



CITY OF SUFFOLK, VIRGINIA

Popular Annual Financial Report

For the Fiscal Year Ending
June 30, 2014





TO THE CITIZENS OF SUFFOLK

The 2014 Popular Annual Financial Report (PAFR) is a report for our citizens. It provides you and other interested parties with an overview of the City's financial results. This report is prepared to increase awareness throughout the community of the City's financial operations; therefore, it is written in a user-friendly manner. The information is derived from the audited financial statements in the City's 2014 Comprehensive Annual Financial Report (CAFR), our formal annual report.

To conform with generally accepted accounting principles (GAAP), the CAFR must include the City's component units and the presentation of individual funds in much more detail,

as well as full disclosure of all material events, financial and non-financial. The 2014 CAFR was audited by Cherry Bekaert LLP and has received an unmodified or "clean" audit opinion.

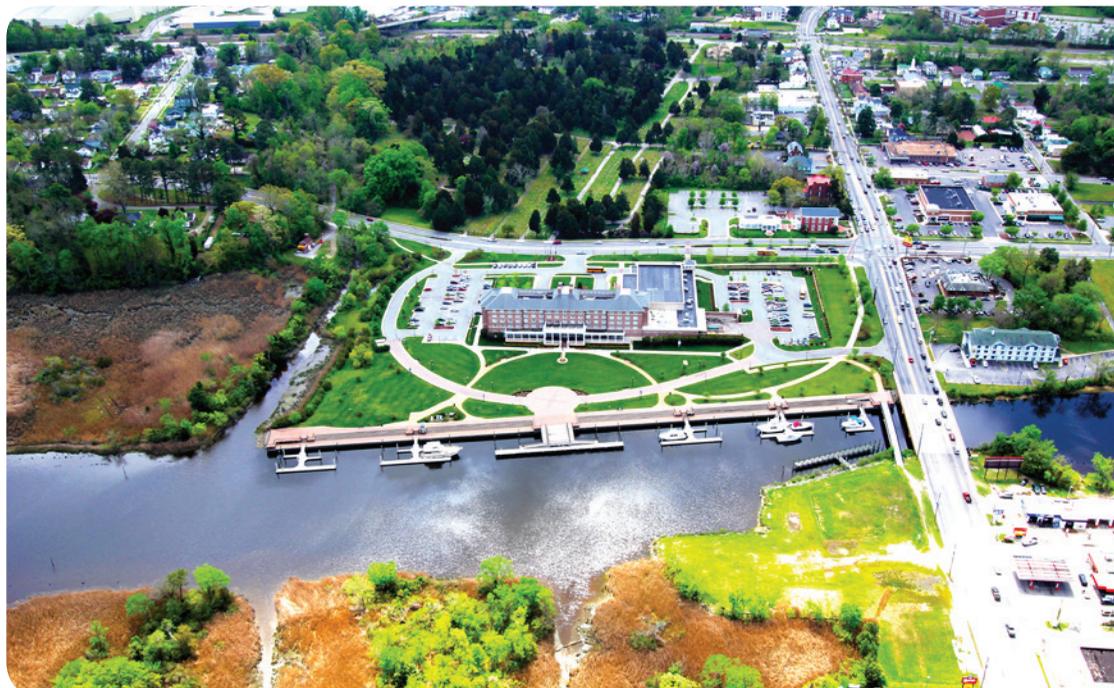
Unlike the CAFR, the PAFR is not an audited document and it does not include details by fund nor does it include the other disclosures required by GAAP. The PAFR is not required to present the same level of detail as the CAFR and, therefore, does not fully conform to GAAP.

This report, in a summarized version, highlights the overall financial condition and trends of the City.

FOR MORE IN-DEPTH INFORMATION, YOU MAY OBTAIN A COPY OF THE CAFR ON THE CITY'S WEBSITE AT WWW.SUFFOLKVA.US OR BY CONTACTING THE FINANCE DEPARTMENT AT 757-514-7500.

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MAYOR'S MESSAGE



All Aboard the “Progress Express”...

On behalf of the Suffolk City Council, it is my pleasure to present the 2014 Popular Annual Financial Report to our citizens. Our “Progress Report for 2014” showcases a busy year, and the word progress is especially fitting in the title, as by definition it is the “forward or onward movement toward a destination.” The Suffolk City Council and City Administration have continued their work of moving Suffolk forward toward an even brighter tomorrow. The path has Suffolk traveling fast but with a purpose on the “Progress Express”. Our City is seeing growth that brings business development, job opportunities, and an increased quality of life thanks to a team approach.

One of the most significant stops on the “Progress Express” is our Triple A Credit Rating. For the first time in Suffolk’s rich history, it has achieved the highly acclaimed and much lauded AAA rating following an upgrade by Standard &

Poor’s Ratings Service on the City’s outstanding general obligation bonds and long term rating.

The City was especially praised for our strong management and financial policies and our consistent ability to maintain balanced budgets as well as our robust economy. All of the hard work of City Council and City Management has certainly paid off, and the benefactors will certainly be the citizens of Suffolk, who will continue to receive the high levels of services they deserve and expect of their government.

The New Year brings new opportunities to continue to provide the best services, amenities, and responsiveness to the citizens of Suffolk. Progress continues to be the word for the day, for no matter which borough you call home, progress can be seen across our City.



The City of Suffolk, Virginia City Council Members and City Management share a common goal in that we are united in purpose to deliver the very best service in 2015 to our citizens. May the New Year bring new hopes, new opportunities and new reasons to celebrate!

~Mayor Linda T. Johnson

CITY LEADERSHIP

The City of Suffolk is governed by a Mayor and seven City Council members who are elected by borough. Appointed by the Council, the City employs a full-time City Manager (2014: Selena Cuffee-Glenn) to oversee the operations.



2014

2013-2014 CITY COUNCIL

CITY MANAGER

The City Council has adopted the following goals to set the course for the City over the next 1-5 years:

- Promote Strong Financial Management and Fiscal Accountability.
- Provide Effective and Efficient Programs and Services that are Accountable and Customer Focused.
- Promote a Safe, Healthy, and Diverse Community in which to Live, Work, Learn, and Play.
- Diversify and Enhance the Local Economy.
- Provide Safe and Quality Transportation Options.
- Promote Citizen Engagement.

IF YOU HAVE QUESTIONS ABOUT THIS REPORT, OR NEED ADDITIONAL FINANCIAL INFORMATION, PLEASE CONTACT THE FINANCE DEPARTMENT OF THE CITY OF SUFFOLK BY EMAIL, FINANCEEMAIL@SUFFOLKVA.US, BY PHONE AT 757-514-7500, OR BY MAIL AT FINANCE DEPARTMENT, CITY OF SUFFOLK, P.O. BOX 1858, SUFFOLK, VA 23434.



SUFFOLK by the NUMBERS - FY 2014

The City is committed to being responsible stewards of our taxpayer dollars and will continue to address the strategic needs and priorities of the City through the implementation of cost reduction strategies.

#1

Suffolk is the largest City in the Commonwealth of Virginia.

430

Total Area in Square Miles.

37.9%

Percentage Increase in Population since 2000.

\$513.7 MILLION

2014 Operating Budget.

\$44.4 MILLION

2014 Capital Budget.

\$1.03

Real Estate Tax Rate per \$100 of assessed value (2nd lowest in the region).

15.2

Employees per 1,000 citizens (one of the lowest employee per capita ratios in the region)

PARKS & RECREATION

19 - Parks
18 - Recreation Facilities

PUBLIC WORKS

1,627 - Lane Miles of Public Roadways
147 - Bridges
5,200 - Street Lights

PUBLIC UTILITIES

24,836 - Water System Active Accounts
462 - Miles of Water Mains
141 - Sanitary Sewer Pump Stations

PLANNING & COMMUNITY DEVELOPMENT

\$66.7 million - Commercial Valuations
\$84.7 million - Residential Valuations
899 - Permits Issued

PUBLIC SAFETY

FIRE
11,412 - Total Fire & EMS Calls for Service
253 - Total Personnel
10 - Fire Stations
POLICE
159,700 - Total Calls for Service
251 - Total Personnel
2 - Police Precincts

A GOOD MEASURE OF THE CITY'S ABILITY TO COPE WITH UNEXPECTED FINANCIAL CHALLENGES OR EMERGENCIES IS THE RATIO OF UNASSIGNED GENERAL FUND BALANCE AS A PERCENTAGE OF THE BUDGETED GOVERNMENTAL FUNDS EXPENDITURES. THE TARGET FOR THIS RATION IS 12%. THE CITY HAS EXCEEDED THIS TARGET FOR FY 2014.

SUFFOLK ACCOLADES

The City of Suffolk, Virginia continues to be ranked as among the best places in the United States to live, work, play and more. Here are a few of the many accolades we have received:

- **TRIPLE A (AAA) RATED BY STANDARD & POOR'S - JULY 2014**
- **ONE OF AMERICA'S BEST SMALL CITIES TO LIVE - CNN MONEY MAGAZINE -2010**
- **NAMED THE 9TH BEST COMMUNITY IN CNN MONEY MAGAZINE'S BEST PLACE TO LIVE TOP 25 LIST OF "WHERE THE JOBS ARE" - 2012**
- **POLICE DEPARTMENT OBTAINED COMMISSION ON ACCREDITATION FOR LAW ENFORCEMENT AGENCIES (CALEA) ACCREDITATION - MARCH 2014**
- **PLACED FOURTH (4TH) IN THE NATION OF OUR POPULATION CATEGORY FOR THE 2013 NATIONAL NIGHT OUT CELEBRATION, MARKING THE EIGHTH (8TH) STRAIGHT YEAR THE CITY HAS PLACED IN THE TOP FIVE AMONG ALL NATIONAL NIGHT OUT EVENTS NATIONWIDE**
- **CELEBRATED THE ONE HUNDREDTH ANNIVERSARY OF PLANTER'S PEANUTS' OPERATION AND SUCCESS IN SUFFOLK**
- **ACHIEVED RECOGNITION AS ONE OF THE TOP 100 BEST FLEETS BY GOVERNMENT FLEET MAGAZINE TO RECOGNIZE EXCEPTIONAL PRODUCTIVITY AND OPERATIONAL EFFECTIVENESS OF FLEETS THROUGHOUT NORTH AMERICA IN 2012**



FINANCIAL REPORTING AWARDS

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, 2013, representing the thirtieth 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, 2013. 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 sixth consecutive year for this recognition as it is valid for a one year period.

CITIZEN REPORTING:

The Association of Government Accountants (AGA) awarded a Certificate of Excellence in Citizen-Centric Reporting to the City of Suffolk, Virginia for its report to our citizens for the fiscal year ended June 30, 2013. The Certificate of Excellence is awarded to recognize outstanding efforts in the publication of a timely report that communicates financial and community information demonstrating accountability and transparency to the citizens.

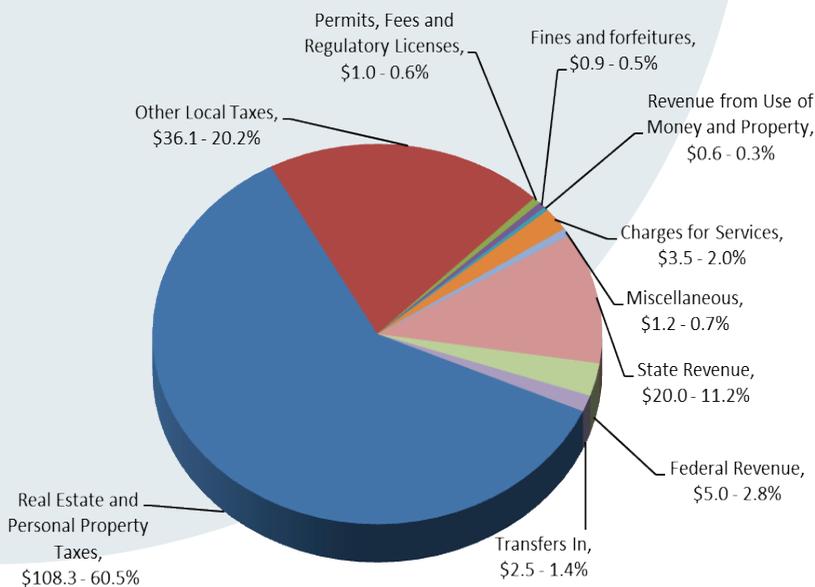


WHERE THE MONEY COMES FROM

When assessing the financial results of the City, it is important that we focus on the City's General Fund. This page and the next report General Fund financial data only. The General Fund is the general operating fund of the City and supports the regular day-to-day operations of the City. It is used to account for all revenues and expenditures of the City, except those required to be accounted for in another fund such as Capital Projects, Grants and Debt Service Funds, and Utility, Refuse, and Stormwater Activities.

GENERAL FUND REVENUE BY SOURCE (IN MILLIONS) FYE 06/30/14

Revenue by Source:	FY Ending 06/30/2013	FY Ending 06/30/2014
Real Estate and Personal Property Taxes	\$ 103.0	\$ 108.3
Other Local Taxes	36.4	36.1
Permits, Fees and Regulatory Licenses	1.1	1.0
Fines and forfeitures	1.0	0.9
Revenue from Use of Money and Property	0.6	0.6
Charges for Services	4.9	3.5
Miscellaneous	1.2	1.2
State Revenue	20.7	20.0
Federal Revenue	4.9	5.0
Transfers In	2.2	2.5
Total Revenues	\$ 176.0	\$ 179.1

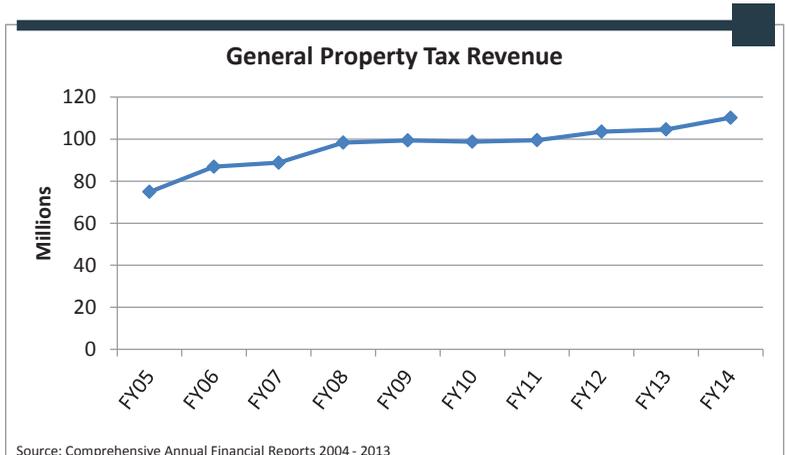


THE REAL ESTATE TAX RATE OF \$1.03 PER \$100 OF ASSESSED VALUE IS THE 2ND LOWEST IN THE REGION.

Like all governments, the City must raise funds to pay for the services that it provides to its citizens and businesses. These sources of funds, referred to as revenue, are raised through grants, charges and taxes.

IN TOTAL, 2014 REVENUE INCREASED BY OVER \$3 MILLION WHEN COMPARED TO 2013 DUE TO AN INCREASE IN THE REAL ESTATE TAX RATE AND AN INCREASE IN PERSONAL PROPERTY ASSESSMENTS.

THE CITY OF SUFFOLK HAS A VARIETY OF SOURCES OF REVENUES TO FUND OPERATIONS. THE LARGEST GENERAL FUND REVENUE SOURCES ARE REAL ESTATE AND PERSONAL PROPERTY TAXES, FOLLOWED BY OTHER LOCAL TAXES AND STATE REVENUE.



The chart above indicates the growth in the General Property Taxes revenue over the past ten years.

WHERE THE MONEY GOES

Once the City collects taxes and other revenues, the monies must be spent efficiently to provide services to the citizens and businesses of the City. As this section will further detail, the City provides a variety of services to its residents and businesses.



The City is committed to ensuring the highest level of safety for its citizens and has expended \$48 million towards public safety efforts in FY14. This represents an increase of \$2.6 million over FY13 expenditures due to a rise in storm related overtime expenses. All other functions remained consistent with prior years reflecting the dedication of the City to maintaining services at the lowest cost.

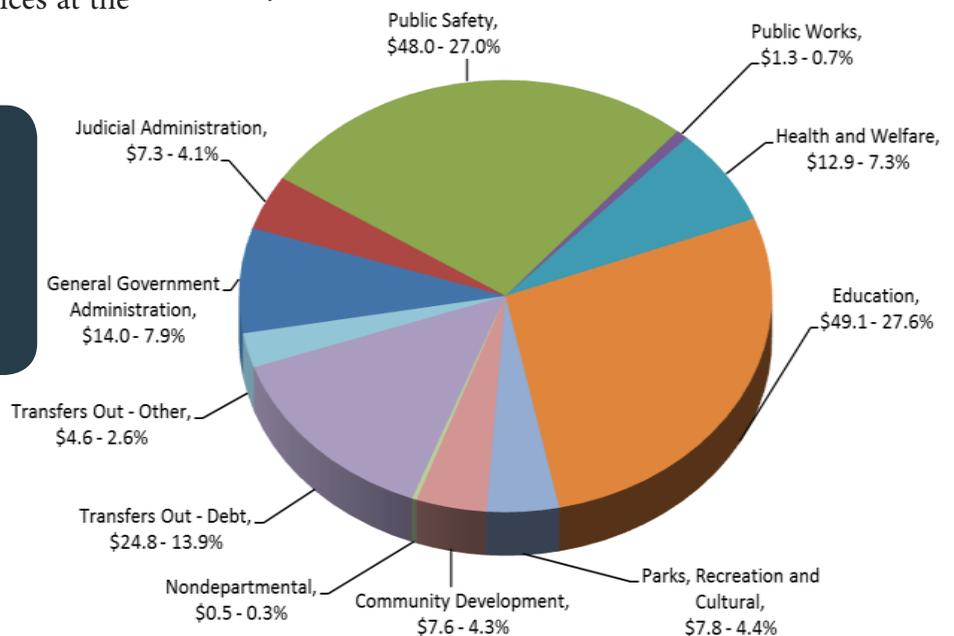
EDUCATION IS A TOP PRIORITY FOR THE CITY AS EVIDENCED BY THE FACT THAT IT IS THE LARGEST BUDGETED GENERAL FUND EXPENDITURE.

ANNUALLY, THE CITY MANAGER SUBMITS A BUDGET FOR CITY COUNCIL'S ADOPTION. THE PROPOSED BUDGET MUST NOT INCLUDE EXPENDITURES THAT EXCEED ESTIMATED OPENING BALANCES AND ANTICIPATED INCOME. THE BUDGET PROCESS IS APPROACHED WITH A FOCUS ON MAINTAINING CORE SERVICES CRITICAL TO RESIDENTS, WHILE SIMULTANEOUSLY IDENTIFYING SUSTAINABLE SAVINGS THAT STRENGTHEN THE CITY'S ABILITY TO DELIVER SERVICES MORE EFFICIENTLY AND EFFECTIVELY.

GENERAL FUND EXPENDITURE BY FUNCTION (IN MILLIONS) FYE 06/30/14

General Fund Expenditures by Function (In Millions)

Expenditures by Function:	FY Ending 06/30/2013	FY Ending 06/30/2014
General Government Administration	\$ 14.2	\$ 14.0
Judicial Administration	7.4	7.3
Public Safety	45.4	48.0
Public Works	1.7	1.3
Health and Welfare	12.8	12.9
Education	49.2	49.1
Parks, Recreation and Cultural	7.5	7.8
Community Development	7.2	7.6
Nondepartmental	0.5	0.5
Transfers Out - Debt	23.9	24.8
Transfers Out - Other	4.6	4.6
Total Expenditures	\$ 174.4	\$ 177.9



NET POSITION

THE CITY'S COMBINED NET POSITION (WHICH IS THE CITY'S BOTTOM LINE) INCREASED SLIGHTLY BY \$2.0 MILLION IN FISCAL YEAR 2014, OF WHICH APPROXIMATELY 2.2% REPRESENTS RESOURCES THAT ARE SUBJECT TO EXTERNAL RESTRICTIONS OR ENABLING LEGISLATION.

The Statement of Net Position presents information on all City assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. This data is inclusive of all the activities of the City but does not include City component units. Net position is one way to measure the City's financial health, or financial position.

NET POSITION (IN MILLIONS)	Governmental Activities		Business-type Activities		Total	
	2014	2013*	2014	2013*	2014	2013*
Current and other assets	\$ 152.9	\$ 156.0	\$ 60.5	\$ 86.2	\$ 213.4	\$ 242.2
Capital and other non-current assets	503.2	470.0	441.4	400.3	944.6	870.3
Total assets	656.1	626.0	501.9	486.5	1,158.0	1,112.5
Deferred Outflows of Resources	2.9	-	3.3	-	6.2	-
Current and other liabilities	11.8	15.5	18.3	16.1	30.1	31.6
Long-term liabilities	257.1	229.1	326.2	306.3	583.3	535.4
Total liabilities	268.9	244.6	344.5	322.4	613.4	567.0
Deferred Inflows of Resources	3.2	-	-	-	3.2	-
Net position:						
Net investment in capital assets	290.3	287.4	145.1	153.1	435.4	440.5
Restricted	9.6	7.0	2.1	2.1	11.7	9.1
Unrestricted	87.0	87.1	13.5	8.9	100.5	96.0
Net position	\$ 386.9	\$ 381.5	\$ 160.7	\$ 164.1	\$ 547.6	\$ 545.6

* Net Position for 2013 restated due to implementation of GASB 65

THE CITY HAS A SOLID FINANCIAL POSITION WITH 18.3% OF NET POSITION, OR \$100.5 MILLION, AS UNRESTRICTED. THE UNRESTRICTED PORTION OF NET POSITION IS AVAILABLE TO ALLOW THE CITY TO PROVIDE SERVICES TO CITIZENS.

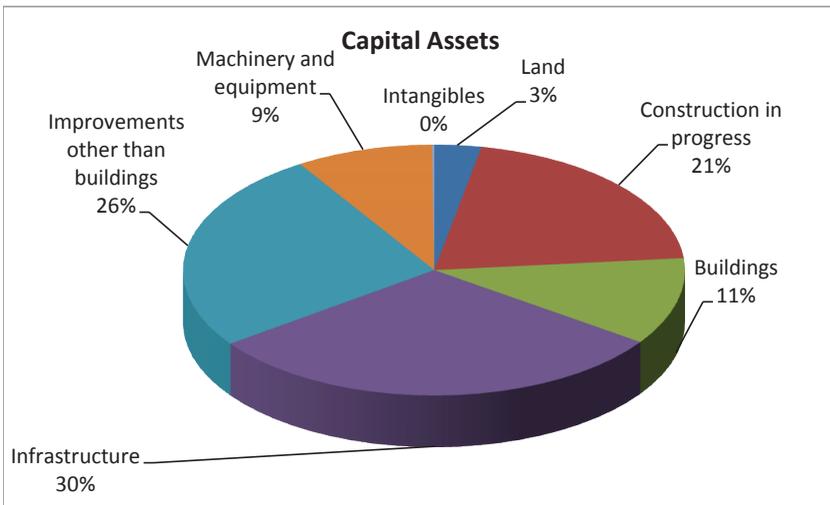
Net investment in capital assets (land, buildings, infrastructure, improvements, machinery and equipment, less accumulated depreciation and related outstanding debt used to acquire those assets) of \$435.4 million comprises 79.5% of the net position. These assets are used in the provision of service to City residents and are therefore not available for future spending.



CAPITAL ASSETS

THE CITY'S CAPITAL ASSETS FOR ITS GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES AS OF JUNE 30, 2014, TOTALED \$944.0 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 22.9	\$ 23.7	\$ 5.6	\$ 5.6	\$ 28.5	\$ 29.3
Construction in progress	93.9	63.7	99.2	98.6	193.1	162.3
Buildings	47.6	48.4	58.3	51.9	105.9	100.3
Infrastructure	286.5	293.0	-	-	286.5	293.0
Improvements other than buildings	19.2	14.9	225.9	194.2	245.1	209.1
Machinery and equipment	31.3	25.6	52.3	50.1	83.6	75.7
Intangibles	1.2	0.7	-	-	1.2	0.7
Total	\$ 502.7	\$ 470.0	\$ 441.3	\$ 400.4	\$ 944.0	\$ 870.4



ASSETS ARE INCREASING DUE TO THE CITY'S COMMITMENT TO MAINTAINING AND ADDING TO THE INFRASTRUCTURE OF THE CITY THROUGH THE CAPITAL IMPROVEMENT PLAN. SOME OF THE IMPROVEMENTS CONTAINED IN THE CITY'S ADOPTED TEN YEAR CAPITAL IMPROVEMENT PLAN ARE AS FOLLOWS:

- **NEW ELEMENTARY SCHOOL**
- **NEW MIDDLE SCHOOL**
- **SUFFOLK SEABOARD COASTLINE TRAIL**
- **FIRE STATION 1 RENOVATIONS**
- **VILLAGE & NEIGHBORHOOD IMPROVEMENTS**

SUFFOLK

DEBT ADMINISTRATION

AT THE END OF FISCAL YEAR 2014, THE CITY HAD TOTAL OUTSTANDING DEBT OF \$544.6 MILLION.

OUTSTANDING DEBT (IN MILLIONS)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonds payable	\$ 220.0	\$ 202.9	\$ 309.6	\$ 293.5	\$ 529.6	\$ 496.4
Capital leases	10.7	5.4	1.8	2.3	12.5	7.7
Loans and notes payable	2.5	2.7	-	-	2.5	2.7
Total	\$ 233.2	\$ 211.0	\$ 311.4	\$ 295.8	\$ 544.6	\$ 506.8

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 \$864.1 MILLION FOR 2014. THE CITY CHARTER FURTHER LIMITS THIS GENERAL OBLIGATION LIMIT TO 7% OF THE CITY'S ASSESSED VALUE OF REAL PROPERTY OR \$604.9 MILLION. OF THE DEBT SHOWN ABOVE, ONLY \$391 MILLION IS GENERAL OBLIGATION DEBT THAT IS APPLICABLE TO THE LEGAL DEBT LIMITS. THE CITY HAS MET BOTH OF THE LEGAL DEBT LIMITS. ACHIEVING THESE LIMITS REPRESENTS THE CITY'S CONSERVATIVE DEBT BORROWING POLICY.

2014



ECONOMIC ACTIVITY

Suffolk continues to attract new business and investment, create jobs, and provide an invigorating economic climate for expansion. Location is a key factor in Suffolk's continued growth, and while its proximity to the Port of Virginia is a major driver in this growth, there are other attractive elements which complement Suffolk's vibrant and growing economy. Its easy access to expanding rail and road hubs and its Mid-Atlantic coastal location mean that Suffolk is strategically positioned to attract companies from the U.S. and abroad looking to expand or establish operations. Also attractive are the City's skilled and diversified workforce and its room to grow.

NEW AND EXPANDING BUSINESS HIGHLIGHTS JANUARY 1 – DECEMBER 31, 2013

NEW BUSINESS

Kroger Marketplace
 Grandwatt Electric
 Washington Square
 Tractor Supply
 Main Street Shoppes
 Harbour View Market Center (Bldg. I)

SECTOR

Retail
 Advanced Manufacturing
 Other
 Retail
 Retail
 Retail

INVESTMENT

\$20,000,000
 \$10,000,000
 \$8,800,000
 \$2,500,000
 \$2,000,000
 \$1,000,000

EXPANDING BUSINESS

Unilever/Lipton (Phase I)
 Navy Cyber Commands
 Sentara Healthcare
 Suffolk Auto Exchange
 Duke Automotive
 Pender & Coward
 Towne Bank

SECTOR

Food & Beverage Processing
 Mod/Sim & Technology
 Medical
 Retail
 Retail
 Office & Administration
 Office & Administration

INVESTMENT

\$32,000,000
 \$5,025,000
 \$3,200,000
 \$1,000,000
 \$775,000
 \$600,000
 \$500,000

**ECONOMIC DEVELOPMENT
 EFFORTS BROUGHT 650
 NEW JOBS TO SUFFOLK.**

**NEW AND EXISTING
 BUSINESSES HAVE
 INVESTED \$94 MILLION
 IN CREATING OR
 EXPANDING BUSINESS
 IN SUFFOLK.**

**SCHOOL ENROLLMENT
 HAS INCREASED BY 7%
 OVER THE LAST 10 YEARS.**



THE ECONOMY OF SUFFOLK IS CONTINUING TO GROW AS EVIDENCED BY THE FOLLOWING TRENDS:

- Unemployment is 6.0%, down from 6.5% in the previous year.
- Median Home sales price is \$247,800, up from \$244,059 last year.
- A 48% increase in new residential building permits issued over the prior year.

Suffolk
 VIRGINIA

It's a good time to be in Suffolk

Fastest Growing City, Home to Fastest Growing Companies

MORE INFORMATION

The Government Finance Officers Association (GFOA) has been promoting the preparation of high quality popular annual financial reports since 1991. More than 140 governments participate in the program each year. The Popular Annual Financial Reporting Awards Program is specifically designed to encourage state and local governments to prepare and issue a high quality popular annual financial report. Popular annual financial reports can play an important role in making financial information accessible to ordinary citizens and other interested parties who may be challenged by more detailed traditional financial reports. Additional details can be found at the GFAO website: www.gfoa.org.



WE WANT TO HEAR FROM YOU

DO YOU LIKE THIS REPORT? WHAT OTHER INFORMATION WOULD YOU LIKE TO SEE CONTAINED IN THIS REPORT? PLEASE LET US KNOW BY CONTACTING THE FINANCE DEPARTMENT AT FINANCEEMAIL@SUFFOLKVA.US OR 757-514-7500.

PLEASE SEE THE CITY'S WEBSITE AT WWW.SUFFOLKVA.US FOR ADDITIONAL INFORMATION, INCLUDING THE CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT AND THE CITY PROFILE AND STATISTICAL DIGEST.



Suffolk, Virginia



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