702</u>

Change in net position	3,322,807
------------------------	-----------

NET POSITION AT JULY 1	<u>14,110,974</u>
-------------------------------	-------------------

NET POSITION AT JUNE 30	<u><u>\$ 17,433,781</u></u>
--------------------------------	-----------------------------

THIS PAGE INTENTIONALLY BLANK

NOTES TO FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY BLANK

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

City of Suffolk Public Schools

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The School Board has one discretely presented component unit, the Pruden Center for Industry and Technology (the "Center"). The Center is a vocational and technical center used by both the City Schools and the Isle of Wight County Schools to provide classes to high school students and adults in various occupational trades. The Center is dependent upon the School Board for a majority of its funding. The Center is shown as a discretely presented component unit as it is legally separated from the School Board. Separate audited financial statements may be obtained from the Pruden Center by contacting the Pruden Center for Industry and Technology, 4196 Pruden Blvd., Suffolk, Virginia 23434.

Economic Development Authority of the City of Suffolk

The Economic Development Authority of the City of Suffolk (the "EDA") was established under the Industrial Development and Revenue Bond Act – *Code of Virginia*. A separate board appointed by the City Council governs the EDA. The EDA is authorized to acquire, own, lease, and dispose of properties, and to conduct related activities to promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate or to remain in the City. The City makes significant contributions to the EDA relating to the property the EDA develops and markets. Separate audited financial statements may be obtained from the EDA by contacting the EDA's Deputy Secretary/Treasurer, at P.O. Box 1858, Suffolk, Virginia 23439.

The following entities are excluded from the accompanying financial statements.

Jointly governed organizations:

Western Tidewater Water Authority

The Western Tidewater Water Authority (the "Water Authority") was created March 18, 1998, by the City Council and the Board of Supervisors of the County of Isle of Wight, Virginia (the "County") pursuant to the Virginia Water and Sewer Authorities Act, Chapter 51, Title 15.2, Code of Virginia. The members of the Water Authority Board representing both the City and the County have equal voting interests. The Water Authority was formed for the purpose of acquiring, financing, constructing, leasing, operating, and maintaining facilities for the production, impoundment, treatment, and transmission of potable and non-potable water. The City is not obligated to pay the principle or interest on notes or any other liabilities of the Authority and has no financial interest in the Authority. Separate audited financial statements can be obtained by contacting the City Finance Director at the City of Suffolk at 441 Market Street, Suffolk, Virginia 23434.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Jointly Governed Organization: (Continued)

Western Tidewater Regional Jail Authority

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

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

Southeastern Public Service Authority of Virginia

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

Upon executing a debt retirement plan, the Virginia Resources Authority (the "VRA") required the eight member jurisdictions to guarantee, by general obligation, repayment of the remaining VRA bonds outstanding. The member jurisdiction guarantees percentages were calculated based on a three year average of proportional municipal tonnages. The total debt outstanding as of June 30, 2013 to the VRA was \$30,335,000 and Suffolk's guarantee percentage was 12.87%, which totaled \$3,904,115.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Related Organization:

Suffolk Redevelopment and Housing Authority

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

B. Government-Wide and Fund Financial Statements

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

The Statement of Net Position offers information on the assets and deferred outflows of resources, if any, and liabilities and deferred inflows of resources, if any with the difference between the two reported as net position.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, with the exception of agency fund financial statements, which have no measurement focus. Revenues are recorded when earned and the expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenue when the tax is levied.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Types:

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

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

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

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City presents the following major governmental funds:

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

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

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

The City presents the following non-major governmental funds:

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

Proprietary Fund Types:

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

Proprietary funds distinguish *operating* revenues and expense from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the utility fund, stormwater utility fund, refuse fund and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting the operating definition are reported as non-operating revenues and expenses.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City presents the following major enterprise fund:

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

The City presents the following non-major enterprise funds:

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

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

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

The City has the following internal service funds:

Information Technology Fund – accounts for technology infrastructure and allocated costs to the various departments or agencies using the service.

Fleet Management Fund – accounts for, on a cost-reimbursement basis, the financing of vehicles and related maintenance, repairs and fuel costs and allocates those costs to the various departments or agencies using the equipment.

Risk Management Fund – accounts for the funding and payment of auto, personal liability, general liability, health insurance, and workers’ compensation claims against the City exclusive of the School Board employees. Charges to other funds are based on estimated claims for the year.

Fiduciary Fund Types:

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

The City and School Board each have the following fiduciary fund:

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Special Welfare Fund – accounts for receipt of welfare checks and foster children support checks from the state and payments made on behalf of individuals.

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

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

D. Stewardship, Compliance, and Accountability

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

Budgeting Information

The City utilizes the following procedures in establishing annual budget.

At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

- The budget is formulated from estimates of revenues and expected expenditures from each department. The School Board is treated as a single expenditure line item.
- The City Manager submits the proposed budget to City Council and recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
- City Council then holds public hearings on the proposed budget. Notice of such public hearing must appear in a local newspaper not less than seven days prior to the hearing.
- The budget must be approved by a majority vote of City Council and legally adopted before July 1. If City Council does not adopt the proposed budget before July 1, the budget as submitted is automatically adopted.
- Additional appropriations may be made by City Council only if there is an unencumbered fund balance or additional funding becomes available.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

D. Stewardship, Compliance, and Accountability (Continued)

Budgeting Information (Continued)

Formal budgetary integration is employed as a management control device. Annual operating budgets are adopted by ordinance passed by City Council for the General Fund, the Debt Service Fund, the Utility Fund, Stormwater Fund, Refuse Fund, the Internal Service Funds, and the following Special Revenue Funds: Aviation, Route 17 Tax District, Downtown Business Overlay District, Road Maintenance, Transit and Law Library. Annual operating budgets are also adopted for the School Operating, School Food Service, and School Grants funds.

Budgets for proprietary fund types are prepared on the accrual basis of accounting. The General, Special Revenue, and Debt Service Funds' budgets are adopted on the modified accrual basis.

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

Individual grants and projects included in the Consolidated Grants Fund and Capital Projects Fund are budgeted separate from the operating budget. These appropriations do not parallel the City's fiscal year and the accounting, encumbering, and controlling of the funds is based upon the length of each individual grant or project, which may be more than one year.

Financial Policies

The City's Finance Committee (the "Committee") is empowered by City Council to implement and establish various financial policies. The Committee meets on a monthly basis to manage and review financial activities and to insure compliance with the established policies. Members of the Committee include those individuals stipulated by ordinance adopted by City Council.

It is the City's policy to fund current expenditures with current revenues and the City's mission is to strive to maintain a diversified and stable revenue stream to protect from problematic fluctuations in any single revenue source and provide stability to ongoing services. The City's unassigned General Fund balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

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

F. Investments

Investments are reported at fair value. Interest income on investments is allocated to the appropriate funds based upon the average monthly cash balance of each fund. Interest income is accrued as earned.

G. Receivables

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

H. Inventories and Prepaid Items

Inventories of materials and supplies and fuel are recorded at cost. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method) on a first in, first out basis. Inventories held by the Economic Development Authority consist of land and improvements held for sale and are valued at the lower of the cost or market.

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

I. Capital Assets

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

Buildings, improvements, machinery and equipment, and infrastructure capital outlays are recorded as capital assets and depreciated over their useful lives on a straight-line basis in both the proprietary fund's and the government-wide statements. To the extent that the construction period has not closed, interest expense is capitalized on proprietary fund type assets. The amount of interest expense capitalized is offset by interest income earned on invested proceeds. Interest capitalized during fiscal year 2013 totaled \$3,990,386.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

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

The estimated useful lives of capital assets are as follows:

Buildings	40 years
Improvements other than buildings	15-75 years
Infrastructure	5-50 years
Machinery and equipment	3-50 years
Intangibles	5-10 years

Maintenance, repairs, and minor equipment less than \$5,000 are expensed/expensed when incurred. Costs that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is recorded.

J. Unavailable/Unearned Revenue

Unavailable revenue in the governmental funds consists of monies that are measurable but not available for use during the current period. Property taxes receivable at June 30 but not collected within 45 days after that date are reported as unavailable revenue in the governmental funds' financial statements. Unearned revenues consist of amounts prepaid and not yet earned, such as property taxes collected prior to their due date. Unearned revenue in the government-wide statements also consists of lease payments credited for future years relating to certified capital improvements at the golf course.

K. Compensated Absences

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

L. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Fund Balance

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

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

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

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

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Balance (Continued)

General Fund Unassigned fund balance target – the ratio of Unassigned General Fund balance as a percentage of budgeted governmental funds expenditures (net of the general fund contribution to schools, transfer to other governmental funds, and capital projects fund expenditures) plus budgeted expenditures in the School operation and food service funds indicates the ability of the City to cope with unexpected financial problems or emergencies. The larger the Unassigned General Fund balance, the greater the City's ability to cope with financial emergencies and fluctuations in revenue cycles. The City has established a target rate of 12% at the close of each fiscal year as computed on the upcoming budget year.

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

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

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

N. Net Position

Net position in the government-wide and proprietary financial statements represents the difference between assets and deferred outflows of resources, if any, and liabilities and deferred inflows of resources, if any, and is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Restricted net position is reported when there are assets and deferred outflows, if any, net of related liabilities and deferred inflows, if any, that have limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

O. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

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

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

In the Statement of Net Position, this scenario presents a dilemma for the City. Debt issued on behalf of the School Board is reported as a liability of the Primary Government, thereby reducing the net position of the City. The corresponding capital assets are reported as assets of the component unit – School Board (title holder), thereby increasing its net position.

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

Q. Change in Accounting Principle

Effective July 1, 2012, the City adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement No. 63). This implementation required the City to present a Statement of Net Position, replacing previously presented Statement of Net Assets, in the City's basic financial statements. The City's implementation also required the Statement of Net Position to present deferred outflows and inflows of resources in separate sections following total assets and total liabilities sections, respectively. In practice, Statement No. 63 only impacts activities related to derivative instruments or service concession arrangements. In the case of the City, the implementation of this standard was isolated to the presentation of the Statement of Net Position.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Deposits and Investments

Deposits

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

Investments

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

Credit Risk

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP). The City's policy emphasizes the use of securities of high credit quality and marketability, and follows statute, but does not specify minimum credit ratings.

Interest Rate Risk

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

Interest rate risk does not apply to the SNAP pooled investments.

External Investment Pool

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

Concentration of Credit Risk

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Deposits and Investments (Continued)

Restricted Cash

The City has restricted cash as follows:

	Governmental Activities	Business-type Activities	Primary Government
Unspent debt proceeds	\$ 34,429,505	\$ 63,008,514	\$ 97,438,019
Debt service	392,219	-	392,219
Cemetery	1,161,567	-	1,161,567
Bridge repair	2,669,183	-	2,669,183
Escrow/bond/customer deposits	1,232,920	32,827	1,265,747
Other external purposes	2,261,574	2,079,370	4,340,944
Total	\$ 42,146,968	\$ 65,120,711	\$ 107,267,679

	Component Units		
	Primary Government	School Board	Economic Development Authority
Deposits and Investments:			
SNAP	\$ 96,910,587	\$ -	\$ -
Lease proceeds	527,432	-	-
Deposits	120,149,737	22,911,761	4,004,834
	\$ 217,587,756	\$ 22,911,761	\$ 4,004,834
Statement of Net Position:			
Cash and cash equivalents	\$ 110,320,077	\$ 22,900,798	\$ 2,652,128
Cash and cash equivalents, restricted	107,267,679	10,963	1,352,706
	\$ 217,587,756	\$ 22,911,761	\$ 4,004,834

**CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 3. Receivables

Receivables are as follows:

	<u>Governmental Funds</u>						
	<u>General</u>	<u>Capital Projects</u>	<u>Road Maintenance</u>	<u>Non-major Governmental Funds</u>	<u>Internal Service Funds</u>		<u>Total</u>
					<u>Fleet Management</u>	<u>Risk Management</u>	
Taxes	\$5,280,008	\$ -	\$ -	\$ 14,471	\$ -	\$ -	\$ 5,294,479
Accounts	7,758,785	44,863	21,318	261,545	154,983	62,399	8,303,893
Subtotal	13,038,793	44,863	21,318	276,016	154,983	62,399	13,598,372
Less Allowance	(3,956,638)	-	-	(4,789)	-	-	(3,961,427)
Receivables, net	<u>\$9,082,155</u>	<u>\$ 44,863</u>	<u>\$ 21,318</u>	<u>\$ 271,227</u>	<u>\$ 154,983</u>	<u>\$ 62,399</u>	<u>\$ 9,636,945</u>
	<u>Business-type Activities</u>						
	<u>Utilities</u>	<u>Refuse</u>	<u>Stormwater</u>	<u>Total</u>	<u>Component Unit -- School Board</u>		
Accounts	7,215,785	418,679	254,395	7,888,859	219,418		
Less Allowance	(372,514)	(134,949)	(64,401)	(571,864)	-		
Receivables, net	<u>\$6,843,271</u>	<u>\$ 283,730</u>	<u>\$ 189,994</u>	<u>\$ 7,316,995</u>	<u>\$ 219,418</u>		

Allowances for Uncollectible Accounts

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Fund - Taxes receivable	\$ 2,153,929	\$ -
General Fund - EMS receivable	1,802,709	-
Non-major Funds - Taxes receivable	4,789	-
Utility Fund - Accounts receivable	-	372,514
Non-major Proprietary Funds - Fees receivable	-	199,350
	<u>\$ 3,961,427</u>	<u>\$ 571,864</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 3. Receivables (Continued)

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

Note 4. Due From Other Governments

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

Primary Government:

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,645,212	\$ -	\$ -	\$ 1,645,212
Communication sales tax	584,506	-	-	584,506
Shared expenses	251,353	-	-	251,353
Social services reimbursement	497,629	-	-	497,629
VA Department of Transportation	-	17,175	-	17,175
Various grants	37,740	255,734	212,528	506,002
	<u>3,016,440</u>	<u>272,909</u>	<u>212,528</u>	<u>3,501,877</u>
<u>Federal Government:</u>				
Social services reimbursement	441,154	-	-	441,154
Various grants	20,523	-	296,140	316,663
	<u>461,677</u>	<u>-</u>	<u>296,140</u>	<u>757,817</u>
Total due from other governments	<u>\$ 3,478,117</u>	<u>\$ 272,909</u>	<u>\$ 508,668</u>	<u>\$ 4,259,694</u>

**CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 4. Due From Other Governments (Continued)

Component Unit – School Board:

	<u>School Operating</u>	<u>School Grants</u>	<u>School Food Service</u>	<u>Total</u>
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,166,437	\$ -	\$ -	\$ 1,166,437
Various grants	131,800	210,809	-	342,609
	<u>1,298,237</u>	<u>210,809</u>	<u>-</u>	<u>1,509,046</u>
<u>Federal Government:</u>				
School food reimbursement	-	-	745,458	745,458
Title I	-	1,050,280	-	1,050,280
Title VI-B	-	1,493,557	-	1,493,557
Education jobs grant	-	255,832	-	255,832
Various grants	52,512	82,734	-	135,246
	<u>52,512</u>	<u>2,882,403</u>	<u>745,458</u>	<u>3,680,373</u>
Total due from other governments	<u>\$ 1,350,749</u>	<u>\$ 3,093,212</u>	<u>\$ 745,458</u>	<u>\$ 5,189,419</u>

Note 5. Interfund Transactions:

Individual fund interfund receivable and payable balances are as follows:

	<u>Due To</u>	<u>Due From</u>
Governmental Funds:		
General fund	\$ -	\$ 604,290
Non-major governmental funds:		
Consolidated Grants fund	604,290	-
	<u>\$ 604,290</u>	<u>\$ 604,290</u>

The primary purpose of the interfund balance between the Consolidated Grants Fund and the General Fund is for cash advances to cover grant expenditures paid out where the revenue from other governments is recorded as a receivable and will be reimbursed in subsequent fiscal year.

The interfund balance between the General Fund and the individual business-type activity funds is for the effect of the elimination of interfund revenues and expenditures related to the internal service funds.

**CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 5. Interfund Transactions: (Continued)

Interfund Transfers:

	Transfers to:						Total
	General Fund	Capital Projects	Debt Service	Non-major Governmental	Utility	Internal Service	
Transfers from:							
General Fund	\$ -	\$ 3,611,000	\$ 23,890,180	\$ 1,004,832	\$ -	\$ -	\$ 28,506,012
Road Maintenance	589,407	100,000	-	-	-	1,587,000	2,276,407
Utility	540,001	-	-	-	-	-	540,001
Non-major:							
Governmental	104,083	1,000,000	1,090,903	-	200,000	-	2,394,986
Enterprise	404,728	1,245,000	-	-	-	177,000	1,826,728
Internal Service	608,659	1,174,975	-	-	-	-	1,783,634
	<u>\$ 2,246,878</u>	<u>\$ 7,130,975</u>	<u>\$ 24,981,083</u>	<u>\$ 1,004,832</u>	<u>\$ 200,000</u>	<u>\$ 1,764,000</u>	<u>\$ 37,327,768</u>

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

Note 6. Transactions between Primary Government and Component Units

Significant Transactions of the City and Component Unit – School Board

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

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

Expenditures of School Board - component Unit	\$ 145,122,451
Repayment of School debt	10,912,828
	<u>\$ 156,035,279</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 6. Transactions between Primary Government and Component Units (Continued)

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

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

Note 7. Capital Assets

The Following is a summary of governmental activities capital asset activity:

	Governmental Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, non-depreciable				
Land	\$ 28,220,928	\$ -	\$ 4,528,558	\$ 23,692,370
Construction in Progress	45,675,276	20,951,353	2,878,547	63,748,082
Total Capital assets, non-depreciable	73,896,204	20,951,353	7,407,105	87,440,452
Capital Assets, depreciable				
Buildings	66,886,723	1,279,398	12,850	68,153,271
Infrastructure	379,807,810	-	5,562,282	374,245,528
Improvements other than buildings	18,514,157	6,409,701	-	24,923,858
Machinery and equipment	64,070,690	10,308,085	5,965,637	68,413,138
Intangibles	-	1,253,292	-	1,253,292
Total capital assets, depreciable	529,279,380	19,250,476	11,540,769	536,989,087
Less accumulated depreciation for:				
Buildings	18,407,166	1,357,580	12,850	19,751,896
Infrastructure	67,009,831	14,207,774	-	81,217,605
Improvement other than buildings	10,753,669	634,731	1,347,109	10,041,291
Machinery and equipment	41,648,286	4,363,188	3,191,635	42,819,839
Intangibles	-	588,098	-	588,098
Total accumulated depreciation	137,818,952	21,151,371	4,551,594	154,418,729
Total capital assets, depreciable, net	391,460,428	(1,900,895)	6,989,175	382,570,358
Governmental activities, capital assets, net	\$ 465,356,632	\$ 19,050,458	\$ 14,396,280	\$ 470,010,810

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 7. Capital Assets (Continued)

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

Governmental Activities:

General government	\$ 4,604,588
Judicial administration	10,441
Public safety	695,939
Public works	15,066,013
Parks, recreation, and cultural	<u>774,390</u>
	<u>\$ 21,151,371</u>

Government activities included depreciation of \$3,756,399 for the Fleet Maintenance fund, \$55,856 for the Risk Management fund, and \$348,114 for Information Technology fund.

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

	Business-type Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, non-depreciable				
Land	\$ 5,389,766	\$ 165,471	\$ -	\$ 5,555,237
Construction in Progress	80,646,716	31,525,738	13,616,126	98,556,328
Total Capital assets, non-depreciable	<u>86,036,482</u>	<u>31,691,209</u>	<u>13,616,126</u>	<u>104,111,565</u>
Capital Assets, depreciable				
Buildings	64,101,082	2,745,633	-	66,846,715
Improvements other than buildings	253,319,790	6,716,309	-	260,036,099
Machinery and equipment	71,927,118	6,348,122	-	78,275,240
Intangibles	-	43,606	-	43,606
Total capital assets, depreciable	<u>389,347,990</u>	<u>15,853,670</u>	<u>-</u>	<u>405,201,660</u>
Less accumulated depreciation for:				
Buildings	13,380,342	1,556,403	-	14,936,745
Improvement other than buildings	60,842,529	5,040,261	-	65,882,790
Machinery and equipment	25,051,707	3,102,865	-	28,154,572
Intangibles	-	3,997	-	3,997
Total accumulated depreciation	<u>99,274,578</u>	<u>9,703,526</u>	<u>-</u>	<u>108,978,104</u>
Total capital assets, depreciable, net	<u>290,073,412</u>	<u>6,150,144</u>	<u>-</u>	<u>296,223,556</u>
Business-type activities, capital assets, net	<u>\$ 376,109,894</u>	<u>\$ 37,841,353</u>	<u>\$ 13,616,126</u>	<u>\$ 400,335,121</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 7. Capital Assets (Continued)

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

	Component Unit -- School Board			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, non-depreciable				
Land	\$ 6,416,523	\$ -	\$ -	\$ 6,416,523
Construction in progress	665,735	186,665	852,400	-
Total Capital assets, non-depreciable	7,082,258	186,665	852,400	6,416,523
Capital Assets, depreciable				
Buildings	183,619,040	876,400	-	184,495,440
Improvements other than buildings	16,675,757	7,200	-	16,682,957
Machinery and equipment	35,660,222	1,811,249	423,255	37,048,216
Total capital assets, depreciable	235,955,019	2,694,849	423,255	238,226,613
Less accumulated depreciation for:				
Buildings	73,870,565	4,793,228	-	78,663,793
Improvement other than buildings	9,075,462	522,143	-	9,597,605
Machinery and equipment	22,360,035	2,576,653	418,745	24,517,943
Total accumulated depreciation	105,306,062	7,892,024	418,745	112,779,341
Total capital assets, depreciable, net	130,648,957	(5,197,175)	4,510	125,447,272
Component Unit - School Board, capital assets, net	\$ 137,731,215	\$ (5,010,510)	\$ 856,910	\$ 131,863,795

**CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 8. Unavailable and Unearned Revenue

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes and other amounts -- unearned	\$ 753,554	\$ 753,554
Developer deposits -- unearned (General)	104,308	104,308
Developer deposits -- unearned (Road Maintenance)	727,590	727,590
Hanger deposits -- unearned (Aviation)	13,486	13,486
Grant receipts -- unearned	693,799	693,799
Taxes receivable, net -- unavailable	2,443,085	-
EMS receivable, net -- unavailable	1,950,330	-
Golf-course lease revenue -- unearned (Note 10)	-	2,013,288
	<hr/>	<hr/>
Total unavailable/unearned revenue -- governmental funds	<u>\$ 6,686,152</u>	<u>\$ 4,306,025</u>

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General obligation debt	\$ 205,496,330	\$ 21,410,000	\$ 23,964,375	\$ 202,941,955	\$ 15,786,016
Add bond premiums and other credits	9,071,141	3,322,502	1,098,946	11,294,697	-
Less deferred costs	(2,640,780)	(618,629)	(227,534)	(3,031,875)	-
Literary fund loans	4,250,000	-	4,250,000	-	-
	<u>216,176,691</u>	<u>24,113,873</u>	<u>29,085,787</u>	<u>211,204,777</u>	<u>15,786,016</u>
Section 108 loan	2,880,000	-	193,000	2,687,000	193,000
Capital Lease obligations	4,390,193	3,050,853	2,052,187	5,388,859	1,785,172
	<u>223,446,884</u>	<u>27,164,726</u>	<u>31,330,974</u>	<u>219,280,636</u>	<u>17,764,188</u>
Claims payable	3,757,779	11,972,633	12,497,666	3,232,746	1,694,423
Compensated absences	4,298,567	932,327	419,748	4,811,146	347,229
Landfill liability	2,094,130	-	318,521	1,775,609	-
Governmental activities, long-term liabilities	<u>\$ 233,597,360</u>	<u>\$ 40,069,686</u>	<u>\$ 44,566,909</u>	<u>\$ 229,100,137</u>	<u>\$ 19,805,840</u>
<u>Business-type activities:</u>					
Bonds Payable	\$ 265,463,670	\$ 39,200,000	\$ 11,130,625	\$ 293,533,045	\$ 2,463,984
Add bond premiums and other credits	5,992,058	4,240,087	374,314	9,857,831	-
	<u>271,455,728</u>	<u>43,440,087</u>	<u>11,504,939</u>	<u>303,390,876</u>	<u>2,463,984</u>
Capital lease obligations	2,718,563	-	381,288	2,337,275	356,852
	<u>274,174,291</u>	<u>43,440,087</u>	<u>11,886,227</u>	<u>305,728,151</u>	<u>2,820,836</u>
Compensated absences	508,379	77,191	10,695	574,875	31,077
Business-type activities, long-term liabilities	<u>\$ 274,682,670</u>	<u>\$ 43,517,278</u>	<u>\$ 11,896,922</u>	<u>\$ 306,303,026</u>	<u>\$ 2,851,913</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bonds Payable:						
General Obligation Bonds:						
Public Improvement Series 2003	07/01/03	08/01/23	2.50-6.00	17,515,000	\$ 2,095,000	\$ -
2003 Refunding Bonds	07/16/03	08/01/16	2.50-6.00	21,380,000	627,493	112,507
2003 VRA Refunding Bonds	08/07/03	10/01/16	2.00-5.00	3,295,000	-	1,110,000
Public Improvement Series 2004	07/28/04	06/30/25	2.50-6.00	18,160,000	1,910,000	-
Public Improvement Series 2005	11/17/05	12/01/25	4.00-5.00	11,710,000	7,605,000	-
2005 Refunding Bonds	11/17/05	12/01/19	4.00-5.00	10,005,000	6,602,311	17,689
2007 Public Improvement and Refunding Bonds	04/11/07	02/01/35	4.00-4.50	88,245,000	64,979,028	25,972
2007B Public Improvement Bonds	12/01/07	12/01/27	4.00-5.00	24,475,000	18,350,000	-
2008 Public Improvement Bonds	10/28/08	02/01/29	4.00-5.00	16,600,000	7,470,000	-
2009 Series (Taxable - Build America Bonds	11/10/09	02/01/40	3.87	27,000,000	-	26,395,000
2010A Public Improvement and Refunding Bonds	04/29/10	08/01/32	3.38	34,155,000	32,340,000	-
2011 Public Improvement	07/07/11	02/01/27	2.00-5.00	84,510,000	22,430,000	61,245,000
2011 Public Improvement and Refunding Bonds	07/07/11	02/01/27	2.00-5.00	30,065,000	10,018,123	16,931,877
2011 VPSA Local School Bond	12/15/11	06/30/31	4.97	7,500,000	7,500,000	-
2012 Public Improvement and Refunding Bonds	08/22/12	06/01/42	2.00-5.00	60,610,000	21,015,000	39,100,000
Total general obligation bonds					<u>202,941,955</u>	<u>144,938,045</u>
Other Notes:						
Section 108 Loan Payable	09/14/06	08/01/26	4.96-5.77	3,845,000	2,687,000	-
Total bonds payable					<u>\$ 205,628,955</u>	<u>\$ 144,938,045</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Long-Term Liabilities (Continued)

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital Lease Obligations:		
\$4,833,129 issued for the purchase of generators; payable in monthly installments through June 2022	\$ 1,152,933	\$ 2,337,274
\$5,412,300 issued November 10, 2008 for the purchase of 28 public safety vehicles; payable in quarterly installments of \$299,170 through November 2013; interest at 3.9%	589,701	-
\$1,324,956 issued November 23, 2010 for the purchase of a lighting projects and various vehicles and equipment; payable in quarterly installments of \$70,284 through November 23, 2015; interest at 2.28%	681,300	-
\$606,000 issued November 18, 2011 for the purchase of various vehicles and equipment; payable in quarterly installments of \$31,957 through November 18, 2016; interest at 2.05%	430,660	-
\$2,661,000 issued September 21, 2012 for the purchase of various vehicles and equipment; payable in quarterly installments of \$139,678 through August 1, 2017; interest at 1.87%	2,277,501	-
\$300,000 issued September 21, 2012 for the purchase of various software; payable in quarterly installments of \$15,747 through August 1, 2017; interest at 1.87%	256,764	-
Total capital lease obligations	<u>\$ 5,388,859</u>	<u>\$ 2,337,274</u>

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Business-type Activities</u>
Bonds Payable:					
Pledged Revenue Bonds Virginia Resources Authority (VRA):					
2004B Series Water and Sewer Revenue Bond - VRA	11/17/04	10/01/26	2.00-6.00	\$ 11,695,000	\$ 8,880,000
2005B Series Water and Sewer Revenue Bond - VRA	12/07/05	10/01/35	4.77-5.10	14,050,000	10,910,000
2006B VRA Refunding Bonds	08/09/06	04/01/30	4.10-4.87	12,750,000	11,255,000
2006C Series Water and Sewer Revenue Bond - VRA	11/26/06	10/01/36	4.26-4.91	36,460,000	30,200,000
2007 Series Water and Sewer Revenue Bond - VRA	12/13/07	10/01/37	3.40-5.10	39,795,000	34,460,000
2008 Series Water and Sewer Revenue Bond - VRA	12/10/08	10/01/38	2.29-5.54	45,300,000	39,270,000
2009 Series Water and Sewer Revenue Bond - VRA	06/17/09	10/01/25	1.13-4.86	10,200,000	8,700,000
2010 VRA Refunding Bonds	06/16/10	04/01/31	4.52	4,945,000	4,920,000
Total pledged revenue bonds					<u>\$ 148,595,000</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Long-Term Liabilities (Continued)

Amortization requirements for governmental activities:

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

Year Ending June 30,	Governmental Activities					
	General Obligations Bonds		Section 108 Loan Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 15,786,016	\$ 8,918,487	\$ 193,000	\$ 140,980	\$ 1,785,172	\$ 70,154
2015	15,322,462	8,295,954	193,000	131,214	1,203,449	44,987
2016	15,467,462	7,662,693	193,000	121,410	1,041,630	25,461
2017	14,965,428	6,987,354	193,000	111,567	803,394	10,546
2018	15,492,475	6,262,771	193,000	101,521	273,366	723
2019-2023	60,058,112	22,528,900	965,000	350,358	281,848	-
2024-2028	47,075,000	11,050,219	757,000	86,506	-	-
2029-2033	16,700,000	2,884,025	-	-	-	-
2034-2035	2,075,000	141,075	-	-	-	-
	<u>\$202,941,955</u>	<u>\$ 74,731,478</u>	<u>\$ 2,687,000</u>	<u>\$ 1,043,556</u>	<u>\$ 5,388,859</u>	<u>\$ 151,871</u>

Year Ending June 30,	Business-type Activities					
	General Obligations Bonds		Revenue Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,008,984	\$ 6,851,584	\$ 1,455,000	\$ 7,236,610	\$ 356,853	\$ -
2015	1,507,538	6,814,422	1,505,000	7,180,902	349,889	-
2016	2,062,538	6,752,910	2,160,000	7,104,463	342,733	-
2017	2,394,572	6,656,695	2,630,000	7,003,308	338,781	-
2018	4,052,525	6,564,834	4,960,000	6,840,743	329,975	-
2019-2023	25,956,888	29,903,864	28,410,000	30,485,265	619,043	-
2024-2028	28,855,000	23,945,719	34,925,000	22,873,291	-	-
2029-2033	26,900,000	17,297,274	35,115,000	13,872,598	-	-
2034-2038	30,435,000	10,468,862	34,540,000	4,959,641	-	-
2039-2042	21,765,000	2,371,290	2,895,000	75,624	-	-
	<u>\$144,938,045</u>	<u>\$117,627,454</u>	<u>\$148,595,000</u>	<u>\$107,632,445</u>	<u>\$ 2,337,274</u>	<u>\$ -</u>

The Governmental Activities Capital lease obligations are collateralized by equipment with a book value of \$5,388,859, which is net of accumulated depreciation of \$2,350,527 at June 30, 2013.

The Business-type Activities Capital Lease obligations are collateralized by equipment with a book value of \$2,337,274, which is net of accumulated depreciation of \$1,343,164 at June 30, 2013.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Long-Term Liabilities (Continued)

Pledge-Revenue Bond Restrictions:

The City's Utility fund has outstanding obligations with Virginia Resources Authority (VRA) for which revenue has been pledged to secure the obligations. The net revenues of the Utility fund have been pledged to meet the debt service requirement of these bonds. The bonds have been issued to finance the capital improvements and construction of the water and sewer systems. The total amount remaining debt service to be paid over the life of these VRA bonds is \$256,227,445 through 2042.

Due to the master trust indenture, the revenue covenant has been met for the pledged-revenue bonds. Net revenues are required to be no less than greater of (i) the sum of 1.5 times senior debt service and 1.0 times subordinate debt service for the fiscal year (ii) net revenues are not less than 1.0 times the funding requirements for transfers from the revenue fund to the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund, and the rate stabilization fund. The debt coverage ratio for the year ended June 30, 2013 was 39.5%. Furthermore, there has been no occurrence of any condition or event which constitutes, or which, with notice or lapse of time, or both, would constitute an event of default within the terms of the master trust indenture.

General Obligation Bonds and the Legal Debt Limit:

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

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

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

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property on the amount of general obligation borrowing which may be outstanding by the City. The City has independently set a lower debt limit of 7%, further reduced by financial policy in 2010 to 4% of the assessed valuation. As of June 30, 2013, the City's aggregate general obligation indebtedness is approximately \$532.6 million less than the Commonwealth's limit and \$268.5 million less than the City's financial policy.

**CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 9. Long-Term Liabilities (Continued)

School Board Long-Term Liabilities:

Following is a summary of changes in noncurrent liabilities of the School Board and its component unit for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Component Unit - School Board</u>					
Other postemployment benefits	\$ 1,782,919	\$ 2,421,957	\$ 1,467,100	\$ 2,737,776	\$ -
Compensated Absences	2,021,649	82,673	206,282	1,898,040	163,935
	<u>\$ 3,804,568</u>	<u>\$ 2,504,630</u>	<u>\$ 1,673,382</u>	<u>\$ 4,635,816</u>	<u>\$ 163,935</u>

Current Year Refunding of Debt

In August 2012, the City issued \$19,875,000 in general obligation bonds with an average interest rate ranging between 2%-5%. These bonds were issued to refund approximately \$21,425,000 in outstanding bonds including literary loans issued in 1999 and 2000, and partial refunding of bonds issued in 2003 and 2004. The net proceeds of the refunding were \$22,897,177 (including \$3,022,177 in bond premium and \$152,634 in underwriting fees and other issuance costs). The liability for the refunded bonds has been replaced with the liability from new debt with the difference between the reacquisition price and the net carrying amount of the old debt totaling \$1,089,884 and is being deferred and amortized over the life of the defeased debt in proportion to the stated interest due on the new debt. Approximately \$17,175,000 remains outstanding at June 30, 2013 related to the partially defeased bonds describe below.

The City refunded these bonds in order to reduce the average interest rate paid on the bonds without extending the final maturity. The impact of the refunding was to decrease the overall debt service on the refunded obligations by \$2,775,389. In addition, this resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$2,450,916.

Prior Year Defeasances:

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2013, \$135,210,000 of bonds outstanding were considered defeased.

Bonds Authorized and Unissued:

Bonded debt authorized by City Council in previous years but unissued as of June 30, 2013 totals \$61,175,739.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Long-Term Liabilities (Continued)

Landfill Post closure Care Costs:

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

The estimated liability is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the City as discussed. If the DEQ does not accept the active remedy, the actual costs may change. Also, actual costs may be higher due to inflation, changes in technology, changes in regulation, or other unforeseen circumstances. The cumulative amount of estimated post closure care costs, and corrective action to date for this site, less cash paid for such costs to date, totals \$1,775,609. This amount is included in the long-term liabilities in the primary government.

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

Note 10. Leases

Lessor:

On October 27, 2009, the City entered into an operating lease whereby the City leased the Sleepy Hole Golf Course to a private operator. The lease was amended on May 1, 2010 and the term of the lease ends April 30, 2030. The agreement requires annual lease payments to the City of \$356,000. This amount is reduced by certified annual capital costs made by the operator to enhance the integrity of the golf course facility. For the year ended June 30, 2013, the operator did not report any certified capital improvements. The remaining amount of unearned lease revenue, in the form of capital improvements exceeding the annual lease payments at June 30, 2013, is \$2,013,288.

Lessee:

The City also leases various equipment and facilities through operating leases, which are subject to appropriation annually. Rent expense for governmental and business-type activities was \$723,530 and \$1,208,462 respectively.

Future minimum lease payments under these leases are as follows:

2014	\$	987,170
2015		303,424
	\$	<u>1,290,594</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 11. Defined Benefit Pension Plan

Plan Description

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

All full-time, salaried permanent (professional) employees are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option for those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigned the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of that report may be obtained from the VRS website at <http://www.varetire.org/Pdf/publications/2012-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specific by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's and Board's non-professional employee contribution rates for the fiscal year ended 2013 were 18.56% and 13.9% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$11,648,391, \$7,895,331, and \$8,407,146 to the teacher cost-sharing pool, which represented 15.66%, 13.44%, and 15.66% of current covered payroll for the fiscal years ended June 30, 2013, 2012 and 2011 respectively.

Annual Pension Cost

For fiscal year 2013, the City's annual pension cost of \$10,197,688 was equal to the City's required and actual contributions.

For fiscal year 2013, the School Board's annual pension cost for non-professional employees was \$938,800, which was equal to the School Board's required and actual contributions.

**CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 11. Defined Benefit Pension Plan (Continued)

Annual Pension Cost (Continued)

Fiscal Year Ending	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City:			
June 30, 2013	\$ 10,197,688	100%	\$ -
June 30, 2012	\$ 8,526,249	100%	\$ -
June 30, 2011	\$ 8,407,146	100%	\$ -
 School Board:			
Nonprofessional			
June 30, 2013	\$ 938,800	100%	\$ -
June 30, 2012	\$ 787,554	100%	\$ -
June 30, 2011	\$ 820,689	100%	\$ -

The FY2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 includes (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.2% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officer, firefighters, and sheriffs, and (c) a cost of living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of the assets over a five year period. The City's, and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Liability (UAAL) was 30 years.

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the City's plan was 71.03% funded. The actuarial accrued liability for benefits was \$225,029,519, and the actuarial value of assets was \$159,845,397, resulting in an unfunded actuarial accrued liability (UAAL) of \$65,184,122. The covered payroll (annual payroll of active employees covered by the plan) was \$53,979,914 and ratio of the UAAL to covered payroll was 120.76%.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 11. Defined Benefit Pension Plan (Continued)

Funded Status and Funding Progress (Continued)

As of June 30, 2012, the most recent actuarial valuation date, the City School Board's plan was 79.66% funded. The actuarial accrued liability for benefits was \$22,002,180, and the actuarial value of assets was \$17,526,158, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,476,022. The covered payroll (annual payroll of active employees covered by the plan) was \$6,839,451 and ratio of UAAL to the covered payroll was 65.44%.

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

Note 12. Other Postemployment Benefits Program

The City of Suffolk has established an irrevocable trust pursuant to Section 15.21544 of the Code of Virginia, as amended for the purpose of accumulated and investing assets to fund Other Postemployment Benefits (OPEB), to participate in the Virginia Pooled OPEB Trust Fund and has established a local Finance Board to become a Participating Employer in the Trust Fund. The Trust Fund provides administrative, custodial, and investment services to the Participating Employers in the Trust Fund. For the fiscal year ended June 30, 2013 the City contributed \$1,865,700 and the School Board contributed \$1,467,100 to the trust Fund. Expenses allocated to the Trust Fund during the fiscal year ended June 30, 2013 totaled \$14,702 for the City and \$8,214 for the School Board. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League ("VML") at P.O. Box 12164, Richmond, Virginia 23241.

Plan Description

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

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

Funding Policy

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 12. Other Postemployment Benefits Program (Continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

The annual cost of OPEB is the Annual Required Contribution (ARC). The City and School Board paid \$241,611 and \$673,648 towards the estimated pay-as-you-go cost for OPEB benefits in fiscal year 2013, in addition contributed \$1,865,700 and \$1,467,100 to the Trust Fund, respectively. They City and School Board elected to pre-fund OPEB liabilities. The City and School Board are contributing the ARC an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years, the thirty amortization period is open.

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

	<u>City</u>	<u>School Board</u>
Annual Required contribution	\$ 2,999,000	\$ 2,439,200
Interest on net OPEB obligation	(74,279)	133,719
Adjustment to annual required contribution	83,857	(150,962)
Annual OPEB cost	3,008,578	2,421,957
Contributions Made	3,250,647	1,467,100
Increase (decrease) in net OPEB obligation	(242,069)	954,857
Net OPEB obligation (asset) -- beginning of year	(990,385)	1,782,919
Net OPEB obligation (asset) -- end of year	<u>\$ (1,232,454)</u>	<u>\$ 2,737,776</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 12. Other Postemployment Benefits Program (Continued)

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

Three-Year Trend Information			
Fiscal Year	Annual OPEB	Percentage of	Net OPEB
Ending	Cost	Annual OPEB	(Asset)
Cost	Contributed	Obligation	
City:			
June 30, 2013	\$ 3,008,578	108.05%	\$ (1,232,454)
June 30, 2012	\$ 2,120,025	97.33%	\$ (990,385)
June 30, 2011	\$ 2,985,694	112.05%	\$ (1,046,897)
School Board:			
Nonprofessional			
June 30, 2013	\$ 2,421,957	60.57%	\$ 2,737,776
June 30, 2012	\$ 2,315,635	81.34%	\$ 1,782,919
June 30, 2011	\$ 2,229,232	71.41%	\$ 1,350,927

Funding Status an Funding Progress

The Funding status of the plan as of July 1, 2012 for the City and July 1, 2013 for the School Board was as follows:

	City	School
Actuarial Accrued Liability (AAL)	28,698,600	14,172,900
Actuarial Value of Plan Assets	14,389,399	9,895,900
Unfunded Actuarial Accrued Liability	<u>\$ 14,309,201</u>	<u>\$ 4,277,000</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	50.14%	69.82%
Covered Payroll (Active Plan Members)	55,725,400	58,391,400
UAAL as a Percentage of Covered Payroll	25.68%	7.32%

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 12. Other Postemployment Benefits Program (Continued)

Funding Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2012 and July 1, 2013, actuarial valuations for the City and the School Board respectively, the projected unit credit cost method, was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 7.5% for the City and 7.0% for the School Board discount rate for a funded plan. Healthcare cost trend rates of 7.5% and 4.5% for the City and School Board. The unfunded accrued liability is being amortized over 30 years using the level dollar amount method.

Note 13. Commitments and Contingencies

Federally assisted grant programs:

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

Construction Commitments:

The City has authorized expenditures for capital additions and construction of various governmental and utility capital projects. At June 30, 2013, projects expected to be completed at various dates through 2014 had a total unexpended balance of \$45,113,172 (governmental) and \$28,447,188 (utility).

Lease Commitment:

The City has authorized expenditures for capital lease payments, which include monthly and annual payments for repairs and maintenance costs. At June 30, 2013, lease payments and the associated repairs and maintenance commitments had a total unexpended balance of \$4,014,248.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 13. Commitments and Contingencies (Continued)

Litigation:

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

Note 14. Risk Management

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

Self-Insurance – City:

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

Claims payable reported in the Risk Management Fund at June 30, 2013 consists of all current self-insured claims payable including an estimate of incurred but not reportable claims amounting to \$3,232,746. The current portion is \$1,694,423 for 2013. Claims payable for health insurance are based on current enrollment and benefits and historical experience. Claims payable for workers' compensation and other contingent liabilities are based on insurance coverage and specific claims which have presented. Following is a summary of changes in claims payable for the fiscal years ended June 30, 2013 and 2012:

		Beginning Balance	Claims and Reserves	Claim Payments	Ending Balance
Workers Compensation					
	2013	\$ 2,668,370	\$ 2,348,193	\$ 2,974,458	\$ 2,042,105
	2012	1,391,487	1,840,974	564,091	2,668,370
Health Insurance					
	2013	1,089,409	9,624,440	9,523,208	1,190,641
	2012	878,792	8,380,366	8,169,749	1,089,409

**CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 14. Risk Management (Continued)

Workers' Compensation Self-Insurance Coverage – School Board:

The School Board is self-insured for workers' compensation benefits. Charges are made to the School Operating, Grants, and Food Service Funds as approved by City Council in the annual operating budgets. Any excess charges are reflected as nonspendable balance for workers' compensation claims in the School Operating Fund. At June 30, \$516,140 was held for purposes of funding future claims.

Claims are paid by a third-party administrator acting in behalf of the School Board under terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The plan pays all claims up to \$600,000 for each covered accident. Any claims exceeding \$600,000 for each covered accident are paid by specific stop-loss insurance provided by a third-party insurance company. As of June 30, 2013, the workers' compensation benefit obligation consisted of \$239,068 in reported unpaid claims and estimated incurred but no reported claims.

Changes in the balance of claims liabilities during the years ended June 30, 2013 and 2012, are as follows:

		<u>Beginning Balance</u>	<u>Claims and Reserves</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
Workers Compensation					
2013	\$	578,730	\$ 192,500	\$ 532,162	\$ 239,068
2012		326,664	935,459	683,393	578,730

Health Insurance Self-Insurance Coverage – School Board:

Claims are paid by a third-party administrator acting on behalf of the School Board under terms of a contractual agreement. The plan pays all claims up to \$125,000 for each participant. Any claims exceeding \$125,000 for each participant are paid by specific stop-loss insurance provided by a third-party insurance company. As of June 30, 2013, School Operating Fund prepaids of \$95,000 were held for purposes of funding the School Board's future claims liabilities. As a result, \$95,000 of the School Operating Fund balance is reserved for payment of future claims liabilities.

Note 15. Subsequent Events

The City issued \$64,415,000 of authorized General Obligation and Refunding Bonds, Series 2013 on July 30, 2013 with a maturity date of December 1, 2042. These bonds were issued to finance various public improvement and public utility projects as well as refund certain general obligation and utility revenue bonds previously issued by the City.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 16. Fund Balances

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Road Maintenance Fund</u>	<u>Debt Service Fund</u>	<u>Non-major Governmental Funds</u>
Nonspendable:					
Inventories	\$ 9,794	\$ -	\$ -	\$ -	\$ -
Total Nonspendable	<u>9,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted for:					
Judicial Administration	-	-	-	-	208,040
Public Safety	-	-	-	-	32,597
Public Works	565,969	-	2,669,183	-	-
Parks, Recreation and Cultural	-	-	-	-	1,161,567
Capital Outlay	-	9,889,915	-	-	-
Debt Service	-	-	-	392,219	-
Total Restricted	<u>565,969</u>	<u>9,889,915</u>	<u>2,669,183</u>	<u>392,219</u>	<u>1,402,204</u>
Committed to:					
Public Works	-	-	8,830,070	-	2,839,333
Community Development	5,502,953	-	-	-	-
Capital Outlay	4,406,577	34,504,114	-	-	-
Debt Service	-	-	-	2,060,760	-
Total Committed	<u>9,909,530</u>	<u>34,504,114</u>	<u>8,830,070</u>	<u>2,060,760</u>	<u>2,839,333</u>
Assigned to:					
General Government Administration	454,699	-	-	-	-
Judicial Administration	9,947	-	-	-	-
Public Safety	425,567	-	-	-	-
Public Works	141,894	-	2,864,515	-	-
Health and Welfare	405,261	-	-	-	-
Parks, Recreation and Cultural	27,815	-	-	-	-
Community Development	180,974	-	-	-	-
Total Assigned	<u>1,646,157</u>	<u>-</u>	<u>2,864,515</u>	<u>-</u>	<u>-</u>
Unassigned	43,938,132	-	-	-	(10,938)
Total Fund Balance	<u>\$ 56,069,582</u>	<u>\$ 44,394,029</u>	<u>\$ 14,363,768</u>	<u>\$ 2,452,979</u>	<u>\$ 4,230,599</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 17. New Accounting Standards

The GASB has issued the following statements, which are not yet effective.

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

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

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 17. New Accounting Standards (Continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Disclosures will be required to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This statement is effective for the year ending June 30, 2014.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. The statement specifies the information that is required to be disclosed by governments that extend nonexchange financial guarantees, in addition to adding new disclosures for governments that receive nonexchange financial guarantees. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. This statement is effective for the year ending June 30, 2014.

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

THIS PAGE INTENTIONALLY BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY BLANK

CITY OF SUFFOLK, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes:				
Real estate	\$ 83,750,000	\$ 83,750,000	\$ 82,096,459	\$ (1,653,541)
Personal property	15,200,000	15,200,000	15,144,928	(55,072)
Public service corporations	2,600,000	2,600,000	3,210,399	610,399
Machinery and tools	-	-	1,581,180	1,581,180
Payments in Lieu of Taxes	12,000	12,000	11,914	(86)
Penalties	1,100,000	1,100,000	996,889	(103,111)
Total general property taxes	102,662,000	102,662,000	103,041,769	379,769
Other Local Taxes				
Sales and use	7,800,000	7,800,000	8,050,485	250,485
Utility tax	4,300,000	4,300,000	4,390,438	90,438
Communication taxes	3,600,000	3,600,000	3,602,321	2,321
Business and occupational licenses	7,300,000	7,300,000	6,277,297	(1,022,703)
Motor vehicle license	1,900,000	1,900,000	2,247,870	347,870
Bank stock	500,000	500,000	486,092	(13,908)
Recordation	900,000	900,000	1,165,979	265,979
Tobacco	1,300,000	1,300,000	1,313,533	13,533
Lodging	1,100,000	1,100,000	1,071,900	(28,100)
Meals	7,200,000	7,200,000	7,436,836	236,836
Penalties (Meals Taxes)	-	-	15,376	15,376
Public facility taxes	40,000	40,000	83,949	43,949
Admission	340,000	340,000	237,060	(102,940)
Total other local taxes	36,280,000	36,280,000	36,379,136	99,136
Permits, fees, and licenses				
Animal license	34,000	34,000	35,169	1,169
Permits and other licenses	854,400	854,400	1,027,549	173,149
Total permits, fees, and licenses	888,400	888,400	1,062,718	174,318
Fines and forfeitures	940,000	940,000	1,048,276	108,276
Revenue from use of money and property:				
Revenue from use of money	330,000	330,000	285,774	(44,226)
Revenue from use of property	306,000	306,000	322,433	16,433
Total use of money and property	636,000	636,000	608,207	(27,793)
Charges for services:				
Court costs	323,787	323,787	300,259	(23,528)
Police and traffic control	23,900	23,900	42,121	18,221
Charges for other protection	70,000	70,000	72,850	2,850
Charges for parks and recreation	825,000	825,000	753,653	(71,347)
Charges for library	16,000	16,000	20,584	4,584
Charges for planning and community development	35,000	35,000	29,933	(5,067)
Charges for other services	2,361,000	2,361,000	3,683,094	1,322,094
Total charges for services	3,654,687	3,654,687	4,902,494	1,247,807

(Continued)

CITY OF SUFFOLK, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
 GENERAL FUND
 Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (Continued)				
Miscellaneous revenue				
Miscellaneous	\$ 1,305,000	\$ 1,305,000	\$ 1,225,114	\$ (79,886)
Total revenue from local sources	146,366,087	146,366,087	148,267,714	1,901,627
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carrier tax	-	-	1,992	1,992
Tax on deeds	600,000	600,000	711,107	111,107
Railroad rolling stock tax	110,000	110,000	131,260	21,260
House bill 599 funds	2,760,000	2,760,000	2,764,801	4,801
PPTRA	10,169,729	10,169,729	10,169,729	-
Mobile home titling tax	35,000	35,000	27,541	(7,459)
Vehicle rental tax	102,000	102,000	132,794	30,794
Local aid Commonwealth state reduction	(377,366)	(377,366)	(314,740)	62,626
Total noncategorical aid	13,399,363	13,399,363	13,624,484	225,121
Categorical aid:				
Commonwealth's Attorney	880,000	880,000	922,647	42,647
Commissioner of Revenue	150,000	150,000	156,120	6,120
Treasurer	180,000	180,000	190,438	10,438
Sheriff	860,000	860,000	860,309	309
Circuit Court Clerk	525,000	620,409	558,602	(61,807)
Registrar	48,000	48,000	69,658	21,658
Total categorical aid	2,643,000	2,738,409	2,757,774	19,365
Other categorical aid:				
Public assistance and welfare administration	3,830,000	3,830,000	3,351,023	(478,977)
Other categorical aid	640,000	640,000	946,026	306,026
Total other categorical aid	4,470,000	4,470,000	4,297,049	(172,951)
Total categorical aid	7,113,000	7,208,409	7,054,823	(153,586)
Total revenue from the Commonwealth	20,512,363	20,607,772	20,679,307	71,535
Revenue from the Federal government				
Categorical aid:				
Public assistance and welfare administration	4,417,000	4,417,000	4,771,723	354,723
Emergency services	11,032	11,032	57,726	46,694
Parks, recreation and cultural	20,000	20,000	37,817	17,817
Total revenue from the Federal government	4,448,032	4,448,032	4,867,266	419,234
Total revenues	171,326,482	171,421,891	173,814,287	2,392,396

(Continued)

CITY OF SUFFOLK, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government administration:				
Legislative:				
City Council	\$ 426,040	\$ 414,162	\$ 410,743	\$ 3,419
General and financial administration:				
City Manager	1,085,759	1,557,116	1,539,551	17,565
Budget and strategic planning	448,812	485,681	480,881	4,800
City Attorney	981,870	978,161	963,327	14,834
Human resources	1,053,977	1,046,280	1,029,922	16,358
Commissioner of the Revenue	950,249	964,249	951,228	13,021
City Assessor	1,444,507	1,397,364	1,383,729	13,635
City Treasurer	1,337,235	1,491,235	1,476,875	14,360
Finance	1,291,172	1,192,125	1,149,226	42,899
Purchasing	314,078	300,678	261,444	39,234
Capital Program Management	3,005,935	2,929,556	2,879,401	50,155
Communications	645,827	608,973	548,747	60,226
Local and regional organizations	986,305	986,382	985,949	433
Board of Elections:				
Registrar	382,202	453,549	419,318	34,231
Total general government administration	14,353,968	14,805,511	14,480,341	325,170
Judicial administration:				
Courts:				
Circuit Court	184,518	182,518	177,633	4,885
District Court	60,133	55,133	44,767	10,366
Magistrate	16,940	14,940	14,124	816
Juvenile and Domestic Relations Court	21,322	16,322	11,093	5,229
Juvenile and Domestic Relations Court Service Unit	906,734	948,546	948,041	505
Circuit Court Clerk	1,295,814	1,436,720	1,355,982	80,738
Sheriff	2,245,891	2,195,673	2,143,701	51,972
Commonwealth Attorney	2,720,800	2,873,596	2,690,780	182,816
Total judicial administration	7,452,152	7,723,448	7,386,121	337,327
Public safety:				
Police	19,250,244	19,179,060	19,104,659	74,401
Communications	1,626,580	1,545,187	1,479,868	65,319
Property seizure program - Federal	-	160,865	1,928	158,937
Confiscation program - State	-	197,889	107	197,782
DARE	-	4,175	1,325	2,850
Fire	22,480,640	22,929,476	22,600,543	328,933
Western Tidewater Regional Jail	2,588,491	2,588,491	2,588,491	-
Emergency services	57,654	58,319	51,397	6,922
Total public safety	46,003,609	46,663,462	45,828,318	835,144
Public works:				
Administration	638,530	923,993	862,716	61,277
Refuse collection	582,414	1,089,892	1,027,342.00	62,550
Total public works	1,220,944	2,013,885	1,890,058	123,827

(Continued)

CITY OF SUFFOLK, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Health and welfare:				
Western Tidewater Health Department	\$ 840,000	\$ 840,000	\$ 840,000	\$ -
Western Tidewater CSB	281,152	281,152	281,152	-
Social Services	11,226,273	11,462,769	10,511,909	950,860
Comprehensive Services Act	1,792,494	2,045,555	1,616,743	428,812
Total health and welfare	14,139,919	14,629,476	13,249,804	1,379,672
Education:				
Contributions to component unit school board	46,684,053	48,684,053	48,684,053	-
Lease rent of building	479,666	479,666	479,390	276
Total education	47,163,719	49,163,719	49,163,443	276
Parks, recreation, and cultural:				
Parks and recreation	1,212,791	1,186,262	1,185,956	306
Parks and recreation maintenance	1,713,849	1,730,727	1,692,146	38,581
Parks and recreation support services	414,237	482,943	479,819	3,124
Parks and recreation - recreation	1,764,261	1,769,182	1,697,539	71,643
Public libraries	2,692,230	2,557,422	2,514,581	42,841
Total parks, recreation, and cultural	7,797,368	7,726,536	7,570,041	156,495
Community Development:				
Community Development	2,460,874	2,973,359	2,935,346	38,013
Planning	1,392,424	1,620,348	1,557,961	62,387
Economic development	793,089	7,166,528	7,151,773	14,755
Tourism	500,842	500,000	442,658	57,342
Animal shelter and management	702,126	775,583	740,013	35,570
Cooperative extension services	76,154	48,154	42,063	6,091
Total community development	5,925,509	13,083,972	12,869,814	214,158
Nondepartmental:				
Fringe benefits and insurance	223,388	654,871	649,541	5,330
Total nondepartmental	223,388	654,871	649,541	5,330
Total expenditures	144,280,576	156,464,880	153,087,481	3,377,399
Excess of revenues over expenditures	27,045,906	14,957,011	20,726,806	(5,769,795)
OTHER FINANCING SOURCES (USES)				
Fund Balance Surplus - Assigned	-	12,088,895	-	(12,088,895)
Transfers in	2,246,878	2,246,878	2,246,878	-
Transfers out	(29,292,784)	(29,292,784)	(28,506,012)	786,772
Total other financing uses, net	(27,045,906)	(14,957,011)	(26,259,134)	(11,302,123)
Net change in fund balances	\$ -	\$ 0	\$ (5,532,328)	\$ (5,532,329)
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (5,532,328)	
Encumbrances			7,149,704	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 4)			\$ 1,617,376	

CITY OF SUFFOLK, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - BUDGETARY BASIS
ROAD MAINTENANCE FUND
For the Year Ended June 30, 2013**

	Road Maintenance			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Permits, fees and licenses	\$ 175,000	\$ 175,000	\$ 222,105	\$ 47,105
Revenue from use of money and property	-	-	36,008	36,008
Charges for services	1,545,000	1,545,000	1,309,392	(235,608)
Miscellaneous	24,000	24,000	26,954	2,954
Intergovernmental:				
Revenue from the Commonwealth	19,659,945	19,659,945	20,105,759	445,814
Fund balance (rollover/appropriations)	-	6,288,390	-	(6,288,390)
Total revenues	<u>21,403,945</u>	<u>27,692,335</u>	<u>21,700,218</u>	<u>(5,992,117)</u>
EXPENDITURES				
Current:				
Public Works	19,127,538	25,415,928	20,469,330	4,946,598
Total expenditures	<u>19,127,538</u>	<u>25,415,928</u>	<u>20,469,330</u>	<u>4,946,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,276,407</u>	<u>2,276,407</u>	<u>1,230,888</u>	<u>(1,045,519)</u>
OTHER FINANCING USES				
Transfers out	(2,276,407)	(2,276,407)	(2,276,407)	-
Total other financing uses, net	<u>(2,276,407)</u>	<u>(2,276,407)</u>	<u>(2,276,407)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,045,519)</u>	<u>\$ (1,045,519)</u>
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (1,045,519)	
Encumbrances			<u>2,960,130</u>	
Total net change in fund balance per Statement of Revenues, Expenditures and changes in Fund Balance (Exhibit 14)			<u>\$ 1,914,611</u>	

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLANS

June 30, 2013

The following Schedule of Funding Progress is presented as unaudited required supplementary information applicable to the participation of the City's employees and the School Board's nonprofessional employees in the VRS agent multiple-employer defined benefit pension plan, as described in note 11 of the accompanying basic financial statements. GAAP requires presentation of this information in employer financial statements for the participation of employees in all agent multiple-employer plans, other than those using the aggregate actuarial cost method, (this plan uses the entry age normal actuarial cost method). This information is intended to help users assess the funded status of the plan and the progress made in accumulating sufficient assets to pay benefits when due.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as of Percentage of Covered Payroll
City:						
June 30, 2012	\$ 159,845,397	\$ 225,029,519	\$ 65,184,122	71.03%	\$ 53,979,914	120.76%
June 30, 2011	\$ 157,369,852	\$ 214,109,548	\$ 56,739,696	73.50%	\$ 52,788,904	107.48%
June 30, 2010	\$ 150,572,774	\$ 202,160,646	\$ 51,587,872	74.48%	\$ 52,101,413	99.01%
School Board:						
June 30, 2012	\$ 17,526,158	\$ 22,002,180	\$ 4,476,022	79.66%	\$ 6,839,451	65.44%
June 30, 2011	\$ 17,353,631	\$ 20,908,655	\$ 3,555,024	83.00%	\$ 7,038,507	50.51%
June 30, 2010	\$ 16,807,237	\$ 20,116,600	\$ 3,309,363	83.55%	\$ 7,204,137	45.94%

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
June 30, 2013

The following Schedule of Funding Progress is presented as unaudited required supplementary information applicable to the participation of the City's and School Board's employees in a single employer defined benefit plan for other postemployment benefits, as described in note 12 of the accompanying basic financial statements. GAAP requires presentation of this information in employer financial statements. This information is intended to help users assess the funded status of the plan and the progress made in accumulating sufficient assets to pay benefits when due.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as of Percentage of Covered Payroll
City:						
July 1, 2012	\$ 14,389,399	\$ 28,698,600	\$ 14,309,201	50.14%	\$ 55,725,400	25.68%
July 1, 2011	\$ 11,918,849	\$ 21,100,600	\$ 9,181,751	56.49%	\$ 52,047,300	17.64%
July 1, 2009	\$ 12,672,664	\$ 27,341,308	\$ 14,668,644	46.35%	\$ 58,766,577	24.96%
School Board:						
July 1, 2013	\$ 9,895,900	\$ 14,172,900	\$ 4,277,000	69.82%	\$ 58,391,400	7.32%
July 1, 2011	\$ 6,050,180	\$ 16,559,900	\$ 10,509,720	36.54%	\$ 58,739,000	17.89%
July 1, 2009	\$ 4,315,618	\$ 17,122,042	\$ 12,806,424	25.21%	\$ 59,353,222	21.58%

THIS PAGE INTENTIONALLY BLANK

OTHER SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY BLANK

OTHER SUPPLEMENTARY INFORMATION: NON-MAJOR GOVERNMENTAL FUNDS

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

Suffolk Taxing District Fund – accounts for revenues and expenditures related to services provided in the Suffolk Taxing District. Most revenues are derived from a specific percentage of the annual real estate tax assessments in the Suffolk Taxing District. These additional assessments ceased as of July 1, 2007.

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

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

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

Route 17 Taxing District Fund – accounts for revenues and expenditures related to services provided in the Route 17 Taxing District. Most revenues are derived from a specific percentage of the annual real estate tax assessments in the route 17 Taxing District.

Mosquito Taxing District Fund – accounts for revenues and expenditures related to mosquito spraying services provided in the Mosquito Taxing District. Most revenues are derived from a specific percentage of the annual real estate tax assessments in the Mosquito Taxing District. These additional assessments ceased as of July 1, 2007.

Cemetery Fund – accounts for monies received from the sale of burial sites, lots, and mausoleum sites, the revenue from which is to be applied to the perpetual care of the City's cemeteries.

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

Transit Fund -- accounts for revenues and expenditures associated with the City's bus services. The revenue comes from a combination of state grants and fares collected from the passengers.

THIS PAGE INTENTIONALLY BLANK

CITY OF SUFFOLK, VIRGINIA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2013

	Suffolk Taxing District	Downtown Business Overlay District	Consolidated Grants	Law Library	Route 17 Taxing District	Mosquito Taxing District	Cemetery	Transit	Aviation	Total Non-Major Governmental Funds
ASSETS										
Assets:										
Cash and cash equivalents	\$ -	\$ 64,760	\$ -	\$ 210,390	\$ 1,631,268	\$ 800,920	\$ -	\$ 310,555	\$ 165,049	\$ 3,182,942
Cash and cash equivalents, restricted	-	-	870,871	-	-	-	1,161,567	-	-	2,032,438
Receivables, net:										
Taxes	-	8,127	-	-	1,555	-	-	-	-	9,682
Accounts	-	-	223,824	273	-	-	-	-	37,448	261,545
Due from other governmental units	-	-	337,007	-	-	-	-	164,811	6,850	508,668
Inventory	-	-	-	-	-	-	-	-	82,925	82,925
Total assets	\$ -	\$ 72,887	\$ 1,431,702	\$ 210,663	\$ 1,632,823	\$ 800,920	\$ 1,161,567	\$ 475,366	\$ 292,272	\$ 6,078,200
LIABILITIES										
Liabilities:										
Accounts payable and accrued liabilities	\$ 10,938	\$ 1,765	\$ 99,259	\$ 1,930	\$ -	\$ -	\$ -	\$ 370,856	\$ 41,573	\$ 536,321
Accrued payroll and related liabilities	-	-	1,757	693	-	-	-	-	403	2,853
Due to other funds	-	-	604,290	-	-	-	-	-	-	604,290
Unavailable revenues	-	5,472	693,799	-	1,380	-	-	-	13,486	714,137
Total liabilities	10,938	7,237	1,399,105	2,623	1,380	-	-	370,856	55,462	1,847,601
FUND BALANCES										
Restricted	-	-	32,597	208,040	-	-	1,161,567	-	-	1,402,204
Committed	-	65,650	-	-	1,631,443	800,920	-	104,510	236,810	2,839,333
Unassigned	(10,938)	-	-	-	-	-	-	-	-	(10,938)
Total fund balances	(10,938)	65,650	32,597	208,040	1,631,443	800,920	1,161,567	104,510	236,810	4,230,599
Total liabilities and fund balances	\$ -	\$ 72,887	\$ 1,431,702	\$ 210,663	\$ 1,632,823	\$ 800,920	\$ 1,161,567	\$ 475,366	\$ 292,272	\$ 6,078,200

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	Suffolk Taxing District	Downtown Business Overlay District	Consolidated Grants	Law Library	Route 17 Taxing District	Mosquito Taxing District	Cemetery	Transit	Aviation	Total Non-Major Governmental Funds
REVENUES										
Real estate taxes	\$ 208	\$ 97,371	\$ -	\$ -	\$ 1,437,848	\$ 243	\$ -	\$ -	\$ -	\$ 1,535,670
Revenue from use of money and property	-	438	-	748	3,585	2,889	5,500	1,754	221,296	236,210
Charges for services	-	-	20,180	41,487	-	-	18,941	47,971	658,787	787,366
Miscellaneous	-	2,351	740,997	91	-	-	-	68,516	-	811,955
Intergovernmental:										
Revenue from the Commonwealth	-	-	341,459	-	-	-	-	275,127	50,869	667,455
Revenue from the Federal government	-	-	3,827,719	-	-	-	-	-	-	3,827,719
Total revenues	208	100,160	4,930,355	42,326	1,441,433	3,132	24,441	393,368	930,952	7,866,375
EXPENDITURES										
Current:										
General government administration	12,311	-	-	-	-	-	-	-	959,802	972,113
Judicial administration	-	-	671,295	39,103	-	-	-	-	-	710,398
Public safety	-	-	3,033,094	-	-	-	-	-	-	3,033,094
Public works	-	145,859	60,097	-	-	-	-	-	-	205,956
Health and welfare	-	-	76,022	-	-	-	-	-	-	76,022
Transportation	-	-	-	-	-	-	-	888,337	-	888,337
Education	-	-	222,617	-	-	-	-	-	-	222,617
Parks, recreation, and cultural	-	-	108,770	-	-	-	-	-	-	108,770
Community development	-	-	877,517	-	-	-	-	-	-	877,517
Total expenditures	12,311	145,859	5,049,412	39,103	1,441,433	3,132	24,441	888,337	959,802	7,094,824
Excess of revenues over expenditures	(12,103)	(45,699)	(119,057)	3,223	1,441,433	3,132	24,441	(494,969)	(28,850)	771,551
Other financing sources (uses):										
Transfers in	-	-	272,550	-	-	-	-	599,479	132,803	1,004,832
Transfers out	-	-	(343,707)	-	(1,947,196)	-	-	-	(104,083)	(2,394,986)
Total other financing sources (uses), net	-	-	(71,157)	-	(1,947,196)	-	-	599,479	28,720	(1,390,154)
Net changes in fund balances	(12,103)	(45,699)	(190,214)	3,223	(505,763)	3,132	24,441	104,510	(130)	(618,603)
Fund balances at July 1	1,165	111,349	222,811	204,817	2,137,206	797,788	1,137,126	-	236,940	4,849,202
Fund balances at June 30	(10,938)	65,650	32,597	208,040	1,631,443	800,920	1,161,567	104,510	236,810	4,230,599

CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL - BUDGETARY BASIS
DEBT SERVICE FUND
Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 319,103	\$ 319,103
Total revenues	-	-	319,103	319,103
EXPENDITURES				
Current:				
Principal	15,617,376	15,617,376	15,512,377	104,999
Bond issuance costs	-	170,000	168,343	(1,657)
Interest and other fiscal charges	10,033,448	9,863,448	9,702,110	161,338
Total expenditures	25,650,824	25,650,824	25,382,830	264,680
Excess (deficiency) of revenues over (under) expenditures	(25,650,824)	(25,650,824)	(25,063,727)	587,097
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	13,732,503	13,732,503
Payment to escrow agent	-	-	(13,568,249)	(13,568,249)
Transfers in	25,650,824	25,650,824	24,981,083	(669,741)
Total other financing sources (uses), net	25,650,824	25,650,824	25,145,337	(505,487)
Net change in fund balances	\$ -	\$ -	\$ 81,610	\$ 81,610

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

	Law Library				Downtown Business Overlay District			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Real estate taxes	\$ -	\$ -	\$ -	\$ -	\$ 220,000	\$ 97,370	\$ (122,630)	
Revenue from use of money and property	-	-	748	748	-	438	438	
Charges for services	48,012	48,012	41,487	(6,525)	-	-	-	
Miscellaneous	-	-	91	91	-	2,352	2,352	
Total revenues	48,012	48,012	42,326	(5,686)	220,000	100,160	(119,840)	
EXPENDITURES								
Current:								
Judicial administration	48,012	48,012	39,103	8,909	-	-	-	
Public works	-	-	-	-	220,000	145,859	74,141	
Total expenditures	48,012	48,012	39,103	8,909	220,000	145,859	74,141	
Excess (deficiency) of revenues over (under) expenditures	-	-	3,223	3,223	-	(45,699)	(45,699)	
Net change in fund balances	\$ -	\$ -	\$ 3,223	\$ 3,223	\$ -	\$ (45,699)	\$ (45,699)	

Reconciliation to Governmental Fund Statement

Total net change in fund balance	\$ 3,223	\$ (45,699)
Encumbrances	-	-
Total net change in fund balance per Statement of Revenues, Expenditures and changes in Fund Balance (Exhibit 14)	\$ 3,223	\$ (45,699)

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

	Route 17 Taxing District				Aviation			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Real estate taxes	\$ 1,260,000	\$ 1,260,000	\$ 1,437,848	\$ 177,848	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	3,585	3,585	232,000	221,296	(10,704)	(10,704)
Charges for services	-	-	-	-	870,000	658,787	(211,213)	(211,213)
Intergovernmental:								
Revenue from the Commonwealth	-	-	-	-	-	50,869	(50,869)	(1,395)
Fund balance (rollover/appropriations)	687,196	687,196	-	(687,196)	-	-	(2,291)	(2,291)
Total revenues	1,947,196	1,947,196	1,441,433	(505,763)	1,102,000	930,952	(225,603)	(225,603)
EXPENDITURES								
Current:								
General government administration	-	-	-	-	1,170,301	959,919	264,937	264,937
Total expenditures	-	-	-	-	1,170,301	959,919	264,937	264,937
Excess (deficiency) of revenues over (under) expenditures	1,947,196	1,947,196	1,441,433	(505,763)	(68,301)	(28,967)	39,334	39,334
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	172,384	132,803	(39,581)	(39,581)
Transfers out	(1,947,196)	(1,947,196)	(1,947,196)	-	(104,083)	(104,083)	-	-
Total other financing sources (uses), net	(1,947,196)	(1,947,196)	(1,947,196)	-	68,301	28,720	(39,581)	(39,581)
Net change in fund balances	\$ -	\$ -	\$ (505,763)	\$ (505,763)	\$ -	\$ (247)	\$ (247)	\$ (247)

Reconciliation to Governmental Fund Statement:

Total net change in fund balance	\$ (505,763)
Encumbrances	117
Total net change in fund balance per Statement of Revenues, Expenditures and changes in Fund Balance (Exhibit 14)	\$ (505,763)

CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - BUDGETARY BASIS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013**

	Transit			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Permits, fees and licenses	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	1,754	1,754
Charges for services	34,800	34,800	47,971	13,171
Miscellaneous	-	68,516	68,516	-
Intergovernmental:				
Revenue from the Commonwealth	211,491	303,980	275,127	(28,853)
Total revenues	<u>246,291</u>	<u>407,296</u>	<u>393,368</u>	<u>(13,928)</u>
EXPENDITURES				
Current:				
Transportation	845,770	1,006,775	973,007	33,768
Total expenditures	<u>845,770</u>	<u>1,006,775</u>	<u>973,007</u>	<u>33,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(599,479)</u>	<u>(599,479)</u>	<u>(579,639)</u>	<u>19,840</u>
OTHER FINANCING SOURCES				
Transfers in	599,479	599,479	599,479	-
Total other financing sources net	<u>599,479</u>	<u>599,479</u>	<u>599,479</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,840</u>	<u>\$ 19,840</u>

Reconciliation to Governmental Fund Statement:

Total net change in fund balance	\$ 19,840
Encumbrances	<u>84,671</u>
Total net change in fund balance per Statement of Revenues, Expenditures and changes in Fund Balance (Exhibit 14)	<u>\$ 104,511</u>

OTHER SUPPLEMENTARY INFORMATION: NON-MAJOR PROPRIETARY FUNDS

Enterprise Funds are used to account for:

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

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

THIS PAGE INTENTIONALLY BLANK

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS

June 30, 2013

	Business-type Activities - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,158,389	\$ 1,635,416	\$ 3,793,805
Receivables, net	189,994	283,730	473,724
Total current assets	<u>2,348,383</u>	<u>1,919,146</u>	<u>4,267,529</u>
Noncurrent assets:			
OPEB asset	30,532	-	30,532
Other capital assets, net	21,842	-	21,842
Total noncurrent assets	<u>52,374</u>	<u>-</u>	<u>52,374</u>
Total assets	<u>2,400,757</u>	<u>1,919,146</u>	<u>4,319,903</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	79,935	146,666	226,601
Accrued payroll and related liabilities	8,373	4,727	13,100
Compensated absences	5,643	2,505	8,148
Total current liabilities	<u>93,951</u>	<u>153,898</u>	<u>247,849</u>
Noncurrent liabilities:			
Compensated absences	68,842	88,568	157,410
Total noncurrent liabilities	<u>68,842</u>	<u>88,568</u>	<u>157,410</u>
Total liabilities	<u>162,793</u>	<u>242,466</u>	<u>405,259</u>
NET POSITION			
Net investment in capital assets	21,842	-	21,842
Unrestricted	2,216,122	1,676,680	3,892,802
Total net position	<u>\$ 2,237,964</u>	<u>\$ 1,676,680</u>	<u>\$ 3,914,644</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-type Actives - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
OPERATING REVENUES			
Charges for services	\$ 4,460,628	\$ 6,305,236	\$ 10,765,864
Other	34,272	4,680	38,952
Total operating revenues	<u>4,494,900</u>	<u>6,309,916</u>	<u>10,804,816</u>
OPERATING EXPENSES			
Personnel services	1,909,874	1,505,079	3,414,953
Contractual services	377,562	1,468,233	1,845,795
Administration	672,781	2,085,473	2,758,254
Supplies	159,570	83,730	243,300
Repairs and maintenance	4,974	11,335	16,309
Utilities	8,653	20,104	28,757
Depreciation	8,815	-	8,815
Building and equipment rental	60,402	-	60,402
Other charges	47,009	30,301	77,310
Total operating expenses	<u>3,249,640</u>	<u>5,204,255</u>	<u>8,453,895</u>
Operating income	1,245,260	1,105,661	2,350,921
NONOPERATING REVENUES			
Interest income	5,133	2,244	7,377
Net nonoperating revenues	<u>5,133</u>	<u>2,244</u>	<u>7,377</u>
Income before contributions and transfers	1,250,393	1,107,905	2,358,298
Transfers out	(1,630,339)	(196,389)	(1,826,728)
Change in net position	<u>(379,946)</u>	<u>911,516</u>	<u>531,570</u>
Net position at July 1	2,617,910	765,164	3,383,074
Net position at June 30	<u>\$ 2,237,964</u>	<u>\$ 1,676,680</u>	<u>\$ 3,914,644</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Stormwater Utility</u>	<u>Refuse</u>	<u>Total</u>
OPERATING ACTIVITIES			
Receipts from customers	\$ 4,465,753	\$ 6,331,123	\$ 10,796,876
Payments to employees	(1,900,335)	(1,488,561)	(3,388,896)
Payments to suppliers	(1,387,633)	(3,742,572)	(5,130,205)
Net cash provided by operating activities	<u>1,177,785</u>	<u>1,099,990</u>	<u>2,277,775</u>
NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(1,630,339)	(196,389)	(1,826,728)
Net cash used in noncapital financing activities	<u>(1,630,339)</u>	<u>(196,389)</u>	<u>(1,826,728)</u>
INVESTING ACTIVITIES			
Interest received	5,133	2,244	7,377
Net cash provided by investing activities	<u>5,133</u>	<u>2,244</u>	<u>7,377</u>
Net (decrease) increase in cash and cash equivalents	(447,421)	905,845	458,424
CASH AND CASH EQUIVALENTS			
Beginning, July 1	2,605,810	729,571	3,335,381
Ending, June 30	<u>\$ 2,158,389</u>	<u>\$ 1,635,416</u>	<u>\$ 3,793,805</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,245,260	\$ 1,105,661	\$ 2,350,921
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	8,815	-	8,815
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(23,151)	21,207	(1,944)
OPEB asset	(5,997)	-	(5,997)
Increase (decrease) in:			
Accounts payable and accrued liabilities	(56,681)	(43,396)	(100,077)
Accrued payroll and related liabilities	9,539	16,518	26,057
Net cash provided by operating activities	<u>\$ 1,177,785</u>	<u>\$ 1,099,990</u>	<u>\$ 2,277,775</u>

THIS PAGE INTENTIONALLY BLANK

OTHER SUPPLEMENTARY INFORMATION: INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for:

Information Technology Fund – account for technology infrastructure and allocates costs to the various departments or agencies using the service.

Fleet Management Fund – accounts for, on a cost-reimbursement basis, the financing of vehicles and the related maintenance, repairs, and fuel costs and allocates those costs to the various departments or agencies using the equipment.

Risk Management Fund -- accounts for the funding and payment of auto, personal liability, general liability, health insurance, and workers' compensation claims against the City exclusive of the School Board employees. Charges to other funds are based on estimated claims for the year.

THIS PAGE INTENTIONALLY BLANK

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013

	Information Technology	Fleet Management	Risk Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,587,315	\$ 4,157,053	\$ 10,362,022	\$ 17,106,390
Cash and cash equivalents, restricted	300,000	227,432	-	527,432
Receivables, net	-	154,983	62,399	217,382
Inventories	-	240,801	-	240,801
Total current assets	2,887,315	4,780,269	10,424,421	18,092,005
Noncurrent assets:				
OPEB asset	20,355	23,408	3,053	46,816
Land and construction in progress	616,066	298,000	-	914,066
Other capital assets, net	1,664,848	20,300,089	528,897	22,493,834
Total noncurrent assets	2,301,269	20,621,497	531,950	23,454,716
Total assets	5,188,584	25,401,766	10,956,371	41,546,721
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	143,669	552,655	100,426	796,750
Accrued payroll and related liabilities	4,652	3,613	1,023	9,288
Claims payable	-	-	1,694,423	1,694,423
Accrued interest	200	5,601	-	5,801
Compensated absences	17,657	5,522	1,340	24,519
Capital leases	61,827	1,512,929	-	1,574,756
Total current liabilities	228,005	2,080,320	1,797,212	4,105,537
Noncurrent liabilities:				
Compensated absences	63,151	76,115	14,838	154,104
Claims payable	-	-	1,538,323	1,538,323
Capital leases	205,308	2,568,130	-	2,773,438
Total noncurrent liabilities	268,459	2,644,245	1,553,161	4,465,865
Total liabilities	496,464	4,724,565	3,350,373	8,571,402
NET POSITION				
Net investment in capital assets	2,013,779	16,517,030	528,897	19,059,706
Restricted:				
Other Purposes	300,000	227,432	-	527,432
Unrestricted	2,378,341	3,932,739	7,077,101	13,388,181
Total net position	\$ 4,692,120	\$ 20,677,201	\$ 7,605,998	\$ 32,975,319

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2013

	<u>Information Technology</u>	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 4,875,970	\$ 10,103,880	\$ 17,487,511	\$ 32,467,361
Other	6,666	17,929	208,776	233,371
Total operating revenues	<u>4,882,636</u>	<u>10,121,809</u>	<u>17,696,287</u>	<u>32,700,732</u>
OPERATING EXPENSES				
Personnel services	1,322,137	1,037,181	331,874	2,691,192
Self-insured claims	-	-	12,311,758	12,311,758
Contractual services	1,548,924	9,587	36,710	1,595,221
Administration	239,835	680,469	29,337	949,641
Supplies	8,423	50,488	10,658	69,569
Repairs and maintenance	81,019	18,388	-	99,407
Vehicle and power equipment – fuel	-	2,314,009	-	2,314,009
Vehicle and power equipment – supplies	-	1,946,986	-	1,946,986
Computers and Equipment	520,004	-	-	520,004
Utilities	80,575	33,750	3,077	117,402
Insurance	-	-	2,088,586	2,088,586
OPEB – contributions to trust	-	-	1,865,700	1,865,700
Depreciation	348,114	3,756,399	55,856	4,160,369
Building and equipment rental	73,930	35,145	4,428	113,503
Other charges	27,266	45,844	36,323	109,433
Total operating expenses	<u>4,250,227</u>	<u>9,928,246</u>	<u>16,774,307</u>	<u>30,952,780</u>
Operating income	<u>632,409</u>	<u>193,563</u>	<u>921,980</u>	<u>1,747,952</u>
NONOPERATING REVENUES (EXPENSES)				
Gain on disposal of capital assets	5,680	156,624	-	162,304
Interest income	8,589	14,119	35,337	58,045
Interest expense	(4,206)	(105,155)	-	(109,361)
Total nonoperating revenues (expenses), net	<u>10,063</u>	<u>65,588</u>	<u>35,337</u>	<u>110,988</u>
Net income before contributions and transfers	<u>642,472</u>	<u>259,151</u>	<u>957,317</u>	<u>1,858,940</u>
Capital contributions	-	-	584,753	584,753
Transfers in	-	1,764,000	-	1,764,000
Transfers out	(201,111)	(321,144)	(1,261,379)	(1,783,634)
Change in net position	441,361	1,702,007	280,691	2,424,059
Net position at July 1	<u>4,250,759</u>	<u>18,975,194</u>	<u>7,325,307</u>	<u>30,551,260</u>
Net position at June 30	<u>\$ 4,692,120</u>	<u>\$ 20,677,201</u>	<u>\$ 7,605,998</u>	<u>\$ 32,975,319</u>

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2013

	<u>Information Technology</u>	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Total</u>
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 4,933,053	\$ 10,046,953	\$ 17,651,864	\$ 32,631,870
Payments to employees	(1,337,212)	(1,020,207)	(387,283)	(2,744,702)
Payments to suppliers	(2,646,012)	(4,755,149)	(17,011,455)	(24,412,616)
Net cash provided by operating activities	<u>949,829</u>	<u>4,271,597</u>	<u>253,126</u>	<u>5,474,552</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	1,764,000	-	1,764,000
Transfers to other funds	(201,111)	(321,144)	(1,261,379)	(1,783,634)
Net cash (used in) provided by noncapital financing activities	<u>(201,111)</u>	<u>1,442,856</u>	<u>(1,261,379)</u>	<u>(19,634)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(295,933)	(6,423,713)	-	(6,719,646)
Lease financing proceeds	300,000	2,661,000	-	2,961,000
Principal paid on capital lease obligations	(94,205)	(1,917,210)	-	(2,011,415)
Gain on sale of assets	5,680	156,624	-	162,304
Interest paid on debt	(4,006)	(114,031)	-	(118,037)
Net cash used in capital and related financing activities	<u>(88,464)</u>	<u>(5,637,330)</u>	<u>-</u>	<u>(5,725,794)</u>
INVESTING ACTIVITIES				
Interest earned	8,589	14,119	35,337	58,045
Net increase (decrease) in cash and cash equivalents	668,843	91,242	(972,916)	(212,831)
Beginning, July 1	2,218,472	4,293,243	11,334,938	17,846,653
Ending, June 30	<u>\$ 2,887,315</u>	<u>\$ 4,384,485</u>	<u>\$ 10,362,022</u>	<u>\$ 17,633,822</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ 2,587,315	\$ 4,157,053	\$ 10,362,022	\$ 17,106,390
Cash and cash equivalents, restricted	300,000	227,432	-	527,432
	<u>\$ 2,887,315</u>	<u>\$ 4,384,485</u>	<u>\$ 10,362,022</u>	<u>\$ 17,633,822</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 632,409	\$ 193,563	\$ 921,980	\$ 1,747,952
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	348,114	3,756,399	55,856	4,160,369
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	54,415	(70,258)	(43,822)	(59,665)
Inventories	-	(11,247)	-	(11,247)
OPEB asset	(3,998)	(4,598)	(600)	(9,196)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(66,036)	390,764	(99,847)	224,881
Accrued payroll and related liabilities	(15,075)	16,974	(55,408)	(53,509)
Claims payable	-	-	(525,033)	(525,033)
Net cash provided by operating activities	<u>\$ 949,829</u>	<u>\$ 4,271,597</u>	<u>\$ 253,126</u>	<u>\$ 5,474,552</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Non-cash capital contributions	\$ -	\$ -	\$ 584,753	\$ 584,753

THIS PAGE INTENTIONALLY BLANK

OTHER SUPPLEMENTARY INFORMATION: FIDUCIARY NET POSITION

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

Special Welfare Fund – accounts for receipt of welfare checks and foster children support checks from the state and payments made on behalf of individuals.

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

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

THIS PAGE INTENTIONALLY BLANK

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2013

	<u>Special Welfare Fund</u>	<u>Commonwealth of Virginia Fund</u>	<u>Western Tidewater Water Authority</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 28,369	\$ 12,150	\$ 782,752	\$ 823,271
Total assets	<u>\$ 28,369</u>	<u>\$ 12,150</u>	<u>\$ 782,752</u>	<u>\$ 823,271</u>
LIABILITIES				
Amounts held for others	\$ 28,369	\$ 12,150	\$ 782,752	\$ 823,271
Total liabilities	<u>\$ 28,369</u>	<u>\$ 12,150</u>	<u>\$ 782,752</u>	<u>\$ 823,271</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 27,514	\$ 111,106	\$ 110,251	\$ 28,369
Total assets	<u>\$ 27,514</u>	<u>\$ 111,106</u>	<u>\$ 110,251</u>	<u>\$ 28,369</u>
LIABILITIES				
Amounts held for others	\$ 27,514	\$ 111,106	\$ 110,251	\$ 28,369
Total liabilities	<u>\$ 27,514</u>	<u>\$ 111,106</u>	<u>\$ 110,251</u>	<u>\$ 28,369</u>
Commonwealth of Virginia Fund				
ASSETS				
Cash and cash equivalents	\$ 1,820	\$ 151,802	\$ 141,472	\$ 12,150
Total assets	<u>\$ 1,820</u>	<u>\$ 151,802</u>	<u>\$ 141,472</u>	<u>\$ 12,150</u>
LIABILITIES				
Amounts held for others	\$ 1,820	\$ 151,802	\$ 141,472	\$ 12,150
Total liabilities	<u>\$ 1,820</u>	<u>\$ 151,802</u>	<u>\$ 141,472</u>	<u>\$ 12,150</u>
Western Tidewater Water Authority				
ASSETS				
Cash and cash equivalents	\$ 312,226	\$ 5,665,714	\$ 5,195,188	\$ 782,752
Total assets	<u>\$ 312,226</u>	<u>\$ 5,665,714</u>	<u>\$ 5,195,188</u>	<u>\$ 782,752</u>
LIABILITIES				
Amounts held for others	\$ 312,226	\$ 5,665,714	\$ 5,195,188	\$ 782,752
Total liabilities	<u>\$ 312,226</u>	<u>\$ 5,665,714</u>	<u>\$ 5,195,188</u>	<u>\$ 782,752</u>
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 341,560	5,928,622	5,446,911	\$ 823,271
Total assets	<u>\$ 341,560</u>	<u>\$ 5,928,622</u>	<u>\$ 5,446,911</u>	<u>\$ 823,271</u>
LIABILITIES				
Amounts held for others	\$ 341,560	5,928,622	5,446,911	\$ 823,271
Total liabilities	<u>\$ 341,560</u>	<u>\$ 5,928,622</u>	<u>\$ 5,446,911</u>	<u>\$ 823,271</u>

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

School Operating Fund – accounts for revenues and expenditures relating to the operation of the City of Suffolk Public Schools. Revenues are derived from the City's General Fund and from state and Federal funds.

School Food Service Fund – accounts for revenues and expenditures relating to the operation of school cafeterias. Revenues are derived from state and Federal funds and cafeteria sales.

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

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

Combined School Activity Funds – accounts for the various activity funds of each of the schools. Revenues are derived from school fundraisers, athletic and state event receipts, and School Board allocations.

The Pruden Center for Industry and Technology Component Unit – accounts for revenues and expenditures relating to operations of the Center. Revenues are derived primarily from local appropriations.

THIS PAGE INTENTIONALLY BLANK

CITY OF SUFFOLK, VIRGINIA
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
 June 30, 2013

	School Operating Fund	School Grants Fund	School Food Service Fund	Subtotal Excluding Component Unit	The Pruden Center for Industry & Technology	Total School Board
ASSETS						
Cash and cash equivalents	\$ 19,557,517	\$ -	\$ 3,149,079	\$ 22,706,596	\$ 205,165	\$ 22,911,761
Receivables, net	173,722	20,915	7,187	201,824	17,594	219,418
Due from other governments	1,350,749	3,093,212	745,458	5,189,419	-	5,189,419
Inventories	139,535	-	361,620	501,155	-	501,155
Prepaid items	95,000	-	-	95,000	-	95,000
Total assets	\$ 21,316,523	\$ 3,114,127	\$ 4,263,344	\$ 28,693,994	\$ 222,759	\$ 28,916,753
LIABILITIES						
Accounts payable	\$ 1,340,304	\$ 45,090	\$ 301,312	\$ 1,686,706	\$ 41,005	\$ 1,727,711
Accrued payroll and related liabilities	17,006,089	2,637,379	170,011	19,813,479	153,671	19,967,150
Due to other governments	41,051	-	-	41,051	17,120	58,171
Total liabilities	18,387,444	2,682,469	471,323	21,541,236	211,796	21,753,032
FUND BALANCES						
Nonspendable						
Inventories and prepaids	139,535	-	361,620	501,155	-	501,155
Premiums held for workers compensation claims	516,140	-	-	516,140	-	516,140
Premiums held for health insurance claims	380,122	-	-	380,122	-	380,122
Committed						
Grant local match	-	357,600	-	357,600	-	357,600
Assigned						
Special revenue	-	-	3,428,001	3,428,001	-	3,428,001
Encumbrances	1,893,282	234,560	2,400	2,130,242	-	2,130,242
Unassigned						
	-	(160,502)	-	(160,502)	10,963	(149,539)
Total fund balances	2,929,079	431,658	3,792,021	7,152,758	10,963	7,163,721
Total liabilities and fund balance	\$ 21,316,523	\$ 3,114,127	\$ 4,263,344	\$ 28,693,994	\$ 222,759	\$ 28,916,753
Reconciliation to the Statement of Net Position (Exhibit 1)						
Total fund balance						\$ 7,163,721
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						
School Board						130,078,232
Pruden Center						1,785,563
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.						
Other postemployment benefits						(2,737,776)
School Board Compensated absences						(1,815,367)
Pruden Center Compensated absences						(82,673)
Net position of governmental activities						\$ 134,391,700

CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
Year Ended June 30, 2013**

	School Operating Fund	School Grants Fund	School Food Service Fund	Subtotal Excluding Component Unit	The Pruden Center for Industry & Technology	Total School Board
REVENUES						
Revenue from use of money and property	\$ 74,322	\$ -	\$ 6,493	\$ 80,815	\$ -	\$ 80,815
Charges for services	135,072	-	2,330,654	2,465,726	11,770	2,477,496
Miscellaneous	596,163	286,189	325,248	1,207,600	-	1,207,600
Intergovernmental:						
City contribution	48,644,329	-	-	48,644,329	-	48,644,329
Revenue from the Commonwealth	73,102,395	1,048,534	154,425	74,305,354	26,000	74,331,354
Revenue from the Federal Government	959,586	8,176,152	4,343,958	13,479,696	-	13,479,696
School Board contribution to Pruden Center	-	-	-	-	1,850,614	1,850,614
Isle of Wright contribution to Pruden Center	-	-	-	-	853,051	853,051
Total revenues	<u>123,511,867</u>	<u>9,510,875</u>	<u>7,160,778</u>	<u>140,183,520</u>	<u>2,741,435</u>	<u>142,924,955</u>
EXPENDITURES						
Current:						
Education	128,664,533	9,770,600	6,687,318	145,122,451	3,011,032	148,133,483
Total expenditures	<u>128,664,533</u>	<u>9,770,600</u>	<u>6,687,318</u>	<u>145,122,451</u>	<u>3,011,032</u>	<u>148,133,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,152,666)</u>	<u>(259,725)</u>	<u>473,460</u>	<u>(4,938,931)</u>	<u>(269,597)</u>	<u>(5,208,528)</u>
Other financing sources (uses):						
Transfers in	-	79,013	-	79,013	-	79,013
Transfers out	(79,013)	-	-	(79,013)	-	(79,013)
Total other financing sources (uses)	<u>(79,013)</u>	<u>79,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(5,231,679)</u>	<u>(180,712)</u>	<u>473,460</u>	<u>(4,938,931)</u>	<u>(269,597)</u>	<u>(5,208,528)</u>
Fund balances at July 1	8,160,758	612,370	3,318,561	12,091,689	280,560	12,372,249
Fund balances at June 30	<u>\$ 2,929,079</u>	<u>\$ 431,658</u>	<u>\$ 3,792,021</u>	<u>\$ 7,152,758</u>	<u>\$ 10,963</u>	<u>\$ 7,163,721</u>

Reconciliation to the Statement of Activities (Exhibit 2)

Net change in fund balance - governmental fund	\$ (5,208,528)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation Expense for the School Board	(7,892,024)
Capitalized expenditures	2,031,594
Pruden Center Depreciation Expense	(189,485)
Pruden Center Capitalized Expenditures	187,005
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(1,289,059)
Losses on the disposal of capital assets are not reported as expenditures in the funds	(4,510)
Compensated absences and other postemployment benefits are not due and payable at June 30, and therefore are not reported in the fund statements.	
This amount represents the current year change in those items for the School Board	44,117
This amount represents the current year change in those items for the School Board - OPEB	(954,857)
This amount represents the current year change in compensated absences for the Pruden Center	(5,177)
Change in net position of governmental activities	<u>\$ (13,280,924)</u>

CITY OF SUFFOLK, VIRGINIA

BUDGETARY RECONCILIATION SCHEDULE
 GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
 Year Ended June 30, 2013

	School Operating Fund		School Grants Fund		School Food Service Fund	
	Total Exhibit 29	Budget Based Items	Total Exhibit 29	Budget Based Items	Total Exhibit 29	Budget Based Items
Total revenues	\$ 123,511,867	\$ -	\$ 9,510,875	\$ -	\$ 7,160,778	\$ -
Total other financing sources	-	-	79,013	-	-	-
Total revenues	123,511,867	-	9,589,888	-	7,160,778	-
Total expenditures	126,570,639	(2,093,893)	10,005,160	234,560	6,688,285	967
Total other financing uses	79,013	-	79,013	-	-	-
Total expenditures	126,649,652	(2,093,893)	10,005,160	234,560	6,688,285	967
Net changes in fund balances	\$ (3,137,785)	\$ 2,093,893	\$ (415,272)	\$ (234,560)	\$ 472,493	\$ (967)
						\$ 473,460

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 Year Ended June 30, 2013

	School Operating Fund			School Grants Fund			School Food Service Fund			Variance with Final Budget - Favorable (Unfavorable)	
	Budgeted Amounts		Actual	Budgeted Amounts		Actual	Budgeted Amounts		Actual		
	Original	Final		Original	Final		Original	Final			
REVENUES											
Revenue from use of money and property	\$ 50,000	\$ 50,000	\$ 74,322	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 6,493	\$ 5,493
Charges for services	75,605	75,605	135,072	-	-	-	-	2,375,000	2,375,000	2,330,654	(44,346)
Miscellaneous	690,000	695,000	596,163	100,000	-	286,189	-	642,172	642,172	325,248	(316,924)
Intergovernmental:											
Contribution from the City of Suffolk	-8,643,200	-8,643,200	-48,644,329	-	1,129	-	-	-	-	-	-
Revenue from the Commonwealth	73,025,966	72,894,474	73,102,395	772,000	1,137,503	1,048,534	(88,969)	132,000	132,000	154,425	22,425
Revenue from the Federal Government	1,055,000	1,181,492	959,586	8,170,000	7,904,497	8,176,152	271,655	-4,003,000	-4,003,000	-4,343,958	340,958
Total revenues	123,539,771	123,539,771	123,511,867	9,042,000	9,042,000	9,510,875	468,875	7,153,172	7,153,172	7,160,778	7,606
EXPENDITURES											
Current:											
Education	123,539,771	126,677,557	126,570,639	106,918	-	-	-	-	-	-	-
Grant expenditures	-	-	-	9,042,000	9,042,000	10,005,160	(963,160)	-	-	-	-
Food Services	-	-	-	-	-	-	-	7,153,172	7,154,605	6,688,285	466,320
Total expenditures	123,539,771	126,677,557	126,570,639	106,918	9,042,000	10,005,160	(963,160)	7,153,172	7,154,605	6,688,285	466,320
Excess (deficiency) of revenues over (under) expenditures	-	(3,137,786)	(3,058,772)	134,822	-	(494,285)	(494,285)	-	(1,433)	472,493	473,926
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	(79,013)	-	-	79,013	(79,013)	-	-	-	-
Transfers out	-	-	(79,013)	-	-	(79,013)	(79,013)	-	-	-	-
Total other financing sources (uses)	-	-	(79,013)	-	-	79,013	(79,013)	-	-	-	-
Net change in fund balances	\$ -	\$ (3,137,786)	\$ (3,137,785)	\$ 55,809	\$ -	\$ (415,272)	\$ (573,298)	\$ -	\$ (1,433)	\$ -472,493	\$ -473,926

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2013

	<u>OPEB Trust Fund</u>	<u>School Activity Funds</u>
ASSETS		
Cash and cash equivalents	\$ 9,967,590	\$ 1,257,495
Total assets	<u>9,967,590</u>	<u>1,257,495</u>
LIABILITIES		
Amounts held for students	-	<u>1,257,495</u>
Total liabilities	<u>-</u>	<u>1,257,495</u>
Net Position		
Held in trust for OPEB benefits	<u>9,967,590</u>	<u>-</u>
Net position	<u>\$ 9,967,590</u>	<u>\$ -</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OPEB TRUST FUND – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2013

	School Board
Additions:	
Employer Contributions	\$ 1,467,100
Gain on investments	808,599
Total additions	2,275,699
Deductions:	
Administrative fees	8,214
Total deductions	8,214
Change in net position	2,267,485
Net position - beginning of year	7,700,105
Net position - end of year	\$ 9,967,590

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 SCHOOL ACTIVITY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
 Year Ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets:				
Cash and cash equivalents	<u>\$ 1,197,847</u>	<u>\$ 2,462,077</u>	<u>\$ 2,402,429</u>	<u>\$ 1,257,495</u>
Liabilities:				
Amounts held for students	<u>\$ 1,197,847</u>	<u>\$ 2,462,077</u>	<u>\$ 2,402,429</u>	<u>\$ 1,257,495</u>

THIS PAGE INTENTIONALLY BLANK

STATISTICAL SECTION

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

THIS PAGE INTENTIONALLY BLANK

CITY OF SUFFOLK, VIRGINIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

Table 1

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net investment in capital assets	\$ 41,339,232	\$ 22,018,105	\$ 50,694,555	\$ 128,097,710	\$ 140,789,631	\$ 129,638,603	\$ 105,871,501	\$ 329,191,210	\$ 335,377,003	\$ 287,319,247
Restricted:										
Capital Projects	12,565,077	2,862,010	5,222,554	392,169	392,169	392,169	392,169	392,169	392,169	392,219
Debt Service	-	-	-	-	959,304	8,269,446	8,269,446	18,217,244	5,757,526	6,658,293
Other Purposes	2,250,498	944,650	3,703,280	-	57,234,531	60,941,946	80,954,531	(21,155,533)	26,476,856	89,082,731
Unrestricted	9,733,131	22,631,799	12,468,387	44,337,037	57,234,531	60,941,946	80,954,531	(21,155,533)	26,476,856	89,082,731
Total Net Position	\$ 65,887,938	\$ 48,456,564	\$ 72,088,776	\$ 172,826,916	\$ 199,375,635	\$ 190,972,718	\$ 195,487,647	\$ 326,645,090	\$ 368,003,554	\$ 383,452,490
Governmental Activities										
Business-Type Activities										
Net investment in capital assets	\$ 56,290,404	\$ 69,299,223	\$ 170,862,396	\$ 173,084,623	\$ 172,165,375	\$ 171,309,403	\$ 159,253,886	\$ 158,621,254	\$ 157,084,814	\$ 153,147,421
Restricted:										
Capital Projects	1,689,149	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	1,525,006	1,887,575	1,978,028	-
Other Purposes	634,206	-	39,426	-	-	-	-	32,827	-	2,079,370
Unrestricted	7,773,220	1,776,739	3,058,548	445,172	1,889,816	2,935,424	5,499,380	6,370,895	6,593,945	11,679,673
Total Net Position	\$ 66,366,979	\$ 71,075,962	\$ 173,960,370	\$ 173,529,795	\$ 173,655,191	\$ 174,244,827	\$ 166,278,272	\$ 166,912,551	\$ 165,656,787	\$ 166,996,464
Business-Type Activities										
Primary Government										
Net investment in capital assets	\$ 97,629,636	\$ 91,317,328	\$ 221,556,951	\$ 301,182,333	\$ 312,955,086	\$ 300,948,006	\$ 265,125,387	\$ 487,812,464	\$ 492,461,817	\$ 440,466,668
Restricted:										
Capital Projects	14,254,226	2,862,010	5,222,554	392,169	392,169	392,169	392,169	2,279,744	2,370,197	392,219
Debt Service	-	-	-	-	959,304	8,269,446	8,269,446	18,250,071	5,757,526	8,737,663
Other Purposes	2,884,704	944,650	3,742,706	-	58,724,347	63,877,370	86,551,911	(14,784,638)	33,070,801	100,762,804
Unrestricted	17,506,351	23,408,538	15,526,935	44,782,209	58,724,347	63,877,370	86,551,911	(14,784,638)	33,070,801	100,762,804
Total Net Position	\$ 132,274,917	\$ 119,532,526	\$ 246,049,146	\$ 346,356,711	\$ 373,030,826	\$ 365,217,545	\$ 361,765,919	\$ 493,557,641	\$ 533,660,341	\$ 550,358,954
Primary Government		(1)	(2)	(3)			(4)	(5)		

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

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

(3) This includes a \$12,176,267 restatement in the Governmental Activities Net position and \$446,251 restatement in the Business-Type Activities Net position.

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

(5) This includes a restatement on Net Position in both the Governmental of \$127,665,951 and Business-Type Activities of \$768,687. In Addition, the debt associated with School Board issues

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General Government	\$ 8,019,005	\$ 1,900,766	\$ 6,916,053	\$ 8,379,163	\$ 9,574,332	\$ 8,493,992	\$ 9,422,635	\$ 11,784,825	\$ 12,554,225	\$ 17,558,767
Judicial	4,428,005	4,936,491	5,535,063	6,807,141	7,157,778	7,159,993	7,393,681	7,221,482	7,622,134	8,136,225
Public Safety	24,623,891	26,646,128	33,410,471	33,914,535	36,278,476	36,372,402	42,448,954	43,635,617	48,587,624	49,413,603
Public Works	13,763,814	4,637,083	5,275,996	28,828,221	29,772,711	32,530,396	34,682,047	30,775,546	37,156,299	32,943,363
Health and Welfare	13,014,409	13,810,781	13,252,584	10,843,875	12,187,536	12,187,536	13,569,286	13,796,431	12,616,178	12,972,806
Transportation	-	-	-	-	-	-	-	-	-	888,933
Libraries	26,253,784	56,260,122	38,779,835	51,958,540	42,109,639	77,678,641	53,624,148	56,504,857	44,206,593	49,386,060
Parks, Recreation and Cultural	4,043,316	15,364,543	8,707,837	8,783,902	8,524,477	8,309,722	8,309,722	7,818,362	7,888,484	8,456,643
Community Development	6,556,252	10,058,214	11,807,444	27,229,557	6,296,531	9,329,455	9,329,455	13,789,850	5,951,888	8,099,788
Other Public Services	3,662,585	2,949,560	3,669,173	6,989,308	11,090,479	9,896,678	9,293,250	8,525,637	11,832,809	8,998,878
Interest on Long-Term Debt	7,359,854	7,266,452	7,099,664	6,989,308	11,090,479	9,896,678	9,293,250	8,525,637	11,832,809	8,998,878
Bond Costs	13,390	27,970	-	-	-	-	-	-	-	-
Non-Departmental	7,567,424	5,481,997	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	\$ 119,325,729	\$ 149,360,107	\$ 134,376,332	\$ 183,733,932	\$ 163,520,279	\$ 200,363,715	\$ 188,073,178	\$ 193,852,407	\$ 198,416,234	\$ 196,857,886
Business-type Activities										
Utilities	15,593,938	17,773,204	21,296,006	30,173,337	29,147,386	29,133,054	38,634,542	34,149,870	35,912,782	40,101,617
Golf course	1,148,610	1,834,057	1,934,301	1,979,380	1,780,625	1,689,229	-	-	-	-
Refuse collection	-	-	-	-	-	-	-	-	-	-
Stormwater management	-	-	-	-	-	-	-	-	-	-
Total Business-type Activities Expenses	\$ 16,742,548	\$ 19,607,261	\$ 23,230,307	\$ 32,152,717	\$ 30,928,011	\$ 30,822,283	\$ 38,634,542	\$ 34,149,870	\$ 35,912,782	\$ 40,101,617
Total Primary Government Expenses	\$ 136,068,277	\$ 168,967,368	\$ 157,606,639	\$ 215,886,649	\$ 194,448,290	\$ 231,185,998	\$ 226,707,420	\$ 227,999,277	\$ 234,329,016	\$ 236,959,503
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government Administration	\$ 2,114,804	\$ 2,241,348	\$ 2,507,468	\$ 2,507,468	\$ 2,507,468	\$ 2,507,468	\$ 2,507,468	\$ 2,507,468	\$ 2,507,468	\$ 2,507,468
Judicial Administration	493,282	588,401	687,317	939,300	786,324	753,969	736,610	932,474	374,594	361,926
Public Safety	184,587	198,638	249,612	1,310,680	2,361,369	2,587,982	2,931,733	2,073,431	575,653	3,130,972
Public Works	1,360,740	1,386,084	1,254,981	1,746,854	1,531,857	2,195,198	2,367,267	1,504,393	872,302	1,469,668
Health and Welfare	-	-	-	15,015	15,015	7,388	25,280	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Parks, Recreation and Cultural	288,075	316,658	325,748	335,642	476,376	628,393	670,162	759,323	719,783	47,971
Community Development	11,357	33,296	27,930	948,983	1,215,821	302,134	248,816	1,470,640	35,124	100,172
Other Public Services	575,318	602,404	812,681	5,299,674	6,388,948	6,473,064	6,388,167	6,341,261	5,864,706	10,685,705
Total Charges for Services	\$ 5,048,163	\$ 5,368,029	\$ 5,865,737	\$ 12,236,862	\$ 12,441,100	\$ 14,568,829	\$ 14,607,166	\$ 14,607,166	\$ 14,607,166	\$ 14,607,166
Operating Grants and Contributions:										
General Government Administration	1,195,139	443,125	294,285	473,712	531,013	170,905	122,185	398,505	4,620,917	4,671,886
Judicial Administration	2,131,555	2,267,307	2,141,741	1,802,021	1,846,680	1,829,318	1,766,209	2,377,742	1,451,567	2,826,315
Public Safety	1,971,088	745,611	1,159,591	2,325,968	2,293,795	2,136,678	2,705,501	3,256,578	892,071	3,414,088
Public Works	6,357,646	292,492	676,331	16,350,686	17,088,074	18,491,121	18,095,389	18,781,620	20,157,859	20,157,859
Health and Welfare	11,295,734	11,788,079	10,199,959	8,172,786	8,398,910	8,848,554	9,511,711	8,540,671	7,731,229	8,198,767
Transportation	-	-	-	-	-	-	-	-	-	-
Education	131,645	-	-	-	-	-	-	-	-	116,122
Parks, Recreation and Cultural	305,659	369,363	749,244	285,761	297,489	305,120	294,402	18,228	140,879	140,879
Community Development	780,466	986,938	550,749	756,429	302,122	1,808,426	1,808,426	-	261,267	261,267
Other Public Services	11,494	72,711	28,630	-	-	-	-	-	-	1,522,630
Total Operating Grants and Contributions	\$ 24,180,426	\$ 16,975,626	\$ 15,800,530	\$ 30,167,363	\$ 30,758,083	\$ 34,303,823	\$ 34,303,823	\$ 33,370,344	\$ 14,696,344	\$ 37,185,013
Capital Grants and Contributions:										
General Government	-	-	-	-	-	-	-	-	-	2,299,245
Public Safety	-	-	-	-	-	70,500	-	-	1,958,630	-
Public Works	1,151,499	1,763,201	1,979,527	105,190,141	136,253	587,602	1,802,779	3,384,540	46,194,289	4,080,584
Health and Welfare	-	-	-	8,383	-	-	-	-	-	159,005
Transportation	-	-	-	-	-	-	-	-	-	-
Education	1,035,898	1,290,471	1,394,061	-	-	-	-	-	-	157,231
Parks, Recreation and Cultural	41,378	27,652	227,199	2,043	-	-	-	-	-	-
Community Development	26,935	86,672	628,900	1,127,019	1,088,018	966,594	1,091,151	4,568,366	3,828	-
Other Public Services	-	-	-	-	-	-	-	-	-	-
Nondepartmental	1,172,283	18,700	-	-	-	-	-	-	-	-
Total Capital Grants and Contributions	\$ 3,427,993	\$ 3,366,977	\$ 4,229,687	\$ 106,327,586	\$ 1,226,271	\$ 1,624,696	\$ 1,911,930	\$ 7,752,906	\$ 48,256,136	\$ 6,696,065
Total Governmental Activities Program Revenues	\$ 32,656,582	\$ 25,701,432	\$ 25,895,954	\$ 141,794,623	\$ 38,373,302	\$ 40,436,628	\$ 43,201,920	\$ 47,364,511	\$ 68,817,226	\$ 54,486,783

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues: (Continued)										
Business-type Activities:										
Charges for Services:										
Utility	16,920,731	19,566,580	20,419,822	22,096,514	23,803,433	24,813,989	29,044,958	29,818,675	32,934,240	37,884,451
Non-major	438,235	1,430,093	1,510,286	4,412,172	5,220,655	5,152,294	3,861,010	3,861,677	10,055,670	10,765,864
Total Charges for Services	17,358,966	20,996,673	21,930,110	26,508,686	29,024,088	29,966,283	32,905,968	33,680,352	42,989,910	48,650,315
Operating Grants and Contributions:										
Utility	400,724	240,093	11,163	814,500	864,141	542,287	-	-	-	-
Total Operating Grants and Contributions	400,724	240,093	11,163	814,500	864,141	542,287	-	-	-	-
Capital Grants and Contributions:										
Utility	2,233,515	3,284,662	383,412	6,043,266	2,658,020	3,785,842	1,504,233	4,468,834	1,078,380	2,363,664
Total Capital Grants and Contributions	2,233,515	3,284,662	383,412	6,043,266	2,658,020	3,785,842	1,504,233	4,468,834	1,078,380	2,363,664
Total Business-type Activities Program Revenues	19,993,205	24,521,428	22,324,885	33,366,452	32,546,249	34,294,412	34,410,201	38,149,186	44,068,290	51,013,979
Total Primary Government Program Revenues	52,650,287	50,222,860	48,230,639	175,161,075	70,919,571	74,751,040	77,612,121	86,013,697	112,885,516	105,500,762
Net (Expense)/Revenue										
Governmental Activities	(86,669,147)	(123,638,675)	(108,580,378)	(41,939,309)	(125,146,977)	(159,907,087)	(144,871,258)	(145,987,896)	(119,598,998)	(142,770,304)
Business-Type Activities	3,251,157	4,914,167	(2,905,722)	(697,287)	(973,116)	542,859	(7,225,586)	1,043,989	(629,240)	2,558,467
Total Primary Government Net (Expense)	(83,417,990)	(118,724,508)	(111,486,100)	(42,636,596)	(126,120,093)	(159,359,228)	(152,096,844)	(144,943,907)	(120,228,238)	(139,911,837)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes	91,734,955	102,418,853	106,905,524	120,034,998	131,543,030	132,560,748	131,748,747	133,841,481	140,556,855	141,084,777
Grants and Contributions Not Restricted to Specific Programs	3,041,024	3,239,271	14,174,921	14,535,729	14,427,389	14,405,688	13,938,495	12,591,336	13,143,469	13,624,485
Revenue from use of money and property	2,100,281	2,160,740	2,445,754	3,871,010	3,794,438	1,845,378	1,136,704	1,142,359	1,091,549	1,257,594
Gain on Disposal of Capital Assets	(30,742)	-	180,500	-	-	-	-	-	-	-
Capital assets donated to Component Unit	-	-	-	-	-	-	-	-	-	-
Transfers/Miscellaneous	169,414	1,783,138	2,659,201	4,235,712	1,930,839	2,692,356	3,966,437	129,570,163	6,165,589	(4,528,560)
Total Governmental Activities	97,014,932	109,502,002	126,305,900	142,677,449	151,695,696	151,804,170	150,792,383	277,143,339	160,957,462	157,819,240
Business-type Activities:										
Reimbursements from Other Agencies	-	23,000	-	-	-	-	-	-	-	-
Investment Earnings	197,469	237,146	476,611	1,042,633	1,633,718	640,041	555,814	363,684	833,126	741,640
Gain on Disposal of Capital Assets	-	-	-	-	-	-	-	-	-	-
Transfers/Miscellaneous	39,758	(485,330)	(158,526)	(329,670)	(535,206)	(598,264)	(2,063,316)	(773,394)	(1,461,650)	(1,940,430)
Total Business-type Activities	237,227	(25,184)	318,085	712,963	1,098,512	41,777	(1,507,502)	(409,710)	(628,524)	(1,208,790)
Total Primary Government	97,252,159	109,276,818	126,683,985	143,390,412	152,794,208	151,545,947	149,284,881	276,733,629	160,330,938	156,610,450
Change in Net Position										
Governmental Activities	10,345,785	(14,156,673)	17,765,522	100,738,140	26,548,719	(8,402,917)	5,921,125	(31,157,443)	41,358,464	15,348,936
Business-Type Activities	3,488,384	4,688,983	(2,587,637)	15,676	125,396	589,636	(8,733,088)	634,279	(1,253,764)	1,249,677
Total Primary Government	13,834,169	(9,467,690)	15,177,885	100,753,816	26,674,115	(7,813,281)	(2,811,963)	(31,791,722)	40,104,700	16,698,613

(1) In Fiscal Year 2007 the City adjusted grouping categories based on new fund additions, changes in operational structure and (IFGA) comments.
 (2) In FY2011, significant prior period adjustments were made that impacted multiple years. Therefore, FY2010 values were not restated in governmental activities but business-type expenses increased by \$5,153,432 per Note 17 in the financial statements.
 (3) In FY2011, prior period adjustments were made that impacted multiple years. Therefore, FY2011 values for governmental activities revenues were increased by \$127,663,951 and business-type expenses increased by \$768,687 per Note 17 in the financial statements.

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	A	2010	2011	2012	2013
General Fund											
Reserved	\$ 2,656,053	\$ 3,235,758	\$ 2,008,158	\$ 594,170	\$ 810,492	\$ 670,027		-	-	-	-
Unreserved	28,902,323	25,079,595	28,146,402	33,217,808	47,279,178	50,540,042		-	-	-	-
Non-Spendable	-	-	-	-	-	-		\$ 277,482	\$ 81,697	\$ 41,086	\$ 9,794
Restricted	-	-	-	-	-	-		585,475	2,106,682	7,746,520	565,969
Committed	-	-	-	-	-	-		9,515,153	8,200,533	7,676,544	9,909,530
Assigned	-	-	-	-	-	-		1,520,457	1,646,157	36,881,374	43,938,132
Unassigned	-	-	-	-	-	-		43,222,091	35,569,058	36,881,374	43,938,132
Total General Fund	\$ 31,558,376	\$ 28,315,353	\$ 30,154,560	\$ 33,811,978	\$ 48,089,670	\$ 51,210,069		\$ 53,600,201	\$ 47,478,427	\$ 54,452,206	\$ 56,069,582
All Other Governmental Funds											
Reserved	\$ 4,117,671	\$ 4,768,672	\$ 5,890,801	\$ 2,419,652	\$ 8,189,612	\$ 12,318,937		\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:											
Capital Projects Funds	8,083,082	8,307,664	(7,242,148)	28,003,480	21,339,005	19,353,128		-	-	-	-
Debt Service Funds	(2,360,804)	(1,572,163)	(757,116)	734,340	861,708	679,706		-	-	-	-
Permanent	-	-	977,277	1,026,077	959,304	-		-	-	-	-
Special Revenue Funds	2,224,696	2,272,683	(174,585)	4,171,904	6,635,295	8,214,906		-	-	-	-
Restricted	-	-	-	-	-	-		392,169	17,195,832	14,227,163	14,353,521
Committed, reported in:											
Capital Projects Funds	-	-	-	-	-	-		12,986,435	2,057,504	31,842,530	34,504,114
Nonmajor Governmental Funds	-	-	-	-	-	-		5,889,037	2,899,128	3,293,204	2,839,333
Other Governmental Funds	-	-	-	-	-	-		286,150	7,115,186	10,809,261	10,890,830
Assigned, reported in:											
Other Governmental Funds	-	-	-	-	-	-		6,868,143	-	-	-
Special Revenue Funds	-	-	-	-	-	-		5,468,839	872,002	949,904	2,864,515
Debt Service Funds	-	-	-	-	-	-		600,859	-	-	-
Unassigned	-	-	-	-	-	-		(69,801)	(71,710)	0	(10,938)
Total all other Governmental Funds	\$ 12,063,645	\$ 13,776,856	\$ (1,305,771)	\$ 36,355,453	\$ 37,984,924	\$ 40,566,677		\$ 32,421,831	\$ 30,067,942	\$ 61,122,062	\$ 65,441,375
Component Unit (School Board)											
Reserved	\$ 8,191,095	\$ 6,611,928	\$ 5,378,752	\$ 8,174,301	\$ 8,065,992	\$ 10,459,827		-	-	-	-
Unreserved	220,970	844,356	1,011,181	783,382	1,370,368	1,404,236		-	-	-	-
Nonspendable	-	-	-	-	-	-		\$ 451,829	\$ 1,387,121	\$ 5,055,925	\$ 1,397,417
Restricted	-	-	-	-	-	-		322,418	-	-	-
Committed	-	-	-	-	-	-		1,007,606	6,324,592	818,913	357,600
Assigned	-	-	-	-	-	-		7,928,595	9,833,477	6,625,214	5,558,243
Unassigned	-	-	-	-	-	-		(1,521,774)	(1,521,774)	(127,803)	(149,539)
Total	\$ 8,412,065	\$ 7,456,284	\$ 6,389,933	\$ 8,957,683	\$ 9,436,360	\$ 11,864,063		\$ 9,710,448	\$ 16,023,416	\$ 12,372,249	\$ 7,163,721

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

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

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

(3) This includes a restatement in several funds as per Note 17 in the financial statements. GAAP caused the fund balance terminology to change.

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

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General Property Taxes	\$ 66,231,547	\$ 74,827,500	\$ 87,023,480	\$ 88,430,925	\$ 98,037,522	\$ 99,044,697	\$ 98,590,291	\$ 98,760,972	\$ 103,782,797	\$ 104,471,439
Other Local Taxes	25,361,853	27,514,680	30,512,149	31,261,557	33,104,223	33,090,604	32,916,852	34,520,691	36,916,761	36,379,136
Licenses, Permits and Fees	1,459,690	1,581,725	1,811,848	1,532,729	1,775,508	1,827,302	1,934,842	1,267,746	1,267,377	1,284,823
Fines and Forfeitures	655,114	661,623	695,620	552,063	475,310	521,771	852,307	869,701	1,024,324	1,040,276
Use of Money and Property	2,100,291	2,060,740	2,433,824	3,871,010	3,794,438	1,845,378	1,136,704	786,359	817,326	1,199,549
Intergovernmental	28,641,137	24,402,278	25,571,959	50,432,343	47,805,781	49,182,612	50,154,248	52,221,486	53,256,359	55,743,813
Charges for Services	2,781,664	2,957,076	3,166,463	3,214,881	4,338,081	4,770,991	4,711,730	4,711,730	6,999,252	6,999,252
Miscellaneous	305,196	336,942	2,005,995	3,715,402	1,368,871	1,784,155	1,674,116	1,445,202	1,900,247	2,229,766
Total Revenues	127,536,482	134,342,574	153,221,338	183,037,910	190,499,774	191,422,510	191,167,379	194,498,887	204,345,175	209,465,054
Expenditures										
General Government Administration	5,903,203	6,433,652	6,648,753	8,177,101	8,172,799	8,075,932	8,113,416	11,008,630	13,563,676	15,171,035
Judicial Administration	4,402,709	4,915,653	5,183,428	6,602,250	6,770,319	6,815,601	6,812,528	6,743,740	7,731,218	8,086,574
Public Safety	23,876,250	26,239,576	30,227,291	31,806,254	33,563,830	34,676,356	37,002,601	40,185,432	48,947,127	48,435,845
Public Works	7,008,118	8,767,265	11,172,271	22,157,962	24,379,984	26,204,343	26,784,701	22,330,517	19,019,321	19,465,040
Health and Welfare	13,001,895	13,786,005	12,581,669	10,493,819	11,040,820	11,597,910	12,718,523	13,156,330	12,802,756	12,920,565
Transportation	-	-	-	-	-	-	-	-	-	888,337
Education	30,386,932	34,230,484	38,779,835	41,645,810	45,999,422	48,472,908	44,725,754	46,746,091	44,206,593	49,386,060
Parks, Recreation and Cultural	3,810,234	4,299,784	4,839,971	6,042,500	5,984,292	6,880,503	6,972,187	6,453,131	7,567,516	7,650,996
Community Development	6,506,643	4,485,621	4,541,559	26,784,795	6,192,145	8,032,334	8,783,239	13,644,310	6,005,460	8,062,809
Other Public Services	2,225,173	2,949,560	3,561,018	-	-	-	-	-	-	-
Non-Departmental	10,749,106	4,995,690	5,530,537	7,012,669	7,622,634	8,753,753	8,264,861	6,977,603	455,436	474,540
Capital Outlay	24,763,361	29,512,856	38,086,252	18,741,520	29,574,620	20,582,782	20,789,098	16,235,879	15,988,154	20,951,351
Debt Service	-	-	-	-	-	-	-	-	-	-
Other	150,408	292,993	209,398	1,045,084	190,205	288,914	339,170	17,787	319,789	168,343
Interest	7,208,931	6,829,437	7,385,176	6,689,872	8,531,876	9,645,646	9,755,820	8,825,336	9,034,916	9,702,110
Principal	10,081,717	9,949,599	12,991,845	15,044,611	13,361,741	13,667,737	14,315,646	13,571,169	14,862,418	15,512,377
Total Expenditures	150,574,680	157,688,175	181,739,003	202,294,247	200,384,687	203,494,719	206,177,544	205,895,955	200,504,380	216,875,982
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,038,198)	(23,345,601)	(28,517,665)	(19,256,337)	(9,884,913)	(12,072,209)	(15,010,165)	(11,397,068)	3,840,795	(7,413,928)
Other Financing Sources (Uses)										
Proceeds of Refunding Bonds	19,770,997	-	9,978,267	28,440,000	-	-	30,608,000	-	14,295,853	11,520,000
Proceeds of Bonds Issued	18,183,028	21,160,000	14,406,949	63,486,239	24,475,000	16,600,000	3,550,000	-	32,526,431	9,890,000
Premiums on Debt	-	168,989	918,255	3,131,272	501,623	-	2,102,918	-	-	3,322,503
Transfers to Component Units	-	-	-	-	-	-	-	-	-	-
Transfers In	12,522,466	7,740,454	6,114,990	6,517,082	30,481,200	30,481,200	31,222,564	31,070,025	32,840,198	35,363,768
Payment to Refunded Bonds (escrow Agent)	(19,770,997)	-	(10,365,390)	(29,703,423)	-	-	(32,350,000)	-	(14,196,436)	(13,568,249)
Proceeds from Sale of Asset	1,722,690	-	-	-	-	-	-	-	-	-
Transfers Out	(12,308,996)	(7,253,654)	(5,778,826)	(9,022,028)	(26,407,603)	(29,306,840)	(27,016,886)	(29,714,865)	(31,378,920)	(33,177,405)
Total Other Financing Sources (Uses), net	20,119,188	21,815,789	15,274,245	62,849,142	25,792,077	17,774,360	8,113,996	1,355,160	34,187,104	13,590,617
Net Change in Fund Balance	(2,919,010)	(1,529,812)	(3,243,320)	(43,592,805)	(15,907,164)	(5,702,151)	(6,896,169)	(10,041,908)	\$ 36,027,899	\$ 5,936,689
Capital outlay (1)	24,755,092	29,512,856	38,086,252	18,741,520	27,619,315	20,582,782	18,694,339	16,206,989	11,253,052	23,029,711
Debt Service as a percentage of non-capital expenditures (1)	13.74%	13.09%	14.18%	11.84%	12.67%	12.75%	12.84%	11.81%	12.63%	13.01%
ADD: School Operating & Food Service Expenditures (2)	60,442,296	69,301,721	73,676,524	79,602,860	85,408,681	91,340,694	89,115,227	81,934,663	85,170,286	86,707,523
Debt Service as a percentage of non-capital plus school expenditures (2)	9.28%	8.50%	9.38%	8.26%	8.48%	8.50%	8.70%	8.25%	8.71%	8.99%

(1) Calculated as the Principal plus interest shown above divided by the Total Expenditures less Capital Outlay as shown in the Exhibit 4 reconciliation schedule, as defined by GFDA. This ratio may have changed from previous years' presentations.
 (2) Additional School expenditures are found in the Component Unit section of the CAFR (School Operating and School Food Service Fund Expenditures less Contribution revenue from the City). The related ratio is part of bond continuing disclosure requirements.
 (3) Contribution to IDA/FDA for Hilton Garden Inn/Suffolk Conference Center EDA Revenue Bonds: 2004, \$2.4 M for the IDA's Secondary Debt Service Reserve Fund to support the \$10.3 M Revenue Bonds; 2007, \$10.3 M to refund the Revenue Bonds; 2011, \$5.6 M to make final payment on the Revenue Bonds.
 (4) Nondepartmental includes expenditures for Hurricane Isabel.
 (5) Includes revenues and expenditures for the Road Maintenance fund which had a full year of maintenance for fiscal year 2007.
 (6) Education prior to 2003 was recorded as a Transfer in Component Units instead of an expenditure.
 (7) Reclassification due to GFDA comments or management/auditor decisions.
 (8) Restatements made in the subsequent year are not reflected here.

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Change 2004-2013
General Property Tax	\$ 66,231,547	\$ 74,827,510	\$ 76,472,589	\$ 88,450,025	\$ 98,037,532	\$ 99,044,697	\$ 98,299,291	\$ 99,497,154	\$ 101,640,094	\$ 104,577,439	\$ 38,345,892
Other Local Taxes:											
Sales and Use	5,787,336	6,393,278	7,043,982	7,177,386	7,579,882	7,323,289	7,355,338	7,534,222	8,378,591	8,050,485	2,263,149
Utility Tax	6,430,771	6,160,225	6,420,480	5,348,947	4,190,304	4,279,814	4,238,079	4,388,706	3,500,799	4,390,438	-825,937
Communication Taxes	-	-	-	1,723,627	3,682,126	3,733,667	3,614,856	3,649,188	3,826,015	3,602,321	(1)
Business and Occupational License	3,901,699	4,528,220	5,177,235	5,674,968	5,886,810	6,261,676	5,985,479	6,668,905	7,536,591	6,277,297	2,375,598
Franchise	216,994	233,565	251,447	138,635	1,650,732	1,713,998	1,711,032	1,695,869	2,104,938	2,247,870	1,030,876
Motor Vehicle License	1,330,191	1,350,308	1,359,928	1,532,277	1,650,732	1,713,998	1,711,032	1,695,869	2,104,938	2,247,870	917,672
Bank Stock	243,789	283,547	362,571	350,564	286,973	306,405	641,735	498,527	493,608	486,092	242,309
Recreation	855,869	2,401,254	2,632,855	2,122,575	1,563,985	1,186,018	1,099,592	830,076	922,372	1,165,979	365,887
Tobacco	1,693,081	1,538,059	1,403,764	1,378,724	1,415,123	1,406,348	1,382,361	1,383,896	1,352,797	1,313,533	-370,354
Lodging	227,152	302,463	235,137	226,867	832,049	778,559	957,654	924,903	1,198,551	1,071,900	844,748
Meals	3,291,137	3,323,238	3,406,919	4,396,494	5,632,980	5,683,139	5,643,405	6,430,769	7,076,131	7,452,212	4,161,075
Administration	386,899	369,095	356,211	382,502	354,950	376,024	377,341	338,767	366,196	237,080	(149,813)
Emergency Phone Services	988,243	1,029,638	1,031,810	502,500	-	-	-	-	-	-	(988,243)
Public Facility Tax Rebate	-	-	347,869	395,596	186,549	39,667	-	-	-	-	395,596
Total	\$ 91,593,399	\$ 102,342,190	\$ 106,984,738	\$ 119,712,482	\$ 131,141,745	\$ 132,135,301	\$ 131,216,143	\$ 133,841,480	\$ 140,556,855	\$ 149,956,575	\$ 58,363,176

(1) Effective January 1, 2017 the Commonwealth of Virginia moved to a Communications Tax collected by the State and remitted to the locality versus the local taxes previously charged by the jurisdiction.

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

Fiscal Year	Real Property			Estimated Actual Value	City Wide Rate	Personal Property			Tax Rate	Assessed Value
	Citizens Property (1)	Assessed Value Public Service (2)	Total			Citizens Property (3)	Assessed Value (4)	Public Service (2)		
2004	4,044,414,400	18,332,444	4,062,746,844	4,280,219,144	1.08	608,825,985	166,161,886	774,987,871	4.25	4,837,734,715
2005	4,700,248,600	16,416,461	4,716,665,061	4,983,988,261	1.08	624,278,865	153,824,486	778,103,351	4.25	5,494,768,412
2006	5,767,166,200	18,411,941	5,785,578,141	6,215,420,841	1.06	699,151,891	175,007,613	874,159,504	4.25	6,659,737,645
2007	7,615,318,305	16,841,670	7,632,159,975	8,207,595,470	0.94	760,041,770	154,722,996	914,764,766	4.25	8,546,924,741
2008	8,471,944,000	20,753,336	8,492,697,336	9,466,652,720	0.94	766,350,990	207,604,394	973,955,384	4.25	9,466,652,720
2009	9,095,186,800	23,662,692	9,118,849,492	9,723,630,800	0.91	804,367,320	217,629,411	1,021,996,731	4.25	10,140,846,223
2010	9,055,790,400	26,606,668	9,082,397,068	9,705,046,100	0.91	721,104,740	245,272,079	966,376,819	4.25	10,048,773,887
2011	9,045,325,900	27,016,838	9,072,342,738	9,687,791,300	0.91	773,957,620	253,653,952	1,027,611,572	4.25	10,099,954,310
2012	8,848,672,100	29,240,750	8,877,912,850	9,472,557,700	0.97	793,373,032	271,085,304	1,064,458,336	4.25	9,942,371,186
2013	8,776,025,000	29,254,047	8,805,279,047	9,371,181,700	0.97	839,643,073	299,930,734	1,139,573,807	4.25	9,944,852,854

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

(2) Determined by the State Corporation Commission of Virginia.

(3) Vehicles are assessed at 100% of average loan value; recreation vehicles are assessed at 100% of lowest NADA value; and machinery and tools are assessed at 20% of original cost for the first five years and 10% thereafter. Source: City Commissioner of the Revenue's Office.

(4) Personal property is assessed at 100% of the estimated market value of the property. Source: Commissioner of the Revenue's office

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

Fiscal Year	Real Property (2)					Personal Property (3)	Machinery and Tools (4)	Minimum Total Direct Rate (5)
	Suffolk Taxing District	City Wide	Route 17 Taxing District	Mosquito Control District	Downtown Business Overlay District			
2004	1.24	1.08	0.26	0.04	-	4.25	3.15	5.33
2005	1.24	1.08	0.26	0.04	-	4.25	3.15	5.33
2006	1.22	1.06	0.26	0.04	-	4.25	3.15	5.31
2007	0.98	0.94	0.26	0.04	0.13	4.25	3.15	5.19
2008 (6)	-	0.94	0.26	-	0.13	4.25	3.15	5.19
2009	-	0.91	0.26	-	0.13	4.25	3.15	5.16
2010	-	0.91	0.26	-	0.13	4.25	3.15	5.16
2011	-	0.91	0.26	-	0.13	4.25	3.15	5.16
2012	-	0.97	0.26	-	0.13	4.25	3.15	5.16
2013	-	0.97	0.25	-	0.12	4.25	3.15	5.16

- (1) The City is not a component of any overlapping governments; therefore, it does not share any overlapping tax rates nor debt.
- (2) Real property is assessed at 100% of estimated actual value, except land use property which approximates 30%.
- (3) Vehicles are assessed at 100% of average loan value.
- (4) Assessed at 20% of original cost during the first five years of life; 10% thereafter.
- (5) The district tax rates include the City-wide rate. Additionally, districts overlap some properties, resulting in those properties being taxed at the City rate plus the additional rate for each applicable district. Therefore, only the City-wide rate is used with the personal property rate to calculate the Minimum Total Direct Rate.
- (6) Beginning in Fiscal Year 2008, the Suffolk Taxing District and Mosquito Control District supplemental taxes were no longer assessed because the City instituted a city-wide mosquito control program and incorporated the fees associated with those services into the storm water utility fee.

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

		Real Property			
		2013		2004	
Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)
City of Norfolk	Municipal Water System	\$ 55,690,600	0.63%	\$ 19,980,900	0.49%
116 Lakeview Parkway, LLC	Joint Military Training Facility	54,180,500	0.62%	-	-
CVN Distribution	Distribution Warehouse	44,294,900	0.50%	35,801,700	0.89%
Centerpoint Properties Trust	Real Property Management	42,655,700	0.49%	-	-
Sysco Food Services of Hampton Roads	Food Service Distribution	42,381,300	0.48%	24,295,200	0.60%
Target Corporation	Distribution Warehouse	39,245,000	0.45%	42,287,300	1.05%
TowneBank	Financial Institution	36,527,400	0.42%	-	-
Wal-Mart Stores	Retail Merchandise	31,868,600	0.36%	21,439,400	0.53%
Lake Prince Center, Inc.	Retirement Community	30,023,000	0.34%	23,102,200	0.57%
Belleville Widow & Orphans	Counseling Services	27,313,400	0.31%	-	-
Fortress GSA Suffolk, LLC	Joint Military Training Facility	-	-	34,456,900	0.85%
JM Smucker Company	Beverage Company	-	-	28,802,400	0.71%
BASF Corporation	Chemical Plant	-	-	25,831,500	0.64%
Forest	Paper Products	-	-	22,076,800	0.55%
		<u>\$ 404,180,400</u>	<u>4.61%</u>	<u>\$ 278,074,300</u>	<u>6.88%</u>
(1) Total Assessed Value (does not include public service corporations)		\$ 8,776,025,000		\$ 4,044,414,400	

Source: City of Suffolk Assessor's Office

Personal Property

		Personal Property			
		2013		2004	
Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (2)	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (2)
Unilever/Lipton, Inc.	Beverage Company	\$ 10,581,750	1.26%	\$ 5,353,820	0.88%
BASF Corporation	Chemical Plant	10,027,460	1.19%	8,459,180	1.39%
Planters/Kraft Foods	Food Processing	8,191,380	0.98%	6,542,240	1.07%
CVN Distribution	Distribution Warehouse	7,411,720	0.88%	4,257,140	0.70%
JM Smucker Company	Beverage Company	5,311,820	0.63%	4,269,850	0.70%
Lockheed Martin Corporation	Technology Company	4,869,500	0.58%	-	-
Massimo Zanetti Beverage USA	Beverage Company	4,072,510	0.49%	-	-
Sysco Food Services of Hampton Roads	Food Service Distribution	3,840,920	0.46%	1,694,810	0.28%
Target Corporation	Distribution Warehouse	3,675,260	0.44%	-	-
Charter Communications	Cable Products	2,631,190	0.31%	2,499,470	0.41%
Vitex Packaging	Packaging Warehouse	-	-	1,304,040	0.21%
Suffolk Energy Partners L.P.	Energy Services	-	-	1,280,400	0.21%
Viacom Broadcasting of Seattle, Inc.	Media Broadcasting	-	-	869,090	0.14%
		<u>\$ 60,613,510</u>	<u>7.22%</u>	<u>\$ 36,530,040</u>	<u>6.00%</u>
(2) Total Assessed Value (does not include public service corporations)		\$ 839,643,073		\$ 608,825,985	

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

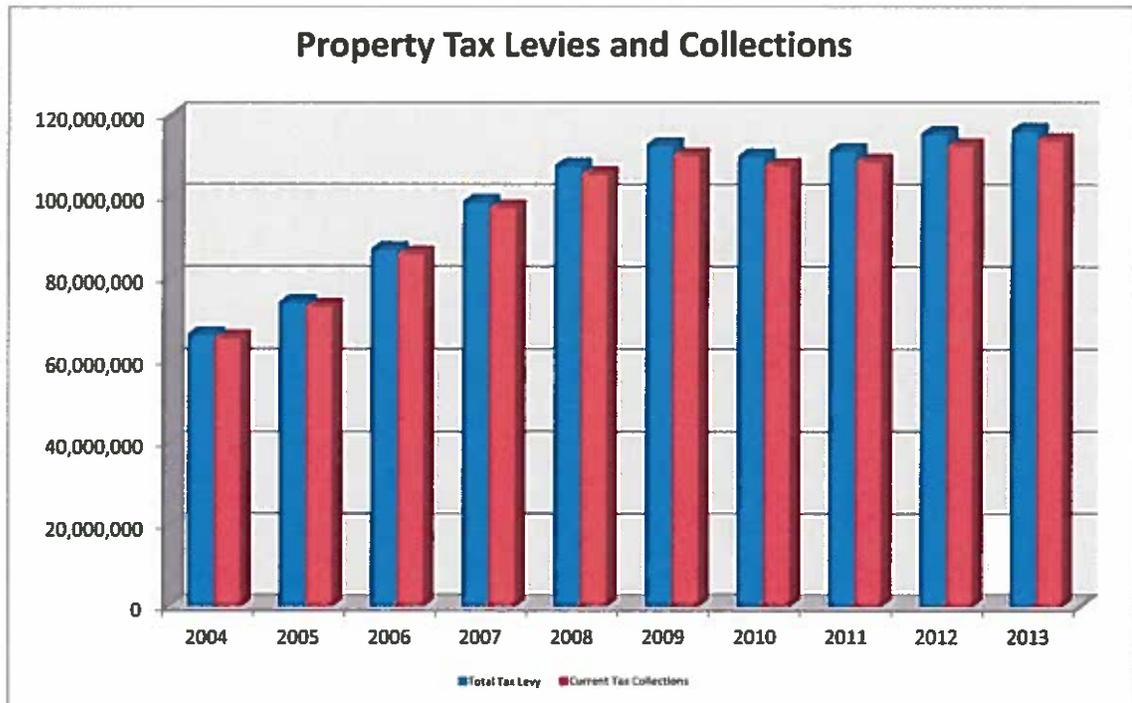
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Tax Collections		Total Tax Collections (2)	Outstanding Delinquent Taxes At End of Fiscal Year (2)
				Delinquent Tax Collections	As Percent of Outstanding Delinquent Taxes		
2004	66,303,851	65,447,182	98.71%	777,317	40.50%	66,224,499	1,919,065
2005	74,108,747	73,148,580	98.70%	745,533	36.69%	73,894,113	2,032,137
2006	87,028,625	85,921,671	98.73%	968,148	46.59%	86,889,819	2,077,972
2007	98,604,779	97,146,638	98.52%	951,030	40.71%	98,097,668	2,336,057
2008	107,353,414	105,361,772	98.14%	933,545	88.23%	106,295,317	1,058,097
2009	112,502,640	110,007,171	97.78%	1,475,446	40.49%	111,482,617	3,643,790
2010	109,732,744	107,359,137	97.84%	1,585,519	38.92%	108,944,656	4,073,288
2011	111,072,859	108,430,361	97.62%	2,711,843	65.92%	111,142,204	4,113,644
2012	115,190,689	112,303,915	97.49%	1,970,995	43.95%	114,274,910	4,484,190
2013	116,106,208	113,620,442	97.86%	2,307,092	55.20%	115,927,534	4,179,156

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

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

Source: City Treasurer



PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		Real Property Value (2)			
	Number of Permits	Value	Number of Permits	Value	Commercial	Agricultural	Nontaxable	Total
2004	184	57,183,116	1,791	138,229,794	792,445,200	382,888,200	714,195,300	4,976,082,000
2005	191	86,239,759	1,585	182,767,959	876,319,900	457,703,200	751,744,400	5,719,316,200
2006	196	59,858,597	1,690	228,671,215	1,013,362,100	646,369,300	809,532,500	7,006,541,400
2007	218	140,285,316	1,198	132,475,248	1,362,319,600	767,985,700	914,701,000	9,105,454,800
2008	193	73,914,062	1,101	105,455,002	1,444,643,500	845,756,000	978,058,800	10,118,469,200
2009	151	79,953,808	337	54,363,185	1,779,310,900	829,471,000	1,000,191,500	10,723,822,300
2010	168	40,876,496	781	67,393,951	1,747,470,100	841,993,800	1,021,152,900	10,726,199,000
2011	133	28,621,709	638	45,448,453	1,875,936,500	865,880,900	974,049,400	10,661,840,700
2012	177	64,189,699	647	53,549,031	1,762,876,100	822,404,700	1,005,501,100	10,478,058,800
2013	146	75,601,465	832	179,774,238	1,760,322,100	797,698,900	990,739,800	10,361,921,500

(1) Department of Planning and Community Development

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

PRINCIPAL COMMERCIAL/INDUSTRIAL WATER AND SEWER CONSUMERS
 YEAR ENDED JUNE 30, 2013

Water Consumers	Type of Business	Annual Consumption in Gallons (Hundred Cubic Feet)	% of Total Annual Consumption (1)
Western Tidewater Water Authority	Regional Water Supply	207,849	8.84%
JM Smucker Company	Beverage Company	49,562	2.11%
Western Tidewater Regional Jail	Jail-Regional Facility	49,100	2.09%
Suffolk Public Schools	Education	31,106	1.32%
Sentara/Obici Hospital	Hospital	29,695	1.26%
BASF Corporation	Chemical Plant	24,255	1.03%
Planters/Kraft Foods	Food Processing	19,310	0.82%
Wanchese Fish Company	Seafood Processing	18,574	0.79%
Unilvever/Lipton, Inc.	Beverage Company	18,379	0.78%
Harbour Breeze Apartments	Real Property Management	13,570	0.58%
		461,400	19.62%

(1) Total annual consumption (all water customers) 2,351,849

Sewer Consumers	Type of Business	Annual Consumption in Gallons (Hundred Cubic Feet)	% of Total Annual Consumption (2)
Western Tidewater Regional Jail	Jail-Regional Facility	49,100	2.63%
JM Smucker Company	Beverage Company	44,463	2.38%
Suffolk Public Schools	Education	31,106	1.66%
Sentara/Obici Hospital	Hospital	29,695	1.59%
BASF Corporation	Chemical Plant	27,938	1.49%
Wanchese Fish Company	Seafood Processing	18,574	0.99%
Harbour Breeze Apartments	Real Property Management	13,570	0.73%
Unilever/Lipton, Inc.	Beverage Company	11,646	0.62%
Lake Prince Center	Real Property Management	9,916	0.53%
Nansemond Square LLC	Real Property Management	8,987	0.48%
		244,995	13.10%

(2) Total annual consumption (all sewer customers) 1,870,431

Source: Department of Public Utilities

**WATER AND SEWER RATE SCHEDULE
LAST TEN FISCAL YEARS**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
WATER										
Water Rate per 100 cubic feet										
Minimum Bi-monthly Charge (\$ ccf)	\$ 2.66	\$ 2.74	\$ 2.82	\$ 3.09	\$ 3.41	\$ 3.92	\$ 4.94	\$ 5.84	\$ 6.43	\$ 7.13
Meter Service Charge (per month)	11.67	12.02	12.48	15.45	17.05	19.60	24.70	29.20	32.15	33.65
5/8 inch meter	1.50	1.50	1.50	2.40	2.40	2.40	2.40	2.40	2.40	2.40
5/8 inch meter	970	1,000	1,030	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Water Availability Charge (residential)	50	50	50	50	50	50	50	50	50	50
Single Family	4,260	4,390	4,520	5,390	5,520	5,520	5,520	5,520	5,520	5,520
Commercial	4,260	4,390	4,520	5,390	5,520	5,520	5,520	5,520	5,520	5,520
3/4 inch meter	6,390	6,580	6,780	8,090	8,180	8,180	8,180	8,180	8,180	8,180
1 inch meter	10,650	10,970	11,300	13,480	13,520	13,520	13,520	13,520	13,520	13,520
1 1/2 inch meter	21,300	21,940	22,600	26,950	26,950	26,950	26,950	26,950	26,950	26,950
2 inch meter	34,080	35,100	36,155	43,120	43,120	43,120	43,120	43,120	43,120	43,120
3 inch meter	6,390	65,820	67,795	80,850	80,850	80,850	80,850	80,850	80,850	80,850
4 inch meter	106,500	109,695	112,985	134,750	134,750	134,750	134,750	134,750	134,750	134,750
WTTVA Wholesale Water Rate										
Water Rate (CCF)	3.27	3.37	3.47	3.29	3.43	3.53	3.99	3.76	3.84	4.13
Fixed Capacity Charge (Per Month)	N/A	N/A	N/A	87,567	102,370	147,242	160,979	190,452	220,668	193,496
SEWER										
Sewer Collection (per 100 cubic feet)										
Minimum Bi-monthly period (\$ ccf)	1.73	1.78	1.83	2.12	2.61	2.88	3.78	4.50	4.91	5.35
Sewer Connection Charge (installed by city)	12.88	13.27	11.38	10.60	13.05	14.40	18.90	22.50	24.55	26.75
4 inch lateral size	1,270	1,310	1,350	1,450	1,450	1,450	1,450	1,450	1,450	1,450
6 inch lateral size	2,330	2,400	2,475	2,650	2,650	2,650	2,650	2,650	2,650	2,650
Water Availability Charge (residential)	50	50	50	50	50	50	50	50	50	50
Single Family	2,065	2,125	2,190	4,920	6,000	6,000	6,000	6,000	6,000	6,000
Commercial	2,065	2,125	2,190	4,920	6,000	6,000	6,000	6,000	6,000	6,000
3/4 inch meter	3,100	3,195	3,285	7,380	9,000	9,000	9,000	9,000	9,000	9,000
1 inch meter	5,165	5,320	5,475	12,300	14,800	14,800	14,800	14,800	14,800	14,800
1 1/2 inch meter	10,325	10,635	10,950	24,600	29,500	29,500	29,500	29,500	29,500	29,500
2 inch meter	16,520	17,015	17,525	39,360	47,100	47,100	47,100	47,100	47,100	47,100
3 inch meter	30,975	31,905	32,860	73,800	88,100	88,100	88,100	88,100	88,100	88,100
4 inch meter	51,625	53,175	54,770	123,000	146,700	146,800	146,800	146,800	146,800	146,800

Source: Department of Public Utilities

**RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS***

Fiscal Year **	General Bonded Debt (1)				Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)	Other Governmental Activities Debt	
	General Obligation Bonds (2)	Literary Bonds	Notes Payable	Total			Capital Leases	Section 108 Loan Payable
2004	145,902,761	8,250,000	-	154,152,761	3.60%	2,135	2,686,055	-
2005	154,332,167	7,750,000	3,000,000	165,082,167	3.31%	2,175	3,168,162	-
2006	154,713,167	7,250,000	4,196,949	166,160,116	2.67%	2,121	8,370,710	-
2007	204,452,387	6,750,000	1,588,475	212,790,862	2.59%	2,674	8,767,219	3,845,000
2008	216,848,461	6,250,000	480,000	223,578,461	2.36%	2,757	6,354,783	3,652,000
2009	219,699,094	5,750,000	240,000	225,689,094	2.32%	2,751	8,786,426	3,459,000
2010	238,880,650	5,250,000	-	244,130,650	2.52%	2,955	6,394,321	3,266,000
2011	222,210,442	4,750,000	-	226,960,442	2.34%	2,683	4,549,616	3,073,000
2012	321,703,039	4,250,000	-	325,953,039	3.44%	3,804	4,390,193	2,880,000
2013	363,220,117	-	-	363,220,117	3.88%	4,201	5,388,859	2,687,000

Fiscal Year**	Business-Type Activities (1)				Total Primary Government	Percentage of Personal Income (4)	Per Capita (4)
	Capital Leases	Senior: Revenue Bonds	Presentation only Subordinate: GO Bonds (5)	Notes Payable			
2004	-	54,672,539	-	3,334,000	214,845,355	9.67%	2,975
2005	-	53,827,788	-	-	222,078,117	9.24%	2,926
2006	-	67,023,043	-	-	241,553,869	9.10%	3,084
2007	-	106,290,829	-	-	331,693,910	11.59%	4,169
2008	-	145,323,116	-	-	378,908,360	12.55%	4,672
2009	-	188,938,920	-	-	426,873,440	13.98%	5,203
2010	-	185,823,411	27,000,000	-	439,614,382	14.06%	5,321
2011	-	179,922,539	27,000,000	-	414,505,597	12.43%	4,900
2012	2,718,563	161,624,546	27,000,000	-	497,566,342	14.92%	5,806
2013	2,337,275	151,375,536	26,395,000	-	525,008,787	15.74%	6,072

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

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

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

(4) See Table 16 for personal income and population data. The most recent personal income data available from the Bureau of Economic Analysis is 2011 and is used to analyze years 2011 through 2013.

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

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

** Previous years restated to include the related premiums, discounts and adjustments.

CITY OF SUFFOLK, VIRGINIA
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

Table 14

Legal Debt Margin Calculations for Fiscal Year 2013

Assessed value (as of July 1, 2012) - taxable real property, including public service corporations
Adopted and Legal debt limits:
-7% of assessed value (authorized limit adopted by City Council 2010)
7% of assessed value (authorized limit imposed by City Charter)
10% of assessed value (authorized by the Commonwealth for all cities)
Debt amount of debt applicable to debt limit:
Gross general bonded debt (includes bonds and notes payable)

	2004	2005	2006	2007	2009	2010	2011	2012	2013
City's Financial Policy (Goal)	\$ 8,805,279,047	\$ 8,805,279,047	\$ 8,805,279,047	\$ 8,805,279,047	\$ 8,805,279,047	\$ 8,805,279,047	\$ 8,805,279,047	\$ 8,805,279,047	\$ 8,805,279,047
City's Legal Debt Limit	\$ 616,369,533	\$ 616,369,533	\$ 616,369,533	\$ 616,369,533	\$ 616,369,533	\$ 616,369,533	\$ 616,369,533	\$ 616,369,533	\$ 616,369,533
Commonwealth's Legal Debt Limit	\$ 880,527,905	\$ 880,527,905	\$ 880,527,905	\$ 880,527,905	\$ 880,527,905	\$ 880,527,905	\$ 880,527,905	\$ 880,527,905	\$ 880,527,905
City's Legal Debt Margin	54.2%	50.0%	41.0%	39.8%	34.4%	38.4%	35.7%	51.4%	56.4%
Commonwealth's Legal Debt Margin	37.9%	35.0%	28.7%	27.9%	24.7%	26.9%	25.0%	36.0%	39.5%
Debt Limit	\$ 284,392,279	\$ 330,166,554	\$ 404,990,470	\$ 534,251,198	\$ 594,488,418	\$ 635,767,795	\$ 635,063,992	\$ 621,453,900	\$ 616,369,533
Total Net Debt Applicable to Limit*	154,152,761	165,082,167	166,160,116	212,790,862	223,578,461	244,130,650	226,960,442	319,560,000	347,880,000
Legal Debt Margin	\$ 130,239,518	\$ 165,084,387	\$ 238,830,354	\$ 321,460,336	\$ 370,909,957	\$ 391,637,145	\$ 408,103,550	\$ 301,893,900	\$ 268,489,533
Total Net Debt Applicable to Limit as percentage of Debt Limit	54.2%	50.0%	41.0%	39.8%	34.4%	38.4%	35.7%	51.4%	56.4%
Commonwealth's Legal Debt Margin	37.9%	35.0%	28.7%	27.9%	24.7%	26.9%	25.0%	36.0%	39.5%
Debt Limit	\$ 406,274,684	\$ 471,666,506	\$ 578,457,814	\$ 763,215,997	\$ 849,269,714	\$ 908,239,707	\$ 907,234,274	\$ 887,791,285	\$ 880,527,905
Total Net Debt Applicable to Limit*	154,152,761	165,082,167	166,160,116	212,790,862	223,578,461	244,130,650	226,960,442	319,560,000	347,880,000
Legal Debt Margin	\$ 252,121,923	\$ 306,584,339	\$ 412,297,698	\$ 550,425,135	\$ 625,691,273	\$ 664,109,057	\$ 680,273,832	\$ 568,231,285	\$ 532,647,905
Total Net Debt Applicable to Limit as percentage of Debt Limit	37.9%	35.0%	28.7%	27.9%	26.3%	26.9%	25.0%	36.0%	39.5%

Notes:
(1) Virginia state statute bond issuing authority of Virginia cities is 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City (including Utility CD Bonds) with or without an additional revenue pledge. See table (3). Prior fiscal years have been restated in order to accommodate this determination. The calculation excludes the unamortized premiums and deferred amounts for advance refunding, installment purchase contracts, accrued sick and annual leave, landfill liability, and net pension and OPEB obligations. These total \$20,971,030 as of June 30, 2012.
(2) See Table 6 for assessed value of real property data.
(3) There are no overlapping or underlying tax jurisdictions.
*Previous years' general bonded debt has been restated to include Utility General Obligation debt.

**PLEDGE-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage (4)
				Principal	Interest	Total	
UTILITY REVENUE BONDS (WATER AND SEWER)							
2004	\$ 19,338,363	\$ 10,439,332	\$ 8,899,031	\$ 840,000	\$ 2,687,839	\$ 3,527,839	2.52
2005	23,096,899	12,583,141	10,513,758	1,060,000	2,782,571	3,842,571	2.74
2006	21,275,903	13,840,075	7,435,828	1,240,000	3,045,619	4,285,619	1.74
2007	29,991,524	14,859,732	15,131,792	1,810,000	3,123,149	4,933,149	3.07
2008	28,893,476	14,820,616	14,072,860	1,610,000	4,026,864	5,636,864	2.50
2009	29,758,790	16,601,440	13,157,350	2,290,000	4,258,888	6,548,888	2.01
2010	29,579,413	15,710,773	13,868,640	3,155,000	6,441,335	9,596,335	1.45
2011	30,342,116	15,009,702	15,332,414	4,040,000	8,929,768	12,969,768	1.18
2012	34,213,151	16,600,935	17,612,216	2,640,000	9,316,190	11,956,190	1.47
2013	38,796,061	18,491,436	20,304,625	2,010,000	8,814,174	10,824,174	1.88

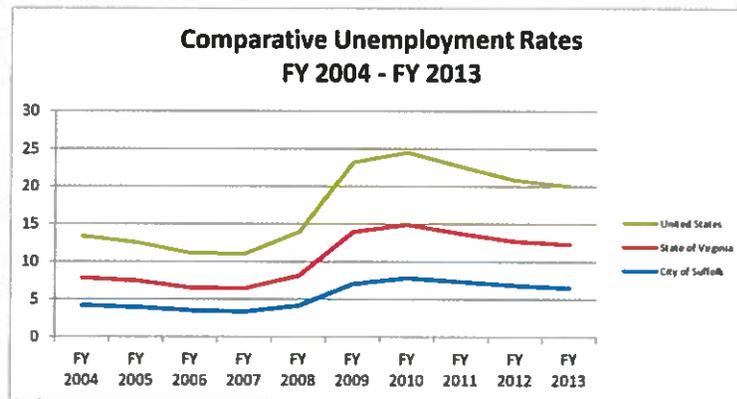
- (1) Gross revenues include operating revenues, miscellaneous revenues, transfers in, interest income and BAB interest subsidy.
- (2) Operating expenses are exclusive of depreciation, amortization, interest expense, debt issuance costs and loss on disposal of capital assets.
- (3) Includes principal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

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (2) In Thousands	Per Capita Income (2)*	Schools: Average Daily Membership (3)	Unemployment Rate		
					City of Suffolk	State of Virginia	United States
2004	72,213	\$ 2,222,284	\$ 29,338	12,966	4.1%	3.7%	5.5%
2005	75,909	2,403,540	30,845	13,297	3.9%	3.5%	5.1%
2006	78,323	2,654,590	33,119	13,452	3.5%	3.0%	4.6%
2007	79,567	2,861,021	35,255	13,490	3.3%	3.1%	4.6%
2008	81,103	3,018,158	36,618	13,513	4.1%	4.0%	5.8%
2009	82,039	3,053,030	36,494	13,568	7.0%	6.9%	9.3%
2010	82,616	3,125,659	36,828	13,801	7.8%	7.1%	9.6%
2011	84,585	3,335,932	39,279	13,863	7.3%	6.4%	8.9%
2012	85,692	not available	not available	13,734	6.8%	5.9%	8.1%
2013	86,463	not available	not available	13,851	6.5%	5.8%	7.7%

Sources:

- (1) Weldon Cooper Center for Public Service
- (2) Bureau of Economic Analysis based on calendar year
- (3) City of Suffolk Public Schools based on March 31st collection data for State of Virginia
- (4) Virginia Employment Commission - Area Unemployment Statistics, based on calendar year. 2013 rate as of July 2013



PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	Type of Business	2013	
		Employees	Percentage of Total City Employment
J-7 Joint Staff	DoD Training and Simulation	1,300	4.87%
Sentara Obici Hospital	Medical	1,200	4.50%
CVN Distribution	Distribution Warehouse	1,000	3.75%
Wal-Mart Stores	Retail	900	3.37%
Sysco Food Services of Hampton Roads	Food Service Distribution	500	1.87%
Planters/Kraft Foods	Food Processing	340	1.27%
Unilever/Lipton Inc.	Beverage Company	300	1.12%
Lakeview Medical Center	Medical	270	1.01%
Bon Secours Health System	Medical	270	1.01%
Towne Bank	Banking	230	0.86%
		<u>6,310</u>	<u>23.65%</u>
Total Employment by Industry in City of Suffolk for fiscal year		26,681	
Employer	Type of Business	2004	
		Employees	Percentage of Total City Employment
U.S. Joint Forces Command	DoD Modeling and Simulation	1,200	5.53%
CVN Distribution	Distribution Warehouse	750	3.45%
Wal-Mart Stores	Retail	500	2.30%
Tidewater Community College	Education	350	1.61%
CIBA Specialty Chemicals	Chemical Manufacturer	280	1.29%
Planters/Kraft Foods	Food Processing	280	1.29%
Unilever/Lipton Inc.	Beverage Company	255	1.17%
Food Lion	Grocery Store	250	1.15%
Lakeview Medical Center	Medical	240	1.11%
JM Smucker Company	Beverage Company	225	1.04%
		<u>4,330</u>	<u>19.94%</u>
Total Employment by Industry in City of Suffolk for fiscal year		21,715	

The Suffolk Public Schools (1,780 employees) and the City of Suffolk (1,307 FTE employees) have not been included to give a clearer reflection of community activity.

Source: Economic Development Department and Virginia Employment Commission

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
General Government:										
City Council	8	9	9	9	9	10	10	10	10	10
City Manager	2	2	2	5	5	6	6	6	6	7
Asst City Manager Operations	2	2	2	1	-	-	-	-	-	-
Asst City Manager Development	4	4	4	4	2	-	-	-	-	-
Management Services	9	7	7	6	6	-	-	-	-	-
Budget and Strategic Planning	-	-	-	-	-	4	4	4	4	3
City Attorney	7	7	7	9	9	9	8	8	9	9
Human Resources	6	7	7	8	8	8	8	9	13	10
Commissioner of Revenue	10	10	11	12	12	12	11	12	12	12
City Assessor	13	13	13	13	13	14	15	13	14	15
Treasurer	13	13	13	16	16	15	15	15	15	15
Finance - Administration and Accounting	9	11	12	11	11	10	12	11	14	12
Finance - Purchasing	3	4	4	5	5	4	4	3	3	3
Registrar	2	2	2	2	2	2	2	2	2	2
Total	88	91	93	101	98	94	95	93	102	98
Judicial:										
Circuit Court	2	2	2	2	2	2	2	2	2	2
Circuit Court - Clerk's Office	13	13	13	14	14	13	14	14	14	14
Sheriff	21	21	22	25	25	25	24	22	24	24
Commonwealth Attorney	17	17	18	22	29	29	28	23	23	24
Total	53	53	55	63	70	69	68	61	63	64
Public Safety:										
Police										
Administration and Officers	175	186	196	206	206	194	204	205	208	196
Emergency Communications	22	22	22	26	26	26	22	25	26	24
Animal Shelter and Management	9	9	9	9	9	8	7	8	9	8
Fire										
Fire and Rescue	183	187	190	197	197	216	213	220	240	238
Fire Prevention	3	3	3	3	3	5	-	-	-	-
Community Development	27	27	27	27	27	26	24	26	27	26
Total	419	434	447	468	468	475	470	484	510	492
Public Works:										
Public Works										
Administration	7	7	7	7	6	5	3	3	2	2
Traffic Engineering and Maintenance (1)	27	30	34	-	-	-	-	-	-	-
Engineering (2)	9	11	12	-	-	-	-	-	-	-
Refuse Collection (3)	12	12	14	46	46	40	41	40	-	-
Maintenance Building and Grounds	22	25	25	27	27	15	4	4	4	4
Mosquito Control	2	2	2	2	-	-	-	-	-	-
Capital Programs and Facilities	3	3	3	3	3	6	20	22	24	23
Aviation Facilities	3	3	3	3	3	3	3	3	-	-
Total	85	93	100	88	85	69	71	72	30	29

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

Table 18 (continued)

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Health and Welfare:										
Social Services	101	102	101	102	102	101	100	101	98	100
Comprehensive Services Act	1	1	1	1	1	1	1	1	1	2
Total	102	103	102	103	103	102	101	102	99	102
Parks, Recreation and Cultural:										
Parks and Recreation										
Administration	8	5	5	4	4	4	4	4	5	5
Support Services	-	5	5	4	4	4	4	5	5	6
Parks, Gateway and Facility Maintenance	17	18	20	22	22	20	19	18	18	19
Recreation	11	9	9	12	12	14	16	15	16	16
Library	17	17	23	35	34	31	31	30	31	28
Total	53	54	62	77	76	73	74	72	75	74
Community Development:										
Planning	15	16	16	18	16	14	12	14	12	13
Geographic Information Systems	-	-	-	-	3	5	5	-	-	-
Economic Development	7	7	7	7	8	5	4	5	5	5
Tourism	2	3	3	3	3	3	3	3	2	3
Media and Community Relations	-	4	5	5	5	5	5	6	6	6
Total	24	30	31	33	35	32	29	28	25	27
Total General Fund	824	858	890	933	935	914	908	912	904	886
Special Revenue Fund:										
Transit	5	5	5	5	5	-	-	-	-	-
Road Maintenance (1)										
Road Maintenance	-	-	-	93	94	86	91	88	90	84
Traffic Engineering	-	-	-	20	23	22	23	22	23	21
Aviation Facilities (6)										
Aviation Facilities	-	-	-	-	-	-	-	-	3	3
Total Special Revenue Fund	5	5	5	118	122	108	114	110	116	108
Enterprise Fund:										
Public Utilities										
Administration	4	6	6	6	8	6	9	8	9	7
Customer Service	7	17	17	18	18	18	18	18	18	18
Line Maintenance	29	26	26	26	26	24	27	26	24	25
Maintenance	17	17	20	20	20	19	20	20	22	24
Water Production	23	24	28	28	29	28	29	27	28	30
Engineering	11	11	12	16	18	15	17	14	15	15
Stormwater Utility										
Stormwater Utility (2)	-	-	-	28	28	26	27	25	28	27
Mosquito Control (2)	-	-	-	-	7	6	7	5	7	6
Refuse (5)										
Refuse	-	-	-	-	-	-	-	-	39	36
Total Enterprise Fund	91	101	109	142	154	142	154	143	190	188
Internal Service Funds:										
Fleet Management	18	19	19	25	26	23	21	23	18	20
Information Technology	10	11	12	12	13	13	12	20	21	22
Risk Management	-	2	2	2	2	2	1	3	5	4
Total Risk Management	28	32	33	39	41	38	34	46	44	46
Total	948	996	1,037	1,232	1,252	1,202	1,210	1,211	1,254	1,228
						(4)	(4)	(4)	(4)	(4)

- Road maintenance fund was increased in 2007 due to VA Dept. of Transportation turning over the highway system within the City to Suffolk.
- New program adopted by City Council in 2007 and staffing realignment.
- Change in methodology of calculating full time employees in this department.
- 2009 - 2013 actual data furnished by Human Resources. 2003-2008 provided by Budget Office.
- The City established a Refuse Fund in FY 2011-2012. The employees for this Fund were transferred from the General Fund.
- The City established an Aviation Facilities Special Revenue Fund in FY 2011-2012. The employees for this Fund were transferred from the General Fund.

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
Building permits issued	1,975	1,776	1,886	1,416	1,294	488	949	638	647	832
Value of permits issued (millions)	\$ 195.4	\$ 268.5	\$ 288.5	\$ 272.8	\$ 179.4	\$ 134.0	\$ 108.2	\$ 45.4	\$ 53.5	\$ 179.8
Number of registered voters	44,341	45,922	47,569	48,170	50,843	\$5,578	\$5,008	\$5,941	\$6,745	\$7,067
Taxable retail sales (millions)	\$39.3	\$30.7	\$28.6	\$45.2	\$52.8	\$62.9	\$64.3	\$71.2	\$716.4	**Not Available
Taxable retail sales per capita	7,418	7,029	8,153	8,114	7,931	7,727	7,738	7,936	8,245	**Not Available
Parks, Recreation and Cultural:										
Library volumes in collection (thousands)	160.1	175.0	175.7	218.1	222.7	228.4	221.4	218.0	218.9	222.1
Circulation (thousands)	n/a	n/a	n/a	n/a	n/a	401	401	356	327	313
Enterprise Fund:										
Public Utilities										
Customers - Water	19,885	21,515	22,533	23,435	24,370	24,576	24,663	24,657	24,729	24,380
Customers - Sewer				19,795	20,319	20,708	20,911	20,892	20,921	20,692
Average daily production (mgd)	5.21	5.55	6.49	6.70	7.68	6.89	6.79	6.42	6.63	5.96
Treatment Capacity daily (mgd)	7.45	7.45	11.20	11.20	11.20	11.20	17.45	17.45	17.45	17.45
Summwater					30,307	29,587	29,793	30,342	30,289	30,508 (1)
Billed customers				29,176						
Refuse collection										
Customers									27,573	27,675 (2)
Recycled (tons)									4,491	5,408 (2)

Sources: Various City Departments

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

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

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

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety:										
Police Stations	4	4	4	4	4	4	5	5	5	5
Fire Stations	8	8	8	8	8	8	8	9	9	9
Public Works: (1)										
State maintained road miles	1,308	1,308	1,308	17	18	18	18	18	18	18
City maintained road miles	76	76	76	1,420	1,500	1,531	1,581	1,581	1,600	1,600
Streetlights	6,467	6,710	6,940	6,980	7,000	7,139	7,648	7,917	7,996	8,113
Bridges	3	3	3	144	144	147	147	147	147	155
Traffic Signals	23	23	23	86	89	91	91	93	93	93
Education:										
Elementary Schools	12	12	12	13	13	14	14	14	12	12
Middle Schools	4	4	4	4	4	4	4	4	4	4
High Schools	2	3	3	3	3	3	3	3	3	3
Alternative Schools	1	1	1	1	1	1	1	1	1	1
Number of Teachers, Principals, and Assistants	1,295	1,347	1,380	1,393	1,405	1,448	1,425	1,419	1,420	1,402
Average Daily Membership	12,966	13,297	13,452	13,490	13,512	13,568	13,801	13,863	13,734	13,851
Capacity of Schools	11,450	13,250	13,250	14,050	14,050	14,632	14,577	14,577	14,192	14,352
Enterprise Fund:										
Public Utilities										
Miles of Water Main	261	271	400	415	420	420	422	436	453	454
Miles of Sanitary Sewers	188	198	293	308	309	313	315	334	316	330
Miles of Storm Sewers	6	6	6	142	236	236	236	236	236	266
Pump Stations	104	112	113	125	129	131	134	136	140	140
Storage Tanks	6	6	6	6	6	7	7	8	9	9
Parks, Recreation and Cultural:										
Parks and Recreation										
Number of major parks and recreation facilities (2)	41	41	41	41	41	40	40	42	42	43
Acreage of major parks and recreation facilities	1,825	1,825	1,825	1,825	1,827	1,827	1,827	1,921	1,921	1,928
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Number of branch libraries	3	3	3	3	2	2	2	2	2	2
Number of bookmobiles	1	1	1	1	1	1	1	1	1	1

Sources: Various City Departments

- July 1, 2006: Virginia Department of Transportation turned over the highway system within the City to the City of Suffolk, except for Interstate I-664 and Route 164
- In 2009 the American Legion Building was sold and in 2011, the East Suffolk Recreation Center and the first segment of the Suffolk Seaboard Coastline Trail were added. The former Robertson Elementary School was added in 2013 and is being renovated into the Whaleyville Community Center.

COMPLIANCE SECTION

THIS PAGE INTENTIONALLY BLANK

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the City Council
City of Suffolk, Virginia

We have audited, in accordance with the 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*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Suffolk, Virginia (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2013. That report recognizes that the City implemented one new accounting standard effective July 1, 2012.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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* and five instances of noncompliance that are required to be reported under the *Specifications for Audits of Counties, Cities and Towns*, which are reported in the accompanying schedule of findings and questioned costs as items 2013-1 through 2013-5.

City of Suffolk, Virginia's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We noted certain other matters that we reported to management of the City in a separate letter dated December 17, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Behrnt CP". The signature is written in a cursive style.

Richmond, Virginia
December 17, 2013

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133**

To the City Council
City of Suffolk, Virginia

Report on Compliance for Each Major Federal Program

We have audited City of Suffolk, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Suffolk, Virginia's (City) major federal programs for the year ended June 30, 2013. City of Suffolk, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Suffolk, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Suffolk, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Suffolk, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Suffolk, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of City of Suffolk, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Suffolk, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Suffolk, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Richmond, Virginia
December 17, 2013

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2013

Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Federal Expenditures	Department Totals
<u>U.S. Department of Agriculture</u>			
Passed Through Commonwealth of Virginia:			
Department of Agriculture and Department of Education			
Child Nutrition Cluster			
National School Breakfast Program	10.553	1,149,586	
Food Distribution	10.555	291,923	
National School Lunch Program	10.555	2,837,028	
Summer Food Service Program for Children	10.559	102,262	
Department of Social Services			
State Administrative Matching Grants for Food Stamp Program	10.561	1,304,301	
Department of Education			
Fresh Fruit and Vegetable Program	10.582	47,552	
Total U.S. Department of Agriculture			5,732,652
<u>U.S. Department of Defense</u>			
Direct Program:			
JROTC Instruction	12.000	170,446	
Community Economic Adjustment Assistance for a Military Installation	12.607	257,805	
Total U.S. Department of Defense			428,251
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grants/Entitlement Grants	14.218	405,079	
Home Investment Partnerships Program	14.239	139,950	
Economic Development Initiative-The Great Dismal Swamp		11,911	
Passed Through Commonwealth of Virginia:			
Community Development Block Grants-Neighborhood Stabilization Program	14.228	189,153	
Total U.S. Department of Housing and Urban Development			746,093
<u>U.S. Department of Justice</u>			
Direct Program:			
Bullet Proof Vests Partnership Program	16.607	13,514	
Passed Through Department of Criminal Justice Services			
Crime Victim Assistance	16.575	191,646	
Violence Against Women Formula Grants	16.588	77,871	
State Criminal Alien Assistance Program	16.606	5,084	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	68,634	
ARRA Edward Byrne Memorial Competitive Grant Program	16.808	53,066	
Total U.S. Department of Justice			409,815
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	748,772	
Highway Safety Grant	20.601	18,220	
Highway Planning and Construction Cluster			
Pass-through Virginia Department of Transportation			
Highway Planning and Construction	20.205	585,362	
Total U.S. Department of Transportation			1,352,354

U.S. Department of Education

Direct Program:		
Impact Aid	84.041	462,566
Passed Through Commonwealth of Virginia:		
Adult Education - Basic Grants to States	84.002	14,700
Career and Technical-Basic Grants to States	84.048	213,690
Title II-A	84.367	662,827
ARRA Education Jobs Fund	84.410	67,428
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	2,949,433
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	4,117,572
Special Education - Preschool Grants	84.173	57,830
School Improvement Grants Cluster		
School Improvement Grants	84.377	178,970
Total U.S. Department of Education		<u>8,725,016</u>

U.S. Department of Health and Human Services

Direct Payments:		
Medical Assistance Program	93.778	239,096
Passed Through Commonwealth of Virginia:		
Promoting Safe and Stable Families	93.556	40,954
Temporary Assistance for Needy Families	93.558	1,023,060
Refugee & Entrant Assistance	93.566	4,769
ILP Education & Training	93.599	4,130
Child Welfare Services	93.645	4,442
Foster Care - Title IV-E	93.658	458,861
Adoption Assistance	93.659	205,177
Social Service Block Grant	93.667	645,218
Foster Care Independent Living	93.674	12,113
Children's Health Insurance Program	93.767	32,571
Medical Assistance Program	93.778	775,916
CCDF Cluster		
Child Care and Development Block Grant	93.575	(1,224)
Child Care Mandatory & Matching Funds for Child Care Dev Fund	93.596	140,178
Total U.S. Department of Health and Human Services		<u>3,585,261</u>

U.S. Social Security Administration

Passed Through Commonwealth of Virginia:		
Low-Income Home Energy Assistance	96.568	66,043
Total U.S. Social Security Administration		<u>66,043</u>

U.S. Department of Homeland Security

Passed Through Department of Criminal Justice:		
ARRA Port Security Grant Program	97.056	866,767
Passed Through Department of Emergency Services:		
VDEM HIRUASI Program Grant	97.008	1,858,652
VDEM Regional Communication Plan	97.055	144,651
State Homeland Security Program	97.073	1,790
Total U.S. Department of Homeland Security		<u>2,871,859</u>

Total Expenditures of Federal Awards**23,917,345**

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

Note 2. **Nonmonetary Assistance**
Nonmonetary Assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities. At June 30, 2013, the School Board had USDA food commodities totaling \$253,485 in inventory.

CITY OF SUFFOLK, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **No**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **None**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555-CL	Child Nutrition Cluster
14.218-CL	CDBG – Entitlement Grants Cluster
20.205	Highway Planning and Construction
84.010-CL	Title I
93.658	Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
97.008	Urban Area Security Initiative
97.056	Port Security

10. Dollar threshold used to distinguish between type A and type B programs: **\$717,520**
11. City of Suffolk qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No**

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None reported.

C. Findings and Questioned Costs Relating to Federal Awards:

None reported.

CITY OF SUFFOLK, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2013-1 Property Taxes

Criteria:

The *Specifications for Audits of Counties, Cities, and Towns (Specifications)*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia requires local auditors to test to ensure that assessment records agree to the locality's general ledger.

Condition:

During our testing related to property taxes, we noted that the receivable balance per the City's Land Book was different than the general ledger by \$112,273.

Cause:

The internal control processes were not operating effectively to ensure the agreement of both balances.

Effect:

Inconsistencies between the Land Book and the general ledger could cause inaccurate financial reporting.

Recommendation:

We recommend that the Land Book and general ledger be reconciled quarterly to ensure their agreement.

Management Response:

The Treasurer's Office has added procedures to their workplan to reconcile the land book and general ledger to ensure their agreement.

2013-2 Conflicts of Interest

Criteria:

As described in Section 2.2-3115 of the *Code of Virginia*, local officials must file an annual disclosure form, disclosing personal financial interests that may cause conflicts.

Condition:

One official did not complete the annual disclosure timely.

Cause:

Unknown.

CITY OF SUFFOLK, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Effect:

Non-compliance may result in action by the Commonwealth.

Recommendation:

Elected officials should complete all disclosure forms timely.

Management Response:

The City Clerk's Office contact all elected officials prior to the submission deadline for the disclosure statements.

2013-3 Social Services Continuity Plan

Criteria:

Per the *Specifications for Audits of Counties, Cities, and Towns*, each locality should have a documented Business Continuity Plan, as described on the Virginia Department of Emergency Management's website at <http://www.vaemergency.gov/em-community/plans/coop/local-gov>.

Condition:

The City's Business Continuity Plan did not address loss of services due to a reduced workforce.

Cause:

Unknown

Effect:

Non-compliance may result in action by the Commonwealth.

Recommendation:

The City should update its Business Continuity Plan to include policies and procedures related to loss of services due to a reduced workforce.

Management Response:

The City will update its Business Continuity Plan to include policies and procedures related to loss of services due to a reduced workforce.

CITY OF SUFFOLK, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

2013-4 Sheriff's Office

Criteria:

In accordance with the *Virginia Sheriffs Accounting Manual*, fee related funds should be remitted to the Treasurer in a timely manner.

Condition:

Per the Commonwealth of Virginia's Auditor of Public Accounts report dated November 7, 2013 detailing their review of collections and remittances, fee reports and related checks for September 2012 and February 2013 were not remitted by the Sheriff's office to the Treasurer until September 2013.

Cause:

Unknown

Effect:

Non-compliance may result in action by the Commonwealth.

Recommendation:

The Sheriff should emphasize policies and procedures to ensure late submissions do not reoccur.

Management Response:

The Sheriff's Office will comply with the recommendation.

2013-5 School Board's Grant Fund

Criteria:

In accordance with the *Specifications*, auditors are required to compare adjusted appropriations and expenditures in each fund and major category and determine whether disbursements were made in excess of appropriations.

Condition:

For the fiscal year ended June 30, 2013, the Grants Fund expended \$963,160 of funds that were available to the School Board under the federal grants but which were in excess of appropriation.

Cause:

Available carryover funds from the prior fiscal year were not appropriated for fiscal year 2013.

CITY OF SUFFOLK, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Effect:

The School Board is not in compliance with requirements of the Commonwealth.

Recommendation:

The School Board should ensure that fiscal controls are in place and monitored to prevent exceeding appropriated funds and to request additional appropriations, if necessary.

Management Response:

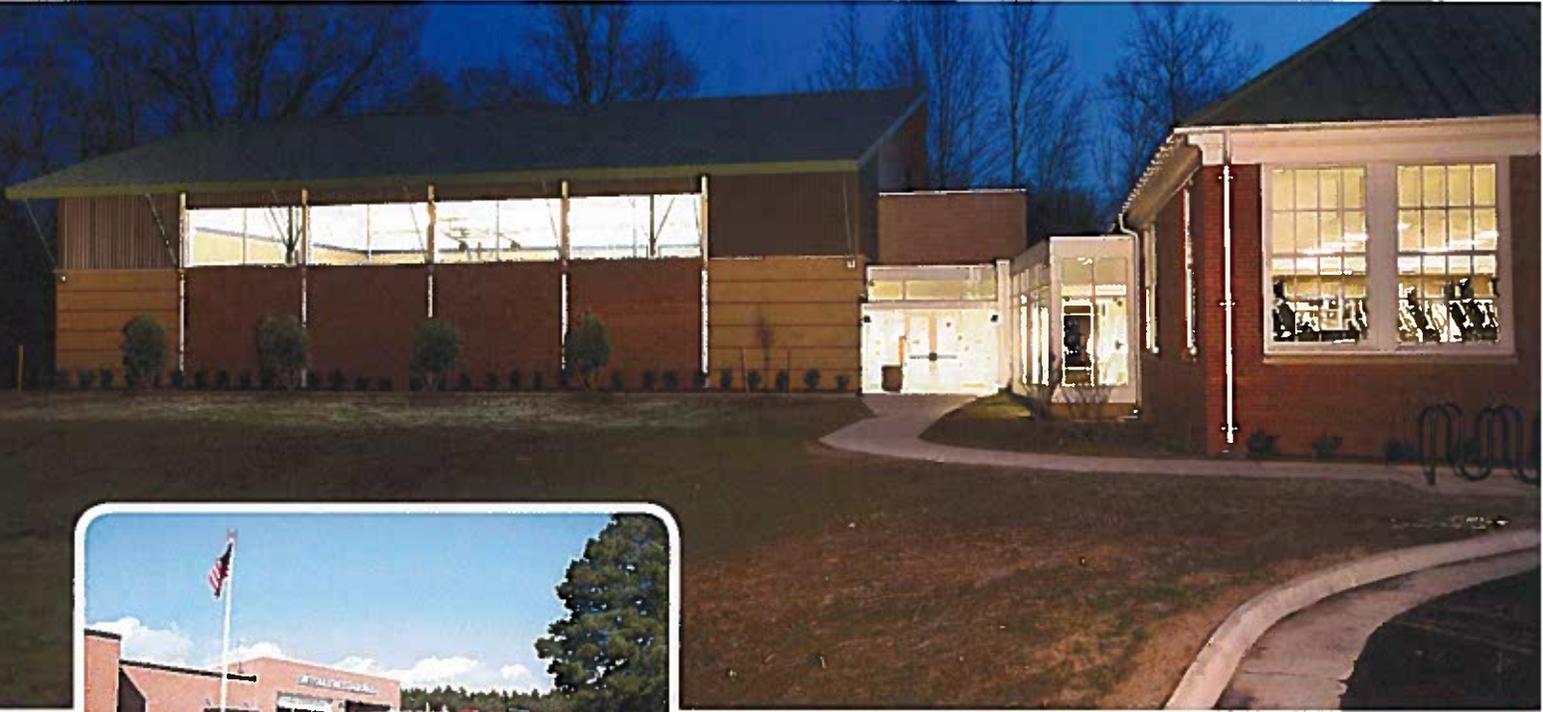
The estimated carry forward balances for the various grants were inadvertently left out of the figures in the budget process. The new general ledger system implemented in October 2012 changed the process for budgeting and management did not discover the overage until the yearend review. Management has implemented a changed budget process that will ensure that the budget appropriation is correct and accounts for all expected carry forward budgets. Staff has been trained in the new process and understands how to process budget correctly.

Resolution of Prior Year Findings:

12-01 – City, School and EDA Adjustment – Finding not repeated

12-02 – Disclosure Statements – Finding repeated as 2013-2

THIS PAGE INTENTIONALLY BLANK



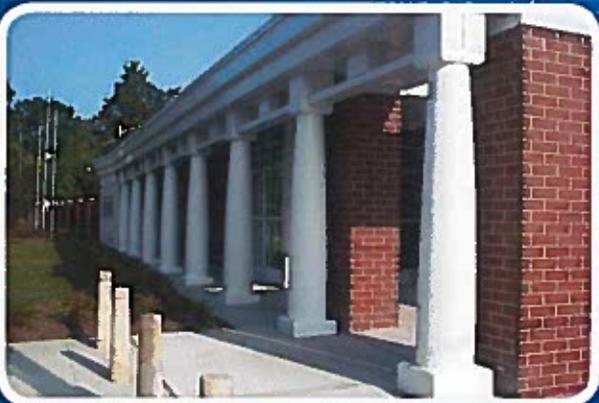
EAST SUFFOLK RECREATION CENTER



FIRE STATION #10



HEALTH & HUMAN SERVICES



SUFFOLK POLICE ADMINISTRATIVE OFFICES

*City of Suffolk
Department of Finance
441 Market Street
Suffolk, Virginia 23434
(757) 514-7500*

FinanceEmail@suffolkva.us