



CITY of SUFFOLK, VIRGINIA  
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017



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

**FOR THE FISCAL YEAR ENDED**  
**June 30, 2017**

**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

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

CITY MANAGER

November 30, 2017

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, 2016 through June 30, 2017. 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 accounting principles generally accepted in the United States of America (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 through 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, 2017. The report of the independent auditor 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 of land mass and 30 square miles of waterways. 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.

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, 2017. 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, Virginia is a fast-growing, vibrant and diverse city located in the mid-Atlantic region of the United States. Population estimates for the City of Suffolk reflect a consistent increase every year, reflecting significant growth of approximately 40% since the 2000 census. This ranking affirms Suffolk's population as the fastest growing city in Hampton Roads, and one of the fastest in the state of Virginia. The reasons people are choosing to live in Suffolk are ample: central location, abundance of natural resources and recreation, proximity to good-paying jobs, quality of schools and high standards of living, variety of residential housing options and affordable taxes.

Industries have taken note of Suffolk's desirable attributes as well. New and expanding businesses have invested in impressive \$589,932,371 since 2012, resulting in 5,770 new jobs and impacting over 5.3 million square feet of commercial space. Businesses are attracted to Suffolk's proximity to the Port of Virginia, availability of existing infrastructure, business-friendly environment, pad-ready sites and build-to-suit opportunities, access to highways, skilled labor force, stable labor relations history and strong government initiatives. Thanks to the positive attributes Suffolk enjoys, the industry mix in Suffolk is quite diverse. Industry sectors are divided into seven broad groups: Office & Administration, Retail, Warehousing & Distribution, Medical, Advanced Manufacturing, Food & Beverage Processing and Hospitality.

Food and Beverage Processing has long been an important business sector in Suffolk, tracing its historic roots to Amedeo Obici, founder of Planters Peanuts which still operates a peanut processing facility in the city to this day. Peet's Coffee & Tea, one of the original craft-coffee brands, recently announced plans to invest \$58 million in a new east coast coffee roasting operation in Suffolk's CenterPoint Industrial Park. The California-based company will build a 175,000 square foot roastery to supplement their west coast operations and create 138 new jobs.

The Peet's Coffee & Tea announcement further reinforces Suffolk's nickname, "Virginia's Caffeine Capital", earned due to the industry cluster that has established operations in Suffolk that involve coffee and tea. In addition to Peet's, a sample of these corporations includes Lipton Tea, Massimo Zanetti Beverage USA, Smucker's and a variety of third-party coffee and tea supporting companies. The Port of Virginia is a valuable partner for companies who engage in the import of coffee or tea products.

With 430 square miles, Suffolk offers a myriad of options for companies looking for logistical improvement to their supply chain. The trend for west coast based companies to set up east coast operations in Suffolk has continued in recent years. In addition to Peet's, other reputable west coast based companies have initiated operations in Suffolk in order to take advantage of the central location, access to Port resources, proximity to highways and availability of affordable land and utilities. Emser Tile (based in Los Angeles) a leading designer and distributor of stone and natural tile, completed construction of their new, 401,000 square foot technologically advanced east coast distribution center in Suffolk's CenterPoint Intermodal Center. The project reflected a \$16,250,000 capital investment. Another substantial industrial development was the construction of a new, 284,000 square foot speculative building at Suffolk's Virginia Regional Commerce Park. The first "spec" building in Hampton Roads in almost ten years, the Panattoni Development-backed \$17 million project highlighted renewed optimism in

the industrial real estate market. The building was completed in early 2017 and by the end of summer 2017 an announcement was made that Welspun USA, an India-based textile manufacturer, would be occupying a majority of the building to distribute their products to their U.S. customers.

The City derives economic strength from the considerable number of jobs in fast-growing sectors such as health care. The medical field has seen significant technological advancements in recent years, and with the new cutting-edge equipment comes the demand for greater specialty spaces to house the items and to provide medical care.

Bon Secours Hampton Roads Health System unveiled a new \$20 million, 38,000 square foot Bon Secours Cancer Institute, located on the Bon Secours campus in Harbour View. The center was designed to bring outpatient treatment services together in one convenient location in order to maximize coordination of care.

Sentara Healthcare has been actively expanding their health care services in Suffolk, building a new, 20,000 square foot office building on the Sentara Obici campus, expanding medical practices at Sentara Obici Hospital, investing over \$300,000 to improve the physical therapy practice located adjacent to the Suffolk Family YMCA and an extensive expansion at the Sentara Belle Harbour campus. The \$34 million expansion at Belle Harbour consists of the construction of a new, 85,000 square foot medical services building featuring a new ambulatory surgery center with two operating rooms, an expanded emergency department (ED), 14 observation beds for ED and surgery patients, new medical office space and an FAA-approved helipad. The new four-story building will be positioned on what is now a surface parking lot in front of the current three-story building, which opened in 2008. The two buildings will be connected at the first floor level and replacement surface parking will be added to the campus.

Other growth areas included Retail, Food & Beverage Processing and Medical. The following charts highlight some of this activity.

**New and Expanding Business Highlights January 1 – December 31, 2016:**

<b><u>New Business</u></b>	<b><u>Sector</u></b>	<b><u>Investment</u></b>
Decoy's	Retail	\$8,000,000
Lidl	Retail	\$5,400,000
Shops at Centerbrooke Village	Retail Speculative	\$3,300,000
First Team Kia	Retail	\$3,000,000
Planet Fitness	Retail	\$2,200,000
<b><u>Expanding Business</u></b>	<b><u>Sector</u></b>	<b><u>Investment</u></b>
Sentara Healthcare	Medical	\$11,800,000
CHKD Health Center	Medical	\$4,600,000
Suffolk Family YMCA	Retail	\$3,200,000
Birdsong Peanuts	Food & Beverage Processing	\$2,800,000
UPS	Warehousing & Distribution	\$1,000,000

**Sample of Calendar Year 2017 Highlights:**

<b><u>Expanding Business</u></b>	<b><u>Sector</u></b>	<b><u>Investment</u></b>
Peet's Coffee & Tea	Food & Beverage Processing	\$58,000,000
Aldi	Retail	\$5,000,000
Harbour View Place (Harbour View Station West)	Retail Speculative	\$6,400,000
Brick & Mortar Brewing	Retail	\$1,000,000

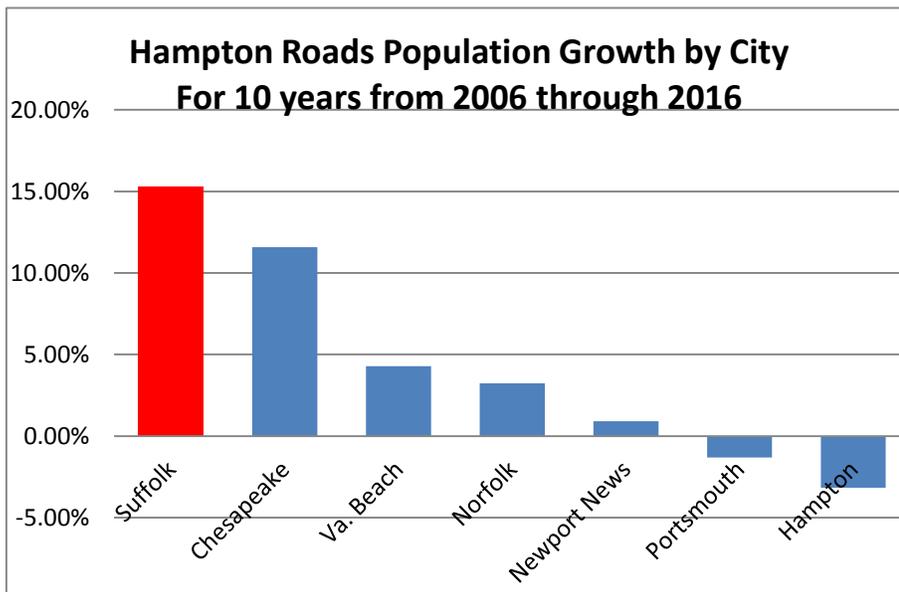
Sentara BelleHarbour Expansion  
 Ace Hardware Expansion

Medical \$34,000,000  
 Warehousing & Distribution \$9,000,000

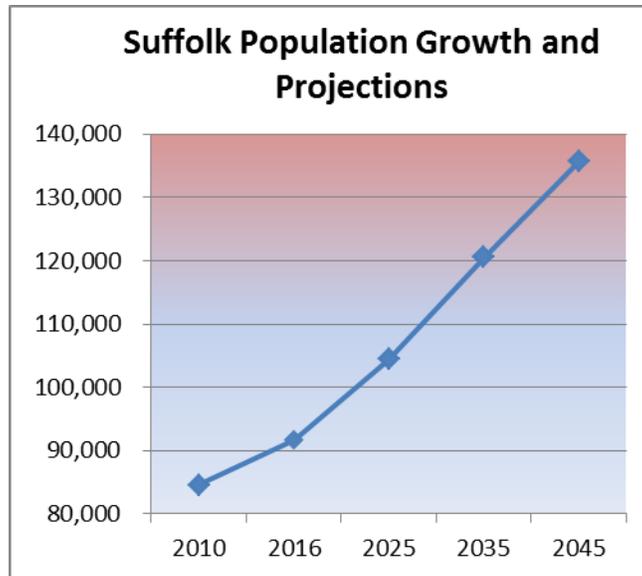
Suffolk continues to outpace its neighboring Hampton Roads cities in population growth. Over the past 10 years, the population in Suffolk has grown by 15.28%. The City has grown over 8% since the 2010 Census.

**Hampton Roads Population Growth by City**

City	2006	2010 Census	2016	Percent Change – 10 year (2006 – 2016)	Percent Change (2010 -2016)
Hampton	141,978	137,467	137,492	-3.16%	0.02%
Portsmouth	97,453	95,535	96,179	-1.31%	0.7%
Newport News	181,546	180,966	183,218	0.92%	1.2%
Norfolk	239,355	242,803	247,087	3.23%	1.8%
Virginia Beach	435,001	437,994	453,628	4.28%	3.6%
Chesapeake	215,504	222,209	240,485	11.59%	8.2%
<b>Suffolk</b>	<b>79,567</b>	<b>84,585</b>	<b>91,722</b>	<b>15.28%</b>	<b>8.4%</b>



This population trend is projected to continue over the foreseeable future. By 2045, we expect to see an increase in population by 47%. Furthermore, median household income (MHI) has grown in the City by 63% from 2000 to 2014. The City of Suffolk now has the third highest MHI in the region (\$65,499) which is also higher than both the state (\$65,015) and national MHI (\$53,889).



Source: 1. Weldon Cooper Center for Public Service; 2. US Census Bureau

Strategic planning, key location, a highly-trained workforce and business-friendly environment once again catapulted Suffolk to the enviable position of one of the fastest growing cities in Virginia and a top pick for business development. 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 2017 through fiscal year 2026, totals approximately \$709.7 million. Of this amount, water, sewer, stormwater, refuse are estimated at \$221.7 million while general government projects are estimated at \$488.0 million. The City Council and City Management place a high priority on education in the City, over the fiscal years 2015 through 2018 over \$60 million has been appropriated or planned for in the Capital Improvements Plan to build a new elementary and a new middle school.

Financial policies are vital in maintaining consistency and focus. One of the financial policies continually reviewed is that of 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, 2017 the fund balance ratio exceeded the target.

Financial policies were developed for the Utility Fund which provided for 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 – Maintain rating of AAA**

In July 2015, the City received a bond ratings upgrade from Fitch Rating Agency to that of "AAA" and maintained its bond ratings Standard and Poor's Ratings Services of "AAA" and from Moody's Investors Service of "Aa1". These ratings were reaffirmed in July 2017 with Moody's Investors Service giving the city a positive outlook. These ratings reflect the City's commitment to strong financial management.

### **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, 2016, representing the 33<sup>rd</sup> 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 Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Suffolk for its Popular Annual Financial Report (PAFR) for fiscal year 2016. This is the third year that the City has prepared the PAFR, and received the award. The report provides an overview of the City's financial results and is designed to increase awareness throughout the community of the City's financial operations in a user-friendly manner. The information is derived from the audited financial statements in the City's 2016 CAFR. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

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, 2016. 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 GFOA presented a Distinguished Budget Presentation Award to the City of Suffolk, Virginia for its annual budget for the fiscal year beginning July 1, 2017. 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 ninth consecutive year for this recognition and it is valid for a one year period.

## **Suffolk's Future is Bright**

There is a saying that, "Life's only limitations are the ones we make." In Suffolk, there is no limit to what can be accomplished. Our level of success can be attributed to a strong, shared vision, with cooperative leadership, committed partners, and engaged citizens.

In the last decade, we've announced more than 10,585 new jobs, and almost \$1.3 billion in capital investment. These are especially impressive numbers when you take into account that we also experienced one of the worst recessions in our nation's history during the same decade.

Others across the nation have taken notice of Suffolk, too, as we were selected as one of the "Top 100 Small Cities to Live In" by CNN Money Magazine, who considered factors such as good jobs, low crime, charm, recreational activities and many more attributes that make a city a great place to raise a family. NerdWallet also considered Suffolk among the "Best of the Best" accolades, naming us in their categories of "Best Places for Young Families", and "Best Cities for Veterans in America." In 2016, we were also ranked second in the state by Smart Asset, a website specializing in investment and finance, for incoming investment to our city.

Suffolk is known as one of Virginia's fastest growing cities, outpacing not only the rest of the region, but also the state and much of the nation. Businesses and people alike are saying "Yes, Suffolk!"

## **Acknowledgments**

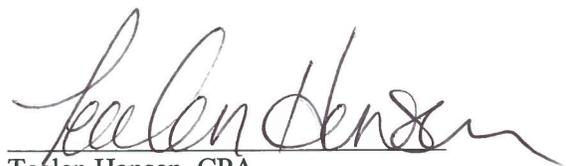
During the year, the staff of the Finance department rendered professional and knowledgeable services to the City. We are most appreciative of these efforts and take this opportunity to recognize these outstanding public servants.

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

Respectfully,



Patrick Roberts  
City Manager



Tealen Hansen, 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, 2016**

Executive Director/CEO

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

**As of June 30, 2017**

**MEMBERS OF CITY COUNCIL**

Linda T. Johnson.....Mayor  
Leroy Bennett.....Vice Mayor  
Michael D. Duman.....City Council Member  
Curtis R. Milteer, Sr. ....City Council Member  
Timothy J. Johnson.....City Council Member  
Donald Z. Goldberg.....City Council Member  
Lue R. Ward, Jr. ....City Council Member  
Roger W. Fawcett .....City Council Member

**CONSTITUTIONAL OFFICERS**

Everett C. Harris.....Sheriff  
C. Phillips “Phil” Ferguson.....Commonwealth’s Attorney  
Susan L. Draper.....Commissioner of the Revenue  
Ronald H. Williams.....Treasurer  
W. Randolph Carter, Jr. ....Clerk of the Circuit Court

**CITY ADMINISTRATION**

Patrick Roberts .....City Manager  
D. Scott Mills ..... Deputy City Manager  
Helivi L. Holland ..... City Attorney  
Kevin Hughes ..... Economic Development  
Gerry Jones ..... Capital Programs and Buildings  
Deputy Chief Brian Spicer ..... Emergency Management  
Dr. Christopher Wilson..... Health  
Clint Rudy ..... Library  
Diana L. Klink ..... Media and Community Relations  
David Hainley ..... Planning and Community Development  
Eric T. Nielsen ..... Public Works  
Debbie George ..... Chief of Staff  
Jean Jackson ..... City Assessor  
Erika S. Dawley..... City Clerk  
Tealen Hansen ..... 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, 2017

**SUFFOLK PUBLIC SCHOOLS – SCHOOL BOARD**

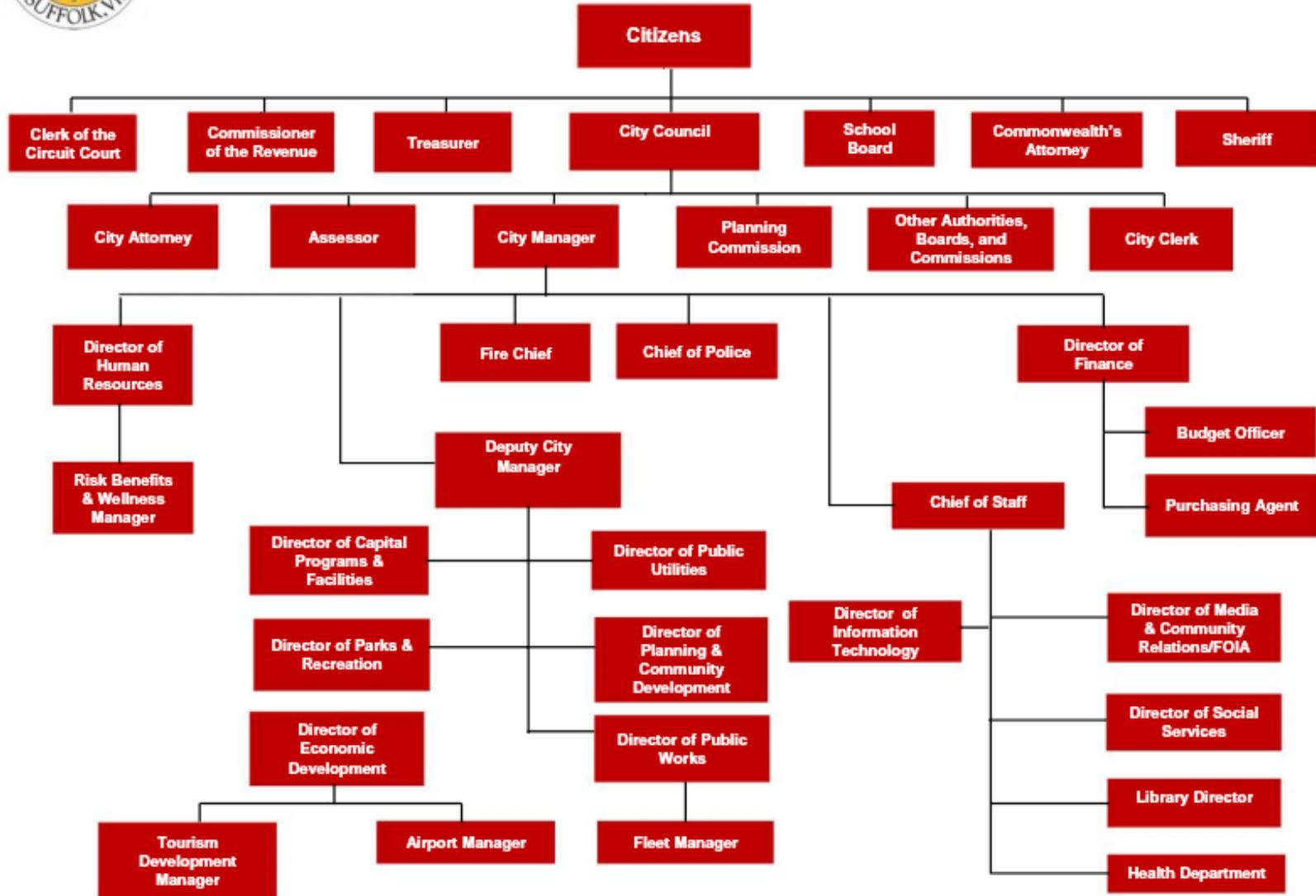
Michael J. Debranski, Ed.D.....	Chairman
Enoch C. Copeland.....	Vice Chairman
Phyllis C. Byrum.....	Board Member
Linda W. Bouchard.....	Board Member
David P. Mitnick .....	Board Member
Dr. Judith Brooks-Buck.....	Board Member
Lorraine B. Skeeter.....	Board Member

**SUFFOLK PUBLIC SCHOOLS – ADMINISTRATION**

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



## City of Suffolk FY 2016-2017 Operating and Capital Budget Organizational Chart



# FINANCIAL SECTION

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## Report of Independent Auditor

To the City Council  
City of Suffolk, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2017, 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, 2017, 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.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 November 30, 2017, 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  
November 30, 2017

## 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, 2017. 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, less liabilities and deferred inflows of resources) on a government-wide basis was \$539.1 million at June 30, 2017. Of this balance, \$388.8 million is attributed to the governmental activities and \$150.3 million to the business-type activities.
- For fiscal year 2017, taxes and other general revenues of the City's governmental activities amounted to \$192.9 million and net program expenses \$174.0 million, which resulted in an increase from 2016 in net position for the City's governmental activities of \$18.9 million.
- Revenues of the City's business-type activities were \$63.8 million, expenses were \$59.4 million and transfers to the general fund were \$1.9 million, which resulted in an increase of net position for the City's business-type activities of \$2.6 million.
- The City is rated AAA with Fitch and Standard and Poor's and Aa1 with Moody's.

### 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 187.2	\$ 179.1	\$ 84.3	\$ 68.3	\$ 271.5	\$ 247.4
Capital and other non-current assets	543.8	519.0	457.4	455.0	1,001.2	974.0
Total assets	<u>731.0</u>	<u>698.1</u>	<u>541.7</u>	<u>523.3</u>	<u>1,272.7</u>	<u>1,221.4</u>
Deferred Outflows of Resources	18.7	12.1	18.0	12.2	36.7	24.3
Current and other liabilities	59.1	13.7	13.7	8.6	72.8	22.3
Long-term liabilities	295.5	313.3	395.3	377.9	690.8	691.2
Total liabilities	<u>354.6</u>	<u>327.0</u>	<u>409.0</u>	<u>386.5</u>	<u>763.6</u>	<u>713.5</u>
Deferred Inflows of Resources	6.3	13.3	0.4	1.3	6.7	14.6
Net position:						
Net investment in capital assets	318.7	323.4	108.8	116.8	427.5	440.2
Restricted	8.9	4.6	2.9	2.3	11.8	6.9
Unrestricted	61.2	41.9	38.6	28.6	99.8	70.5
Net position	<u>\$ 388.8</u>	<u>\$ 369.9</u>	<u>\$ 150.3</u>	<u>\$ 147.7</u>	<u>\$ 539.1</u>	<u>\$ 517.6</u>

The City's combined net position (which is the City's "bottom line") increased by \$21.5 million in fiscal year 2017, 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 \$427.5 million comprises 79.3% 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 18.5% of net position, or \$99.8 million, as unrestricted. The unrestricted portion of net position is available to allow the City to provide services to citizens.

## Statement of Activities

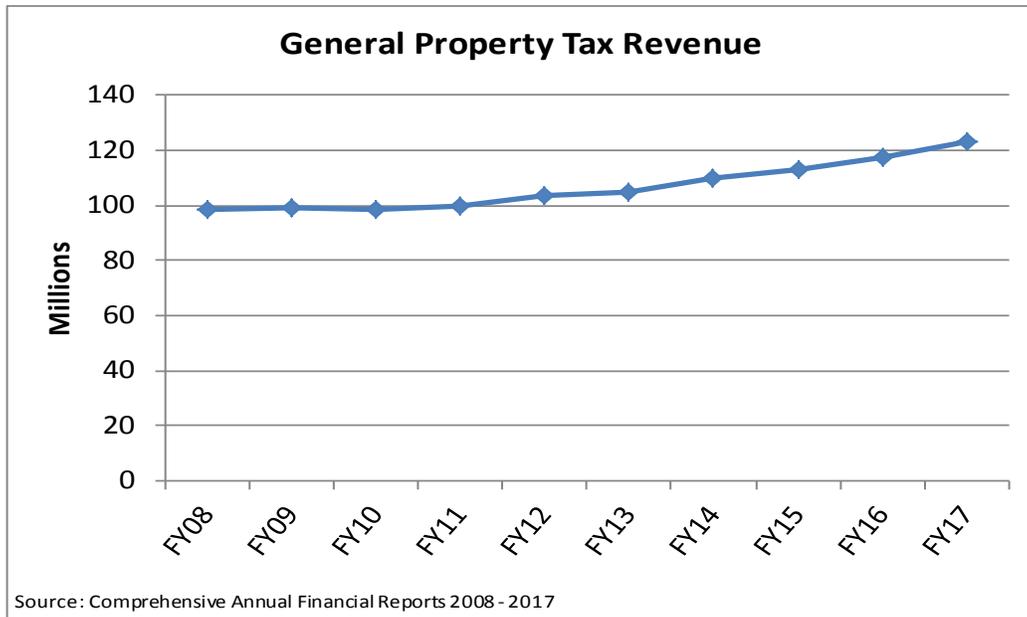
The following table summarizes the changes in net position for governmental and business-type activities:

	Change in Net Position					
	(In Millions)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 9.0	\$ 9.2	\$ 60.1	\$ 58.8	\$ 69.1	\$ 68.0
Operating grants and contributions	39.8	36.4	0.1	-	39.9	36.4
Capital grants and contributions	9.4	9.2	1.9	3.7	11.3	12.9
General revenues:						
Real estate and property taxes	123.4	117.7	-	-	123.4	117.7
Other taxes	43.2	42.5	-	-	43.2	42.5
Grants and contributions, not restricted	13.6	13.5	-	-	13.6	13.5
Unrestricted investment earnings	1.8	1.4	0.9	1.0	2.7	2.4
Miscellaneous	9.0	5.9	0.8	0.4	9.8	6.3
Total revenues	<u>249.2</u>	<u>235.8</u>	<u>63.8</u>	<u>63.9</u>	<u>313.0</u>	<u>299.7</u>
Expenses:						
General government	23.9	23.9	-	-	23.9	23.9
Judicial	8.9	8.2	-	-	8.9	8.2
Public safety	58.2	49.9	-	-	58.2	49.9
Public works	40.5	38.0	-	-	40.5	38.0
Health and welfare	13.2	11.9	-	-	13.2	11.9
Transportation	1.0	1.0	-	-	1.0	1.0
Education	55.0	53.5	-	-	55.0	53.5
Parks, recreation, cultural	12.1	10.3	-	-	12.1	10.3
Community development	10.6	8.6	-	-	10.6	8.6
Interest on long-term debt	8.8	9.4	-	-	8.8	9.4
Utility	-	-	49.3	51.4	49.3	51.4
Refuse collection services	-	-	5.3	5.7	5.3	5.7
Stormwater utility	-	-	4.7	4.5	4.7	4.5
Total expenses	<u>232.2</u>	<u>214.7</u>	<u>59.3</u>	<u>61.6</u>	<u>291.5</u>	<u>276.3</u>
Excess of revenues over expenses	17.0	21.1	4.5	2.3	21.5	23.4
Contribution to schools of capital assets	-	(0.2)	-	-	-	(0.2)
Transfers	1.9	3.2	(1.9)	(3.2)	-	-
Change in net position	<u>18.9</u>	<u>24.1</u>	<u>2.6</u>	<u>(0.9)</u>	<u>21.5</u>	<u>23.2</u>
Net position - beginning	<u>369.9</u>	<u>345.8</u>	<u>147.7</u>	<u>148.6</u>	<u>517.6</u>	<u>494.4</u>
Net position - ending	<u>\$ 388.8</u>	<u>\$ 369.9</u>	<u>\$ 150.3</u>	<u>\$ 147.7</u>	<u>\$ 539.1</u>	<u>\$ 517.6</u>

## **Governmental Activities**

### **Revenue Highlights:**

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$123.4 million and \$117.7 million in fiscal year 2017 and 2016, 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 real and personal property as well as an increase in new construction.



Other Local Taxes are comprised of revenue from local sales tax, meals, lodging, and utilities increased from fiscal year 2016 into fiscal year 2017. This increase is due to increased sales and meals taxes as well as business license tax due to increased economic development.

### **Expense Highlights:**

The City is committed to ensuring the highest level of safety for its citizens and has expended \$58.2 million towards public safety efforts.

Education continues to be one of the City's highest priorities and commitments representing \$55.0 million, which is an increase over the prior year. This increase represents overall increases in operating expenses as well as pay increases for employees of the School.

## **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 94.15% of the total revenues collected. These revenues increased from fiscal year 2016 to 2017 due to an increase in the rates for water and sewer, as well as increased usage.

### Expense Highlights:

Utility Fund expenses were \$49.3 million of which 26.4% is depreciation and amortization expenses. The decrease is due to a decrease in the repairs and maintenance expenses. Stormwater expenses were \$4.7 million for fiscal year 2017, which is a slight increase from fiscal year 2016. The refuse fund expenses were \$5.3 million in fiscal year 2017, which is a small decrease from fiscal year 2016.

## **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 \$143.2 million. Approximately 40.67% 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 \$68.5 million of which \$58.4 million represents unassigned fund balance of the General Fund. Fund Balance in the General Fund increased from fiscal year 2016. This increase was attributable to the increase in real estate and personal property taxes as well as other local taxes, such as sales and meals taxes. This increase in the local tax revenue is attributable to growth and development throughout the City.

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, \$1.5 million reflects restricted cash for unspent grant funds and developer deposits. The committed portion, \$5.9 million, is comprised of a capital project reserve and economic incentives.

**Debt Service Fund:** The Debt Service Fund has a fund balance of \$500 thousand. The General Fund routinely transfers monies to this fund to meet debt service requirements. The decrease in fund balance from the prior year is due to a transfer of the excess fund balance to the capital projects fund.

**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 \$56.8 million, \$7.3 million was committed for contracts and purchase orders in process, and the remaining balance of \$49.5 million is restricted, as it consists of unspent bond proceeds and cash proffers for subsequent years' projects. The

overall fund balance decreased slightly in the current year, as there are several large projects that are spending down the accumulated funding on the projects.

Five of the city’s significant capital projects are the following in fiscal year 2017

- Public Works Operations and Maintenance Facility
- Holland Road Widening
- New Northern Elementary School
- New Northern Middle School
- Airport Parallel Taxiway

**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 \$150.3 million.

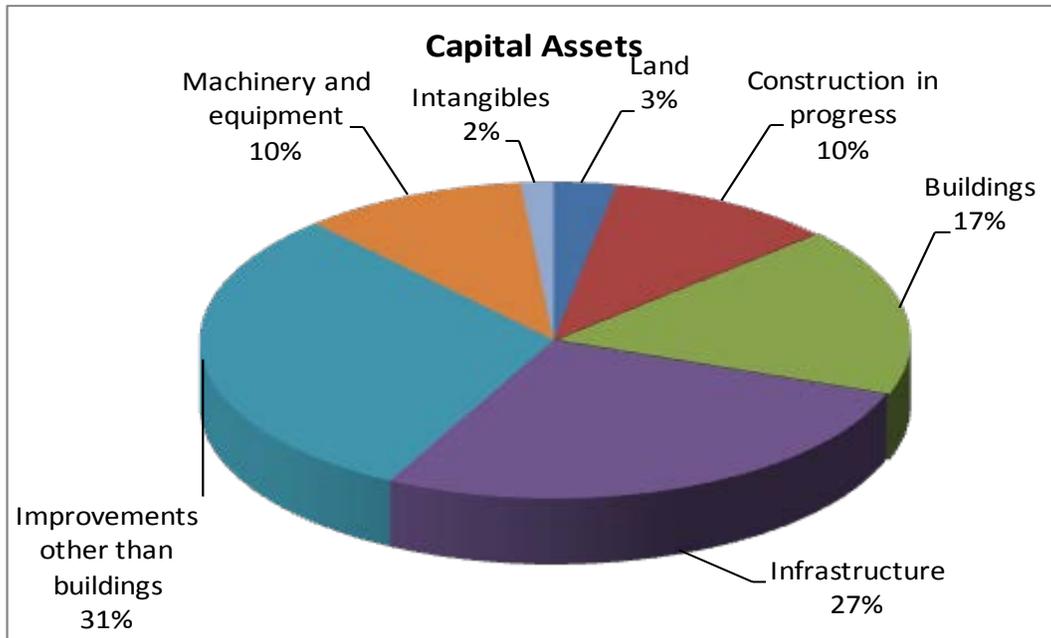
**Internal service funds:** The internal service funds are used to account for entity-wide fleet management, information technology and risk management programs. The total net position at the end of the current fiscal year was \$34.2 million.

**Trust funds:** The City funded \$2.3 million in other postemployment benefits in the OPEB Trust Fund. The City participates in the Virginia Pooled OPEB Trust Fund. In fiscal year 2017, the City fully funded its annual contribution to the fund as calculated by the actuaries and there is now \$31.4 million of cash and cash equivalents 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, 2017, totaled \$1,001.2 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 23.0	\$ 23.0	\$ 5.6	\$ 5.6	\$ 28.6	\$ 28.6
Construction in progress	70.1	31.3	34.3	40.9	104.4	72.2
Buildings	96.8	96.7	75.9	77.6	172.7	174.3
Infrastructure	271.2	283.8	-	-	271.2	283.8
Improvements other than buildings	34.9	36.2	271.2	271.8	306.1	308.0
Machinery and equipment	46.2	46.6	57.0	59.1	103.2	105.7
Intangibles	1.6	1.4	13.4	-	15.0	1.4
<b>Total</b>	<b>\$ 543.8</b>	<b>\$ 519.0</b>	<b>\$ 457.4</b>	<b>\$ 455.0</b>	<b>\$ 1,001.2</b>	<b>\$ 974.0</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 \$678.9 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	
	2017	2016	2017	2016	2017	2016
Bonds payable	\$ 252.6	\$ 239.3	\$ 365.0	\$ 347.8	\$ 617.6	\$ 587.1
Bond Premiums	23.5	20.7	28.7	23.4	52.2	44.1
Capital leases	6.2	9.2	1.0	1.2	7.2	10.4
Loans and notes payable	1.9	2.1	-	-	1.9	2.1
<b>Total</b>	<b>\$ 284.2</b>	<b>\$ 271.3</b>	<b>\$ 394.7</b>	<b>\$ 372.4</b>	<b>\$ 678.9</b>	<b>\$ 643.7</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 \$927.2 million for 2017. The City Charter further limits this general obligation limit to 7% of the City’s assessed value of real property or \$649.0 million. Of the debt shown above, only \$412.1 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 \$370.9 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 1,868 new jobs and over \$189.7 million dollars in new capital investment in the City during the calendar year 2016.
- For fiscal year 2017, the City's tax rate was \$1.07 per \$100 and remains the third lowest tax rate in the region.
- Utility rates increased as of July 1, 2017 to \$9.03 per 100 cubic feet for water and \$6.97 per 100 cubic feet for sewer due to increasing debt service requirements.
- Population in the City increased 13.1% in the last ten years.
- In July 2015, the City received a bond ratings upgrade from Fitch Rating Agency to that of "AAA" and maintained its bond ratings Standard and Poor's Ratings Services of "AAA" and from Moody's Investors Service of "Aa1". These ratings were reaffirmed in July 2017. These ratings reflect the City's commitment to strong financial management.

## **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, 2017**

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents (Note 2)	\$ 112,635,735	\$ 43,553,893	\$ 156,189,628	\$ 23,684,826	\$ 1,334,785
Cash and cash equivalents, restricted (Note 2)	55,547,578	32,758,377	88,305,955	483	1,729,214
Receivables, net (Note 3)	8,513,320	7,212,773	15,726,093	127,232	289,342
Due from other governments (Note 4)	6,507,411	88,315	6,595,726	4,511,051	-
Due from component units	371,465	-	371,465	-	-
Inventories	316,247	156,342	472,589	520,082	11,298,786
Prepaid items	8,019	-	8,019	95,000	-
OPEB asset (Note 12)	3,315,113	502,123	3,817,236	-	-
Capital assets: (Note 7)					
Land and construction in progress	93,110,399	39,840,009	132,950,408	6,387,523	1,021,162
Other capital assets, net	450,701,200	417,592,125	868,293,325	123,369,420	22,865,718
Total assets	<u>731,026,487</u>	<u>541,703,957</u>	<u>1,272,730,444</u>	<u>158,695,617</u>	<u>38,539,007</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	6,739,339	16,184,727	22,924,066	-	148,364
Employer contributions to pension subsequent to the measurement date and net differences	6,089,753	941,214	7,030,967	12,346,777	-
Net difference between expected and actual experience	871,156	135,316	1,006,472	137,539	-
Difference in proportion and difference between employer contributions and proportionate share of contributions	-	-	-	65,000	-
Net difference between projected and actual earnings	4,998,615	776,434	5,775,049	8,336,019	-
Total deferred outflows of resources	<u>18,698,863</u>	<u>18,037,691</u>	<u>36,736,554</u>	<u>20,885,335</u>	<u>148,364</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	9,669,076	2,579,905	12,248,981	2,379,620	104,856
Accrued payroll and related liabilities	1,399,852	173,738	1,573,590	16,765,134	-
Accrued interest payable	3,475,210	4,338,817	7,814,027	-	100,755
Due to Primary Government	-	-	-	132,210	239,255
Due to other governments	-	-	-	420,364	-
Unearned revenues (Note 8)	2,705,221	49,155	2,754,376	-	62,565
Net pension liability (Note 11)	41,912,429	6,510,247	48,422,676	136,670,981	-
Long-term liabilities: (Note 9)					
Due within one year	26,482,463	6,825,908	33,308,371	120,040	971,539
Due in more than one year	268,988,937	388,499,755	657,488,692	2,750,181	8,195,481
Total liabilities	<u>354,633,188</u>	<u>408,977,525</u>	<u>763,610,713</u>	<u>159,238,530</u>	<u>9,674,451</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes (Note 8)	1,236,258	-	1,236,258	-	-
Deposits (Note 8)	2,240,312	-	2,240,312	-	-
pension					
plan investments	-	-	-	-	-
Difference in proportion and difference between employer contributions and proportionate share of contributions	-	-	-	688,000	-
Net difference between expected and actual experience	2,798,707	434,723	3,233,430	4,800,240	-
Total deferred inflows of resources	<u>6,275,277</u>	<u>434,723</u>	<u>6,710,000</u>	<u>5,488,240</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	318,746,466	108,816,928	427,563,394	129,756,943	14,719,860
Restricted:					
Debt service	393,352	-	393,352	-	-
Repair and maintenance	-	-	-	-	1,628,459
Operating reserves	-	2,408,966	2,408,966	-	-
Cemetery care	1,142,731	-	1,142,731	-	-
Capital outlay - equipment	455,809	-	455,809	-	-
Capital projects	1,934,672	-	1,934,672	-	-
OPEB	3,315,113	502,123	3,817,236	-	-
Other governmental purposes	1,640,590	-	1,640,590	483	-
Unrestricted	61,188,152	38,601,383	99,789,535	(114,903,244)	12,664,601
Total net position	<u>\$ 388,816,885</u>	<u>\$ 150,329,400</u>	<u>\$ 539,146,285</u>	<u>\$ 14,854,182</u>	<u>\$ 29,012,920</u>

CITY OF SUFFOLK, VIRGINIA  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2017

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	\$ 23,932,608	\$ 4,659,243	\$ 1,477,767	\$ 2,548,273	\$ (15,247,325)	\$ -	\$ (15,247,325)		
Judicial administration	8,867,642	272,141	2,170,053	-	(6,425,448)	-	(6,425,448)		
Public safety	58,213,081	1,948,166	1,347,604	-	(54,917,311)	-	(54,917,311)		
Public works	40,501,580	990,045	23,496,157	6,800,136	(9,215,242)	-	(9,215,242)		
Health and welfare	13,162,760	-	8,088,860	-	(5,073,900)	-	(5,073,900)		
Transportation	1,005,429	76,099	188,364	50,259	(690,707)	-	(690,707)		
Education	54,983,835	-	-	-	(54,983,835)	-	(54,983,835)		
Parks, recreation, and cultural	12,111,876	1,056,185	295,998	1,660	(10,758,033)	-	(10,758,033)		
Community development	10,563,461	107	2,725,076	-	(7,838,278)	-	(7,838,278)		
Interest on long-term debt	8,849,091	-	-	-	(8,849,091)	-	(8,849,091)		
Total governmental activities	232,191,363	9,001,986	39,789,879	9,400,328	(173,999,170)	-	(173,999,170)	-	-
Business-type activities:									
Utility	49,295,373	47,818,262	88,315	1,870,646	-	481,850	481,850		
Stormwater utility	4,749,518	6,021,234	-	-	-	1,271,716	1,271,716		
Refuse	5,320,570	6,266,800	-	-	-	946,230	946,230		
Total business-type activities	59,365,461	60,106,296	88,315	1,870,646	-	2,699,796	2,699,796	-	-
Total Primary Government	\$ 291,556,824	\$ 69,108,282	\$ 39,878,194	\$ 11,270,974	\$ (173,999,170)	\$ 2,699,796	\$ (171,299,374)	\$ -	\$ -
<b>COMPONENT UNITS:</b>									
School Board	\$ 157,638,323	\$ 1,930,985	\$ 94,156,081	\$ -	\$ -	\$ -	\$ -	\$ (61,551,257)	\$ -
Economic Development Authority	5,264,073	1,765,177	1,000,000	-	-	-	-	-	(2,498,896)
Total component units	\$ 162,902,396	\$ 3,696,162	\$ 95,156,081	\$ -	\$ -	\$ -	\$ -	(61,551,257)	(2,498,896)
<b>General revenues:</b>									
Property taxes					123,411,724	-	123,411,724	-	-
Sales and use taxes					10,399,254	-	10,399,254	-	-
Business license taxes					6,891,756	-	6,891,756	-	-
Meals taxes					9,432,240	-	9,432,240	-	-
Utility taxes					4,447,778	-	4,447,778	-	-
Communication taxes					3,311,375	-	3,311,375	-	-
Motor vehicle license taxes					2,436,079	-	2,436,079	-	-
Tobacco taxes					2,069,356	-	2,069,356	-	-
Lodging taxes					1,706,709	-	1,706,709	-	-
Recordation taxes					1,477,475	-	1,477,475	-	-
Other local taxes					995,484	-	995,484	-	-
Grants and contributions not restricted to specific programs					13,589,564	-	13,589,564	-	-
Miscellaneous					9,052,815	840,103	9,892,918	902,302	127,413
City of Suffolk contribution					-	-	-	54,361,370	1,600,000
Contribution to Pruden from participating schools					-	-	-	2,650,612	-
Unrestricted revenues from use of money and property					1,837,341	935,690	2,773,031	51,287	1,671
Transfers (Note 5)					1,864,649	(1,864,649)	-	-	-
Total general revenues and transfers					192,923,599	(88,856)	192,834,743	57,965,571	1,729,084
Change in net position					18,924,429	2,610,940	21,535,369	(3,585,686)	(769,812)
<b>Net position at July 1,</b>					369,892,456	147,718,460	517,610,916	18,439,868	29,782,732
<b>Net position at June 30</b>					\$ 388,816,885	\$ 150,329,400	\$ 539,146,285	\$ 14,854,182	\$ 29,012,920

## CITY OF SUFFOLK, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 June 30, 2017

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 64,411,826	\$ 11,968,915	\$ 12,533,711	\$ 146,868	\$ 4,839,642	\$ 93,900,962
Cash and cash equivalents, restricted (Note 2)	618,062	48,023,385	-	393,352	1,142,731	50,177,530
Receivables, net (Note 3)	8,359,975	-	28,002	-	39,524	8,427,501
Due from other governmental units (Note 4)	2,299,171	3,304,580	515,230	-	386,492	6,505,473
Due from component units	371,465	-	-	-	-	371,465
Inventories	39,650	-	-	-	45,654	85,304
Prepays	8,019	-	-	-	-	8,019
Total assets	<u>\$ 76,108,168</u>	<u>\$ 63,296,880</u>	<u>\$ 13,076,943</u>	<u>\$ 540,220</u>	<u>\$ 6,454,043</u>	<u>\$ 159,476,254</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 1,420,235	\$ 6,449,372	\$ 683,851	\$ 47,500	\$ 207,624	\$ 8,808,582
Accrued payroll and related liabilities	1,194,073	-	106,358	-	19,326	1,319,757
Unearned revenues	-	-	-	-	287,031	287,031
Total liabilities	<u>2,614,308</u>	<u>6,449,372</u>	<u>790,209</u>	<u>47,500</u>	<u>513,981</u>	<u>10,415,370</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues - taxes	2,361,945	-	-	-	4,864	2,366,809
Prepaid Taxes	1,236,258	-	-	-	-	1,236,258
Deposits	1,396,385	-	825,562	-	18,365	2,240,312
Total deferred inflows of resources	<u>4,994,588</u>	<u>-</u>	<u>825,562</u>	<u>-</u>	<u>23,229</u>	<u>5,843,379</u>
<b>FUND BALANCES (NOTE 16)</b>						
Nonspendable	47,669	-	-	-	45,654	93,323
Restricted	1,528,879	49,527,603	11,461,172	393,352	2,383,853	65,294,859
Committed	5,920,555	7,319,905	-	99,368	3,498,144	16,837,972
Assigned	2,609,232	-	-	-	-	2,609,232
Unassigned	58,392,937	-	-	-	(10,818)	58,382,119
Total fund balances	<u>68,499,272</u>	<u>56,847,508</u>	<u>11,461,172</u>	<u>492,720</u>	<u>5,916,833</u>	<u>143,217,505</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 76,108,168</u>	<u>\$ 63,296,880</u>	<u>\$ 13,076,943</u>	<u>\$ 540,220</u>	<u>\$ 6,454,043</u>	<u>\$ 159,476,254</u>

	Primary Government
Total fund balances - governmental funds	\$ 143,217,505
<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.	514,726,059
Unavailable revenues represent amounts that were not available to fund current expenditures and, therefore, are not reported in the funds	2,366,809
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	3,153,591
OPEB asset	3,153,591
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(3,332,768)
Deferred charges on refunding are not current outflows of resources and not reported in the governmental funds	6,739,339
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(249,004,683)
General obligation bonds, literary fund, capital leases and Section 108 loans	(1,722,600)
Landfill liability	(22,738,256)
Unamortized premiums and other credits on bonds	(5,247,451)
Compensated absences	(39,800,435)
Net pension liability and related deferred inflows and outflows are not due and payable in the current period and therefore, not reported in the governmental funds:	4,746,732
Net pension liability	(2,657,680)
Deferred outflow - difference between projected and actual earnings on pension investments	827,259
Deferred inflow - difference between expected and actual experience related to pensions	5,800,571
Deferred outflow - difference between expected and actual experience related to pensions	(2,418,190)
Deferred outflow - employer pension contributions made subsequent to the measurement date	(2,418,190)
Unearned revenues not recorded in the funds as it did not arise from current financial resources relating to the golf course lease agreement	34,161,083
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	<u>\$ 388,816,885</u>
Net position of governmental activities	<u>\$ 388,816,885</u>

**CITY OF SUFFOLK, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2017**

	General	Capital Projects	Road Maintenance	Debt Service	Non-major Funds	Total Governmental Funds
<b>REVENUES</b>						
Real estate and personal property taxes	\$ 121,658,169	\$ -	\$ -	\$ -	\$ 1,799,039	\$ 123,457,208
Other local taxes	43,202,375	-	-	-	-	43,202,375
Permits, privilege fees and regulatory licenses	1,271,411	-	407,470	-	-	1,678,881
Fines and forfeitures	654,739	-	329,249	-	-	983,988
Revenue from use of money and property	1,190,872	520	41,237	297,694	244,903	1,775,226
Charges for services	3,351,222	-	865,892	-	610,159	4,827,273
Miscellaneous	1,739,300	145,080	26,082	-	73,244	1,983,706
Intergovernmental:						
Revenue from the Commonwealth	21,339,317	7,307,086	23,064,901	-	765,770	52,477,074
Revenue from the Federal government	5,471,106	1,686,983	412,532	-	2,314,769	9,885,390
Total revenues	<u>199,878,511</u>	<u>9,139,669</u>	<u>25,147,363</u>	<u>297,694</u>	<u>5,807,884</u>	<u>240,271,121</u>
<b>EXPENDITURES</b>						
Current:						
General government administration	15,628,953	-	-	-	673,956	16,302,909
Judicial administration	8,024,925	-	-	-	871,558	8,896,483
Public safety	56,409,471	-	-	-	705,575	57,115,046
Public works	881,330	-	24,043,947	-	177,319	25,102,596
Health and welfare	13,252,252	-	-	-	4,000	13,256,252
Transportation	-	-	-	-	1,079,339	1,079,339
Education	54,900,377	-	-	-	-	54,900,377
Parks, recreation, and cultural	10,443,430	-	-	-	133,056	10,576,486
Community development	9,071,439	-	-	-	773,240	9,844,679
Nondepartmental	323,725	-	-	-	-	323,725
Capital outlay	-	46,189,812	-	-	-	46,189,812
Debt service:						
Principal retirement	-	-	-	16,781,132	-	16,781,132
Bond issuance costs	-	-	-	720,840	-	720,840
Interest and fiscal charges	-	-	-	9,388,267	-	9,388,267
Total expenditures	<u>168,935,902</u>	<u>46,189,812</u>	<u>24,043,947</u>	<u>26,890,239</u>	<u>4,418,043</u>	<u>270,477,943</u>
Excess (deficiency) of revenues over/(under) expenditures	<u>30,942,609</u>	<u>(37,050,143)</u>	<u>1,103,416</u>	<u>(26,592,545)</u>	<u>1,389,841</u>	<u>(30,206,822)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Refunding bonds issued	-	-	-	47,215,000	-	47,215,000
General obligations bonds issued	-	26,380,000	-	-	-	26,380,000
Premiums on bonds issued	-	3,113,105	-	4,799,457	-	7,912,562
Payment to escrow agent	-	-	-	(51,298,280)	-	(51,298,280)
Transfers in	2,493,685	7,016,878	-	25,828,204	1,255,928	36,594,695
Transfers out	(27,512,745)	-	(3,468,941)	(2,000,000)	(1,140,731)	(34,122,417)
Total other financing sources (uses), net	<u>(25,019,060)</u>	<u>36,509,983</u>	<u>(3,468,941)</u>	<u>24,544,381</u>	<u>115,197</u>	<u>32,681,560</u>
Net change in fund balances	5,923,549	(540,160)	(2,365,525)	(2,048,164)	1,505,038	2,474,738
Fund balances at July 1	62,575,723	57,387,668	13,826,697	2,540,884	4,411,795	140,742,767
Fund balances at June 30	<u>\$ 68,499,272</u>	<u>\$ 56,847,508</u>	<u>\$ 11,461,172</u>	<u>\$ 492,720</u>	<u>\$ 5,916,833</u>	<u>\$ 143,217,505</u>

CITY OF SUFFOLK, VIRGINIA  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2017**

	<u>Total Governmental Funds</u>
<b>Change in fund balance - total governmental funds</b>	\$ 2,474,738
<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	48,309,225
Depreciation expense	(20,924,173)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable revenues	(45,484)
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	68,322,854
Net change in deferred bond charges from refunding	(683,886)
Proceeds from issuance of new debt	(73,595,000)
Net change in bond premiums	(5,840,384)
Record the current pension expense based on the actuarial study of the net pension liability	(4,875,822)
Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date	5,800,571
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	153,731
Change in compensated absences	(378,550)
Change in landfill liability	(22,106)
Change in OPEB asset	1,985,617
Change in Golf Course unearned revenues	(172,299)
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.	(1,940,601)
<b>Change in net position of governmental activities</b>	<b>\$ 18,924,429</b>

## CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2017

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal
	Utility Fund	Non-Major Funds	Total	Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 36,850,670	\$ 6,703,223	\$ 43,553,893	\$ 18,734,773
Cash and cash equivalents, restricted	28,885,969	3,872,408	32,758,377	5,370,048
Receivables, net	6,787,506	425,267	7,212,773	85,818
Due from other governments	88,315	-	88,315	1,938
Inventories	156,342	-	156,342	230,943
Total current assets	72,768,802	11,000,898	83,769,700	24,423,520
Noncurrent assets:				
OPEB asset	396,781	105,342	502,123	161,522
Land and construction in progress	39,840,009	-	39,840,009	799,030
Other capital assets, net	416,976,961	615,164	417,592,125	28,286,510
Total noncurrent assets	457,213,751	720,506	457,934,257	29,247,062
Total assets	529,982,553	11,721,404	541,703,957	53,670,582
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	16,184,727	-	16,184,727	-
Employer contributions to pension subsequent to the measurement date	542,163	399,051	941,214	289,182
Net difference between expected and actual experience	81,716	53,600	135,316	43,897
Net difference between projected and actual earnings	468,880	307,554	776,434	251,883
Total deferred outflows of resources	17,277,486	760,205	18,037,691	584,962
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	1,342,071	82,483	1,424,554	860,494
Accounts payable from restricted resources	1,155,351	-	1,155,351	-
Accrued payroll and related liabilities	105,281	68,457	173,738	80,095
Unearned revenues	49,155	-	49,155	-
Claims payable	-	-	-	2,925,803
Accrued interest payable	4,304,381	34,436	4,338,817	142,442
Compensated absences	39,371	11,178	50,549	1,670
Bonds and leases payable	6,775,359	-	6,775,359	3,565,225
Total current liabilities	13,770,969	196,554	13,967,523	7,575,729
Noncurrent liabilities:				
Compensated absences	381,184	231,346	612,530	254,400
Net pension liability	3,931,465	2,578,782	6,510,247	2,111,994
Claims payable	-	-	-	1,131,732
Bonds and leases payable	383,346,225	4,541,000	387,887,225	8,879,579
Total noncurrent liabilities	387,658,874	7,351,128	395,010,002	12,377,705
Total liabilities	401,429,843	7,547,682	408,977,525	19,953,434
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Net difference between expected and actual experience	262,524	172,199	434,723	141,027
Total deferred inflows of resources	262,524	172,199	434,723	141,027
<b>NET POSITION</b>				
Net investment in capital assets	108,201,764	615,164	108,816,928	22,010,784
Restricted:				
Operating reserves	2,408,966	-	2,408,966	455,809
OPEB	396,781	105,342	502,123	161,522
Unrestricted	34,560,161	4,041,222	38,601,383	11,532,968
Total net position	\$ 145,567,672	\$ 4,761,728	\$ 150,329,400	\$ 34,161,083

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2017**

	<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>Total</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 47,818,262	\$ 12,288,034	\$ 60,106,296	\$ 37,840,192
Other	579,322	120,781	700,103	2,447,062
Total operating revenues	<u>48,397,584</u>	<u>12,408,815</u>	<u>60,806,399</u>	<u>40,287,254</u>
<b>OPERATING EXPENSES</b>				
Personnel services	6,400,386	4,598,312	10,998,698	3,329,130
Self-insured claims	-	-	-	17,035,985
Contractual services	716,593	1,665,605	2,382,198	2,970,036
Administration	3,431,273	3,073,147	6,504,420	1,036,752
Supplies	756,528	273,759	1,030,287	114,486
Repairs and maintenance	2,111,505	34,212	2,145,717	1,438,677
Vehicle and power equipment – fuel	-	-	-	1,262,212
Vehicle and power equipment – supplies	-	-	-	2,418,062
Computers and equipment	-	-	-	892,486
Utilities	1,055,583	45,982	1,101,565	219,769
Insurance	-	-	-	1,944,123
OPEB – contributions to trust	-	-	-	2,280,300
Bulk-water purchases	5,507,237	-	5,507,237	-
Depreciation and amortization	13,000,842	130,794	13,131,636	5,978,039
Building and equipment rental	1,196,462	74,628	1,271,090	129,598
Other charges	769,498	88,769	858,267	154,862
Total operating expenses	<u>34,945,907</u>	<u>9,985,208</u>	<u>44,931,115</u>	<u>41,204,517</u>
Operating income (loss)	<u>13,451,677</u>	<u>2,423,607</u>	<u>15,875,284</u>	<u>(917,263)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Loss on disposal of capital assets		-	-	(195,816)
Interest income	782,230	45,559	827,789	62,115
Interest expense and other fiscal changes	(13,454,857)	(84,880)	(13,539,737)	(282,007)
Costs of issuance	(858,310)	-	(858,310)	-
Contribution to WTWA infrastructure	(36,299)	-	(36,299)	-
Rental income	140,000	-	140,000	-
Recovered costs	107,901	-	107,901	-
Intergovernmental revenue:				
Revenue from the commonwealth	17,851	-	17,851	-
Revenue from the Federal government	70,464	-	70,464	-
Nonoperating expenses, net	<u>(13,231,020)</u>	<u>(39,321)</u>	<u>(13,270,341)</u>	<u>(415,708)</u>
(Loss) income before contributions and transfers	<u>220,657</u>	<u>2,384,286</u>	<u>2,604,943</u>	<u>(1,332,971)</u>
Capital contributions	1,870,646	-	1,870,646	-
Transfers out	<u>(663,551)</u>	<u>(1,201,098)</u>	<u>(1,864,649)</u>	<u>(607,630)</u>
Change in net position	1,427,752	1,183,188	2,610,940	(1,940,601)
Net position at July 1	<u>144,139,920</u>	<u>3,578,540</u>	<u>147,718,460</u>	<u>36,101,684</u>
Net position at June 30	<u>\$ 145,567,672</u>	<u>\$ 4,761,728</u>	<u>\$ 150,329,400</u>	<u>\$ 34,161,083</u>

## CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2017

	Business-type Activities – Enterprise Funds			Governmental
	Utility Fund	Non-Major Funds	Total	Activities – Internal Service Funds
<b>OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 47,450,091	\$ 12,354,971	\$ 59,805,062	\$ 40,244,960
Payments to employees	(6,455,426)	(4,565,119)	(11,020,545)	(3,256,973)
Payments to suppliers	(15,916,580)	(5,813,690)	(21,730,270)	(30,959,106)
Net cash provided by operating activities	25,078,085	1,976,162	27,054,247	6,028,881
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(699,850)	(1,201,098)	(1,900,948)	(607,630)
Net cash used in noncapital financing activities	(699,850)	(1,201,098)	(1,900,948)	(607,630)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(13,317,641)	(163,856)	(13,481,497)	(3,556,756)
Proceeds from premiums on debt issuance	10,004,907	-	10,004,907	307,106
Proceeds from issuance of debt	92,795,000	-	92,795,000	3,235,000
Capital contributions	105,067	-	105,067	-
Principal paid on capital debt	(3,019,187)	-	(3,019,187)	(3,786,568)
Refunding proceeds placed in escrow	(82,260,812)	-	(82,260,812)	-
Bond issuance costs	(1,379,379)	-	(1,379,379)	(41,921)
Interest paid on capital debt	(13,775,552)	(93,298)	(13,868,850)	(363,521)
Net cash used in in capital and related financing activities	(10,847,597)	(257,154)	(11,104,751)	(4,206,660)
<b>INVESTING ACTIVITIES</b>				
Rental income	140,000	-	140,000	-
Interest received	782,230	45,559	827,789	62,115
Net cash provided by investing activities	922,230	45,559	967,789	62,115
Net increase in cash and cash equivalents	14,452,868	563,469	15,016,337	1,276,706
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning, July 1,	51,283,771	10,012,162	61,295,933	22,828,115
Ending, June 30	\$ 65,736,639	\$ 10,575,631	\$ 76,312,270	\$ 24,104,821
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>				
Cash and cash equivalents	\$ 36,850,670	\$ 6,703,223	\$ 43,553,893	\$ 18,734,773
Cash and cash equivalents, restricted	28,885,969	3,872,408	32,758,377	5,370,048
	\$ 65,736,639	\$ 10,575,631	\$ 76,312,270	\$ 24,104,821

(Continued)

## CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2017

	<u>Business-type Activities – Enterprise Funds</u>			<u>Governmental</u>
	<u>Utility Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Activities – Internal Service Funds</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>				
<b>PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 13,451,677	\$ 2,423,607	\$ 15,875,284	\$ (917,263)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	13,000,842	130,794	13,131,636	5,978,038
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(573,311)	12,482	(560,829)	59,405
Inventories	(986)	-	(986)	11,981
OPEB asset	(249,828)	(66,327)	(316,155)	(101,700)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(370,915)	(557,587)	(928,502)	178,785
Accrued payroll and related liabilities	(55,040)	33,193	(21,847)	72,157
Unearned revenues	(124,354)	-	(124,354)	-
Claims payable	-	-	-	747,478
Net cash provided by operating activities	<u>\$ 25,078,085</u>	<u>\$ 1,976,162</u>	<u>\$ 27,054,247</u>	<u>\$ 6,028,881</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital asset purchases financed by capital leases	\$ 535,223	\$ -	\$ 535,223	\$ -
Non-cash capital contributions	\$ 1,870,646	\$ -	\$ 1,870,646	\$ -
Capitalized interest	\$ 1,096,339	\$ -	\$ 1,096,339	\$ -

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2017**

	<b>OPEB Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 31,391,125	\$ 676,473
Total assets	\$ 31,391,125	\$ 676,473
<b>LIABILITIES</b>		
Amounts held for others	\$ -	\$ 676,473
Total liabilities	-	\$ 676,473
<b>NET POSITION</b>		
Held in trust for OPEB benefits	31,391,125	
Total net position	\$ 31,391,125	

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**OPEB TRUST FUND**  
**Year Ended June 30, 2017**

**ADDITIONS**

Employer contributions	\$ 2,280,300
Gain on Investments	3,419,495
Total additions	5,699,795

**DEDUCTIONS**

Administrative fees	28,949
Total deductions	28,949

Change in net position	5,670,846
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<b>NET POSITION AT JULY 1</b>	25,720,279
<b>NET POSITION AT JUNE 30</b>	\$ 31,391,125

# NOTES TO FINANCIAL STATEMENTS

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**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017**

**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 442 West Washington St., Suffolk, Virginia 23434.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 and Franklin, and the County of Isle of Wight (the member jurisdictions) under the Jail Authority Act, Code of the Commonwealth of Virginia. The member jurisdictions are responsible for a percentage of the annual operating costs of the jail based on the jail population. 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 annual 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, 2017 to the VRA was \$9,895,000 and Suffolk’s guarantee percentage was 12.87%, which totaled \$1,273,487.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017**

**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 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, 2017**

**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 roadways 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 expenses not meeting the operating definition are reported as non-operating revenues and expenses.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**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 2017 totaled \$1,603,748.

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 acquisition 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, 2017**

**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 Revenues**

Unavailable revenues 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 revenues in the governmental funds' financial statements. Unavailable revenues arise 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 requirements 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 related deferred outflow is being amortized over the remaining life of the refunded debt. Deferred outflows for pensions result from changes in actuarial assumptions, differences between expected and actual experience, pension investment returns that exceed projected earnings and pension contributions made subsequent to the measurement date. Changes in actuarial assumptions are deferred and amortized over the remaining service life of all participants and investment experience amounts are deferred and amortized over a closed five-year period.

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

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**K. Deferred Outflows and Inflows of Resources (Continued)**

fund financial statements, receivables that will not be collected within the available period have also been reported as unavailable revenues. Deferred inflows for pensions result from changes in actuarial assumptions, differences between the expected and actual experience, pension investment returns that exceed projected earnings and changes in proportionate share. Changes in actuarial assumptions are deferred and amortized over the remaining service life of all participants and investment experience amounts are deferred and amortized over a closed five-year period.

**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 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. Pension Plan**

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's retirement benefits and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**O. Fund Balance**

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

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

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

Committed fund balance – The City’s committed funds include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority – City Council. Formal Council action includes the annual adoption of the City’s Budget Ordinance, Council Ordinances appropriating funds and/or resources, and Budget Amendments to carry forward appropriations that were encumbered but 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, in accordance with the City’s financial policies. 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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**O. Fund Balance**

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 expenditures are incurred.

**P. 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.

**Q. 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.

**R. 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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**R. Component Unit-School Board Capital Asset and Debt Presentation (continued)**

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.

**S. Change in Accounting Principle**

Effective July 1, 2016, the City adopted the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. Specific Information required under Statement No. 74 is included in the note disclosures and as required supplementary information. The implementation of the new standard had no impact on the face of the financial statements for fiscal year 2017.

Effective July 1, 2016, the City adopted the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information related to the agreements. The statement also defines what constitutes a tax abatement agreement. Disclosures required under Statement No. 77 is included in the note disclosures.

Effective July 1, 2016, the City adopted the provisions of GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Pension Plans*, which amends the scope and applicability of Statement No. 68 to exclude certain pensions provided through state or local governments in certain circumstances. In practice, the City's pension plan does not meet the criteria for Statement No. 78 to be applicable.

Effective July 1, 2016, the City adopted the provisions of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, this statement addresses accounting and financial reporting for certain external investment pools and pool participants. Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for reporting purposes. Statement No. 79 also establishes additional note disclosure requirement for qualifying external investment pools that measure all of their investments at amortized cost for reporting purposes and for governments that participate in those pools.

Effective July 1, 2016 the City adopted the provisions of GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, which amends the blending requirements for the financial statement presentation of component units of all state and local governments. In practice the City does not have any component units that require blending under the guidance in this statement.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**S. Change in Accounting Principle (continued)**

Effective July 1, 2016, the City adopted the provisions of GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses certain issues that have been raised with respect to Statements No. 67, No. 68 and No.73, specifically issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from actuarial standards and the classifications of payments made by employers to satisfy employee contribution requirements. These changes had no impact on the financial statements in the current fiscal year.

**Note 2. Deposits and Investments**

**Deposits**

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

**Investments**

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

**Credit Risk**

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

**Interest Rate Risk**

The City Treasurer’s policy states that the investment portfolio shall be designed to attain a market rate of return, taking into account investment risk constraints and liquidity needs. The portfolio shall be structured so that securities mature concurrent with 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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**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.

**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	\$ 53,393,433	\$ 30,349,411	\$ 83,742,844
Debt service	393,352	-	393,352
Cemetery	1,142,731	-	1,142,731
Escrow/bond/customer deposits	618,062	-	618,062
Other external purposes	-	2,408,966	2,408,966
<b>Total</b>	<b>\$ 55,547,578</b>	<b>\$ 32,758,377</b>	<b>\$ 88,305,955</b>

	<b>Primary Government</b>	<b>School Board</b>	<b>Economic Development Authority</b>
<b>Component Units</b>			
Deposits and Investments:			
SNAP	\$ 83,287,035	\$ -	\$ -
Lease proceeds	455,809	-	-
Deposits	160,752,739	23,685,309	3,063,999
	<b>\$ 244,495,583</b>	<b>\$ 23,685,309</b>	<b>\$ 3,063,999</b>
Statement of Net Position:			
Cash and cash equivalents	\$ 156,189,628	\$ 23,684,826	\$ 1,334,785
Cash and cash equivalents, restricted	88,305,955	483	1,729,214
	<b>\$ 244,495,583</b>	<b>\$ 23,685,309</b>	<b>\$ 3,063,999</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 3. Receivables**

Receivables are as follows:

	Governmental Activities						
	General	Road Maintenance	Non-major Governmental Funds	Internal Service Funds			Total
				Information Technology	Fleet Management	Risk Management	
Taxes	\$5,963,148	\$ -	\$ 18,540	\$ -	\$ -	\$ -	\$ 5,981,688
Accounts	6,728,294	28,002	27,306	5,000	68,066	12,752	6,869,421
Subtotal	12,691,442	28,002	45,846	5,000	68,066	12,752	12,851,109
Less Allowance	(4,331,467)	-	(6,322)	-	-	-	(4,337,789)
Receivables, net	\$8,359,975	\$ 28,002	\$ 39,524	\$ 5,000	\$ 68,066	\$ 12,752	\$ 8,513,320
	<b>Business-type Activities</b>						
	Utilities	Refuse	Stormwater	Total	Component Unit -- School Board		
Accounts	7,151,704	414,808	226,565	7,793,077	127,232		
Less Allowance	(364,198)	(140,014)	(76,093)	(580,305)	-		
Receivables, net	\$6,787,506	\$ 274,794	\$ 150,473	\$ 7,212,773	\$ 127,232		

**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	\$ 2,546,571	\$ -
General Fund - EMS receivable	1,784,896	-
Non-major Funds - Taxes receivable	6,322	-
Utility Fund - Accounts receivable	-	-
Non-major Proprietary Funds - accounts receivable	-	580,305
	\$ 4,337,789	\$ 580,305

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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:**

	<u>General</u>	<u>Capital Projects</u>	<u>Road Maintenance</u>	<u>Non-major Governmental Funds</u>	<u>Internal Service Fund -- Fleet Fund</u>	<u>Total</u>
<u>Commonwealth of Virginia:</u>						
State sales tax	\$ 858,851	\$ -	\$ -	\$ -	\$ -	\$ 858,851
Communication sales tax	275,224	-	-	-	-	275,224
Shared expenses	245,172	-	-	-	-	245,172
Social services reimbursement	192,869	-	-	-	-	192,869
VA Department of Transportation	-	2,904,280	-	-	-	2,904,280
VDEM Reimbursement	21,389	-	102,698	-	392	124,479
Various other state aid and grants	155,684	321,324	-	50,435	-	527,443
	<u>1,749,189</u>	<u>3,225,604</u>	<u>102,698</u>	<u>50,435</u>	<u>392</u>	<u>5,128,318</u>
<u>Federal Government:</u>						
Social services reimbursement	440,384	-	-	-	-	440,384
FEMA Reimbursement	84,426	-	412,532	-	1,546	498,504
Various grants	25,172	78,976	-	336,057	-	440,205
	<u>549,982</u>	<u>78,976</u>	<u>412,532</u>	<u>336,057</u>	<u>1,546</u>	<u>1,379,093</u>
Total due from other governments	<u>\$ 2,299,171</u>	<u>\$ 3,304,580</u>	<u>\$ 515,230</u>	<u>\$ 386,492</u>	<u>\$ 1,938</u>	<u>\$ 6,507,411</u>

**Business-  
Type  
Activities --  
Utility Fund**

<u>Commonwealth of Virginia:</u>	
VDEM Reimbursement	<u>17,851</u>
	<u>17,851</u>
<u>Federal Government:</u>	
FEMA Reimbursement	<u>70,464</u>
	<u>70,464</u>
Total due from other governments	<u>\$ 88,315</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 4. Due From Other Governments (Continued)**

**Component Unit – School Board:**

	<b>School Operating</b>	<b>School Grants</b>	<b>School Food Service</b>	<b>Total</b>
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,350,305	\$ -	\$ -	\$ 1,350,305
Various grants	38,130	129,585	-	167,715
	<u>1,388,435</u>	<u>129,585</u>	<u>-</u>	<u>1,518,020</u>
<u>Federal Government:</u>				
School food reimbursement	-	-	272,118	272,118
Title I	-	1,870,324	-	1,870,324
Title VI-B	-	361,958	-	361,958
Title II-A	-	267,217	-	267,217
Various grants	53,366	94,860	-	148,226
	<u>53,366</u>	<u>2,594,359</u>	<u>272,118</u>	<u>2,919,843</u>
<u>Local</u>	<u>73,188</u>	<u>-</u>	<u>-</u>	<u>73,188</u>
Total due from other governments	<u>\$ 1,514,989</u>	<u>\$ 2,723,944</u>	<u>\$ 272,118</u>	<u>\$ 4,511,051</u>

**Note 5. Interfund Transactions:**

**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>	
<u>Transfers from:</u>					
General Fund	\$ -	\$ 2,064,920	\$ 24,191,896	\$ 1,255,928	\$ 27,512,744
Road Maintenance	593,220	2,226,958	648,763	-	3,468,941
Debt Service	-	2,000,000	-	-	2,000,000
Utility	663,551	-	-	-	663,551
<u>Non-major:</u>					
Governmental	73,186	80,000	987,545	-	1,140,731
Enterprise	556,098	645,000	-	-	1,201,098
Internal Service	607,630	-	-	-	607,630
	<u>\$ 2,493,685</u>	<u>\$ 7,016,878</u>	<u>\$ 25,828,204</u>	<u>\$ 1,255,928</u>	<u>\$ 36,594,695</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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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	\$ 150,938,533
Repayment of School Board debt	<u>11,215,009</u>
	<b><u>\$ 162,153,542</u></b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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	\$ 23,037,222	\$ -	\$ -	\$ 23,037,222
Construction in Progress	31,268,746	46,265,882	7,461,451	70,073,177
<b>Total Capital assets, non-depreciable</b>	<b>54,305,968</b>	<b>46,265,882</b>	<b>7,461,451</b>	<b>93,110,399</b>
Capital Assets, depreciable				
Buildings	122,178,674	3,099,023	-	125,277,697
Infrastructure	404,274,582	901,107	-	405,175,689
Improvements other than buildings	49,087,209	-	-	49,087,209
Machinery and equipment	96,981,004	8,489,957	4,103,028	101,367,933
Intangibles	2,536,252	571,465	151,629	2,956,088
<b>Total capital assets, depreciable</b>	<b>675,057,721</b>	<b>13,061,552</b>	<b>4,254,657</b>	<b>683,864,616</b>
Less accumulated depreciation for:				
Buildings	25,451,444	3,000,159	-	28,451,603
Infrastructure	120,447,627	13,483,566	-	133,931,193
Improvement other than buildings	12,885,621	1,314,588	-	14,200,209
Machinery and equipment	50,379,462	8,728,412	3,907,212	55,200,662
Intangibles	1,155,891	375,487	151,629	1,379,749
<b>Total accumulated depreciation</b>	<b>210,320,045</b>	<b>26,902,212</b>	<b>4,058,841</b>	<b>233,163,416</b>
<b>Total capital assets, depreciable, net</b>	<b>464,737,676</b>	<b>(13,840,660)</b>	<b>195,816</b>	<b>450,701,200</b>
<b>Governmental activities, capital assets, net</b>	<b>\$ 519,043,644</b>	<b>\$ 32,425,222</b>	<b>\$ 7,657,267</b>	<b>\$ 543,811,599</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Governmental Activities:**

General government	\$ 5,679,384
Judicial administration	4,711
Public safety	1,581,437
Public works	17,315,857
Community Development	736,259
Education	5,091
Parks, recreation, and cultural	1,579,473
	\$ 26,902,212

Government activities included depreciation of \$4,877,024 for the Fleet Maintenance fund, \$119,780 for the Risk Management fund, and \$981,235 for Information Technology fund.

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

	<b>Business-type Activities</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
Capital Assets, non-depreciable				
Land	\$ 5,572,762	\$ -	\$ -	\$ 5,572,762
Construction in Progress	40,965,356	13,018,459	19,716,568	34,267,247
Total Capital assets, non-depreciable	46,538,118	13,018,459	19,716,568	39,840,009
Capital Assets, depreciable				
Buildings	98,635,200	714,816	-	99,350,016
Improvements other than buildings	356,450,963	6,422,414	-	362,873,377
Machinery and equipment	97,064,431	1,618,984	26,651	98,656,764
Intangibles	43,606	13,485,868	-	13,529,474
Total capital assets, depreciable	552,194,200	22,242,082	26,651	574,409,631
Less accumulated depreciation for:				
Buildings	21,062,737	2,329,505	-	23,392,242
Improvement other than buildings	84,660,576	7,034,165	-	91,694,741
Machinery and equipment	37,930,829	3,745,250	26,651	41,649,428
Intangibles	58,379	22,716	-	81,095
Total accumulated depreciation	143,712,521	13,131,636	26,651	156,817,506
Total capital assets, depreciable, net	408,481,679	9,110,446	-	417,592,125
<b>Business-type activities, capital assets, net</b>	<b>\$ 455,019,797</b>	<b>\$ 22,128,905</b>	<b>\$ 19,716,568</b>	<b>\$ 457,432,134</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
Capital Assets, non-depreciable				
Land	\$ 6,387,523	\$ -	\$ -	\$ 6,387,523
Total Capital assets, non-depreciable	<u>6,387,523</u>	<u>-</u>	<u>-</u>	<u>6,387,523</u>
Capital Assets, depreciable				
Buildings	201,021,028	-	1,724,631	199,296,397
Improvements other than buildings	16,759,854	18,400	83,500	16,694,754
Machinery and equipment	44,307,333	4,447,176	1,747,021	47,007,488
Total capital assets, depreciable	<u>262,088,215</u>	<u>4,465,576</u>	<u>3,555,152</u>	<u>262,998,639</u>
Less accumulated depreciation for:				
Buildings	92,636,341	4,711,621	1,507,054	95,840,908
Improvement other than buildings	11,094,853	500,367	83,500	11,511,720
Machinery and equipment	30,306,564	3,721,665	1,751,638	32,276,591
Total accumulated depreciation	<u>134,037,758</u>	<u>8,933,653</u>	<u>3,342,192</u>	<u>139,629,219</u>
Total capital assets, depreciable, net	<u>128,050,457</u>	<u>(4,468,077)</u>	<u>212,960</u>	<u>123,369,420</u>
<b>Component Unit - School Board, capital assets, net</b>	<b><u>\$ 134,437,980</u></b>	<b><u>\$ (4,468,077)</u></b>	<b><u>\$ 212,960</u></b>	<b><u>\$ 129,756,943</u></b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 8. Unavailable and Unearned Revenues**

Governmental funds report unavailable revenues 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 revenues and unearned revenues in the governmental funds and governmental activities were as follows:

	<b>Unavailable Revenues</b>	<b>Unearned Revenues</b>
<b>Liability:</b>		
Grant receipts -- unearned	\$ 287,031	\$ 287,031
Golf-course lease revenue -- unearned (Note 10)	-	2,418,190
Total unavailable/unearned revenue	\$ 287,031	\$ 2,705,221
 <b>Deferred inflow of resources:</b>		
Prepaid taxes and other amounts -- unearned	\$ 1,236,258	\$ 1,236,258
Developer deposits -- unearned (General)	1,396,385	1,396,385
Developer deposits -- unearned (Road Maintenance)	825,562	825,562
Hanger deposits -- unearned (Aviation)	18,365	18,365
Taxes receivable, net -- unavailable	2,366,809	-
Total unavailable/unearned revenue -- governmental funds	\$ 5,843,379	\$ 3,476,570

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, 2017**

**Note 9. Long-Term Liabilities**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General obligation debt	\$ 239,265,335	\$ 76,830,000	\$ 63,473,132	\$ 252,622,203	\$ 16,618,915
Add bond premiums and other credits	20,662,943	8,219,668	5,395,270	23,487,341	2,010,258
	<u>259,928,278</u>	<u>85,049,668</u>	<u>68,868,402</u>	<u>276,109,544</u>	<u>18,629,173</u>
Section 108 loan	2,108,000	-	193,000	1,915,000	193,000
Capital Lease obligations	9,183,208	-	3,020,009	6,163,199	2,619,219
	<u>271,219,486</u>	<u>85,049,668</u>	<u>72,081,411</u>	<u>284,187,743</u>	<u>21,441,392</u>
Net pension liability	31,947,321	22,346,794	12,381,686	41,912,429	-
Claims payable	3,310,057	18,583,000	17,835,521	4,057,536	2,925,802
Compensated absences	5,103,858	3,369,826	2,970,163	5,503,521	392,669
Landfill liability	1,700,494	22,106	-	1,722,600	1,722,600
<b>Governmental activities, long-term liabilities</b>	<b><u>\$ 313,281,216</u></b>	<b><u>\$ 129,371,394</u></b>	<b><u>\$ 105,268,781</u></b>	<b><u>\$ 337,383,829</u></b>	<b><u>\$ 26,482,463</u></b>
<u>Business-type activities:</u>					
General obligation bonds	\$ 234,660,069	\$ -	\$ 55,836,272	\$ 178,823,797	\$ 3,981,085
Taxable GO BAN	4,541,000	-	-	4,541,000	-
Revenue bonds	108,700,000	92,795,000	19,885,000	181,610,000	1,140,000
Add bond premiums and other credits	23,376,507	10,004,907	4,681,366	28,700,048	1,335,128
	<u>371,277,576</u>	<u>102,799,907</u>	<u>80,402,638</u>	<u>393,674,845</u>	<u>6,456,213</u>
Capital lease obligations	1,166,659	188,996	367,915	987,740	319,145
	<u>372,444,235</u>	<u>102,988,903</u>	<u>80,770,553</u>	<u>394,662,585</u>	<u>6,775,358</u>
Net pension Liability	4,880,391	3,553,105	1,923,249	6,510,247	-
Compensated absences	622,891	108,316	68,129	663,078	50,550
<b>Business-type activities, long-term liabilities</b>	<b><u>\$ 377,947,517</u></b>	<b><u>\$ 106,650,324</u></b>	<b><u>\$ 82,761,931</u></b>	<b><u>\$ 401,835,910</u></b>	<b><u>\$ 6,825,908</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, 2017**

**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:						
2007B Public Improvement Bonds	12/01/07	12/01/27	4.00-5.00	24,475,000	1,225,000	-
2008 Public Improvement Bonds	10/28/08	02/01/29	4.00-5.00	16,600,000	1,660,000	-
2009 Series (Taxable - Build America Bonds	11/10/09	02/01/40	3.87	27,000,000	-	23,840,000
2010A Public Improvement and Refunding Bonds	04/29/10	08/01/32	3.38	34,155,000	23,845,000	-
2011 Public Improvement	07/07/11	02/01/27	2.00-5.00	84,510,000	4,240,000	16,920,000
2011 Public Improvement and Refunding Bonds	07/07/11	02/01/27	2.00-5.00	30,065,000	4,750,000	1,690,000
2011 VPSA Local School Bond	12/15/11	06/30/31	4.97	7,500,000	6,750,000	-
2012 Public Improvement and Refunding Bonds	08/22/12	06/01/42	2.00-5.00	60,610,000	8,605,000	37,190,000
2013 Public Improvement and Refunding Bonds	07/30/13	12/01/32	3.00-5.00	64,415,000	32,168,592	26,511,408
2013B Public Improvement Bonds	12/12/13	06/30/29	2.55	2,100,000	1,745,000	-
2014 Public Improvement and Refunding Bonds	07/30/15	02/01/42	2.00-5.00	124,820,000	48,980,000	72,670,000
2015 Public Improvement and Refunding Bonds	07/08/15	02/01/35	2.00-5.00	41,170,000	39,010,000	-
2015B Taxable GO BAN	12/17/15	08/01/18	1.82	4,541,000	-	4,541,000
2015C Refunding Bonds	12/17/15	12/01/25	2.40	5,324,000	3,718,611	2,389
2016 Public Improvement and Refunding Bonds	07/14/16	02/01/36	1.50-5.00	51,085,000	50,285,000	-
2016 Refunding Bonds -- Taxable	07/14/16	02/01/35	1.10-4.00	25,745,000	25,640,000	-
Total general obligation bonds					<u>252,622,203</u>	<u>183,364,797</u>
Other Notes:						
Section 108 Loan Payable	09/14/06	08/01/26	4.96-5.77	3,845,000	1,915,000	-
Total bonds payable					<u>\$ 254,537,203</u>	<u>\$ 183,364,797</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Capital Lease Obligations:		
Leases issued for the purchase of generators; payable in monthly installments through June 2031	\$ 2,206,611	\$ 987,740
\$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%	120,409	-
\$2,603,027 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%	520,605	-
\$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%	1,538,379	-
\$3,476,950 issued August 30, 2014 for the purchase of various vehicles and equipment; payable in semi-annual installments of \$365,039 through August 30, 2019; interest at 1.79%	1,777,195	-
Total capital lease obligations	<u>\$ 6,163,199</u>	<u>\$ 987,740</u>

	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Authorized</u> <u>and Issued</u>	<u>Business-type</u> <u>Activities</u>
Bonds Payable:					
Pledged Revenue Bonds Virginia Resources Authority (VRA):					
2009 Series Water and Sewer Revenue Bond - VRA	06/17/09	10/01/25	1.13-4.86	10,200,000	6,555,000
2015B VRA Revenue and Refunding Bonds	11/18/15	10/01/45	3.12-5.12	81,125,000	81,125,000
2015B VRA Taxable Refunding Bonds	11/18/15	10/01/20	2.34	1,135,000	1,135,000
2016C VRA Revenue and Refunding bonds	11/16/16	10/21/43	2.12-5.12	92,795,000	92,795,000
Total pledged revenue bonds					<u>\$ 181,610,000</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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
2018	16,618,915	9,986,312	193,000	101,521	2,619,219	47,347
2019	17,521,146	9,353,870	193,000	91,215	1,486,016	19,101
2020	18,388,161	8,671,199	193,000	80,764	591,082	3,238
2021	18,332,316	8,094,928	193,000	70,187	193,972	-
2022	16,837,319	7,357,744	193,000	59,495	179,048	-
2023-2027	79,404,346	25,795,466	950,000	134,303	723,741	-
2028-2032	61,265,000	10,477,775	-	-	370,121	-
2033-2036	24,255,000	1,490,620	-	-	-	-
	<u>\$252,622,203</u>	<u>\$ 81,227,914</u>	<u>\$ 1,915,000</u>	<u>\$ 537,485</u>	<u>\$ 6,163,199</u>	<u>\$ 69,686</u>

Year Ending June 30,	Business-type Activities							
	General Obligations Bonds		Taxable GO BAN		Revenue Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	3,981,085	7,932,954	-	82,646	1,140,000	7,738,594	319,145	-
2019	4,846,854	7,752,460	4,541,000	41,323	1,530,000	7,681,225	210,761	-
2020	5,016,839	7,575,660	-	-	1,600,000	7,606,469	149,894	-
2021	6,095,684	7,360,108	-	-	4,220,000	7,489,494	91,144	-
2022	6,365,681	7,084,206	-	-	4,400,000	7,302,556	42,774	-
2023-2027	36,517,654	30,508,789	-	-	25,375,000	33,072,953	102,978	-
2028-2032	40,305,000	21,862,539	-	-	35,255,000	26,027,853	71,044	-
2033-2037	45,975,000	13,153,046	-	-	45,005,000	17,693,450	-	-
2038-2042	28,565,000	3,779,237	-	-	54,720,000	6,460,319	-	-
2043-2046	1,155,000	25,988	-	-	8,365,000	702,716	-	-
	<u>\$178,823,797</u>	<u>\$107,034,987</u>	<u>\$ 4,541,000</u>	<u>\$ 123,969</u>	<u>\$181,610,000</u>	<u>\$121,775,629</u>	<u>\$ 987,740</u>	<u>\$ -</u>

The Governmental Activities' capital lease obligations are collateralized by equipment with a book value of \$7,525,532, which is net of accumulated depreciation of \$4,569,194 at June 30, 2017.

The Business-type Activities' capital Lease obligations are collateralized by equipment with a book value of \$1,052,042, which is net of accumulated depreciation of \$2,850,718 at June 30, 2017.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 \$303,385,629 through 2046.

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 3.69, which exceeds the requirement. 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, 2017, the City's aggregate general obligation indebtedness is approximately \$513.8 million less than the Commonwealth's limit and \$235.6 million less than the City's independent limit.

**School Board Long-Term Liabilities:**

Following is a summary of changes in noncurrent liabilities of the School Board for the year ended June 30, 2017:

<u>Component Unit - School Board</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Other postemployment benefits	\$ 1,879,561	\$ 595,451	\$ 1,822,143	\$ 652,869	\$ -
Net pension liability	118,725,976	30,062,301	12,117,296	136,670,981	-
Compensated Absences	2,059,056	1,563,562	1,405,266	2,217,352	120,040
	<u>\$ 122,664,593</u>	<u>\$ 32,221,314</u>	<u>\$ 15,344,705</u>	<u>\$ 139,541,202</u>	<u>\$ 120,040</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Current Year Refunding of Debt**

During the fiscal year, the City issued general obligation and VRA revenue bonds to refund amounts outstanding on prior bond issuances. The details of these refunding issuances are included in the table below. 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, the deferred charge on refunding, being deferred and amortized over the shorter of life of the defeased debt or the replacement debt. Portions of the refunded bonds were advance refunded and the proceeds from the new bonds placed in an escrow account to be paid upon the call date. These amounts are outstanding as of June 30, 2017 and will be paid from the escrow accounts set up with the 2016 issuance.

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 GO refunding was to decrease the overall debt service on the refunded obligations. The purpose of the VRA refunding was to restructure the debt service to reduce the debt service in the early years. 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).

	<b><u>July 2016 GO tax exempt refunding</u></b>	<b><u>July 2016 GO taxable refunding</u></b>	<b><u>November 2016 VRA refunding</u></b>
Type of bonds refunded	GO	GO	GO and VRA VRA (2006 and 2010) GO (2011)
Issue date of refunded bonds	2010, 2011, and 2012	2007 and 2011	
Total refunding bonds issued (new bonds)	\$21,470,000	\$25,745,000	\$75,565,000
Value of Refunded bonds (old bonds)	\$21,715,000	\$24,160,000	\$73,070,000
Net Proceeds of refunding (including the premiums and costs of issuance)	\$25,545,961	\$25,750,281	\$82,265,033
Bond premium received	\$4,243,524	\$345,818	\$7,859,856
Costs of issuance	\$167,563	\$340,537	\$1,159,822
Deferred charge on refunding	\$1,837,528	\$627,672	\$6,504,986
Amount in escrow at 6/30 still outstanding	\$21,715,000	\$3,625,000	\$58,610,000
Overall debt service savings	\$2,005,659	\$2,317,016	\$(11,705,348)
Net present value of savings or economic gain	\$1,689,064	\$2,679,294	\$1,709,923

**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, 2017, the balance of these defeased bonds was \$181,180,000.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Bonds Authorized and Unissued:**

There was no bonded debt authorized by City Council in previous years but unissued as of June 30, 2017.

**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 \$1,722,600. 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. The remaining amount of unearned lease revenue, in the form of capital improvements exceeding the annual lease payments at June 30, 2017, is \$2,418,190.

**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 \$1,570,198 and \$136,678 respectively.

Future minimum lease payments under these leases are as follows:

2018	\$ 1,589,410
2019	1,592,295
	<u>\$ 3,181,705</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 11. Defined Benefit Pension Plan**

**Plan Description**

The City and School Board contribute to the Virginia Retirement System (VRS), a qualified defined benefit retirement plan to provide pension benefits for all permanent full-time general and public safety employees of the City and the Schools. The VRS is an agent-multiple employer defined benefit plan (City and School Board) and a cost-sharing multiple employer plan (School Board) administered by the Virginia Retirement System (the “System”).

***Benefits Provided:***

All full-time, salaried permanent (professional) employees are automatically enrolled in VRS upon employment. Benefits vest after five years of service credit, and are eligible to retire with an unreduced or reduced benefit when they meet the age and service requirements of the plan. Members can earn one month of service credit for each month they are employed and contributions are deposited 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.

The VRS also provided Death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publically 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/2016-Annual-Report.pdf> or obtained by writing to the Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

The System administers different benefit structures (called plans) for the City and School Board employees: Plan 1, Plan 2 and the Hybrid Retirement Plan (“Hybrid”) each of these have different provisions with a specific eligibility and benefit structure. See Table below for details.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Benefit Terms, and Contribution Requirements**

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid</b>
<p><b>Description (Employees Covered):</b>            Plan 1 is a defined benefit plan. The benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of July 1, 2013.</p> <p>Non-hazardous duty members were allowed to make an irrevocable decision to opt into the Hybrid plan during a special elections window held January 1 through April 30, 2014.</p>	<p><b>Description (Employees Covered):</b>            Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010 or their membership dates is before July 1, 2010 and they were not vested as of January 1, 2013.</p> <p>Eligible 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.</p>	<p><b>Description (Employees Covered):</b>            The Hybrid Plan combines the features of a defined benefit and a defined contribution plan. Members hired on or after January 1, 2014 are on this plan, as well as any eligible Plan 1 or Plan 2 members who opted into the plan during the special election period.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on the member's age, creditable service and average final compensation.</li> <li>• 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.</li> </ul>
<p><b>Retirement Eligibility:</b>            Normal:</p> <ul style="list-style-type: none"> <li>• Non-hazardous duty members are eligible for an unreduced benefit at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit.</li> <li>• Hazardous duty members 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.</li> </ul> <p>Early Retirement with reduced benefit:</p> <ul style="list-style-type: none"> <li>• Non-hazardous duty members may retire early with a reduced benefit at age 55 with at least 5 years of service credit, or age 50 with at least 10 years of service credit.</li> <li>• Hazardous duty members may retire early with a reduced benefit at age 50 with at least 5 years of service credit.</li> </ul>	<p><b>Retirement Eligibility:</b>            Normal:</p> <ul style="list-style-type: none"> <li>• Non-hazardous duty members are eligible for an unreduced benefit at their normal Social Security retirement age with at least 5 years of service credit, or when their combined age and service credit equals 90.</li> <li>• Hazardous duty members' eligibility is the same as Plan 1.</li> </ul> <p>Early Retirement with reduced benefit:</p> <ul style="list-style-type: none"> <li>• Non-hazardous duty members may retire early with a reduced benefit at age 60 with at least 5 years of service credit.</li> <li>• Hazardous duty members' eligibility is the same as Plan 1.</li> </ul>	<p><b>Retirement Eligibility:</b>            Normal:</p> <ul style="list-style-type: none"> <li>• Defined Benefit Component: members are eligible for an unreduced benefit at their normal Social Security retirement age with at least 5 years of service credit, or when their combined age and service credit equals 90.</li> <li>• Defined Contribution Component: Members are eligible to receive distributions upon leaving employment</li> </ul> <p>Early Retirement with reduced benefit:</p> <ul style="list-style-type: none"> <li>• Defined Benefit Component: Members are eligible for a reduced benefit at age 60 with at least 5 years of creditable service.</li> <li>• Defined Contribution Component: Members are eligible to receive distributions upon leaving employment</li> </ul>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Benefit Terms, and Contribution Requirements (continued)**

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid</b>
<p><b>Retirement Eligibility (continued):</b>  Vesting:</p> <ul style="list-style-type: none"> <li>• Members become vested when they have at least 5 years of creditable service</li> </ul>	<p><b>Retirement Eligibility(continued):</b>  Vesting:</p> <ul style="list-style-type: none"> <li>• Same as Plan 1.</li> </ul>	<p><b>Retirement Eligibility(continued):</b>  Vesting:</p> <ul style="list-style-type: none"> <li>• Defined Benefit Component: Same as Plan 1.</li> <li>• Defined Contribution Component: After 2 years a member is 50% vested in employer contributions, after 3 years 75% vested in employer contributions and after 4 years 100% vested.</li> <li>• Members are 100% vested in contributions they make.</li> </ul>
<p><b>Types of Benefits:</b>  The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's final compensation multiplied by the member's total service credit at retirement. Members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. If any option other than the basic benefit is selected a retirement reduction factor is applied.</p>	<p><b>Types of Benefits:</b>  Same as Plan 1.</p>	<p><b>Types of Benefits:</b>  Defined Benefit Component: Same as Plan 1.</p> <p>Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the City, plus net investment earnings on those contributions.</p>
<p><b>Elements of the Pension Formula:</b>  Average Final Compensation:</p> <ul style="list-style-type: none"> <li>• The average of the 36 consecutive months of highest compensation as a covered employee.</li> </ul>	<p><b>Elements of the Pension Formula:</b>  Average Final Compensation:</p> <ul style="list-style-type: none"> <li>• The average of the 60 consecutive months of highest compensation as a covered employee.</li> </ul>	<p><b>Elements of the Pension Formula:</b>  Average Final Compensation:</p> <ul style="list-style-type: none"> <li>• Same as Plan 2 for the Defined Benefit Component.</li> </ul>
<p><b>Service Retirement Multiplier:</b></p> <ul style="list-style-type: none"> <li>• Non-hazardous duty members is 1.7%</li> <li>• Sheriffs and regional jail superintendents is 1.85%</li> <li>• Hazardous duty members other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</li> </ul>	<p><b>Service Retirement Multiplier:</b></p> <ul style="list-style-type: none"> <li>• For service earned, purchased or granted prior to 1/1/13, and hazardous duty members it is the same as Plan 1.</li> <li>• For service earned, purchased or granted after 1/1/13 for non-hazardous duty members it is 1.65%</li> </ul>	<p><b>Service Retirement Multiplier:</b></p> <ul style="list-style-type: none"> <li>• Defined Benefit Component: 1.0%</li> <li>• For members who opted into this plan, the retirement multiplier for their previous plan will be used for service credited in those plans.</li> </ul>
<p><b>Creditable Service:</b></p> <ul style="list-style-type: none"> <li>• Earned for each month employed in a covered position</li> </ul>	<p><b>Creditable Service:</b></p> <ul style="list-style-type: none"> <li>• Same as Plan 1</li> </ul>	<p><b>Creditable Service:</b></p> <ul style="list-style-type: none"> <li>• Defined Benefit Component: Same as Plan 1</li> </ul>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Benefit Terms, and Contribution Requirements (continued)**

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid</b>
<p><b>Elements of the Pension Formula (continued):</b>            Cost-of-Living Adjustments:</p> <ul style="list-style-type: none"> <li>• Matches the first 3% increase in the Consumer Price Index for all Urban consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum of 5%</li> <li>• Eligible July 1 of the 2<sup>nd</sup> calendar year of retirement.</li> </ul> <p><b>Contribution Requirements:</b>            Employees are required to contribute 5% of their compensation toward the plan, through a pre-tax salary deduction. Beginning July 1, 2012 for members in the plan, 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, the employers is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. All employees will be paying the full 5 % by July 1, 2016.</p> <p>The employer makes a separate actuarially determined contribution to VRS for all covered employees.</p>	<p><b>Elements of the Pension Formula (continued):</b>            Cost-of Living Adjustments:</p> <ul style="list-style-type: none"> <li>• Matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) for a maximum of 3%.</li> </ul> <p>Eligibility is the same as Plan 1.</p> <p><b>Contribution Requirements:</b>            Same as Plan 1.</p>	<p><b>Elements of the Pension Formula (continued):</b>            Cost-of Living Adjustments:</p> <ul style="list-style-type: none"> <li>• Defined Benefit Component: Same as Plan 2</li> <li>• Eligibility is the same as Plans 1 and 2.</li> <li>• Defined Contribution Component: Not applicable</li> </ul> <p><b>Contribution Requirements:</b>            A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan and the employer is required to match those voluntary contributions according to specified percentages.</p>

**Number of Employees by Class:**

	City	School Board – Non Teacher Plan
Retirees or beneficiaries currently receiving benefits:	568	165
Inactive Members:		
Vested inactive members	197	20
Non-vested inactive members	294	111
Inactive members active elsewhere in VRS	370	54
Total inactive members	864	185
Active Employees:	1,219	290
<b>Total</b>	<b>2,648</b>	<b>640</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

***Contributions:***

Members and employers are required to contribute to the retirement plans as provided by Title 51.1 of the *Code of Virginia* (1950), as amended. The member contribution is 5% of compensation contributed by members or employers. The City and School Board are required to contribute the remaining amounts necessary to fund the pension plans using the entry age normal actuarial cost method adopted by the VRS Board of Trustees. The System's actuary computed the amount of contributions to be provided by the City and School Board. The contribution rates for fiscal year 2017 were based on the actuary's valuation as of June 30, 2015. In addition, the actuary computed a separate contribution requirement for the School Board for the teacher cost-sharing pool using the same valuation date.

The City's contractually required contribution rate for the year ended June 30, 2017 was 11.03% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for the years ended June 30, 2017 and June 30, 2016, respectively were \$7,030,967 and \$8,035,838.

The School Board's contractually required contribution rate for the Teacher Retirement Plan for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%.

The School Board's (non-teacher plan) contractually required contribution rate for the year ended June 30, 2017 was 6.12% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the Teacher Retirement pension plan for the years ended June 30, 2017 and June 30, 2016, respectively were \$11,470,365 and \$11,533,874. Contributions to the Non-Teacher pension plan for the years ended June 30, 2017 and June 30, 2016, respectively were \$582,883 and \$701,325.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Net Pension Liability**

The most recent actuarial valuation to determine the net pension liabilities for the City and School Board was prepared as of June 30, 2015. The total pension liability was determined based on that actuarial valuation using updated actuarial assumptions applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2016. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	General City and School Board (non- teacher)Employees	Public Safety Employees	School Board Teacher Retirement Plan Employees
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return, net of pension plan investment expense, including inflation	7.00%	7.00%	7.0%
Inflation	2.5%	2.5%	2.5%
Projected Salary Increases	3.5% - 5.35%	3.5% - 4.75%	3.5% - 5.95%
Mortality Rates (% of deaths assumed to be service related)	14%	60%	N/A

General City and School Board (non-teacher) employees:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post – Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

Public Safety Employees:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post – Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Net Pension Liability (continued)**

School Board Teacher Retirement Plan employees:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

Post – Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012.

Changes to the actuarial assumptions as a result of the experience study are as follows:

General City and School Board (non-teacher) Public Safety Employees:

Employees:

- |   |   |
|---|---|
| - Update mortality table                            | - Update mortality table                                |
| - Decrease in rates of service retirement           | - Adjustment to rates of service retirement for females |
| - Decrease in rates of disability retirement        | - Increase in rates of withdrawal                       |
| - Reduce rates of salary increase by 0.25% per year | - Decrease in male and female rates of disability       |

School Board Teacher Retirement Plan Employees:

- Update mortality Table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

The long term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Net Pension Liability (continued)**

City and School Board Pension Plans			
Asset Class:	Target Allocation:	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long- Term Rate of Return:
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	(1.50)%	(0.02)%
<b>Total</b>	<b>100.00%</b>		<b>5.83%</b>
	Inflation		<b>2.50%</b>
	**Expected arithmetic nominal return		<b>8.33%</b>

\*\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33%, but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the City's retirement plan will be subject to the portion of the VRS Board-certified rates that are funding by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Changes in the Net Pension Liability**

	Increase/(Decrease)		
	City Pension Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance at 7/01/2015</b>	<b>\$ 253,253,242</b>	<b>\$ 216,425,533</b>	<b>\$ 36,827,709</b>
Changes for the Year:			
Service cost	7,104,813	-	7,104,813
Interest	17,359,071	-	17,359,071
Difference between expected and actual experience	1,303,368	-	1,303,368
Contributions -- employer	-	7,519,618	(7,519,618)
Contributions -- employee	-	2,962,118	(2,962,118)
Net investment income	-	3,824,803	(3,824,803)
Benefit payments including refunds of employee contributions	(10,533,021)	(10,533,021)	-
Administrative expense	-	(132,646)	132,646
Other changes	-	(1,608)	1,608
<b>Net Changes</b>	<b>15,234,231</b>	<b>3,639,264</b>	<b>11,594,967</b>
<b>Balances at 6/30/2016</b>	<b>\$ 268,487,473</b>	<b>\$ 220,064,797</b>	<b>\$ 48,422,676</b>

	Increase/(Decrease)		
	School Board (non-teacher) Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Liability) Asset
<b>Balance at 7/1/2015</b>	<b>\$ 24,023,567</b>	<b>\$ 23,038,123</b>	<b>\$ 985,444</b>
Changes for the Year:			
Service cost	664,716	-	664,716
Interest	1,650,099	-	1,650,099
Difference between expected and actual experience	(570,559)	-	(570,559)
Contributions -- employer	-	480,895	(480,895)
Contributions -- employee	-	314,507	(314,507)
Net investment income	-	405,924	(405,924)
Benefit payments including refunds of employee contributions	(901,450)	(901,450)	-
Administrative expense	-	(14,198)	14,198
Other changes	-	(171)	171
<b>Net Changes</b>	<b>842,806</b>	<b>285,507</b>	<b>557,299</b>
<b>Balances at 6/30/2016</b>	<b>\$ 24,866,373</b>	<b>\$ 23,323,630</b>	<b>\$ 1,542,743</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Changes in the Net Pension Liability (Continued)**

In accordance with the requirements of GAAP, regarding the sensitivity of the net pension liability (rounded) to changes in the discount rate, the table below presents the net pension liability for the City and School Board calculated using the discount rate of 7.00%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 6.00%	Current Discount Rate: 7.00%	1.00% Higher 8.00%
City's Net Pension Liability	\$85,750,531	\$48,422,676	\$17,571,578
School Board's (non-teacher)			
Net Pension Liability (Asset)	\$4,688,086	\$1,542,743	\$(1,092,689)
Pruden Center's (non-teacher)			
Net Pension Liability (Asset)	\$(109,000)	\$(113,762)	\$(118,000)
School Board's Teacher			
Retirement Plan Net Pension			
Liability	\$188,952,000	\$132,551,000	\$86,090,000
Pruden Center's Teacher			
Retirement Plan Net Pension			
Liability	\$3,836,000	\$2,691,000	\$1,748,000

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2017, the City recognized pension expense of \$5,611,583.

For the year ended June 30, 2017, the School Board (non-teacher) plan recognized pension expense of \$331,000.

At June 30, 2017, the School Board Teacher Retirement Plan reported a liability of \$132,551,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The School Board's proportion of the Net Pension Liability was based on the School Board Teacher Retirement Plan's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the School Board Teacher Retirement Plan's proportion was 0.94584% as compared to 0.91814% at June 30, 2015.

For the year ended June 30, 2017, The School Board's Teacher Retirement plan recognized pension expense of \$10,672,000. Since for the School Board's Teacher Retirement Plan, there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)**

amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City Pension Plan		School Board non-teacher Plan		School Board Teacher Retirement Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,006,472	\$ 3,233,430	\$ 137,539	\$ 418,240	\$ -	\$ 4,382,000
Net difference between projected and actual earnings on pension plan investments.	5,775,049	-	610,019	-	7,726,000	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-	3,167,000	3,790,000
Contributions to the plan subsequent to the measurement date	7,030,967	-	586,121	-	11,760,656	-
<b>Total</b>	<b>\$ 13,812,488</b>	<b>\$ 3,233,430</b>	<b>\$ 1,333,679</b>	<b>\$ 418,240</b>	<b>\$ 22,653,656</b>	<b>\$ 8,172,000</b>

\$7,030,967, \$586,121, and \$11,760,656 reported as deferred outflows of resources related to pensions resulting from the City's, School Board (non-teacher) plan and School Board's Teacher Retirement plan (respectively) contributions subsequent to the measurement date will be recognized as a reduction of the respective Net Pension Liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	<b>City Pension Plan</b>	<b>School Board (non- teacher) Plan</b>	<b>School Board Teacher Retirement Plan</b>
2018	\$(881,144)	\$(82,389)	\$(1,625,000)
2019	(881,142)	(110,562)	(1,625,000)
2020	2,930,891	279,763	3,208,000
2021	2,379,486	242,506	2,755,000
2022	-	-	8,000

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Note 12. Other Postemployment Benefits Program**

The City 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, 2017, the City contributed \$3,501,004 including \$2,280,300 contributed to the trust fund and \$1,221,004 in claims paid on behalf of the retirees. For the fiscal year ended June 30, 2016, the School Board contributed \$1,822,143 to the trust fund including \$216,528 contributed to the trust fund and \$1,605,615 in claims paid on behalf of retirees. Expenses allocated to the Trust Fund during the fiscal year ended June 30, 2017 totaled \$28,949 for the City and \$14,292 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 for the school board employees. Retirees pay 100% of spousal premiums and surviving spouses are not allowed to the plan.

**Funding Policy**

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

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Annual Other Postemployment Benefit Cost and Net OPEB Obligation**

The annual cost of OPEB is the Annual Required Contribution (ARC). The City and School Board paid \$1,221,004 and \$1,605,615 towards the estimated pay-as-you-go cost for OPEB benefits in fiscal year 2017, in addition contributed \$2,280,300 and \$216,528 to the Trust Fund, respectively. The 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 open amortization period not to exceed thirty years.

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	\$ 1,083,859	\$ 613,629
Interest on net OPEB obligation	(106,032)	140,967
Adjustment to annual required contribution	119,705	(159,145)
Annual OPEB cost	1,097,532	595,451
Contributions Made	3,501,004	1,822,143
Increase (decrease) in net OPEB obligation	(2,403,472)	(1,226,692)
Net OPEB obligation (asset) -- beginning of year	(1,413,764)	1,879,561
Net OPEB obligation (asset) -- end of year	<u>\$ (3,817,236)</u>	<u>\$ 652,869</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>	<b>Three-Year Trend Information</b>	
		<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, 2017	\$ 1,097,532	318.99%	\$ (3,817,236)
June 30, 2016	\$ 3,194,213	109.62%	\$ (1,413,765)
June 30, 2015	\$ 3,084,882	113.60%	\$ (1,106,375)
<b>School Board:</b>			
Nonprofessional			
June 30, 2017	\$ 595,451	306.01%	\$ 652,869
June 30, 2016	\$ 1,097,001	143.93%	\$ 1,879,561
June 30, 2015	\$ 1,310,707	124.46%	\$ 2,361,447

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Funding Status and Funding Progress**

The funding status of the plan as of July 1, 2016 for the City and January 1, 2017 for the School Board was as follows:

	<u>City</u>	<u>School</u>
Actuarial Accrued Liability (AAL)	30,201,776	15,196,861
Actuarial Value of Plan Assets	<u>27,387,305</u>	<u>14,013,019</u>
Unfunded Actuarial Accrued Liability	<u>\$ 2,814,471</u>	<u>\$ 1,183,842</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	90.68%	92.21%
Covered Payroll (Active Plan Members)	58,111,943	79,940,967
UAAL as a Percentage of Covered Payroll	4.84%	1.48%

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, 2016 and January 1, 2017, actuarial valuations for the City and the School Board, respectively, the entry age normal cost method, was used to determine liabilities. Under this method, a calculation is made for retirement benefits to determine the uniform and constant percentage rate of contribution, which, if applied to the compensation of the average new member during the entire period of their anticipated covered service, would be required to meet the cost of benefits payable. The actuarial assumptions used a 7.5% for the City and 7.5% for the School Board investment rate of return for a funded plan. General inflation rates of 2.5% for the City and for the School Board. Healthcare cost trend rates of 7.75% and 7.75% for the City and School Board. The unfunded accrued liability is being amortized over a closed 30 year period using the level dollar amount method.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 13. Other Postemployment Benefits Program Liability – Plan – GASB Statement No. 74**

Additional note disclosures for the City OPEB plan as required by GASB Statement No. 74 are as follows:

**Plan Description**

**Number of Employees by Class:**

	City
Inactive members and beneficiaries currently receiving benefits	154
Active Employees:	1,204
<b>Total</b>	<b>1,358</b>

**Plan Investments**

The Board of Trustees has the responsibility for managing the investment process. In fulfilling this responsibility, the Board will establish and maintain investment policies and objectives. Within this framework, the Board will monitor and evaluate the investment managers, bank custodian, and other parties, to monitor whether operations conform to the guidelines and actual results meet objectives. If necessary, the Board is responsible for making changes to achieve this. The investment objective of the fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection.

There are no investments in any one organization that represent 5 percent or more of the OPEB Trust's fiduciary net position.

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 13.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability**

The components of the net OPEB Liability were as follows:

	<b>Net OPEB Liability</b>
	City
Total OPEB liability	\$32,252,774
Plan fiduciary net position	31,391,125
Net OPEB liability	\$861,649
Fiduciary net position as a percent of total pension liability	97.33%

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 13. Other Postemployment Benefits Program Liability – Plan – GASB Statement No. 74 (continued)**

**Actuarial Method and Significant Assumptions**

The total OPEB liability for the City as part of the actuarial valuation performed as of July 1, 2016, using the following actuarial assumptions:

	City
Investment rate of return	7.5%
Actuarial Cost Method	Entry Age Normal, level percentage of pay.
Inflation Rate	2.5%
Projected salary increases	3.5% - 5.35%
Real Wage Growth Rate	1.00%
Health care cost trend rate:	
Initial	7.75%
Ultimate (year of ultimate trend rate)	5.00% (2022)

Mortality rates were based on the RP-2000 mortality tables projected to the year 2020 using the AA improvement scale. For active general employees, males were set forward 4 year and females were set back 2 years. For active duty employees, males and females were set back 2 years. Males were set forward 1 year for all members and dependent beneficiaries after service retirement and set back 3 years after disability retirement.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection’s basis was an actuarial valuation performed as of June 30, 2016. The fiduciary net position projections are based upon the Plan’s financial status on the Valuation date, the indicated set of methods and assumptions, and the requirements of GASB 74. The long-term expected rate of return on plan investments is 7.5%. The long-term expected rate of return was applied to the periods of projected benefit payments and it is not anticipated that the plan’s assets will be exhausted. The expected municipal bond rate was not applied to determine the discount rate.

**Sensitivity of the Net OPEB Liability**

The net OPEB liability is shown below as calculated at the current discount rate and current health care cost trend rate of 7.5% and 7.75% respectively and also as calculated using rates 1% lower and 1% higher.

	<b>Net OPEB Liability analysis using Discount rate:</b>		
	1% lower (6.5%)	Current Rate (7.5%)	1% higher (8.5%)
City’s Plan	\$5,752,903	\$861,649	\$(3,158,978)

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 13. Other Postemployment Benefits Program Liability – Plan – GASB Statement No. 74 (continued)**

**Sensitivity of the Net OPEB Liability (continued)**

	<b>Net OPEB Liability using the health care cost trend rate:</b>		
	1% lower (6.75%)	Current rate (7.75%)	1% higher (8.75%)
City's Plan	\$(3,822,538)	\$861,649	\$6,693,406

**Note 14. 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 the Uniform Guidance, 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, 2017, projects expected to be completed at various dates through 2018 had a total unexpended balance of \$36,579,946 (governmental) and \$10,324,268 (utility).

**Encumbrances:**

The City has the following encumbrances as of June 30, 2017:

General Fund	Road Maintenance Fund	Capital Projects Fund	Non-Major Governmental Funds	Utility Fund	Non-Major Enterprise Fund	Internal Service Funds
\$2,820,901	\$2,407,971	\$36,579,946	\$309,935	\$10,525,913	\$136,286	\$1,888,413

**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, 2017, lease payments and the associated repairs and maintenance commitments had a total unexpended balance of \$3,797,971.

**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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 15. 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, 2017 consists of all current self-insured claims payable, including an estimate of incurred but not reportable claims amounting to \$1,456,000, the current portion of which is \$2,925,802 for 2017. Claims payable for health insurance are based on current enrollment and benefits and historical experience.

Claims payable for workers' compensation and property and liability 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, 2017 and 2016:

	<b>Beginning Balance</b>	<b>Claims and Reserves</b>	<b>Claim Payments</b>	<b>Ending Balance</b>
<b>Workers' Compensation</b>				
2017	\$ 1,534,322	\$ 928,457	\$ 1,081,047	\$ 1,381,732
2016	\$ 1,866,660	\$ 676,732	\$ 1,009,070	\$ 1,534,322
<b>Property and Liability</b>				
2017	\$ 401,949	\$ 2,666,442	\$ 1,763,809	\$ 1,304,582
2016	\$ 630,773	\$ 326,459	\$ 555,283	\$ 401,949
<b>Health Insurance</b>				
2017	\$ 1,373,786	\$ 14,988,101	\$ 14,990,666	\$ 1,371,221
2016	\$ 1,309,381	\$ 13,021,046	\$ 12,956,641	\$ 1,373,786

**Self-Insurance – 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, 2017, \$225,000 of fund balance was allocated for purposes of funding future claims.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 15. Risk Management (Continued)**

**Self-Insurance – School Board: (Continued)**

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, 2017, the workers' compensation benefit obligation consisted of \$958,417 in reported unpaid claims and estimated incurred but not reported claims.

**Workers' Compensation Self-Insurance Coverage – School Board**

Changes in the balance of claims liabilities during the years ended June 30, 2017 and 2016, are as follows:

		<u>Beginning</u> <u>Balance</u>	<u>Claims and</u> <u>Reserves</u>	<u>Claim</u> <u>Payments</u>	<u>Ending</u> <u>Balance</u>
Workers' Compensation					
2017	\$	702,497	\$ 970,693	\$ 714,773	\$ 958,417
2016	\$	552,103	\$ 689,174	\$ 538,780	\$ 702,497

**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, 2017, 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 allocated for payment of future claims liabilities.

**Note 16. Subsequent Events**

The City issued \$69,775,000 of authorized General Obligation and Refunding Bonds, Series 2017A tax-exempt, and \$20,245,000 of authorized General Obligation Refunding Bonds, Series 2017B taxable, on July 12, 2017 both series with maturity dates of February 1, 2042. These bonds were issued to finance public school construction and capital projects as well as refund certain general obligation previously issued by the City.

The Utility fund of the City issued \$14,355,000 of authorized Water and Sewer System Revenue and Refunding bonds with the Virginia Resources Authority in November 2017. These bonds have a final maturity date of October 1, 2044. These bonds were issued to finance infrastructure improvements in the Utility system as well as refund certain prior obligations previously issued by the Utility fund.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 17. 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:

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Road Maintenance Fund</b>	<b>Debt Service Fund</b>	<b>Non-major Governmental Funds</b>
<b>Nonspendable:</b>					
Prepays	\$ 8,019	\$ -	\$ -	\$ -	\$ -
Inventories	39,650	-	-	-	45,654
<b>Total Nonspendable</b>	<b>47,669</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,654</b>
<b>Restricted for:</b>					
Judicial Administration	132,494	-	-	-	538,130
Public Safety	-	-	-	-	41,809
Public Works	1,396,385	-	-	-	6,664
Cemetery Care	-	-	-	-	1,142,731
Community Development	-	-	-	-	654,519
Capital Outlay:	-	3,569,989	-	-	-
Roadway Projects	-	21,649,321	11,461,172	-	-
Schools	-	23,013,604	-	-	-
Recreation facilities	-	1,294,688	-	-	-
Debt Service	-	-	-	393,352	-
<b>Total Restricted</b>	<b>1,528,879</b>	<b>49,527,602</b>	<b>11,461,172</b>	<b>393,352</b>	<b>2,383,853</b>
<b>Committed to:</b>					
General Government	33,593	-	-	-	-
Judicial administration	209,347	-	-	-	-
Public Safety - Police	450,178	-	-	-	-
Public Safety - Fire	286,725	-	-	-	-
Transportation	-	-	-	-	199,012
Education	275,000	-	-	-	-
Public Works	-	-	-	-	969,311
Aviation	-	-	-	-	454,141
Route 17 Taxing District	-	-	-	-	1,875,680
Community Development	-	-	-	-	-
Economic Development Incentives	2,165,712	-	-	-	-
Capital Outlay	2,500,000	7,319,905	-	-	-
Debt Service	-	-	-	99,368	-
<b>Total Committed</b>	<b>5,920,555</b>	<b>7,319,905</b>	<b>-</b>	<b>99,368</b>	<b>3,498,144</b>
<b>Assigned to:</b>					
General Government Administration	179,036	-	-	-	-
Judicial Administration	13,999	-	-	-	-
Public Safety - Police	14,472	-	-	-	-
Public Safety - Fire	56,632	-	-	-	-
Public Works	36,931	-	-	-	-
Social Services	207,495	-	-	-	-
Parks, Recreation and Cultural	48,546	-	-	-	-
Community Development	52,121	-	-	-	-
Capital Outlay	2,000,000	-	-	-	-
<b>Total Assigned</b>	<b>2,609,232</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unassigned	58,392,937	-	-	-	(10,818)
<b>Total Fund Balance</b>	<b>\$ 68,499,272</b>	<b>\$ 56,847,507</b>	<b>\$ 11,461,172</b>	<b>\$ 492,720</b>	<b>\$ 5,916,833</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 18. Tax Abatement Agreements**

As of June 30, 2017, the City provides tax abatement through two programs -- the land use program and the rehabilitated structures program.

The Land use program provides for a reduction in the assessed value for land preservation with property devoted to agricultural, horticultural, forest or open space under Virginia Code sections 58.1-3229 thru 3230, 58.1-3235 and 58.1-3237 as well as City Ordinance 82-71-77. The property owner must make a 6 year commitment, and must revalidate the use every 6 years. The valuation of the property is determined by the State Land Evaluation Advisory Committee, this process gives the property a reduction in value based on the agricultural use. This reduction in value is used to calculate the real estate tax reduction. If the property owner fails to comply with the requirements of the use, or has a change in use, the property is subject to roll back taxes.

The rehabilitated structures program provides a partial exemption from real estate taxes for qualifying rehabilitated real estate under Virginia Code sections 58.1-3220 thru 3221 and City Ordinance 82-481-482. For qualifying properties, the initial increase in the real estate assessment caused by rehabilitation will be excused for 10 years. Upon receipt of an application the Assessor will determine the base value prior to commencement of the rehabilitation. The credit will remain with the property for the term of the exemption. There are separate requirements for residential and commercial properties to qualify for the program.

- Residential buildings should be at least 25 years old. The improvements need to increase the assessed value by no less than 40 percent. The total square footage of the building shall not be increased by more than 15 percent.
- Commercial/Industrial buildings should be at least 25 years old. The improvements need to increase the assessed value by no less than 60 percent.
- For both Residential and commercial/industrial properties, improvements to vacant land and total replacement of structures are not eligible. In order to be eligible all appropriate building permits must have been acquired and an application for exemption must be filed with the City Assessor.

Tax Abatement Program	Amount of Taxes Abated		
	City Wide Real Estate	Downtown Business Overlay District	Route 17 Taxing District
Land Use program	\$4,213,365	\$ -	\$6,252
Rehabilitated Structures	\$146,867	\$12,041	\$ -

**Note 19. New Accounting Standards**

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

**GASB Statement No. 81, Irrevocable Split-Interest Agreements**, provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This statement is effective for the fiscal year ending June 30, 2018.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 19. New Accounting Standards (Continued)**

**GASB Statement No. 83, *Certain Asset Retirement Obligations***, establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This statement is effective for the fiscal year ending June 30, 2019.

**GASB Statement No. 84, *Fiduciary Activities***, establishes criteria for identifying fiduciary activities of all state and local governments. This statement is effective for the fiscal year ending June 30, 2019.

**GASB Statement No. 85, *Omnibus 2017***, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement is effective for the fiscal year ending June 30, 2018.

**GASB Statement No. 86, *Certain Debt Extinguishment Issues***, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the purpose of extinguishing debt. This statement is effective for fiscal year ending June 30, 2018.

**GASB Statement No. 87, *Leases***, improves the accounting and financial reporting for leases entered into by governments. This statement is effective for fiscal year ending June 30, 2021.

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
General property taxes:				
Real estate	\$ 94,692,436	\$ 94,692,436	\$ 95,562,092	\$ 869,656
Personal property	18,600,000	18,600,000	18,842,836	242,836
Public service corporations	3,400,000	3,400,000	4,114,710	714,710
Machinery and tools	-	-	1,922,713	1,922,713
Payments in Lieu of Taxes	3,000	3,000	-	(3,000)
Penalties	1,100,000	1,100,000	1,215,818	115,818
Total general property taxes	117,795,436	117,795,436	121,658,169	3,862,733
Other Local Taxes				
Sales and use	9,500,000	9,500,000	10,399,254	899,254
Utility tax	4,300,000	4,300,000	4,447,778	147,778
Communication taxes	3,400,000	3,400,000	3,311,375	(88,625)
Business and occupational licenses	6,900,000	6,900,000	6,891,756	(8,244)
Motor vehicle license	2,300,000	2,300,000	2,436,079	136,079
Bank stock	525,000	525,000	629,727	104,727
Recordation	1,400,000	1,400,000	1,477,475	77,475
Tobacco	1,900,000	1,900,000	2,069,356	169,356
Lodging	1,275,000	1,275,000	1,706,709	431,709
Meals	8,700,000	8,700,000	9,432,240	732,240
Admission	250,000	250,000	365,757	115,757
Total other local taxes	40,450,000	40,450,000	43,167,506	2,717,506
Permits, fees, and licenses				
Animal license	35,000	35,000	34,869	(131)
Permits and other licenses	965,800	965,800	1,271,411	305,611
Total permits, fees, and licenses	1,000,800	1,000,800	1,306,280	305,480
Fines and forfeitures				
	840,000	840,000	654,739	(185,261)
Revenue from use of money and property:				
Revenue from use of money	350,000	350,000	789,501	439,501
Revenue from use of property	360,099	360,099	401,371	41,272
Total use of money and property	710,099	710,099	1,190,872	480,773
Charges for services:				
Court costs	193,787	193,787	196,370	2,583
Commonwealth's attorney fee	9,000	9,000	13,090	4,090
Police and traffic control	35,000	35,000	43,895	8,895
Charges for fire & rescue service	1,820,516	1,820,516	1,838,670	18,154
Charges for other protection	80,000	80,000	65,601	(14,399)
Charges for parks and recreation	900,000	900,000	932,394	32,394
Charges for library	20,000	20,000	20,597	597
Charges for tourism	44,000	44,000	23,979	(20,021)
Charges for planning and community development	100	100	108	8
Charges for other services	294,511	294,511	216,518	(77,993)
Total charges for services	3,396,914	3,396,914	3,351,222	(45,692)

(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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES (Continued)</b>				
Miscellaneous revenue				
Miscellaneous	\$ 1,183,082	\$ 1,189,093	\$ 1,739,300	\$ 550,207
Total revenue from local sources	165,376,331	165,382,342	173,068,088	7,685,746
Revenue from the Commonwealth:				
Noncategorical aid:				
Tax on deeds	350,000	350,000	288,770	(61,230)
Railroad rolling stock tax	130,000	130,000	126,736	(3,264)
House bill 599 funds	2,764,800	2,764,800	2,853,820	89,020
PPTRA	10,169,729	10,169,729	10,169,730	1
Mobile home titling tax	15,000	15,000	20,094	5,094
Vehicle rental tax	130,000	130,000	130,414	414
Total noncategorical aid	13,559,529	13,559,529	13,589,564	30,035
Categorical aid:				
Commonwealth's Attorney	1,015,746	1,015,746	1,018,950	3,204
Commissioner of Revenue	165,792	165,792	163,423	(2,369)
Treasurer	209,544	209,544	209,025	(519)
Sheriff	915,754	915,754	904,808	(10,946)
Circuit Court Clerk	544,579	544,579	532,021	(12,558)
Registrar	45,000	45,000	46,977	1,977
Total categorical aid	2,896,415	2,896,415	2,875,204	(21,211)
Other categorical aid:				
Public assistance and welfare administration	3,738,114	3,738,114	2,760,548	(977,566)
Police	200,000	200,000	283,858	83,858
Fire and rescue	344,162	344,162	356,254	12,092
Library	155,396	155,396	160,426	5,030
Other categorical aid	-	1,250,000	1,313,463	63,463
Total other categorical aid	4,437,672	5,687,672	4,874,549	(813,123)
Total categorical aid	7,334,087	8,584,087	7,749,753	(834,334)
Total revenue from the Commonwealth	20,893,616	22,143,616	21,339,317	(804,299)
Revenue from the Federal government				
Categorical aid:				
Public assistance and welfare administration	5,057,656	5,057,656	5,324,312	266,656
Public safety	-	-	80,690	80,690
Other Categorical Aid	-	-	42,351	42,351
Parks, recreation and cultural	20,000	20,000	23,753	3,753
Total revenue from the Federal government	5,077,656	5,077,656	5,471,106	393,450
Total revenues	191,347,603	192,603,614	199,878,511	7,274,897

(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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
General Government administration:				
Legislative:				
City Council	\$ 472,235	\$ 475,633	\$ 443,141	\$ 32,492
General and financial administration:				
City Manager	1,045,091	1,031,627	1,015,807	15,820
Budget and strategic planning	330,399	327,819	325,508	2,311
City Attorney	1,049,367	1,033,240	1,030,147	3,093
Human resources	1,041,977	1,042,929	1,043,659	(730)
Commissioner of the Revenue	1,104,832	1,090,819	1,081,745	9,074
City Assessor	1,616,641	1,572,685	1,551,733	20,952
City Treasurer	1,544,148	1,495,818	1,481,569	14,249
Finance	1,489,955	1,344,702	1,326,892	17,810
Purchasing	332,781	333,251	331,390	1,861
Capital Program Management	3,805,123	3,940,855	3,919,778	21,077
Communications	683,812	706,468	695,131	11,337
Local and regional organizations	985,411	983,896	983,896	-
Board of Elections:				
Registrar	460,927	577,592	577,592	-
Total general government administration	15,962,699	15,957,334	15,807,988	149,346
Judicial administration:				
Courts:				
Circuit Court	200,357	200,423	197,413	3,010
District Court	61,618	61,618	56,540	5,078
Magistrate	17,355	17,355	16,382	973
Juvenile and Domestic Relations Court	15,304	15,676	12,091	3,585
Juvenile and Domestic Relations Court Service Unit	977,435	977,435	693,781	283,654
Circuit Court Clerk	1,385,295	1,411,211	1,385,342	25,869
Sheriff	2,552,090	2,690,605	2,663,124	27,481
Commonwealth's Attorney	3,092,091	3,225,907	3,014,250	211,657
Total judicial administration	8,301,545	8,600,230	8,038,923	561,307
Public safety:				
Police	21,882,042	22,520,457	22,348,147	172,310
Communications	1,751,671	1,866,256	1,861,574	4,682
Property seizure program - Federal	-	183,185	36,560	146,625
Police E-ticketing	-	98,287	-	98,287
Confiscation program - State	-	227,891	13,629	214,262
DARE	-	2,850	-	2,850
Fire	25,584,202	28,190,902	27,902,586	288,316
Western Tidewater Regional Jail	4,364,037	4,364,037	4,364,037	-
Community development NDS	2,473,466	2,455,298	2,433,121	22,177
Emergency services	33,347	38,447	35,078	3,369
Total public safety	56,088,765	59,947,610	58,994,732	952,878
Public works:				
Administration	911,886	969,113	918,261	50,852
Total public works	911,886	969,113	918,261	50,852

(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, 2017**

	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	12,100,954	12,308,449	11,042,812	1,265,637
Comprehensive Services Act	1,692,459	1,692,459	1,295,783	396,676
Total health and welfare	14,914,565	15,122,060	13,459,747	1,662,313
Education:				
Contributions to component unit school board	53,832,201	54,493,580	54,361,370	132,210
Lease rent of building	634,837	539,007	539,007	-
Total education	54,467,038	55,032,587	54,900,377	132,210
Parks, recreation, and cultural:				
Parks and recreation	1,659,372	1,696,040	1,693,197	2,843
Parks and recreation -- Office on Youth	100,236	108,791	102,913	5,878
Parks and recreation maintenance	2,239,583	2,329,178	2,286,955	42,223
Parks and recreation ground maintenance	543,899	465,956	459,685	6,271
Parks and recreation support services	649,505	592,698	554,163	38,535
Parks and recreation - recreation	2,209,415	2,571,561	2,537,173	34,388
Public libraries	3,045,798	2,888,166	2,857,891	30,275
Total parks, recreation, and cultural	10,447,808	10,652,390	10,491,977	160,413
Community Development:				
Planning & Community Development	1,510,085	1,381,224	1,375,593	5,631
Economic development	836,813	5,912,932	5,912,932	-
Tourism	602,426	590,019	589,802	217
Animal shelter and management	882,032	912,001	889,137	22,864
Cooperative extension services	68,530	68,530	53,607	14,923
Total community development	3,899,886	8,864,706	8,821,071	43,635
Nondepartmental:				
Salary, fringe benefits and insurance	527,571	308,943	308,032	911
Other Miscellaneous	60,000	34,245	15,695	18,550
Total nondepartmental	587,571	343,188	323,727	19,461
Total expenditures	165,581,763	175,489,218	171,756,803	3,732,415
Excess of revenues over expenditures	25,765,840	17,114,396	28,121,708	11,007,312
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund Balance Surplus - Assigned	2,000,000	8,559,480	-	8,559,480
Transfers in	2,493,685	2,493,685	2,493,685	-
Transfers out	(30,359,525)	(28,167,556)	(27,512,745)	(654,811)
Total other financing uses, net	(25,865,840)	(17,114,391)	(25,019,060)	7,904,669
Net change in fund balances	\$ (100,000)	\$ 5	\$ 3,102,648	\$ 3,102,643
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ 3,102,648	
Encumbrances			2,820,901	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 4)			\$ 5,923,549	

## 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, 2017**

	Road Maintenance			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Permits, fees and licenses	\$ 235,000	\$ 235,000	\$ 407,470	\$ 172,470
Fines & forfeitures	200,000	200,000	329,249	129,249
Revenue from use of money and property	-	-	41,237	41,237
Charges for services	1,238,000	1,238,000	865,892	(372,108)
Miscellaneous	26,500	26,500	26,082	(418)
Intergovernmental:				
Revenue from the Commonwealth	23,523,116	23,523,116	23,064,901	(458,215)
Revenue from the Federal government	-	-	412,532	412,532
Fund balance (rollover/appropriations)	2,600,000	6,468,197	-	(6,468,197)
Total revenues	27,822,616	31,690,813	25,147,363	(6,543,450)
<b>EXPENDITURES</b>				
Current:				
Public Works	27,822,616	31,690,813	29,920,859	1,769,954
Total expenditures	27,822,616	31,690,813	29,920,859	1,769,954
Deficiency of revenues under expenditures	-	-	(4,773,496)	(4,773,496)
Net change in fund balances	\$ -	\$ -	\$ (4,773,496)	\$ (4,773,496)
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (4,773,496)	
Encumbrances			2,407,971	
Total net change in fund balance per Statement of Revenues, Expenditures and changes in Fund Balance (Exhibit 4)			\$ (2,365,525)	

## CITY OF SUFFOLK, VIRGINIA

## REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30,**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Total Pension Liability</b>			
Service cost	\$ 6,994,155	\$ 7,018,182	\$ 7,104,813
Interest	15,882,027	16,812,748	17,359,071
Difference between expected and actual experience	-	(5,841,034)	1,303,368
Benefit payments, including refunds of employee contributions	(9,322,789)	(9,837,539)	(10,533,021)
Net change in total pension liability	13,553,393	8,152,357	15,234,231
Total pension liability -- beginning	231,547,492	245,100,885	253,253,242
Total pension liability -- ending	<u>\$ 245,100,885</u>	<u>\$ 253,253,242</u>	<u>\$ 268,487,473</u>
<b>Plan fiduciary net position</b>			
Contributions -- employer	\$ 7,684,006	\$ 7,327,510	\$ 7,519,618
Contributions -- employee	2,877,613	2,851,871	2,962,118
Net investment income	28,132,949	9,496,953	3,824,803
Benefit payments, including refunds of employee contributions	(9,322,789)	(9,837,539)	(10,533,021)
Administrative expense	(149,011)	(127,715)	(132,646)
Other	1,483	(2,019)	(1,608)
Net change in plan fiduciary net position	29,224,251	9,709,061	3,639,264
Plan fiduciary net position -- beginning	177,492,218	206,716,469	216,425,533
Plan fiduciary net position -- ending	<u>\$ 206,716,469</u>	<u>\$ 216,425,530</u>	<u>\$ 220,064,797</u>
Total net pension liability -- beginning	\$ 54,055,274	\$ 38,384,416	\$ 36,827,709
Total net pension liability -- ending	<u>\$ 38,384,416</u>	<u>\$ 36,827,712</u>	<u>\$ 48,422,676</u>
Plan fiduciary net position as a percentage of total pension liability	84.34%	85.46%	81.96%
Covered employee payroll	\$ 56,537,670	\$ 57,411,532	\$ 59,144,296
Net pension liability as a percentage of covered employee payroll	67.89%	64.15%	81.87%

Schedules are intended to show information for 10 years. Additional years will be included as they become available.

Per GAAP, Net Pension Liability is reported using the measurement date, which is one year prior to the reporting date.

## CITY OF SUFFOLK, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE SCHOOL BOARD'S (NON-TEACHER) NET PENSION LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30,**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Total Pension Liability</b>			
Service cost	\$ 738,127	\$ 713,970	\$ 664,716
Interest	1,455,330	1,537,449	1,650,099
Difference between expected and actual experience	-	304,251	(570,559)
Benefit payments, including refunds of employee contributions	(1,049,323)	(991,325)	(901,450)
Net change in total pension liability	1,144,134	1,564,345	842,806
Total pension liability -- beginning	21,315,088	22,459,222	24,023,567
Total pension liability -- ending	<u>\$ 22,459,222</u>	<u>\$ 24,023,567</u>	<u>\$ 24,866,373</u>
<b>Plan fiduciary net position</b>			
Contributions -- employer	\$ 587,401	\$ 477,042	\$ 480,895
Contributions -- employee	330,019	312,739	314,507
Net investment income	3,042,856	1,014,884	405,924
Benefit payments, including refunds of employee contributions	(1,049,323)	(991,325)	(901,450)
Administrative expense	(16,345)	(13,901)	(14,198)
Other	161	(215)	(171)
Net change in plan fiduciary net position	2,894,769	799,224	285,507
Plan fiduciary net position -- beginning	19,344,130	22,238,899	23,038,123
Plan fiduciary net position -- ending	<u>\$ 22,238,899</u>	<u>\$ 23,038,123</u>	<u>\$ 23,323,630</u>
Total net pension liability -- beginning	\$ 1,970,958	\$ 220,323	\$ 985,444
Total net pension liability -- ending	<u>\$ 220,323</u>	<u>\$ 985,444</u>	<u>\$ 1,542,743</u>
Plan fiduciary net position as a percentage of total pension liability	99%	96%	94%
Covered employee payroll	\$ 6,572,813	\$ 7,303,711	\$ 6,556,134
Net Pension Liability as a percentage of covered employee payroll	3.35%	13.49%	23.53%

Schedules are intended to show information for 10 years. Additional years will be included as they become available.

Per GAAP, Net Pension Liability is reported using the measurement date, which is one year prior to the reporting date.

## CITY OF SUFFOLK, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY - SCHOOL BOARD TEACHER**  
**RETIREMENT PLAN**  
**FOR THE YEAR ENDED JUNE 30,**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Employer's proportion of the net pension liability	0.93031%	0.91814%	9.45840%
Employer's proportionate share of the net pension liability	\$ 112,425,000	\$ 115,560,000	\$ 132,551,000
Employer's covered-employee payroll	68,010,782	71,032,824	73,624,141
Employer proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.30%	162.69%	180.04%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%

Note: The amounts presented have a measurement date of the previous fiscal year.

Schedules are intended to show information for 10 years. Since 2015 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

## CITY OF SUFFOLK, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30,**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
<b>City Pension Plan:</b>					
2008	\$ 4,285,894	\$ 4,404,885	\$ (118,991)	\$ 47,940,645	9.19%
2009	\$ 4,634,166	\$ 4,730,739	\$ (96,573)	\$ 50,262,100	9.41%
2010	\$ 4,837,015	\$ 4,817,023	\$ 19,992	\$ 52,462,203	9.18%
2011	\$ 8,372,697	\$ 8,407,146	\$ (34,449)	\$ 52,101,413	16.14%
2012	\$ 8,483,177	\$ 8,526,249	\$ (43,072)	\$ 52,788,904	16.15%
2013	\$ 10,018,672	\$ 10,197,688	\$ (179,016)	\$ 53,979,914	18.89%
2014	\$ 10,385,226	\$ 10,526,564	\$ (141,338)	\$ 55,954,879	18.81%
2015	\$ 8,171,325	\$ 8,321,012	\$ (149,687)	\$ 63,639,606	13.08%
2016	\$ 6,772,022	\$ 8,035,838	\$ (1,263,816)	\$ 59,144,296	13.59%
2017	\$ 7,068,598	\$ 7,030,967	\$ 37,631	\$ 64,085,203	10.97%
<b>School Board (non-teacher) Pension Plan:</b>					
2008	\$ 829,400	\$ 821,274	\$ 8,126	\$ 6,831,960	12.02%
2009	\$ 818,655	\$ 837,098	\$ (18,443)	\$ 6,776,948	12.35%
2010	\$ 510,614	\$ 871,508	\$ (360,894)	\$ 7,212,065	12.08%
2011	\$ 643,329	\$ 820,689	\$ (177,360)	\$ 7,204,137	11.39%
2012	\$ 628,539	\$ 787,554	\$ (159,015)	\$ 7,038,507	11.19%
2013	\$ 950,684	\$ 938,800	\$ 11,884	\$ 6,839,451	13.73%
2014	\$ 936,860	\$ 820,701	\$ 116,159	\$ 6,739,997	12.18%
2015	\$ 747,583	\$ 747,583	\$ -	\$ 6,271,733	11.92%
2016	\$ 701,325	\$ 701,325	\$ -	\$ 7,303,711	9.60%
2017	\$ 586,121	\$ 586,121	\$ -	\$ 6,556,134	8.94%
<b>School Board Teacher Retirement Plan:</b>					
2008	\$ -	\$ 6,170,650	\$ (6,170,650)	\$ 40,331,046	15.30%
2009	\$ -	\$ 10,175,482	\$ (10,175,482)	\$ 73,681,984	13.81%
2010	\$ -	\$ 8,229,751	\$ (8,229,751)	\$ 93,413,746	8.81%
2011	\$ -	\$ 6,327,523	\$ (6,327,523)	\$ 40,405,639	15.66%
2012	\$ -	\$ 7,895,331	\$ (7,895,331)	\$ 58,745,022	13.44%
2013	\$ -	\$ 11,648,391	\$ (11,648,391)	\$ 74,383,084	15.66%
2014	\$ -	\$ 10,439,005	\$ (10,439,005)	\$ 89,528,345	11.66%
2015	\$ 11,594,588	\$ 11,594,588	\$ -	\$ 68,193,037	17.00%
2016	\$ 11,533,874	\$ 11,533,874	\$ -	\$ 71,032,824	16.24%
2017	\$ 11,760,656	\$ 11,760,656	\$ -	\$ 73,624,141	15.97%

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2017**

**Notes to the Required Supplementary Information related to Pensions**

**Changes in Benefit terms**

The City, School Board (non-teacher) pension plan and School Board Teacher Retirement plans have had no significant changes to the System benefit provisions since the prior actuarial valuation. The 2015 valuation includes Hybrid Retirement Plan members for the first time. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

**Changes of assumptions**

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four year period ending June 30, 2012:

General City and School Board (non-teacher) Public Safety Employees:  
Employees:

- |   |   |
|---|---|
| - Update mortality table                            | - Update mortality table                                |
| - Decrease in rates of service retirement           | - Adjustment to rates of service retirement for females |
| - Decrease in rates of disability retirement        | - Increase in rates of withdrawal                       |
| - Reduce rates of salary increase by 0.25% per year | - Decrease in male and female rates of disability       |

School Board Teacher Retirement Plan Employees:

- Update mortality Table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

## CITY OF SUFFOLK, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**  
**June 30, 2017**

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.

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL)</u>	<u>(b-a) Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>((b-a)/c) UAAL as of Percentage of Covered Payroll</u>
<b>City:</b>						
July 1, 2016	\$ 27,387,305	\$ 30,201,776	\$ 2,814,471	90.68%	\$ 58,111,943	4.84%
July 1, 2014	\$ 20,487,700	\$ 33,474,600	\$ 12,986,900	61.20%	\$ 53,941,000	24.08%
July 1, 2012	\$ 14,389,399	\$ 28,698,600	\$ 14,309,201	50.14%	\$ 55,725,400	25.68%
<b>School Board:</b>						
January 1, 2017	\$ 14,013,019	\$ 15,196,861	\$ 1,183,842	92.21%	\$ 79,940,967	1.48%
July 1, 2015	\$ 12,551,700	\$ 15,351,800	\$ 2,800,100	81.76%	\$ 55,537,800	5.04%
July 1, 2013	\$ 9,895,900	\$ 14,172,900	\$ 4,277,000	69.82%	\$ 58,391,400	7.32%

## CITY OF SUFFOLK, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED**  
**RATIOS -- GASB 74**  
**FOR THE YEAR ENDED JUNE 30,**

	<u>2017</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 886,026
Interest	2,225,368
Benefit payments, including refunds of employee contributions	<u>(1,060,396)</u>
Net change in total OPEB liability	2,050,998
Total OPEB liability -- beginning	<u>30,201,776</u>
Total OPEB liability -- ending	<u><u>\$ 32,252,774</u></u>
<b>Plan fiduciary net position</b>	
Contributions -- employer	\$ 3,340,696
Net investment income	3,390,546
Benefit payments, including refunds of employee contributions	(1,060,396)
Net change in plan fiduciary net position	<u>5,670,846</u>
Plan fiduciary net position -- beginning	25,720,279
Plan fiduciary net position -- ending	<u><u>\$ 31,391,125</u></u>
Total net OPEB liability -- beginning	\$ 4,481,497
Total Net OPEB Liability -- ending	<u><u>\$ 861,649</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	97.33%
Covered employee payroll	\$ 58,111,943
Net OPEB Liability as a percentage of covered employee payroll	1.48%

Schedules are intended to show information for 10 years. Since 2017 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

## CITY OF SUFFOLK, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS -- OPEB PLAN -- GASB 74**  
**FOR THE YEAR ENDED JUNE 30,**

Date	Actuarially Determined Contribution	Contributions in Relation to Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
<b>City Plan:</b>					
2008	\$ 2,802,627	\$ 2,590,761	\$ 211,866	\$ 57,292,676	4.52%
2009	\$ 2,323,275	\$ 2,865,267	\$ (541,992)	\$ 58,766,577	4.88%
2010	\$ 3,014,322	\$ 3,372,436	\$ (358,114)	\$ 58,766,577	5.74%
2011	\$ 3,014,322	\$ 3,345,515	\$ (331,193)	\$ 52,047,300	6.43%
2012	\$ 2,109,900	\$ 2,063,513	\$ 46,387	\$ 55,725,400	3.70%
2013	\$ 2,999,000	\$ 3,250,647	\$ (251,647)	\$ 55,725,400	5.83%
2014	\$ 3,154,700	\$ 2,621,943	\$ 532,757	\$ 53,941,000	4.86%
2015	\$ 3,077,600	\$ 3,503,479	\$ (425,879)	\$ 53,941,000	6.50%
2016	\$ 3,182,500	\$ 3,501,603	\$ (319,103)	\$ 58,111,943	6.03%
2017	\$ 1,083,859	\$ 3,340,696	\$ (2,256,837)	\$ 58,111,943	5.75%

## CITY OF SUFFOLK, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF ANNUAL MONEY WEIGHTED RATE OF RETURN ON OPEB PLAN INVESTMENTS -- GASB 74**  
**FOR THE YEAR ENDED JUNE 30,**

	<u>2017</u>
Annual money-weighted rate of return	13.04%

Schedule is intended to show information for 10 years. Since 2017 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2017**

**Notes to the Required Supplementary Information related to Other Post Employment Benefit Plans**

**Changes in Benefit Terms:**

There have been no changes to the benefit terms for the valuation date of June 30, 2016.

**Changes to assumptions or other inputs**

The following changes in assumptions were made as of June 30, 2017 for the valuation date of June 30, 2016:

- The discount rate was revised to 7.50%, the expected long-term rate of return on the Virginia Pooled OPEB Trust Fund – Portfolio I, as defined by the Trust’s administrator, the Virginia Local Government Finance Corporation.
- The actuarial cost method was changed from Projected Unit Credit to Entry Age Normal.
- The demographic assumptions (decrement rates of retirement, termination, disability incidence, and mortality) were updated to match those used in the VRS Political Subdivisions for the city of Suffolk’s June 30, 2016 pension valuation conducted by the Virginia Retirement System (VRS).
- The assumed per capita costs of health care were updated (including a change to the methodology used to relate health care costs between ages).
- The assumed rates of member participation were revised based on experience of similarly structured plans.
- The assumed rates of spouse participation were revised based on recent experience.
- The assumed rates of health care inflation used to project the per capita health care costs were revised to reflect current expectations.

## **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.

CITY OF SUFFOLK, VIRGINIA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2017

	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>ASSETS</b>										
Assets:										
Cash and cash equivalents	\$ -	\$ 170,257	\$ 1,022,528	\$ 219,861	\$ 1,872,028	\$ 811,275	\$ -	\$ 274,822	\$ 468,871	\$ 4,839,642
Cash and cash equivalents, restricted	-	-	-	-	-	-	1,142,731	-	-	1,142,731
Receivables, net:										
Taxes	-	7,359	-	-	4,859	-	-	-	-	12,218
Accounts	-	-	-	3,127	-	-	-	839	23,340	27,306
Due from other governmental units	-	-	386,492	-	-	-	-	-	-	386,492
Inventory	-	-	-	-	-	-	-	-	45,654	45,654
Total assets	<u>\$ -</u>	<u>\$ 177,616</u>	<u>\$ 1,409,020</u>	<u>\$ 222,988</u>	<u>\$ 1,876,887</u>	<u>\$ 811,275</u>	<u>\$ 1,142,731</u>	<u>\$ 275,661</u>	<u>\$ 537,865</u>	<u>\$ 6,454,043</u>
<b>LIABILITIES</b>										
Liabilities:										
Accounts payable and accrued liabilities	\$ 10,818	\$ 15,923	\$ 89,215	\$ 796	\$ -	\$ -	\$ -	\$ 76,649	\$ 14,223	\$ 207,624
Accrued payroll and related liabilities	-	-	12,525	1,319	-	-	-	-	5,482	19,326
Unavailable revenues	-	-	287,031	-	-	-	-	-	-	287,031
Total liabilities	<u>10,818</u>	<u>15,923</u>	<u>388,771</u>	<u>2,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,649</u>	<u>19,705</u>	<u>513,981</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Unavailable revenues - taxes	-	3,657	-	-	1,207	-	-	-	-	4,864
Deposits	-	-	-	-	-	-	-	-	18,365	18,365
Total deferred inflows	<u>-</u>	<u>3,657</u>	<u>-</u>	<u>-</u>	<u>1,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,365</u>	<u>23,229</u>
<b>FUND BALANCES</b>										
Nonspendable	-	-	-	-	-	-	-	-	45,654	45,654
Restricted	-	-	1,020,249	220,873	-	-	1,142,731	-	-	2,383,853
Committed	-	158,036	-	-	1,875,680	811,275	-	199,012	454,141	3,498,144
Unassigned	(10,818)	-	-	-	-	-	-	-	-	(10,818)
Total fund balances	<u>(10,818)</u>	<u>158,036</u>	<u>1,020,249</u>	<u>220,873</u>	<u>1,875,680</u>	<u>811,275</u>	<u>1,142,731</u>	<u>199,012</u>	<u>499,795</u>	<u>5,916,833</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 177,616</u>	<u>\$ 1,409,020</u>	<u>\$ 222,988</u>	<u>\$ 1,876,887</u>	<u>\$ 811,275</u>	<u>\$ 1,142,731</u>	<u>\$ 275,661</u>	<u>\$ 537,865</u>	<u>\$ 6,454,043</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2017

	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	\$ 127	\$ 182,060	\$ -	\$ -	\$ 1,616,844	\$ 8	\$ -	\$ -	\$ -	\$ 1,799,039
Revenue from use of money and property	-	560	-	723	6,155	2,667	6,331	903	227,564	244,903
Charges for services	-	-	27,259	35,422	-	-	19,201	76,099	452,178	610,159
Miscellaneous	-	-	61,307	49	-	-	-	11,888	-	73,244
Intergovernmental:										
Revenue from the Commonwealth	-	-	517,347	-	-	-	-	238,623	9,800	765,770
Revenue from the Federal government	-	-	2,314,769	-	-	-	-	-	-	2,314,769
Total revenues	127	182,620	2,920,682	36,194	1,622,999	2,675	25,532	327,513	689,542	5,807,884
<b>EXPENDITURES</b>										
Current:										
General government administration	-	-	-	-	-	-	-	-	673,956	673,956
Judicial administration	-	-	832,113	39,445	-	-	-	-	-	871,558
Public safety	-	-	705,575	-	-	-	-	-	-	705,575
Public works	-	158,607	18,712	-	-	-	-	-	-	177,319
Health and welfare	-	-	4,000	-	-	-	-	-	-	4,000
Transportation	-	-	-	-	-	-	-	1,079,339	-	1,079,339
Parks, recreation, and cultural	-	-	92,792	-	-	-	40,264	-	-	133,056
Community development	-	-	773,240	-	-	-	-	-	-	773,240
Total expenditures	-	158,607	2,426,432	39,445	-	-	40,264	1,079,339	673,956	4,418,043
Excess (deficiency) of revenues over (under) expenditures	127	24,013	494,250	(3,251)	1,622,999	2,675	(14,732)	(751,826)	15,586	1,389,841
Other financing sources (uses):										
Transfers in	-	-	336,236	-	-	-	-	820,832	98,860	1,255,928
Transfers out	-	-	(304,567)	-	(762,978)	-	-	(14,207)	(58,979)	(1,140,731)
Total other financing sources (uses), net	-	-	31,669	-	(762,978)	-	-	806,625	39,881	115,197
Net changes in fund balances	127	24,013	525,919	(3,251)	860,021	2,675	(14,732)	54,799	55,467	1,505,038
Fund balances at July 1	(10,945)	134,023	494,330	224,124	1,015,659	808,600	1,157,463	144,213	444,328	4,411,795
Fund balances at June 30	\$ (10,818)	\$ 158,036	\$ 1,020,249	\$ 220,873	\$ 1,875,680	\$ 811,275	\$ 1,142,731	\$ 199,012	\$ 499,795	\$ 5,916,833

## 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, 2017**

	<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	\$ -	\$ -	\$ 297,694	\$ 297,694
Miscellaneous	-	-	-	
Fund Balance (rollover/appropriation)	2,000,000	2,000,000	-	(2,000,000)
Total revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>297,694</u>	<u>(1,702,306)</u>
<b>EXPENDITURES</b>				
Current:				
Principal	16,311,132	16,311,132	16,781,132	(470,000)
Bond issuance costs	11,701,326	10,980,486	9,388,267	1,592,219
Interest and other fiscal charges	-	720,840	720,840	-
Total expenditures	<u>28,012,458</u>	<u>28,012,458</u>	<u>26,890,239</u>	<u>1,122,219</u>
Deficiency of revenues under expenditures	<u>(26,012,458)</u>	<u>(26,012,458)</u>	<u>(26,592,545)</u>	<u>(580,087)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	-	47,215,000	47,215,000
Premium on bonds issued	-	-	4,799,457	4,799,457
Payment to escrow agent	-	-	(51,298,280)	(51,298,280)
Transfers in	28,012,458	28,012,458	25,828,204	(2,184,254)
Transfers out	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>
Total other financing sources, net	<u>26,012,458</u>	<u>26,012,458</u>	<u>24,544,381</u>	<u>(1,468,077)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,048,164)</u>	<u>\$ (2,048,164)</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, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ 167,973	\$ 167,973	\$ 182,060	\$ 14,087
Revenue from use of money and property	-	-	723	723	-	-	560	560
Charges for services	41,774	41,774	35,422	(6,352)	-	-	-	-
Miscellaneous	-	-	49	49	-	-	-	-
Total revenues	41,774	41,774	36,194	(5,580)	167,973	167,973	182,620	14,647
<b>EXPENDITURES</b>								
Current:								
Judicial administration	41,774	41,774	39,445	2,329				-
Public works	-	-	-	-	167,973	167,973	159,926	8,047
Total expenditures	41,774	41,774	39,445	2,329	167,973	167,973	159,926	8,047
Excess (deficiency) of revenues over (under) expenditures	-	-	(3,251)	(3,251)	-	-	22,694	22,694
Net change in fund balances	\$ -	\$ -	\$ (3,251)	\$ (3,251)	\$ -	\$ -	\$ 22,694	\$ 22,694
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ (3,251)				\$ 22,694	
Encumbrances			-				1,319	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 21)			\$ (3,251)				\$ 24,013	

(continued)

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, 2017

	Route 17 Taxing District				Aviation			
	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	\$ 1,400,000	\$ 1,400,000	\$ 1,616,844	\$ 216,844	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	6,155	6,155	249,948	249,948	227,564	(22,384)
Charges for services	-	-	-	-	688,750	688,750	452,178	(236,572)
Intergovernmental:								
Revenue from the Commonwealth	-	-	-	-	-	17,926	9,800	(8,126)
Fund balance (rollover/appropriations)	-	80,000	-	(80,000)	-	18,130	-	(18,130)
Total revenues	<u>1,400,000</u>	<u>1,480,000</u>	<u>1,622,999</u>	<u>142,999</u>	<u>938,698</u>	<u>974,754</u>	<u>689,542</u>	<u>(285,212)</u>
<b>EXPENDITURES</b>								
Current:								
General government administration	717,022	717,022	-	717,022	978,579	1,014,635	848,156	166,479
Total expenditures	<u>717,022</u>	<u>717,022</u>	<u>-</u>	<u>-</u>	<u>978,579</u>	<u>1,014,635</u>	<u>848,156</u>	<u>166,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>682,978</u>	<u>762,978</u>	<u>1,622,999</u>	<u>860,021</u>	<u>(39,881)</u>	<u>(39,881)</u>	<u>(158,614)</u>	<u>(118,733)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	98,860	98,860	98,860	-
Transfers out	(682,978)	(762,978)	(762,978)	-	(58,797)	(58,979)	(58,979)	-
Total other financing sources (uses), net	<u>(682,978)</u>	<u>(762,978)</u>	<u>(762,978)</u>	<u>-</u>	<u>40,063</u>	<u>39,881</u>	<u>39,881</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 860,021</u>	<u>\$ 860,021</u>	<u>\$ 182</u>	<u>\$ -</u>	<u>\$ (118,733)</u>	<u>\$ (118,733)</u>
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ 860,021				\$ (118,733)	
Encumbrances			-				174,200	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 21)			<u>\$ 860,021</u>				<u>\$ 55,467</u>	

(continued)

## 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, 2017**

Transit				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 903	\$ 903
Charges for services	52,100	52,100	76,099	23,999
Miscellaneous	7,500	7,500	11,888	4,388
Intergovernmental:				
Revenue from the Commonwealth	260,327	292,303	238,623	(53,680)
Fund balance (rollover/appropriations)	-	18,029	-	(18,029)
Total revenues	319,927	369,932	327,513	(42,419)
<b>EXPENDITURES</b>				
Current:				
Transportation	1,140,759	1,190,764	1,174,132	16,632
Total expenditures	1,140,759	1,190,764	1,174,132	16,632
Deficiency of revenues under expenditures	(820,832)	(820,832)	(846,619)	(25,787)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	820,832	820,832	820,832	-
Total other financing sources	820,832	820,832	820,832	-
Net change in fund balances	\$ -	\$ -	\$ (25,787)	\$ (25,787)

## Reconciliation to Governmental Fund Statement:

Total net change in fund balance	\$ (25,787)
Encumbrances	80,586
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 21)	\$ 54,799

## **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.

## CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF NET POSITION  
NON-MAJOR PROPRIETARY FUNDS

June 30, 2017

	Business-type Activities - Enterprise Funds		
	Stormwater Utility	Refuse	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,436,185	\$ 4,267,038	\$ 6,703,223
Cash and cash equivalents, restricted	-	3,872,408	3,872,408
Receivables, net	150,473	274,794	425,267
Total current assets	2,586,658	8,414,240	11,000,898
Noncurrent assets:			
OPEB asset	105,342	-	105,342
Capital assets, net	606,760	8,404	615,164
Total noncurrent assets	712,102	8,404	720,506
Total assets	3,298,760	8,422,644	11,721,404
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Employer contributions to pension subsequent to the measurement date	251,542	147,509	399,051
Net difference between expected and actual experience	33,778	19,822	53,600
Net difference between projected and actual earnings on plan investments	193,817	113,737	307,554
Total deferred outflows of resources	479,137	281,068	760,205
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	56,046	26,437	82,483
Accrued payroll and related liabilities	42,135	26,322	68,457
Accrued interest payable	-	34,436	34,436
Compensated absences	10,368	810	11,178
Total current liabilities	108,549	88,005	196,554
Noncurrent liabilities:			
Compensated absences	132,974	98,372	231,346
Net pension liability	1,625,118	953,664	2,578,782
Bonds and leases payable	-	4,541,000	4,541,000
Total noncurrent liabilities	1,758,092	5,593,036	7,351,128
Total liabilities	1,866,641	5,681,041	7,547,682
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Net difference between expected and actual experience	108,517	63,682	172,199
Total deferred inflows of resources	108,517	63,682	172,199
<b>NET POSITION</b>			
Net investment in capital assets	606,760	8,404	615,164
Restricted:			
OPEB	105,342	-	105,342
Unrestricted	1,090,637	2,950,585	4,041,222
Total net position	\$ 1,802,739	\$ 2,958,989	\$ 4,761,728

## CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**NON-MAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Stormwater</b>		
	<b>Utility</b>	<b>Refuse</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,021,234	\$ 6,266,800	\$ 12,288,034
Other	112,870	7,911	120,781
Total operating revenues	<u>6,134,104</u>	<u>6,274,711</u>	<u>12,408,815</u>
<b>OPERATING EXPENSES</b>			
Personnel services	2,886,824	1,711,488	4,598,312
Contractual services	506,581	1,159,024	1,665,605
Administration	891,219	2,181,928	3,073,147
Supplies	179,737	94,022	273,759
Repairs and maintenance	753	33,459	34,212
Utilities	26,076	19,906	45,982
Depreciation	127,432	3,362	130,794
Building and equipment rental	74,628	-	74,628
Other charges	56,268	32,501	88,769
Total operating expenses	<u>4,749,518</u>	<u>5,235,690</u>	<u>9,985,208</u>
Operating income	<u>1,384,586</u>	<u>1,039,021</u>	<u>2,423,607</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	-	45,559	45,559
Interest expense	-	(84,880)	(84,880)
Net nonoperating expenses	<u>-</u>	<u>(39,321)</u>	<u>(39,321)</u>
Income before transfers	1,384,586	999,700	2,384,286
Transfers out	(963,352)	(237,746)	(1,201,098)
Change in net position	421,234	761,954	1,183,188
Net position at July 1	1,381,505	2,197,035	3,578,540
Net position at June 30	<u>\$ 1,802,739</u>	<u>\$ 2,958,989</u>	<u>\$ 4,761,728</u>

## CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Stormwater</b>		
	<b>Utility</b>	<b>Refuse</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 6,060,486	\$ 6,294,485	\$ 12,354,971
Payments to employees	(2,854,362)	(1,710,757)	(4,565,119)
Payments to suppliers	(1,768,009)	(4,045,681)	(5,813,690)
Net cash provided by operating activities	<u>1,438,115</u>	<u>538,047</u>	<u>1,976,162</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(963,352)	(237,746)	(1,201,098)
Net cash used in noncapital financing activities	<u>(963,352)</u>	<u>(237,746)</u>	<u>(1,201,098)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(163,856)	-	(163,856)
Interest paid on capital debt	-	(93,298)	(93,298)
Net cash used in capital and related financing activities	<u>(163,856)</u>	<u>(93,298)</u>	<u>(257,154)</u>
<b>INVESTING ACTIVITIES</b>			
Interest received	-	45,559	45,559
Net cash provided by investing activities	<u>-</u>	<u>45,559</u>	<u>45,559</u>
Net increase in cash and cash equivalents	310,907	252,562	563,469
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning, July 1	2,125,278	7,886,884	10,012,162
Ending, June 30	<u>\$ 2,436,185</u>	<u>\$ 8,139,446</u>	<u>\$ 10,575,631</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 1,384,586	\$ 1,039,021	\$ 2,423,607
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	127,432	3,362	130,794
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(7,291)	19,773	12,482
OPEB asset	(66,327)	-	(66,327)
Increase (decrease) in:			
Accounts payable and accrued liabilities	(32,747)	(524,840)	(557,587)
Accrued payroll and related liabilities	32,462	731	33,193
Net cash provided by operating activities	<u>\$ 1,438,115</u>	<u>\$ 538,047</u>	<u>\$ 1,976,162</u>

# 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.

**CITY OF SUFFOLK, VIRGINIA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2017**

	<b>Information Technology</b>	<b>Fleet Management</b>	<b>Risk Management</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 665,098	\$ 8,934,165	\$ 9,135,510	\$ 18,734,773
Cash and cash equivalents, restricted	671,211	4,698,837	-	5,370,048
Receivables other, net	5,000	68,066	12,752	85,818
Due from other governments	-	1,938	-	1,938
Inventories	-	230,943	-	230,943
Total current assets	<u>1,341,309</u>	<u>13,933,949</u>	<u>9,148,262</u>	<u>24,423,520</u>
Noncurrent assets:				
OPEB asset	70,229	80,761	10,532	161,522
Land and construction in progress	501,030	298,000	-	799,030
Other capital assets, net	5,111,757	22,878,961	295,792	28,286,510
Total noncurrent assets	<u>5,683,016</u>	<u>23,257,722</u>	<u>306,324</u>	<u>29,247,062</u>
Total assets	<u>7,024,325</u>	<u>37,191,671</u>	<u>9,454,586</u>	<u>53,670,582</u>
<b>DEFERRED OUFLOWS OF RESOURCES</b>				
Employer contributions to pension subsequent to the measurement date	153,340	95,659	40,183	289,182
Net difference between expected and actual experience	23,784	14,005	6,108	43,897
Net Difference between projected and actual earnings	136,471	80,362	35,050	251,883
Total deferred outflows of resources	<u>313,595</u>	<u>190,026</u>	<u>81,341</u>	<u>584,962</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	264,016	360,137	236,341	860,494
Accrued payroll and related liabilities	27,906	15,657	36,532	80,095
Claims payable	-	-	2,925,803	2,925,803
Accrued interest	32,328	110,114	-	142,442
Compensated absences	818	650	202	1,670
Capital leases -- current	526,374	1,859,065	-	2,385,439
Bonds payable -- current	523,715	656,071	-	1,179,786
Total current liabilities	<u>1,375,157</u>	<u>3,001,694</u>	<u>3,198,878</u>	<u>7,575,729</u>
Noncurrent liabilities:				
Compensated absences	138,528	80,874	34,998	254,400
Net pension liability	1,144,288	673,819	293,887	2,111,994
Claims payable	-	-	1,131,732	1,131,732
Capital leases	49,172	1,616,108	-	1,665,280
Bonds payable	1,671,146	5,543,153	-	7,214,299
Total noncurrent liabilities	<u>3,003,134</u>	<u>7,913,954</u>	<u>1,460,617</u>	<u>12,377,705</u>
Total liabilities	<u>4,378,291</u>	<u>10,915,648</u>	<u>4,659,495</u>	<u>19,953,434</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Net difference between expected and actual experience	76,409	44,994	19,624	141,027
Total deferred inflows of resources	<u>76,409</u>	<u>44,994</u>	<u>19,624</u>	<u>141,027</u>
<b>NET POSITION</b>				
Net investment in capital assets	3,513,591	18,201,401	295,792	22,010,784
Restricted:				
Other Purposes	-	455,809	-	455,809
OPEB	70,229	80,761	10,532	161,522
Unrestricted	(700,600)	7,683,084	4,550,484	11,532,968
Total net position	<u>\$ 2,883,220</u>	<u>\$ 26,421,055</u>	<u>\$ 4,856,808</u>	<u>\$ 34,161,083</u>

**CITY OF SUFFOLK, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2017**

	<b>Information Technology</b>	<b>Fleet Management</b>	<b>Risk Management</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 7,660,704	\$ 9,980,617	\$ 20,198,871	\$ 37,840,192
Other	46,551	790,274	1,610,237	2,447,062
Total operating revenues	<u>7,707,255</u>	<u>10,770,891</u>	<u>21,809,108</u>	<u>40,287,254</u>
<b>OPERATING EXPENSES</b>				
Personnel services	1,707,181	1,042,389	579,560	3,329,130
Self-insured claims	-	-	17,035,985	17,035,985
Contractual services	2,897,964	11,723	60,349	2,970,036
Administration	317,716	680,044	38,992	1,036,752
Supplies	4,886	99,607	9,993	114,486
Repairs and maintenance	148,069	29,719	1,260,889	1,438,677
Vehicle and power equipment – fuel	-	1,262,212	-	1,262,212
Vehicle and power equipment – supplies	-	2,418,062	-	2,418,062
Computers and Equipment	892,486	-	-	892,486
Utilities	184,294	32,453	3,022	219,769
Insurance	-	-	1,944,123	1,944,123
OPEB – contributions to trust	-	-	2,280,300	2,280,300
Depreciation	981,235	4,877,024	119,780	5,978,039
Building and equipment rental	89,737	17,931	21,930	129,598
Other charges	69,316	29,325	56,221	154,862
Total operating expenses	<u>7,292,884</u>	<u>10,500,489</u>	<u>23,411,144</u>	<u>41,204,517</u>
Operating income (loss)	<u>414,371</u>	<u>270,402</u>	<u>(1,602,036)</u>	<u>(917,263)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Loss on disposal of capital assets	-	(195,816)	-	(195,816)
Interest income	2,187	29,958	29,970	62,115
Interest expense	(44,662)	(237,345)	-	(282,007)
Total nonoperating revenues (expenses), net	<u>(42,475)</u>	<u>(403,203)</u>	<u>29,970</u>	<u>(415,708)</u>
Net income (loss) before transfers	371,896	(132,801)	(1,572,066)	(1,332,971)
Transfers out	<u>(186,427)</u>	<u>(351,523)</u>	<u>(69,680)</u>	<u>(607,630)</u>
Change in net position	185,469	(484,324)	(1,641,746)	(1,940,601)
Net position at July 1	<u>2,697,751</u>	<u>26,905,379</u>	<u>6,498,554</u>	<u>36,101,684</u>
Net position at June 30	<u>\$ 2,883,220</u>	<u>\$ 26,421,055</u>	<u>\$ 4,856,808</u>	<u>\$ 34,161,083</u>

**CITY OF SUFFOLK, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2017**

	<u>Information Technology</u>	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 7,658,036	\$ 10,795,949	\$ 21,790,975	\$ 40,244,960
Payments to employees	(1,699,322)	(1,089,107)	(468,544)	(3,256,973)
Payments to suppliers	(4,599,139)	(4,610,780)	(21,749,187)	(30,959,106)
Net cash provided by (used in) operating activities	<u>1,359,575</u>	<u>5,096,062</u>	<u>(426,756)</u>	<u>6,028,881</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(186,427)	(351,523)	(69,680)	(607,630)
Net cash used in noncapital financing activities	<u>(186,427)</u>	<u>(351,523)</u>	<u>(69,680)</u>	<u>(607,630)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(498,165)	(3,020,333)	(38,258)	(3,556,756)
Proceeds from issuance of debt	-	3,235,000	-	3,235,000
Proceeds from premium on debt issuance	-	307,106	-	307,106
Principal paid on capital debt	(991,374)	(2,795,194)	-	(3,786,568)
Bond issuance costs	-	(41,921)	-	(41,921)
Interest paid on debt	(96,188)	(267,333)	-	(363,521)
Net cash used in capital and related financing activities	<u>(1,585,727)</u>	<u>(2,582,675)</u>	<u>(38,258)</u>	<u>(4,206,660)</u>
<b>INVESTING ACTIVITIES</b>				
Interest earned	2,187	29,958	29,970	62,115
Net increase (decrease) in cash and cash equivalents	(410,392)	2,191,822	(504,724)	1,276,706
Beginning, July 1	1,746,701	11,441,180	9,640,234	22,828,115
Ending, June 30	<u>\$ 1,336,309</u>	<u>\$ 13,633,002</u>	<u>\$ 9,135,510</u>	<u>\$ 24,104,821</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>				
Cash and cash equivalents	\$ 665,098	\$ 8,934,165	\$ 9,135,510	\$ 18,734,773
Cash and cash equivalents, restricted	671,211	4,698,837	-	5,370,048
	<u>\$ 1,336,309</u>	<u>\$ 13,633,002</u>	<u>\$ 9,135,510</u>	<u>\$ 24,104,821</u>
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 414,371	\$ 270,402	\$ (1,602,036)	\$ (917,263)
Adjustments to reconcile operating loss income (loss) to net cash provided by (used in) operating activities:				
Depreciation	981,235	4,877,024	119,780	5,978,039
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(5,000)	75,906	(11,502)	59,404
Inventories	-	11,981	-	11,981
OPEB asset	(44,219)	(50,850)	(6,631)	(101,700)
Increase (decrease) in:				
Accounts payable and accrued liabilities	5,329	(41,683)	215,139	178,785
Accrued payroll and related liabilities	7,859	(46,718)	111,016	72,157
Claims payable	-	-	747,478	747,478
Net cash provided by (used in) operating activities	<u>\$ 1,359,575</u>	<u>\$ 5,096,062</u>	<u>\$ (426,756)</u>	<u>\$ 6,028,881</u>

# OTHER SUPPLEMENTARY INFORMATION: FIDUCIARY FUNDS

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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.

## CITY OF SUFFOLK, VIRGINIA

## COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -- AGENCY FUNDS

June 30, 2017

	<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	\$ 29,690	\$ 31,651	\$ 615,132	\$ 676,473
Total assets	<u>\$ 29,690</u>	<u>\$ 31,651</u>	<u>\$ 615,132</u>	<u>\$ 676,473</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 29,690	\$ 31,651	\$ 615,132	\$ 676,473
Total liabilities	<u>\$ 29,690</u>	<u>\$ 31,651</u>	<u>\$ 615,132</u>	<u>\$ 676,473</u>

## CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES --  
AGENCY FUNDS  
Year Ended June 30, 2017**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
<b>Special Welfare Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,610	\$ 58,667	\$ 56,587	\$ 29,690
Total assets	<u>\$ 27,610</u>	<u>\$ 58,667</u>	<u>\$ 56,587</u>	<u>\$ 29,690</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 27,610	\$ 58,667	\$ 56,587	\$ 29,690
Total liabilities	<u>\$ 27,610</u>	<u>\$ 58,667</u>	<u>\$ 56,587</u>	<u>\$ 29,690</u>
<b>Commonwealth of Virginia Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 28,212	\$ 102,475	\$ 99,036	\$ 31,651
Total assets	<u>\$ 28,212</u>	<u>\$ 102,475</u>	<u>\$ 99,036</u>	<u>\$ 31,651</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 28,212	\$ 102,475	\$ 99,036	\$ 31,651
Total liabilities	<u>\$ 28,212</u>	<u>\$ 102,475</u>	<u>\$ 99,036</u>	<u>\$ 31,651</u>
<b>Western Tidewater Water Authority</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 606,117	\$ 7,511,019	\$ 7,502,004	\$ 615,132
Total assets	<u>\$ 606,117</u>	<u>\$ 7,511,019</u>	<u>\$ 7,502,004</u>	<u>\$ 615,132</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 606,117	\$ 7,511,019	\$ 7,502,004	\$ 615,132
Total liabilities	<u>\$ 606,117</u>	<u>\$ 7,511,019</u>	<u>\$ 7,502,004</u>	<u>\$ 615,132</u>
<b>Total All Agency Funds</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 661,939	7,672,161	7,657,627	\$ 676,473
Total assets	<u>\$ 661,939</u>	<u>\$ 7,672,161</u>	<u>\$ 7,657,627</u>	<u>\$ 676,473</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 661,939	7,672,161	7,657,627	\$ 676,473
Total liabilities	<u>\$ 661,939</u>	<u>\$ 7,672,161</u>	<u>\$ 7,657,627</u>	<u>\$ 676,473</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.

## CITY OF SUFFOLK, VIRGINIA

**COMBINING BALANCE SHEET**  
**GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**June 30, 2017**

	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	\$ 18,675,526	\$ -	\$ 4,543,105	\$ 23,218,631	\$ 466,678	\$ 23,685,309
Receivables, net	92,439	40	23,006	115,485	11,747	127,232
Due from other funds	1,490,041	-	-	1,490,041	-	1,490,041
Due from other governments	1,514,989	2,723,944	272,118	4,511,051	-	4,511,051
Inventories	141,663	-	378,419	520,082	-	520,082
Prepaid items	95,000	-	-	95,000	-	95,000
Total assets	<u>\$ 22,009,658</u>	<u>\$ 2,723,984</u>	<u>\$ 5,216,648</u>	<u>\$ 29,950,290</u>	<u>\$ 478,425</u>	<u>\$ 30,428,715</u>

**LIABILITIES**

Accounts payable	\$ 2,122,168	\$ 17,094	\$ 185,333	\$ 2,324,595	\$ 55,025	\$ 2,379,620
Accrued payroll and related liabilities	15,859,303	709,392	193,886	16,762,581	2,553	16,765,134
Due to the Primary Government	132,210	-	-	132,210	-	132,210
Due to other governments	-	-	-	-	420,364	420,364
Due to other funds	-	1,490,041	-	1,490,041	-	1,490,041
Total liabilities	<u>18,113,681</u>	<u>2,216,527</u>	<u>379,219</u>	<u>20,709,427</u>	<u>477,942</u>	<u>21,187,369</u>

**FUND BALANCES**

Nonspendable:						
Inventories and prepaids	141,663	-	378,419	520,082	-	520,082
Premiums held for workers' compensation claims	225,000	-	-	225,000	-	225,000
Premiums held for health insurance claims	380,122	-	-	380,122	-	380,122
Committed:						
Grant local match	-	433,379	-	433,379	483	433,862
Assigned:						
Special revenue	-	74,078	-	74,078	-	74,078
Food service	-	-	4,455,375	4,455,375	-	4,455,375
Encumbrances	3,149,192	-	3,635	3,152,827	-	3,152,827
Total fund balances	<u>3,895,977</u>	<u>507,457</u>	<u>4,837,429</u>	<u>9,240,863</u>	<u>483</u>	<u>9,241,346</u>
Total liabilities and fund balance	<u>\$ 22,009,658</u>	<u>\$ 2,723,984</u>	<u>\$ 5,216,648</u>	<u>\$ 29,950,290</u>	<u>\$ 478,425</u>	<u>\$ 30,428,715</u>

**Reconciliation to the Statement of Net Position (Exhibit 1)**

<b>Total fund balance</b>	<b>\$ 9,241,346</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
School Board	128,671,824
Pruden Center	1,085,119
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Other postemployment benefits	(652,869)
School Board compensated absences	(2,149,964)
Pruden Center compensated absences	(67,388)
Net pension liability and related deferred inflows and outflows are not due and payable in the current periods and therefore, not reported in the governmental funds:	
Net pension liability - Schools	(134,093,743)
Net pension liability - Pruden	(2,577,238)
Deferred outflow - difference between projected and actual earnings on pension investments	8,177,019
Deferred outflow - difference between projected and actual earnings on pension investments - Pruden	159,000
Deferred Inflow - difference between expected and actual experience	(4,698,240)
Deferred outflow - difference between expected and actual experience	137,539
Deferred Inflow - difference between expected and actual experience - Pruden	(102,000)
Deferred Inflow - difference in proportion and difference between employer contributions and proportionate share of contributions	(688,000)
Deferred outflow - difference in proportion and difference between employer contributions and proportionate share of contributions - Pruden	65,000
Deferred outflow - employer pension contributions made subsequent to the measurement date	12,053,248
Deferred outflow - employer pension contributions made subsequent to the measurement date - Pruden	293,529
<b>Net position of governmental activities</b>	<b>\$ 14,854,182</b>

## 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, 2017**

	<b>School Operating Fund</b>	<b>School Grants Fund</b>	<b>School Food Service Fund</b>	<b>Subtotal Excluding Component Unit</b>	<b>The Pruden Center for Industry &amp; Technology</b>	<b>Total School Board</b>
<b>REVENUES</b>						
Revenue from use of money and property	\$ 43,200	\$ -	\$ 8,087	\$ 51,287	\$ -	\$ 51,287
Charges for services	92,189	-	1,810,253	1,902,442	28,543	1,930,985
Miscellaneous	455,589	189,891	256,822	902,302	-	902,302
Intergovernmental:				-		
City contribution	54,361,370	-	-	54,361,370	-	54,361,370
Revenue from the Commonwealth	79,805,675	1,078,654	214,523	81,098,852	26,007	81,124,859
Revenue from the Federal Government	858,658	7,152,849	5,019,715	13,031,222	-	13,031,222
School Board contribution to Pruden Center	-	-	-	-	1,560,833	1,560,833
Isle of Wight contribution to Pruden Center	-	-	-	-	1,089,779	1,089,779
Total revenues	<u>135,616,681</u>	<u>8,421,394</u>	<u>7,309,400</u>	<u>151,347,475</u>	<u>2,705,162</u>	<u>154,052,637</u>
<b>EXPENDITURES</b>						
Current:						
Education	135,390,538	8,545,272	7,002,723	150,938,533	2,705,162	153,643,695
Total expenditures	<u>135,390,538</u>	<u>8,545,272</u>	<u>7,002,723</u>	<u>150,938,533</u>	<u>2,705,162</u>	<u>153,643,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>226,143</u>	<u>(123,878)</u>	<u>306,677</u>	<u>408,942</u>	<u>-</u>	<u>408,942</u>
Other financing sources (uses):						
Transfers in	-	140,433	-	140,433	-	140,433
Transfers out	(140,433)	-	-	(140,433)	-	(140,433)
Total other financing sources (uses), net	<u>(140,433)</u>	<u>140,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	85,710	16,555	306,677	408,942	-	408,942
Fund balances at July 1	3,810,267	490,902	4,530,752	8,831,921	483	8,832,404
Fund balances at June 30	<u>\$ 3,895,977</u>	<u>\$ 507,457</u>	<u>\$ 4,837,429</u>	<u>\$ 9,240,863</u>	<u>\$ 483</u>	<u>\$ 9,241,346</u>

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

\$ 408,942

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

(8,778,289)

Capitalized expenditures

4,244,546

Pruden Center depreciation expense

(155,364)

Pruden Center capitalized expenditures

8,070

Record the current pension expense based on the actuarial study of the Net Pension Liability- Schools

(12,496,066)

Record the current pension expense based on the actuarial study of the Net Pension Liability- Pruden

(232,698)

Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date - Schools

12,053,248

Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date - Pruden

293,529

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

(167,069)

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

1,226,692

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

8,773

**Change in net position of governmental activities (Exhibit 2)**\$ (3,585,686)

CITY OF SUFFOLK, VIRGINIA

BUDGETARY RECONCILIATION SCHEDULE  
 GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
 Year Ended June 30, 2017

	School Operating Fund			School Grants Fund			School Food Service Fund		
	Total Exhibit 35	Budget Based Items	Total Exhibit 33	Total Exhibit 35	Budget Based Items	Total Exhibit 33	Total Exhibit 35	Budget Based Items	Total Exhibit 33
Total revenues	\$ 135,616,681	\$ -	\$ 135,616,681	\$ 8,421,394	\$ -	\$ 8,421,394	\$ 7,309,400	\$ -	\$ 7,309,400
Total other financing sources	-	-	-	140,433	-	140,433	-	-	-
Total revenues	135,616,681	-	135,616,681	8,561,827	-	8,561,827	7,309,400	-	7,309,400
Total expenditures	135,640,153	249,615	135,390,538	8,705,652	160,380	8,545,272	7,002,218	(505)	7,002,723
Total other financing uses	140,433	-	140,433	-	-	-	-	-	-
Total expenditures	135,780,586	249,615	135,530,971	8,705,652	160,380	8,545,272	7,002,218	(505)	7,002,723
Net changes in fund balances	\$ (163,905)	\$ (249,615)	\$ 85,710	\$ (143,825)	\$ (160,380)	\$ 16,555	\$ 307,182	\$ 505	\$ 306,677

**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, 2017**

	School Operating Fund				School Grants Fund				School Food Service Fund			
	Budgeted Amounts		Actual	Variance with Final Budget -	Budgeted Amounts		Actual	Variance with Final Budget -	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final			Original	Final			Original	Final		
<b>REVENUES</b>												
Revenue from use of money and property	\$ 35,000	\$ 35,000	\$ 43,200	\$ 8,200	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 8,087	\$ 3,087
Charges for services	130,000	130,000	92,189	(37,811)	-	-	-	-	2,375,000	2,375,000	1,810,253	(564,747)
Miscellaneous	718,000	651,000	455,589	(195,411)	1,713,597	623,070	189,891	(433,179)	760,000	760,000	256,822	(503,178)
Intergovernmental:												
Contribution from the City of Suffolk	53,832,201	54,493,580	54,361,370	(132,210)	-	-	-	-	-	-	-	-
Revenue from the Commonwealth	81,409,575	80,752,910	79,805,675	(947,235)	1,940,000	2,009,522	1,078,654	(930,868)	170,000	170,000	214,523	44,523
Revenue from the Federal Government	990,000	1,097,000	858,658	(238,342)	7,645,000	8,828,494	7,152,849	(1,675,645)	4,824,000	4,824,000	5,019,715	195,715
Total revenues	137,114,776	137,159,490	135,616,681	(1,542,809)	11,298,597	11,461,086	8,421,394	(3,039,692)	8,134,000	8,134,000	7,309,400	(824,600)
<b>EXPENDITURES</b>												
Current:												
Education	137,114,776	137,021,979	135,640,153	1,381,826	-	-	-	-	-	-	-	-
Grant expenditures	-	-	-	-	11,598,597	11,598,597	8,705,652	2,892,945	-	-	-	-
Food Services	-	-	-	-	-	-	-	-	8,134,000	8,134,000	7,002,218	1,131,782
Total expenditures	137,114,776	137,021,979	135,640,153	1,381,826	11,598,597	11,598,597	8,705,652	2,892,945	8,134,000	8,134,000	7,002,218	1,131,782
Excess (deficiency) of revenues over (under) expenditures	-	137,511	(23,472)	(160,983)	(300,000)	(137,511)	(284,258)	(146,747)	-	-	307,182	307,182
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	-	-	-	-	300,000	137,511	140,433	2,922	-	-	-	-
Transfers out	-	(137,511)	(140,433)	(2,922)	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	(137,511)	(140,433)	(2,922)	300,000	137,511	140,433	2,922	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ (163,905)	\$ (163,905)	\$ -	\$ -	\$ (143,825)	\$ (143,825)	\$ -	\$ -	\$ 307,182	\$ 307,182

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**June 30, 2017**

	<u>OPEB Trust Fund</u>	<u>School Activity Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 14,399,881	\$ 1,080,356
Total assets	<u>14,399,881</u>	<u>\$ 1,080,356</u>
<b>LIABILITIES</b>		
Amounts held for students	<u>-</u>	<u>\$ 1,080,356</u>
Total liabilities	<u>-</u>	<u>\$ 1,080,356</u>
<b>Net Position</b>		
Held in trust for OPEB benefits	<u>14,399,881</u>	
Net position	<u>\$ 14,399,881</u>	

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**OPEB TRUST FUND – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**Year Ended June 30, 2017**

	<b>School Board</b>
<b>Additions:</b>	
Employer Contributions	\$ 216,528
Gain on investments	1,633,931
Total additions	1,850,459
<b>Deductions:</b>	
Administrative fees	14,292
Total deductions	14,292
Change in net position	1,836,167
Net position - beginning of year	12,563,714
Net position - end of year	\$ 14,399,881

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**SCHOOL ACTIVITY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**Year Ended June 30, 2017**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets:				
Cash and cash equivalents	\$ 1,166,284	\$ 2,276,754	\$ 2,362,682	\$ 1,080,356
Liabilities:				
Amounts held for students	\$ 1,166,284	\$ 2,276,754	\$ 2,362,682	\$ 1,080,356

# STATISTICAL SECTION

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*This section of the City's 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.

NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 140,789,631	\$ 129,638,603	\$ 105,871,501	\$ 329,191,210	\$ 335,377,003	\$ 287,319,247	\$ 290,323,371	\$ 294,142,955	\$ 323,431,229	\$ 318,746,466
Restricted:										
Capital Projects	-	-	-	-	-	-	1,162,771	1,270,512	1,626,277	1,934,672
Debt Service	392,169	392,169	392,169	392,169	392,169	392,219	392,259	392,299	392,424	393,352
Other Purposes	959,304	-	8,269,446	18,217,244	5,757,526	6,658,293	8,023,744	3,374,719	2,514,171	6,554,243
Unrestricted	57,234,531	60,941,946	80,954,531	(21,155,533)	26,476,856	87,103,333	46,588,610	46,662,695	41,928,355	61,188,152
Total Net Position										
Governmental Activities	<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>\$ 346,490,755</u>	<u>\$ 345,843,180</u>	<u>\$ 369,892,456</u>	<u>\$ 388,816,885</u>
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 172,165,375	\$ 171,309,403	\$ 159,253,886	\$ 158,621,254	\$ 157,084,814	\$ 153,147,421	\$ 145,111,492	\$ 125,468,343	\$ 116,807,623	\$ 108,816,928
Restricted:										
Debt Service	-	-	1,525,006	1,887,575	1,978,028	-	-	-	-	-
Other Purposes	-	-	-	32,827	-	2,079,370	2,144,619	2,195,062	2,299,048	2,911,089
Unrestricted	1,489,816	2,935,424	5,499,380	6,370,895	6,593,945	8,888,398	7,422,809	20,915,542	28,611,789	38,601,383
Total Net Position										
Business-type Activities	<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>\$ 154,678,920</u>	<u>\$ 148,578,947</u>	<u>\$ 147,718,460</u>	<u>\$ 150,329,400</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 312,955,006	\$ 300,948,006	\$ 265,125,387	\$ 487,812,464	\$ 492,461,817	\$ 440,466,668	\$ 435,434,863	\$ 419,611,298	\$ 440,238,852	\$ 427,563,394
Restricted:										
Capital Projects	-	-	-	-	-	-	1,162,771	1,270,512	1,626,277	1,934,672
Debt Service	392,169	392,169	1,917,175	2,279,744	2,370,197	392,219	392,259	392,299	392,424	393,352
Other Purposes	959,304	-	8,269,446	18,250,071	5,757,526	8,737,663	10,168,363	5,569,781	4,813,219	9,465,332
Unrestricted	58,724,347	63,877,370	86,453,911	(14,784,638)	33,070,801	95,991,731	54,011,419	67,578,237	70,540,144	99,789,535
Total Net Position										
Primary Government	<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>\$ 501,169,675</u>	<u>\$ 494,422,127</u>	<u>\$ 517,610,916</u>	<u>\$ 539,146,285</u>

(1)

(2)

(3)

(4)

(5)

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

(2) 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.

(3) 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

(4) This includes a restatement of Net Position in both the Governmental of \$40,382,530 and Business-type Activities of \$5,988,738 due to implementation of GASB No.'s 68 and 71

(5) This includes a restatement of Net Position in the Governmental Activities of \$16,444,391 due to a correction of an error and a change in accounting treatment.

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General Government	\$ 9,575,332	\$ 8,493,992	\$ 9,422,635	\$ 11,784,825	\$ 12,554,225	\$ 17,558,767	\$ 18,904,150	\$ 18,757,768	\$ 22,013,103	\$ 23,932,608
Judicial	7,157,778	7,159,993	7,393,681	7,221,482	7,622,124	8,138,225	7,994,313	8,031,886	8,153,863	8,867,642
Public Safety	36,275,476	36,372,402	42,448,954	43,635,617	48,587,624	49,413,603	52,439,287	48,708,228	49,908,535	58,213,081
Public Works	29,772,711	32,530,396	34,682,047	30,775,346	37,156,299	32,943,383	35,491,175	36,760,229	38,037,370	40,501,580
Health and Welfare	12,718,036	12,187,513	13,569,286	13,796,431	12,616,178	12,972,806	12,941,699	12,536,910	11,901,139	13,162,760
Transportation	-	-	-	-	-	888,933	619,876	908,293	960,983	1,005,429
Education	42,109,639	77,678,641	53,624,148	56,504,857	44,206,593	49,386,060	49,180,560	51,093,179	53,440,550	54,983,835
Parks, Recreation and Cultural	8,524,477	8,301,660	8,309,722	7,818,362	7,888,484	8,456,643	8,817,413	9,750,157	10,318,851	12,111,876
Community Development	6,296,351	7,742,440	9,329,455	13,789,850	5,951,888	8,099,788	8,665,119	9,933,559	8,621,160	10,563,461
Interest on Long-Term Debt	11,090,479	9,896,678	9,293,250	8,525,637	11,832,809	8,998,878	9,858,244	10,065,468	9,419,498	8,849,091
<b>Total Governmental Activities Expenses</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>	<b>206,545,676</b>	<b>212,775,052</b>	<b>232,191,363</b>
<b>Business-type Activities:</b>										
Utilities	29,147,386	29,133,054	38,634,542	34,149,870	35,912,782	40,101,617	45,108,820	49,334,155	51,423,536	49,295,373
Golf course	1,780,625	1,689,229	-	-	-	-	-	-	-	-
Refuse collection	-	-	-	-	5,712,045	5,204,255	5,198,550	5,772,239	5,718,442	5,320,570
Stormwater management	2,591,374	2,924,270	3,001,245	2,955,327	3,072,703	3,249,640	3,413,963	3,734,024	4,450,559	4,749,518
<b>Total Business-type Activities Expenses</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>58,840,418</b>	<b>61,592,537</b>	<b>59,365,461</b>
<b>Total Primary Government Expenses</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>\$ 265,386,094</b>	<b>\$ 274,367,589</b>	<b>\$ 291,556,824</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for Services:</b>										
General Government Administration	\$ -	\$ -	\$ 6,299	\$ -	\$ 3,287,250	\$ 4,800,759	\$ 4,977,004	\$ 5,044,744	\$ 4,887,432	\$ 4,659,243
Judicial Administration	788,324	753,969	736,610	932,474	374,594	361,926	275,113	286,398	304,129	272,141
Public Safety	2,361,369	2,587,982	2,931,733	2,074,431	575,653	3,130,972	-	1,864,675	1,885,914	1,948,166
Public Works	1,531,857	2,195,198	2,367,267	1,504,393	872,302	1,469,668	1,460,003	1,479,054	899,794	990,045
Health and Welfare	15,201	7,388	25,280	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	47,971	-	46,870	53,055	67,759
Parks, Recreation and Cultural	476,376	628,393	670,162	759,323	719,783	774,237	824,628	982,354	1,108,862	1,056,185
Community Development	1,215,821	302,134	248,816	1,470,640	35,124	100,172	287	85	70	107
<b>Total Charges for Services</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>	<b>9,710,365</b>	<b>9,153,960</b>	<b>9,001,986</b>
<b>Operating Grants and Contributions:</b>										
General Government Administration	531,013	170,905	122,185	395,505	4,620,917	467,086	1,433,125	636,628	1,503,473	1,477,767
Judicial Administration	1,846,680	1,829,318	1,766,209	2,377,742	1,451,567	2,826,315	2,102,897	3,017,272	2,047,647	2,170,053
Public Safety	2,293,795	2,136,678	2,705,501	3,256,578	892,671	3,414,088	1,563,382	818,251	1,057,389	1,347,604
Public Works	17,088,074	18,491,121	18,095,389	18,781,620	-	20,157,859	20,799,365	21,534,701	22,758,708	23,496,157
Health and Welfare	8,398,910	8,848,554	9,511,711	8,540,671	7,731,229	8,198,767	7,682,494	7,557,634	7,598,958	8,088,860
Transportation	-	-	-	-	-	116,122	142,793	152,565	141,002	188,364
Education	-	-	-	-	-	140,879	62,308	20,000	-	-
Parks, Recreation and Cultural	297,489	305,120	294,402	18,228	-	261,267	266,774	521,608	287,351	295,998
Community Development	302,122	575,172	1,808,426	-	-	1,522,630	1,153,383	1,128,636	1,032,855	2,725,076
<b>Total Operating Grants and Contributions</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>	<b>35,387,295</b>	<b>36,427,383</b>	<b>39,789,879</b>
<b>Capital Grants and Contributions:</b>										
General Government	-	-	-	-	99,389	2,299,245	506,228	973,634	3,077,758	2,548,273
Public Safety	-	70,500	-	-	1,958,630	-	-	-	-	-
Public Works	138,253	587,602	1,802,779	3,384,540	46,194,289	4,080,584	1,321,424	2,869,669	5,006,683	6,800,136
Transportation	-	-	-	-	-	159,005	1,561	206,665	49,422	50,259
Parks, Recreation and Cultural	-	-	-	-	-	157,231	42,882	474,341	1,028,457	1,660
Community Development	1,088,018	966,594	109,151	4,368,366	3,828	-	-	-	-	-
<b>Total Capital Grants and Contributions</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>4,524,309</b>	<b>9,162,320</b>	<b>9,400,328</b>
<b>Total Governmental Activities Program Revenues</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>	<b>49,621,969</b>	<b>54,743,663</b>	<b>58,192,193</b>

CHANGES IN NET POSITION  
LAST EIGHT FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Program Revenues: (Continued)</b>										
<b>Business-type Activities:</b>										
Charges for Services:										
Utility	23,803,453	24,813,989	29,044,958	29,818,675	32,934,240	37,884,451	39,013,878	41,209,347	46,876,297	47,818,262
Non-major	5,220,655	5,152,294	3,861,010	3,861,677	10,055,670	10,765,864	10,570,683	12,012,686	11,877,376	12,288,034
Total Charges for Services	29,024,108	29,966,283	32,905,968	33,680,352	42,989,910	48,650,315	49,584,561	53,222,033	58,753,673	60,106,296
Operating Grants and Contributions:										
Utility	864,141	542,287	-	-	-	-	-	-	-	88,315
Total Operating Grants and Contributions	864,141	542,287	-	-	-	-	-	-	-	88,315
Capital Grants and Contributions:										
Utility	2,658,020	3,785,842	1,504,233	4,468,834	1,078,380	2,363,664	456,001	565,595	3,682,628	1,870,646
Total Capital Grants and Contributions	2,658,020	3,785,842	1,504,233	4,468,834	1,078,380	2,363,664	456,001	565,595	3,682,628	1,870,646
Total Business-type Activities Program Revenues	32,546,269	34,294,412	34,410,201	38,149,186	44,068,290	51,013,979	50,040,562	53,787,628	62,436,301	62,065,257
Total Primary Government Program Revenues	\$ 70,919,571	\$ 74,751,040	\$ 77,612,121	\$ 86,013,697	\$ 112,885,516	\$ 105,500,762	\$ 94,703,083	\$ 103,409,597	\$ 117,179,964	\$ 120,257,450
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (125,146,977)	\$ (159,907,087)	\$ (144,871,258)	\$ (145,987,896)	\$ (119,598,998)	\$ (142,370,304)	\$ (160,249,316)	\$ (156,923,707)	\$ (158,031,389)	\$ (173,999,170)
Business-type Activities	(973,116)	547,859	(7,225,586)	1,043,989	(629,240)	2,458,467	(3,680,771)	(5,052,790)	843,764	2,699,796
Total Primary Government Net Expense	\$ (126,120,093)	\$ (159,359,228)	\$ (152,096,844)	\$ (144,943,907)	\$ (120,228,238)	\$ (139,911,837)	\$ (163,930,086)	\$ (161,976,497)	\$ (157,187,625)	\$ (171,299,374)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes	\$ 131,543,030	\$ 132,560,748	\$ 131,748,747	\$ 133,841,481	\$ 140,556,855	\$ 141,004,777	\$ 146,247,763	\$ 152,576,375	\$ 160,158,953	\$ 166,579,230
Grants and Contributions Not Restricted to Specific Programs	14,427,389	14,405,688	13,938,495	12,591,336	13,143,469	13,624,485	13,609,376	13,385,064	13,545,057	13,589,564
Revenue from use of money and property	3,794,438	1,845,378	1,136,704	1,142,359	1,091,549	1,257,594	1,230,251	1,167,212	1,374,395	1,837,341
Gain on Disposal of Capital Assets	-	-	-	-	-	-	-	242,375	-	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	(1,904,854)	-
Capital assets donated to Component Unit	-	-	-	-	-	(4,528,560)	-	(18,234,608)	(185,632)	-
Transfers/Miscellaneous	1,930,839	2,692,356	3,968,437	129,570,163	6,165,589	6,460,944	4,562,119	7,139,716	9,092,746	10,917,464
Total Governmental Activities	151,695,696	151,504,170	150,792,383	277,145,339	160,957,462	157,819,240	165,649,509	156,276,134	182,080,665	192,923,599
Business-type Activities:										
Investment Earnings	1,633,718	640,041	555,814	363,684	835,126	741,640	571,581	562,699	983,001	935,690
Transfers/Miscellaneous	(535,206)	(598,264)	(2,063,316)	(773,394)	(1,461,650)	(1,950,430)	(338,342)	(1,609,882)	(2,687,252)	(1,024,546)
Total Business-type Activities	1,098,512	41,777	(1,507,502)	(409,710)	(626,524)	(1,208,790)	233,239	(1,047,183)	(1,704,251)	(88,856)
Total Primary Government	\$ 152,794,208	\$ 151,545,947	\$ 149,284,881	\$ 276,735,629	\$ 160,330,938	\$ 156,610,450	\$ 165,882,748	\$ 155,228,951	\$ 180,376,414	\$ 192,834,743
<b>Change in Net Position</b>										
Governmental Activities	\$ 26,548,719	\$ (8,402,917)	\$ 5,921,125	\$ 131,157,443	\$ 41,358,464	\$ 15,448,936	\$ 5,400,193	\$ (647,573)	\$ 24,049,276	\$ 18,924,429
Business-type Activities	125,396	589,636	(8,733,088)	634,279	(1,255,764)	1,249,677	(3,447,532)	(6,099,973)	(860,487)	2,610,940
Total Primary Government	\$ 26,674,115	\$ (7,813,281)	\$ (2,811,963)	\$ 131,791,722	\$ 40,102,700	\$ 16,698,613	\$ 1,952,662	\$ (6,747,546)	\$ 23,188,789	\$ 21,535,369
			(2)	(3)				(4)		

(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.

(4) In FY2016, prior period adjustments were made that impacted FY2015. Therefore, FY2015 values for Governmental activities were decreased by \$16,444,391

FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	2008	2009	A 2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Reserved	\$ 810,492	\$ 670,027	-	-	-	-	-	-	-	-
Unreserved	47,279,178	50,540,042	-	-	-	-	-	-	-	-
Non-Spendable	-	-	\$ 277,482	\$ 81,697	\$ 41,086	\$ 9,794	\$ 3,920	\$ 42,454	\$ 24,905	\$ 47,669
Restricted	-	-	-	2,106,682	2,106,682	565,969	580,948	668,506	1,162,069	1,528,879
Committed	-	-	585,475	8,200,533	7,746,520	9,909,530	8,792,595	6,285,381	4,472,517	5,920,555
Assigned	-	-	9,515,153	1,520,457	7,676,544	1,646,157	2,348,576	701,393	425,008	2,609,232
Unassigned	-	-	43,222,091	35,569,058	36,881,374	43,938,132	45,575,368	48,647,116	56,491,224	58,392,937
<b>Total General Fund</b>	<b>\$ 48,089,670</b>	<b>\$ 51,210,069</b>	<b>\$ 53,600,201</b>	<b>\$ 47,478,427</b>	<b>\$ 54,452,206</b>	<b>\$ 56,069,582</b>	<b>\$ 57,301,407</b>	<b>\$ 56,344,850</b>	<b>\$ 62,575,723</b>	<b>\$ 68,499,272</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 8,189,612	\$ 12,318,937	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital Projects Funds	21,339,005	19,353,128	-	-	-	-	-	-	-	-
Debt Service Funds	861,708	679,706	-	-	-	-	-	-	-	-
Permanent	959,304	-	-	-	-	-	-	-	-	-
Special Revenue Funds	6,635,295	8,214,906	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	88,383	38,309	30,776	45,654
Restricted	-	-	392,169	17,195,832	14,227,163	14,353,521	35,666,062	60,045,985	67,568,640	63,765,980
Committed, reported in:										
Capital Projects Funds	-	-	12,986,435	2,057,504	31,842,530	34,504,114	6,469,155	1,972,667	5,914,066	7,319,905
Nonmajor Governmental Funds	-	-	5,889,037	2,899,128	3,293,204	2,839,333	2,125,879	2,170,497	2,516,047	3,498,144
Other Governmental Funds	-	-	286,150	7,115,186	10,809,261	10,890,830	13,337,889	2,822,872	2,148,460	99,368
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)	-	(10,938)	(10,909)	(10,951)	(10,945)	(10,818)
<b>Total all other Governmental Funds</b>	<b>\$ 37,984,924</b>	<b>\$ 40,566,677</b>	<b>\$ 32,421,831</b>	<b>\$ 30,067,942</b>	<b>\$ 61,122,062</b>	<b>\$ 65,441,375</b>	<b>\$ 59,618,327</b>	<b>\$ 67,039,379</b>	<b>\$ 78,167,044</b>	<b>\$ 74,718,233</b>
<b>Component Unit (School Board)</b>										
Reserved	\$ 8,065,992	\$ 10,459,827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,370,368	1,404,236	-	-	-	-	-	-	-	-
Nonspendable	-	-	451,829	1,387,121	5,055,925	1,397,417	1,549,179	1,563,699	1,134,919	1,125,204
Restricted	-	-	322,418	-	-	-	-	-	-	-
Committed	-	-	1,007,606	6,324,592	818,913	357,600	504,320	477,237	417,309	433,862
Assigned	-	-	7,928,595	9,833,477	6,625,214	5,558,243	7,016,812	9,091,818	7,125,361	7,682,280
Unassigned	-	-	-	(1,521,774)	(127,803)	(149,539)	-	-	154,815	-
	<b>\$ 9,436,360</b>	<b>\$ 11,864,063</b>	<b>\$ 9,710,448</b>	<b>\$ 16,023,416</b>	<b>\$ 12,372,249</b>	<b>\$ 7,163,721</b>	<b>\$ 9,070,311</b>	<b>\$ 11,132,754</b>	<b>\$ 8,832,404</b>	<b>\$ 9,241,346</b>
	(2)		(3)	(4)				(5)		

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
- (5) FY2015 includes a restatement of fund balance between the General Fund and the other special revenue funds of \$763,185

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
General Property Taxes	\$ 98,037,522	\$ 99,044,697	\$ 98,299,291	\$ 98,760,972	\$ 103,782,797	\$ 104,577,439	\$ 110,069,867	\$ 112,558,761	\$ 118,076,619	\$ 123,457,208
Other Local Taxes	33,104,223	33,090,604	32,916,852	34,520,691	36,916,761	36,379,136	36,077,720	39,723,172	42,544,952	43,202,375
Licenses, Permits and Fees	1,375,508	1,182,302	1,394,842	1,182,746	1,267,377	1,284,823	1,282,637	1,436,613	1,589,474	1,678,881
Fines and Forfeitures	475,350	521,771	852,307	869,701	1,024,324	1,048,276	1,067,296	1,254,627	1,042,219	983,988
Use of Money and Property	3,794,438	1,845,378	1,136,704	786,359	817,326	1,199,549	1,180,391	1,118,245	1,289,414	1,775,226
Intergovernmental	47,805,781	49,182,612	50,154,248	52,221,486	53,256,359	55,743,813	50,170,399	52,623,910	58,698,660	62,362,464
Charges for Services	4,538,081	4,770,991	4,739,019	4,711,730	5,379,984	6,999,252	5,354,741	5,344,154	5,018,523	4,827,273
Miscellaneous	1,368,871	1,784,155	1,674,116	1,445,202	1,900,247	2,229,766	1,385,847	1,981,761	2,482,439	1,983,706
<b>Total Revenues</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>216,041,243</b>	<b>230,742,300</b>	<b>240,271,121</b>
<b>Expenditures</b>										
General Government Administration (7)	8,172,799	8,075,932	8,113,416	11,008,630 (7)	13,563,676	15,171,035	15,045,173	15,717,849	15,511,299	16,302,909
Judicial Administration	6,770,319	6,815,601	6,812,528	6,743,740	7,731,218	8,086,574	7,978,377	8,308,093	8,467,689	8,896,483
Public Safety	33,563,830	34,676,356	37,802,601	40,185,432	48,947,127	48,435,845	48,997,652	49,275,180	50,488,261	57,115,046
Public Works	24,379,984	26,204,343	26,784,701	22,330,517 (7)	19,019,321	19,465,040	21,231,887	22,352,347	23,038,899	25,102,596
Health and Welfare (7)	11,040,820	11,597,910	12,718,523	13,156,330	12,802,756	12,920,565	12,933,567	12,813,152	12,219,597	13,256,252
Transportation	-	-	-	-	-	888,337	672,274	1,209,090	1,033,663	1,079,339
Education	45,999,422	48,472,908	44,725,754	46,746,091	44,206,593	49,386,060	49,170,847	51,134,708	53,435,459	54,900,377
Parks, Recreation and Cultural (7)	5,984,292	6,680,503	6,972,187	6,453,131	7,567,516	7,650,996	7,857,639	9,382,259	9,835,503	10,576,486
Community Development (3)	6,192,145	8,032,334	8,783,239	13,644,310 (3)	6,005,460	8,062,809	8,238,220	9,355,031	7,948,520	9,844,679
Non-Departmental	7,622,634	8,753,753	8,264,861	6,977,603	455,436	474,540	531,079	1,848,130	466,002	323,725
Capital Outlay	28,574,620	20,582,782	20,789,098	16,235,879	15,988,154	20,951,351	46,949,925	32,536,679	28,950,011	46,189,812
Debt Service:										
Other	190,205	288,914	339,170	17,787	319,789	168,343	521,661	497,736	446,658	720,840
Interest	8,531,876	9,645,646	9,755,820	8,825,336	9,034,916	9,702,110	10,206,705	10,334,731	10,346,003	9,388,267
Principal	13,361,741	13,667,737	14,315,646	13,571,169	14,862,418	15,512,377	17,233,990	16,435,462	17,015,462	16,781,132
<b>Total Expenditures</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>	<b>241,200,447</b>	<b>239,203,026</b>	<b>270,477,943</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,884,913)	(12,072,209)	(15,010,165)	(11,397,068)	3,840,795	(7,413,928)	(40,980,099)	(25,159,204)	(8,460,726)	(30,206,822)
<b>Other Financing Sources (Uses)</b>										
Proceeds of Refunding Bonds	-	-	30,605,000	-	14,295,853	11,520,000	5,370,000	20,160,000	20,176,111	47,215,000
Proceeds of Bonds Issued	24,475,000	16,600,000	3,550,000	-	32,526,431	9,890,000	33,105,000	28,820,000	20,360,000	26,380,000
Premiums on Debt	501,623	-	2,102,918	-	-	3,322,503	4,248,968	6,695,020	3,955,535	7,912,562
Transfers to other governments	-	-	-	-	-	-	(304,763)	-	-	-
Transfers In	27,223,057	30,481,200	31,222,564	31,070,025	32,840,198	35,363,768	34,821,649	38,022,629	37,593,204	36,594,695
Payment to Refunded Bonds Escrow Agent	-	-	(32,350,000)	-	(14,096,458)	(13,568,249)	(4,844,006)	(23,830,555)	(22,362,261)	(51,298,280)
Transfers Out	(26,407,603)	(29,306,840)	(27,016,486)	(29,714,865)	(31,378,920)	(33,177,405)	(36,007,972)	(38,243,395)	(33,903,324)	(34,122,417)
<b>Total Other Financing Sources, net</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>31,623,699</b>	<b>25,819,265</b>	<b>32,681,560</b>
<b>Net Change in Fund Balance</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>	<b>\$ 6,464,495</b>	<b>\$ 17,358,539</b>	<b>\$ 2,474,738</b>
Capital outlay (1)	\$ 27,619,315	\$ 20,582,782	\$ 18,694,339	\$ 16,206,989	\$ 11,253,052	\$ 23,029,711	\$ 44,465,715	\$ 36,911,941	\$ 31,474,338	\$ 48,309,227
Debt Service as a percentage of non-capital expenditures (1)	12.67%	12.75%	12.84%	11.81%	12.63%	13.01%	13.49%	13.10%	13.17%	11.78%
Add'l School Operating & Food Service Expenditures (2)	\$ 85,408,681	\$ 91,340,694	\$ 89,115,227	\$ 81,934,663	\$ 85,170,286	\$ 86,707,523	\$ 80,056,924	\$ 82,309,125	\$ 88,999,257	\$ 88,031,891
Debt Service as a percentage of non-capital plus school expenditures (2)	8.48%	8.50%	8.70%	8.25%	8.71%	8.99%	9.68%	9.34%	9.22%	8.44%

(1) Calculated as the Principal plus Interest shown above divided by the Total Expenditures less Capital Outlay as

(2) Additional School expenditures are found in the Component Unit section of the CAFR (School Operating and School Food Service Fund expenditures less Contribution to IDA/EDA for Hilton Garden Inn/Suffolk

(3) 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

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Change 2007-2016
General Property Tax	\$ 98,037,522	\$ 99,044,697	\$ 98,299,291	\$ 99,497,154	\$ 103,640,094	\$ 104,577,439	\$ 110,069,867	\$ 112,558,761	\$ 117,651,210	\$ 123,411,724	26%
Other Local Taxes:											
Sales and Use	7,579,882	7,323,289	7,355,338	7,534,722	8,378,591	8,050,485	8,473,872	9,397,170	9,904,693	10,399,254	37%
Utility Tax	4,190,304	4,279,814	4,238,079	4,388,706	3,580,799	4,390,438	4,430,346	4,509,480	4,478,378	4,447,778	6%
Communication Taxes	3,682,126	3,733,667	3,614,856	3,649,188	3,826,015	3,602,321	3,535,356	3,492,721	3,115,672	3,311,375	-10%
Business and Occupational License	5,806,810	6,261,676	5,985,479	6,668,905	7,536,501	6,277,297	5,158,825	6,928,327	7,680,254	6,891,756	19%
Motor Vehicle License	1,650,732	1,713,998	1,711,012	1,695,869	2,104,948	2,247,870	2,240,157	2,301,259	2,449,544	2,436,079	48%
Bank Stock	288,973	306,405	641,735	498,527	493,688	486,092	505,550	529,855	564,037	629,727	118%
Recordation	1,563,745	1,186,018	1,009,592	830,076	922,372	1,165,979	1,269,043	1,456,395	1,466,044	1,477,475	-6%
Tobacco	1,415,123	1,408,348	1,382,361	1,383,896	1,352,797	1,313,533	1,354,757	1,391,263	2,050,259	2,069,356	46%
Lodging	832,049	778,559	957,654	924,901	1,198,551	1,071,900	1,119,678	1,172,193	1,484,031	1,706,709	105%
Meals	5,632,980	5,683,139	5,643,405	6,430,769	7,076,131	7,452,212	7,646,834	8,329,490	8,996,483	9,432,240	67%
Admission	354,950	376,024	377,341	338,767	306,196	237,060	243,203	215,019	318,348	365,757	3%
Public Facility Tax Rebate	106,549	39,667	-	-	140,172	83,949	100,099	-	-	-	-100%
Total	\$ 131,141,745	\$ 132,135,301	\$ 131,216,143	\$ 133,841,480	\$ 140,556,855	\$ 140,956,575	\$ 146,147,587	\$ 152,281,933	\$ 160,158,953	\$ 166,579,230	

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

Fiscal Year	Real Property					Personal Property				Total
	Assessed Value			Estimated Actual Value	City Wide Rate	Assessed Value			Tax Rate	Assessed Value
	Citizens Property (1)	Public Service (2)	Total			Citizens Property (3)	Public Service (2)	Total		
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
2015	8,802,263,400	28,123,794	8,830,387,194	9,266,762,600	1.03	885,552,076	308,852,863	1,194,404,939	4.25	10,024,792,133
2016	9,012,246,300	30,898,516	9,043,144,816	9,423,596,600	1.07	941,845,500	329,961,909	1,271,807,409	4.25	10,314,952,225
2017	9,234,719,500	37,249,670	9,271,969,170	9,591,955,500	1.07	985,809,155	346,169,603	1,331,978,758	4.25	10,603,947,928

(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 clean 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.

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			
2008 (6)	\$ -	\$ 0.94	\$ 0.26	\$ -	\$ 0.13	\$ 4.25	\$ 3.15	\$ 5.19
2009	-	0.91	0.26	-	0.125	4.25	3.15	5.16
2010	-	0.91	0.26	-	0.125	4.25	3.15	5.16
2011	-	0.91	0.26	-	0.125	4.25	3.15	5.16
2012	-	0.97	0.26	-	0.125	4.25	3.15	5.22
2013	-	0.97	0.25	-	0.115	4.25	3.15	5.22
2014	-	1.03	0.25	-	0.105	4.25	3.15	5.28
2015	-	1.03	0.24	-	0.105	4.25	3.15	5.28
2016	-	1.07	0.24	-	0.105	4.25	3.15	5.28
2017	-	1.07	0.24	-	0.105	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>2017</b>		<b>2008</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>
Centerpoint Properties Trust	Real Property Management	\$ 61,777,500	0.67%		
Target Corporation	Distribution Warehouse	59,151,000	0.64%	\$ 53,917,700	0.64%
116 Lakeview Parkway, LLC	Lessor to GSA (Office)	55,925,000	0.61%	22,969,900	0.27%
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	44,642,100	0.48%	42,040,800	0.50%
TowneBank	Financial Institution	43,551,200	0.47%		
The Pergola Group	Apartment Complex	38,994,200	0.42%	28,308,900	0.33%
Lake Prince Center, Inc.	Retirement Community	33,778,800	0.37%		
Boyd Suffolk GSA LLC	Military	31,760,300	0.34%		
Wal-Mart Stores	Retail Merchandise	31,420,600	0.34%		
Hampton Roads Crossing, LLC	Housing	29,962,200	0.32%		
Sysco Food Services of Hampton Roads	Food Service Distribution			28,687,800	0.34%
Rubicon - NGP	Joint Military Training Facility			39,757,900	0.47%
Lockheed Martin	Technology Company			22,498,100	0.27%
Planters/Kraft Foods	Peanut Products			24,369,900	0.29%
Inland America Suffolk LV LLC	Lessor to GSA (Office)			20,184,500	0.24%
Bon Secours Hampton Rds Health Sys	Health Systems			21,969,300	0.26%
		\$ 369,185,400	4.00%	\$ 304,704,800	3.60%
(1) Total Assessed Value (does not include public service corporations)		\$ 9,234,719,500		\$ 8,471,944,000	
(2) Maryview Hospital has applied for exempt status due to religious purposes					

Source: City of Suffolk Assessor's Office

		<b>Personal Property</b>			
		<b>2017</b>		<b>2008</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	\$ 20,524,810	2.08%	\$ 6,701,700	0.87%
Planters/Kraft Foods	Food Processing	10,716,800	1.09%	6,837,930	0.89%
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	7,678,265	0.78%	5,423,810	0.71%
Lockheed Martin Corporation	Technology Company	6,657,230	0.68%	3,345,990	0.44%
Massimo Zanetti Beverage USA	Beverage Company	6,313,990	0.64%	4,947,780	0.65%
JM Smucker Company	Beverage Company	5,900,140	0.60%		
BASF Corporation/CIBA	Chemical Plant	5,188,010	0.53%	8,018,390	1.05%
Sysco Food Services of Hampton Roads	Food Service Distribution	4,689,768	0.48%	1,773,160	0.23%
Target Corporation	Distribution Warehouse	3,911,205	0.40%	2,595,380	0.34%
Charter Communications	Cable Products	3,114,020	0.32%	2,466,380	0.32%
Sara Lee International	Beverage Company			8,365,540	1.09%
		\$ 74,694,238	7.58%	\$ 50,476,060	6.59%
(2) Total Assessed Value (does not include public service corporations)		\$ 985,809,155		\$ 766,350,990	

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

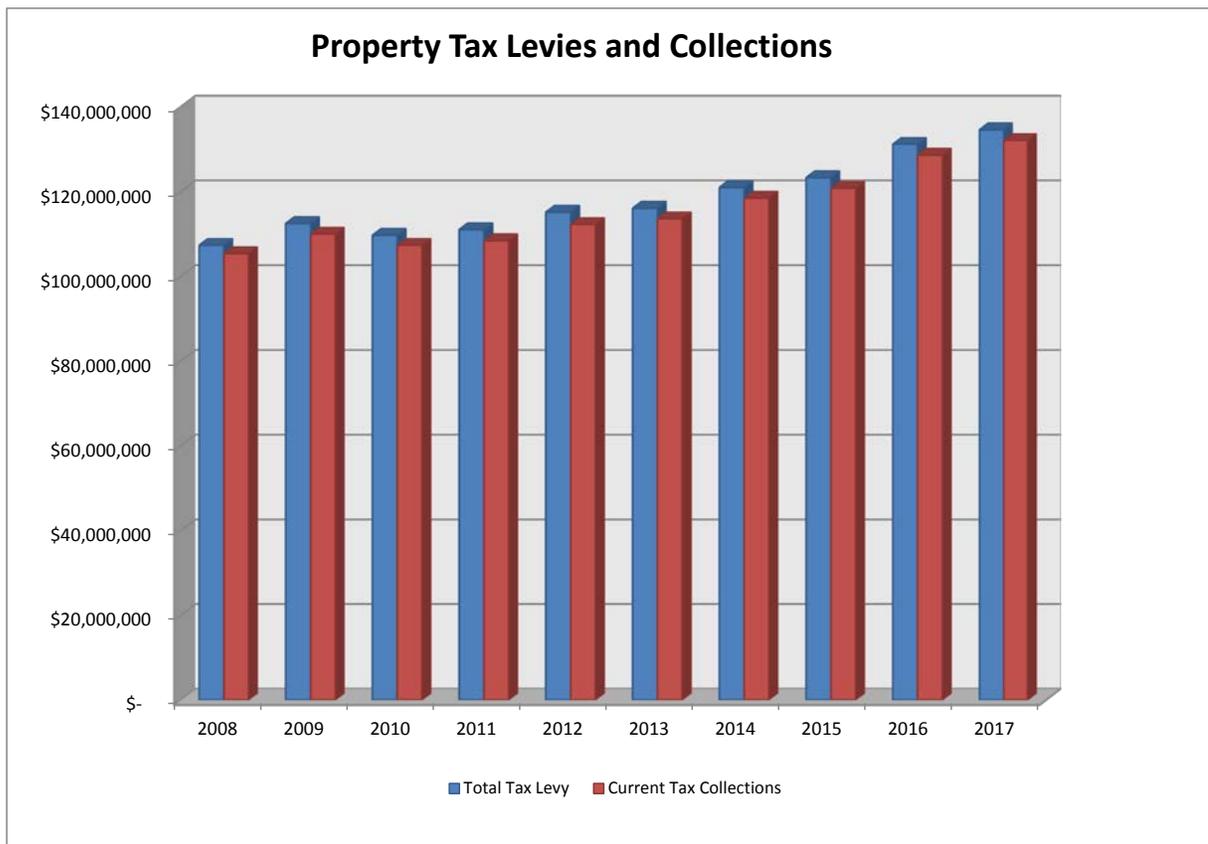
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

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	
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
2015	123,326,675	120,807,937	97.96%	1,919,984	45.51%	122,727,921	99.51%	4,218,636
2016	131,208,221	128,655,899	98.05%	1,880,684	44.26%	130,536,583	99.49%	4,249,557
2017	134,647,214	132,124,360	98.13%	1,856,687	43.57%	133,981,047	99.51%	4,261,779

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	
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
2015	173	75,494,303	694	86,837,291	6,649,577,300	1,938,055,900	679,129,400	1,016,443,600	10,283,206,200
2016	152	58,345,994	691	79,256,973	6,739,083,100	2,023,675,300	660,838,200	1,026,465,000	10,450,061,600
2017	158	160,651,157	914	95,043,903	6,868,962,400	2,065,945,200	657,047,900	1,077,730,700	10,669,686,200

(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, 2017

<b>Water Consumers</b>	<b>Type of Business</b>	<b>Annual Consumption (Hundred Cubic Feet)</b>	<b>% of Total Annual Consumption (1)</b>
Western Tidewater Water Authority	Regional Water Supply	234,719	9.71%
JM Smucker Company	Beverage Company	56,040	2.32%
Sentara/Obici Hospital	Hospital	30,616	1.27%
Suffolk Public Schools	Education	27,602	1.14%
Wanchese Fish Company	Seafood Processing	25,252	1.04%
Planters/Kraft Foods	Food Processing	22,640	0.94%
Western Tidewater Regional Jail	Jail-Regional Facility	17,426	0.72%
Harbour Breeze Apartments	Real Property Management	15,196	0.63%
Unilvever/Lipton, Inc.	Beverage Company	12,586	0.52%
BASF	Chemical Plant	9,291	0.38%
		<b>451,368</b>	<b>18.67%</b>

(1) Total annual consumption (all water customers)

2,417,804

<b>Sewer Consumers</b>	<b>Type of Business</b>	<b>Annual Consumption (Hundred Cubic Feet)</b>	<b>% of Total Annual Consumption (2)</b>
JM Smucker Company	Beverage Company	44,481	2.29%
Sentara/Obici Hospital	Hospital	30,616	1.58%
BASF Corporation	Chemical Plant	30,223	1.56%
Suffolk Public Schools	Education	27,602	1.42%
Wanchese Fish Company	Seafood Processing	25,252	1.30%
Southeastern Public Service Authority	Waste Management	20,018	1.03%
Western Tidewater Regional Jail	Jail-Regional Facility	17,426	0.90%
Harbour Breeze Apartments	Real Property Management	15,196	0.78%
Unilever Best Foods	Beverage Company	12,179	0.63%
Lake Prince Center	Real Property Management	9,267	0.48%
		<b>232,260</b>	<b>11.97%</b>

(2) Total annual consumption (all sewer customers)

1,940,606

*Source: Department of Public Utilities*

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

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>WATER</b>										
<b>Water Rate per 100 cubic feet</b>	\$ 3.41	\$ 3.92	\$ 4.94	\$ 5.84	\$ 6.43	\$ 7.13	\$ 7.84	\$ 8.29	\$ 8.86	\$ 9.03
Minimum Bi-monthly Charge (5 ccf)	17.05	19.60	24.70	29.20	32.15	33.65	-	-	-	-
<b>Meter Service Charge (per month)</b>										
5/8 inch meter	2.40	2.40	2.40	2.40	2.40	2.40	5.35	6.40	7.00	8.40
<b>Water Connection Charge (installed by city)</b>										
5/8 inch meter	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	2,000
<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	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
<b>Water Availability Charge (commercial)</b>										
5/8 inch meter	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
3/4 inch meter	8,180	8,180	8,180	8,180	8,180	8,180	8,180	8,180	8,180	8,180
1 inch meter	13,520	13,520	13,520	13,520	13,520	13,520	13,520	13,520	13,520	13,520
1½ inch meter	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950
2 inch meter	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120
3 inch meter	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850
4 inch meter	134,750	134,750	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)	3.43	3.53	3.99	3.76	3.84	4.13	4.36	4.46	4.67	4.56
Fixed Capacity Charge (Per Month)	102,370	147,242	160,979	190,452	220,668	193,496	204,641	210,994	204,959	222,995
<b>SEWER</b>										
<b>Sewer Collection (per 100 cubic feet)</b>	2.61	2.88	3.78	4.50	4.91	5.35	5.82	6.47	6.74	6.97
Minimum Bi-monthly period (5 ccf)	13.05	14.40	18.90	22.50	24.55	26.75	-	-	-	-
<b>Sewer Connection Charge (installed by city)</b>										
4 inch lateral size	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,800
6 inch lateral size	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	3,000
<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	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
<b>Sewer Availability Charge (commercial)</b>										
5/8 inch meter	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
3/4 inch meter	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
1 inch meter	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800
1½ inch meter	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500
2 inch meter	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100
3 inch meter	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100
4 inch meter	146,700	146,800	146,800	146,800	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
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%	4,236	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
2015	249,478,100	259,509,734	-	-	508,987,834	5.49%	5,795	11,537,472	2,301,000
2016	259,928,278	253,567,653	-	-	513,495,931	5.45%	5,679	9,183,208	2,108,000
2017	276,109,544	194,329,673	-	-	470,439,217	4.90%	5,129	6,163,199	1,915,000

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			
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	14.20%	5,837
2013	2,337,275	151,375,536	26,395,000	222,312,511	305,728,151	528,040,662	14.75%	6,162
2014	1,767,419	141,572,222	25,780,000	247,341,694	325,573,765	572,915,459	16.01%	6,523
2015	1,432,958	81,143,931	25,150,000	263,316,572	342,086,622	605,403,195	16.92%	6,893
2016	1,166,659	117,709,923	24,505,000	271,219,486	372,444,235	643,663,721	16.34%	7,118
2017	987,740	199,345,172	23,840,000	284,187,743	394,662,585	678,850,327	16.20%	7,401

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(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) - taxable real property, including public service corporations	\$ 9,271,969,170	\$ 9,271,969,170	\$ 9,271,969,170
Adopted and Legal debt limits:			
4% of assessed value (authorized limit adopted by City Council 2010)	\$ 370,878,767		
7% of assessed value (authorized limit imposed by City Charter)		\$ 649,037,842	
10% of assessed value (authorized by the Commonwealth for all cities)			\$ 927,196,917
Deduct amount of debt applicable to debt limit:			
Gross general bonded debt (includes bonds and notes payable)	(4) 267,910,402	412,147,000	412,147,000
Guarantee of Southeast Public Service Authority Bonds		1,273,487	1,273,487
	\$ 102,968,365	\$ 235,617,355	\$ 513,776,430

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014*	2015	2016	2016
<b>City's Legal Debt Margin</b>										
Debt Limit	\$ 594,488,418	\$ 638,194,643	\$ 635,767,795	\$ 635,063,992	\$ 621,453,900	\$ 616,369,533	\$ 604,887,441	\$ 618,127,104	\$ 633,020,137	\$ 649,037,842
Total Net Debt Applicable to Limit*	223,578,461	225,689,094	244,130,650	232,540,874 **	323,484,000 **	351,784,115 **	299,613,810	452,589,444	456,621,633	413,420,487
Legal Debt Margin	\$ 370,909,957	\$ 412,505,549	\$ 391,637,145	\$ 402,523,118	\$ 297,969,900	\$ 264,585,418	\$ 305,273,631	\$ 165,537,660	\$ 176,398,504	\$ 235,617,355
Total Net Debt Applicable to Limit as percentage of Debt Limit	37.6%	35.4%	38.4%	36.6%	52.1%	57.1%	49.5%	73.2%	72.1%	63.7%
<b>Commonwealth's Legal Debt Margin</b>										
Debt Limit	\$ 849,269,734	\$ 911,884,949	\$ 908,239,707	\$ 907,234,274	\$ 887,791,285	\$ 880,527,905	\$ 864,124,915	\$ 883,038,719	\$ 904,314,482	\$ 927,196,917
Total Net Debt Applicable to Limit*	223,578,461	225,689,094	244,130,650	232,540,874 **	323,484,000 **	351,784,115 **	299,613,810 **	452,589,444 **	456,621,633 **	413,420,487
Legal Debt Margin	\$ 625,691,273	\$ 686,195,855	\$ 664,109,057	\$ 674,693,400	\$ 564,307,285	\$ 528,743,790	\$ 564,511,105	\$ 430,449,275	\$ 447,692,849	\$ 513,776,430
Total Net Debt Applicable to Limit as percentage of Debt Limit	26.3%	24.7%	26.9%	25.6%	36.4%	40.0%	34.7%	51.3%	50.5%	44.6%

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.

\*\* Previous years' Net debt applicable to the Limit has been restated to include the guarantee of SPSA debt for FY2011 - 2013.

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>							
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
2015	41,928,618	19,255,373	22,673,245	2,135,000	5,385,232	7,520,232	3.01
2016	48,200,503	23,090,668	25,109,835	1,135,000	5,158,290	6,293,290	3.99
2017	49,516,030	21,945,068	27,570,962	1,240,000	6,226,515	7,466,515	3.69

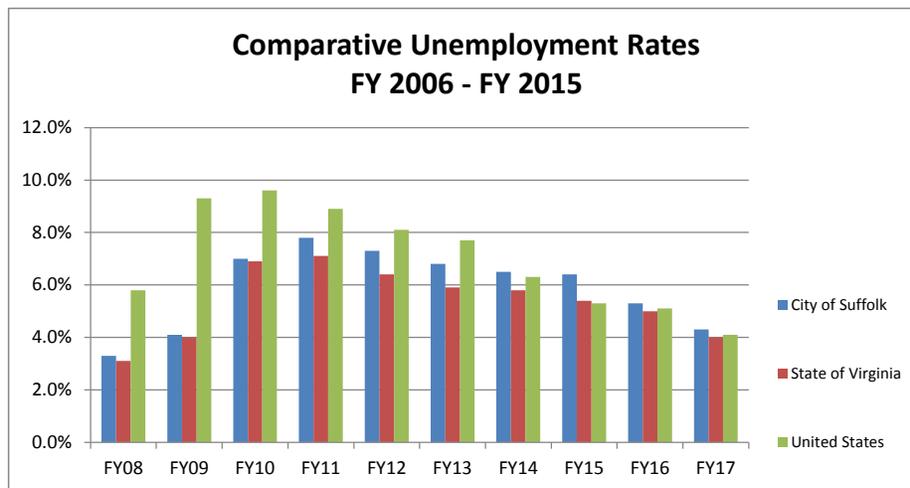
- (1) Gross revenues include operating revenues, miscellaneous revenues, transfers in, interest income and BAB interest subsidy.
- (2) Operating expenses are exclusive of depreciation, amortization, interest expense, debt issuance costs and loss on disposal of capital assets.
- (3) Includes principal 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 (4)		
					City of Suffolk	State of Virginia	United States
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	3,579,047	41,749	13,844	6.5%	5.8%	7.7%
2014	87,831	3,940,083	45,390	13,739	6.4%	5.4%	6.3%
2015	89,586	4,190,597	47,533	13,762	5.3%	5.0%	5.3%
2016	90,426	not available	not available	13,837	4.3%	4.0%	5.1%
2017	91,722	not available	not available	13,760	4.1%	3.6%	4.1%

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. 2015 rate as of April 2015



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

Employer	Type of Business	2017	
		Employees	Percentage of Total City Employment
Navy Information Dominance Forces Commands (Cyber Force)	ModSim & Technology	1,500	4.87%
J-7 Joint Staff	ModSim & Techology	1,200	3.90%
Sentara Health Systems	Medical	1,061	3.45%
CVN Distribution / QVC, Inc	Warehousing & Distribution	620	2.01%
Target	Warehousing & Distribution	600	1.95%
Wal-Mart Stores	Retail	450	1.46%
Towne Bank	Banking	369	1.20%
Sysco Food Services of Hampton Roads	Food Service Distribution	350	1.14%
Planters/Kraft Foods	Food Processing	350	1.14%
Unilever/Lipton Inc.	Beverage Company	300	0.97%
		<u>6,800</u>	<u>22.09%</u>

Total Employment by Industry in City of Suffolk for fiscal year

30,779

Employer	Type of Business	2008	
		Employees	Percentage of Total City Employment
U.S. Joint Forces Command	ModSim & Technology	2,220	5.63%
Obici Memorial Hospital	Healthcare	1,200	3.05%
CVN Distribution / QVC, Inc	Distribution Warehouse	1,100	2.79%
Wal-Mart Stores	Retail	985	2.50%
SYSCO Food Services of Hampton Roads	Education	500	1.27%
Southeastern Public Service Authority	Refuse Collection	500	1.27%
CIBA Specialty Chemicals	Chemical Manufacturer	400	1.02%
Unilever/Lipton Inc.	Beverage Company	350	0.89%
Planters/Kraft Foods	Food Processing	340	0.86%
Target Corporation	Distribution Warehouse	300	0.76%
		<u>7,895</u>	<u>20.03%</u>

Total Employment by Industry in City of Suffolk for fiscal year

39,408

The Suffolk Public Schools (2,021 employees) and the City of Suffolk (1,315 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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund:</b>										
General Government:										
City Council	9	10	10	10	10	10	2	2	2	2
City Manager	5	6	6	6	6	7	7	7	7	7
Asst City Manager Development	2	-	-	-	-	-	-	-	-	-
Management Services	6	-	-	-	-	-	-	-	-	-
Budget and Strategic Planning	-	4	4	4	4	3	4	4	3	3
City Attorney	9	9	8	8	9	9	9	9	9	9
Human Resources	8	8	8	9	13	10	10	10	7	7
Commissioner of Revenue	12	12	11	12	12	12	12	12	12	12
City Assessor	13	14	15	13	14	15	16	17	17	18
Treasurer	16	15	15	15	15	15	15	15	16	16
Finance - Administration and Accounting	11	10	12	11	14	12	14	16	17	15
Finance - Purchasing	5	4	4	3	3	3	4	4	4	4
Registrar	2	2	2	2	2	2	2	2	2	3
Total	98	94	95	93	102	98	95	98	96	96
Judicial:										
Circuit Court	2	2	2	2	2	2	2	2	2	2
Circuit Court - Clerk's Office	14	13	14	14	14	14	14	14	14	14
Sheriff	25	25	24	22	24	24	25	25	25	25
Commonwealth Attorney	29	29	28	23	23	24	24	24	24	24
Total	70	69	68	61	63	64	65	65	65	65
Public Safety:										
Police										
Administration and Officers	206	194	204	205	208	196	214	213	213	213
Emergency Communications	26	26	22	25	26	24	27	27	27	27
Animal Shelter and Management	9	8	7	8	9	8	10	10	10	10
Fire										
Fire and Rescue	197	216	213	220	240	238	253	252	252	252
Fire Prevention	3	5	-	-	-	-	-	-	-	-
Community Development	27	26	24	26	27	26	26	26	26	26
Total	468	475	470	484	510	492	530	528	528	528
Public Works:										
Public Works										
Administration	6	5	3	3	2	2	2	2	2	2
Refuse Collection (3)	46	40	41	40	-	-	-	-	-	-
Maintenance Building and Grounds (7)	27	15	4	4	4	4	4	-	-	-
Capital Programs and Facilities	3	6	20	22	24	23	24	24	24	24
Aviation Facilities	3	3	3	3	-	-	-	-	-	-
Total	85	69	71	72	30	29	30	26	26	26

(continued)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund:</b>										
Health and Welfare:										
Social Services	102	101	100	101	98	100	103	103	103	103
Comprehensive Services Act	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	103	102	101	102	99	102	105	105	105	105
Parks, Recreation and Cultural:										
Parks and Recreation										
Administration	4	4	4	4	5	5	5	4	4	4
Office on Youth	-	-	-	-	-	-	-	2	2	1
Support Services	4	4	4	5	5	6	6	6	6	7
Parks, Gateway and Facility Maintenance	22	20	19	18	18	19	19	19	19	19
Grounds Maintenance (7)	-	-	-	-	-	-	-	4	4	4
Recreation	12	14	16	15	16	16	22	21	21	21
Library	<u>34</u>	<u>31</u>	<u>31</u>	<u>30</u>	<u>31</u>	<u>28</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>32</u>
Total	76	73	74	72	75	74	83	87	87	88
Community Development:										
Planning	16	14	12	14	12	13	14	14	14	15
Geographic Information Systems	3	5	5	-	-	-	-	-	-	-
Economic Development	8	5	4	5	5	5	5	5	5	5
Tourism	3	3	3	3	2	3	3	3	3	3
Media and Community Relations	<u>5</u>	<u>5</u>	<u>5</u>	<u>6</u>						
Total	35	32	29	28	25	27	28	28	28	29
Total General Fund	935	914	908	912	904	886	936	937	935	937
<b>Special Revenue Fund:</b>										
Transit	5	-	-	-	-	-	-	-	-	-
Road Maintenance (1)										
Road Maintenance	94	86	91	88	90	84	101	99	100	101
Traffic Engineering	23	22	23	22	23	21	23	23	24	25
Aviation Facilities (6)	-	-	-	-	3	3	3	3	3	3
Total Special Revenue Fund	122	108	114	110	116	108	127	125	127	129
<b>Enterprise Fund:</b>										
Public Utilities										
Administration	8	6	9	8	9	7	8	9	9	9
Customer Service	18	18	18	18	18	18	18	18	20	22
Line Maintenance	26	24	27	26	24	25	26	27	28	28
Maintenance	20	19	20	20	22	24	26	25	25	25
Water Production	29	28	29	27	28	30	30	30	28	28
Engineering	18	15	17	14	15	15	15	15	15	14
Stormwater Utility										
Stormwater Utility (2)	28	26	27	25	28	27	31	38	38	41
Mosquito Control (2)	7	6	7	5	7	6	7	7	7	7
Refuse (5)	-	-	-	-	39	36	41	40	40	40
Total Enterprise Fund	154	142	154	143	190	188	202	209	210	214
<b>Internal Service Funds:</b>										
Fleet Management	26	23	21	23	18	20	21	21	21	21
Information Technology	13	13	12	20	21	22	25	25	25	26
Risk Management	<u>2</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>6</u>	<u>6</u>
Total Risk Management	41	38	34	46	44	46	50	50	52	53
Total	<u>1,252</u>	<u>1,202</u>	<u>1,210</u>	<u>1,211</u>	<u>1,254</u>	<u>1,228</u>	<u>1,315</u>	<u>1,321</u>	<u>1,324</u>	<u>1,333</u>
		(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)

- Road maintenance fund was increased in 2007 due to VA Dept. of Transportation turning over the highway system within the City to Suffolk.
- New program adopted by City Council in 2007 and staffing realignment.
- Change in methodology of calculating full time employees in this department.
- 2009 - 2013 actual data furnished by Human Resources. 2014 - 2017 provided by Budget Office.
- The City established a Refuse Fund in FY 2011-2012. The employees for this Fund were transferred from the General Fund.
- The City established an Aviation Facilities Special Revenue Fund in FY 2011-2012. The employees for this Fund were transferred from the General Fund.

OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government:										
Building permits issued	1,294	488	949	771	824	978	899	867	843	1072
Value of permits issued (millions)	\$ 179.4	\$ 134.3	\$ 208.3	\$ 74.1	\$ 117.7	\$ 255.4	\$ 151.4	\$ 162.3	\$ 137.6	\$ 255.7
Number of registered voters	50,843	55,578	55,008	55,941	56,745	57,067	57,280	56,268	58,141	60,652
Taxable retail sales (millions)	\$ 652.8	\$ 632.9	\$ 642.3	\$ 671.2	\$ 716.4	\$ 729.6	\$ 759.9	\$ 821.3	\$ 873.0	**Not Available
Taxable retail sales per capita	7,931	7,727	7,738	7,936	8,285	8,307	8,404	9,083	9,654	**Not Available
Parks, Recreation and Cultural:										
Library volumes in collection (thousands)	222.7	228.4	221.4	218.0	218.9	222.1	224.9	286.8	827.1	291.2
Circulation (thousands)	n/a	401	401	356	327	313	320	335	339	322
Transit										
Number of Service days (not including ADA service)	n/a	n/a	n/a	n/a	128	254	252	253	257	257
Number of Routes (not including ADA service)	n/a	n/a	n/a	n/a	2	3	4	6	6	6
Vehicle Trips (not including ADA service)	n/a	n/a	n/a	n/a	3,072	7,221	8,885	13,004	13,856	13,825 (4)
Passenger Trips (not including ADA service)	n/a	n/a	n/a	n/a	24,662	57,814	64,563	77,631	101,616	113,084 (5)
Vehicle Hours (ADA Service)	n/a	n/a	n/a	n/a	363	693	757	1,081	1,271	1,450 (4)
Passenger Trips (ADA Service)	n/a	n/a	n/a	n/a	633	1,198	1,152	1,353	1,537	1,917 (5)
Enterprise Fund:										
Public Utilities										
Customers - Water	24,370	24,576	24,663	24,657	24,729	24,380	24,836	24,912	24,868	25,237
Customers - Sewer	20,319	20,708	20,911	20,892	20,921	20,692	21,010	21,486	21,770	22,160
Average daily production (mgd)	7.68	6.89	6.79	6.42	6.63	5.96	6.71	6.82	6.77	6.88
Treatment Capacity daily (mgd)	11.20	11.20	17.45	17.45	17.45	17.45	17.45	17.45	17.45	17.45
Stormwater										
Billed customers	30,307	29,587	29,793	30,342	30,289	30,508	30,791	31,395	31,470	31,752 (1)
Refuse collection										
Customers	-	-	-	-	27,573	27,675	27,982	28,046	28,311	28,618 (2)
Recycled (tons)	-	-	-	-	4,491	5,408	5,767	5,534	5,878	5,821 (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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Police Stations	4	4	5	5	5	5	5	5	5	5
Fire and Rescue Stations	9	9	9	10	10	10	10	10	10	10
Public Works: (1)										
State maintained road miles	18	18	18	18	18	18	18	18	18	18
City maintained road miles	1,500	1,531	1,581	1,581	1,600	1,600	1,626	1,626	1,596	1,621
Streetlights	7,000	7,139	7,648	7,917	7,996	8,113	8,425	8,593	8,657	8,913
Bridges	144	147	147	147	147	155	147	150	149	151
Traffic Signals	89	91	91	93	93	93	98	96	98	99
Education:										
Elementary Schools	13	14	14	14	12	12	12	12	12	11
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	1,405	1,448	1,425	1,419	1,420	1,402	1,398	1,345	1,383	1,380
Average Daily Membership	13,512	13,568	13,801	13,863	13,734	13,844	13,739	13,762	13,837	13,760
Capacity of Schools	14,050	14,632	14,577	14,577	14,192	14,352	14,352	14,590	14,590	14,205
Enterprise Fund:										
Public Utilities										
Miles of Water Main	420	420	422	436	453	454	462	467	475	482
Miles of Sanitary Sewers	309	313	315	334	316	330	334	344	352	355
Pump Stations	129	131	134	136	140	140	140	144	146	147
Storage Tanks	6	7	7	8	9	9	10	10	10	10
Stormwater Utility										
Miles of Storm Sewers	236	236	236	236	236	266	246	294	333	396
Parks, Recreation and Cultural:										
Parks and Recreation										
Number of major parks and recreation facilities (2)	41	40	40	42	42	43	43	50	50	50
Acreage of major parks and recreation facilities	1,827	1,827	1,827	1,921	1,921	1,928	1,879	2,031	2,042	2,092
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Number of branch libraries	2	2	2	2	2	2	2	3	3	3
Number of bookmobiles	1	1	1	1	1	1	1	1	1	1
Transit (3)										
Buses	n/a	n/a	n/a	n/a	-	4	4	6	8	9
Bus Stops with Shelters	n/a	n/a	n/a	n/a	4	4	6	8	8	8

**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. In Fiscal year 2015 The City added a route serving the northern end of the City and one that connects the north and south routes, as well as to HRT in Chesapeake.

# 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, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated November 30, 2017.

#### **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 three 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 2017-001 through 2017-003.

**City of Suffolk, Virginia's Responses 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  
November 30, 2017

## **Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 the 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, 2017.

### **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 the Uniform Guidance, 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 the Uniform Guidance. 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  
November 30, 2017

**CITY OF SUFFOLK, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Period Ending June 30, 2017

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through to Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
<b>U.S. Department of Agriculture</b>						
Passed Through Commonwealth of Virginia:						
Department of Agriculture and Department of Education						
Child Nutrition Cluster						
59047	National School Breakfast Program	10.553			\$ 1,459,237	
	Food Distribution/National School Lunch Program	10.555			3,490,929	
	Summer Food Service Program for Children#59047	10.559			160,591	
	Child Nutrition Cluster Total				<u>\$ 5,110,757</u>	
Department of Social Services						
	State Administrative Matching Grants for Food Stamp Program	10.561			1,203,287	
	USDA FNS SNAP E&T Pilot	10.596			21,452	
	Total U.S. Department of Agriculture					<u>\$ 6,335,496</u>
<b>U.S. Department of Defense</b>						
Direct Program:						
	JROTC Instruction	12.000			\$ 180,647	
	Total U.S. Department of Defense					<u>\$ 180,647</u>
<b>U.S. Department of Housing and Urban Development</b>						
Direct Program:						
B11MC510024, B12MC510024, B13MC510024, B14MC510024, B15MC510024, B16MC510024	Community Development Block Grants/Entitlement Grants	14.218			\$ 465,190	
	ForKids		\$ 10,000			
	SRHA Emergency Repair		61,088			
	The Genieve Shelter		10,000			
	Western Tidewater Clinic		<u>14,551</u>			
	Total passed through to sub-recipients		95,639			
M11DC510213, M12DC510213, M13DC510213, M14DC510213, M15MC510024, M16DC510216, M07DC512013, M08DC510213, M09DC510213, M10DC51010206	Home Investment Partnerships Program	14.239			612,016	
	City of Franklin		152,536			
	Isle of Wight County		106,425			
	Southampton County		192,714			
	CHDO		<u>122,871</u>			
	Total passed through to subrecipients		574,546			
	Economic Development Initiative-The Great Dismal Swamp	14.251			150	
08-NSP-09, 11-NSP-07	Passed Through Commonwealth of Virginia:					
	Community Development Block Grants-Neighborhood Stabilization Program	14.228			600	
	Total U.S. Department of Housing and Urban Development					<u>\$ 1,077,956</u>
<b>U.S. Department of Interior</b>						
Direct Program:						
	National Wildlife Refuge Fund/Fish & Wildlife Service	15.659			\$ 23,753	
	Total U.S. Department of Interior					<u>\$ 23,753</u>
<b>U.S. Department of Justice</b>						
Direct Program:						
	Bullet Proof Vests Partnership Program	16.607			\$ 30,513	
Passed Through Department of Criminal Justice Services						
17-V8580VV15 16-R9824VA15, 17-R9824VA16 2016-AP-BX-0459	Crime Victim Assistance	16.575			303,126	
	Violence Against Women Formula Grants	16.588			69,504	
	State Criminal Alien Assistance Program	16.606			1,281	
2013-DJ-BX-0836, 2014-DJ-BX-0417, 2015-DJ-BX- 0555, 2016-DJ-BX-0413, 17-A6095AD13, 17- B3197AD13, 16-A3276BY11	Edward Byrne Memorial Justice Assistance Grant Program	16.738			126,819	

**CITY OF SUFFOLK, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Period Ending June 30, 2017

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through to Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
AG-62500-17	Equitable Sharing Program	16.922			58,914	
	One-Time CIT Training & Equipment	21.000			1,180	
	Total U.S. Department of Justice					<u>\$ 591,337</u>
<b>U.S. Department of Transportation</b>						
Direct Program:						
3-51-0050-024-2015, 3-51-0050-022-2015, 3-51-0050-025-0216, 3-51-0050-26-2016	Airport Improvement Program	20.106			\$ 1,686,372	
154AL-2016-56196-6396, 154AL-2016-56425-6630, 15AL-2017-57087-6736, 15AL-2017-57146-6795	Highway Safety Grant -Selective Enforcement-Alcohol	20.607			269,609	
M2HVE-2017-56206-6745	Highway Safety Grant- Selective Enforcement-Occupant Protection	20.616			2,180	
	Highway Planning and Construction Cluster					
Passed Through Commonwealth of Virginia:						
Highway Planning and Construction						
0460-133-102	CMAQ Route 460 North Main Street Sidewalk- Phase II Project UPC#99172	20.205			110,048	
0017-133-S43	CMAQ Bridge Road & Lee Farm Lane Project UPC#100605	20.205			5,925	
U000-133-338	CMAQ Route 58/Godwin Blvd. Park & Ride Lot Project UPC#98815	20.205			29,516	
U000-133-S44	CMAQ Portsmouth Blvd. Park & Ride Project UPC#100607	20.205			4,918	
0017-133-S42	CMAQ Bridge Road & Bennett's Pasture Project UPC#100604	20.205			8,337	
U000-133-S41	CMAQ Harbourview Signal Improvement Project UPC#100603	20.205			13,043	
0626-061-324	Shoulders Hill Road Reconstruction Project UPC#69050	20.205			74,235	
U000-133-S00	HSIP- Flashing Yellow Arrow UPC#108793	20.205			28,368	
0337-133-101	Nansemond Pkwy Widening Phase II Project UPC#61407	20.205			869,717	
EN01-133-104	Greenways, Blueways & Trails Project UPC#59771	20.205			400,610	
	Highway Planning and Construction Cluster				<u>\$ 1,544,717</u>	
	Total U.S. Department of Transportation					<u>\$ 3,502,878</u>
<b>U.S. Department of Education</b>						
Direct Program:						
S041B-2015-5303	Impact Aid Award #S041B-2015-5303	84.041			\$ 363,246	
Passed Through Commonwealth of Virginia:						
V048A150046	Career and Technical-Basic Grants to States#V048A150046	84.048			277,891	
S367A150044	Title II-A #S367A150044	84.367			502,184	
P3345140027	Gear Up Grant #P3345140027	84.334			86,526	
	Title I, Part A Cluster					
S010A150046	Title I Grants to Local Educational Agencies #S010A150046	84.010			3,247,851	
Special Education Cluster (IDEA)						
H027A150107	Special Education - Grants to States #H027A150107	84.027			2,974,350	
H173A150112	Special Education - Preschool Grants #H173A150112	84.173			64,047	
	Special Education Cluster (IDEA) Total				<u>\$ 3,038,397</u>	
	Total U.S. Department of Education					<u>\$ 7,516,095</u>
<b>U.S. Department of Health and Human Services</b>						
Direct Payments:						
1003996083	Medical Assistance Program #1003996083	93.778			\$ 286,873	
Passed Through Commonwealth of Virginia						
	Medical Assistance Program	93.778			1,551,632	
	Total Medical Assistance Program				<u>\$ 1,838,505</u>	
Passed Through Commonwealth of Virginia						
	Promoting Safe and Stable Families	93.556			1,423	
	Temporary Assistance for Needy Families	93.558			846,746	
	Refugee & Entrant Assistance	93.566			2,913	
	ILP Education & Training	93.599			2,273	
	Child Welfare Services	93.645			1,174	
	Foster Care - Title IV-E	93.658			496,100	
	Adoption Assistance	93.659			199,175	
	Social Service Block Grant	93.667			678,475	
	Foster Care Independent Living	93.674			10,350	
	Children's Health Insurance Program	93.767			50,463	

**CITY OF SUFFOLK, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Period Ending June 30, 2017

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through to Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
	CCDF Cluster					
	Child Care and Development Block Grant	93.575			(1,824)	
	Child Care Mandatory & Matching Funds for Child Care Dev Fund	93.596			145,923	
	CCDF Cluster Total			<u>\$ 144,099</u>		
	Total U.S. Department of Health and Human Services					<u>\$ 4,271,696</u>
	<b><u>U.S. Social Security Administration</u></b>					
	Passed Through Commonwealth of Virginia:					
	Low-Income Home Energy Assistance	96.568			\$ 104,996	
	Total U.S. Social Security Administration					<u>\$ 104,996</u>
	<b><u>Executive Office of the President</u></b>					
	Passed Through Virginia HIDTA:					
	High Intensity Drug Trafficking Areas Program	95.001			\$ 26,203	
	Total Executive Office of the President					<u>\$ 26,203</u>
	<b><u>U.S. Department of Homeland Security</u></b>					
	Passed Through Department of Criminal Justice:					
EMW-2015-PU-00181, EMV-2016-PU-00147	Port Security Grant Program	97.056			\$ 58,594	
	Passed Through Department of Emergency Services:					
FEMA-4024-DR-VA	Hurricane Matthew	97.036			711,299	
	VDEM Emergency Mgmt Program Grant	97.042			37,000	
	State Homeland Security Program	97.067			13,048	
	Total U.S. Department of Homeland Security					<u>\$ 819,941</u>
	<b>Grand Total</b>					<b>\$ 24,450,998</b>

**Total Expenditures of Federal Awards**

Note 1: Basis of Accounting

This schedule was prepared on the modified accrual basis of accounting.

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, 2017, the School Board had USDA food commodities totaling \$443,045 in inventory.

Note 3: Reporting Entity:

The Schedule of Expenditures of Federal Awards reports the expenditures for the City of Suffolk, Virginia and its component unit the School Board.

Note 4: De minimis cost rate:

The City did not elect to use the 10% de minimis cost rate.

**CITY OF SUFFOLK, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

**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 Uniform Grant Guidance: **No**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.561	Supplemental Nutrition Assistance Program Cluster
20.205	Highway Planning and Construction Cluster
93.558	Temporary Assistance for Needy Families Cluster
93.778	Medical Assistance Program - Medicaid Cluster
14.218	Community Development Block Grants/Entitlement Grants
84.010	Title I Grants to Local Educational Agencies
93.667	Social Services Block Grant

10. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
11. City of Suffolk qualified as a low-risk auditee under Uniform Grant Guidance: **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.

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

**2017-001 – Non-material Noncompliance – Social Services – Information Security Awareness Training**

**Condition:** One (1) of fourteen (14) employees tested did not complete the Information Security Awareness training for fiscal year 2017.

**Criteria:** Per the Auditor of Public Accounts of the Commonwealth of Virginia’s *Specifications for Audits of Counties, Cities, and Towns* (APA Specifications), all employees, contractors, vendors, volunteers and work experience personnel shall receive security awareness training. This training will occur upon hire or prior to his or her access to Virginia Department of Social Services (VDSS) systems. All users will receive annual security training at a date to be determined by the VDSS Central Office security staff.

**CITY OF SUFFOLK, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

**Cause:** The City personnel practiced a policy that was inconsistent with VDSS requirements.

**Effect:** Non-compliance may result in action by the Commonwealth of Virginia.

**Questioned Costs:** Non-financial finding.

**Recommendation:** All employees receive training within 30 days of hire. Ensure all employees transferring from other municipalities have completed annual training or complete it within 30 days of transfer.

**Management Response:** Management concurs and procedures will be implemented to implement Information Security Awareness training within 30 days of hire.

**2017-002 – Non-material Noncompliance – Social Services Annual Review of Access (Repeat Finding 2016-003)**

**Condition:** Two (2) of fourteen (14) employees tested had access to VDSS applications that did not agree with annual review of access documentation.

**Criteria:** Per the APA Specifications, each Local Security Officer should annually review all employees' access to each application with the employees' supervisors to ensure that the access is properly aligned with job responsibilities.

**Cause:** City personnel practiced a policy that was inconsistent with VDSS requirements.

**Effect:** Non-compliance may result in action by the Commonwealth of Virginia.

**Questioned Costs:** Non-financial finding.

**Recommendation:** Appropriate changes should be made in VDSS systems to align employees' access with annual review documentation.

**Management's Response:** Management concurs and procedures will be implemented to review user access annually.

**2017-003 – Non-material Noncompliance – Social Services Business Contingency Plan**

**Condition:** Business Continuity Plan did not document actions the Local Department of Social Services (LDSS) would take to maintain essential functions for a 30 day period.

**Criteria:** Per APA Specifications, each LDSS should establish a plan that implements actions to continue essential functions within the recovery time objectives established by the Business Continuity Plan (COOP) team to maintain essential function for up to 30 days.

**Cause:** City personnel practiced a policy that was inconsistent with VDSS requirements.

**Effect:** Non-compliance may result in action by the Commonwealth of Virginia.

**Questioned Costs:** Non-financial finding.

**Recommendation:** Update Business Continuity Plan to extend to 30 days coverage.

**Management Response:** Management concurs and a Business Continuity Plan will be implemented in FY18.

**CITY OF SUFFOLK, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

**E. Status of Prior Year Findings:**

**2016-001 Material Weakness – Internal Control over Financial Reporting – Correction of Errors –**  
Finding not repeated

**2016-002 Social Services Terminated Users –** Finding not repeated

**2016-003 Social Services Annual Review of Access –** Finding repeated – 2017-002



City of Suffolk

Department of Finance

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