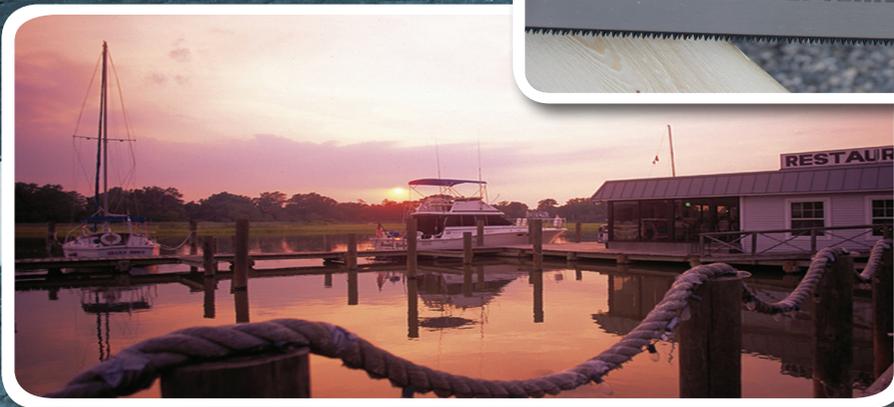


# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014



**Suffolk**  
VIRGINIA

**CITY OF SUFFOLK, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**  
**June 30, 2014**

**Prepared by:**

**The Department of Finance**

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**CITY OF SUFFOLK, VIRGINIA**

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# INTRODUCTORY SECTION

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# CITY OF SUFFOLK

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P.O. BOX 1858, SUFFOLK, VIRGINIA 23439-1858 PHONE: (757) 514-4012

CITY MANAGER

December 15, 2014

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, 2013 through June 30, 2014. 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 LLP. 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 LLP has concluded that the financial statements are in compliance with generally accepted accounting principles and has issued an unmodified opinion of the City's financial statements for the year ended June 30, 2014. 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 controls 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 fifteen largest cities 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. This region 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 members 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 the City Council and 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 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 fund balance at June 30, 2014. 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 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.

Forty-eight companies with diverse market interests said "yes" to Suffolk's many advantages as they planted new businesses here during calendar year 2013, and this equated to 979,005 in new square footage. An additional thirty-seven existing businesses invested in the city's economic position by expanding their presence in the community and adding an additional 371,354 in square footage. Together, these activities produced a capital investment of approximately \$94 million and created 650 jobs. Suffolk is sending the message that they are open for businesses, both large and small.

The Food and Beverage Processing industry received a boost in 2013 with the announcement of Unilever's plans to invest \$96.2 million, over the next six years, to upgrade its Lipton Tea Plant in Suffolk. The Lipton Tea plant has operated out of Suffolk since 1955 and is the largest tea processing facility in the U.S., producing nearly all the Lipton tea bags sold throughout North America. Another mainstay of the Food and Beverage Processing industry in Suffolk is the Planters Peanut processing plant located downtown. Last year marked the one hundredth anniversary of Planter Peanuts' operation in Suffolk and the Suffolk community and Planters celebrated a century of success with community festivities and events.

The Harbour View area of Suffolk was also front and center in 2013 as the Department of Economic Development launched its campaign *Destination Harbour View: At the center of it all*. Located at the geographic center of Hampton Roads, Harbour View sits at the nexus of the region's highways and international and regional airports. Harbour View also boasts a growing technology sector, including Navy Cyber Forces, advanced health care options and thriving national and local retail brands that enhance the quality of life in northern Suffolk. In fact, of the forty-eight new businesses which decided to call Suffolk home in 2013, the retailer, Kroger Marketplace was the leader of the pack in terms of job creation and capital investment, and it will be located in the Harbour View area.

Other growth areas included Office and Administration, Warehousing and Distribution, Advanced Manufacturing, Medical, and Modeling/Simulation & Technology. The following charts highlight some of this activity.

**New and Expanding Business Highlights January 1 – December 31, 2013**

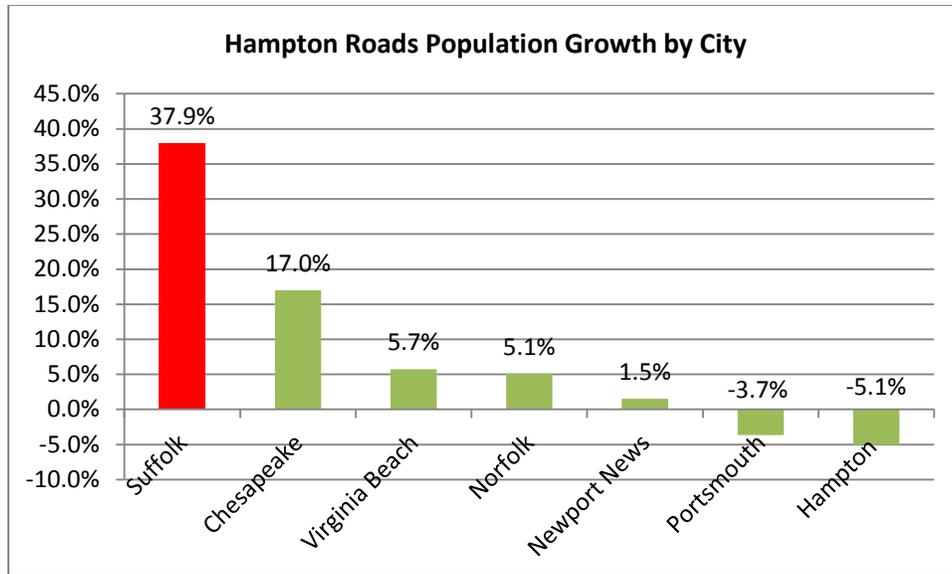
<u>New Business</u>	<u>Sector</u>	<u>Investment</u>
Kroger Marketplace	Retail	\$20,000,000
Grandwatt Electric	Advanced Manufacturing	\$10,000,000
Washington Square	Other	\$8,800,000
Tractor Supply	Retail	\$2,500,000
Main Street Shoppes	Retail	\$2,000,000
Harbour View Market Center (Bldg. I)	Retail	\$1,000,000

<u>Expanding Business</u>	<u>Sector</u>	<u>Investment</u>
Unilever/Lipton (Phase I)	Food & Beverage Processing	\$32,000,000
Navy Cyber Commands	Mod/Sim & Technology	\$5,025,000
Sentara Healthcare	Medical	\$3,200,000
Suffolk Auto Exchange	Retail	\$1,000,000
Duke Automotive	Retail	\$775,000
Pender & Coward	Office & Administration	\$600,000
Towne Bank	Office & Administration	\$500,000

Suffolk continues to outpace its neighboring Hampton Roads cities in population growth by a wide margin. Over the past 13 years, the population in Suffolk has grown by 37.9%.

**Hampton Roads Population Growth by City**

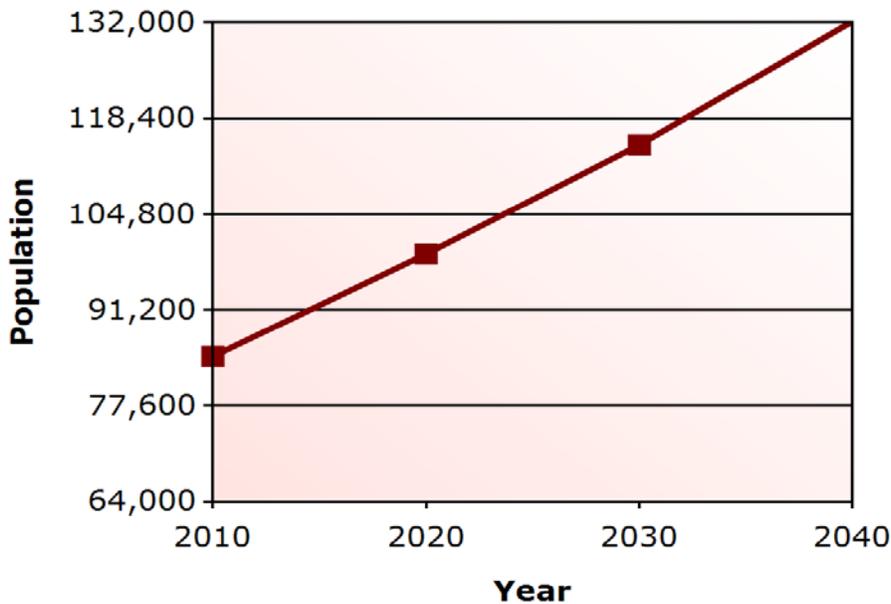
City	2000	2013	Percent Change
Hampton	146,437	139,032	-5.1%
Portsmouth	100,565	96,871	-3.7%
Newport News	180,697	183,412	1.5%
Norfolk	234,403	246,392	5.1%
Virginia Beach	425,257	449,628	5.7%
Chesapeake	199,184	232,977	17.0%
<b>Suffolk</b>	<b>63,677</b>	<b>87,831</b>	<b>37.9%</b>



This population trend is projected to continue over the foreseeable future. By 2040, we expect to see an increase in population by 56%. Furthermore, median household income (MHI) has grown in the City by 47% from 2000 to 2013. The City of Suffolk now has the third highest MHI in the region (\$60,637) which is also higher than the national MHI (\$52,250).

*Suffolk Population Growth and Projections*

### Suffolk city



Source: 1. Virginia Employment Commission

Suffolk is one of the fastest growing, most livable cities in a top-ranked, business-friendly state. It boasts a diversified and skilled workforce, proximity to the Port of Virginia, available land for development, efficient transportation access, high quality of life, a regard for its historic past and a dynamic vision for the future. The residential growth and change in Suffolk require 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. Through the proficient management of residential and commercial development, 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 Improvements 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 2015 through fiscal year 2024, totals approximately \$693.6 million. Of this amount, water, sewer and stormwater projects are estimated at \$184.1 million while general government projects are estimated at \$509.5 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, 2014 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 - Upgrade to AAA**

For the first time in the City of Suffolk's history it has achieved the highly acclaimed and much-lauded AAA rating following upgrades by Standard & Poor's Ratings Services on the City's outstanding general obligation bonds (GO) and long term rating. Standard & Poor's attributed the ratings upgrades, in part, to the City's strong management and financial policies and consistent ability to maintain balanced budgets. The City's robust economy, strong cash level liquidity, and budgetary flexibility and performance were additional major factors in the upgrades.

All three of the recognized reporting agencies have now upgraded the City's ratings. Fitch Ratings has upgraded again its' Rating Outlook for the City of Suffolk from Stable to Positive and assigned a AA+ rating to the \$102.9 million general obligation and refunding bonds, series 2014. Fitch noted several key rating drivers including: the City's fiscal discipline supported by prudent budgeting and strong institutionalized policies; the City's adherence to good debt management guidelines, which has allowed overall debt levels to remain moderately low; the City's regionally competitive property tax rate; and, the City's expansion of the employment base during the recession. Additionally, Moody's Investors Service has assigned an Aa1 rating to the City's \$102.9 million General Obligation and Refunding Bonds, Series 2014. Concurrently, they've also upgraded, to Aa1 from Aa2, the rating assigned to the City's \$357.6 million in outstanding general obligation bonds. According to Moody's, the upgrade to Aa1 reflects the City's sound financial policy that continues to improve and is supported by ample reserves and strong liquidity. The rating also reflects the City's sizable and diverse tax base that has substantial development potential, average wealth levels, and above-average, but manageable debt burden.

### **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.

### **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.

### **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.

### **Celebrate Suffolk!**

The City of Suffolk celebrated an important milestone this year, the 40<sup>th</sup> anniversary of the merger of the Cities of Suffolk and Nansemond (formally Nansemond County). This merger, which occurred on January 1, 1974, forever changed the geography of Hampton Roads, making the City of Suffolk the largest City in the Commonwealth of Virginia in land mass. Quality and service are the benchmarks the City continues to use, and with the opening of the new combined Municipal and E-911 Call Center, the City is paving the way for an even brighter future. The Municipal Center is a cornerstone for Downtown and a catalyst for new investment in the historic district. The building symbolizes not only how far the City has come, but also the strong future ahead.

The City of Suffolk is moving forward in an intentional and balanced way, building on an economy that is strong and ensuring an enhanced quality of life that is safe, vibrant and diverse for all of its citizens.

**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.

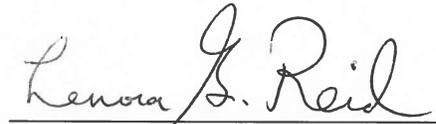
The City Council's oversight of the financial affairs of the City has resulted in the City's strong financial position and Council is commended for the policies and practices which have made it so.

Respectfully,



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Selena Cuffee-Glenn  
City Manager



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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, 2013

Executive Director/CEO

**CITY OF SUFFOLK, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2014**

**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
Lenora Reid .....	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, 2014

**SUFFOLK PUBLIC SCHOOLS – SCHOOL BOARD**

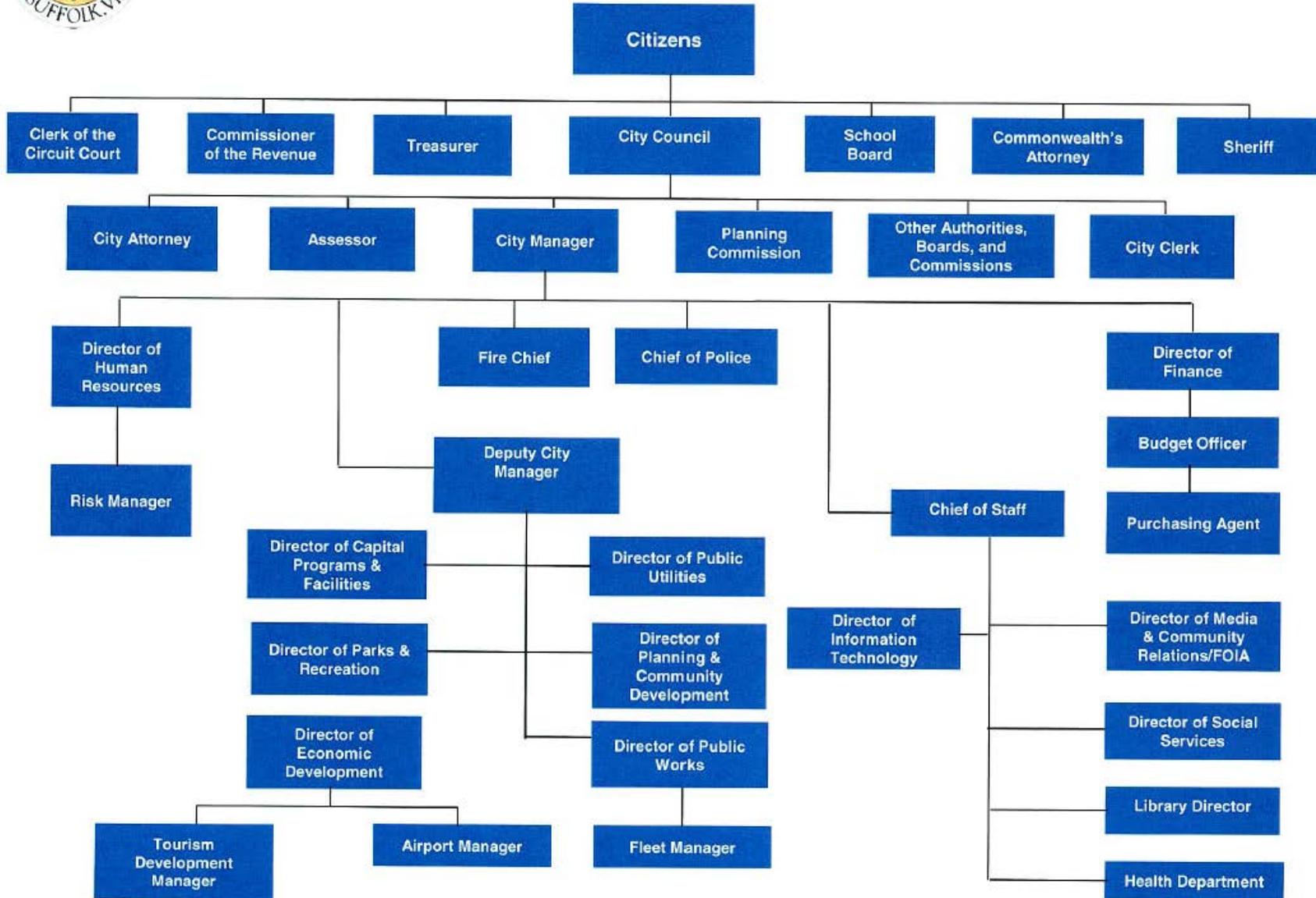
Michael J. Debranski, Ed.D.....	Chairman
Enoch C. Copeland.....	Vice Chairman
Phyllis C. Byrum.....	Board Member
Linda W. Bouchard.....	Board Member
Diane B. Foster.....	Board Member
Dr. Judith Brooks-Buck.....	Board Member
Lorraine B. Skeeter.....	Board Member

**SUFFOLK PUBLIC SCHOOLS – ADMINISTRATION**

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



## City of Suffolk FY 2013-2014 Operating and Capital Budget Organizational Chart



# FINANCIAL SECTION

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## Report of Independent Auditor

To the City Council  
City of Suffolk, Virginia

We have audited the accompanying 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 the City of Suffolk, Virginia (City) as of and for the year ended June 30, 2014, 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 that 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 the City of Suffolk, Virginia as of June 30, 2014, 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 Notes 1 and 17 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. Our opinions are 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 3-12 and 68-74 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 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 15, 2014, on our consideration of the 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 the City of Suffolk, Virginia's internal control over financial reporting and compliance.



Richmond, Virginia  
December 15, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Management of the City of Suffolk, Virginia (the "City") presents this narrative discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2014. To enhance your understanding of the City's financial performance, please read this discussion and analysis in conjunction with the transmittal letter in the front of this report, the City's basic financial statements, and supporting notes 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 and deferred outflows of resources, if any, less liabilities and deferred inflows of resources, if any,) on a government-wide basis was \$547.6 million at June 30, 2014. Of this balance, \$386.9 million is attributed to the governmental activities and \$160.7 million to the business-type activities.
- For fiscal year 2014, taxes and other general revenues of the City's governmental activities amounted to \$165.6 million and net program expenses \$160.2 million, which resulted in an increase from 2013 in net position for the City's governmental activities of \$5.4 million.
- Revenues of the City's business-type activities were \$50.8 million, expenses were \$53.7 million and transfers to the general fund were \$0.5 million, which resulted in a decrease of net position for the City's business-type activities of \$3.4 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 2014.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The City's financial statements present two kinds of statements, each with a different measurement focus and basis of accounting. The *government-wide statements* (economic resources measurement focus and accrual basis of accounting) provide both long and short term information about the City's overall financial status. The *fund financial statements* (current financial resources measurement focus and modified accrual basis of accounting) focus on the individual functions of the city government, reporting the City's operations in more detail than the government-wide statements. Both perspectives allow the user to address relevant questions, broaden the basis of comparison and enhance the City's accountability.

## 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. These statements include all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources reported using the accrual basis of accounting. 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, and liabilities and deferred inflows of resources, with the difference reported as *net position*. Net position is one way to measure the City's financial health, or financial 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. Government activities are financed primarily through property taxes, other taxes and state and federal grants.
- **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 provide more detailed information about the City's most significant funds. Funds 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. Since this presentation does not include the long term focus of the government-wide statements, 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 fund financial statements using the current financial resources measurement focus will show bond proceeds and interfund transfers as other financing sources, in addition capital outlay and bond principal payments will be shown as expenditures. The reconciliation between the fund statements and the government-wide statements will eliminate these transactions and incorporate capital assets and long term debt obligations in to the government activities column in the government-wide statements.

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** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements; provide both short- and long- term financial information. 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, and provide more detail and additional information, such as a cash flow statement. 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** – Included as part of the basic 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 at the end of 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 postemployment 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	
	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'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. 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 not available for future spending because they are assets used to provide services to citizens.

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.

## Statement of Activities

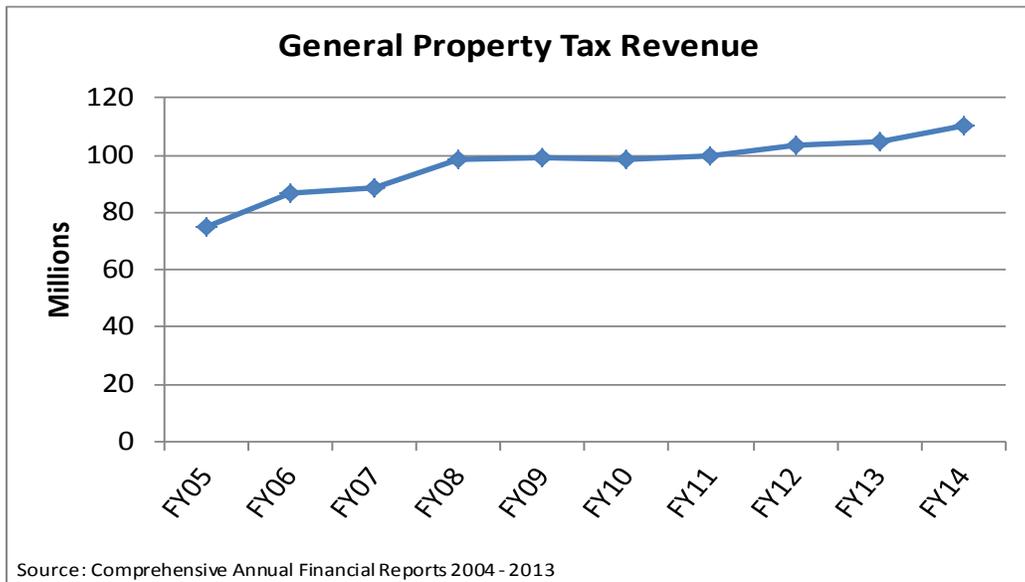
The following table summarizes the changes in net position for governmental and business-type activities:

	Change in Net Position (In Millions)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013*	2014	2013*	2014	2013*
Revenues:						
Program revenues:						
Charges for services	\$ 7.6	\$ 10.7	\$ 49.6	\$ 48.7	\$ 57.2	\$ 59.4
Operating grants and contributions	35.2	37.1	-	-	35.2	37.1
Capital grants and contributions	1.9	6.7	0.5	2.4	2.4	9.1
General revenues:						
Real estate and property taxes	110.2	104.6	-	-	110.2	104.6
Other taxes	36.1	36.4	-	-	36.1	36.4
Grants and contributions, not restricted	13.6	13.6	-	-	13.6	13.6
Unrestricted investment earnings	1.2	1.3	0.6	0.7	1.8	2.0
Miscellaneous	4.0	4.3	0.1	0.2	4.1	4.5
Total revenues	<u>209.8</u>	<u>214.7</u>	<u>50.8</u>	<u>52.0</u>	<u>260.6</u>	<u>266.7</u>
Expenses:						
General government	18.9	17.6	-	-	18.9	17.6
Judicial	8.0	8.1	-	-	8.0	8.1
Public safety	52.4	49.4	-	-	52.4	49.4
Public works	35.5	32.9	-	-	35.5	32.9
Health and welfare	12.9	13.0	-	-	12.9	13.0
Transportation	0.6	0.9	-	-	0.6	0.9
Education	49.2	49.4	-	-	49.2	49.4
Parks, recreation, cultural	8.8	8.5	-	-	8.8	8.5
Community development	8.7	8.1	-	-	8.7	8.1
Interest on long-term debt	9.9	9.0	-	-	9.9	9.0
Utility	-	-	45.1	40.1	45.1	40.1
Refuse collection services	-	-	5.2	5.2	5.2	5.2
Stormwater utility	-	-	3.4	3.2	3.4	3.2
Total expenses	<u>204.9</u>	<u>196.9</u>	<u>53.7</u>	<u>48.5</u>	<u>258.6</u>	<u>245.4</u>
Excess/(deficiency) of revenues over/(under) expenses	4.9	17.8	(2.9)	3.5	2.0	21.3
Capital donation to component unit	-	(4.5)	-	-	-	(4.5)
Transfers	0.5	2.2	(0.5)	(2.2)	-	-
Change in net position	<u>5.4</u>	<u>15.5</u>	<u>(3.4)</u>	<u>1.3</u>	<u>2.0</u>	<u>16.8</u>
Net position - beginning	<u>381.5</u>	<u>366.0</u>	<u>164.1</u>	<u>162.8</u>	<u>545.6</u>	<u>528.8</u>
Net position - ending	<u>\$ 386.9</u>	<u>\$ 381.5</u>	<u>\$ 160.7</u>	<u>\$ 164.1</u>	<u>\$ 547.6</u>	<u>\$ 545.6</u>

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

Revenue Highlights:

Real estate and personal property tax revenue, the City’s largest revenue source, totaled \$110.2 million and \$104.6 million in fiscal year 2014 and 2013, 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 2013 into fiscal year 2014.

Expense Highlights:

The City is committed to ensuring the highest level of safety for its citizens and has expended \$52.4 million towards public safety efforts.

Education continues to be one of the City’s highest priorities and commitments representing \$49.2 million, remaining consistent with the prior year.

**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 97.7% of the total revenues collected. These revenues increased slightly from fiscal year 2013 to 2014 due to an increase in the rates for water and sewer.

### Expense Highlights:

Utility Fund expenses were \$45.1 million of which 22.8% is depreciation and amortization expenses. The increase in the expenses is due to an increase in repairs and maintenance, as well as an increase to the debt service expenses and increased depreciation as more projects are completed. Stormwater expenses were \$3.4 million for fiscal year 2014, which is consistent with fiscal year 2013. The refuse fund expenses were \$5.2 million in fiscal year 2014, which is consistent with fiscal year 2013.

## **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 \$116.9 million. Approximately 40.0% 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 \$57.3 million of which \$45.6 million represents unassigned fund balance of the General Fund. Fund Balance in the General Fund remained consistent with fiscal year 2013.

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, \$8.8 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 \$40.3 million, \$6.5 million was committed for contracts and purchase orders in process, and the remaining balance of \$33.8 million is restricted, as it consists of unspent bond proceeds and cash proffers for subsequent years' projects. The City's top five capital projects consisted of the following in fiscal year 2014:

- Pioneer Elementary School Construction
- E-911 Center equipment upgrade
- New Municipal Center Construction
- Central Library land acquisition
- Whaleyville Community Center

**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 \$160.7 million.

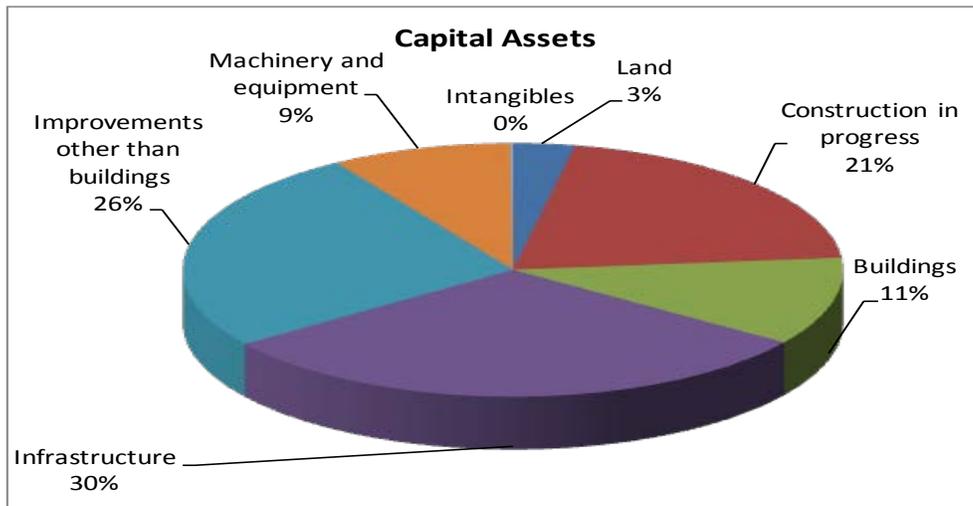
**Internal service funds:** The internal service funds are used to account for entity-wide fleet management, information technology and risk management programs. The total net position at the end of the current fiscal year was \$37.5 million. Each of the internal service funds finished this year with positive changes in net position.

**Trust funds:** The City funded \$1.5 million in other postemployment benefits in the OPEB Trust Fund. The City participates in the Virginia Pooled OPEB Trust Fund. In fiscal year 2014, the City fully funded its annual contribution to the fund as calculated by the actuaries and there is now \$21.2 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, 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
<b>Total</b>	<b>\$ 502.7</b>	<b>\$ 470.0</b>	<b>\$ 441.3</b>	<b>\$ 400.4</b>	<b>\$ 944.0</b>	<b>\$ 870.4</b>



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 \$544.6 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	
	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
<b>Total</b>	<b>\$ 233.2</b>	<b>\$ 211.0</b>	<b>\$ 311.4</b>	<b>\$ 295.8</b>	<b>\$ 544.6</b>	<b>\$ 506.8</b>

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.

The City has a financial policy that further restricted the debt ratio of general government debt, not pledged by other revenue sources to 4% or \$345.6 million to reflect its conservative use of borrowed monies. The City has met this policy limit as well. Achieving these limits represents 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 650 new jobs and over \$93.8 million dollars in new capital investment in the City during the calendar year 2013 .
- For fiscal year 2014, the City's tax rate was increased to \$1.03 per \$100 and remains the second lowest tax rate in the region.
- Utility rates increased as of July 1, 2014 to \$7.84 per 100 cubic feet for water and \$5.82 per 100 cubic feet for sewer due to increasing debt service requirements.
- Population in the City increased 15.7% in the last ten years. This is significant as other cities within the region have seen a decline.
- In July 2014, the city received a bond ratings upgrade from Standard and Poor's Ratings Services to that of "AAA". The City also received a bond upgrade from Moody's Investors Service to that of "Aa1", and a rating from Fitch, Inc of "AA+". These ratings reflect the City's commitment to strong financial management.

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, 442 West Washington Street, Suffolk, Virginia, 23439.

# **BASIC FINANCIAL STATEMENTS**

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**CITY OF SUFFOLK, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	<b>Primary Government</b>			<b>Component Units</b>	
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>	<b>School Board</b>	<b>Economic Development Authority</b>
<b>ASSETS</b>					
Cash and cash equivalents (Note 2)	\$ 97,310,727	\$ 21,610,363	\$ 118,921,090	\$ 24,319,160	\$ 2,824,255
Cash and cash equivalents, restricted (Note 2)	42,203,753	32,196,274	74,400,027	10,963	1,293,750
Receivables, net (Note 3)	7,498,173	6,623,888	14,122,061	99,791	82,972
Due from other governments (Note 4)	4,086,182	-	4,086,182	4,026,356	-
Due from component units (Note 6)	1,447,047	-	1,447,047	-	-
Inventories	369,840	71,620	441,460	692,903	13,880,396
Prepaid items	-	-	-	95,000	-
OPEB asset (Note 12)	542,244	145,534	687,778	-	-
Capital assets: (Note 7)					
Land and construction in progress	116,866,464	104,760,147	221,626,611	6,416,523	1,021,162
Other capital assets, net	385,801,382	336,523,170	722,324,552	118,879,753	25,370,661
Total assets	<u>656,125,811</u>	<u>501,930,996</u>	<u>1,158,056,807</u>	<u>154,540,449</u>	<u>44,473,196</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	2,938,604	3,256,179	6,194,783	-	-
Total deferred outflows of resources	<u>2,938,604</u>	<u>3,256,179</u>	<u>6,194,783</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	6,737,811	5,710,724	12,448,534	1,616,737	44,272
Accrued payroll and related liabilities	360,699	71,866	432,565	17,339,526	-
Accrued interest payable	2,768,679	4,068,652	6,837,331	-	191,075
Due to Primary Government (Note 6)	-	-	-	1,068,342	378,705
Due to other governments	-	8,386,459	8,386,459	149,257	-
Deposits and amounts held for others	-	-	-	-	5,000
Unearned revenues (Note 8)	2,016,667	110,016	2,126,683	-	15,240
Long-term liabilities: (Note 9)					
Due within one year	22,130,825	3,597,224	25,728,049	163,935	817,539
Due in more than one year	234,943,267	322,574,577	557,517,844	4,459,898	10,919,228
Total liabilities	<u>268,957,948</u>	<u>344,519,518</u>	<u>613,477,465</u>	<u>24,797,695</u>	<u>12,371,059</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes (Note 8)	796,668	-	796,668	-	-
Unearned - grants (Note 8)	2,680	-	2,680	-	-
Proffers payable (Note 8)	1,162,771	-	1,162,771	-	-
Deposits (Note 8)	1,271,063	-	1,271,063	-	-
Total deferred inflows of resources	<u>3,233,182</u>	<u>-</u>	<u>3,233,182</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	290,323,371	145,111,492	435,434,863	125,296,276	14,748,100
Restricted:					
Debt service	392,259	-	392,259	-	1,102,675
Repair and maintenance	-	500,000	500,000	-	-
Operating reserves	-	1,644,619	1,644,619	-	-
Cemetery Care	1,179,415	-	1,179,415	-	-
Capital outlay - equipment	5,900,659	-	5,900,659	-	-
Capital projects	1,162,771	-	1,162,771	-	-
Other governmental purposes	943,670	-	943,670	10,963	-
Unrestricted	86,971,140	13,411,547	100,382,687	4,435,515	16,251,361
Total net position	<u>\$ 386,873,285</u>	<u>\$ 160,667,658</u>	<u>\$ 547,540,943</u>	<u>\$ 129,742,754</u>	<u>\$ 32,102,137</u>

**CITY OF SUFFOLK, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			School Board	Economic Development Authority
					Governmental Activities	Business-type Activities	Total		
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities:									
General government administration	\$ 18,740,877	\$ 4,977,004	\$ 1,433,125	\$ 506,228	\$ (11,824,520)	\$ -	\$ (11,824,520)		
Judicial administration	7,994,313	275,113	2,102,897	-	(5,616,303)	-	(5,616,303)		
Public safety	52,439,287	-	1,563,382	-	(50,875,905)	-	(50,875,905)		
Public works	35,491,175	1,460,003	20,799,365	1,321,424	(11,910,383)	-	(11,910,383)		
Health and welfare	12,941,699	-	7,682,494	-	(5,259,205)	-	(5,259,205)		
Transportation	619,876	46,870	142,793	1,561	(428,652)	-	(428,652)		
Education	49,180,560	-	62,308	-	(49,118,252)	-	(49,118,252)		
Parks, recreation, and cultural	8,817,413	824,628	266,774	42,882	(7,683,129)	-	(7,683,129)		
Community development	8,828,392	287	1,153,383	-	(7,674,722)	-	(7,674,722)		
Interest on long-term debt	9,858,244	-	-	-	(9,858,244)	-	(9,858,244)		
Total governmental activities	204,911,837	7,583,905	35,206,521	1,872,095	(160,249,316)	-	(160,249,316)	-	-
Business-type activities:									
Utility	45,108,820	39,013,878	-	456,001	-	(5,638,941)	(5,638,941)		
Stormwater utility	3,413,963	4,210,043	-	-	-	796,080	796,080		
Refuse	5,198,550	6,360,640	-	-	-	1,162,091	1,162,091		
Total business-type activities	53,721,333	49,584,561	-	456,001	-	(3,680,771)	(3,680,771)	-	-
Total Primary Government	\$ 258,633,169	\$ 57,168,466	\$ 35,206,521	\$ 2,328,096	\$ (160,249,316)	\$ (3,680,771)	\$ (163,930,086)	\$ -	\$ -
<b>COMPONENT UNITS:</b>									
School Board	\$ 146,030,704	\$ 2,311,791	\$ 86,558,828	\$ -	\$ -	\$ -	\$ -	\$ (57,160,085)	\$ -
Economic Development Authority	3,171,314	1,869,049	-	-	-	-	-	-	(1,302,265)
Total component units	\$ 149,202,018	\$ 4,180,840	\$ 86,558,828	\$ -	\$ -	\$ -	\$ -	(57,160,085)	(1,302,265)
<b>General revenues:</b>									
Property taxes					110,170,043	-	110,170,043	-	-
Sales and use taxes					8,573,971	-	8,573,971	-	-
Business license taxes					5,158,825	-	5,158,825	-	-
Meals taxes					7,646,834	-	7,646,834	-	-
Utility taxes					4,430,346	-	4,430,346	-	-
Communication taxes					3,535,356	-	3,535,356	-	-
Motor vehicle license taxes					2,240,157	-	2,240,157	-	-
Tobacco taxes					1,354,757	-	1,354,757	-	-
Lodging taxes					1,119,678	-	1,119,678	-	-
Recordation taxes					1,269,043	-	1,269,043	-	-
Other local taxes					748,753	-	748,753	-	-
Grants and contributions not restricted to specific programs					13,609,376	-	13,609,376	-	-
Miscellaneous					4,062,994	160,783	4,223,777	1,217,107	-
City of Suffolk contribution					-	-	-	48,615,711	1,306,061
Contribution to Pruden from participating Schools					-	-	-	2,638,153	-
Unrestricted revenues from use of money and property					1,230,251	571,581	1,801,832	40,169	5,322
Unrealized loss on land available for sale					-	-	-	-	(515,111)
Transfers (Note 5)					499,125	(499,125)	-	-	-
Total general revenues and transfers					165,649,509	233,239	165,882,748	52,511,140	796,272
Change in net position					5,400,193	(3,447,532)	1,952,662	(4,648,945)	(505,993)
<b>Net position at July 1, as restated (Note 17)</b>					381,473,092	164,115,189	545,588,281	134,391,699	32,608,130
<b>Net position at June 30</b>					\$ 386,873,285	\$ 160,667,658	\$ 547,540,943	\$ 129,742,754	\$ 32,102,137

## CITY OF SUFFOLK, VIRGINIA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 49,421,752	\$ 11,636,690	\$ 14,537,317	\$ 2,147,899	\$ 2,376,856	\$ 80,120,514
Cash and cash equivalents, restricted (Note 2)	580,948	33,787,750	-	392,259	1,542,137	36,303,094
Receivables, net (Note 3)	7,245,950	-	8,636	-	76,108	7,330,694
Due from other governmental units (Note 4)	3,210,018	125,758	-	-	750,406	4,086,182
Due from other funds (Note 5)	508,343	-	-	-	-	508,343
Due from component units	1,447,047	-	-	-	-	1,447,047
Inventories	3,920	-	-	-	88,383	92,303
Total assets	\$ 62,417,978	\$ 45,550,198	\$ 14,545,953	\$ 2,540,158	\$ 4,833,890	\$ 129,888,177
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 918,590	\$ 4,130,522	\$ 707,778	\$ -	\$ 252,703	\$ 6,009,593
Accrued payroll and related liabilities	280,816	-	31,871	-	1,998	314,685
Due to other funds (Note 5)	-	-	-	-	508,343	508,343
Unearned revenues	-	-	-	-	359,379	359,379
Total liabilities	1,199,406	4,130,522	739,649	-	1,122,423	7,192,000
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues -- taxes	2,539,549	-	-	-	3,712	2,543,261
Prepaid taxes	796,668	-	-	-	-	796,668
Unearned revenues -- grants	-	-	-	-	2,680	2,680
Proffers received	-	1,162,771	-	-	-	1,162,771
Deposits	580,948	-	674,446	-	15,669	1,271,063
Total deferred inflows of resources	3,917,165	1,162,771	674,446	-	22,061	5,776,443
<b>FUND BALANCES (NOTE 16)</b>						
Nonspendable	3,920	-	-	-	88,383	92,303
Restricted	580,948	33,787,750	-	392,259	1,486,053	36,247,010
Committed	8,792,595	6,469,155	11,189,990	2,147,899	2,125,879	30,725,518
Assigned	2,348,576	-	1,941,868	-	-	4,290,444
Unassigned	45,575,368	-	-	-	(10,909)	45,564,459
Total fund balances	57,301,407	40,256,905	13,131,858	2,540,158	3,689,406	116,919,734
Total liabilities, deferred inflows of resources, and fund balances	\$ 62,417,978	\$ 45,550,198	\$ 14,545,953	\$ 2,540,158	\$ 4,833,890	\$ 129,888,177

	Primary Government
Total fund balances - governmental funds	\$ 116,919,734
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	474,720,199
Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, are not reported in the funds.	2,543,261
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
OPEB asset	495,428
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(2,753,790)
Deferred Charges on refunding are not current outflows of resources and not reported in the governmental funds	2,938,604
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, capital leases and Section 108 loans	(223,334,468)
Landfill liability	(1,688,880)
Unamortized premiums and other credits on bonds	(14,098,619)
Compensated absences	(4,722,041)
Unearned revenue not recorded in the funds as it did not arise from current financial resources relating to the golf course lease agreement	(1,657,288)
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	37,511,145
Net position of governmental activities	\$ 386,873,285

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	<b>General</b>	<b>Capital Projects</b>	<b>Road Maintenance</b>	<b>Debt Service</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Real estate and personal property taxes	\$ 108,304,406	\$ -	\$ -	\$ -	\$ 1,765,461	\$ 110,069,867
Other local taxes	36,077,720	-	-	-	-	36,077,720
Permits, privilege fees and regulatory licenses	1,017,625	-	265,012	-	-	1,282,637
Fines and forfeitures	902,161	-	165,135	-	-	1,067,296
Revenue from use of money and property	606,136	22	42,922	297,564	233,747	1,180,391
Charges for services	3,537,180	-	899,152	-	918,409	5,354,741
Miscellaneous	1,163,179	8,735	49,227	-	164,706	1,385,847
Intergovernmental:						
Revenue from the Commonwealth	20,039,080	1,508,411	20,764,829	-	615,444	42,927,764
Revenue from the Federal government	4,977,358	6,123	-	-	2,259,154	7,242,635
Total revenues	<u>176,624,845</u>	<u>1,523,291</u>	<u>22,186,277</u>	<u>297,564</u>	<u>5,956,921</u>	<u>206,588,898</u>
<b>EXPENDITURES</b>						
Current:						
General government administration	13,957,363	-	-	-	1,087,810	15,045,173
Judicial administration	7,272,211	-	-	-	706,166	7,978,377
Public safety	48,044,091	-	-	-	953,561	48,997,652
Public works	1,335,127	-	19,743,490	-	153,270	21,231,887
Health and welfare	12,917,961	-	-	-	15,606	12,933,567
Transportation	-	-	-	-	672,274	672,274
Education	49,108,539	-	-	-	62,308	49,170,847
Parks, recreation, and cultural	7,768,998	-	-	-	88,641	7,857,639
Community development	7,550,124	-	-	-	851,369	8,401,493
Nondepartmental	531,079	-	-	-	-	531,079
Capital outlay	-	47,091,415	-	-	-	47,091,415
Debt service:						
Principal retirement	-	-	-	17,233,990	-	17,233,990
Bond issuance costs	-	-	-	521,661	-	521,661
Interest and fiscal charges	-	-	-	10,206,705	-	10,206,705
Total expenditures	<u>148,485,493</u>	<u>47,091,415</u>	<u>19,743,490</u>	<u>27,962,356</u>	<u>4,591,006</u>	<u>247,873,760</u>
Excess (deficiency) of revenues over/(under) expenditures	<u>28,139,352</u>	<u>(45,568,124)</u>	<u>2,442,787</u>	<u>(27,664,792)</u>	<u>1,365,915</u>	<u>(41,284,862)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Refunding Bonds issued	-	-	-	5,370,000	-	5,370,000
General obligations bonds issued	-	32,645,230	-	459,770	-	33,105,000
Premiums on bonds issued	-	3,371,770	-	877,198	-	4,248,968
Payment to escrow agent	-	-	-	(4,844,006)	-	(4,844,006)
Transfers in	2,486,351	5,414,000	-	25,889,009	1,032,289	34,821,649
Transfers out	(29,393,878)	-	(3,674,697)	-	(2,939,397)	(36,007,972)
Total other financing sources (uses), net	<u>(26,907,527)</u>	<u>41,431,000</u>	<u>(3,674,697)</u>	<u>27,751,971</u>	<u>(1,907,108)</u>	<u>36,693,639</u>
Net change in fund balances	1,231,825	(4,137,124)	(1,231,910)	87,179	(541,193)	(4,591,223)
Fund balances at July 1	56,069,582	44,394,029	14,363,768	2,452,979	4,230,599	121,510,957
Fund balances at June 30	<u>\$ 57,301,407</u>	<u>\$ 40,256,905</u>	<u>\$ 13,131,858</u>	<u>\$ 2,540,158</u>	<u>\$ 3,689,406</u>	<u>\$ 116,919,734</u>

**CITY OF SUFFOLK, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	<u><b>Total Governmental Funds</b></u>
<b>Change in fund balance - total governmental funds</b>	\$ (4,591,223)
<b>Adjustments for the Statement of Activities:</b>	
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	44,465,714
Depreciation expense	(16,617,088)
Loss on Disposal of assets	(908,519)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable Revenues	(1,850,154)
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 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	22,288,411
Deferred net change in bond losses	(571,531)
Proceeds from issuance of new debt	(38,475,000)
Net change in bond premiums	(2,803,921)
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	119,144
Change in compensated absences	(89,519)
Change in OPEB asset	(544,676)
Change in landfill liability	86,729
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.	
<b>Change in net position of governmental activities</b>	<u>4,535,826</u> <u>\$ 5,400,193</u>

**CITY OF SUFFOLK, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2014**

	<b>Business-type Activities – Enterprise Funds</b>			<b>Governmental Activities – Internal Service Funds</b>
	<b>Utility Fund</b>	<b>Non-Major Funds</b>	<b>Total</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 16,721,746	\$ 4,888,617	\$ 21,610,363	\$ 17,190,213
Cash and cash equivalents, restricted	32,196,274	-	32,196,274	5,900,659
Receivables, net	6,204,183	419,705	6,623,888	167,479
Inventories	71,620	-	71,620	277,537
Total current assets	<u>55,193,823</u>	<u>5,308,322</u>	<u>60,502,145</u>	<u>23,535,888</u>
Noncurrent assets:				
OPEB asset	115,002	30,532	145,534	46,816
Land and construction in progress	104,760,147	-	104,760,147	3,622,118
Other capital assets, net	336,392,489	130,681	336,523,170	24,325,529
Total noncurrent assets	<u>441,267,638</u>	<u>161,213</u>	<u>441,428,851</u>	<u>27,994,463</u>
Total assets	<u>496,461,461</u>	<u>5,469,535</u>	<u>501,930,996</u>	<u>51,530,351</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	3,256,179	-	3,256,179	-
Total deferred outflows of resources	<u>3,256,179</u>	<u>-</u>	<u>3,256,179</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	1,655,704	149,125	1,804,829	728,219
Accounts payable from restricted resources	3,905,895	-	3,905,895	-
Accrued payroll and related liabilities	14,398	57,468	71,866	46,014
Due to other governments	8,386,459	-	8,386,459	-
Unearned revenues	110,016	-	110,016	-
Claims payable	-	-	-	2,055,695
Accrued interest payable	4,068,652	-	4,068,652	14,889
Compensated absences	22,827	10,018	32,845	6,371
Bonds and leases payable	3,564,379	-	3,564,379	3,023,872
Total current liabilities	<u>21,728,330</u>	<u>216,611</u>	<u>21,944,941</u>	<u>5,875,060</u>
Noncurrent liabilities:				
Compensated absences	417,119	148,072	565,191	200,030
Claims payable	-	-	-	1,059,381
Bonds and leases payable	322,009,386	-	322,009,386	6,884,735
Total noncurrent liabilities	<u>322,426,505</u>	<u>148,072</u>	<u>322,574,577</u>	<u>8,144,146</u>
Total liabilities	<u>344,154,835</u>	<u>364,683</u>	<u>344,519,518</u>	<u>14,019,206</u>
<b>NET POSITION</b>				
Net investment in capital assets	144,980,811	130,681	145,111,492	18,039,040
Restricted:				
Repair and maintenance	500,000	-	500,000	-
Operating reserves	1,644,619	-	1,644,619	-
Capital outlay - equipment	-	-	-	5,900,659
Unrestricted	8,437,375	4,974,172	13,411,547	13,571,446
Total net position	<u>\$ 155,562,805</u>	<u>\$ 5,104,853</u>	<u>\$ 160,667,658</u>	<u>\$ 37,511,145</u>

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2014**

	<u>Business-type Activities – Enterprise Funds</u>			<b>Governmental</b>
	<u>Utility Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<b>Activities – Internal Service Funds</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 39,013,878	\$ 10,570,683	\$ 49,584,561	\$ 33,504,836
Other	23,236	20,547	43,783	133,082
Total operating revenues	<u>39,037,114</u>	<u>10,591,230</u>	<u>49,628,344</u>	<u>33,637,918</u>
<b>OPERATING EXPENSES</b>				
Personnel services	6,342,849	3,425,665	9,768,514	2,988,160
Self-insured claims	-	-	-	11,627,062
Contractual services	509,267	1,880,478	2,389,745	1,299,289
Administration	2,836,987	2,824,465	5,661,452	997,445
Supplies	745,864	191,246	937,110	53,226
Repairs and maintenance	2,540,798	64,776	2,605,574	74,462
Vehicle and power equipment – fuel	-	-	-	2,217,226
Vehicle and power equipment – supplies	-	-	-	2,122,646
Computers and equipment	-	-	-	900,095
Utilities	930,138	35,564	965,702	129,658
Insurance	-	-	-	2,458,498
OPEB – contributions to trust	-	-	-	1,512,700
Bulk-water purchases	4,056,986	-	4,056,986	-
Depreciation and amortization	10,289,518	15,388	10,304,906	4,447,790
Building and equipment rental	994,783	60,402	1,055,185	95,956
Other charges	760,627	114,529	875,156	154,415
Total operating expenses	<u>30,007,817</u>	<u>8,612,513</u>	<u>38,620,330</u>	<u>31,078,628</u>
Operating income	<u>9,029,297</u>	<u>1,978,718</u>	<u>11,008,015</u>	<u>2,559,290</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on disposal of capital assets	-	-	-	363,765
Interest income	557,285	14,296	571,581	49,862
Interest expense and other fiscal changes	(12,640,928)	-	(12,640,928)	(122,538)
Costs of issuance	(163,315)	-	(163,315)	-
Contribution to WTWA infrastructure	(2,296,760)	-	(2,296,760)	-
Rental income	117,000	-	117,000	-
Nonoperating revenues (expenses), net	<u>(14,426,718)</u>	<u>14,296</u>	<u>(14,412,422)</u>	<u>291,089</u>
(Loss) income before contributions and transfers	<u>(5,397,421)</u>	<u>1,993,014</u>	<u>(3,404,408)</u>	<u>2,850,379</u>
Capital contributions	456,001	-	456,001	-
Transfers in	900,000	-	900,000	2,491,000
Transfers out	(596,320)	(802,805)	(1,399,125)	(805,553)
Change in net position	<u>(4,637,740)</u>	<u>1,190,209</u>	<u>(3,447,532)</u>	<u>4,535,826</u>
Net position at July 1 -- as restated (Note 17)	<u>160,200,545</u>	<u>3,914,644</u>	<u>164,115,189</u>	<u>32,975,319</u>
Net position at June 30	<u>\$ 155,562,805</u>	<u>\$ 5,104,853</u>	<u>\$ 160,667,658</u>	<u>\$ 37,511,145</u>

## CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	Business-type Activities – Enterprise Funds			Governmental
	Utility Fund	Non-Major Funds	Total	Activities – Internal Service Funds
<b>OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 39,379,515	\$ 10,645,249	\$ 50,024,764	\$ 33,687,821
Payments to employees	(6,335,611)	(3,388,764)	(9,724,375)	(2,923,657)
Payments to suppliers	(12,916,443)	(5,248,938)	(18,165,381)	(23,865,614)
Net cash provided by operating activities	20,127,461	2,007,547	22,135,008	6,898,551
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	900,000	-	900,000	2,491,000
Transfers to other funds	(671,320)	(802,805)	(1,474,125)	(805,553)
Net cash provided by (used in) noncapital financing activities	228,680	(802,805)	(574,125)	1,685,447
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(50,672,873)	(124,226)	(50,797,099)	(9,073,898)
Proceeds from issuance of debt	30,538,379	-	30,538,379	7,619,417
Principal paid on capital debt	(3,221,779)	-	(3,221,779)	(2,059,005)
Refunding proceeds placed in escrow	(10,526,726)	-	(10,526,726)	-
Bond issuance costs	(363,755)	-	(363,755)	-
Gain on sale of assets	-	-	-	450,125
Interest paid on capital debt	(12,668,285)	-	(12,668,285)	(113,450)
Net cash used in capital and related financing activities	(46,915,039)	(124,226)	(47,039,265)	(3,176,810)
<b>INVESTING ACTIVITIES</b>				
Rental income	117,000	-	117,000	-
Interest received	557,285	14,296	571,581	49,862
Net cash provided by investing activities	674,285	14,296	688,581	49,862
Net increase (decrease) in cash and cash equivalents	(25,884,613)	1,094,812	(24,789,801)	5,457,050
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning, July 1,	74,802,633	3,793,805	78,596,438	17,633,822
Ending, June 30	\$ 48,918,020	\$ 4,888,617	\$ 53,806,637	\$ 23,090,872
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>				
Cash and cash equivalents	16,721,746	4,888,617	21,610,363	17,190,213
Cash and cash equivalents, restricted	32,196,274	-	32,196,274	5,900,659
	\$ 48,918,020	\$ 4,888,617	\$ 53,806,637	\$ 23,090,872

(Continued)

## CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	Business-type Activities – Enterprise Funds			Governmental
	Utility Fund	Non-Major Funds	Total	Activities – Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>				
<b>PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 9,029,297	\$ 1,978,718	\$ 11,008,015	\$ 2,559,290
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	10,289,518	15,388	10,304,906	4,447,790
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	639,087	54,019	693,106	49,903
Inventories	25,571	-	25,571	(36,736)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(274,322)	(77,476)	(351,798)	(68,525)
Accrued payroll and related liabilities	7,238	36,898	44,136	64,500
Unearned revenues	(296,687)	-	(296,687)	-
Claims payable	-	-	-	(117,671)
Due to other governments	740,586	-	740,586	-
Deposits	(32,827)	-	(32,827)	-
Net cash provided by operating activities	<u>\$ 20,127,461</u>	<u>\$ 2,007,547</u>	<u>\$ 22,135,008</u>	<u>\$ 6,898,551</u>
<b>NONCASH CAPITAL AND RELATED FINANCING</b>				
<b>ACTIVITIES</b>				
Non-cash capital contributions	\$ 456,001	\$ -	\$ 456,001	\$ -
Capitalized interest	\$ 2,084,906	\$ -	\$ 2,084,906	\$ -

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2014**

	<b>OPEB Trust Fund</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,209,100	\$ 931,976
Total assets	<u>\$ 21,209,100</u>	<u>\$ 931,976</u>
<b>LIABILITIES</b>		
Amounts held for others	\$ -	\$ 931,976
Total liabilities	<u>-</u>	<u>\$ 931,976</u>
<b>NET POSITION</b>		
Held in trust for OPEB benefits	<u>21,209,100</u>	
Total net position	<u>\$ 21,209,100</u>	

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**OPEB TRUST FUND**  
**Year Ended June 30, 2014**

<b>ADDITIONS</b>	
Employer contributions	\$ 1,512,700
Gain on Investments	2,283,004
Total additions	<u>3,795,704</u>
<b>DEDUCTIONS</b>	
Administrative fees	<u>20,385</u>
Total deductions	<u>20,385</u>
Change in net position	3,775,319
<b>NET POSITION AT JULY 1</b>	<u>17,433,781</u>
<b>NET POSITION AT JUNE 30</b>	<u><u>\$ 21,209,100</u></u>

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# NOTES TO FINANCIAL STATEMENTS

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**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**A. Reporting Entity (Continued)**

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 principal or interest on notes or any other liabilities of the Authority and has no financial interest in the Authority. Separate audited financial statements can be obtained by contacting the 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, 2014**

**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 2014, the member jurisdictions pledged to pay its pro rata share of any debt service on the issuance of the Authority’s 2014 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, 2014 to the VRA was \$30,185,000 and Suffolk’s guarantee percentage was 12.87%, which totaled \$3,884,810.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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, and liabilities and deferred inflows of resources, 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, 2014**

**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 a deferred inflows of resources - unavailable revenues taxes. 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) principal 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, 2014**

**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 the 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 from the sale of service to other funds.

Debt Service Fund – accounts for the accumulation of resources that are restricted, committed, or assigned to the expenditure for principal and interest on the general long-term debt of the City, with the exception of the debt in the proprietary funds, and compensated absences.

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 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, 2014**

**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, capital 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, 2014**

**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 division of the 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, 2014**

**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 of 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 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, 2014**

**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 and as assets in the proprietary funds and in the government-wide financial statements to the extent the City's capitalizations threshold is met.

Buildings, improvements, machinery and equipment, intangible, 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 2014 totaled \$2,084,906

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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Capital Assets (Continued)**

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 expended/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. Unavailable revenue arises when assets are recognized before revenue recognition criteria can be satisfied and also when assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period. Grants and entitlements received before the eligibility requirement are met have been recorded as unearned revenue. 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. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City's deferred outflows of resources consist of the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt. The deferred outflow is being amortized over the remaining life of the refunded debt. Deferred Inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Deferred inflows of resources, under the modified accrual basis of accounting, can consist of revenues which are received in advance but are applicable to a future period, and will not be recognized until the period they become available. In governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unavailable revenues.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**L. 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 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.

**M. 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. Related bond issuance costs are expensed when incurred.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are expensed 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.

**N. 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).

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**N. Fund Balance (Continued)**

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 Ordinances 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 in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. Intent can be stipulated by the governing body, or by designees with authority to assign such as the Finance Committee, or by the City Manager.

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 may report a negative balance in this classification.

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

Once the unassigned General Fund balance target is achieved, 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, followed by 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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**O. Net Position**

Net position in the government-wide and proprietary financial statements represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, and is classified as net investment in capital assets, restricted, or 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, net of related liabilities and deferred inflows, 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.

**P. 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.

**Q. 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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**R. Change in Accounting Principle**

Effective July 1, 2013, the City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Statement No. 65). Statement No 65 defines specific items that are to be reported in the financial statements as deferred outflows of resources and deferred inflows of resources, as well as items that were previously reported on the Statement of Net Position that should be reported as expenses. In practice, Statement No. 65 affects the classification of items reported on the Statement of Net Position and the fund level balance sheet. The most significant effect of the implementation of Statement No. 65 is the restatement of the net position related to a change in the treatment of bond issuance costs, which Statement No. 65 requires all unamortized bond issuances costs to be expensed. See Note 17 for further discussion.

Effective July 1, 2013 the City adopted the provisions of GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (Statement No. 70). Statement No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on that guarantee. Statement No. 70 also requires additional disclosures when a nonexchange guarantee exists. In practice, the City has determined that it is not likely that a payment on existing nonexchange financial guarantees will have to be made at this time, so there is no effect on the financial statements. The implementation of this standard was isolated to the additional note disclosures.

**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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 2. Deposits and Investments (Continued)**

**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 estimated 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, 2014**

**Note 2. Deposits and Investments (Continued)**

**Restricted Cash**

The City has restricted cash as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Primary Government</b>
Unspent debt proceeds	\$ 38,525,638	\$ 30,051,656	\$ 68,577,294
Debt service	392,259	-	392,259
Cemetery	1,179,415	-	1,179,415
Escrow/bond/customer deposits	1,743,719	-	1,743,719
Other external purposes	362,722	2,144,618	2,507,340
<b>Total</b>	<b>\$ 42,203,753</b>	<b>\$ 32,196,274</b>	<b>\$ 74,400,027</b>

	<b>Component Units</b>		
	<b>Primary Government</b>	<b>School Board</b>	<b>Economic Development Authority</b>
<b>Deposits and Investments:</b>			
SNAP	\$ 62,676,635	\$ -	\$ -
Lease proceeds	5,900,659	-	-
Deposits	124,743,823	24,330,123	4,118,005
	<b>\$ 193,321,117</b>	<b>\$ 24,330,123</b>	<b>\$ 4,118,005</b>
<b>Statement of Net Position:</b>			
Cash and cash equivalents	\$ 118,921,090	\$ 24,319,160	\$ 2,824,255
Cash and cash equivalents, restricted	74,400,027	10,963	1,293,750
	<b>\$ 193,321,117</b>	<b>\$ 24,330,123</b>	<b>\$ 4,118,005</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 3. Receivables**

Receivables are as follows:

	Governmental Activities					
	General	Road Maintenance	Non-major Governmental Funds	Internal Service Funds		Total
				Fleet Management	Risk Management	
Taxes	\$ 5,913,866	\$ -	\$ 19,383	\$ -	\$ -	\$ 5,933,249
Accounts	5,503,406	8,636	64,866	128,932	38,547	5,744,387
Subtotal	11,417,272	8,636	84,249	128,932	38,547	11,677,636
Less Allowance	(4,171,322)	-	(8,141)	-	-	(4,179,463)
Receivables, net	\$ 7,245,950	\$ 8,636	\$ 76,108	\$ 128,932	\$ 38,547	\$ 7,498,173
	Business-type Activities					
	Utilities	Refuse	Stormwater	Total	Component Unit -- School Board	
Accounts	6,620,938	491,229	219,013	7,331,180	99,791	
Less Allowance	(416,755)	(199,557)	(90,980)	(707,292)	-	
Receivables, net	\$ 6,204,183	\$ 291,672	\$ 128,033	\$ 6,623,888	\$ 99,791	

**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:

	Governmental Activities	Business-type Activities
General Fund - Taxes receivable	\$ 2,368,613	\$ -
General Fund - EMS receivable	1,802,709	-
Non-major Funds - Taxes receivable	8,141	-
Utility Fund - Accounts receivable	-	416,755
Non-major Proprietary Funds - Accounts receivable	-	290,537
	\$ 4,179,463	\$ 707,292

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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 December 5 and June 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 when the real estate taxes are levied and, after three years, it becomes enforceable by judicial sale of the property.

**Note 4. Due From Other Governments**

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

**Primary Government:**

	<b>General</b>	<b>Capital Projects</b>	<b>Non-major Governmental Funds</b>	<b>Total</b>
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,513,318	\$ -	\$ -	\$ 1,513,318
Communication sales tax	593,736	-	-	593,736
Non-catagorical aid	41,368	-	-	41,368
Shared expenses	226,355	-	-	226,355
Social services reimbursement	272,410	-	-	272,410
VA Department of Transportation	-	71,840	-	71,840
Various grants	82,346	53,918	113,884	250,148
	<u>2,729,533</u>	<u>125,758</u>	<u>113,884</u>	<u>2,969,175</u>
<u>Federal Government:</u>				
Social services reimbursement	458,532	-	-	458,532
Various grants	21,953	-	636,522	658,475
	<u>480,485</u>	<u>-</u>	<u>636,522</u>	<u>1,117,007</u>
Total due from other governments	<u>\$ 3,210,018</u>	<u>\$ 125,758</u>	<u>\$ 750,406</u>	<u>\$ 4,086,182</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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	\$ 1,231,850	\$ -	\$ -	\$ 1,231,850
Various grants	209,063	247,706	-	456,769
	<u>1,440,913</u>	<u>247,706</u>	<u>-</u>	<u>1,688,619</u>
<u>Federal Government:</u>				
School food reimbursement	-	-	741,253	741,253
Title I	-	668,162	-	668,162
Title VI-B	-	572,406	-	572,406
Education jobs grant	-	103,126	-	103,126
Various grants	173,361	79,428	-	252,789
	<u>173,361</u>	<u>1,423,122</u>	<u>741,253</u>	<u>2,337,737</u>
Total due from other governments	<u>\$ 1,614,274</u>	<u>\$ 1,670,828</u>	<u>\$ 741,253</u>	<u>\$ 4,026,356</u>

**Note 5. Interfund Transactions:**

Individual fund interfund receivable and payable balances are as follows:

	<u>Due To</u>	<u>Due From</u>
<b>Governmental Funds:</b>		
General fund	\$ -	\$ 508,343
<b>Non-major governmental funds:</b>		
Suffolk Taxing District	10,909	-
Consolidated Grants fund	497,434	-
	<u>\$ 508,343</u>	<u>\$ 508,343</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 Suffolk Taxing District Fund and the General Fund is to reimburse for refunds paid out.

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, 2014**

**Note 5. Interfund Transactions: (Continued)**

**Interfund Transfers:**

	<b>Transfers to:</b>						<b>Total</b>
	<b>General Fund</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Non-major Governmental</b>	<b>Utility</b>	<b>Internal Service</b>	
Transfers from:							
General Fund	\$ -	\$ 3,539,000	\$ 24,822,588	\$ 1,032,289	\$ -	\$ -	\$ 29,393,877
Road Maintenance	631,697	600,000	-	-	-	2,443,000	3,674,697
Utility	596,320	-	-	-	-	-	596,320
Non-major:							
Governmental	122,976	850,000	1,066,421	-	900,000	-	2,939,397
Enterprise	329,805	425,000	-	-	-	48,000	802,805
Internal Service	805,553	-	-	-	-	-	805,553
	<u>\$ 2,486,351</u>	<u>\$ 5,414,000</u>	<u>\$ 25,889,009</u>	<u>\$ 1,032,289</u>	<u>\$ 900,000</u>	<u>\$ 2,491,000</u>	<u>\$ 38,212,649</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	\$ 136,792,995
Repayment of School Board debt	<u>10,827,409</u>
	<b><u>\$ 147,620,404</u></b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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:

	<b>Governmental Activities</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
Capital Assets, non-depreciable				
Land	\$ 23,692,370	\$ 122,918	\$ 850,183	\$ 22,965,105
Construction in Progress	63,748,082	50,167,544	20,014,267	93,901,359
Total Capital assets, non-depreciable	87,440,452	50,290,462	20,864,450	116,866,464
Capital Assets, depreciable				
Buildings	68,153,271	1,061,475	-	69,214,746
Infrastructure	374,245,528	6,293,049	-	380,538,577
Improvements other than buildings	24,923,858	5,343,303	5,807	30,261,354
Machinery and equipment	68,413,138	10,958,647	3,143,454	76,228,331
Intangibles	1,253,292	784,124	-	2,037,416
Total capital assets, depreciable	536,989,087	24,440,598	3,149,261	558,280,424
Less accumulated depreciation for:				
Buildings	19,751,896	1,825,115	-	21,577,011
Infrastructure	81,217,605	12,855,912	-	94,073,517
Improvement other than buildings	10,041,291	1,025,506	5,178	11,061,619
Machinery and equipment	42,819,839	5,082,075	2,999,387	44,902,527
Intangibles	588,098	276,270	-	864,368
Total accumulated depreciation	154,418,729	21,064,878	3,004,565	172,479,042
Total capital assets, depreciable, net	382,570,358	3,375,720	144,696	385,801,382
<b>Governmental activities, capital assets, net</b>	<b>\$ 470,010,810</b>	<b>\$ 53,666,182</b>	<b>\$ 21,009,146</b>	<b>\$ 502,667,846</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 7. Capital Assets (Continued)**

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

Governmental Activities:

General government	\$ 4,634,971
Judicial administration	8,245
Public safety	1,084,688
Public works	14,125,464
Parks, recreation, and cultural	780,269
Community development	421,528
Education	9,713
	<u>\$ 21,064,878</u>

Government activities included depreciation of \$3,810,824 for the Fleet Maintenance fund, \$98,419 for the Risk Management fund, and \$538,547 for Information Technology fund.

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

	<u>Business-type Activities</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	
Capital Assets, non-depreciable				
Land	\$ 5,555,237	\$ 9,134	\$ -	\$ 5,564,371
Construction in Progress	98,556,328	50,624,960	49,985,512	99,195,776
Total Capital assets, non-depreciable	<u>104,111,565</u>	<u>50,634,094</u>	<u>49,985,512</u>	<u>104,760,147</u>
Capital Assets, depreciable				
Buildings	66,846,715	8,145,035	-	74,991,750
Improvements other than buildings	260,036,099	37,369,122	-	297,405,221
Machinery and equipment	78,275,240	5,090,363	-	83,365,603
Intangibles	43,606	-	-	43,606
Total capital assets, depreciable	<u>405,201,660</u>	<u>50,604,520</u>	<u>-</u>	<u>455,806,180</u>
Less accumulated depreciation for:				
Buildings	14,936,745	1,731,656	-	16,668,401
Improvement other than buildings	65,882,790	5,716,127	-	71,598,917
Machinery and equipment	28,154,572	2,848,174	-	31,002,746
Intangibles	3,997	8,949	-	12,946
Total accumulated depreciation	<u>108,978,104</u>	<u>10,304,906</u>	<u>-</u>	<u>119,283,010</u>
Total capital assets, depreciable, net	<u>296,223,556</u>	<u>40,299,614</u>	<u>-</u>	<u>336,523,170</u>
<b>Business-type activities, capital assets, net</b>	<b><u>\$ 400,335,121</u></b>	<b><u>\$ 90,933,708</u></b>	<b><u>\$ 49,985,512</u></b>	<b><u>\$ 441,283,317</u></b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 7. Capital Assets (Continued)**

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

	<b>Component Unit -- School Board</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets, non-depreciable				
Land	\$ 6,416,523	\$ -	\$ -	\$ 6,416,523
Construction in progress	-	-	-	-
Total Capital assets, non-depreciable	<u>6,416,523</u>	<u>-</u>	<u>-</u>	<u>6,416,523</u>
Capital Assets, depreciable				
Buildings	184,495,440	49,350	-	184,544,790
Improvements other than buildings	16,682,957	-	-	16,682,957
Machinery and equipment	37,048,216	1,439,255	61,481	38,425,990
Total capital assets, depreciable	<u>238,226,613</u>	<u>1,488,605</u>	<u>61,481</u>	<u>239,653,737</u>
Less accumulated depreciation for:				
Buildings	78,663,793	4,746,258	-	83,410,051
Improvement other than buildings	9,597,605	519,617	-	10,117,222
Machinery and equipment	24,517,943	2,728,767	-	27,246,710
Total accumulated depreciation	<u>112,779,341</u>	<u>7,994,643</u>	<u>-</u>	<u>120,773,984</u>
Total capital assets, depreciable, net	<u>125,447,272</u>	<u>(6,506,038)</u>	<u>61,481</u>	<u>118,879,752</u>
<b>Component Unit - School Board, capital assets, net</b>	<b><u>\$ 131,863,795</u></b>	<b><u>\$ (6,506,038)</u></b>	<b><u>\$ 61,481</u></b>	<b><u>\$ 125,296,276</u></b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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. Governmental 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 and governmental activities were as follows:

	<b>Governmental Funds Unavailable Revenues</b>	<b>Governmental Activities Unearned Revenues</b>
<b>Liabilities:</b>		
Grant receipts -- unearned	\$ 359,379	\$ 359,379
Golf-course lease revenue -- unearned (Note 10)	-	1,657,288
Total unavailable/unearned revenue	\$ 359,379	\$ 2,016,667
 <b>Deferred inflows of resources:</b>		
Prepaid taxes and other amounts -- unearned	796,668	796,668
Developer deposits -- unearned (General)	580,948	580,948
Developer deposits -- unearned (Road Maintenance)	674,446	674,446
Hanger deposits -- unearned (Aviation)	15,669	15,669
Grant receipts -- unearned	2,680	2,680
Proffers received -- unearned	1,162,771	1,162,771
Taxes receivable, net -- unavailable	2,543,261	-
Total unavailable/unearned revenue	\$ 5,776,443	\$ 3,233,182

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, 2014**

**Note 9. Long-Term Liabilities**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>Governmental Activities:</u></b>					
General Obligation Debt	\$ 202,941,955	\$ 38,447,795	\$ 21,379,531	\$ 220,010,219	\$ 16,242,462
Add bond premiums and other credits	11,294,697	4,248,968	1,445,046	14,098,619	-
	<u>214,236,652</u>	<u>42,696,763</u>	<u>22,824,577</u>	<u>234,108,838</u>	<u>16,242,462</u>
Section 108 loan	2,687,000	-	193,000	2,494,000	193,000
Capital Lease obligations	5,388,859	7,619,417	2,269,420	10,738,856	3,224,540
	<u>222,312,511</u>	<u>50,316,180</u>	<u>25,286,997</u>	<u>247,341,694</u>	<u>19,660,002</u>
Claims payable	3,232,746	10,763,590	10,881,260	3,115,076	2,055,695
Compensated absences	4,811,146	389,749	272,453	4,928,442	346,240
Landfill liability	1,775,609	-	86,729	1,688,880	68,888
	<u>9,819,501</u>	<u>11,153,339</u>	<u>11,240,442</u>	<u>9,732,398</u>	<u>2,470,823</u>
<b>Governmental activities, long-term liabilities</b>	<b><u>\$ 232,132,012</u></b>	<b><u>\$ 61,469,519</u></b>	<b><u>\$ 36,527,439</u></b>	<b><u>\$ 257,074,092</u></b>	<b><u>\$ 22,130,825</u></b>
<b><u>Business-type activities:</u></b>					
Bonds Payable	\$ 293,533,045	\$ 28,095,328	\$ 12,003,592	\$ 309,624,781	\$ 3,202,539
Add bond premiums and other credits	12,762,258	2,450,466	1,031,159	14,181,565	-
Total Bonds Payable	<u>306,295,303</u>	<u>30,545,794</u>	<u>13,034,751</u>	<u>323,806,346</u>	<u>3,202,539</u>
Capital lease obligations	2,337,275	47,913	617,769	1,767,419	361,840
	<u>308,632,578</u>	<u>30,593,707</u>	<u>13,652,520</u>	<u>325,573,765</u>	<u>3,564,379</u>
Compensated absences	574,875	52,038	28,877	598,036	32,845
<b>Business-type activities, long-term liabilities</b>	<b><u>309,207,453</u></b>	<b><u>30,645,745</u></b>	<b><u>13,681,397</u></b>	<b><u>326,171,801</u></b>	<b><u>3,597,224</u></b>

The liability for compensated absences will be liquidated out of the funds in which the employee is normally paid from. For the Governmental activities these funds include: the General fund, Roads Maintenance fund, the internal service funds; Fleet Risk Management and Information Technology. The liability for the claims payable will be liquidated out of the Risk Management internal service fund.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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 2004	07/28/04	06/30/25	2.50-6.00	\$ 18,160,000	\$ 955,000	\$ -
Public Improvement Series 2005	11/17/05	12/01/25	4.00-5.00	11,710,000	3,375,000	-
2005 Refunding Bonds	11/17/05	12/01/19	4.00-5.00	10,005,000	4,962,398	7,602
2007 Public Improvement and Refunding Bonds	04/11/07	02/01/35	4.00-4.50	88,245,000	60,090,000	-
2007B Public Improvement Bonds	12/01/07	12/01/27	4.00-5.00	24,475,000	17,125,000	-
2008 Public Improvement Bonds	10/28/08	02/01/29	4.00-5.00	16,600,000	6,640,000	-
2009 Series (Taxable - Build America Bonds	11/10/09	02/01/40	3.87	27,000,000	-	25,780,000
2010A Public Improvement and Refunding Bonds	04/29/10	08/01/32	3.38	34,155,000	29,940,000	-
2011 Public Improvement	07/07/11	02/01/27	2.00-5.00	84,510,000	21,580,000	61,245,000
2011 Public Improvement and Refunding Bonds	07/07/11	02/01/27	2.00-5.00	30,065,000	8,850,000	16,865,000
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	20,560,000	39,085,000
2013 Public Improvement and Refunding Bonds	07/30/13	12/01/32	3.00-5.00	64,415,000	36,332,821	28,022,179
2013B Public Improvement	12/12/13	06/30/29	2.55	2,100,000	2,100,000	-
					220,010,219	171,004,781
Total general obligation bonds						
Other Notes:						
Section 108 Loan Payable	09/14/06	08/01/26	4.96-5.77	\$ 3,845,000	2,494,000	-
Total Obligations					\$ 222,504,219	\$ 171,004,781

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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	\$ 923,610	\$ 1,767,419
\$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%	413,418	-
\$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%	310,743	-
\$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%	1,757,749	-
\$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%	198,168	-
\$2,063,027 issued May 30, 2014 for the purchase of various equipment related to Information Technology; payable in installments of \$520,605 starting August 30, 2014, and then annually on May 30 through 2018; interest at 0%	2,603,027	-
\$5,016,390 issued October 22, 2013 for the purchase of various vehicles and equipment; payable in quarterly installments of \$261,217 through October 22, 2018; interest at 1.56%	4,532,141	-
Total capital lease obligations	<u>\$ 10,738,856</u>	<u>\$ 1,767,419</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	\$ 8,400,000
2005B Series Water and Sewer Revenue Bond - VRA	12/07/05	10/01/35	4.77-5.10	14,050,000	6,840,000
2006B VRA Refunding Bonds	08/09/06	04/01/30	4.10-4.87	12,750,000	10,785,000
2006C Series Water and Sewer Revenue Bond - VRA	11/26/06	10/01/36	4.26-4.91	36,460,000	25,750,000
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	8,195,000
2010 VRA Refunding Bonds	06/16/10	04/01/31	4.52	4,945,000	4,920,000
Total pledged revenue bonds					<u>\$ 138,620,000</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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
2015	16,242,462	9,758,800	193,000	131,214	3,224,540	109,975
2016	16,567,462	9,080,046	193,000	121,410	2,557,493	75,073
2017	16,071,703	8,345,350	193,000	111,567	2,334,873	44,541
2018	16,694,410	7,560,343	193,000	101,521	1,820,708	18,856
2019	14,836,108	6,791,180	193,000	91,215	636,312	3,040
2020-2024	65,219,073	25,127,349	965,000	296,955	164,930	-
2025-2029	51,429,001	12,254,135	564,000	47,794	-	-
2030-2034	21,890,000	2,757,325	-	-	-	-
2035-2036	1,060,000	47,700	-	-	-	-
	<u>\$ 220,010,219</u>	<u>\$ 81,722,228</u>	<u>\$ 2,494,000</u>	<u>\$ 901,676</u>	<u>\$ 10,738,856</u>	<u>\$ 251,485</u>

Year Ending June 30,	Business-type Activities					
	General Obligations Bonds		Revenue Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	1,697,539	8,095,708	1,505,000	6,752,138	361,840	-
2016	2,452,538	8,023,046	2,160,000	6,675,699	351,243	-
2017	2,828,297	7,906,928	2,630,000	6,574,544	343,537	-
2018	4,820,600	7,782,978	4,595,000	6,420,783	294,767	-
2019	6,131,380	7,528,245	4,135,000	6,224,633	186,383	-
2020-2024	34,528,429	33,499,127	23,740,000	28,059,000	229,649	-
2025-2029	32,010,998	25,706,261	34,625,000	21,047,566	-	-
2030-2034	31,625,000	18,371,514	34,795,000	12,085,636	-	-
2035-2039	35,645,000	10,366,129	30,435,000	3,308,366	-	-
2040-2043	19,265,000	1,647,420	-	-	-	-
	<u>\$ 171,004,781</u>	<u>\$ 128,927,356</u>	<u>\$ 138,620,000</u>	<u>\$ 97,148,365</u>	<u>\$ 1,767,419</u>	<u>\$ -</u>

The Governmental Activities Capital lease obligations are collateralized by equipment with a book value of \$6,388,120, which is net of accumulated depreciation of \$490,028 at June 30, 2014.

The Business-type Activities Capital Lease obligations are collateralized by equipment with a book value of \$1,083,469, which is net of accumulated depreciation of \$1,160,916 at June 30, 2014.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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 \$235,768,365 through 2043.

In accordance with 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. This coverage ratio for the current year is 1.92, which exceeds the requirement. The City's overall debt margin ratio for the year ended June 30, 2014 was 45.7%. 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% of the assessed valuation. As of June 30, 2014, the City's aggregate general obligation indebtedness is approximately \$469.2 million less than the Commonwealth's limit and \$210 million less than the City's independent limit.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 9. Long-Term Liabilities (Continued)**

**School Board Long-Term Liabilities:**

Following is a summary of changes in noncurrent liabilities of the School Board for the year ended June 30, 2014:

	<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	\$ 2,737,776	\$ 1,256,517	\$ 1,312,268	\$ 2,682,025	\$ -
Compensated Absences	1,898,040	1,941,808	1,898,040	1,941,808	163,935
	<u>\$ 4,635,816</u>	<u>\$ 3,198,325</u>	<u>\$ 3,210,308</u>	<u>\$ 4,623,833</u>	<u>\$ 163,935</u>

**Current Year Refunding of Debt**

In July 2013, the City issued \$14,465,000 in general obligation bonds with an average interest rate ranging between 3%-5%. These bonds were issued to refund \$15,045,000 in outstanding bonds including partial refunding of VRA Water and Sewer Revenue bonds issued in 2003, 2005, and 2006, as well as the partial refunding of general obligation bonds issued in 2003 and 2005. The net proceeds of the refunding were \$16,706,847 (including \$2,455,194 in bond premium and \$213,347 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 \$1,092,795 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 \$12,860,000 remains outstanding at June 30, 2014 to be paid from the refunding escrow set up with the 2013 issuance, related to the partially defeased bonds.

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 \$952,336. 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 \$1,027,924.

**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, 2014, the balance of these defeased bonds was \$42,200,000.

**Bonds Authorized and Unissued:**

Bonded debt authorized by City Council in previous years but unissued as of June 30, 2014 totals \$53,940,739.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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 re-evaluated 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 \$1,688,880. 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, 2014, 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, 2014, is \$1,657,288.

**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 \$1,695,574 and \$1,055,185 respectively.

Future minimum lease payments under these leases are as follows:

2015	\$ 1,657,917
2016	<u>1,604,284</u>
	<u>\$ 3,262,201</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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 three defined benefit plans for local government employees – Plan 1 and Plan 2, and Hybrid:

- Plan 1 is a defined benefit plan. 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. Non – hazardous duty members in Plan 1 were allowed to make an irrevocable decision to opt into the Hybrid plan during a special election window held January 1 through April 30, 2014.
- Plan 2 is a defined benefit plan. 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. Members in Plan 2 were allowed to make an irrevocable decision to opt into the Hybrid plan during a special election window held January 1 through April 30, 2014.
- Hybrid combines the features of a defined benefit plan and a defined contribution plan. Members hired on or after January 1, 2014 are in this plan as well as VRS Plan 1 and Plan 2 members who were eligible and opted into the plan. The defined benefit is based on the member’s age, creditable service and average final compensation. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. Members are eligible for an unreduced benefit from the defined benefit component of the plan beginning at their normal Social Security retirement age with at least five years of creditable service or when the sum of their age and service equals 90. They may receive a reduced benefit as early as age 60 with at least five years of creditable service. Members are eligible to receive distributions from the defined contribution component of the plan upon leaving employment.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid plan defined benefit component, average final compensation is the average of the member's 60 consecutive months of highest compensation. In Plan 1, 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. The multiplier for the Hybrid plan is 1%, with the exception of former Plan 1 and 2 members who opted into the Hybrid plan, for those members the multiplier will be the applicable multiplier from their prior plan. At retirement members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option for those retiring with a reduced benefit.

Retirees in all plans 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%. Under the defined benefit component of the Hybrid plan the COLA cannot exceed 3%; under the defined contribution component there is no COLA. 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/2013-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, members in Plan 1 and 2 are required to contribute 5% of their compensation toward their retirement. All or part of the 5% 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 2014 were 18.56% and 13.9% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$10,439,005, \$11,648,391, and \$7,895,331 to the teacher cost-sharing pool, which represented 11.66%, 15.66%, and 13.44% of current covered payroll for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

**Annual Pension Cost**

For fiscal year 2014, the City's annual pension cost of \$10,526,564 was equal to the City's required and actual contributions.

For fiscal year 2014, the School Board's annual pension cost for non-professional employees was \$820,701, which was equal to the School Board's required and actual contributions.

<b>Three-Year Trend Information</b>			
<b>Fiscal Year</b>	<b>Annual</b>	<b>Percentage of</b>	<b>Net Pension</b>
<b>Ending</b>	<b>Pension Cost</b>	<b>APC</b>	<b>Obligation</b>
<b>Ending</b>	<b>(APC)</b>	<b>Contributed</b>	<b>Obligation</b>
<b>City:</b>			
June 30, 2014	\$ 10,526,564	100%	\$ -
June 30, 2013	\$ 10,197,688	100%	\$ -
June 30, 2012	\$ 8,526,249	100%	\$ -
<b>School Board:</b>			
Nonprofessional			
June 30, 2014	\$ 820,701	100%	\$ -
June 30, 2013	\$ 938,800	100%	\$ -
June 30, 2012	\$ 787,554	100%	\$ -

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Annual Pension Cost (Continued)**

The FY2014 required contribution was determined as part of the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2013 includes (a) an investment rate of return (net of administrative expenses) of 7.0 %, (b) projected salary increases ranging from 3.5% to 5.35% per year for general government employees, 3.5% to 5.35% per year for teachers, and 3.5% 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 2.5% 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 2.5%. 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, 2014 for the Unfunded Actuarial Liability (UAAL) was 30 years.

**Funded Status and Funding Progress**

As of June 30, 2013, the most recent actuarial valuation date, the City's plan was 72.88% funded. The actuarial accrued liability for benefits was \$231,547,492, and the actuarial value of assets was \$168,756,280, resulting in an UAAL of \$62,791,212. The covered payroll (annual payroll of active employees covered by the plan) was \$55,954,879 and ratio of the UAAL to covered payroll was 112.22%.

As of June 30, 2013, the most recent actuarial valuation date, the City School Board's plan was 86.29% funded. The actuarial accrued liability for benefits was \$21,315,088, and the actuarial value of assets was \$18,392,037, resulting in an UAAL of \$2,923,051. The covered payroll (annual payroll of active employees covered by the plan) was \$6,739,997 and ratio of UAAL to the covered payroll was 43.37%.

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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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, 2014 the City contributed \$2,621,943, including \$1,512,700 contributed to the trust fund and \$1,109,243 in claims paid on behalf of the retirees. The School Board had contributions of \$467,200 to the trust Fund. Expenses allocated to the Trust Fund during the fiscal year ended June 30, 2014 totaled \$20,385 for the City and \$11,680 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.

**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 \$290,237 and \$845,068 towards the estimated pay-as-you-go cost for OPEB benefits in fiscal year 2014, in addition contributed \$1,512,700 and \$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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 12. Other Postemployment Benefits Program (Continued)**

**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	\$ 3,154,700	\$ 1,285,500
Interest on net OPEB obligation	(92,434)	191,644
Adjustment to annual required contribution	104,353	(220,627)
Annual OPEB cost	3,166,619	1,256,517
Contributions Made	2,621,943	1,312,268
Increase (decrease) in net OPEB obligation	544,676	(55,751)
Net OPEB obligation (asset) -- beginning of year	(1,232,454)	2,737,776
Net OPEB obligation (asset) -- end of year	<u>\$ (687,778)</u>	<u>\$ 2,682,025</u>

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.

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>(Asset)</u> <u>Obligation</u>
<b>City:</b>			
June 30, 2014	\$ 3,166,619	82.80%	\$ (687,778)
June 30, 2013	\$ 3,008,578	108.05%	\$ (1,232,454)
June 30, 2012	\$ 2,120,025	97.33%	\$ (990,385)
<b>School Board:</b>			
Nonprofessional			
June 30, 2014	\$ 1,256,517	104.44%	\$ 2,682,025
June 30, 2013	\$ 2,421,957	60.57%	\$ 2,737,776
June 30, 2012	\$ 2,315,635	81.34%	\$ 1,782,919

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 12. Other Postemployment Benefits Program (Continued)**

**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:

	<u>City</u>	<u>School</u>
Actuarial Accrued Liability (AAL)	28,698,600	14,172,900
Actuarial Value of Plan Assets	<u>14,389,399</u>	<u>9,895,900</u>
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%

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. General inflation rates of 2.75% for the City and 2.5% for the School Board. Healthcare cost trend rates of 7.5% and 4.5% for the City and School Board. The unfunded accrued liability is being amortized over an open 30 year period using the level dollar amount method.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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, 2014, projects expected to be completed at various dates through 2015 had a total unexpended balance of \$16,103,570 (governmental) and \$19,592,079 (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, 2014, lease payments and the associated repairs and maintenance commitments had a total unexpended balance of \$3,199,547.

**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 \$3,000,000 respectively. These and other claims outstanding against the City and School Board, 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, 2014 consists of all current self-insured claims payable including an estimate of incurred but not reportable claims amounting to \$3,115,076. The current portion is \$2,055,695 for 2014. Claims payable for health insurance are based on current enrollment and benefits and historical experience.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 14. Risk Management (Continued)**

**Self-Insurance – City: (continued)**

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, 2014 and 2013:

	<b>Beginning Balance</b>	<b>Claims and Reserves</b>	<b>Claim Payments</b>	<b>Ending Balance</b>
Workers Compensation				
2014	\$ 2,042,105	\$ 582,893	\$ 669,440	\$ 1,955,558
2013	2,668,370	2,348,193	2,974,458	2,042,105
Health Insurance				
2014	\$ 1,190,641	\$ 10,180,697	\$ 10,211,820	\$ 1,159,518
2013	1,089,409	9,624,440	9,523,208	1,190,641

**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, \$476,155 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, 2014, the workers' compensation benefit obligation consisted of \$317,870 in reported unpaid claims and estimated incurred but no reported claims.

Changes in the balance of claims liabilities during the years ended June 30, 2014 and 2013, are as follows:

	<b>Beginning Balance</b>	<b>Claims and Reserves</b>	<b>Claim Payments</b>	<b>Ending Balance</b>
Workers Compensation				
2014	\$ 239,068	\$ 183,939	\$ 105,137	\$ 317,870
2013	578,730	192,500	532,162	239,068

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 14. Risk Management (Continued)**

**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, 2014, School Operating Fund prepaids of \$95,000 were held for purposes of funding the School Board's future claims liabilities. As a result, \$380,122 of the School Operating Fund balance is reserved for payment of future claims liabilities.

**Note 15. Subsequent Events**

The City issued \$124,820,000 of authorized General Obligation and Refunding Bonds, Series 2014 on July 30, 2014 with a maturity date of February 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, 2014**

**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:

	General Fund	Capital Projects Fund	Road Maintenance Fund	Debt Service Fund	Non-major Governmental Funds
Nonspendable:					
Inventories	\$ 3,920	\$ -	\$ -	\$ -	\$ 88,383
Total Nonspendable	<u>3,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,383</u>
Restricted for:					
Judicial Administration	-	-	-	-	215,542
Public Safety	-	-	-	-	91,096
Public Works	580,948	-	-	-	-
Cemetery Care	-	-	-	-	1,179,415
Capital Outlay	-	796,523	-	-	-
Public Buildings	-	7,426,492	-	-	-
Public Safety	-	6,844,550	-	-	-
Roadway Projects	-	14,060,336	-	-	-
Schools	-	3,130,510	-	-	-
Recreation facilities	-	1,529,339	-	-	-
Debt Service	-	-	-	392,259	-
Total Restricted	<u>580,948</u>	<u>33,787,750</u>	<u>-</u>	<u>392,259</u>	<u>1,486,053</u>
Committed to:					
Judicial administration	171,431	-	-	-	-
Public Safety:					
Police	509,725	-	-	-	-
Fire	347,981	-	-	-	-
Transportation	-	-	-	-	226,084
Public Works:					
Bridges and Road Maintenance	-	-	11,189,990	-	-
Aviation	-	-	-	-	234,587
Route 17 Taxing District	-	-	-	-	695,734
Community Development	3,757	-	-	-	-
Economic Development Incentives	4,141,892	-	-	-	-
Capital Outlay	83,869	6,469,155	-	-	-
Capital Projects Reserve	3,533,940	-	-	-	-
Debt Service	-	-	-	2,147,899	-
Total Committed	<u>8,792,595</u>	<u>6,469,155</u>	<u>11,189,990</u>	<u>2,147,899</u>	<u>2,125,879</u>
Assigned to:					
General Government Administration	56,901	-	-	-	-
Judicial Administration	32,206	-	-	-	-
Public Safety:					
Police	291,932	-	-	-	-
Fire	86,823	-	-	-	-
Public Works	177,810	-	1,941,868	-	-
Social Services	216,485	-	-	-	-
Parks, Recreation and Cultural	78,245	-	-	-	-
Nondepartmental - other	1,215,099	-	-	-	-
Community Development	193,075	-	-	-	-
Total Assigned	<u>2,348,576</u>	<u>-</u>	<u>1,941,868</u>	<u>-</u>	<u>-</u>
Unassigned	45,575,368	-	-	-	(10,909)
<b>Total Fund Balance</b>	<u><b>\$ 57,301,407</b></u>	<u><b>\$ 40,256,905</b></u>	<u><b>\$ 13,131,858</b></u>	<u><b>\$ 2,540,158</b></u>	<u><b>\$ 3,689,406</b></u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 17. Prior Period Adjustments**

The implementation of GASB Statement No. 65 requires any costs associated with the issuance of debt to be expensed in the year that the bonds were issued. The implementation of this standard required the restatement of net position for any bond issuance costs that were previously reported on the Statement of Net Position and amortized over the life of the bonds, to be removed from the Statement of Net Position.

The effect of this restatement is shown in the following table:

	<u>Government-Wide Statements</u>			<u>Proprietary Fund Statements</u>
	<u>Primary Government</u>		<u>Component Unit</u>	<u>Enterprise Fund - Utility</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Economic Development Authority</u>	
Net Position				
June 30, 2013, as previously stated	\$ 383,452,490	\$ 166,906,464	\$ 32,702,773	\$ 162,991,820
Restatement to:				
Expense bond issuance costs	(1,979,398)	(2,791,275)	(94,643)	(2,791,275)
Net Position				
June 30, 2013, as restated	<u>\$ 381,473,092</u>	<u>\$ 164,115,189</u>	<u>\$ 32,608,130</u>	<u>\$ 160,200,545</u>

**Note 18. New Accounting Standards**

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

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.

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, 2015.

GASB Statement No. 71, Pension Transition for contributions Made Subsequent to the Measurement date, addresses and issue regarding application of the transition provisions of Statement No. 68. Statement No. 71 requires that, at transition a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

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

# **REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF SUFFOLK, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS**  
**GENERAL FUND**  
**Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
General property taxes:				
Real estate	\$ 85,779,757	\$ 85,779,757	\$ 85,609,239	\$ (170,518)
Personal property	16,000,000	16,000,000	16,676,578	676,578
Public service corporations	3,200,000	3,200,000	3,378,776	178,776
Machinery and tools	-	-	1,564,445	1,564,445
Payments in Lieu of Taxes	3,000	3,000	15,192	12,192
Penalties	1,100,000	1,100,000	1,060,176	(39,824)
Total general property taxes	106,082,757	106,082,757	108,304,406	2,221,649
Other Local Taxes				
Sales and use	8,100,000	8,100,000	8,473,872	373,872
Utility tax	3,800,000	3,800,000	4,430,346	630,346
Communication taxes	3,650,000	3,650,000	3,535,356	(114,644)
Business and occupational licenses	7,875,000	7,875,000	5,158,825	(2,716,175)
Motor vehicle license	1,900,000	1,900,000	2,240,157	340,157
Bank stock	490,000	490,000	505,550	15,550
Recordation	1,100,000	1,100,000	1,269,043	169,043
Tobacco	1,300,000	1,300,000	1,354,757	54,757
Lodging	1,100,000	1,100,000	1,119,678	19,678
Meals	7,600,000	7,600,000	7,646,834	46,834
Public facility taxes	100,000	100,000	100,099	99
Admission	250,000	250,000	243,203	(6,797)
Total other local taxes	37,265,000	37,265,000	36,077,720	(1,187,280)
Permits, fees, and licenses				
Animal license	34,000	34,000	39,076	5,076
Permits and other licenses	939,500	939,500	978,549	39,049
Total permits, fees, and licenses	973,500	973,500	1,017,625	44,125
Fines and forfeitures				
	1,000,000	1,000,000	902,161	(97,839)
Revenue from use of money and property:				
Revenue from use of money	350,000	350,000	261,096	(88,904)
Revenue from use of property	289,618	289,618	345,040	55,422
Total use of money and property	639,618	639,618	606,136	(33,482)
Charges for services:				
Court costs	323,787	323,787	198,471	(125,316)
Commonwealth Attorney Fee	10,000	10,000	10,655	655
Police and traffic control	20,000	20,000	37,194	17,194
Charges for other protection	1,870,000	1,870,000	1,905,092	35,092
Charges for parks and recreation	824,000	824,000	779,433	(44,567)
Charges for library	16,000	16,000	21,259	5,259
Charges for tourism	34,000	34,000	23,935	(10,065)
Charges for planning and community development	-	-	287	287
Charges for other services	629,000	629,000	560,853	(68,147)
Total charges for services	3,726,787	3,726,787	3,537,179	(189,608)

(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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES (Continued)</b>				
Miscellaneous revenue				
Miscellaneous	\$ 1,296,601	\$ 1,296,601	\$ 1,163,178	\$ (133,423)
Total revenue from local sources	150,984,263	150,984,263	151,608,407	624,144
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carrier tax	-	-	-	-
Tax on deeds	600,000	600,000	371,217	(228,783)
Railroad rolling stock tax	120,000	120,000	147,445	27,445
House bill 599 funds	2,760,000	2,760,000	2,764,800	4,800
PPTRA	10,169,729	10,169,729	10,169,730	1
Mobile home titling tax	20,000	20,000	17,816	(2,184)
Vehicle rental tax	120,000	120,000	138,369	18,369
Local aid Commonwealth state reduction				-
Total noncategorical aid	13,789,729	13,789,729	13,609,377	(180,352)
Categorical aid:				
Commonwealth's Attorney	960,000	960,000	966,236	6,236
Commissioner of Revenue	160,000	160,000	161,742	1,742
Treasurer	202,000	202,000	202,661	661
Sheriff	878,000	878,000	886,539	8,539
Circuit Court Clerk	544,000	641,408	638,581	(2,827)
Registrar	45,000	45,000	46,531	1,531
Total categorical aid	2,789,000	2,886,408	2,902,290	15,882
Other categorical aid:				
Public assistance and welfare administration	3,930,000	3,930,000	2,777,074	(1,152,926)
Police	200,000	200,000	229,563	29,563
Fire and rescue	276,000	276,000	362,634	86,634
Library	150,000	150,000	156,755	6,755
Other categorical aid	-	300,000	1,387	(298,613)
Total other categorical aid	4,556,000	4,856,000	3,527,413	(1,328,587)
Total categorical aid	7,345,000	7,742,408	6,429,703	(1,312,705)
Total revenue from the Commonwealth	21,134,729	21,532,137	20,039,080	(1,493,057)
Revenue from the Federal government				
Categorical aid:				
Public assistance and welfare administration	4,700,000	4,700,000	4,889,814	189,814
Public safety	11,032	11,032	39,102	28,070
Asset forfeiture	-	27,064	27,064	-
Parks, recreation and cultural	20,000	20,000	21,378	1,378
Total revenue from the Federal government	4,731,032	4,758,096	4,977,358	219,262
Total revenues	176,850,024	177,274,496	176,624,845	(649,651)

(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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
General Government administration:				
Legislative:				
City Council	\$ 452,810	\$ 419,619	\$ 419,619	\$ -
General and financial administration:				
City Manager	1,111,821	1,267,578	1,267,578	-
Budget and strategic planning	366,525	277,465	277,465	-
City Attorney	989,766	965,178	965,178	-
Human resources	1,047,350	1,010,171	1,010,171	-
Commissioner of the Revenue	974,361	936,112	936,112	-
City Assessor	1,488,274	1,383,190	1,383,190	-
City Treasurer	1,441,535	1,564,196	1,564,196	-
Finance	1,390,082	1,262,323	1,262,323	-
Purchasing	327,153	307,295	307,295	-
Capital Program Management	3,086,154	2,707,280	2,707,280	-
Communications	573,322	592,181	592,181	-
Local and regional organizations	971,591	997,989	997,989	-
Board of Elections:				
Registrar	359,508	325,407	325,407	-
Total general government administration	14,580,252	14,015,982	14,015,982	-
Judicial administration:				
Courts:				
Circuit Court	188,216	180,647	180,647	-
District Court	61,076	50,748	50,748	-
Magistrate	17,127	14,565	14,565	-
Juvenile and Domestic Relations Court	22,215	10,648	10,648	-
Juvenile and Domestic Relations Court Service Unit	907,175	879,094	879,094	-
Circuit Court Clerk	1,290,554	1,292,801	1,292,801	-
Sheriff	2,239,000	2,183,928	2,179,800	4,128
Commonwealth Attorney	2,772,832	2,875,674	2,696,114	179,560
Total judicial administration	7,498,195	7,488,104	7,304,416	183,687
Public safety:				
Police	19,894,855	20,046,232	20,046,232	-
Communications	1,665,311	1,458,649	1,458,649	-
Property seizure program - Federal	-	178,086	32,993	145,093
Confiscation program - State	-	238,336	12,990	225,346
DARE	-	2,850	-	2,850
Fire	22,531,958	24,617,805	24,295,390	322,415
Western Tidewater Regional Jail	2,588,491	2,588,491	2,588,491	-
Emergency services	13,416	5,150	5,150	-
Total public safety	46,694,031	49,135,599	48,439,894	695,704
Public works:				
Administration	837,932	976,473	976,473	-
Grounds Maintenance	574,129	534,744	534,744.37	-
Total public works	1,412,061	1,511,217	1,511,217	-

(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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Health and welfare:				
Western Tidewater Health Department	\$ 840,000	\$ 840,000	\$ 840,000	\$ -
Western Tidewater CSB	281,152	281,152	281,152	-
Social Services	11,446,654	11,559,274	10,684,753	874,521
Comprehensive Services Act	1,837,408	1,908,224	1,328,541	579,683
Total health and welfare	14,405,214	14,588,650	13,134,446	1,454,204
Education:				
Contributions to component unit school board	49,684,053	49,684,053	48,615,711	1,068,342
Lease rent of building	491,105	492,828	492,828	-
Total education	50,175,158	50,176,881	49,108,539	1,068,342
Parks, recreation, and cultural:				
Parks and recreation	1,334,809	1,311,917	1,311,917	-
Parks and recreation maintenance	1,642,149	1,698,792	1,698,792	-
Parks and recreation support services	475,279	466,302	466,302	-
Parks and recreation - recreation	1,962,071	1,894,907	1,894,907	-
Public libraries	2,679,702	2,475,323	2,475,323	-
Total parks, recreation, and cultural	8,094,010	7,847,241	7,847,241	-
Community Development:				
Community Development	2,308,674	2,264,355	2,264,355	-
Planning	1,359,234	1,420,926	1,420,926	-
Economic development	812,222	6,740,721	6,740,721	-
Tourism	543,452	572,749	572,749	-
Animal shelter and management	803,175	834,446	834,446	-
Cooperative extension services	72,735	50,501	50,501	-
Total community development	5,899,492	11,883,698	11,883,698	-
Nondepartmental:				
Fringe benefits and insurance	483,000	1,746,492	1,746,182	309
Total nondepartmental	483,000	1,746,492	1,746,182	309
Total expenditures	149,241,413	158,393,864	154,991,617	3,402,247
Excess of revenues over expenditures	27,608,611	18,880,632	21,633,228	(2,752,596)
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund Balance Surplus - Assigned	-	8,026,935	-	(8,026,935)
Transfers in	2,486,351	2,486,351	2,486,351	-
Transfers out	(30,094,962)	(29,393,878)	(29,393,878)	-
Total other financing uses, net	(27,608,611)	(18,880,592)	(26,907,527)	(8,026,935)
Net change in fund balances	\$ -	\$ 41	\$ (5,274,298)	\$ (5,274,339)
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (5,274,298)	
Encumbrances			6,506,123	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 4)			\$ 1,231,825	

## 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, 2014**

	<b>Road Maintenance</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Permits, fees and licenses	\$ 170,000	\$ 170,000	\$ 265,012	\$ 95,012
Revenue from use of money and property	-	-	42,922	42,922
Charges for services	1,541,000	1,541,000	1,064,287	(476,713)
Miscellaneous	34,000	34,000	49,227	15,227
Intergovernmental:				
Revenue from the Commonwealth	20,547,941	20,547,941	20,764,829	216,888
Fund balance (rollover/appropriations)	-	7,610,457		(7,610,457)
Total revenues	<u>22,292,941</u>	<u>29,903,398</u>	<u>22,186,277</u>	<u>(7,717,121)</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	18,618,244	26,228,701	21,685,358	4,543,343
Total expenditures	<u>18,618,244</u>	<u>26,228,701</u>	<u>21,685,358</u>	<u>4,543,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,674,697</u>	<u>3,674,697</u>	<u>500,919</u>	<u>(3,173,778)</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(3,674,697)</u>	<u>(3,674,697)</u>	<u>(3,674,697)</u>	-
Total other financing uses	<u>(3,674,697)</u>	<u>(3,674,697)</u>	<u>(3,674,697)</u>	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,173,778)</u>	<u>\$ (3,173,778)</u>

## Reconciliation to Governmental Fund Statement:

Total net change in fund balance	\$ (3,173,778)
Encumbrances	1,941,868
Total net change in fund balance per Statement of Revenues, Expenditures and changes in Fund Balance (Exhibit 14)	<u>\$ (1,231,910)</u>

## CITY OF SUFFOLK, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLANS**  
**June 30, 2014**

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.

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL)</b>	<b>(b-a) Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>(a/b) Funded Ratio</b>	<b>(c) Annual Covered Payroll</b>	<b>((b-a)/c) UAAL as of Percentage of Covered Payroll</b>
<b>City:</b>						
June 30, 2013	\$ 168,756,280	\$ 231,547,492	\$ 62,791,212	72.88%	\$ 55,954,879	112.22%
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%
<b>School Board:</b>						
June 30, 2013	\$ 18,392,037	\$ 21,315,088	\$ 2,923,051	86.29%	\$ 6,739,997	43.37%
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%

## CITY OF SUFFOLK, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**  
**June 30, 2014**

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
<b>City:</b>						
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%
<b>School Board:</b>						
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%

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## **OTHER SUPPLEMENTARY INFORMATION**

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# OTHER SUPPLEMENTARY INFORMATION: NON-MAJOR GOVERNMENTAL FUNDS

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**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.

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**CITY OF SUFFOLK, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2014**

	<b>Suffolk Taxing District</b>	<b>Downtown Business Overlay District</b>	<b>Consolidated Grants</b>	<b>Law Library</b>	<b>Route 17 Taxing District</b>	<b>Mosquito Taxing District</b>	<b>Cemetery</b>	<b>Transit</b>	<b>Aviation</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>										
Assets:										
Cash and cash equivalents	\$ -	\$ 159,750	\$ -	\$ 216,102	\$ 696,344	\$ 803,397	\$ -	\$ 274,209	\$ 227,054	\$ 2,376,856
Cash and cash equivalents, restricted	-	-	362,722	-	-	-	1,179,415	-	-	1,542,137
Receivables, net:										
Taxes	-	8,140	-	-	3,102	-	-	-	-	11,242
Accounts	-	-	-	305	-	-	-	201	64,360	64,866
Due from other governmental units	-	-	745,042	-	-	-	-	-	5,364	750,406
Inventory	-	-	-	-	-	-	-	-	88,383	88,383
Total assets	<u>\$ -</u>	<u>\$ 167,890</u>	<u>\$ 1,107,764</u>	<u>\$ 216,407</u>	<u>\$ 699,446</u>	<u>\$ 803,397</u>	<u>\$ 1,179,415</u>	<u>\$ 274,410</u>	<u>\$ 385,161</u>	<u>\$ 4,833,890</u>
<b>LIABILITIES</b>										
Liabilities:										
Accounts payable and accrued liabilities	\$ -	\$ 1,813	\$ 156,807	\$ 137	\$ -	\$ -	\$ -	\$ 48,326	\$ 45,620	\$ 252,703
Accrued payroll and related liabilities	-	-	368	728	-	-	-	-	902	1,998
Due to other funds	10,909	-	497,434	-	-	-	-	-	-	508,343
Unavailable revenues	-	-	359,379	-	-	-	-	-	-	359,379
Total liabilities	<u>10,909</u>	<u>1,813</u>	<u>1,013,988</u>	<u>865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,326</u>	<u>46,522</u>	<u>1,122,423</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Unavailable revenues - taxes	-	-	-	-	3,712	-	-	-	-	3,712
Unavailable revenues - grants	-	-	2,680	-	-	-	-	-	-	2,680
Deposits	-	-	-	-	-	-	-	-	15,669	15,669
Total deferred inflows	<u>-</u>	<u>-</u>	<u>2,680</u>	<u>-</u>	<u>3,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,669</u>	<u>22,061</u>
<b>FUND BALANCES</b>										
Nonspendable	-	-	-	-	-	-	-	-	88,383	88,383
Restricted	-	-	91,096	215,542	-	-	1,179,415	-	-	1,486,053
Committed	-	166,077	-	-	695,734	803,397	-	226,084	234,587	2,125,879
Unassigned	(10,909)	-	-	-	-	-	-	-	-	(10,909)
Total fund balances	<u>(10,909)</u>	<u>166,077</u>	<u>91,096</u>	<u>215,542</u>	<u>695,734</u>	<u>803,397</u>	<u>1,179,415</u>	<u>226,084</u>	<u>322,970</u>	<u>3,689,406</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 167,890</u>	<u>\$ 1,107,764</u>	<u>\$ 216,407</u>	<u>\$ 699,446</u>	<u>\$ 803,397</u>	<u>\$ 1,179,415</u>	<u>\$ 274,410</u>	<u>\$ 385,161</u>	<u>\$ 4,833,890</u>

## CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	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
<b>REVENUES</b>										
Real estate taxes	\$ 29	\$ 220,645	\$ -	\$ -	\$ 1,544,679	\$ 108	\$ -	\$ -	\$ -	\$ 1,765,461
Revenue from use of money and property	-	471	-	637	2,053	2,369	5,581	809	221,827	233,747
Charges for services	-	-	28,407	37,580	-	-	12,267	46,870	793,285	918,409
Miscellaneous	-	-	161,593	77	-	-	-	3,036	-	164,706
Intergovernmental:										
Revenue from the Commonwealth	-	-	416,522	-	-	-	-	144,354	54,568	615,444
Revenue from the Federal government	-	-	2,259,154	-	-	-	-	-	-	2,259,154
Total revenues	<u>29</u>	<u>221,116</u>	<u>2,865,676</u>	<u>38,294</u>	<u>1,546,732</u>	<u>2,477</u>	<u>17,848</u>	<u>195,069</u>	<u>1,069,680</u>	<u>5,956,921</u>
<b>EXPENDITURES</b>										
Current:										
General government administration	-	-	-	-	-	-	-	-	1,087,810	1,087,810
Judicial administration	-	-	675,374	30,792	-	-	-	-	-	706,166
Public safety	-	-	953,561	-	-	-	-	-	-	953,561
Public works	-	120,689	32,581	-	-	-	-	-	-	153,270
Health and welfare	-	-	15,606	-	-	-	-	-	-	15,606
Transportation	-	-	-	-	-	-	-	672,274	-	672,274
Education	-	-	62,308	-	-	-	-	-	-	62,308
Parks, recreation, and cultural	-	-	88,641	-	-	-	-	-	-	88,641
Community development	-	-	851,369	-	-	-	-	-	-	851,369
Total expenditures	<u>-</u>	<u>120,689</u>	<u>2,679,441</u>	<u>30,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>672,274</u>	<u>1,087,810</u>	<u>4,591,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29</u>	<u>100,427</u>	<u>186,235</u>	<u>7,502</u>	<u>1,546,732</u>	<u>2,477</u>	<u>17,848</u>	<u>(477,205)</u>	<u>(18,130)</u>	<u>1,365,915</u>
Other financing sources (uses):										
Transfers in	-	-	206,244	-	-	-	-	598,779	227,266	1,032,289
Transfers out	-	-	(333,980)	-	(2,482,441)	-	-	-	(122,976)	(2,939,397)
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>(127,736)</u>	<u>-</u>	<u>(2,482,441)</u>	<u>-</u>	<u>-</u>	<u>598,779</u>	<u>104,290</u>	<u>(1,907,108)</u>
Net changes in fund balances	29	100,427	58,499	7,502	(935,709)	2,477	17,848	121,574	86,160	(541,193)
Fund balances at July 1	(10,938)	65,650	32,597	208,040	1,631,443	800,920	1,161,567	104,510	236,810	4,230,599
Fund balances at June 30	<u>\$ (10,909)</u>	<u>\$ 166,077</u>	<u>\$ 91,096</u>	<u>\$ 215,542</u>	<u>\$ 695,734</u>	<u>\$ 803,397</u>	<u>\$ 1,179,415</u>	<u>\$ 226,084</u>	<u>\$ 322,970</u>	<u>\$ 3,689,406</u>

## 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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 297,564	\$ 297,564
Total revenues	-	-	297,564	297,564
<b>EXPENDITURES</b>				
Current:				
Principal	15,979,017	15,539,017	17,233,990	(1,694,973)
Bond issuance costs	10,067,321	10,067,321	521,661	(9,545,660)
Interest and other fiscal charges	400,000	905,000	10,206,705	(9,301,705)
Total expenditures	26,446,338	26,511,338	27,962,356	(20,542,338)
Deficiency of revenues under expenditures	(26,446,338)	(26,511,338)	(27,664,792)	(1,153,454)
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	-	5,370,000	5,370,000
General obligation bonds issued	-	65,000	459,770	394,770
Premium on bonds issued	-	-	877,198	877,198
Payment to escrow agent	-	-	(4,844,006)	(4,844,006)
Transfers in	26,446,338	26,446,338	25,889,009	(557,329)
Total other financing sources, net	26,446,338	26,511,338	27,751,971	1,240,633
Net change in fund balances	\$ -	\$ -	\$ 87,179	\$ 87,179

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, 2014

	Law Library				Downtown Business Overlay District			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
<b>REVENUES</b>								
Real estate taxes	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 220,645	\$ 20,645
Revenue from use of money and property	-	-	637	637	-	-	471	471
Charges for services	38,960	38,960	37,580	(1,380)	-	-	-	-
Miscellaneous	-	-	77	77	-	-	-	-
Total revenues	38,960	38,960	38,294	(666)	200,000	200,000	221,116	21,116
<b>EXPENDITURES</b>								
Current:								
Judicial administration	38,960	38,960	30,792	8,168	-	-	-	-
Public works	-	-	-	-	200,000	200,000	152,040	47,960
Total expenditures	38,960	38,960	30,792	8,168	200,000	200,000	152,040	47,960
Excess (deficiency) of revenues over (under) expenditures	-	-	7,502	7,502	-	-	69,077	69,077
Net change in fund balances	\$ -	\$ -	\$ 7,502	\$ 7,502	\$ -	\$ -	\$ 69,077	\$ 69,077
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ 7,502				\$ 69,077	
Encumbrances			-				31,350	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 15)			\$ 7,502				\$ 100,427	

## 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, 2014**

	<u>Route 17 Taxing District</u>				<u>Aviation</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>								
Real estate taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,544,680	\$ 344,680	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	2,053	2,053	216,792	216,792	221,827	5,035
Charges for services	-	-	-	-	626,700	626,700	793,285	166,585
Intergovernmental:								
Revenue from the Commonwealth	-	-	-	-	-	54,287	54,568	281
Fund balance (rollover/appropriations)	1,282,441	1,282,441	-	(1,282,441)	-	117	-	(117)
Total revenues	<u>2,482,441</u>	<u>2,482,441</u>	<u>1,546,733</u>	<u>(935,709)</u>	<u>843,492</u>	<u>897,897</u>	<u>1,069,680</u>	<u>171,783</u>
<b>EXPENDITURES</b>								
Current:								
General government administration	-	-	-	-	947,782	1,002,187	1,087,810	(85,623)
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>947,782</u>	<u>1,002,187</u>	<u>1,087,810</u>	<u>(85,623)</u>
Excess (deficiency) of revenues over (under) expenditures	2,482,441	2,482,441	1,546,733	(935,709)	(104,290)	(104,290)	(18,130)	86,160
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	227,266	227,266	227,266	-
Transfers out	(2,482,441)	(2,482,441)	2,482,441	4,964,882	(122,976)	(122,976)	(122,976)	-
Total other financing sources (uses), net	<u>(2,482,441)</u>	<u>(2,482,441)</u>	<u>2,482,441</u>	<u>4,964,882</u>	<u>104,290</u>	<u>104,290</u>	<u>104,290</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (935,709)</u>	<u>\$ (935,709)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,160</u>	<u>\$ 86,160</u>
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ (935,709)				\$ 86,160	
Encumbrances			-				-	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 15)			<u>\$ (935,709)</u>				<u>\$ 86,160</u>	

## 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, 2014**

	<b>Transit</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Permits, fees and licenses	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	809	809
Charges for services	45,500	45,500	46,870	1,370
Miscellaneous	-	-	3,036	3,036
Intergovernmental:				
Revenue from the Commonwealth	221,529	278,143	144,354	(133,789)
Fund balance (rollover/appropriations)	-	84,671	-	(84,671)
Total revenues	<u>267,029</u>	<u>408,314</u>	<u>195,069</u>	<u>(213,245)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	865,808	1,007,093	975,613	31,479
Total expenditures	<u>865,808</u>	<u>1,007,093</u>	<u>975,613</u>	<u>31,479</u>
Deficiency of revenues under expenditures	<u>(598,779)</u>	<u>(598,779)</u>	<u>(780,544)</u>	<u>(181,765)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	598,779	598,779	598,779	-
Total other financing sources net	<u>598,779</u>	<u>598,779</u>	<u>598,779</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (181,765)</u>	<u>\$ (181,765)</u>

## Reconciliation to Governmental Fund Statement:

Total net change in fund balance	\$ (181,765)
Encumbrances	<u>303,339</u>

Total net change in fund balance per Statement of Revenues,  
Expenditures and Changes in Fund Balance (Exhibit 15) \$ 121,574

## **OTHER SUPPLEMENTARY INFORMATION: NON-MAJOR PROPRIETARY FUNDS**

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**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.

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## CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF NET POSITION**  
**NON-MAJOR PROPRIETARY FUNDS**  
**June 30, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Stormwater</b>		
	<b>Utility</b>	<b>Refuse</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,271,558	\$ 2,617,059	\$ 4,888,617
Receivables, net	128,033	291,672	419,705
Total current assets	<u>2,399,591</u>	<u>2,908,731</u>	<u>5,308,322</u>
Noncurrent assets:			
OPEB asset	30,532	-	30,532
Capital assets, net	112,193	18,488	130,681
Total noncurrent assets	<u>142,725</u>	<u>18,488</u>	<u>161,213</u>
Total assets	<u>2,542,316</u>	<u>2,927,219</u>	<u>5,469,535</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	14,010	135,115	149,125
Accrued payroll and related liabilities	32,172	25,296	57,468
Compensated absences	3,262	6,756	10,018
Total current liabilities	<u>49,444</u>	<u>167,167</u>	<u>216,611</u>
Noncurrent liabilities:			
Compensated absences	82,076	65,996	148,072
Total noncurrent liabilities	<u>82,076</u>	<u>65,996</u>	<u>148,072</u>
Total liabilities	<u>131,520</u>	<u>233,163</u>	<u>364,683</u>
<b>NET POSITION</b>			
Net investment in capital assets	112,193	18,488	130,681
Unrestricted	2,298,604	2,675,568	4,974,172
Total net position	<u>\$ 2,410,797</u>	<u>\$ 2,694,056</u>	<u>\$ 5,104,853</u>

## CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**NON-MAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2014**

	<b>Business-type Actives - Enterprise Funds</b>		
	<b>Stormwater</b>		
	<b>Utility</b>	<b>Refuse</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,210,043	\$ 6,360,640	\$ 10,570,683
Other	16,642	3,905	20,547
Total operating revenues	<u>4,226,685</u>	<u>6,364,545</u>	<u>10,591,230</u>
<b>OPERATING EXPENSES</b>			
Personnel services	2,094,913	1,330,752	3,425,665
Contractual services	370,722	1,509,756	1,880,478
Administration	728,836	2,095,629	2,824,465
Supplies	96,282	94,964	191,246
Repairs and maintenance	239	64,537	64,776
Utilities	8,329	27,235	35,564
Depreciation	13,707	1,681	15,388
Building and equipment rental	60,402	-	60,402
Other charges	40,533	73,996	114,529
Total operating expenses	<u>3,413,963</u>	<u>5,198,550</u>	<u>8,612,513</u>
Operating income	<u>812,722</u>	<u>1,165,996</u>	<u>1,978,718</u>
<b>NONOPERATING REVENUES</b>			
Interest income	6,637	7,659	14,296
Net nonoperating revenues	<u>6,637</u>	<u>7,659</u>	<u>14,296</u>
Income before transfers	819,359	1,173,655	1,993,014
Transfers out	(646,526)	(156,279)	(802,805)
Change in net position	172,833	1,017,376	1,190,209
Net position at July 1	2,237,964	1,676,680	3,914,644
Net position at June 30	<u>\$ 2,410,797</u>	<u>\$ 2,694,056</u>	<u>\$ 5,104,853</u>

## CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Stormwater Utility</b>	<b>Refuse</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 4,288,646	\$ 6,356,603	\$ 10,645,249
Payments to employees	(2,060,261)	(1,328,503)	(3,388,764)
Payments to suppliers	(1,371,270)	(3,877,668)	(5,248,938)
Net cash provided by operating activities	<u>857,115</u>	<u>1,150,432</u>	<u>2,007,547</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(646,526)	(156,279)	(802,805)
Net cash used in noncapital financing activities	<u>(646,526)</u>	<u>(156,279)</u>	<u>(802,805)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(104,057)	(20,169)	(124,226)
Net cash used in capital and related financing activities	<u>(104,057)</u>	<u>(20,169)</u>	<u>(124,226)</u>
<b>INVESTING ACTIVITIES</b>			
Interest received	6,637	7,659	14,296
Net cash provided by investing activities	<u>6,637</u>	<u>7,659</u>	<u>14,296</u>
Net increase in cash and cash equivalents	113,169	981,643	1,094,812
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning, July 1	2,158,389	1,635,416	3,793,805
Ending, June 30	<u>\$ 2,271,558</u>	<u>\$ 2,617,059</u>	<u>\$ 4,888,617</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 812,722	\$ 1,165,996	\$ 1,978,718
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	13,707	1,681	15,388
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	61,961	(7,942)	54,019
Increase (decrease) in:			
Accounts payable and accrued liabilities	(65,925)	(11,551)	(77,476)
Accrued payroll and related liabilities	34,650	2,248	36,898
Net cash provided by operating activities	<u>\$ 857,115</u>	<u>\$ 1,150,432</u>	<u>\$ 2,007,547</u>

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# OTHER SUPPLEMENTARY INFORMATION: INTERNAL SERVICE FUNDS

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**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.

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**CITY OF SUFFOLK, VIRGINIA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2014**

	<b>Information Technology</b>	<b>Fleet Management</b>	<b>Risk Management</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,440,806	\$ 3,437,717	\$ 12,311,690	\$ 17,190,213
Cash and cash equivalents, restricted	2,903,027	2,997,632	-	5,900,659
Receivables, net	-	128,932	38,547	167,479
Inventories	-	277,537	-	277,537
Total current assets	<u>4,343,833</u>	<u>6,841,818</u>	<u>12,350,237</u>	<u>23,535,888</u>
Noncurrent assets:				
OPEB asset	20,355	23,408	3,053	46,816
Land and construction in progress	2,235,998	1,386,120	-	3,622,118
Other capital assets, net	1,967,031	21,856,919	501,579	24,325,529
Total noncurrent assets	<u>4,223,384</u>	<u>23,266,447</u>	<u>504,632</u>	<u>27,994,463</u>
Total assets	<u>8,567,217</u>	<u>30,108,265</u>	<u>12,854,869</u>	<u>51,530,351</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	403,394	230,727	94,098	728,219
Accrued payroll and related liabilities	20,109	13,882	12,023	46,014
Claims payable	-	-	2,055,695	2,055,695
Accrued interest	154	14,735	-	14,889
Compensated absences	1,507	684	4,180	6,371
Capital leases	1,102,339	1,921,533	-	3,023,872
Total current liabilities	<u>1,527,503</u>	<u>2,181,561</u>	<u>2,165,996</u>	<u>5,875,060</u>
Noncurrent liabilities:				
Compensated absences	104,817	85,087	10,126	200,030
Claims payable	-	-	1,059,381	1,059,381
Capital leases	1,705,997	5,178,738	-	6,884,735
Total noncurrent liabilities	<u>1,810,814</u>	<u>5,263,825</u>	<u>1,069,507</u>	<u>8,144,146</u>
Total liabilities	<u>3,338,317</u>	<u>7,445,386</u>	<u>3,235,503</u>	<u>14,019,206</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,394,693	16,142,768	501,579	18,039,040
Restricted:				
Other Purposes	2,903,027	2,997,632	-	5,900,659
Unrestricted	931,180	3,522,479	9,117,787	13,571,446
Total net position	<u>\$ 5,228,900</u>	<u>\$ 22,662,879</u>	<u>\$ 9,619,366</u>	<u>\$ 37,511,145</u>

**CITY OF SUFFOLK, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2014**

	<u>Information Technology</u>	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,576,964	\$ 9,845,472	\$ 18,082,400	\$ 33,504,836
Other	505	3,513	129,064	133,082
Total operating revenues	<u>5,577,469</u>	<u>9,848,985</u>	<u>18,211,464</u>	<u>33,637,918</u>
<b>OPERATING EXPENSES</b>				
Personnel services	1,576,537	1,100,880	310,743	2,988,160
Self-insured claims	-	-	11,627,062	11,627,062
Contractual services	1,248,299	9,378	41,612	1,299,289
Administration	252,471	712,425	32,549	997,445
Supplies	10,101	38,666	4,459	53,226
Repairs and maintenance	41,541	32,921	-	74,462
Vehicle and power equipment – fuel	-	2,217,226	-	2,217,226
Vehicle and power equipment – supplies	-	2,122,646	-	2,122,646
Computers and Equipment	900,095	-	-	900,095
Utilities	92,858	33,892	2,908	129,658
Insurance	-	-	2,458,498	2,458,498
OPEB – contributions to trust	-	-	1,512,700	1,512,700
Depreciation	538,547	3,810,824	98,419	4,447,790
Building and equipment rental	75,100	16,428	4,428	95,956
Other charges	45,769	78,175	30,471	154,415
Total operating expenses	<u>4,781,318</u>	<u>10,173,461</u>	<u>16,123,849</u>	<u>31,078,628</u>
Operating income (loss)	<u>796,151</u>	<u>(324,476)</u>	<u>2,087,615</u>	<u>2,559,290</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on disposal of capital assets	638	363,127	-	363,765
Interest income	10,478	3,261	36,123	49,862
Interest expense	(4,347)	(118,191)	-	(122,538)
Total nonoperating revenues, net	<u>6,769</u>	<u>248,197</u>	<u>36,123</u>	<u>291,089</u>
Net income (loss) before transfers	<u>802,920</u>	<u>(76,279)</u>	<u>2,123,738</u>	<u>2,850,379</u>
Transfers in	-	2,491,000	-	2,491,000
Transfers out	(266,140)	(429,043)	(110,370)	(805,553)
Change in net position	536,780	1,985,678	2,013,368	4,535,826
Net position at July 1	<u>4,692,120</u>	<u>20,677,201</u>	<u>7,605,998</u>	<u>32,975,319</u>
Net position at June 30	<u>\$ 5,228,900</u>	<u>\$ 22,662,879</u>	<u>\$ 9,619,366</u>	<u>\$ 37,511,145</u>

**CITY OF SUFFOLK, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2014**

	<u>Information Technology</u>	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 5,577,470	\$ 9,875,035	\$ 18,235,316	\$ 33,687,821
Payments to employees	(1,535,565)	(1,086,477)	(301,615)	(2,923,657)
Payments to suppliers	(2,406,509)	(5,620,419)	(15,838,686)	(23,865,614)
Net cash provided by operating activities	<u>1,635,396</u>	<u>3,168,140</u>	<u>2,095,015</u>	<u>6,898,551</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	2,491,000	-	2,491,000
Transfers to other funds	(266,140)	(429,043)	(110,370)	(805,553)
Net cash (used in) provided by noncapital financing activities	<u>(266,140)</u>	<u>2,061,957</u>	<u>(110,370)</u>	<u>1,685,447</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(2,460,662)	(6,542,136)	(71,100)	(9,073,898)
Lease financing proceeds	2,603,027	5,016,390	-	7,619,417
Principal paid on capital lease obligations	(61,827)	(1,997,178)	-	(2,059,005)
Gain on sale of assets	638	449,487	-	450,125
Interest paid on debt	(4,393)	(109,057)	-	(113,450)
Net cash provided by (used in) capital and related financing activities	<u>76,783</u>	<u>(3,182,494)</u>	<u>(71,100)</u>	<u>(3,176,810)</u>
<b>INVESTING ACTIVITIES</b>				
Interest earned	<u>10,478</u>	<u>3,261</u>	<u>36,123</u>	<u>49,862</u>
Net increase in cash and cash equivalents	1,456,518	2,050,864	1,949,668	5,457,050
Beginning, July 1	2,887,315	4,384,485	10,362,022	17,633,822
Ending, June 30	<u>\$ 4,343,833</u>	<u>\$ 6,435,349</u>	<u>\$ 12,311,690</u>	<u>\$ 23,090,872</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>				
Cash and cash equivalents	\$ 1,440,806	\$ 3,437,717	\$ 12,311,690	\$ 17,190,213
Cash and cash equivalents, restricted	2,903,027	2,997,632	-	5,900,659
	<u>\$ 4,343,833</u>	<u>\$ 6,435,349</u>	<u>\$ 12,311,690</u>	<u>\$ 23,090,872</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 796,151	\$ (324,476)	\$ 2,087,615	\$ 2,559,290
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	538,547	3,810,824	98,419	4,447,790
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	-	26,051	23,852	49,903
Inventories	-	(36,736)	-	(36,736)
Increase (decrease) in:				
Accounts payable and accrued liabilities	259,725	(321,926)	(6,324)	(68,525)
Accrued payroll and related liabilities	40,973	14,403	9,124	64,500
Claims payable	-	-	(117,671)	(117,671)
Net cash provided by operating activities	<u>\$ 1,635,396</u>	<u>\$ 3,168,140</u>	<u>\$ 2,095,015</u>	<u>\$ 6,898,551</u>

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# OTHER SUPPLEMENTARY INFORMATION: FIDUCIARY NET POSITION

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**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.

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## CITY OF SUFFOLK, VIRGINIA

## COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2014

	<u>Special Welfare Fund</u>	<u>Commonwealth of Virginia Fund</u>	<u>Western Tidewater Water Authority</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,792	\$ 18,599	\$ 891,585	\$ 931,976
Total assets	<u>\$ 21,792</u>	<u>\$ 18,599</u>	<u>\$ 891,585</u>	<u>\$ 931,976</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 21,792	\$ 18,599	\$ 891,585	\$ 931,976
Total liabilities	<u>\$ 21,792</u>	<u>\$ 18,599</u>	<u>\$ 891,585</u>	<u>\$ 931,976</u>

## CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**Year Ended June 30, 2014**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Special Welfare Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 28,369	\$ 74,145	\$ 80,722	\$ 21,792
Total assets	<u>\$ 28,369</u>	<u>\$ 74,145</u>	<u>\$ 80,722</u>	<u>\$ 21,792</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 28,369	\$ 74,145	\$ 80,722	\$ 21,792
Total liabilities	<u>\$ 28,369</u>	<u>\$ 74,145</u>	<u>\$ 80,722</u>	<u>\$ 21,792</u>
<b>Commonwealth of Virginia Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,150	\$ 133,389	\$ 126,940	\$ 18,599
Total assets	<u>\$ 12,150</u>	<u>\$ 133,389</u>	<u>\$ 126,940</u>	<u>\$ 18,599</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 12,150	\$ 133,389	\$ 126,940	\$ 18,599
Total liabilities	<u>\$ 12,150</u>	<u>\$ 133,389</u>	<u>\$ 126,940</u>	<u>\$ 18,599</u>
<b>Western Tidewater Water Authority</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 782,752	\$ 8,504,342	\$ 8,395,509	\$ 891,585
Total assets	<u>\$ 782,752</u>	<u>\$ 8,504,342</u>	<u>\$ 8,395,509</u>	<u>\$ 891,585</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 782,752	\$ 8,504,342	\$ 8,395,509	\$ 891,585
Total liabilities	<u>\$ 782,752</u>	<u>\$ 8,504,342</u>	<u>\$ 8,395,509</u>	<u>\$ 891,585</u>
<b>Total All Agency Funds</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 823,271	8,711,876	8,603,171	\$ 931,976
Total assets	<u>\$ 823,271</u>	<u>\$ 8,711,876</u>	<u>\$ 8,603,171</u>	<u>\$ 931,976</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 823,271	8,711,876	8,603,171	\$ 931,976
Total liabilities	<u>\$ 823,271</u>	<u>\$ 8,711,876</u>	<u>\$ 8,603,171</u>	<u>\$ 931,976</u>

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

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**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.

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## CITY OF SUFFOLK, VIRGINIA

## COMBINING BALANCE SHEET

## GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD

June 30, 2014

	School Operating Fund	School Grants Fund	School Food Service Fund	Subtotal Excluding Component Unit	The Pruden Center for Industry & Technology	Total School Board
<b>ASSETS</b>						
Cash and cash equivalents	\$ 20,658,248	\$ -	\$ 3,363,714	\$ 24,021,962	\$ 308,161	\$ 24,330,123
Receivables, net	64,038	2,476	19,594	86,108	13,683	99,791
Due from other funds	232,637	-	-	232,637	-	232,637
Due from other governments	1,614,275	1,670,828	741,253	4,026,356	-	4,026,356
Inventories	190,013	-	502,889	692,903	-	692,903
Prepaid items	95,000	-	-	95,000	-	95,000
Total assets	<u>\$ 22,854,211</u>	<u>\$ 1,673,304</u>	<u>\$ 4,627,450</u>	<u>\$ 29,154,966</u>	<u>\$ 321,844</u>	<u>\$ 29,476,810</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,239,320	\$ 174,300	\$ 189,904	\$ 1,603,525	\$ 13,212	\$ 1,616,737
Accrued payroll and related liabilities	16,313,683	687,989	189,442	17,191,114	148,412	17,339,526
Due to the City	1,068,342	-	-	1,068,342	-	1,068,342
Due to other governments	-	-	-	-	149,257	149,257
Due to other funds	-	232,637	-	232,637	-	232,637
Total liabilities	<u>18,621,345</u>	<u>1,094,926</u>	<u>379,346</u>	<u>20,095,618</u>	<u>310,881</u>	<u>20,406,499</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Inventories and prepaids	190,013	-	502,889	692,902	-	692,902
Premiums held for workers compensation claims	476,155	-	-	476,155	-	476,155
Premiums held for health insurance claims	380,122	-	-	380,122	-	380,122
Committed:						
Grant local match	-	504,320	-	504,320	-	504,320
Assigned:						
Special revenue	-	74,058	-	74,058	-	74,058
Food Service	-	-	3,595,344	3,595,344	-	3,595,344
Encumbrances	3,186,576	-	149,871	3,336,447	10,963	3,347,410
Total fund balances	<u>4,232,866</u>	<u>578,378</u>	<u>4,248,104</u>	<u>9,059,348</u>	<u>10,963</u>	<u>9,070,311</u>
Total liabilities and fund balance	<u>\$ 22,854,211</u>	<u>\$ 1,673,304</u>	<u>\$ 4,627,450</u>	<u>\$ 29,154,966</u>	<u>\$ 321,844</u>	<u>\$ 29,476,810</u>
<b>Reconciliation to the Statement of Net Position (Exhibit 1)</b>						
<b>Total fund balance</b>						\$ 9,070,311
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						
School Board						123,700,346
Pruden Center						1,595,930
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.						
Other postemployment benefits						(2,682,025)
School Board Compensated absences						(1,836,417)
Pruden Center Compensated absences						(105,391)
<b>Net position of governmental activities</b>						<u>\$ 129,742,754</u>

## 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, 2014**

	School Operating Fund	School Grants Fund	School Food Service Fund	Subtotal Excluding Component Unit	The Pruden Center for Industry & Technology	Total School Board
<b>REVENUES</b>						
Revenue from use of money and property	\$ 33,208	\$ -	\$ 6,960	\$ 40,169	\$ -	\$ 40,169
Charges for services	109,042	-	2,184,729	2,293,771	18,020	2,311,791
Miscellaneous	522,516	333,007	361,584	1,217,107	-	1,217,107
Intergovernmental:						
City contribution	48,615,711	-	-	48,615,711	-	48,615,711
Revenue from the Commonwealth	73,322,761	1,103,726	163,818	74,590,305	26,000	74,616,305
Revenue from the Federal Government	754,476	6,571,216	4,616,831	11,942,523	-	11,942,523
School Board contribution to Pruden Center	-	-	-	-	1,813,174	1,813,174
Isle of Wight contribution to Pruden Center	-	-	-	-	824,979	824,979
Total revenues	<u>123,357,714</u>	<u>8,007,949</u>	<u>7,333,922</u>	<u>138,699,585</u>	<u>2,682,173</u>	<u>141,381,758</u>
<b>EXPENDITURES</b>						
Current:						
Education	121,794,797	8,120,359	6,877,839	136,792,995	2,682,173	139,475,168
Total expenditures	<u>121,794,797</u>	<u>8,120,359</u>	<u>6,877,839</u>	<u>136,792,995</u>	<u>2,682,173</u>	<u>139,475,168</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,562,917</u>	<u>(112,410)</u>	<u>456,083</u>	<u>1,906,590</u>	<u>-</u>	<u>1,906,590</u>
Other financing sources (uses):						
Transfers in	-	259,130	-	259,130	-	259,130
Transfers out	(259,130)	-	-	(259,130)	-	(259,130)
Total other financing sources (uses), net	<u>(259,130)</u>	<u>259,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	1,303,787	146,720	456,083	1,906,590	-	1,906,590
Fund balances at July 1	2,929,079	431,658	3,792,021	7,152,758	10,963	7,163,721
Fund balances at June 30	<u>\$ 4,232,866</u>	<u>\$ 578,378</u>	<u>\$ 4,248,104</u>	<u>\$ 9,059,348</u>	<u>\$ 10,963</u>	<u>\$ 9,070,311</u>

**Reconciliation to the Statement of Activities (Exhibit 2)****Net change in fund balance - governmental funds**

\$ 1,906,590

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

(7,805,009)

Capitalized expenditures

1,427,124

Pruden Center Depreciation Expense

(189,633)

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 - Compensated absences

(21,050)

This amount represents the current year change in those items for the School Board - OPEB

55,751

This amount represents the current year change in compensated absences for the Pruden Center

(22,718)

**Change in net position of governmental activities (Exhibit 2)**\$ (4,648,945)

CITY OF SUFFOLK, VIRGINIA

BUDGETARY RECONCILIATION SCHEDULE  
 GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
 Year Ended June 30, 2014

	School Operating Fund			School Grants Fund			School Food Service Fund		
	Total Exhibit 29	Budget Based Items	Total Exhibit 27	Total Exhibit 29	Budget Based Items	Total Exhibit 27	Total Exhibit 29	Budget Based Items	Total Exhibit 27
Total revenues	\$ 123,357,714		\$ 123,357,714	\$ 8,007,949		\$ 8,007,949	\$ 7,333,922		\$ 7,333,922
Total other financing sources	-		-	259,130		259,130			-
Total revenues	123,357,714	-	123,357,714	8,267,079	-	8,267,079	7,333,922	-	7,333,922
Total expenditures	123,088,090	1,293,293	121,794,797	8,185,259	64,900	8,120,359	7,025,310	147,471	6,877,839
Total other financing uses	259,130		259,130			-			-
Total expenditures	123,347,220	1,293,293	122,053,927	8,185,259	64,900	8,120,359	7,025,310	147,471	6,877,839
Net changes in fund balances	\$ 10,494	\$ (1,293,293)	\$ 1,303,787	\$ 81,820	\$ (64,900)	\$ 146,720	\$ 308,612	\$ (147,471)	\$ 456,083

**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, 2014**

	School Operating Fund				School Grants Fund				School Food Service Fund			
	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual		Original	Final	Actual		Original	Final	Actual	
<b>REVENUES</b>												
Revenue from use of money and property	\$ 50,000	\$ 50,000	\$ 33,208	\$ (16,792)	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 6,960	\$ 5,960
Charges for services	75,605	75,605	109,042	33,437	-	-	-	-	2,375,000	2,375,000	2,184,729	(190,271)
Miscellaneous	576,000	576,000	522,516	(53,484)	30,000	30,000	333,007	303,007	1,109,013	1,109,013	361,584	(747,429)
Intergovernmental:												
Contribution from the City of Suffolk	49,684,053	49,684,053	48,615,711	(1,068,342)	-	-	-	-	-	-	-	-
Revenue from the Commonwealth	73,454,546	73,454,546	73,322,761	(131,785)	1,330,000	2,450,054	1,103,726	(1,346,328)	132,000	132,000	163,818	31,818
Revenue from the Federal Government	1,169,000	1,169,000	754,476	(414,524)	7,645,000	7,645,000	6,571,216	(1,073,784)	4,082,000	4,082,000	4,616,831	534,831
Total revenues	125,009,204	125,009,204	123,357,714	(1,651,490)	9,005,000	10,125,054	8,007,949	(2,117,105)	7,699,013	7,699,013	7,333,922	(365,091)
<b>EXPENDITURES</b>												
Current:												
Education	125,009,204	125,009,204	123,088,090	1,921,114	-	-	-	-	-	-	-	-
Grant expenditures	-	-	-	-	9,105,000	10,225,054	8,185,259	2,039,795	-	-	-	-
Food Services	-	-	-	-	-	-	-	-	7,699,013	7,699,013	7,025,310	673,703
Total expenditures	125,009,204	125,009,204	123,088,090	1,921,114	9,105,000	10,225,054	8,185,259	2,039,795	7,699,013	7,699,013	7,025,310	673,703
Excess (deficiency) of revenues over (under) expenditures	-	-	269,624	3,572,604	(100,000)	(100,000)	(177,310)	(77,310)	-	-	308,612	308,612
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	-	-	-	-	100,000	100,000	259,130	(159,130)	-	-	-	-
Transfers out	-	-	(259,130)	(259,130)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(259,130)	(259,130)	100,000	100,000	259,130	(159,130)	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ 10,494	\$ 3,313,474	\$ -	\$ -	\$ 81,820	\$ (236,440)	\$ -	\$ -	\$ 308,612	\$ 308,612

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**June 30, 2014**

	<b>OPEB Trust Fund</b>	<b>School Activity Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,723,858	\$ 1,370,126
Total assets	11,723,858	\$ 1,370,126
<b>LIABILITIES</b>		
Amounts held for students	-	\$ 1,370,126
Total liabilities	-	\$ 1,370,126
<b>Net Position</b>		
Held in trust for OPEB benefits	11,723,858	
Net position	\$ 11,723,858	

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**OPEB TRUST FUND – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**Year Ended June 30, 2014**

	<b>School Board</b>
<b>Additions:</b>	
Employer Contributions	\$ 476,200
Gain on investments	1,291,748
Total additions	1,767,948
<b>Deductions:</b>	
Administrative fees	11,680
Total deductions	11,680
Change in net position	1,756,268
Net position - beginning of year	9,967,590
Net position - end of year	\$ 11,723,858

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**SCHOOL ACTIVITY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**Year Ended June 30, 2014**

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance End of Year</b>
Assets:				
Cash and cash equivalents	\$ 1,257,495	\$ 2,837,413	\$ 2,724,782	\$ 1,370,126
Liabilities:				
Amounts held for students	\$ 1,257,495	\$ 2,837,413	\$ 2,724,782	\$ 1,370,126

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# STATISTICAL SECTION

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*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.*

<b><u>Contents</u></b>	<b><u>Table</u></b>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>1-4</b>
<b>Revenue Capacity</b> 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.	<b>5-12</b>
<b>Debt Capacity</b> 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.	<b>13-15</b>
<b>Demographic and Economic Information</b> 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.	<b>16-17</b>
<b>Operating Information</b> 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.	<b>18-20</b>

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

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NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 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	\$ 290,323,371
Restricted:										
Capital Projects	2,862,010	5,222,554	-	-	-	-	-	-	-	1,162,771
Debt Service	-	-	392,169	392,169	392,169	392,169	392,169	392,169	392,219	392,259
Other Purposes	944,650	3,703,280	-	959,304	-	8,269,446	18,217,244	5,757,526	6,658,293	8,023,744
Unrestricted	22,631,799	12,468,387	44,337,037	57,234,531	60,941,946	80,954,531	(21,155,533)	26,476,856	87,103,333	86,971,140
Total Net Position										
Governmental Activities	<u>\$ 48,456,564</u>	<u>\$ 72,088,776</u>	<u>\$ 172,826,916</u>	<u>\$ 199,375,635</u>	<u>\$ 190,972,718</u>	<u>\$ 195,487,647</u>	<u>\$ 326,645,090</u>	<u>\$ 368,003,554</u>	<u>\$ 381,473,092</u>	<u>\$ 386,873,285</u>
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 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	\$ 145,111,492
Restricted:										
Debt Service	-	-	-	-	-	1,525,006	1,887,575	1,978,028	-	-
Other Purposes	-	39,426	-	-	-	-	32,827	-	2,079,370	2,144,619
Unrestricted	1,776,739	3,058,548	445,172	1,489,816	2,935,424	5,499,380	6,370,895	6,593,945	8,888,398	13,411,547
Total Net Position										
Business-type Activities	<u>\$ 71,075,962</u>	<u>\$ 173,960,370</u>	<u>\$ 173,529,795</u>	<u>\$ 173,655,191</u>	<u>\$ 174,244,827</u>	<u>\$ 166,278,272</u>	<u>\$ 166,912,551</u>	<u>\$ 165,656,787</u>	<u>\$ 164,115,189</u>	<u>\$ 160,667,658</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 91,317,328	\$ 221,556,951	\$ 301,182,333	\$ 312,955,006	\$ 300,948,006	\$ 265,125,387	\$ 487,812,464	\$ 492,461,817	\$ 440,466,668	\$ 435,434,863
Restricted:										
Capital Projects	2,862,010	5,222,554	-	-	-	-	-	-	-	1,162,771
Debt Service	-	-	392,169	392,169	392,169	1,917,175	2,279,744	2,370,197	392,219	392,259
Other Purposes	944,650	3,742,706	-	959,304	-	8,269,446	18,250,071	5,757,526	8,737,663	10,168,363
Unrestricted	24,408,538	15,526,935	44,782,209	58,724,347	63,877,370	86,453,911	(14,784,638)	33,070,801	95,991,731	100,382,687
Total Net Position										
Primary Government	<u>\$ 119,532,526</u>	<u>\$ 246,049,146</u>	<u>\$ 346,356,711</u>	<u>\$ 373,030,826</u>	<u>\$ 365,217,545</u>	<u>\$ 361,765,919</u>	<u>\$ 493,557,641</u>	<u>\$ 533,660,341</u>	<u>\$ 545,588,281</u>	<u>\$ 547,540,943</u>
	(1)	(2)	(3)			(4)	(5)		(6)	

(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 \$12,376,267 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 assets began to be reflected as a reduction in unrestricted net assets.

(6) This includes a restatement of Net Position in both the Governmental of \$1,979,398 and Business-type Activities of \$2,791,275 due to implementation of GASB 65

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 1,900,766	\$ 6,916,053	\$ 8,379,163	\$ 9,575,332	\$ 8,493,992	\$ 9,422,635	\$ 11,784,825	\$ 12,554,225	\$ 17,558,767	\$ 18,904,150
Judicial	4,936,491	5,535,063	6,807,141	7,157,778	7,159,993	7,393,681	7,221,482	7,622,124	8,138,225	7,994,313
Public Safety	26,646,128	33,410,471	33,914,535	36,275,476	36,372,402	42,448,954	43,635,617	48,587,624	49,413,603	52,439,287
Public Works	4,657,083	5,275,996	28,828,221	29,772,711	32,530,396	34,682,047	30,775,346	37,156,299	32,943,383	35,491,175
Health and Welfare	13,810,781	13,252,584	10,843,875	12,718,036	12,187,513	13,569,286	13,796,431	12,616,178	12,972,806	12,941,699
Transportation	-	-	-	-	-	-	-	-	888,933	619,876
Education	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	49,180,560
Parks, Recreation and Cultural	15,364,543	8,707,837	8,783,502	8,524,477	8,301,660	8,309,722	7,818,362	7,888,484	8,456,643	8,817,413
Community Development	10,058,214	11,807,444	27,229,557	6,296,351	7,742,440	9,329,455	13,789,850	5,951,888	8,099,788	8,665,119
Other Public Services	2,949,560	3,669,173	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	7,266,452	7,099,604	6,989,398	11,090,479	9,896,678	9,293,250	8,525,637	11,832,809	8,998,878	9,858,244
Bond Costs	27,970	22,272	-	-	-	-	-	-	-	-
Non-Departmental	5,481,997	-	-	-	-	-	-	-	-	-
<b>Total Governmental Activities Expenses</b>	<b>149,360,107</b>	<b>134,476,332</b>	<b>183,733,932</b>	<b>163,520,279</b>	<b>200,363,715</b>	<b>188,073,178</b>	<b>193,852,407</b>	<b>188,416,224</b>	<b>196,857,086</b>	<b>204,911,837</b>
Business-type Activities:										
Utilities	17,773,204	23,296,106	30,173,237	29,147,386	29,133,054	38,634,542	34,149,870	35,912,782	40,101,617	45,108,820
Golf course	1,834,057	1,934,301	1,979,380	1,780,625	1,689,229	-	-	-	-	-
Refuse collection	-	-	-	-	-	-	-	5,712,045	5,204,255	5,198,550
Stormwater management	-	-	1,911,122	2,591,374	2,924,270	3,001,245	2,955,327	3,072,703	3,249,640	3,413,963
<b>Total Business-type Activities Expenses</b>	<b>19,607,261</b>	<b>25,230,407</b>	<b>34,063,739</b>	<b>33,519,385</b>	<b>33,746,553</b>	<b>41,635,787</b>	<b>37,105,197</b>	<b>44,697,530</b>	<b>48,555,512</b>	<b>53,721,333</b>
<b>Total Primary Government Expenses</b>	<b>\$ 168,967,368</b>	<b>\$ 159,706,739</b>	<b>\$ 217,797,671</b>	<b>\$ 197,039,664</b>	<b>\$ 234,110,268</b>	<b>\$ 229,708,965</b>	<b>\$ 230,957,604</b>	<b>\$ 233,113,754</b>	<b>\$ 245,412,598</b>	<b>\$ 258,633,169</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for Services:										
General Government Administration	\$ 2,243,348	\$ 2,507,468	\$ -	\$ -	\$ -	\$ 6,299	\$ -	\$ 3,287,250	\$ 4,800,759	\$ 4,977,004
Judicial Administration	588,401	687,317	939,300	788,324	753,969	736,610	932,474	374,594	361,926	275,113
Public Safety	198,638	249,612	1,313,880	2,361,369	2,587,982	2,931,733	2,074,431	575,653	3,130,972	-
Public Works	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	1,460,003
Health and Welfare	-	-	15,015	15,201	7,388	25,280	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	47,971	46,870
Parks, Recreation and Cultural	316,658	325,748	335,642	476,376	628,393	670,162	759,323	719,783	774,237	824,628
Community Development	33,296	27,930	948,983	1,215,821	302,134	248,816	1,470,640	35,124	100,172	287
Other Public Service	602,404	812,681	-	-	-	-	-	-	-	-
<b>Total Charges for Services</b>	<b>5,368,829</b>	<b>5,865,737</b>	<b>5,299,674</b>	<b>6,388,948</b>	<b>6,475,064</b>	<b>6,986,167</b>	<b>6,741,261</b>	<b>5,864,706</b>	<b>10,685,705</b>	<b>7,583,905</b>
Operating Grants and Contributions:										
General Government Administration	443,125	294,285	473,712	531,013	170,905	122,185	395,505	4,620,917	467,086	1,433,125
Judicial Administration	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	2,102,897
Public Safety	745,611	1,159,591	2,325,968	2,293,795	2,136,678	2,705,501	3,256,578	892,671	3,414,088	1,563,382
Public Works	292,492	676,331	16,350,686	17,088,074	18,491,121	18,095,389	18,781,620	-	20,157,859	20,799,365
Health and Welfare	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	7,682,494
Transportation	-	-	-	-	-	-	-	-	116,122	142,793
Education	-	-	-	-	-	-	-	-	140,879	62,308
Parks, Recreation and Cultural	369,363	749,244	285,761	297,489	305,120	294,402	18,228	-	261,267	266,774
Community Development	996,938	550,749	756,429	302,122	575,172	1,808,426	-	-	1,522,630	1,153,383
Other Public Services	72,711	28,630	-	-	-	-	-	-	-	-
<b>Total Operating Grants and Contributions</b>	<b>16,975,626</b>	<b>15,800,530</b>	<b>30,167,363</b>	<b>30,758,083</b>	<b>32,356,868</b>	<b>34,303,823</b>	<b>33,370,344</b>	<b>14,696,384</b>	<b>37,105,013</b>	<b>35,206,521</b>
Capital Grants and Contributions:										
General Government	-	-	-	-	-	-	-	99,389	2,299,245	506,228
Public Safety	-	-	-	-	70,500	-	-	1,958,630	-	-
Public Works	1,763,201	1,979,527	105,190,141	138,253	587,602	1,802,779	3,384,540	46,194,289	4,080,584	1,321,424
Health and Welfare	-	-	8,383	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	159,005	1,561
Education	1,290,471	1,394,061	-	-	-	-	-	-	-	-
Parks, Recreation and Cultural	27,652	227,199	2,043	-	-	-	-	-	157,231	42,882
Community Development	86,672	628,900	1,127,019	1,088,018	966,594	109,151	4,368,366	3,828	-	-
Other Public Services	170,280	-	-	-	-	-	-	-	-	-
Nondepartmental	18,701	-	-	-	-	-	-	-	-	-
<b>Total Capital Grants and Contributions</b>	<b>3,356,977</b>	<b>4,229,687</b>	<b>106,327,586</b>	<b>1,226,271</b>	<b>1,624,696</b>	<b>1,911,930</b>	<b>7,752,906</b>	<b>48,256,136</b>	<b>6,696,065</b>	<b>1,872,095</b>
<b>Total Governmental Activities Program Revenues</b>	<b>25,701,432</b>	<b>25,895,954</b>	<b>141,794,623</b>	<b>38,373,302</b>	<b>40,456,628</b>	<b>43,201,920</b>	<b>47,864,511</b>	<b>68,817,226</b>	<b>54,486,783</b>	<b>44,662,521</b>

CHANGES IN NET POSITION  
LAST EIGHT FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Program Revenues: (Continued)</b>										
Business-type Activities:										
Charges for Services:										
Utility	19,566,580	20,419,822	22,096,514	23,803,453	24,813,989	29,044,958	29,818,675	32,934,240	37,884,451	39,013,878
Non-major	1,430,093	1,510,288	4,412,172	5,220,655	5,152,294	3,861,010	3,861,677	10,055,670	10,765,864	10,570,683
Total Charges for Services	20,996,673	21,930,110	26,508,686	29,024,108	29,966,283	32,905,968	33,680,352	42,989,910	48,650,315	49,584,561
Operating Grants and Contributions:										
Utility	240,093	11,163	814,500	864,141	542,287	-	-	-	-	-
Total Operating Grants and Contributions	240,093	11,163	814,500	864,141	542,287	-	-	-	-	-
Capital Grants and Contributions:										
Utility	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	456,001
Total Capital Grants and Contributions	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	456,001
Total Business-type Activities Program Revenues	24,521,428	22,324,685	33,366,452	32,546,269	34,294,412	34,410,201	38,149,186	44,068,290	51,013,979	50,040,562
Total Primary Government Program Revenues	\$ 50,222,860	\$ 48,220,639	\$ 175,161,075	\$ 70,919,571	\$ 74,751,040	\$ 77,612,121	\$ 86,013,697	\$ 112,885,516	\$ 105,500,762	\$ 94,703,083
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (123,658,675)	\$ (108,580,378)	\$ (41,939,309)	\$ (125,146,977)	\$ (159,907,087)	\$ (144,871,258)	\$ (145,987,896)	\$ (119,598,998)	\$ (142,370,304)	\$ (160,249,316)
Business-Type Activities	4,914,167	(2,905,722)	(697,287)	(973,116)	547,859	(7,225,586)	1,043,989	(629,240)	2,458,467	(3,680,771)
Total Primary Government Net Expense	\$ (118,744,508)	\$ (111,486,100)	\$ (42,636,596)	\$ (126,120,093)	\$ (159,359,228)	\$ (152,096,844)	\$ (144,943,907)	\$ (120,228,238)	\$ (139,911,837)	\$ (163,930,086)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes	\$ 102,418,853	\$ 106,905,524	\$ 120,034,998	\$ 131,543,030	\$ 132,560,748	\$ 131,748,747	\$ 133,841,481	\$ 140,556,855	\$ 141,004,777	\$ 146,247,763
Grants and Contributions Not Restricted to Specific Programs	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	13,609,376
Revenue from use of money and property	2,060,740	2,445,754	3,871,010	3,794,438	1,845,378	1,136,704	1,142,359	1,091,549	1,257,594	1,230,251
Gain on Disposal of Capital Assets	-	180,500	-	-	-	-	-	-	-	-
Capital assets donated to Component Unit	-	-	-	-	-	-	-	-	(4,528,560)	-
Transfers/Miscellaneous	1,783,138	2,659,201	4,235,712	1,930,839	2,692,356	3,968,437	129,570,163	6,165,589	6,460,944	4,562,119
Total Governmental Activities	109,502,002	126,365,900	142,677,449	151,695,696	151,504,170	150,792,383	277,145,339	160,957,462	157,819,240	165,649,509
Business-type Activities:										
Reimbursements from Other Agencies	23,000	-	-	-	-	-	-	-	-	-
Investment Earnings	237,146	476,611	1,042,633	1,633,718	640,041	555,814	363,684	835,126	741,640	571,581
Transfers/Miscellaneous	(485,330)	(158,526)	(329,670)	(535,206)	(598,264)	(2,063,316)	(773,394)	(1,461,650)	(1,950,430)	(338,342)
Total Business-type Activities	(225,184)	318,085	712,963	1,098,512	41,777	(1,507,502)	(409,710)	(626,524)	(1,208,790)	233,239
Total Primary Government	\$ 109,276,818	\$ 126,683,985	\$ 143,390,412	\$ 152,794,208	\$ 151,545,947	\$ 149,284,881	\$ 276,735,629	\$ 160,330,938	\$ 156,610,450	\$ 165,882,748
<b>Change in Net Position</b>										
Governmental Activities	\$ (14,156,673)	\$ 17,785,522	\$ 100,738,140	\$ 26,548,719	\$ (8,402,917)	\$ 5,921,125	\$ 131,157,443	\$ 41,358,464	\$ 15,448,936	\$ 5,400,193
Business-Type Activities	4,688,983	(2,587,637)	15,676	125,396	589,636	(8,733,088)	634,279	(1,255,764)	1,249,677	(3,447,532)
Total Primary Government	\$ (9,467,690)	\$ 15,197,885	\$ 100,753,816	\$ 26,674,115	\$ (7,813,281)	\$ (2,811,963)	\$ 131,791,722	\$ 40,102,700	\$ 16,698,613	\$ 1,952,662

(1)

(2)

(3)

(1) In Fiscal Year 2007 the City adjusted grouping categories based on new fund additions, changes in operational structure and GFOA comments.

(2) In FY2011, significant prior period adjustments were made that impacted multiple years. Therefore, FY2010 values were not restated in governmental activities but business-type expenses increased by \$5,153,452 per Note 17 in 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 \$127,665,951 and business-type expenses increased by \$768,687 per Note 17 in the financial statements.

FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	A	2010	2011	2012	2013	2014
General Fund											
Reserved	\$ 3,235,758	\$ 2,008,158	\$ 594,170	\$ 810,492	\$ 670,027		-	-	-	-	-
Unreserved	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	\$ 3,920
Restricted	-	-	-	-	-		-	2,106,682	2,106,682	565,969	580,948
Committed	-	-	-	-	-		585,475	8,200,533	7,746,520	9,909,530	8,792,595
Assigned	-	-	-	-	-		9,515,153	1,520,457	7,676,544	1,646,157	2,348,576
Unassigned	-	-	-	-	-		43,222,091	35,569,058	36,881,374	43,938,132	45,575,368
Total General Fund	<u>\$ 28,315,353</u>	<u>\$ 30,154,560</u>	<u>\$ 33,811,978</u>	<u>\$ 48,089,670</u>	<u>\$ 51,210,069</u>		<u>\$ 53,600,201</u>	<u>\$ 47,478,427</u>	<u>\$ 54,452,206</u>	<u>\$ 56,069,582</u>	<u>\$ 57,301,407</u>
All Other Governmental Funds											
Reserved	\$ 4,768,672	\$ 5,890,801	\$ 2,419,652	\$ 8,189,612	\$ 12,318,937		\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:											
Capital Projects Funds	8,307,664	(7,242,148)	28,003,480	21,339,005	19,353,128		-	-	-	-	-
Debt Service Funds	(1,572,163)	(757,116)	734,340	861,708	679,706		-	-	-	-	-
Permanent	-	977,277	1,026,077	959,304	-		-	-	-	-	-
Special Revenue Funds	2,272,683	(174,585)	4,171,904	6,635,295	8,214,906		-	-	-	-	-
Nonspendable	-	-	-	-	-		-	-	-	-	88,383
Restricted	-	-	-	-	-		392,169	17,195,832	14,227,163	14,353,521	35,666,062
Committed, reported in:											
Capital Projects Funds	-	-	-	-	-		12,986,435	2,057,504	31,842,530	34,504,114	6,469,155
Nonmajor Governmental Funds	-	-	-	-	-		5,889,037	2,899,128	3,293,204	2,839,333	2,125,879
Other Governmental Funds	-	-	-	-	-		286,150	7,115,186	10,809,261	10,890,830	13,337,889
Assigned, reported in:											
Other Governmental Funds	-	-	-	-	-		6,868,143	-	-	-	-
Special Revenue Funds	-	-	-	-	-		5,468,839	872,002	949,904	2,864,515	1,941,868
Debt Service Funds	-	-	-	-	-		600,859	-	-	-	-
Unassigned	-	-	-	-	-		(69,801)	(71,710)	0	(10,938)	(10,909)
Total all other Governmental Funds	<u>\$ 13,776,856</u>	<u>\$ (1,305,771)</u>	<u>\$ 36,355,453</u>	<u>\$ 37,984,924</u>	<u>\$ 40,566,677</u>		<u>\$ 32,421,831</u>	<u>\$ 30,067,942</u>	<u>\$ 61,122,062</u>	<u>\$ 65,441,375</u>	<u>\$ 59,618,327</u>
Component Unit (School Board)											
Reserved	\$ 6,611,928	\$ 5,378,752	\$ 8,174,301	\$ 8,065,992	\$ 10,459,827		-	-	-	-	-
Unreserved	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	\$ 1,549,179
Restricted	-	-	-	-	-		322,418	-	-	-	-
Committed	-	-	-	-	-		1,007,606	6,324,592	818,913	357,600	504,320
Assigned	-	-	-	-	-		7,928,595	9,833,477	6,625,214	5,558,243	7,016,812
Unassigned	-	-	-	-	-		-	(1,521,774)	(127,803)	(149,539)	-
Total Component Unit (School Board)	<u>\$ 7,456,284</u>	<u>\$ 6,389,933</u>	<u>\$ 8,957,683</u>	<u>\$ 9,436,360</u>	<u>\$ 11,864,063</u>		<u>\$ 9,710,448</u>	<u>\$ 16,023,416</u>	<u>\$ 12,372,249</u>	<u>\$ 7,163,721</u>	<u>\$ 9,070,311</u>
				(2)			(3)	(4)			

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
General Property Taxes	\$ 74,827,500	\$ 87,023,480	\$ 88,450,925	\$ 98,037,522	\$ 99,044,697	\$ 98,299,291	\$ 98,760,972	\$ 103,782,797	\$ 104,577,439	\$ 110,069,867
Other Local Taxes	27,514,690	30,512,149	31,261,557	33,104,223	33,090,604	32,916,852	34,520,691	36,916,761	36,379,136	36,077,720
Licenses, Permits and Fees	1,581,725	1,811,848	1,532,729	1,375,508	1,182,302	1,394,842	1,182,746	1,267,377	1,284,823	1,282,637
Fines and Forfeitures	661,623	695,620	552,063	475,350	521,771	852,307	869,701	1,024,324	1,048,276	1,067,296
Use of Money and Property	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	1,180,391
Intergovernmental	24,402,278	25,571,959 (8)	50,439,343	47,805,781	49,182,612	50,154,248	52,221,486	53,256,359	55,743,813	50,170,399
Charges for Services	2,957,076	3,166,463	3,214,881	4,538,081	4,770,991	4,739,019	4,711,730	5,379,984	6,999,252	5,354,741
Miscellaneous	336,942	2,005,995 (7)	3,715,402	1,368,871	1,784,155	1,674,116	1,445,202	1,900,247	2,229,766	1,385,847
<b>Total Revenues</b>	<b>134,342,574</b>	<b>153,221,338</b>	<b>183,037,910</b>	<b>190,499,774</b>	<b>191,422,510</b>	<b>191,167,379</b>	<b>194,498,887</b>	<b>204,345,175</b>	<b>209,462,054</b>	<b>206,588,898</b>
<b>Expenditures</b>										
General Government Administration	6,433,652	6,648,753	8,177,101 (7)	8,172,799	8,075,932	8,113,416	11,008,630 (7)	13,563,676	15,171,035	15,045,173
Judicial Administration	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	7,978,377
Public Safety	26,239,576	30,227,291	31,896,254	33,563,830	34,676,356	37,802,601	40,185,432	48,947,127	48,435,845	48,997,652
Public Works	8,767,265	11,172,271 (5)	22,157,962	24,379,984	26,204,343	26,784,701	22,330,517 (7)	19,019,321	19,465,040	21,231,887
Health and Welfare	13,786,005	12,581,669	10,493,819 (7)	11,040,820	11,597,910	12,718,523	13,156,330	12,802,756	12,920,565	12,933,567
Transportation	-	-	-	-	-	-	-	-	888,337	672,274
Education	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	49,170,847
Parks, Recreation and Cultural	4,299,784	4,839,971	6,042,500 (7)	5,984,292	6,680,503	6,972,187	6,453,131	7,567,516	7,650,996	7,857,639
Community Development	4,485,621	4,541,559	26,784,795 (3)	6,192,145	8,032,334	8,783,239	13,644,310 (3)	6,005,460	8,062,809	8,238,220
Other Public Services	2,949,560	3,561,018	-	-	-	-	-	-	-	-
Non-Departmental	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	531,079
Capital Outlay	29,512,856	38,086,252	18,741,520	28,574,620	20,582,782	20,789,098	16,235,879	15,988,154	20,951,351	46,949,925
Debt Service:										
Other	292,993	209,398	1,005,084	190,205	288,914	339,170	17,787	319,789	168,343	521,661
Interest	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	10,206,705
Principal	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	17,233,990
<b>Total Expenditures</b>	<b>157,688,175</b>	<b>181,739,003</b>	<b>202,294,247</b>	<b>200,384,687</b>	<b>203,494,719</b>	<b>206,177,544</b>	<b>205,895,955</b>	<b>200,504,380</b>	<b>216,875,982</b>	<b>247,568,997</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(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)	(40,980,099)
<b>Other Financing Sources (Uses)</b>										
Proceeds of Refunding Bonds	-	9,978,267	28,440,000	-	-	30,605,000	-	14,295,853	11,520,000	5,370,000
Proceeds of Bonds Issued	21,160,000	14,406,949	63,486,239	24,475,000	16,600,000	3,550,000	-	32,526,431	9,890,000	33,105,000
Premiums on Debt	168,989	918,255	3,131,272	501,623	-	2,102,918	-	-	3,322,503	4,248,968
Transfers to other governments	-	-	-	-	-	-	-	-	-	(304,763)
Transfers In	7,740,454	6,114,990	6,517,082	27,223,057	30,481,200	31,222,564	31,070,025	32,840,198	35,363,768	34,821,649
Payment to Refunded Bonds Escrow Agent	-	(10,365,390)	(29,703,423)	-	-	(32,350,000)	-	(14,096,458)	(13,568,249)	(4,844,006)
Proceeds from Sale of Asset	-	-	-	-	-	-	-	-	-	-
Transfers Out	(7,253,654)	(5,778,826)	(9,022,028)	(26,407,603)	(29,306,840)	(27,016,486)	(29,714,865)	(31,378,920)	(33,177,405)	(36,007,972)
<b>Total Other Financing Sources (Uses), net</b>	<b>21,815,789</b>	<b>15,274,245</b>	<b>62,849,142</b>	<b>25,792,077</b>	<b>17,774,360</b>	<b>8,113,996</b>	<b>1,355,160</b>	<b>34,187,104</b>	<b>13,350,617</b>	<b>36,388,876</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,529,812)</b>	<b>\$ (13,243,420)</b>	<b>\$ 43,592,805</b>	<b>\$ 15,907,164 (8)</b>	<b>\$ 5,702,151</b>	<b>\$ (6,896,169) (8)</b>	<b>\$ (10,041,908) (8)</b>	<b>\$ 38,027,899</b>	<b>\$ 5,936,689</b>	<b>\$ (4,591,223)</b>
Capital outlay (1)	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	44,465,715
<b>Debt Service as a percentage of non-capital expenditures (1)</b>	<b>13.09%</b>	<b>14.18%</b>	<b>11.84%</b>	<b>12.67%</b>	<b>12.75%</b>	<b>12.84%</b>	<b>11.81%</b>	<b>12.63%</b>	<b>13.01%</b>	<b>13.49%</b>
<b>Add'l School Operating &amp; Food Service Expenditures (2)</b>	<b>69,301,721</b>	<b>73,676,524</b>	<b>79,602,860</b>	<b>85,408,681</b>	<b>91,340,694</b>	<b>89,115,227</b>	<b>81,934,663</b>	<b>85,170,286</b>	<b>86,707,523</b>	<b>80,056,924</b>
<b>Debt Service as a percentage of non-capital plus school expenditures (2)</b>	<b>8.50%</b>	<b>9.38%</b>	<b>8.26%</b>	<b>8.48%</b>	<b>8.50%</b>	<b>8.70%</b>	<b>8.25%</b>	<b>8.71%</b>	<b>8.99%</b>	<b>9.68%</b>

(1) as shown in the Exhibit 4 reconciliation schedule, as defined by GFOA. 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/EDA 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 \$18.3 M Revenue Bonds; 2007, \$18.5 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 to Component Units instead of an expenditure.

(7) Reclassification due to GFOA 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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change 2005-2014
General Property Tax	\$ 74,827,500	\$ 76,472,589	\$ 88,450,925	\$ 98,037,522	\$ 99,044,697	\$ 98,299,291	\$ 99,497,154	\$ 103,640,094	\$ 104,577,439	\$ 110,069,867	47%
Other Local Taxes:											
Sales and Use	6,393,278	7,043,982	7,177,386	7,579,882	7,323,289	7,355,338	7,534,722	8,378,591	8,050,485	8,473,872	33%
Utility Tax	6,160,225	6,420,430	5,348,947	4,190,304	4,279,814	4,238,079	4,388,706	3,580,799	4,390,438	4,430,346	-28%
Communication Taxes	-	-	1,723,627	3,682,126	3,733,667	3,614,856	3,649,188	3,826,015	3,602,321	3,535,356 (1)	100%
Business and Occupational License	4,528,220	5,177,235	5,674,968	5,806,810	6,261,676	5,985,479	6,668,905	7,536,501	6,277,297	5,158,825	14%
Franchise	233,565	251,447	138,635	-	-	-	-	-	-	-	-100%
Motor Vehicle License	1,350,308	1,359,928	1,532,277	1,650,732	1,713,998	1,711,012	1,695,869	2,104,948	2,247,870	2,240,157	66%
Bank Stock	283,547	362,571	350,564	288,973	306,405	641,735	498,527	493,688	486,092	505,550	78%
Recordation	2,001,254	2,632,855	2,122,575	1,563,745	1,186,018	1,009,592	830,076	922,372	1,165,979	1,269,043	-37%
Tobacco	1,538,959	1,403,764	1,378,724	1,415,123	1,408,348	1,382,361	1,383,896	1,352,797	1,313,533	1,354,757	-12%
Lodging	302,463	235,137	226,867	832,049	778,559	957,654	924,901	1,198,551	1,071,900	1,119,678	270%
Meals	3,323,238	3,886,919	4,306,494	5,632,980	5,683,139	5,643,405	6,430,769	7,076,131	7,452,212	7,646,834	130%
Admission	369,995	356,211	382,592	354,950	376,024	377,341	338,767	306,196	237,060	243,203	-34%
Emergency Phone Services	1,029,638	1,033,810	502,503	-	-	-	-	-	-	- (1)	-100%
Public Facility Tax Rebate	-	347,860	395,398	106,549	39,667	-	-	140,172	83,949	100,099	100%
<b>Total</b>	<b>\$ 102,342,190</b>	<b>\$ 106,984,738</b>	<b>\$ 119,712,482</b>	<b>\$ 131,141,745</b>	<b>\$ 132,135,301</b>	<b>\$ 131,216,143</b>	<b>\$ 133,841,480</b>	<b>\$ 140,556,855</b>	<b>\$ 140,956,575</b>	<b>\$ 146,147,587</b>	

(1) Effective January 1, 2007 the Commonwealth of Virginia moved to a Communication Tax collected by the State and remitted to the locality versus the local taxes previously charged by the jurisdiction.

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

Fiscal Year	Real Property					Personal Property				Total Assessed Value
	Assessed Value			Estimated Actual Value	City Wide Rate	Assessed Value (4)			Tax Rate	
	Citizens Property (1)	Public Service (2)	Total			Citizens Property (3)	Public Service (2)	Total		
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
2014	8,612,541,300	28,707,851	8,641,249,151	9,132,641,100	1.03	864,971,340	297,602,714	1,162,574,054	4.25	9,803,823,205

(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			
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	5.22
2013	-	0.97	0.25	-	0.12	4.25	3.15	5.22
2014	-	1.03	0.25	-	0.11	4.25	3.15	5.28

(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

		<b>Real Property</b>			
		<b>2014</b>		<b>2005</b>	
<b>Taxpayer</b>	<b>Type of Business</b>	<b>Taxable Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value (1)</b>	<b>Taxable Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value (1)</b>
116 Lakeview Parkway, LLC	Joint Military Training Facility	54,180,500	0.63%		
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	44,294,900	0.51%	35,801,700	0.76%
Centerpoint Properties Trust	Real Property Management	41,236,600	0.48%		
Sysco Food Services of Hampton Roads	Food Service Distribution	42,381,300	0.49%	24,298,900	0.52%
Target Corporation	Distribution Warehouse	39,245,000	0.46%	42,287,300	0.90%
TowneBank	Financial Institution	36,721,800	0.43%		
Belleville Widow & Orphans	Counseling Services	30,317,400	0.35%		
Lake View Development Group LLC	Joint Military Training Facility	27,315,400	0.32%		
Inland American suffolk LV, LLC	Joint Military Training Facility	25,852,800	0.30%		
City of Norfolk	Municipal Water System	\$		\$ 20,332,400	0.43%
Wal-Mart Stores	Retail Merchandise			21,439,500	0.46%
Lake Prince Center, Inc.	Retirement Community			23,575,500	0.50%
Rubicon - NGP	Joint Military Training Facility			44,233,400	0.94%
JM Smucker Company	Beverage Company			24,259,000	0.52%
BASF Corporation	Chemical Plant			26,105,400	0.56%
Planters Lifesavers Company	Peanut Snacks			16,294,000	0.35%
		<u>\$ 341,545,700</u>	<u>3.97%</u>	<u>\$ 176,239,200</u>	<u>3.75%</u>
(1) Total Assessed Value (does not include public service corporations)		\$ 8,612,541,300		\$ 4,700,248,600	

Source: City of Suffolk Assessor's Office

		<b>Personal Property</b>			
		<b>2014</b>		<b>2005</b>	
<b>Taxpayer</b>	<b>Type of Business</b>	<b>Taxable Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value (2)</b>	<b>Taxable Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value (2)</b>
Unilever/Lipton, Inc.	Beverage Company	\$ 9,562,190	1.11%	\$ 6,746,240	1.08%
Planters/Kraft Foods	Food Processing	8,244,730	0.95%	6,903,000	1.11%
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	7,589,110	0.88%	4,171,490	0.67%
BASF Corporation	Chemical Plant	5,810,300	0.67%	8,312,080	1.33%
Lockheed Martin Corporation	Technology Company	5,469,110	0.63%		-
JM Smucker Company	Beverage Company	5,454,520	0.63%	5,085,500	0.81%
Massimo Zanetti Beverage USA	Beverage Company	5,008,610	0.58%		-
Sysco Food Services of Hampton Roads	Food Service Distribution	3,783,780	0.44%	1,671,660	0.27%
Target Corporation	Distribution Warehouse	3,679,930	0.43%	2,149,990	-
Charter Communications	Cable Products	2,801,150	0.32%	2,240,710	0.36%
Vitex Packaging	Packaging Warehouse			1,037,660	0.17%
Suffolk Energy Partners L.P.	Energy Services			834,160	0.13%
		<u>\$ 57,403,430</u>	<u>6.64%</u>	<u>\$ 39,152,490</u>	<u>6.27%</u>
(2) Total Assessed Value (does not include public service corporations)		\$ 864,971,340		\$ 624,278,865	

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

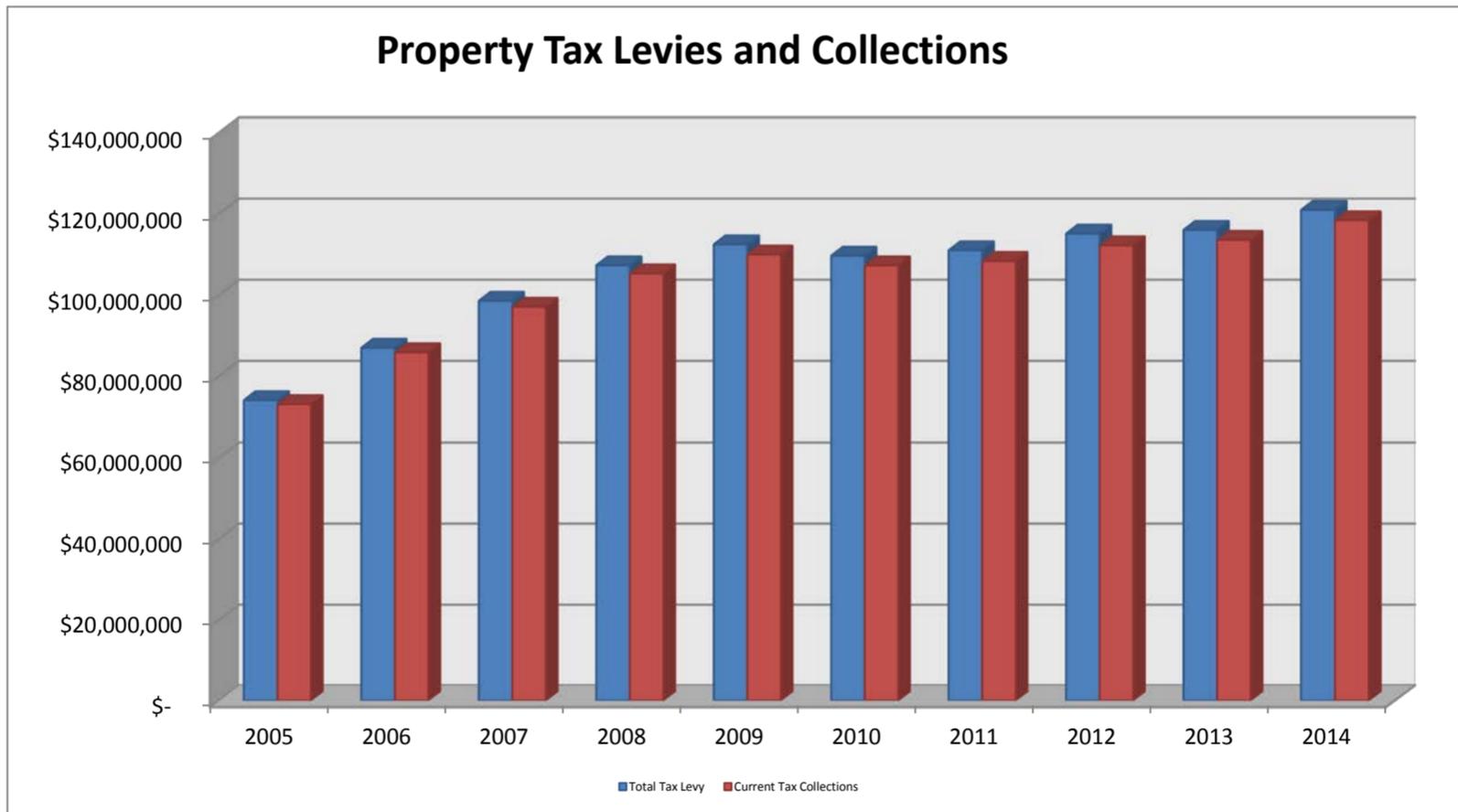
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Tax Collections				Outstanding Delinquent Taxes At End of Fiscal Year (2)
				Delinquent		Total		
				Delinquent Tax Collections	As Percent of Outstanding Delinquent Taxes	Total Tax Collections (2)	Total Collections as a Percent of the Levy	
2005	\$ 74,108,747	\$ 73,148,580	98.70%	\$ 745,533	36.69%	\$ 73,894,113	99.71%	\$ 2,032,137
2006	87,028,625	85,921,671	98.73%	968,148	46.59%	86,889,819	99.84%	2,077,972
2007	98,604,779	97,146,638	98.52%	951,030	40.71%	98,097,668	99.49%	2,336,057
2008	107,353,414	105,361,772	98.14%	933,545	88.23%	106,295,317	99.01%	1,058,097
2009	112,502,640	110,007,171	97.78%	1,475,446	40.49%	111,482,617	99.09%	3,643,790
2010	109,732,744	107,359,137	97.84%	1,585,519	38.92%	108,944,656	99.28%	4,073,288
2011	111,072,859	108,430,361	97.62%	2,711,843	65.92%	111,142,204	100.06%	4,113,644
2012	115,190,689	112,303,915	97.49%	1,970,995	43.95%	114,274,910	99.20%	4,484,190
2013	116,106,208	113,620,442	97.86%	2,307,092	55.20%	115,927,534	99.85%	4,179,156
2014	121,016,827	118,482,416	97.91%	1,818,928	42.55%	120,301,344	99.41%	4,275,281

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)				Total
	Number of Permits	Value	Number of Permits	Value	Residential	Commercial	Agricultural	Nontaxable	
2005	191	\$ 86,239,759	1,585	\$ 182,767,959	\$ 3,633,548,700	\$ 876,319,900	\$ 457,703,200	\$ 751,744,400	\$ 5,719,316,200
2006	196	59,858,597	1,690	228,671,215	4,537,277,500	1,013,362,100	646,369,300	809,532,500	7,006,541,400
2007	218	140,285,316	1,198	132,475,248	6,060,448,500	1,362,319,600	767,985,700	914,701,000	9,105,454,800
2008	193	73,914,062	1,101	105,455,002	6,850,010,900	1,444,643,500	845,756,000	978,058,800	10,118,469,200
2009	151	79,953,808	337	54,363,185	7,114,848,900	1,779,310,900	829,471,000	1,000,191,500	10,723,822,300
2010	168	40,876,496	781	67,393,951	7,115,582,200	1,747,470,100	841,993,800	1,021,152,900	10,726,199,000
2011	133	28,621,709	638	45,448,453	6,945,973,900	1,875,936,500	865,880,900	974,049,400	10,661,840,700
2012	177	64,189,699	647	53,549,031	6,887,276,900	1,762,876,100	822,404,700	1,005,501,100	10,478,058,800
2013	146	75,601,465	832	179,774,238	6,813,160,700	1,760,322,100	797,698,900	990,739,800	10,361,921,500
2014	149	66,694,893	750	84,679,157	6,685,327,800	1,726,979,800	720,333,500	1,022,171,600	10,154,812,700

(1) Department of Planning and Community Development

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

PRINCIPAL COMMERCIAL/INDUSTRIAL WATER AND SEWER CONSUMERS  
YEAR ENDED JUNE 30, 2014

Water Consumers	Type of Business	Annual Consumption in Gallons (Hundred Cubic Feet)	% of Total Annual Consumption (1)
Western Tidewater Water Authority	Regional Water Supply	220,123	9.24%
JM Smucker Company	Beverage Company	61,173	2.57%
Western Tidewater Regional Jail	Jail-Regional Facility	46,625	1.96%
Sentara/Obici Hospital	Hospital	37,356	1.57%
Wanchese Fish Company	Seafood Processing	24,900	1.04%
Suffolk Public Schools	Education	23,860	1.00%
Planters/Kraft Foods	Food Processing	22,733	0.95%
Harbour Breeze Apartments	Real Property Management	16,499	0.69%
Unilvever/Lipton, Inc.	Beverage Company	13,394	0.56%
BASF Corporation	Chemical Plant	11,170	0.47%
		477,833	20.05%

(1) Total annual consumption (all water customers)

2,382,859

Sewer Consumers	Type of Business	Annual Consumption in Gallons (Hundred Cubic Feet)	% of Total Annual Consumption (2)
JM Smucker Company	Beverage Company	52,924	2.79%
Western Tidewater Regional Jail	Jail-Regional Facility	46,625	2.46%
Sentara/Obici Hospital	Hospital	37,356	1.97%
BASF Corporation	Chemical Plant	36,050	1.90%
Wanchese Fish Company	Seafood Processing	24,900	1.31%
Suffolk Public Schools	Education	23,860	1.26%
Harbour Breeze Apartments	Real Property Management	16,499	0.87%
Remington Park Condo Assoc	Real Property Management	9,465	0.50%
Lake Prince Center	Real Property Management	9,010	0.47%
Unilever/Lipton, Inc.	Beverage Company	8,885	0.47%
		265,574	14.00%

(2) Total annual consumption (all sewer customers)

1,897,456

*Source: Department of Public Utilities*

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

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>WATER</b>										
<b>Water Rate per 100 cubic feet</b>	\$ 2.74	\$ 2.82	\$ 3.09	\$ 3.41	\$ 3.92	\$ 4.94	\$ 5.84	\$ 6.43	\$ 7.13	\$ 7.84
Minimum Bi-monthly Charge (5 ccf)	12.02	12.48	15.45	17.05	19.60	24.70	29.20	32.15	33.65	-
<b>Meter Service Charge (per month)</b>										
5/8 inch meter	1.50	1.50	2.40	2.40	2.40	2.40	2.40	2.40	2.40	5.35
<b>Water Connection Charge (installed by city)</b>										
5/8 inch meter	1,000	1,030	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
<b>Water Connection Charge (installed by developer)</b>	50	50	50	50	50	50	50	50	50	50
<b>Water Availability Charge (residential)</b>										
Single Family	4,390	4,520	5,390	5,520	5,520	5,520	5,520	5,520	5,520	5,520
<b>Water Availability Charge (commercial)</b>										
5/8 inch meter	4,390	4,520	5,390	5,520	5,520	5,520	5,520	5,520	5,520	5,520
3/4 inch meter	6,580	6,780	8,090	8,180	8,180	8,180	8,180	8,180	8,180	8,180
1 inch meter	10,970	11,300	13,480	13,520	13,520	13,520	13,520	13,520	13,520	13,520
1½ inch meter	21,940	22,600	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950
2 inch meter	35,100	36,155	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120
3 inch meter	65,820	67,795	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850
4 inch meter	109,695	112,985	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750
<b>WTWA Wholesale Water Rate</b>										
Water Rate (CCF)	3.37	3.47	3.29	3.43	3.53	3.99	3.76	3.84	4.13	4.36
Fixed Capacity Charge (Per Month)	N/A	N/A	87,567	102,370	147,242	160,979	190,452	220,668	193,496	204,641
<b>SEWER</b>										
<b>Sewer Collection (per 100 cubic feet)</b>	1.78	1.83	2.12	2.61	2.88	3.78	4.50	4.91	5.35	5.82
Minimum Bi-monthly period (5 ccf)	13.27	11.38	10.60	13.05	14.40	18.90	22.50	24.55	26.75	-
<b>Sewer Connection Charge (installed by city)</b>										
4 inch lateral size	1,310	1,350	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
6 inch lateral size	2,400	2,475	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650
<b>Sewer Connection Charge (installed by developer)</b>	50	50	50	50	50	50	50	50	50	50
<b>Sewer Availability Charge (residential)</b>										
Single Family	2,125	2,190	4,920	6,000	6,000	6,000	6,000	6,000	6,000	6,000
<b>Sewer Availability Charge (commercial)</b>										
5/8 inch meter	2,125	2,190	4,920	6,000	6,000	6,000	6,000	6,000	6,000	6,000
3/4 inch meter	3,195	3,285	7,380	9,000	9,000	9,000	9,000	9,000	9,000	9,000
1 inch meter	5,320	5,475	12,300	14,800	14,800	14,800	14,800	14,800	14,800	14,800
1½ inch meter	10,635	10,950	24,600	29,500	29,500	29,500	29,500	29,500	29,500	29,500
2 inch meter	17,015	17,525	39,360	47,100	47,100	47,100	47,100	47,100	47,100	47,100
3 inch meter	31,905	32,860	73,800	88,100	88,100	88,100	88,100	88,100	88,100	88,100
4 inch meter	53,175	54,770	123,000	146,700	146,800	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	
	a	b	c	d	a+b+c+d			e	f
	General Obligation Bonds General Gov't (2)	General Obligation Bonds Business-type activities	Literary Bonds	Notes Payable	Total General Bonded Debt			Capital Leases	Section 108 Loan Payable
2005	\$ 142,977,984	\$ 11,354,183	\$ 7,750,000	\$ 3,000,000	\$ 165,082,167	3.31%	2,175	\$ 3,168,162	\$ -
2006	144,350,436	10,362,731	7,250,000	4,196,949	166,160,116	2.67%	2,121	8,370,710	-
2007	195,065,531	9,386,856	6,750,000	1,588,475	212,790,862	2.59%	2,674	8,767,219	3,845,000
2008	208,232,132	8,616,329	6,250,000	480,000	223,578,461	2.36%	2,757	6,354,783	3,652,000
2009	215,824,433	3,874,661	5,750,000	240,000	225,689,094	2.32%	2,751	8,786,426	3,459,000
2010	208,487,019	30,393,631	5,250,000	-	244,130,650	2.52%	2,955	6,394,321	3,266,000
2011	195,594,667	28,937,715	4,750,000	-	229,282,382	2.37%	2,711	4,549,616	3,073,000
2012	214,567,471	109,776,348	4,250,000	-	328,593,819	3.47%	3,835	4,390,193	2,880,000
2013	214,236,652	152,015,340	-	-	366,251,992	3.91%	4,274	5,388,859	2,687,000
2014	234,108,838	182,234,124	-	-	416,342,962	4.56%	4,740	10,738,856	2,494,000

Fiscal Year**	Business-Type Activities (1)					Grand Total	Percentage of Personal Income (4)	Total Per Capita (4)
	g	h	i	a+c+d+e+f	b+g+h			
	Capital Leases	Senior: Revenue Bonds	Presentation only Subordinate: GO Bonds (5)	Total Governmental Activities	Total Business-type Activities			
2005	\$ -	\$ 53,827,788	\$ -	\$ 156,896,146	\$ 65,181,971	\$ 222,078,117	9.24%	2,926
2006	-	67,023,043	-	164,168,095	77,385,774	241,553,869	9.10%	3,084
2007	-	106,290,829	-	216,016,225	115,677,685	331,693,910	11.59%	4,169
2008	-	145,323,116	-	224,968,915	153,939,445	378,908,360	12.55%	4,672
2009	-	188,938,920	-	234,059,859	192,813,581	426,873,440	13.98%	5,203
2010	-	185,823,411	27,000,000	223,397,340	216,217,042	439,614,382	14.06%	5,321
2011	-	179,922,539	27,000,000	207,967,283	208,860,254	416,827,537	12.50%	4,928
2012	2,718,563	161,624,546	27,000,000	226,087,664	274,119,458	500,207,122	14.99%	5,837
2013	2,337,275	151,375,536	26,395,000	222,312,511	305,728,151	528,040,662	16.89%	6,162
2014	1,767,419	141,572,222	25,780,000	247,341,694	325,573,765	572,915,459	17.17%	6,523

(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.

LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2014

	City's Financial Policy Goal	City's Legal Debt Limit	Commonwealth's Legal Debt Limit
Assessed value (as of July 1, 2013) - taxable real property, including public service corporations	\$ 8,641,249,151	\$ 8,641,249,151	\$ 8,641,249,151
Adopted and Legal debt limits:			
4% of assessed value (authorized limit adopted by City Council 2010)	\$ 345,649,966		
7% of assessed value (authorized limit imposed by City Charter)		\$ 604,887,441	
10% of assessed value (authorized by the Commonwealth for all cities)			\$ 864,124,915
Deduct amount of debt applicable to debt limit:			
Gross general bonded debt (includes bonds and notes payable)	(4) 242,271,161	208,780,876	208,780,876
Guarantee of Southeast Public Service Authority Bonds		3,884,810	3,884,810
	<u>\$ 103,378,805</u>	<u>\$ 392,221,755</u>	<u>\$ 651,459,229</u>

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>City's Legal Debt Margin</b>										
Debt Limit	\$ 330,166,554	\$ 404,990,470	\$ 534,251,198	\$ 594,488,418	\$ 638,194,643	\$ 635,767,795	\$ 635,063,992	\$ 621,453,900	\$ 616,369,533	\$ 604,887,441
Total Net Debt Applicable to Limit*	165,082,167	166,160,116	212,790,862	223,578,461	225,689,094	244,130,650	234,862,814 **	323,484,000 **	351,784,115 **	212,665,686
Legal Debt Margin	<u>\$ 165,084,387</u>	<u>\$ 238,830,354</u>	<u>\$ 321,460,336</u>	<u>\$ 370,909,957</u>	<u>\$ 412,505,549</u>	<u>\$ 391,637,145</u>	<u>\$ 400,201,178</u>	<u>\$ 297,969,900</u>	<u>\$ 264,585,418</u>	<u>\$ 392,221,755</u>
Total Net Debt Applicable to Limit as percentage of Debt Limit	50.0%	41.0%	39.8%	37.6%	35.4%	38.4%	37.0%	52.1%	57.1%	35.2%
<b>Commonwealth's Legal Debt Margin</b>										
Debt Limit	\$ 471,666,506	\$ 578,557,814	\$ 763,215,997	\$ 849,269,734	\$ 911,884,949	\$ 908,239,707	\$ 907,234,274	\$ 887,791,285	\$ 880,527,905	\$ 864,124,915
Total Net Debt Applicable to Limit*	165,082,167	166,160,116	212,790,862	223,578,461	225,689,094	244,130,650	234,862,814 **	323,484,000 **	351,784,115 **	212,665,686
Legal Debt Margin	<u>\$ 306,584,339</u>	<u>\$ 412,397,698</u>	<u>\$ 550,425,135</u>	<u>\$ 625,691,273</u>	<u>\$ 686,195,855</u>	<u>\$ 664,109,057</u>	<u>\$ 672,371,460</u>	<u>\$ 564,307,285</u>	<u>\$ 528,743,790</u>	<u>\$ 651,459,229</u>
Total Net Debt Applicable to Limit as percentage of Debt Limit	35.0%	28.7%	27.9%	26.3%	24.7%	26.9%	25.9%	36.4%	40.0%	24.6%

Notes:

(1) Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City (including Utility GO Bonds--with or without an additional revenue pledge, see table 13). 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.

(2) See Table 6 for assessed value of real property data.

(3) There are no overlapping or underlying tax jurisdictions.

(4) The debt applicable to the City's financial policy limit is only the General Obligation bonds and leases that are payable with general government funds (excluding Enterprise fund debt) and the General Obligation debt of the City's Economic Development Authority issued to fund the Health and Human Services Building.

\*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	
<b>UTILITY REVENUE BONDS (WATER AND SEWER)</b>							
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
2014	39,711,399	19,718,299	19,993,100	2,070,000	8,317,701	10,387,701	1.92

(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.

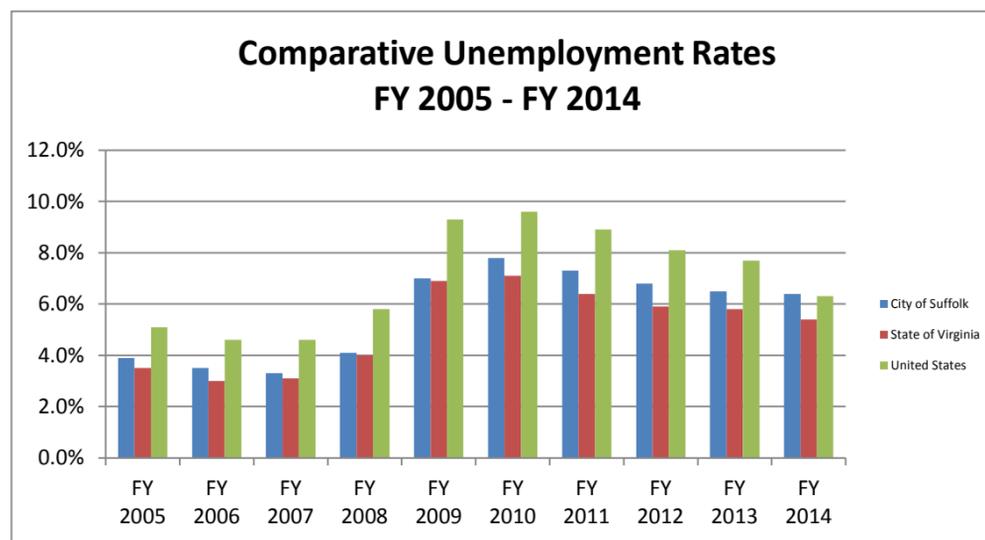
(4) The debt service coverage ratio is calculated as Net Revenue Available for Debt Service divided by Total Debt Service Requirements  
(For the Utility fund the coverage must be over 1.15; since 2009, Suffolk's financial policy has recommended a target of 1.30, including all non-parity debt which has 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
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	3,521,692	41,344	13,734	6.8%	5.9%	8.1%
2013	86,463	not available	not available	13,844	6.5%	5.8%	7.7%
2014	87,831	not available	not available	13,739	6.4%	5.4%	6.3%

Sources:

- (1) Weldon Cooper Center for Public Service
- (2) Bureau of Economic Analysis based on calendar year
- (3) City of Suffolk Public Schools
- (4) Virginia Employment Commission - Area Unemployment Statistics, based on calendar year. 2014 rate as of May 2014



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

Employer	Type of Business	2014	
		Employees	Percentage of Total City Employment
Navy Information Dominance Forces Commands (Cyber Force)	ModSim & Technology	1,500	5.50%
Sentara Health Systems	Medical	1,300	4.77%
J-7 Joint Staff	ModSim & Techololgy	1,200	4.40%
CVN Distribution / QVC, Inc	Warehousing & Distribution	900	3.30%
Sysco Food Services of Hampton Roads	Food Service Distribution	500	1.83%
Wal-Mart Stores	Retail	450	1.65%
Planters/Kraft Foods	Food Processing	340	1.25%
Unilever/Lipton Inc.	Beverage Company	300	1.10%
Towne Bank	Banking	300	1.10%
Lakeview Medical Center	Medical	270	0.99%
		<u>7,060</u>	<u>25.88%</u>

Total Employment by Industry in City of Suffolk for fiscal year

27,276

Employer	Type of Business	2005	
		Employees	Percentage of Total City Employment
U.S. Joint Forces Command	ModSim & Technology	1,330	5.65%
Obici Memorial Hospital	Healthcare	1,200	5.10%
CVN Distribution / QVC, Inc	Distribution Warehouse	1,100	4.67%
Wal-Mart Stores	Retail	985	4.19%
Target Corporation	Distribution Warehouse	500	2.12%
SYSCO Food Services of Hampton Roads	Education	500	2.12%
CIBA Specialty Chemicals	Chemical Manufacturer	415	1.76%
Unilever/Lipton Inc.	Beverage Company	350	1.49%
Planters/Kraft Foods	Food Processing	340	1.44%
Sentry Services	Gas Distribution	325	1.38%
		<u>7,045</u>	<u>29.94%</u>

Total Employment by Industry in City of Suffolk for fiscal year

23,534

The Suffolk Public Schools (1,139 employees) and the City of Suffolk (1,780 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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund:</b>										
General Government:										
City Council	9	9	9	9	10	10	10	10	10	2
City Manager	2	2	5	5	6	6	6	6	7	7
Asst City Manager Operations	2	2	1	-	-	-	-	-	-	-
Asst City Manager Development	4	4	4	2	-	-	-	-	-	-
Management Services	7	7	6	6	-	-	-	-	-	-
Budget and Strategic Planning	-	-	-	-	4	4	4	4	3	4
City Attorney	7	7	9	9	9	8	8	9	9	9
Human Resources	7	7	8	8	8	8	9	13	10	10
Commissioner of Revenue	10	11	12	12	12	11	12	12	12	12
City Assessor	13	13	13	13	14	15	13	14	15	16
Treasurer	13	13	16	16	15	15	15	15	15	15
Finance - Administration and Accounting	11	12	11	11	10	12	11	14	12	14
Finance - Purchasing	4	4	5	5	4	4	3	3	3	4
Registrar	2	2	2	2	2	2	2	2	2	2
Total	91	93	101	98	94	95	93	102	98	95
Judicial:										
Circuit Court	2	2	2	2	2	2	2	2	2	2
Circuit Court - Clerk's Office	13	13	14	14	13	14	14	14	14	14
Sheriff	21	22	25	25	25	24	22	24	24	25
Commonwealth Attorney	17	18	22	29	29	28	23	23	24	24
Total	53	55	63	70	69	68	61	63	64	65
Public Safety:										
Police										
Administration and Officers	186	196	206	206	194	204	205	208	196	214
Emergency Communications	22	22	26	26	26	22	25	26	24	27
Animal Shelter and Management	9	9	9	9	8	7	8	9	8	10
Fire										
Fire and Rescue	187	190	197	197	216	213	220	240	238	253
Fire Prevention	3	3	3	3	5	-	-	-	-	-
Community Development	27	27	27	27	26	24	26	27	26	26
Total	434	447	468	468	475	470	484	510	492	530
Public Works:										
Public Works										
Administration	7	7	7	6	5	3	3	2	2	2
Traffic Engineering and Maintenance (1)	30	34	-	-	-	-	-	-	-	-
Engineering (2)	11	12	-	-	-	-	-	-	-	-
Refuse Collection (3)	12	14	46	46	40	41	40	-	-	-
Maintenance Building and Grounds	25	25	27	27	15	4	4	4	4	4
Mosquito Control	2	2	2	-	-	-	-	-	-	-
Capital Programs and Facilities	3	3	3	3	6	20	22	24	23	24
Aviation Facilities	3	3	3	3	3	3	3	-	-	-
Total	93	100	88	85	69	71	72	30	29	30

CITY OF SUFFOLK, VIRGINIA

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

Table 18 (continued)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund:</b>										
Health and Welfare:										
Social Services	102	101	102	102	101	100	101	98	100	103
Comprehensive Services Act	1	1	1	1	1	1	1	1	2	2
Total	103	102	103	103	102	101	102	99	102	105
Parks, Recreation and Cultural:										
Parks and Recreation										
Administration	5	5	4	4	4	4	4	5	5	5
Support Services	5	5	4	4	4	4	5	5	6	6
Parks, Gateway and Facility Maintenance	18	20	22	22	20	19	18	18	19	19
Recreation	9	9	12	12	14	16	15	16	16	22
Library	17	23	35	34	31	31	30	31	28	31
Total	54	62	77	76	73	74	72	75	74	83
Community Development:										
Planning	16	16	18	16	14	12	14	12	13	14
Geographic Information Systems	-	-	-	3	5	5	-	-	-	-
Economic Development	7	7	7	8	5	4	5	5	5	5
Tourism	3	3	3	3	3	3	3	2	3	3
Media and Community Relations	4	5	5	5	5	5	6	6	6	6
Total	30	31	33	35	32	29	28	25	27	28
Total General Fund	858	890	933	935	914	908	912	904	886	936
<b>Special Revenue Fund:</b>										
Transit	5	5	5	5	-	-	-	-	-	-
Road Maintenance (1)										
Road Maintenance	-	-	93	94	86	91	88	90	84	101
Traffic Engineering	-	-	20	23	22	23	22	23	21	23
Aviation Facilities (6)										
-	-	-	-	-	-	-	-	3	3	3
Total Special Revenue Fund	5	5	118	122	108	114	110	116	108	127
<b>Enterprise Fund:</b>										
Public Utilities										
Administration	6	6	6	8	6	9	8	9	7	8
Customer Service	17	17	18	18	18	18	18	18	18	18
Line Maintenance	26	26	26	26	24	27	26	24	25	26
Maintenance	17	20	20	20	19	20	20	22	24	26
Water Production	24	28	28	29	28	29	27	28	30	30
Engineering	11	12	16	18	15	17	14	15	15	15
Stormwater Utility										
Stormwater Utility (2)	-	-	28	28	26	27	25	28	27	31
Mosquito Control (2)	-	-	-	7	6	7	5	7	6	7
Refuse (5)	-	-	-	-	-	-	-	39	36	41
Total Enterprise Fund	101	109	142	154	142	154	143	190	188	202
<b>Internal Service Funds:</b>										
Fleet Management	19	19	25	26	23	21	23	18	20	21
Information Technology	11	12	12	13	13	12	20	21	22	25
Risk Management	2	2	2	2	2	1	3	5	4	4
Total Risk Management	32	33	39	41	38	34	46	44	46	50
Total	996	1,037	1,232	1,252	1,202	1,210	1,211	1,254	1,228	1,315
					(4)	(4)	(4)	(4)	(4)	(4)

1. Road maintenance fund was increased in 2007 due to VA Dept. of Transportation turning over the highway system within the City to Suffolk.
2. New program adopted by City Council in 2007 and staffing realignment.
3. Change in methodology of calculating full time employees in this department.
4. 2009 - 2013 actual data furnished by Human Resources. 2005-2008, and 2014 provided by Budget Office.
5. The City established a Refuse Fund in FY 2011-2012. The employees for this Fund were transferred from the General Fund.
6. 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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government:										
Building permits issued	1,776	1,886	1,416	1,294	488	949	771	824	978	899
Value of permits issued (millions)	\$ 269.0	\$ 288.5	\$ 272.8	\$ 179.4	\$ 134.3	\$ 108.3	\$ 74.1	\$ 117.7	\$ 255.4	\$ 151.4
Number of registered voters	45,922	47,569	48,170	50,843	55,578	55,008	55,941	56,745	57,067	57,280
Taxable retail sales (millions)	\$ 530.7	\$ 628.6	\$ 645.2	\$ 652.8	\$ 632.9	\$ 642.3	\$ 671.2	\$ 716.4	\$ 729.6	**Not Available
Taxable retail sales per capita	7,029	8,153	8,114	7,931	7,727	7,738	7,936	8,285	8,307	**Not Available
Parks, Recreation and Cultural:										
Library volumes in collection (thousands)	175.0	175.7	218.1	222.7	228.4	221.4	218.0	218.9	222.1	224.9
Circulation (thousands)	n/a	n/a	n/a	n/a	401	401	356	327	313	320
Transit (3)										
Number of Service days (not including ADA service)	n/a	128	254	252						
Number of Routes (not including ADA service)	n/a	2	3	4						
Vehicle Trips (not including ADA service)	n/a	3,072	7,221	8,885 (4)						
Passenger Trips (not including ADA service)	n/a	24,662	57,814	64,563 (5)						
Vehicle Trips (ADA Service)	n/a	363	693	757 (4)						
Passenger Trips (ADA Service)	n/a	633	1,198	1152 (5)						
Enterprise Fund:										
Public Utilities										
Customers - Water	21,515	22,533	23,435	24,370	24,576	24,663	24,657	24,729	24,380	24,836
Customers - Sewer			19,795	20,319	20,708	20,911	20,892	20,921	20,692	21,010
Average daily production (mgd)	5.55	6.49	6.70	7.68	6.89	6.79	6.42	6.63	5.96	6.71
Treatment Capacity daily (mgd)	7.45	11.20	11.20	11.20	11.20	17.45	17.45	17.45	17.45	17.45
Stormwater										
Billed customers			29,176	30,307	29,587	29,793	30,342	30,289	30,508	30,791 (1)
Refuse collection										
Customers								27,573	27,675	27,982 (2)
Recycled (tons)								4,491	5,408	5,767 (2)

Sources: Various City Departments

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

(1) Data is not available for Stormwater 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.

(3) The City started the Transit fund in FY2012

(4) A vehicle trip is defined as a bus completing the route one time.

(5) A Passenger trip is defined as a passenger boarding a bus at one point and disembarking at another. A passenger taking a trip with a transfer in the middle would count as two passenger trips.

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety:										
Police Stations	4	4	4	4	4	5	5	5	5	5
Fire Stations	8	8	8	8	8	8	9	9	9	9
Public Works: (1)										
State maintained road miles	1,308	1,308	17	18	18	18	18	18	18	18
City maintained road miles	76	76	1,420	1,500	1,531	1,581	1,581	1,600	1,600	1,626
Streetlights	6,710	6,940	6,980	7,000	7,139	7,648	7,917	7,996	8,113	8,425
Bridges	3	3	144	144	147	147	147	147	155	147
Traffic Signals	23	23	86	89	91	91	93	93	93	98
Education:										
Elementary Schools	12	12	13	13	14	14	14	12	12	12
Middle Schools	4	4	4	4	4	4	4	4	4	4
High Schools	3	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	1,347	1,380	1,393	1,405	1,448	1,425	1,419	1,420	1,402	1,398
Average Daily Membership	13,297	13,452	13,490	13,512	13,568	13,801	13,863	13,734	13,844	13,739
Capacity of Schools	13,250	13,250	14,050	14,050	14,632	14,577	14,577	14,192	14,352	14,352
Enterprise Fund:										
Public Utilities										
Miles of Water Main	271	400	415	420	420	422	436	453	454	462
Miles of Sanitary Sewers	198	293	308	309	313	315	334	316	330	334
Miles of Storm Sewers	6	6	142	236	236	236	236	236	266	246
Pump Stations	112	113	125	129	131	134	136	140	140	140
Storage Tanks	6	6	6	6	7	7	8	9	9	10
Parks, Recreation and Cultural:										
Parks and Recreation										
Number of major parks and recreation facilities (2)	41	41	41	41	40	40	42	42	43	43
Acreage of major parks and recreation facilities	1,825	1,825	1,825	1,827	1,827	1,827	1,921	1,921	1,928	1,879
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Number of branch libraries	3	3	3	2	2	2	2	2	2	2
Number of bookmobiles	1	1	1	1	1	1	1	1	1	1
Transit (3)										
Buses	n/a	0	4	4						
Bus Stops with Shelters	n/a	4	4	6						

**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.
- In 2012, The City started its own transit system.

# COMPLIANCE SECTION

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**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 *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 the City of Suffolk, Virginia (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 15, 2014. That report recognizes that the City implemented a new accounting standard effective July 1, 2013.

**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 two instances of noncompliance that are required to be reported under the *Specifications for Audits of Counties, Cities and Towns*, which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002.

**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.

**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 blue ink that reads "Cheryl Behrnt CP". The signature is written in a cursive style.

Richmond, Virginia  
December 15, 2014

**Report of Independent Auditor 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 the 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, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**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'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'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 the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the 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, 2014.

**Report on Internal Control over Compliance**

Management of the City 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 the City'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 the City'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.

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

Richmond, Virginia  
December 15, 2014

**CITY OF SUFFOLK, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ending June 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Federal Catalog Number</b>	<b>Federal Expenditures</b>	<b>Department Totals</b>
<b><u>U.S. Department of Agriculture</u></b>			
Passed Through Commonwealth of Virginia:			
Department of Agriculture and Department of Education			
Child Nutrition Cluster			
National School Breakfast Program	10.553	1,231,067	
Food Distribution	10.555	370,178	
National School Lunch Program	10.555	2,977,898	
Summer Food Service Program for Children	10.559	106,843	
Department of Social Services			
State Administrative Matching Grants for Food Stamp Program	10.561	1,183,030	
Total U.S. Department of Agriculture			<u>5,869,016</u>
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
JROTC Instruction	12.000	171,583	
Total U.S. Department of Defense			<u>171,583</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Direct Program:			
Community Development Block Grants/Entitlement Grants	14.218	563,771	
Home Investment Partnerships Program	14.239	421,655	
Economic Development Initiative-The Great Dismal Swamp	14.251	3,970	
Passed Through Commonwealth of Virginia:			
Community Development Block Grants-Neighborhood Stabilization Program	14.228	36,641	
Total U.S. Department of Housing and Urban Development			<u>1,026,037</u>
<b><u>U.S. Department of Justice</u></b>			
Direct Program:			
Bullet Proof Vests Partnership Program	16.607	9,542	
Passed Through Department of Criminal Justice Services			
Crime Victim Assistance	16.575	249,701	
Violence Against Women Formula Grants	16.588	101,711	
State Criminal Alien Assistance Program	16.606	2,365	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	76,728	
Equitable Sharing Program	16.922	92,406	
Total U.S. Department of Justice			<u>532,453</u>
<b><u>U.S. Department of Transportation</u></b>			
Direct Program:			
Airport Improvement Program	20.106	10,233	
Highway Safety Grant	20.601	18,469	
Direct Program:			
Highway Planning and Construction	20.205	922,020	
Total U.S. Department of Transportation			<u>950,722</u>

**U.S. Department of Education**

Direct Program:

Impact Aid 84.041 348,487

Passed Through Commonwealth of Virginia:

Career and Technical-Basic Grants to States 84.048 229,293

Title II-A 84.367 528,003

Title I, Part A Cluster

Title I Grants to Local Educational Agencies 84.010 3,087,980

Special Education Cluster (IDEA)

Special Education - Grants to States 84.027 2,669,517

Special Education - Preschool Grants 84.173 58,858

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2,728,375

School Improvement Grants Cluster

School Improvement Grants 84.377 2,360

Total U.S. Department of Education

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6,924,498**U.S. Department of Health and Human Services**

Direct Payments:

Medical Assistance Program 93.778 229,537

Passed Through Commonwealth of Virginia:

Promoting Safe and Stable Families 93.556 42,308

Temporary Assistance for Needy Families 93.558 993,803

Refugee &amp; Entrant Assistance 93.566 8,536

ILP Education &amp; Training 93.599 3,207

Child Welfare Services 93.645 6,741

Foster Care - Title IV-E 93.658 451,191

Adoption Assistance 93.659 203,177

Social Service Block Grant 93.667 649,838

Foster Care Independent Living 93.674 13,512

Children's Health Insurance Program 93.767 36,557

Medical Assistance Program 93.778 1,061,644

CCDF Cluster

Child Care and Development Block Grant 93.575 (442)

Child Care Mandatory &amp; Matching Funds for Child Care Dev Fund 93.596 142,135

Total U.S. Department of Health and Human Services

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3,841,744**U.S. Social Security Administration**

Passed Through Commonwealth of Virginia:

Low-Income Home Energy Assistance 96.568 94,577

Total U.S. Social Security Administration

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94,577**U.S. Department of Homeland Security**

Passed Through Department of Criminal Justice:

ARRA Port Security Grant Program 97.056 69,680

Passed Through Department of Emergency Services:

VDEM HRUASI Program Grant 97.008 623,570

Total U.S. Department of Homeland Security

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693,250**Total Expenditures of Federal Awards**

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**20,103,880**

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, 2014, the School Board had USDA food commodities totaling \$401,463 in inventory.

**CITY OF SUFFOLK, VIRGINIA**  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2014

**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: **No**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559-CL	Child Nutrition Cluster
10.561-CL	SNAP Cluster
84.027/84.173-CL	Special Education Cluster (IDEA)
93.558-CL	TANF Cluster
93.667	Social Services Block Grant

10. Dollar threshold used to distinguish between type A and type B programs: **\$603,116**
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, 2014

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

**2014-001 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:**

Two officials did not complete the annual disclosure timely.

**Cause:**

Unknown.

**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.

**2014-002 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 our testing for the fiscal year ended June 30, 2014, we noted collections that were deposited in the Sheriff's bank account but improperly excluded from the remittance to the Treasurer. The amount was immediately remitted to the Treasurer in October 2014 upon discovery.

**Cause:**

Remittances were not made to the Treasurer timely.

**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.

**CITY OF SUFFOLK, VIRGINIA**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

**Management Response:**

The Sheriff's Office will comply with the recommendation.

**Status of Prior Year Findings:**

**2013-1 – Property Taxes** – Finding not repeated

**2013-2 – Disclosure Statements** – Finding repeated as 2014-001

**2013-3 – Social Services Continuity Plan** – Finding not repeated

**2013-4 – Sheriff's Office** – Finding repeated as 2014-002

**2013-5 – School Board's Grant Fund** – Finding not repeated

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