

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2015



CITY OF SUFFOLK
VIRGINIA

CITY OF SUFFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
June 30, 2015

Prepared by:
The Department of Finance

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CITY OF SUFFOLK, VIRGINIA

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CITY OF SUFFOLK

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

CITY MANAGER

December 15, 2015

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, 2014 through June 30, 2015. 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 of unauthorized use or disposition, provide reliability of financial records for preparing financial statements and maintain the accountability of assets.

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

According to Section 8.08 of the City Charter and Section 15.2-2511 of the 1950 Code of Virginia, as amended, an annual audit of the City by an independent auditor 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, 2015. 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, 2015. 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 is the fastest growing city in Hampton Roads and is well positioned for continued growth and prosperity. With a diversified and skilled workforce, proximity to the Port of Virginia, available land for development, efficient transportation access, high quality of life, a regard for its historic past and a dynamic vision for the future, Suffolk continues to attract new business and investment, create jobs, and provide an invigorating economic climate for expansion. Noted nationally for job creation and as one of the most livable cities, Suffolk continues to capitalize on its assets in a top-ranked business-friendly state, and was a top pick for business development in 2014.

New and expanding business investment was an impressive \$115,947,500, resulting in more than one million square feet impacted and almost 450 new jobs created. Included in this total are the thirty-six companies with diverse market interests that said “yes” to Suffolk’s many advantages as they planted new businesses here during calendar year 2014, and this equated to 746,063 in new square footage. An additional twenty-eight existing businesses invested in the city’s economic position by expanding their presence in the community and adding an additional 302,533 in square footage. Suffolk is well-positioned to build a bright future for the City and the generations to follow.

The City of Suffolk inherited the nickname “Virginia’s Caffeine Capital” after the newly acquired ICE designation for the Port of Virginia opened opportunities for expanded development in the coffee import, roasting and distribution business. To capitalize on the news of increased coffee imports, both Massimo Zanetti Beverage USA and J.M. Smucker announced expansions in the Food & Beverage Processing field, and Pacorini Global Services USA, the world’s largest provider of logistics for the global coffee market, established operations in Suffolk further adding to the successful Warehousing and Distribution landscape in the City. This is in addition to Lipton Tea whose sole North American processing facility celebrated its 60th year of operation in Suffolk, on the heels of its 2012 reinvestment of over \$100,000,000 in new processing equipment. The growing logistics industry in Suffolk also welcomed a new California-based company who’s innovative and customizable high-end office systems will be manufactured and distributed from CenterPoint Intermodal Center. Friant & Associates announced a \$17.4 million expansion and plans to create 166 new jobs contributing to the success of the Advanced Manufacturing industry in Suffolk.

Health care was also front and center as Suffolk citizens gained greater access to advanced medical facilities and top-rated physicians, expanding options and offering convenience. Development of a new Class A medical office building started in the heart of the Harbour View community. The two-story facility spans 25,000 square feet of space and represents a \$5.75 million investment. In addition, local entrepreneurs successfully opened unique businesses, alongside national brands, contributing to the character of the city and enhancing the quality of life.

Other growth areas included Office and Administration, Retail, and Hospitality. The following charts highlight some of this activity.

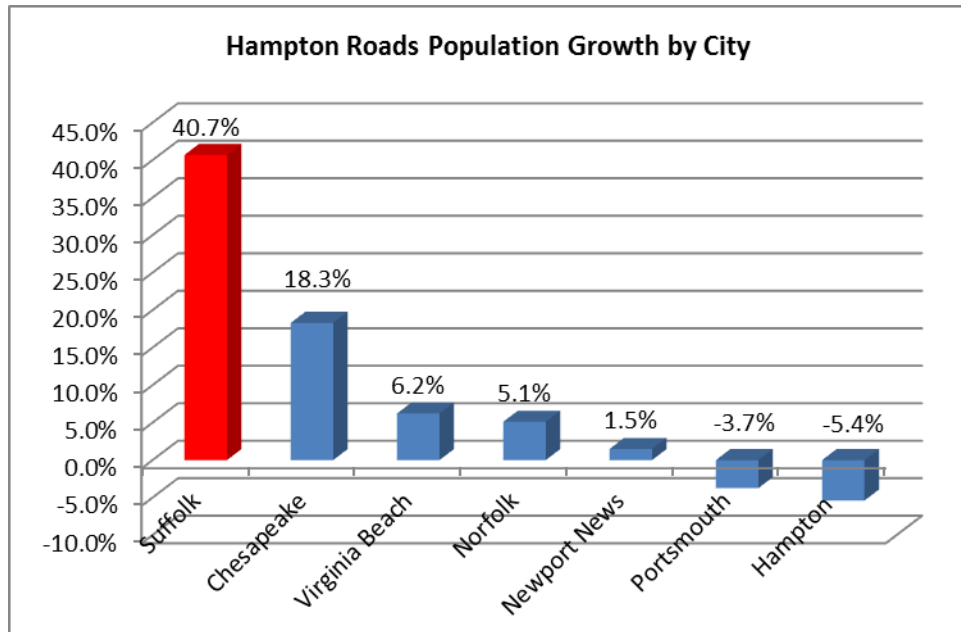
New and Expanding Business Highlights January 1 – December 31, 2014

<u>New Business</u>	<u>Sector</u>	<u>Investment</u>
Friant & Associates	Advanced Manufacturing	\$17,400,000
Hampton Inn	Hospitality	\$8,000,000
First Team Subaru	Retail	\$7,000,000
Riverfront Shoppes	Retail	\$6,000,000
Harbour View Health Building	Office & Administrative	\$5,750,000
Madison Building	Office & Administrative	\$4,600,000
<u>Expanding Business</u>	<u>Sector</u>	<u>Investment</u>
Unilever Lipton	Food & Beverage Processing	\$29,500,000
Sentara	Medical	\$6,900,000
BASF	Advanced Manufacturing	\$4,500,000
Walgreens	Retail	\$4,500,000
J. M. Smucker Company	Food & Beverage Processing	\$4,000,000
Massimo Zanetti Beverage USA	Food & Beverage Processing	\$4,000,000
Bennetts Creek Veterinary Clinic	Medical	\$2,015,000

Suffolk continues to outpace its neighboring Hampton Roads cities in population growth by a wide margin. Over the past 14 years, the population in Suffolk has grown by 40.7%.

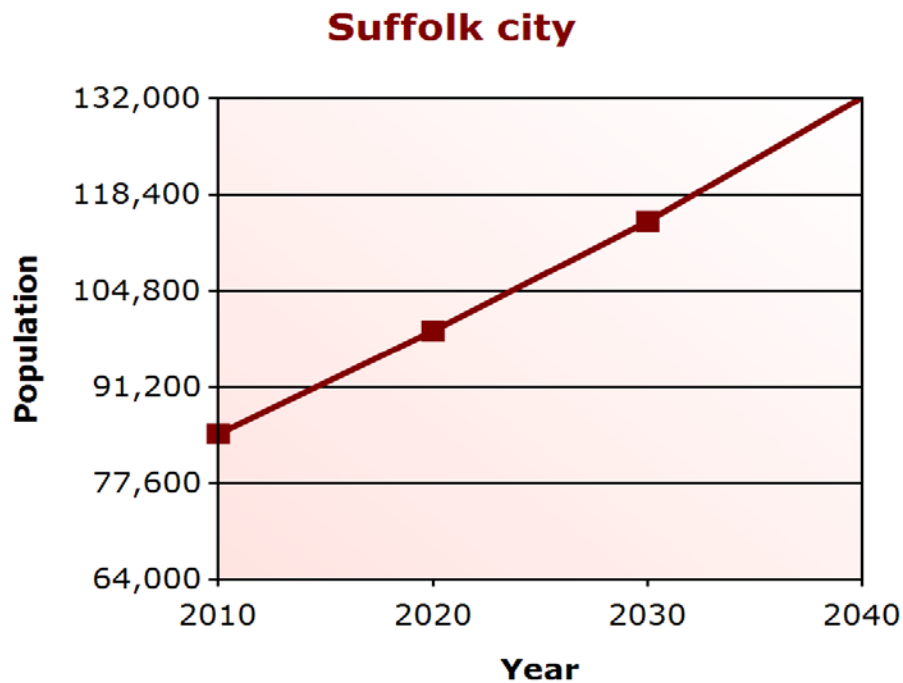
Hampton Roads Population Growth by City

City	2000	2014	Percent Change
Hampton	146,437	138,545	-5.4%
Portsmouth	100,565	96,802	-3.7%
Newport News	180,697	183,362	1.5%
Norfolk	234,403	246,394	5.1%
Virginia Beach	425,257	451,672	6.2%
Chesapeake	199,184	235,638	18.3%
Suffolk	63,677	89,586	40.7%



This population trend is projected to continue over the foreseeable future. By 2040, we expect to see an increase in population by 48%. 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 (\$66,822) which is also higher than both the state (\$64,792) and national MHI (\$53,482).

Suffolk Population Growth and Projections



Source: 1. Weldon Cooper Center for Public Service; 2. Virginia Employment Commission

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 in 2014. 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 2016 through fiscal year 2025, totals approximately \$659.3 million. Of this amount, water, sewer, stormwater, refuse and Route 17 taxing district projects are estimated at \$201.2 million while general government projects are estimated at \$458.1 million. The City Council and City Management place a high priority on education in the City, over the fiscal years 2015 through 2018 over \$50 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 the fund balance levels. The ratio of unassigned General Fund balance as a percentage of budgeted governmental funds expenditures (net of the general fund contribution to the Schools, transfers to other governmental funds, and Capital Projects fund expenditures), plus the budgeted expenditures in the School Operating and Food Service Funds, indicates the ability of the City to cope with unexpected financial challenges or emergencies. The larger the unassigned General Fund balance, the greater the City's ability to cope with these potential financial emergencies and fluctuations in revenue cycles. The City has established a target rate of 12% at the close of each fiscal year. At June 30, 2015 the fund balance ratio exceeded the target.

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

Awards and Recognition

Bond Ratings – 2nd Upgrade to AAA

For the second year in a row, the City of Suffolk has achieved a rating of AAA on the City's General Obligation (GO) Bonds. Fitch Ratings is now the second agency to have bestowed this coveted designation upon the City, and they've upgraded the rating on \$252.5 million in City GO Bonds to AAA from AA+. Fitch also assigned the AAA rating to approximately \$42.58 million GO and Refunding

Bonds Series 2015. This rating increase follows the City's very first AAA rating upgrade, which was made by Standard & Poor's Rating Service in 2014.

The Fitch Ratings AAA upgrade was tied to the City's healthy population growth, steady capital investment by major employers and taxpayers, a highly educated workforce, strong financial position supported by prudent budgeting and strong institutionalized policies, robust reserves, moderately low debt levels, an affordable debt funded City capital program, and the City's low share of retiree pension and OPEB (Other Postemployment Benefits) obligations. The rating upgrade reflects Fitch's expectation that the City will maintain strong financial performance and that positive economic momentum will be reflected in near-term growth in Assessed Value.

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, 2014, representing the thirty-first 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 2014. This is the first year that the City has prepared the PAFR. 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 2014 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. This was the second award the City of Suffolk's 2014 PAFR had received following a 2015 Communicator Award - Silver Award of Distinction from The Academy of Interactive and Visual Arts. The Communicator Awards honors work that transcends innovation and craft; and, the Award of Distinction is presented for projects that exceed industry standards in quality and achievement."

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, 2014. The Certificate of Excellence is awarded to recognize outstanding efforts in the publication of a timely report that communicates financial and community information demonstrating accountability and transparency to the citizens.

Annual Budget

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Suffolk, Virginia for its annual budget for the

fiscal year beginning July 1, 2015. 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 seventh consecutive year for this recognition as it is valid for a one year period.

Suffolk's Future is Bright

The City of Suffolk has added some other feathers in its' cap as a city on the rise. Suffolk was ranked 19th on the list of Best Cities for Young Families in Virginia for 2015 by NerdWallet, a personal finance site for consumers. Among factors considered were home affordability, prosperity and growth, quality of education, and family friendliness. Suffolk had the 2nd highest ranking in the top 20 when it comes to family income growth from the period of 1999-2013 with a growth rate of 65.95 percent. NerdWallet also named Suffolk the 15th Best City for Veterans in the Nation as a result of its strong economic indicators and robust veteran community. The City was again recognized nationally when the National Association of Town Watch (NATW) awarded Suffolk's 2014 National Night Out Celebration with their top national honor among communities with a population of 50,000 to 99,000 residents (Category 3). This award marks the third time the City of Suffolk has been first in the nation (2008, 2009, and 2014) and the 9th straight year the City of Suffolk has placed in the top 5 in the Nation for National Night Out. The City of Suffolk's National Night Out Event brings out the best in our City's citizens, neighborhoods, civic groups, businesses, City employees, and City public safety personnel. Suffolk has proved once again that every day it is building your world, your community, your brands, your history, bigger opportunities and a brighter future for everyone. There has never been a better time to be in Suffolk.

Acknowledgments

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

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

Respectfully,



Patrick G. 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, 2014



Executive Director/CEO

CITY OF SUFFOLK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

As of June 30, 2015

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

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

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

June 30, 2015

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

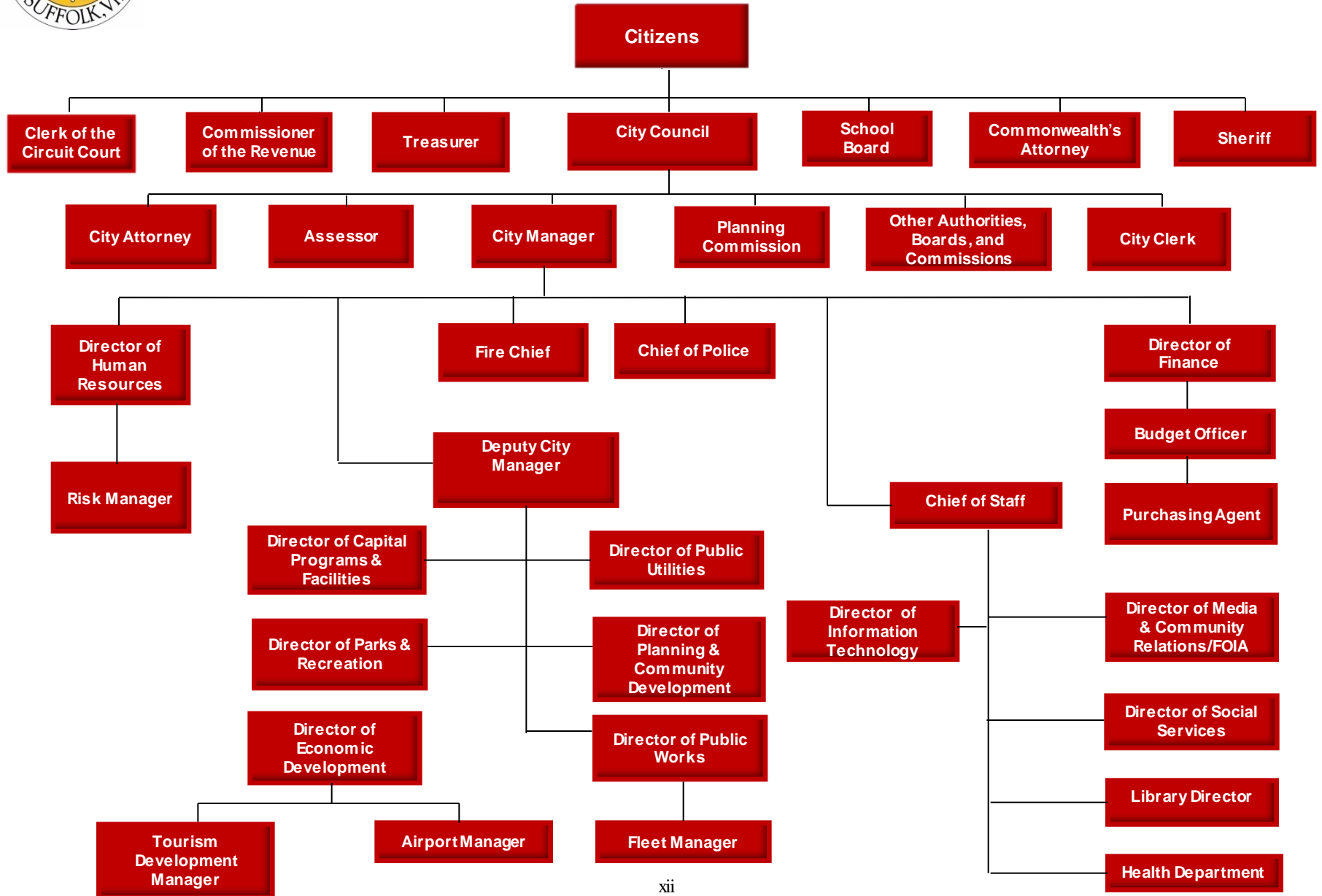
Deran R. Whitney, Ed.D.....	School Superintendent
Wendy Forsman.....	Executive Director of Finance



City of Suffolk

FY 2014-2015 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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and presented in Note 17 to the basic financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective July 1, 2014. As a result, related net position as of June 30, 2014 has been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefits information on pages 3-12, 76-80 and 81-86, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the City of Suffolk, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Suffolk, Virginia's internal control over financial reporting and compliance.



Richmond, Virginia
December 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. 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 \$510.9 million at June 30, 2015. Of this balance, \$362.3 million is attributed to the governmental activities and \$148.6 million to the business-type activities.
- For fiscal year 2015, taxes and other general revenues of the City's governmental activities amounted to \$174.5 million and net program expenses \$158.7 million, which resulted in an increase from 2014 in net position for the City's governmental activities of \$15.8 million.
- Revenues of the City's business-type activities were \$54.6 million, expenses were \$58.8 million and transfers to the general fund were \$1.9 million, which resulted in a decrease of net position for the City's business-type activities of \$6.1 million.
- The City achieved the AAA bond rating from Standard & Poor's during fiscal year 2015. The City also achieved upgrades from Fitch and Moody's ratings agencies during the fiscal year. The City is rated AA+ with Fitch 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	
	2015	2014*	2015	2014*	2015	2014*
Current and other assets	\$ 160.2	\$ 152.9	\$ 49.3	\$ 60.5	\$ 209.5	\$ 213.4
Capital and other non-current assets	525.2	503.2	466.9	441.4	992.1	944.6
Total assets	685.4	656.1	516.2	501.9	1,201.6	1,158.0
Deferred Outflows of Resources	11.1	2.9	8.2	3.3	19.3	6.2
Current and other liabilities	45.6	52.2	31.5	18.3	77.1	70.5
Long-term liabilities	274.1	257.1	342.7	332.2	616.8	589.3
Total liabilities	319.7	309.3	374.2	350.5	693.9	659.8
Deferred Inflows of Resources	14.5	3.2	1.6	-	16.1	3.2
Net position: *						
Net investment in capital assets	312.4	290.3	125.5	145.1	437.9	435.4
Restricted	5.0	9.6	2.2	2.1	7.2	11.7
Unrestricted	44.9	46.6	20.9	7.5	65.8	54.1
Net position	\$ 362.3	\$ 346.5	\$ 148.6	\$ 154.7	\$ 510.9	\$ 501.2

* Net position for 2014 restated due to implementation of GASB No.'s 68 and 71

The City's combined net position (which is the City's "bottom line") increased by \$9.7 million in fiscal year 2015, of which approximately 1.4% 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 \$437.9 million comprises 85.7% 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 12.8% of net position, or \$65.8 million, as unrestricted. The unrestricted portion of net position is available to allow the City to provide services to citizens.

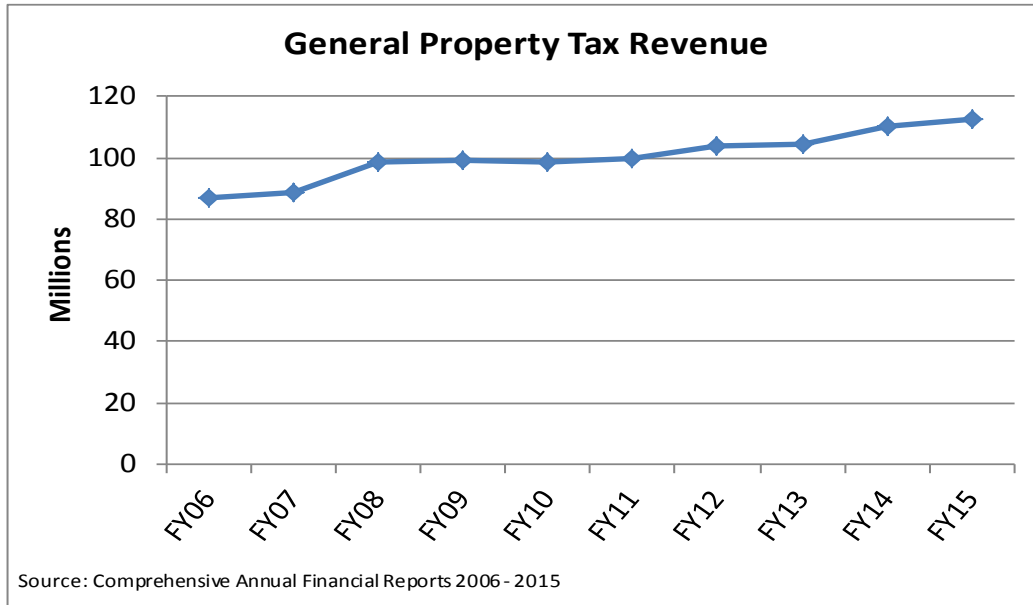
Statement of Activities

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	
	2015	2014	2015	2014	2015	2014*
Revenues:						
Program revenues:						
Charges for services	\$ 9.7	\$ 7.6	\$ 53.2	\$ 49.6	\$ 62.9	\$ 57.2
Operating grants and contributions	35.4	35.2	-	-	35.4	35.2
Capital grants and contributions	4.5	1.9	0.6	0.5	5.1	2.4
General revenues:						
Real estate and property taxes	112.9	110.2	-	-	112.9	110.2
Other taxes	39.7	36.1	-	-	39.7	36.1
Grants and contributions, not restricted	13.4	13.6	-	-	13.4	13.6
Unrestricted investment earnings	1.2	1.2	0.6	0.6	1.8	1.8
Miscellaneous	5.4	4.0	0.2	0.1	5.6	4.1
Total revenues	222.2	209.8	54.6	50.8	276.8	260.6
Expenses:						
General government	20.4	18.8	-	-	20.4	18.8
Judicial	8.0	8.0	-	-	8.0	8.0
Public safety	48.7	52.4	-	-	48.7	52.4
Public works	36.8	35.5	-	-	36.8	35.5
Health and welfare	12.5	12.9	-	-	12.5	12.9
Transportation	1.0	0.6	-	-	1.0	0.6
Education	51.1	49.2	-	-	51.1	49.2
Parks, recreation, cultural	9.8	8.8	-	-	9.8	8.8
Community development	9.9	8.8	-	-	9.9	8.8
Interest on long-term debt	10.1	9.9	-	-	10.1	9.9
Utility	-	-	49.3	45.1	49.3	45.1
Refuse collection services	-	-	5.8	5.2	5.8	5.2
Stormwater utility	-	-	3.7	3.4	3.7	3.4
Total expenses	208.3	204.9	58.8	53.7	267.1	258.6
Excess (deficiency) of revenues over (under) expenses	13.9	4.9	(4.2)	(2.9)	9.7	2.0
Transfers	1.9	0.5	(1.9)	(0.5)	-	-
Change in net position	15.8	5.4	(6.1)	(3.4)	9.7	2.0
Net position - beginning *	346.5	341.1	154.7	158.1	501.2	499.2
Net position - ending	\$ 362.3	\$ 346.5	\$ 148.6	\$ 154.7	\$ 510.9	\$ 501.2
* Net position for 2014 restated due to implementation of GASB No.'s 68 and 71						

Revenue Highlights:

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$112.9 million and \$110.2 million in fiscal year 2015 and 2014, 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.



Other Local Taxes are comprised of revenue from local sales tax, meals, lodging, and utilities increased from fiscal year 2014 into fiscal year 2015.

Expense Highlights:

The City is committed to ensuring the highest level of safety for its citizens and has expended \$48.7 million towards public safety efforts.

Education continues to be one of the City's highest priorities and commitments representing \$51.1 million, which is an increase over the prior year.

Business-type Activities

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

Revenue Highlights:

Charges for services, including water and sewer fees, stormwater utility fees and refuse collection fees represent 97.4% of the total revenues collected. These revenues increased from fiscal year 2014 to 2015 due to an increase in the rates for water and sewer, as well as the stormwater utility fee.

Expense Highlights:

Utility Fund expenses were \$49.3 million of which 23.3% is depreciation and amortization expenses. The increase in the expenses is due to an increase in depreciation as more projects are completed. Stormwater expenses were \$3.7 million for fiscal year 2015, which is a slight increase from fiscal year 2014. The refuse fund expenses were \$5.8 million in fiscal year 2015, which is a slight increase from fiscal year 2014.

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 \$123.4 million. Approximately 38.7% 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 \$55.6 million of which \$47.9 million represents unassigned fund balance of the General Fund. Fund Balance in the General Fund remained decreased from fiscal year 2014. This decrease was due to expenditures in fiscal year 2015 for obligations made in prior fiscal years. There was an increase in Economic Development Incentive Program payments to the Economic Development Authority as well as increased expenditures for furniture related to the new Municipal Center.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total budgeted expenditures. The City has a financial policy goal that unassigned fund balance should be greater than 12%. The restricted portion of fund balance, \$0.7 million reflects restricted cash for unspent grant funds and developer deposits. The committed portion, \$6.3 million, is comprised of a capital project reserve and economic incentives.

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

Capital Projects Fund: The Capital Projects Fund accounts for all construction projects of general public improvements, excluding capital projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$48.6 million, \$2.0 million was committed for contracts and purchase orders in process, and the remaining balance of \$46.6 million is restricted, as it consists of unspent bond proceeds and cash proffers for subsequent years' projects. The City's top five capital projects consisted of the following in fiscal year 2015:

- Pioneer Elementary School Construction
- Public Works Operations and Maintenance Facility
- New Municipal Center Construction
- Police Headquarters Expansion
- E-911 Equipment and Tower Upgrade

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 \$148.6 million.

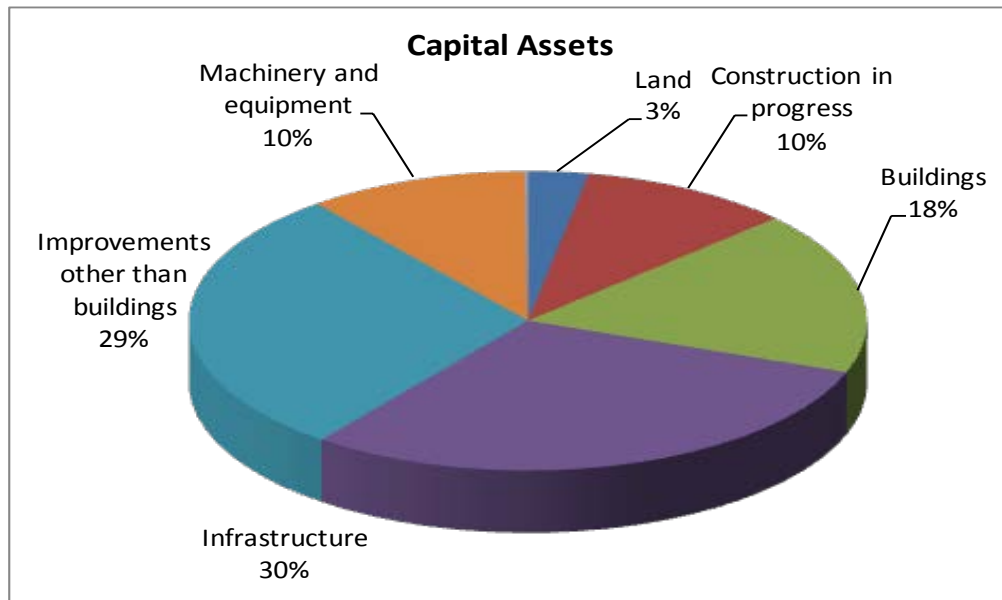
Internal service funds: The internal service funds are used to account for entity-wide fleet management, information technology and risk management programs. The total net position at the end of the current fiscal year was \$36.5 million.

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 2015, the City fully funded its annual contribution to the fund as calculated by the actuaries and there is now \$24.0 million in the OPEB Trust Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The City's capital assets for its governmental and business-type activities as of June 30, 2015, totaled \$992.1 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 22.9	\$ 22.9	\$ 5.6	\$ 5.6	\$ 28.5	\$ 28.5
Construction in progress	28.8	93.9	71.7	99.2	100.5	193.1
Buildings	96.7	47.6	77.9	58.3	174.6	105.9
Infrastructure	295.6	286.5	-	-	295.6	286.5
Improvements other than buildings	34.5	19.2	252.0	225.9	286.5	245.1
Machinery and equipment	45.4	31.3	59.7	52.3	105.1	83.6
Intangibles	1.3	1.2	-	-	1.3	1.2
Total	<u>\$ 525.2</u>	<u>\$ 502.6</u>	<u>\$ 466.9</u>	<u>\$ 441.3</u>	<u>\$ 992.1</u>	<u>\$ 943.9</u>



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 \$569.6 million. Claims payable, compensated absences and premiums and other credits are not included in these figures.

Outstanding Debt (in millions)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Bonds payable	\$ 231.0	\$ 220.0	\$ 323.4	\$ 309.6	\$ 554.4	\$ 529.6
Bond Premiums	18.5	14.1	17.3	14.2	35.8	28.3
Capital leases	11.5	10.7	1.4	1.8	12.9	12.5
Loans payable	2.3	2.5	-	-	2.3	2.5
Total	\$ 263.3	\$ 247.3	\$ 342.1	\$ 325.6	\$ 605.4	\$ 572.9

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 \$883.0 million for 2015. The City Charter further limits this general obligation limit to 7% of the City's assessed value of real property or \$618.1million. Of the debt shown above, only \$449.5 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 \$353.2 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 448 new jobs and over \$115 million dollars in new capital investment in the City during the calendar year 2014.
- For fiscal year 2015, the City's tax rate was \$1.03 per \$100 and remains the second lowest tax rate in the region.
- Utility rates increased as of July 1, 2015 to \$8.29 per 100 cubic feet for water and \$6.47 per 100 cubic feet for sewer due to increasing debt service requirements.
- Population in the City increased 14.3% in the last ten years. This is significant as other cities within the region have seen a decline.
- 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 reflect the City's commitment to strong financial management.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the City's Department of Finance, 442 West Washington Street, Suffolk, Virginia, 23439.

BASIC FINANCIAL STATEMENTS

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EXHIBIT 1

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 98,430,188	\$ 26,799,246	\$ 125,229,434	\$ 24,878,806	\$ 2,396,722
Cash and cash equivalents, restricted (Note 2)	48,065,317	14,612,231	62,677,548	483	1,484,047
Receivables, net (Note 3)	8,493,328	7,621,993	16,115,321	306,084	223,399
Due from other governments (Note 4)	3,665,240	-	3,665,240	4,228,993	-
Due from component units (Note 6)	240,089	-	240,089	-	-
Inventories	346,137	100,444	446,581	836,004	13,861,632
Prepaid items	-	-	-	95,000	-
OPEB asset (Note 12)	960,841	145,534	1,106,375	-	-
Capital assets: (Note 7)					
Land and construction in progress	51,785,959	77,270,631	129,056,590	6,387,523	1,021,162
Other capital assets, net	473,442,495	389,633,546	863,076,041	113,988,528	24,535,680
Total assets	685,429,594	516,183,625	1,201,613,219	150,721,421	43,522,642
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	3,866,382	7,154,891	11,021,273	-	213,104
Employer contributions to pension subsequent to the measurement date	7,223,170	1,097,842	8,321,012	12,556,885	-
Total deferred outflows of resources	11,089,552	8,252,733	19,342,285	12,556,885	213,104
LIABILITIES					
Accounts payable and accrued liabilities	7,415,438	6,360,474	13,775,912	1,451,738	184,540
Accrued payroll and related liabilities	361,732	68,348	430,080	17,480,593	-
Accrued interest payable	3,036,000	4,520,437	7,556,437	-	120,796
Due to Primary Government (Note 6)	-	-	-	-	240,089
Due to other governments	-	15,347,647	15,347,647	280,285	-
Unearned revenues (Note 8)	1,353,510	254,673	1,608,183	-	93,045
Net pension liability (Note 11)	33,427,161	4,957,256	38,384,417	114,758,733	-
Long-term liabilities: (Note 9)					
Due within one year	22,534,804	5,159,937	27,694,741	122,488	921,539
Due in more than one year	251,519,828	337,569,615	589,089,443	4,445,356	10,113,559
Total liabilities	319,648,473	374,238,387	693,886,860	138,539,193	11,673,568
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes (Note 8)	978,524	-	978,524	-	-
Proffers payable (Note 8)	1,270,512	-	1,270,512	-	-
Deposits (Note 8)	1,416,853	-	1,416,853	-	-
Net difference between projected and actual earnings on pension plan investments	10,917,213	1,619,024	12,536,237	23,242,000	-
Total deferred inflows of resources	14,583,102	1,619,024	16,202,126	23,242,000	-
NET POSITION					
Net investment in capital assets	312,377,563	125,468,343	437,845,906	120,376,051	14,521,744
Restricted:					
Debt service	392,299	-	392,299	-	1,363,251
Repair and maintenance	-	-	-	-	-
Operating reserves	-	2,195,062	2,195,062	-	-
Cemetery Care	1,200,461	-	1,200,461	-	-
Capital outlay - equipment	1,236,765	-	1,236,765	-	-
Capital projects	1,270,512	-	1,270,512	-	-
Other governmental purposes	937,493	-	937,493	483	-
Unrestricted	44,872,478	20,915,542	65,788,020	(120,376,534)	16,177,183
Total net position	\$ 362,287,571	\$ 148,578,947	\$ 510,866,518	\$ 1,497,113	\$ 32,062,178

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

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					
					Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority	
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 20,547,985	\$ 5,044,744	\$ 636,628	\$ 973,634	\$ (13,892,979)	\$ -	\$ (13,892,979)			
Judicial administration	8,031,886	286,398	3,017,272	-	(4,728,216)	-	(4,728,216)			
Public safety	48,708,228	1,864,675	818,251	-	(46,025,302)	-	(46,025,302)			
Public works	36,760,229	1,479,054	21,534,701	2,869,669	(10,876,805)	-	(10,876,805)			
Health and welfare	12,536,910	-	7,557,634	-	(4,979,276)	-	(4,979,276)			
Transportation	908,293	53,055	152,565	206,665	(496,008)	-	(496,008)			
Education	51,093,179	-	20,000	-	(51,073,179)	-	(51,073,179)			
Parks, recreation, and cultural	9,750,157	982,354	521,608	474,341	(7,771,854)	-	(7,771,854)			
Community development	9,933,559	85	1,128,636	-	(8,804,838)	-	(8,804,838)			
Interest on long-term debt	10,065,468	-	-	-	(10,065,468)	-	(10,065,468)			
Total governmental activities	208,335,894	9,710,365	35,387,295	4,524,309	(158,713,925)	-	(158,713,925)	-	-	
Business-type activities:										
Utility	49,334,155	41,209,347	-	565,595	-	(7,559,213)	(7,559,213)			
Stormwater utility	3,734,024	5,889,629	-	-	-	2,155,605	2,155,605			
Refuse	5,772,239	6,123,057	-	-	-	350,818	350,818			
Total business-type activities	58,840,418	53,222,033	-	565,595	-	(5,052,790)	(5,052,790)	-	-	
Total Primary Government	\$ 267,176,312	\$ 62,932,398	\$ 35,387,295	\$ 5,089,904	\$ (158,713,925)	\$ (5,052,790)	\$ (163,766,715)	\$ -	\$ -	
COMPONENT UNITS:										
School Board	\$ 143,469,081	\$ 1,998,196	\$ 88,656,326	\$ -	\$ -	\$ -	\$ -	\$ (52,814,559)	\$ -	
Economic Development Authority	4,847,746	1,737,737	200,000	-	-	-	-	-	(2,910,009)	
Total component units	\$ 148,316,827	\$ 3,735,933	\$ 88,856,326	\$ -	-	-	-	(52,814,559)	(2,910,009)	
General revenues:										
Property taxes					112,853,202	-	112,853,202	-	-	
Sales and use taxes					9,397,170	-	9,397,170	-	-	
Business license taxes					6,928,327	-	6,928,327	-	-	
Meals taxes					8,329,490	-	8,329,490	-	-	
Utility taxes					4,509,480	-	4,509,480	-	-	
Communication taxes					3,492,721	-	3,492,721	-	-	
Motor vehicle license taxes					2,301,259	-	2,301,259	-	-	
Tobacco taxes					1,391,263	-	1,391,263	-	-	
Lodging taxes					1,172,193	-	1,172,193	-	-	
Recordation taxes					1,456,395	-	1,456,395	-	-	
Other local taxes					744,874	-	744,874	-	-	
Grants and contributions not restricted to specific programs										
					13,385,064	-	13,385,064	-	-	
Miscellaneous					5,266,829	263,005	5,529,834	1,049,178	145,575	
City of Suffolk contribution					-	-	-	50,591,383	2,665,400	
Contribution to Pruden from participating Schools					-	-	-	2,711,211	-	
Unrestricted revenues from use of money and property					1,167,213	562,699	1,729,912	36,146	11,189	
Gain on disposal of Assets					242,375	-	242,375	-	47,886	
Transfers (Note 5)					1,872,887	(1,872,887)	0	-	-	
Total general revenues and transfers					174,510,743	(1,047,183)	173,463,560	54,387,918	2,870,050	
Change in net position					15,796,818	(6,099,973)	9,696,845	1,573,359	(39,959)	
Net position at July 1, (as restated) Note 17					346,490,753	154,678,920	501,169,673	(76,246)	32,102,137	
Net position at June 30					\$ 362,287,571	\$ 148,578,947	\$ 510,866,518	\$ 1,497,113	\$ 32,062,178	

CITY OF SUFFOLK, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 50,172,728	\$ 8,080,092	\$ 13,352,697	\$ 2,147,707	\$ 3,280,967	\$ 77,034,191
Cash and cash equivalents, restricted (Note 2)	618,062	44,298,299	-	392,299	1,519,892	46,828,552
Receivables, net (Note 3)	8,242,882	8,719	3,201	-	25,885	8,280,687
Due from other governmental units (Note 4)	2,419,538	753,161	-	-	492,541	3,665,240
Due from component units	240,089	-	-	-	-	240,089
Inventories	42,454	-	-	-	38,309	80,763
Total assets	<u>\$ 61,735,753</u>	<u>\$ 53,140,271</u>	<u>\$ 13,355,898</u>	<u>\$ 2,540,006</u>	<u>\$ 5,357,594</u>	<u>\$ 136,129,522</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 1,448,452	\$ 3,232,536	\$ 634,633	\$ 25,000	\$ 528,438	\$ 5,869,059
Accrued payroll and related liabilities	285,762	-	29,383	-	5,276	320,421
Unearned revenues	-	-	-	-	52,222	52,222
Total liabilities	<u>1,734,214</u>	<u>3,232,536</u>	<u>664,016</u>	<u>25,000</u>	<u>585,936</u>	<u>6,241,702</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues -- taxes	2,823,288	-	-	-	14,414	2,837,702
Prepaid Taxes	978,524	-	-	-	-	978,524
Proffers received	-	1,270,512	-	-	-	1,270,512
Deposits	618,062	-	783,427	-	15,364	1,416,853
Total deferred inflows of resources	<u>4,419,874</u>	<u>1,270,512</u>	<u>783,427</u>	<u>-</u>	<u>29,778</u>	<u>6,503,591</u>
FUND BALANCES (NOTE 16)						
Nonspendable	42,454	-	-	-	38,309	80,763
Restricted	668,506	46,664,556	11,208,290	392,299	1,780,840	60,714,491
Committed	6,285,381	1,972,667	700,165	2,122,707	2,933,682	14,014,602
Assigned	701,393	-	-	-	-	701,393
Unassigned	47,883,931	-	-	-	(10,951)	47,872,980
Total fund balances	<u>55,581,665</u>	<u>48,637,223</u>	<u>11,908,455</u>	<u>2,515,006</u>	<u>4,741,880</u>	<u>123,384,229</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 61,735,753</u>	<u>\$ 53,140,271</u>	<u>\$ 13,355,898</u>	<u>\$ 2,540,006</u>	<u>\$ 5,357,594</u>	<u>\$ 136,129,522</u>

	Primary Government
Total fund balances - governmental funds	\$ 123,384,229
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	494,690,629
Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, are not reported in the funds	2,837,702
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
OPEB asset	914,025
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(2,987,545)
Deferred Charges on refunding are not current outflows of resources and not reported in the governmental funds	3,866,382
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds, literary fund, capital leases and Section 108 loans	(235,013,014)
Landfill liability	(1,688,880)
Unamortized premiums and other credits on bonds	(18,535,343)
Compensated absences	(4,992,613)
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:	
Net Pension Liability	(31,875,466)
Deferred Inflow - difference between projected and actual earnings on pension investments	(10,410,435)
Deferred outflow -- employer pension contributions made subsequent to the measurement date	6,886,204
Unearned revenue not recorded in the funds as it did not arise from current financial resources relating to the golf course lease agreement	(1,301,288)
The internal service funds are used by management to charge the costs of certain activities such as information technology, fleet management, and insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position	36,512,984
Net position of governmental activities	<u>\$ 362,287,571</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
REVENUES						
Real estate and personal property taxes	\$ 110,618,848	\$ -	\$ -	\$ -	\$ 1,939,913	\$ 112,558,761
Other local taxes	39,723,172	-	-	-	-	39,723,172
Permits, privilege fees and regulatory licenses	1,110,151	-	326,462	-	-	1,436,613
Fines and forfeitures	985,992	-	268,635	-	-	1,254,627
Revenue from use of money and property	583,674	23	44,757	295,523	194,268	1,118,245
Charges for services	3,587,391	-	965,590	-	791,173	5,344,154
Miscellaneous	1,315,177	299,175	42,888	-	324,521	1,981,761
Intergovernmental:						
Revenue from the Commonwealth	19,817,211	3,674,942	21,512,965	-	763,602	45,768,720
Revenue from the Federal government	5,006,075	286,702	-	-	1,562,413	6,855,190
Total revenues	182,747,691	4,260,842	23,161,297	295,523	5,575,890	216,041,243
EXPENDITURES						
Current:						
General government administration	14,805,733	-	-	-	912,116	15,717,849
Judicial administration	7,602,545	-	-	-	705,548	8,308,093
Public safety	48,957,918	-	-	-	317,262	49,275,180
Public works	873,075	-	21,298,691	-	180,581	22,352,347
Health and welfare	12,811,755	-	-	-	1,397	12,813,152
Transportation	-	-	-	-	1,209,090	1,209,090
Education	51,114,708	-	-	-	20,000	51,134,708
Parks, recreation, and cultural	9,037,401	-	-	-	344,858	9,382,259
Community development	8,550,609	-	-	-	804,422	9,355,031
Nondepartmental	1,848,130	-	-	-	-	1,848,130
Capital outlay	-	32,536,679	-	-	-	32,536,679
Debt service:						
Principal retirement	-	-	-	16,435,462	-	16,435,462
Bond issuance costs	-	-	-	497,736	-	497,736
Interest and fiscal charges	-	-	-	10,334,731	-	10,334,731
Total expenditures	155,601,874	32,536,679	21,298,691	27,267,929	4,495,274	241,200,447
Excess (deficiency) of revenues over/(under) expenditures	27,145,817	(28,275,837)	1,862,606	(26,972,406)	1,080,616	(25,159,204)
OTHER FINANCING SOURCES (USES)						
Refunding Bonds issued	-	-	-	20,160,000	-	20,160,000
General obligations bonds issued	-	28,249,120	-	570,880	-	28,820,000
Premiums on bonds issued	-	2,825,880	-	3,869,140	-	6,695,020
Payment to escrow agent	-	-	-	(23,830,555)	-	(23,830,555)
Transfers in	3,326,310	5,789,600	-	27,598,545	1,308,174	38,022,629
Transfers out	(32,191,869)	(208,445)	(3,086,009)	(1,420,756)	(1,336,316)	(38,243,395)
Total other financing sources (uses), net	(28,865,559)	36,656,155	(3,086,009)	26,947,254	(28,142)	31,623,699
Net change in fund balances	(1,719,742)	8,380,318	(1,223,403)	(25,152)	1,052,474	6,464,495
Fund balances at July 1	57,301,407	40,256,905	13,131,858	2,540,158	3,689,406	116,919,734
Fund balances at June 30	\$ 55,581,665	\$ 48,637,223	\$ 11,908,455	\$ 2,515,006	\$ 4,741,880	\$ 123,384,229

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Total Governmental Funds
Change in fund balance - total governmental funds	\$ 6,464,495
Adjustments for the Statement of Activities:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay	36,911,941
Depreciation expense	(17,183,885)
Gain on disposal of assets	242,375
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable revenues	294,441
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	39,327,008
Deferred net change in bond losses	(1,097,776)
Proceeds from issuance of new debt	(48,980,000)
Net change in bond premiums	(4,436,724)
Record the current pension expense based on the actuarial study of the Net Pension Liability	(3,777,935)
Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date	6,886,204
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	(233,755)
Change in compensated absences	(270,572)
Change in OPEB asset	418,597
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.	876,403
Change in net position of governmental activities	\$ 15,796,818

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 21,005,200	\$ 5,794,046	\$ 26,799,246	\$ 21,395,997
Cash and cash equivalents, restricted	14,612,231	-	14,612,231	1,236,765
Receivables, net	7,153,999	467,994	7,621,993	212,641
Inventories	100,444	-	100,444	265,374
Total current assets	42,871,874	6,262,040	49,133,914	23,110,777
Noncurrent assets:				
OPEB asset	115,002	30,532	145,534	46,816
Land and construction in progress	77,270,631	-	77,270,631	298,000
Other capital assets, net	389,297,658	335,888	389,633,546	30,239,825
Total noncurrent assets	466,683,291	366,420	467,049,711	30,584,641
Total assets	509,555,165	6,628,460	516,183,625	53,695,418
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	7,154,891	-	7,154,891	-
Employer contributions to pension subsequent to the measurement date	683,060	414,782	1,097,842	336,966
Total deferred outflows of resources	7,837,951	414,782	8,252,733	336,966
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,613,729	173,120	2,786,849	1,546,380
Accounts payable from restricted resources	3,573,625	-	3,573,625	-
Accrued payroll and related liabilities	16,599	51,749	68,348	41,311
Due to other governments	15,347,647	-	15,347,647	-
Unearned revenues	254,673	-	254,673	-
Claims payable	-	-	-	2,190,154
Accrued interest payable	4,520,437	-	4,520,437	48,455
Compensated absences	15,060	10,066	25,126	16,381
Bonds and leases payable	5,134,811	-	5,134,811	2,940,929
Total current liabilities	31,476,581	234,935	31,711,516	6,783,610
Noncurrent liabilities:				
Compensated absences	439,675	178,129	617,804	233,372
Net pension liability	3,191,980	1,765,276	4,957,256	1,551,695
Claims payable	-	-	-	1,616,660
Bonds and leases payable	336,951,811	-	336,951,811	6,827,285
Total noncurrent liabilities	340,583,466	1,943,405	342,526,871	10,229,012
Total liabilities	372,060,047	2,178,340	374,238,387	17,012,622
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual earnings on plan investments	1,042,491	576,533	1,619,024	506,778
Total deferred inflows of resources	1,042,491	576,533	1,619,024	506,778
NET POSITION				
Net investment in capital assets	125,132,455	335,888	125,468,343	20,769,611
Restricted:				
Operating reserves	2,195,062	-	2,195,062	1,236,765
Capital outlay - equipment	-	-	-	-
Unrestricted	16,963,061	3,952,481	20,915,542	14,506,608
Total net position	\$ 144,290,578	\$ 4,288,369	\$ 148,578,947	\$ 36,512,984

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
OPERATING REVENUES				
Charges for services	\$ 41,209,347	\$ 12,012,686	\$ 53,222,033	\$ 33,401,885
Other	58,141	87,074	145,215	264,107
Total operating revenues	<u>41,267,488</u>	<u>12,099,760</u>	<u>53,367,248</u>	<u>33,665,992</u>
OPERATING EXPENSES				
Personnel services	5,866,072	3,552,031	9,418,103	2,923,754
Self-insured claims	-	-	-	13,112,481
Contractual services	746,584	1,702,754	2,449,338	1,657,523
Administration	3,006,445	2,861,778	5,868,223	1,016,218
Supplies	743,428	1,107,257	1,850,685	35,420
Repairs and maintenance	1,708,543	37,879	1,746,422	81,293
Vehicle and power equipment – fuel	-	-	-	1,696,663
Vehicle and power equipment – supplies	-	-	-	2,265,752
Computers and equipment	-	-	-	1,312,077
Utilities	1,133,729	40,930	1,174,659	143,560
Insurance	-	-	-	2,802,486
OPEB – contributions to trust	-	-	-	2,310,000
Bulk-water purchases	4,121,041	-	4,121,041	-
Depreciation and amortization	11,477,844	40,419	11,518,263	5,164,162
Building and equipment rental	1,092,153	60,402	1,152,555	131,365
Other charges	837,378	102,813	940,191	347,572
Total operating expenses	<u>30,733,217</u>	<u>9,506,263</u>	<u>40,239,480</u>	<u>35,000,326</u>
Operating income (loss)	<u>10,534,271</u>	<u>2,593,497</u>	<u>13,127,768</u>	<u>(1,334,334)</u>
NONOPERATING REVENUES (EXPENSES)				
Gain on disposal of capital assets	-	-	-	227,882
Interest income	543,340	19,359	562,699	48,968
Interest expense and other fiscal changes	(12,635,355)	-	(12,635,355)	(159,766)
Costs of issuance	(682,634)	-	(682,634)	-
Contribution to WTW infrastructure	(5,282,949)	-	(5,282,949)	-
Rental income	117,790	-	117,790	-
Nonoperating revenues (expenses), net	<u>(17,939,808)</u>	<u>19,359</u>	<u>(17,920,449)</u>	<u>117,084</u>
(Loss) income before contributions and transfers	<u>(7,405,537)</u>	<u>2,612,856</u>	<u>(4,792,681)</u>	<u>(1,217,250)</u>
Capital contributions	565,595	-	565,595	-
Transfers in	-	-	-	2,647,000
Transfers out	<u>(576,133)</u>	<u>(1,296,754)</u>	<u>(1,872,887)</u>	<u>(553,347)</u>
Change in net position	<u>(7,416,075)</u>	<u>1,316,102</u>	<u>(6,099,973)</u>	<u>876,403</u>
Net position at July 1 (as restated)	<u>151,706,653</u>	<u>2,972,267</u>	<u>154,678,920</u>	<u>35,636,581</u>
Net position at June 30	<u>\$ 144,290,578</u>	<u>\$ 4,288,369</u>	<u>\$ 148,578,947</u>	<u>\$ 36,512,984</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
OPERATING ACTIVITIES				
Receipts from customers	\$ 40,462,332	\$ 12,051,470	\$ 52,513,802	\$ 33,630,986
Payments to employees	(6,153,825)	(3,733,200)	(9,887,025)	(3,048,315)
Payments to suppliers	(11,052,074)	(5,889,819)	(16,941,893)	(25,390,348)
Net cash provided by operating activities	<u>23,256,433</u>	<u>2,428,451</u>	<u>25,684,884</u>	<u>5,192,323</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	2,647,000
Transfers to other funds	(638,191)	(1,296,754)	(1,934,945)	(553,347)
Net cash provided by (used in) noncapital financing activities	<u>(638,191)</u>	<u>(1,296,754)</u>	<u>(1,934,945)</u>	<u>2,093,653</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(36,280,373)	(245,627)	(36,526,000)	(8,492,680)
Proceeds from issuance of debt	81,302,344	-	81,302,344	3,476,950
Principal paid on capital debt	(5,024,529)	-	(5,024,529)	(2,833,506)
Refunding proceeds placed in escrow	(63,541,882)	-	(63,541,882)	-
Bond issuance costs	(851,951)	-	(851,951)	-
Gain on sale of assets	-	-	-	227,882
Interest paid on capital debt	(12,183,570)	-	(12,183,570)	(126,199)
Net cash used in capital and related financing activities	<u>(36,579,961)</u>	<u>(245,627)</u>	<u>(36,825,588)</u>	<u>(7,747,553)</u>
INVESTING ACTIVITIES				
Rental income	117,790	-	117,790	-
Interest received	543,340	19,359	562,699	48,967
Net cash provided by investing activities	<u>661,130</u>	<u>19,359</u>	<u>680,489</u>	<u>48,967</u>
Net increase (decrease) in cash and cash equivalents	<u>(13,300,589)</u>	<u>905,429</u>	<u>(12,395,160)</u>	<u>(412,610)</u>
CASH AND CASH EQUIVALENTS				
Beginning, July 1,	<u>48,918,020</u>	<u>4,888,617</u>	<u>53,806,637</u>	<u>23,089,872</u>
Ending, June 30	<u>\$ 35,617,431</u>	<u>\$ 5,794,046</u>	<u>\$ 41,411,477</u>	<u>\$ 22,677,262</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ 21,005,200	\$ 5,794,046	\$ 26,799,246	\$ 21,395,997
Cash and cash equivalents, restricted	14,612,231	-	14,612,231	1,236,765
	<u>\$ 35,617,431</u>	<u>\$ 5,794,046</u>	<u>\$ 41,411,477</u>	<u>\$ 22,632,762</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2015

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 10,534,271	\$ 2,593,497	\$ 13,127,768	\$ (1,334,334)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	11,477,844	40,419	11,518,263	5,164,162
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(949,814)	(48,290)	(998,104)	(35,008)
Inventories	(28,824)	-	(28,824)	12,162
Increase (decrease) in:				
Accounts payable and accrued liabilities	625,754	23,994	649,748	818,166
Accrued payroll and related liabilities	(287,752)	(181,169)	(468,921)	(124,563)
Unearned revenues	144,657	-	144,657	-
Claims payable	-	-	-	691,738
Due to other governments	1,740,297	-	1,740,297	-
Net cash provided by operating activities	<u>\$ 23,256,433</u>	<u>\$ 2,428,451</u>	<u>\$ 25,684,884</u>	<u>\$ 5,192,323</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases financed by capital leases	\$ 47,529	\$ -	\$ 47,529	\$ -
Non-cash capital contributions	\$ 565,595	\$ -	\$ 565,595	\$ -
Capitalized interest	\$ 1,128,077	\$ -	\$ 1,128,077	\$ -

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2015

	OPEB Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 23,991,052	\$ 686,829
Total assets	<u>\$ 23,991,052</u>	<u>\$ 686,829</u>
LIABILITIES		
Amounts held for others	\$ -	\$ 686,829
Total liabilities	<u>-</u>	<u>\$ 686,829</u>
NET POSITION		
Held in trust for OPEB benefits	<u>23,991,052</u>	
Total net position	<u>\$ 23,991,052</u>	

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OPEB TRUST FUND
Year Ended June 30, 2015

ADDITIONS

Employer contributions	\$ 2,310,000
Gain on Investments	495,773
Total additions	<u>2,805,773</u>

DEDUCTIONS

Administrative fees	<u>23,821</u>
Total deductions	<u>23,821</u>

Change in net position	2,781,952
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NET POSITION AT JULY 1	<u>21,209,100</u>
NET POSITION AT JUNE 30	<u><u>\$ 23,991,052</u></u>

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NOTES TO FINANCIAL STATEMENTS

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CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Economic Development Authority of the City of Suffolk

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

The following entities are excluded from the accompanying financial statements.

Jointly governed organizations:

Western Tidewater Water Authority

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Jointly Governed Organization: (Continued)

Western Tidewater Regional Jail Authority

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

Historically, notes issued by the Jail Authority are limited obligations payable solely from revenues received from the member jurisdictions. The City has not been obligated to pay the principal or interest on the notes or any other liability of the Jail Authority and has no financial interest in the Authority beyond its initial contribution. However, during 2014, the member jurisdictions pledged to pay its pro rata share of any debt service on the issuance of the Authority’s 2014 bonds. Separate financial statements can be obtained by contacting the Superintendent of Jail Authority at 2402 Godwin Blvd., Suffolk, Virginia 23434.

Southeastern Public Service Authority of Virginia

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

Upon executing a debt retirement plan, the Virginia Resources Authority (the “VRA”) required the eight member jurisdictions to guarantee, by general obligation, repayment of the remaining VRA bonds outstanding. The member jurisdiction guarantees percentages were calculated based on a three year average of proportional municipal tonnages. The total debt outstanding as of June 30, 2015 to the VRA was \$24,005,000 and Suffolk’s guarantee percentage was 12.87%, which totaled \$3,089,444.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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 measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current period.

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

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

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City presents the following major governmental funds:

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

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

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

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

The City presents the following non-major governmental funds:

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

Proprietary Fund Types:

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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, 2015

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, 2015

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 2015 totaled \$1,128,077.

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 revenue in the governmental funds consists of monies that are measurable but not available for use during the current period. Property taxes receivable at June 30 but not collected within 45 days after that date are reported as unavailable 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 requirement are met have been recorded as unearned revenue. Unearned revenue in the government-wide statements also consists of lease payments credited for future years relating to certified capital improvements at the golf course.

K. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City's deferred outflows of resources consist of the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt. The related deferred outflow is being amortized over the remaining life of the refunded debt. Deferred outflows for pensions result from changes in actuarial assumptions, 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, 2015

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 outflows for pensions result from changes in actuarial assumptions, 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.

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, 2015

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 unexpended at fiscal year-end. The same action of council is required to un-commit.

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

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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

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

S. Change in Accounting Principle

Effective July 1, 2014, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plan*, which requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. The most significant effect of the implementation of Statement No. 68 is the restatement of the net position related to the effect of recording the beginning net pension liability. See note 17 for further discussion.

Effective July 1, 2014, the City adopted the provisions of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. In practice, the City has determined that there have been no combinations or disposals of government operations that occurred during the fiscal year, so there is no effect on the financial statements.

Effective July 1, 2014, the City adopted the provisions of GASB Statement No. 71, *Pension Transition for contributions Made Subsequent to the Measurement date*, which addresses an issue regarding application of the transition provisions of Statement No. 68. Statement No. 71 requires that, at transition a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The effect of the implementation of Statement No. 71 was to reclassify the current year employer pension contributions out of pension expense and record them as a deferred outflow of resources.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

External Investment Pool

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

Concentration of Credit Risk

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 2. Deposits and Investments (Continued)

Restricted Cash

The City has restricted cash as follows:

	Governmental Activities	Business-type Activities	Primary Government
Unspent debt proceeds	\$ 45,535,064	\$ 12,417,169	\$ 57,952,233
Debt service	392,299	-	392,299
Cemetery	1,200,461	-	1,200,461
Escrow/bond/customer deposits	618,062	-	618,062
Other external purposes	319,431	2,195,062	2,514,493
Total	<u>\$ 48,065,317</u>	<u>\$ 14,612,231</u>	<u>\$ 62,677,548</u>

	Component Units		
	Primary Government	School Board	Economic Development Authority
Deposits and Investments:			
SNAP	\$ 56,715,468	\$ -	\$ -
Lease proceeds	1,236,765	-	-
Deposits	129,954,749	24,879,289	3,880,769
Total	<u>\$ 187,906,982</u>	<u>\$ 24,879,289</u>	<u>\$ 3,880,769</u>
Statement of Net Position:			
Cash and cash equivalents	\$ 125,229,434	\$ 24,878,806	\$ 2,396,722
Cash and cash equivalents, restricted	62,677,548	483	1,484,047
Total	<u>\$ 187,906,982</u>	<u>\$ 24,879,289</u>	<u>\$ 3,880,769</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3. Receivables

Receivables are as follows:

	Governmental Activities							
					Internal Service Funds			
	General	Capital Projects	Road Maintenance	Non-major Governmental Funds	Fleet Management	Information Technology	Risk Management	Total
Taxes	\$ 5,816,111	\$ -	\$ -	\$ 9,916	\$ -	\$ -	\$ -	\$ 5,826,027
Accounts	6,299,638	8,719	3,201	19,132	173,471	288	38,882	6,543,331
Subtotal	12,115,749	8,719	3,201	29,048	173,471	288	38,882	12,369,358
Less Allowance	(3,872,867)	-	-	(3,163)	-	-	-	(3,876,030)
Receivables, net	<u>\$ 8,242,882</u>	<u>\$ 8,719</u>	<u>\$ 3,201</u>	<u>\$ 25,885</u>	<u>\$ 173,471</u>	<u>\$ 288</u>	<u>\$ 38,882</u>	<u>\$ 8,493,328</u>
	Business-type Activities							
	Utilities	Refuse	Stormwater	Total	Component Unit -- School Board			
Accounts	\$ 7,624,414	\$ 457,884	\$ 219,754	\$ 8,302,052	\$ 306,084			
Less Allowance	(470,415)	(141,647)	(67,997)	(680,059)	-			
Receivables, net	<u>\$ 7,153,999</u>	<u>\$ 316,237</u>	<u>\$ 151,757</u>	<u>\$ 7,621,993</u>	<u>\$ 306,084</u>			

Allowances for Uncollectible Accounts

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

	Governmental Activities	Business-type Activities
General Fund - Taxes receivable	\$ 2,186,134	\$ -
General Fund - EMS receivable	1,686,733	-
Non-major Funds - Taxes receivable	3,163	-
Utility Fund - Accounts receivable	-	470,415
Non-major Proprietary Funds - Accounts receivable	-	209,644
Total	<u>\$ 3,876,030</u>	<u>\$ 680,059</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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:

	General	Capital Projects	Non-major Governmental Funds	Total
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 798,711	\$ -	\$ -	\$ 798,711
Communication sales tax	573,323	-	-	573,323
Shared expenses	231,710	-	-	231,710
Social services reimbursement	306,543	-	-	306,543
VA Department of Transportation	-	654,578	-	654,578
Various grants	88,885	81,267	16,193	186,345
	<u>1,999,172</u>	<u>735,845</u>	<u>16,193</u>	<u>2,751,210</u>
<u>Federal Government:</u>				
Social services reimbursement	419,537	-	-	419,537
Various grants	829	17,316	476,348	494,493
	<u>420,366</u>	<u>17,316</u>	<u>476,348</u>	<u>914,030</u>
Total due from other governments	<u>\$ 2,419,538</u>	<u>\$ 753,161</u>	<u>\$ 492,541</u>	<u>\$ 3,665,240</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 4. Due From Other Governments (Continued)

Component Unit – School Board:

	<u>School Operating</u>	<u>School Grants</u>	<u>School Food Service</u>	<u>Total</u>
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,299,535	\$ -	\$ -	\$ 1,299,535
Various grants	45,335	331,617	-	376,952
	<u>1,344,870</u>	<u>331,617</u>	<u>-</u>	<u>1,676,487</u>
<u>Federal Government:</u>				
School food reimbursement	-	-	739,674	739,674
Title I	-	1,183,864	-	1,183,864
Title VI-B	-	261,672	-	261,672
Education jobs grant	-	60,694	-	60,694
Various grants	112,283	194,319	-	306,602
	<u>112,283</u>	<u>1,700,549</u>	<u>739,674</u>	<u>2,552,506</u>
Total due from other governments	<u>\$ 1,457,153</u>	<u>\$ 2,032,166</u>	<u>\$ 739,674</u>	<u>\$ 4,228,993</u>

Note 5. Interfund Transactions:

Interfund Transfers:

	<u>Transfers to:</u>					
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-major Governmental</u>	<u>Internal Service</u>	<u>Total</u>
Transfers from:						
General Fund	\$ -	\$ 4,539,600	\$ 26,552,540	\$ 1,099,729	\$ -	\$ 32,191,869
Road Maintenance	705,009	-	-	-	2,381,000	3,086,009
Debt Service	920,756	500,000	-	-	-	1,420,756
Capital Projects	-	-	-	208,445	-	208,445
Utility	576,133	-	-	-	-	576,133
Non-major:						
Governmental	40,311	250,000	1,046,005	-	-	1,336,316
Enterprise	530,754	500,000	-	-	266,000	1,296,754
Internal Service	553,347	-	-	-	-	553,347
Total	<u>\$ 3,326,310</u>	<u>\$ 5,789,600</u>	<u>\$ 27,598,545</u>	<u>\$ 1,308,174</u>	<u>\$ 2,647,000</u>	<u>\$ 40,669,629</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, 2015

Note 6. Transactions between Primary Government and Component Units

Significant Transactions of the City and Component Unit – School Board

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

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

Expenditures of School Board – component unit	\$ 145,826,413
Repayment of School Board debt	<u>11,060,376</u>
	<u>\$ 156,886,789</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Capital Assets

The following is a summary of governmental activities' capital asset activity:

	Governmental Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, non-depreciable				
Land	\$ 22,965,105	\$ -	\$ 18,000	\$ 22,947,105
Construction in progress	93,901,359	32,452,015	97,514,520	28,838,854
Total Capital assets, non-depreciable	116,866,464	32,452,015	97,532,520	51,785,959
Capital Assets, depreciable				
Buildings	69,214,746	50,706,196	70	119,920,872
Infrastructure	380,538,577	22,070,881	-	402,609,458
Improvements other than buildings	30,261,354	16,327,619	3,000	46,585,973
Machinery and equipment	76,228,331	20,383,248	2,728,095	93,883,484
Intangibles	2,037,416	344,971	5,760	2,376,627
Total capital assets, depreciable	558,280,424	109,832,915	2,736,925	665,376,414
Less accumulated depreciation for:				
Buildings	21,577,011	1,684,450	55,314	23,206,147
Infrastructure	94,073,517	12,936,084	-	107,009,601
Improvement other than buildings	11,061,619	984,000	3,000	12,042,619
Machinery and equipment	44,902,527	6,501,997	2,832,278	48,572,246
Intangibles	864,368	241,516	2,578	1,103,306
Total accumulated depreciation	172,479,042	22,348,047	2,893,170	191,933,919
Total capital assets, depreciable, net	385,801,382	87,484,868	(156,245)	473,442,495
Governmental activities, capital assets, net	\$ 502,667,846	\$ 119,936,883	\$ 97,376,275	\$ 525,228,454

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Capital Assets (Continued)

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

Governmental Activities:

General government	\$ 5,595,480
Judicial administration	2,844
Public safety	1,037,287
Public works	14,087,101
Community development	858,480
Education	5,068
Parks, recreation, and cultural	761,787
Total	<u>\$ 22,348,047</u>

Government activities included depreciation of \$4,424,217 for the Fleet Maintenance fund, \$107,379 for the Risk Management fund, and \$632,566 for Information Technology fund.

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

	Business-type Activities			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, non-depreciable				
Land	\$ 5,564,371	\$ 231	\$ -	\$ 5,564,601
Construction in progress	99,195,776	32,246,304	59,736,050	71,706,030
Total Capital assets, non-depreciable	<u>104,760,147</u>	<u>32,246,535</u>	<u>59,736,050</u>	<u>77,270,631</u>
Capital Assets, depreciable				
Buildings	74,991,750	21,669,490	-	96,661,241
Improvements other than buildings	297,405,221	32,303,470	-	329,708,691
Machinery and equipment	83,365,603	10,655,680	-	94,021,283
Intangibles	43,606	-	-	43,606
Total capital assets, depreciable	<u>455,806,180</u>	<u>64,628,640</u>	<u>-</u>	<u>520,434,821</u>
Less accumulated depreciation for:				
Buildings	16,668,401	2,078,934	-	18,747,335
Improvement other than buildings	71,528,238	6,204,722	-	77,732,960
Machinery and equipment	31,073,426	3,211,890	-	34,285,316
Intangibles	12,947	22,717	-	35,664
Total accumulated depreciation	<u>119,283,012</u>	<u>11,518,263</u>	<u>-</u>	<u>130,801,275</u>
Total capital assets, depreciable, net	<u>336,523,168</u>	<u>53,110,377</u>	<u>-</u>	<u>389,633,546</u>
Business-type activities, capital assets, net	<u>\$ 441,283,315</u>	<u>\$ 85,356,912</u>	<u>\$ 59,736,050</u>	<u>\$ 466,904,177</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Capital Assets (Continued)

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

	Component Unit -- School Board			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, non-depreciable				
Land	\$ 6,416,523	\$ -	\$ 29,000	\$ 6,387,523
Total Capital assets, non-depreciable	6,416,523	-	29,000	6,387,523
Capital Assets, depreciable				
Buildings	184,544,790	-	1,217,055	183,327,735
Improvements other than buildings	16,682,957	42,300	91,400	16,633,857
Machinery and equipment	38,425,990	4,058,133	778,773	41,705,350
Total capital assets, depreciable	239,653,737	4,100,433	2,087,228	241,666,942
Less accumulated depreciation for:				
Buildings	83,410,051	4,986,668	-	88,396,719
Improvement other than buildings	10,117,222	600,584	-	10,717,806
Machinery and equipment	27,246,711	2,776,639	1,459,461	28,563,889
Total accumulated depreciation	120,773,984	8,363,891	1,459,461	127,678,414
Total capital assets, depreciable, net	118,879,753	(4,263,458)	627,767	113,988,528
Component Unit - School Board, capital assets, net	\$ 125,296,276	\$ (4,263,458)	\$ 656,767	\$ 120,376,051

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Unavailable and Unearned Revenue

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

	Governmental Funds Unavailable Revenues	Governmental Activities Unearned Revenues
Liability:		
Grant receipts -- unearned	\$ 52,222	\$ 52,222
Golf-course lease revenue -- unearned (Note 10)	-	1,301,288
Total unavailable/unearned revenues	<u>\$ 52,222</u>	<u>\$ 1,353,510</u>
Deferred inflow of resources:		
Prepaid taxes and other amounts -- unearned	\$ 978,524	\$ 978,524
Developer deposits -- unearned (General)	618,062	618,062
Developer deposits -- unearned (Road Maintenance)	783,427	783,427
Hanger deposits -- unearned (Aviation)	15,364	15,364
Proffers received -- unearned	1,270,512	1,270,512
Taxes receivable, net -- unavailable	2,837,702	-
Total unavailable/unearned revenues	<u>\$ 6,503,591</u>	<u>\$ 3,665,889</u>

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	\$ 220,010,219	\$ 48,980,000	\$ 38,047,462	\$ 230,942,757	\$ 16,567,462
Add bond premiums and other credits	14,098,619	6,695,020	2,258,296	18,535,343	-
	234,108,838	55,675,020	40,305,758	249,478,100	16,567,462
Section 108 loan	2,494,000	-	193,000	2,301,000	193,000
Capital lease obligations	10,738,856	4,757,337	3,958,721	11,537,472	3,176,425
	247,341,694	60,432,357	44,457,479	263,316,572	19,936,887
Net pension liability	47,074,164	20,051,545	33,698,548	33,427,161	-
Claims payable	3,115,076	13,182,244	12,490,506	3,806,814	2,190,154
Compensated absences	4,928,442	821,764	507,840	5,242,366	407,763
Landfill liability	1,688,880	-	-	1,688,880	-
Governmental activities, long-term liabilities	\$ 304,148,256	\$ 94,487,910	\$ 91,154,373	\$ 307,481,793	\$ 22,534,804
<u>Business-type activities:</u>					
General obligation bonds	\$ 171,004,781	\$ 75,840,000	\$ 3,137,538	\$ 243,707,243	\$ 3,117,538
Revenue bonds	138,620,000	-	58,950,000	79,670,000	1,645,000
Add bond premiums and other credits	14,181,565	5,462,344	2,367,488	17,276,421	-
	323,806,346	81,302,344	64,455,026	340,653,664	4,762,538
Capital lease obligations	1,767,419	47,529	381,990	1,432,958	372,274
	325,573,765	81,349,873	64,837,016	342,086,622	5,134,812
Net pension liability	6,981,109	2,973,649	4,997,502	4,957,256	-
Compensated absences	598,036	82,876	37,982	642,930	25,125
Business-type activities, long-term liabilities	\$ 333,152,910	\$ 84,406,398	\$ 69,872,500	\$ 347,686,808	\$ 5,159,937

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, 2015

Note 9. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bonds Payable:						
General Obligation Bonds:						
Public Improvement Series 2005	11/17/05	12/01/25	4.00-5.00	\$ 11,710,000	\$ 2,790,000	\$ -
2005 Refunding Bonds	11/17/05	12/01/19	4.00-5.00	10,005,000	4,014,937	5,063
2007 Public Improvement and Refunding Bonds	04/11/07	02/01/35	4.00-4.50	88,245,000	32,585,000	-
2007B Public Improvement Bonds	12/01/07	12/01/27	4.00-5.00	24,475,000	15,900,000	-
2008 Public Improvement Bonds	10/28/08	02/01/29	4.00-5.00	16,600,000	5,810,000	-
2009 Series (Taxable - Build America Bonds)	11/10/09	02/01/40	3.87	27,000,000	-	25,150,000
2010A Public Improvement and Refunding Bonds	04/29/10	08/01/32	3.38	34,155,000	28,630,000	-
2011 Public Improvement	07/07/11	02/01/27	2.00-5.00	84,510,000	20,700,000	61,245,000
2011 Public Improvement and Refunding Bonds	07/07/11	02/01/27	2.00-5.00	30,065,000	7,230,000	16,665,000
2011 VPSA Local School Bond	12/15/11	06/30/31	4.97	7,500,000	7,250,000	-
2012 Public Improvement and Refunding Bonds	08/22/12	06/01/42	2.00-5.00	60,610,000	19,760,000	38,480,000
2013 Public Improvement and Refunding Bonds	07/30/13	12/01/32	3.00-5.00	64,415,000	35,302,820	27,762,180
2013B Public Improvement Bonds	12/12/13	06/30/29	2.55	2,100,000	1,990,000	-
2014 Public Improvement and Refunding Bonds	07/30/15	02/01/42	2.00-5.00	124,820,000	<u>48,980,000</u>	<u>74,400,000</u>
Total general obligation bonds					<u>230,942,757</u>	<u>243,707,243</u>
Other Loans						
Section 108 Loan Payable	09/14/06	08/01/26	4.96-5.77	3,845,000	<u>2,301,000</u>	<u>-</u>
Total bonds and loans payable					<u>\$ 233,243,757</u>	<u>\$ 243,707,243</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Long-Term Liabilities (Continued)

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital Lease Obligations:		
Leases issued for the purchase of generators; payable in monthly installments through June 2029	\$ 1,906,279	\$ 1,432,958
\$1,324,956 issued November 23, 2010 for the purchase of a lighting projects and various vehicles and equipment; payable in quarterly installments of \$70,284 through November 23, 2015; interest at 2.28%	139,375	-
\$606,000 issued November 18, 2011 for the purchase of various vehicles and equipment; payable in quarterly installments of \$31,957 through November 18, 2016; interest at 2.05%	188,349	-
\$2,661,000 issued September 21, 2012 for the purchase of various vehicles and equipment; payable in quarterly installments of \$139,678 through August 1, 2017; interest at 1.87%	1,064,167	-
\$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%	1,561,816	-
\$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%	3,534,456	-
\$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%	3,143,030	-
Total capital lease obligations	<u>\$ 11,537,472</u>	<u>\$ 1,432,958</u>

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Business-type Activities</u>
Bonds Payable:					
Pledged Revenue Bonds Virginia Resources Authority (VRA):					
2006B VRA Refunding Bonds	08/09/06	04/01/30	4.10-4.87%	\$ 12,750,000	\$ 10,295,000
2006C Series Water and Sewer Revenue Bond - VRA	11/26/06	10/01/36	4.26-4.91	36,460,000	10,160,000
2007 Series Water and Sewer Revenue Bond - VRA	12/13/07	10/01/37	3.40-5.10	39,795,000	7,350,000
2008 Series Water and Sewer Revenue Bond - VRA	12/10/08	10/01/38	2.29-5.54	45,300,000	39,270,000
2009 Series Water and Sewer Revenue Bond - VRA	06/17/09	10/01/25	1.13-4.86	10,200,000	7,675,000
2010 VRA Refunding Bonds	06/16/10	04/01/31	4.52	4,945,000	4,920,000
Total pledged revenue bonds					<u>\$ 79,670,000</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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
2016	\$ 16,567,462	\$ 10,164,789	\$ 193,000	\$ 121,410	\$ 3,176,425	\$ 123,337
2017	16,071,703	9,430,094	193,000	111,567	2,963,395	83,217
2018	17,929,410	8,645,087	193,000	101,521	2,562,604	47,347
2019	16,091,108	7,851,224	193,000	91,215	1,429,402	19,101
2020	15,731,121	7,199,328	193,000	80,764	534,468	3,238
2021-2025	68,577,448	26,629,815	965,000	243,040	529,742	-
2026-2030	54,629,505	12,503,046	371,000	20,945	341,436	-
2031-2035	25,345,000	2,357,325	-	-	-	-
Total	<u>\$ 230,942,757</u>	<u>\$ 84,780,708</u>	<u>\$ 2,301,000</u>	<u>\$ 770,462</u>	<u>\$ 11,537,472</u>	<u>\$ 276,240</u>

Year Ending June 30,	Business-type Activities					
	General Obligations Bonds		Revenue Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,117,538	\$ 10,893,933	\$ 1,645,000	\$ 3,830,693	\$ 372,274	\$ -
2017	3,893,297	10,757,865	2,090,000	3,752,198	345,653	-
2018	5,900,600	10,612,615	4,035,000	3,621,124	296,883	-
2019	7,231,380	10,336,283	3,555,000	3,448,486	188,499	-
2020	7,576,380	10,040,494	3,730,000	3,283,727	130,247	-
2021-2025	46,267,553	44,799,358	17,250,000	14,095,663	99,402	-
2026-2030	49,790,495	33,489,781	20,695,000	9,507,549	-	-
2031-2035	55,200,000	22,644,043	14,595,000	4,918,816	-	-
2036-2040	51,775,000	10,069,076	12,075,000	1,218,577	-	-
2041-2044	12,955,000	808,650	-	-	-	-
Total	<u>\$ 243,707,243</u>	<u>\$ 164,452,098</u>	<u>\$ 79,670,000</u>	<u>\$ 47,676,833</u>	<u>\$ 1,432,958</u>	<u>\$ -</u>

The Governmental Activities' capital lease obligations are collateralized by equipment with a book value of \$9,855,872, which is net of accumulated depreciation of \$1,540,761 at June 30, 2015.

The Business-type Activities' capital Lease obligations are collateralized by equipment with a book value of \$934,949, which is net of accumulated depreciation of \$1,377,813 at June 30, 2015.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 \$127,346,833 through 2039.

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 2.97, 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, 2015, the City's aggregate general obligation indebtedness is approximately \$430.5 million less than the Commonwealth's limit and \$165.5 million less than the City's independent limit.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Long-Term Liabilities (Continued)

School Board Long-Term Liabilities:

Following is a summary of changes in noncurrent liabilities of the School Board for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit - School Board					
Other postemployment benefits	\$ 2,682,025	\$ 1,310,707	\$ 1,631,285	\$ 2,361,447	\$ -
Net pension liability	138,348,000	2,221,071	25,810,338	114,758,733	-
Compensated absences	1,941,808	1,459,244	1,194,655	2,206,397	122,488
Total	<u>\$ 142,971,833</u>	<u>\$ 4,991,022</u>	<u>\$ 28,636,278</u>	<u>\$ 119,326,577</u>	<u>\$ 122,488</u>

Current Year Refunding of Debt

In July 2014, the City issued \$79,875,000 in general obligation bonds with an average interest rate ranging between 2.00%-5.00%. These bonds were issued to refund \$79,250,000 in outstanding bonds including partial refunding of VRA Water and Sewer Revenue bonds issued in 2004, 2005, 2006, and 2007, as well as the partial refunding of general obligation bonds issued in 2007. The net proceeds of the refunding were \$87,376,706 (including \$8,422,615 in bond premium and \$920,909 in underwriting fees and other issuance costs). The liability for the refunded bonds has been replaced with the liability from new debt with the difference between the reacquisition price and the net carrying amount of the old debt totaling \$6,111,703 and is being deferred and amortized over the shorter of life of the defeased debt or the replacement debt. Approximately \$71,345,000 remains outstanding at June 30, 2015 to be paid from the refunding escrow set up with the 2014 issuance, related to the partially defeased bonds.

The City refunded these bonds in order to reduce the average interest rate paid on the bonds without extending the final maturity. The impact of the refunding was to decrease the overall debt service on the refunded obligations by \$9,877,673. In addition, this resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$7,550,007.

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, 2015, the balance of these defeased bonds was \$100,910,000.

Bonds Authorized and Unissued:

Bonded debt authorized by City Council in previous years but unissued as of June 30, 2015 totals \$36,000,000.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Long-Term Liabilities (Continued)

Landfill Post closure Care Costs:

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

The estimated liability is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the City as discussed. If the DEQ does not accept the active remedy, the actual costs may change. Also, actual costs may be higher due to inflation, changes in technology, changes in regulation, or other unforeseen circumstances. The cumulative amount of estimated post closure care costs, and corrective action to date for this site, less cash paid for such costs to date, totals \$1,688,880. This amount is included in the long-term liabilities in the primary government.

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

Note 10. Leases

Lessor:

On October 27, 2009, the City entered into an operating lease whereby the City leased the Sleepy Hole Golf Course to a private operator. The lease was amended on May 1, 2010 and the term of the lease ends April 30, 2030. The agreement requires annual lease payments to the City of \$356,000. This amount is reduced by certified annual capital costs made by the operator to enhance the integrity of the golf course facility. For the year ended June 30, 2015, the operator did not report any certified capital improvements. The remaining amount of unearned lease revenue, in the form of capital improvements exceeding the annual lease payments at June 30, 2015, is \$1,301,288.

Lessee:

The City also leases various equipment and facilities through operating leases, which are subject to appropriation annually. Rent expense for governmental and business-type activities was \$1,602,844 and \$1,615,067 respectively.

Future minimum lease payments under these leases are as follows:

2016	\$ 1,606,593
2017	<u>1,167,376</u>
	<u>\$ 2,773,969</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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/2014-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, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Benefit Terms, and Contribution Requirements

Plan 1	Plan 2	Hybrid
<p>Description (Employees Covered): 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>Description (Employees Covered): 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>Description (Employees Covered): 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"> The defined benefit is based on the member's age, creditable service and average final compensation. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
<p>Retirement Eligibility: Normal:</p> <ul style="list-style-type: none"> 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. 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. <p>Early Retirement with reduced benefit:</p> <ul style="list-style-type: none"> 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. Hazardous duty members may retire early with a reduced benefit at age 50 with at least 5 years of service credit. 	<p>Retirement Eligibility: Normal:</p> <ul style="list-style-type: none"> 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. Hazardous duty members' eligibility is the same as Plan 1. <p>Early Retirement with reduced benefit:</p> <ul style="list-style-type: none"> Non-hazardous duty members may retire early with a reduced benefit at age 60 with at least 5 years of service credit. Hazardous duty members' eligibility is the same as Plan 1. 	<p>Retirement Eligibility: Normal:</p> <ul style="list-style-type: none"> 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. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment <p>Early Retirement with reduced benefit:</p> <ul style="list-style-type: none"> Defined Benefit Component: Members are eligible for a reduced benefit at age 60 with at least 5 years of creditable service. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Benefit Terms, and Contribution Requirements (continued)

Plan 1	Plan 2	Hybrid
Retirement Eligibility (continued): Vesting: <ul style="list-style-type: none"> Members become vested when they have at least 5 years of creditable service 	Retirement Eligibility(continued): Vesting: <ul style="list-style-type: none"> Same as Plan 1. 	Retirement Eligibility(continued): Vesting: <ul style="list-style-type: none"> Defined Benefit Component: Same as Plan 1. 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. Members are 100% vested in contributions they make.
Types of Benefits: 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.	Types of Benefits: Same as Plan 1.	Types of Benefits: Defined Benefit Component: Same as Plan 1. 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.
Elements of the Pension Formula: Average Final Compensation: <ul style="list-style-type: none"> The average of the 36 consecutive months of highest compensation as a covered employee. 	Elements of the Pension Formula: Average Final Compensation: <ul style="list-style-type: none"> The average of the 60 consecutive months of highest compensation as a covered employee. 	Elements of the Pension Formula: Average Final Compensation: <ul style="list-style-type: none"> Same as Plan 2 for the Defined Benefit Component.
Service Retirement Multiplier: <ul style="list-style-type: none"> Non-hazardous duty members is 1.7% Sheriffs and regional jail superintendents is 1.85% Hazardous duty members other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer. 	Service Retirement Multiplier: <ul style="list-style-type: none"> For service earned, purchased or granted prior to 1/1/13, and hazardous duty members it is the same as Plan 1. For service earned, purchased or granted after 1/1/13 for non-hazardous duty members it is 1.65% 	Service Retirement Multiplier: <ul style="list-style-type: none"> Defined Benefit Component: 1.0% For members who opted into this plan, the retirement multiplier for their previous plan will be used for service credited in those plans.
Creditable Service: <ul style="list-style-type: none"> Earned for each month employed in a covered position 	Creditable Service: <ul style="list-style-type: none"> Same as Plan 1 	Creditable Service: <ul style="list-style-type: none"> Defined Benefit Component: Same as Plan 1

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Benefit Terms, and Contribution Requirements (continued)

Plan 1	Plan 2	Hybrid
Elements of the Pension Formula (continued):	Elements of the Pension Formula (continued):	Elements of the Pension Formula (continued):
Cost-of-Living Adjustments:	Cost-of Living Adjustments:	Cost-of Living Adjustments:
<ul style="list-style-type: none"> 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% Eligible July 1 of the 2nd calendar year of retirement. 	<ul style="list-style-type: none"> Matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) for a maximum of 3%. 	<ul style="list-style-type: none"> Defined Benefit Component: Same as Plan 2 Eligibility is the same as Plans 1 and 2. Defined Contribution Component: Not applicable
Contribution Requirements:	Contribution Requirements:	Contribution Requirements:
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.	Same as Plan 1.	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.
The employer makes a separate actuarially determined contribution to VRS for all covered employees.		

Number of Employees by Class:

	City	School Board – Non Teacher Plan
Retirees or beneficiaries currently receiving benefits:	502	144
Inactive Members:		
Vested inactive members	202	24
Non-vested inactive members	332	124
Inactive members active elsewhere in VRS	359	52
Total inactive members	893	200
Active Employees:	1236	374
Total	2631	718

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 2015 were based on the actuary's valuation as of June 30, 2013. 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, 2015 was 12.84% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2013.

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, 2015 and June 30, 2014, respectively were \$8,321,012 and \$7,684,006.

The School Board's contractually required contribution rate for the Teacher Retirement Plan for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%.

The School Board's (non-teacher plan) contractually required contribution rate for the year ended June 30, 2015 was 9.62% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the Teacher Retirement pension plan for the years ended June 30, 2015 and June 30, 2014, respectively were \$11,809,302 and \$7,932,701. Contributions to the Non-Teacher pension plan for the years ended June 30, 2015 and June 30, 2014, respectively were \$747,583 and \$587,401.

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, 2013. 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, 2014. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Net Pension Liability (continued)

	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.

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Net Pension Liability (continued)

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, 2013 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, 2015

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)%
Total	100.00%		5.83%
	Inflation		2.50%
**Expected arithmetic nominal return			8.33%

** 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, 2015

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
Balance at 7/1/2014	\$ 231,547,492	\$ 177,492,218	\$ 54,055,274
Changes for the Year:			
Service cost	6,994,155	-	6,994,155
Interest	15,882,027	-	15,882,027
Contributions -- employer	-	7,684,006	(7,684,006)
Contributions -- employee	-	2,877,613	(2,877,613)
Net investment income	-	28,132,949	(28,132,949)
Benefit payments including refunds of employee contributions	(9,322,789)	(9,322,789)	-
Administrative expense	-	(149,011)	149,011
Other changes	-	1,482	(1,482)
Net Changes	13,553,393	29,224,250	(15,670,857)
Balances at 6/30/2015	\$ 245,100,885	\$ 206,716,468	\$ 38,384,417

	Increase/(Decrease)		
	School Board (non-teacher) Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Liability) Asset
Balance at 7/1/2014	\$ 21,315,088	\$ 19,344,130	\$ 1,970,958
Changes for the Year:			
Service cost	738,127	-	738,127
Interest	1,455,330	-	1,455,330
Contributions -- employer	-	587,401	(587,401)
Contributions -- employee	-	330,019	(330,019)
Net investment income	-	3,042,856	(3,042,856)
Benefit payments including refunds of employee contributions	(1,049,323)	(1,049,323)	-
Administrative expense	-	(16,345)	16,345
Other changes	-	161	(161)
Net Changes	1,144,134	2,894,769	(1,750,635)
Balances at 6/30/2015	\$ 22,459,222	\$ 22,238,899	\$ 220,323

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 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	\$73,010,522	\$38,384,417	\$9,827,819
School Board's (non-teacher) Net Pension Liability (Asset)	\$3,171,522	\$220,323	\$(2,244,584)
Pruden Center's (non-teacher) Net Pension Liability (Asset)	\$(80,000)	\$(88,590)	\$(96,000)
School Board's Teacher Retirement Plan Net Pension Liability	\$165,085,000	\$112,425,000	\$69,069,000
Pruden Center's Teacher Retirement Plan Net Pension Liability	\$3,233,000	\$2,202,000	\$1,353,000

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

For the year ended June 30, 2015, the City recognized pension expense of \$4,549,386.

For the year ended June 30, 2015, the School Board (non-teacher) plan recognized pension expense of \$191,926.

At June 30, 2015, the School Board Teacher Retirement Plan reported a liability of \$112,425,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was determined by an actuarial valuation as of that date.

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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the School Board Teacher Retirement Plan's proportion was 0.93031% as compared to 0.97273% at June 30, 2013.

For the year ended June 30, 2015, The School Board's Teacher Retirement plan recognized pension expense of \$7,836,000. Since for the School Board's Teacher Retirement Plan, there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

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

At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments.	\$ -	\$ 12,536,237	\$ -	\$ 1,366,000	\$ -	\$ 17,012,000
Change in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-	-	4,864,000
Contributions to the plan subsequent to the measurement date	8,321,012	-	747,583	-	11,809,302	-
Total	\$ 8,321,012	\$ 12,536,237	\$ 747,583	\$ 1,366,000	\$ 11,809,302	\$ 21,876,000

\$8,321,012, \$747,583, and \$11,809,302 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, 2016.

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

Year Ended June 30:	City Pension Plan	School Board (non-teacher) Plan	School Board Teacher Retirement Plan
2016	\$(3,134,060)	\$(341,500)	\$(5,329,000)
2017	(3,134,060)	(341,500)	(5, 329,000)
2018	(3,134,060)	(341,500)	(5, 329,000)
2109	(3,134,057)	(341,500)	(5, 329,000)
2020	-	-	(560,000)
Thereafter	-	-	-

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-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 of Suffolk has established an irrevocable trust pursuant to Section 15.21544 of the *Code of Virginia*, as amended for the purpose of accumulated and investing assets to fund Other Postemployment Benefits (OPEB), to participate in the Virginia Pooled OPEB Trust Fund and has established a local Finance Board to become a Participating Employer in the Trust Fund. The Trust Fund provides administrative, custodial, and investment services to the Participating Employers in the Trust Fund. For the fiscal year ended June 30, 2015, the City contributed \$3,503,479 including \$2,310,000 contributed to the trust fund and \$1,193,479 in claims paid on behalf of the retirees. For the fiscal year ended June 30, 2015, the School Board contributed \$1,631,285 to the trust fund including \$421,000 contributed to the trust fund and \$1,210,285 in claims paid on behalf of retirees. Expenses allocated to the Trust Fund during the fiscal year ended June 30, 2015 totaled \$23,821 for the City and \$13,351 for the School Board. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League ("VML") at P.O. Box 12164, Richmond, Virginia 23241.

Plan Description

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

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

Funding Policy

The City and School Board establishes employer contribution rates for plan participants as part of the budgetary process each year and determines how the plan will be funded each year and whether it will partially fund or fully fund the plan. The City and School Board currently fund postemployment 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, 2015

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 \$1,193,479 and \$1,210,285 towards the estimated pay-as-you-go cost for OPEB benefits in fiscal year 2015, in addition contributed \$2,310,000 and \$421,000 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 a period not to exceed thirty years, the thirty amortization period is open.

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:

	City	School Board
Annual Required Contribution	\$ 3,077,600	\$ 1,339,100
Interest on net OPEB obligation	(48,144)	187,742
Adjustment to Annual Required Contribution	55,426	(216,135)
Annual OPEB cost	3,084,882	1,310,707
Contributions made	3,503,479	1,631,285
Decrease in net OPEB obligation	(418,597)	(320,578)
Net OPEB obligation (asset) -- beginning of year	(687,778)	2,682,025
Net OPEB obligation (asset) -- end of year	<u>\$ (1,106,375)</u>	<u>\$ 2,361,447</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.

Three-Year Trend Information				
Fiscal Year	Annual OPEB	Percentage of	Net OPEB	
Ending	Cost	Annual OPEB	(Asset)	
		Cost	Obligation	
		Contributed		
City:				
June 30, 2015	\$ 3,084,882	113.60%	\$ (1,106,375)	
June 30, 2014	\$ 3,166,619	82.80%	\$ (687,778)	
June 30, 2013	\$ 3,008,578	108.05%	\$ (1,232,454)	
School Board:				
Nonprofessional				
June 30, 2015	\$ 1,310,707	124.46%	\$ 2,361,447	
June 30, 2014	\$ 1,256,517	104.44%	\$ 2,682,025	
June 30, 2013	\$ 2,421,957	60.57%	\$ 2,737,776	

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Other Postemployment Benefits Program (Continued)

Funding Status and Funding Progress

The funding status of the plan as of July 1, 2014 for the City and July 1, 2015 for the School Board was as follows:

	<u>City</u>	<u>School</u>
Actuarial Accrued Liability (AAL)	\$ 33,474,600	\$ 15,351,800
Actuarial Value of Plan Assets	<u>20,487,700</u>	<u>12,551,700</u>
Unfunded Actuarial Accrued Liability	<u>\$ 12,986,900</u>	<u>\$ 2,800,100</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	61.20%	81.76%
Covered Payroll (Active Plan Members)	\$ 53,941,000	\$ 55,537,800
UAAL as a Percentage of Covered Payroll	24.08%	5.04%

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, 2014 and July 1, 2015, actuarial valuations for the City and the School Board, respectively, the projected unit credit cost method, was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 7.0% for the City and 7.0% for the School Board discount rate for a funded plan. General inflation rates of 2.5% for the City and for the School Board. Healthcare cost trend rates of 5.7% and 6.6% for the City and School Board. The unfunded accrued liability is being amortized over an open 30 year period using the level dollar amount method.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Commitments and Contingencies

Federally assisted grant programs:

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

Construction Commitments:

The City has authorized expenditures for capital additions and construction of various governmental and utility capital projects. At June 30, 2015, projects expected to be completed at various dates through 2016 had a total unexpended balance of \$13,924,132 (governmental) and \$10,030,625 (utility).

Lease Commitment:

The City has authorized expenditures for capital lease payments, which include monthly and annual payments for repairs and maintenance costs. At June 30, 2015, lease payments and the associated repairs and maintenance commitments had a total unexpended balance of \$3,925,380.

Litigation:

There are various lawsuits pending against the City and School Board, two of which have a potential range of loss up to \$1,000,000 and \$3,000,000 respectively. These and other claims outstanding against the City and School Board, in the opinion of management after consulting with legal counsel, will not materially affect the City or School Board's financial position.

Note 14. Risk Management

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

Self-Insurance – City:

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 14. Risk Management (Continued)

Self-Insurance – City: (Continued)

Claims payable reported in the Risk Management Fund at June 30, 2015 consists of all current self-insured claims payable including an estimate of incurred but not reportable claims amounting to \$1,194,000 the current portion of which is \$2,190,154 for 2015. Claims payable for health insurance are based on current enrollment and benefits and historical experience.

Claims payable for workers' compensation and other contingent liabilities are based on insurance coverage and specific claims which have presented. Following is a summary of changes in claims payable for the fiscal years ended June 30, 2015 and 2014:

		<u>Beginning Balance</u>	<u>Claims and Reserves</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
Workers' Compensation					
	2015	\$ 1,955,558	\$ 1,634,235	\$ 1,092,360	\$ 2,497,433
	2014	\$ 2,042,105	\$ 582,893	\$ 669,440	\$ 1,955,558
Health Insurance					
	2015	\$ 1,159,518	\$ 11,548,009	\$ 11,398,146	\$ 1,309,381
	2014	\$ 1,190,641	\$ 10,180,697	\$ 10,211,820	\$ 1,159,518

Workers' Compensation Self-Insurance Coverage – School Board:

The School Board is self-insured for workers' compensation benefits. Charges are made to the School Operating, Grants, and Food Service Funds as approved by City Council in the annual operating budgets. Any excess charges are reflected as nonspendable balance for workers' compensation claims in the School Operating Fund. At June 30, 2015, \$347,573 of fund balance was allocated for purposes of funding future claims.

Claims are paid by a third-party administrator acting in behalf of the School Board under terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The plan pays all claims up to \$600,000 for each covered accident. Any claims exceeding \$600,000 for each covered accident are paid by specific stop-loss insurance provided by a third-party insurance company. As of June 30, 2015, the workers' compensation benefit obligation consisted of \$552,103 in reported unpaid claims and estimated incurred but not reported claims.

Changes in the balance of claims liabilities during the years ended June 30, 2015 and 2014, are as follows:

		<u>Beginning Balance</u>	<u>Claims and Reserves</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
Workers' Compensation					
	2015	\$ 317,870	\$ 889,426	\$ 655,193	\$ 552,103
	2014	\$ 239,068	\$ 183,939	\$ 105,137	\$ 317,870

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 14. Risk Management (Continued)

Health Insurance Self-Insurance Coverage – School Board:

Claims are paid by a third-party administrator acting on behalf of the School Board under terms of a contractual agreement. The plan pays all claims up to \$125,000 for each participant. Any claims exceeding \$125,000 for each participant are paid by specific stop-loss insurance provided by a third-party insurance company. As of June 30, 2015, 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 15. Subsequent Events

The City issued \$41,170,000 of authorized General Obligation and Refunding Bonds, Series 2015 on July 22, 2015 with a maturity date of February 1, 2035. 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 \$82,260,000 of authorized Water and Sewer System Revenue and Refunding bonds with the Virginia Resources Authority on November 18, 2015. These bonds have a final maturity date of October 1, 2045. 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, 2015

Note 16. Fund Balances

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

	General	Fund	Capital Projects Fund	Road Maintenance Fund	Debt Service Fund	Non-major Governmental Funds
Nonspendable:						
Inventories	\$	42,454	\$ -	\$ -	\$ -	\$ 38,309
Total Nonspendable		42,454	-	-	-	38,309
Restricted for:						
Judicial Administration		50,444	-	-	-	331,057
Public Safety		-	-	-	-	34,224
Public Works		618,062	-	-	-	6,652
Cemetery Care		-	-	-	-	1,200,461
Community Development		-	-	-	-	208,446
Capital Outlay:		-	731,688	-	-	-
Public Buildings		-	16,611,581	-	-	-
Public Safety		-	3,413,135	-	-	-
Roadway Projects		-	20,966,954	11,208,290	-	-
Schools		-	2,687,348	-	-	-
Recreation Facilities		-	2,253,850	-	-	-
Debt Service		-	-	-	392,299	-
Total Restricted		668,506	46,664,556	11,208,290	392,299	1,780,840
Committed to:						
General Government		29,285	-	-	-	-
Judicial Administration		268,601	-	-	-	-
Public Safety:						
Police		405,744	-	-	-	-
Fire		516,319	-	-	-	-
Transportation		-	-	-	-	115,426
Public Works:		-	-	-	-	1,041,034
Bridges and Road Maintenance		-	-	700,165	-	-
Aviation		-	-	-	-	334,247
Route 17 Taxing District		-	-	-	-	1,442,975
Community Development		1,531,492	-	-	-	-
Capital Outlay:		-	1,972,667	-	-	-
Capital Projects Reserve		3,533,940	-	-	-	-
Debt Service		-	-	-	2,122,707	-
Total Committed		6,285,381	1,972,667	700,165	2,122,707	2,933,682
Assigned to:						
General Government		12,183	-	-	-	-
Judicial Administration		2,696	-	-	-	-
Public Safety:						
Police		44,500	-	-	-	-
Fire		160,071	-	-	-	-
Public Works		137,568	-	-	-	-
Social Services		207,495	-	-	-	-
Parks, Recreation and Cultural		91,027	-	-	-	-
Community Development		45,853	-	-	-	-
Total Assigned		701,393	-	-	-	-
Unassigned		47,883,931	-	-	-	(10,951)
Total Fund Balance	\$	55,581,665	\$ 48,637,223	\$ 11,908,455	\$ 2,515,006	\$ 4,741,880

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 17. Prior Period Adjustments

The implementation of GASB Statement No.'s 68 and 71 requires the reporting of a net pension liability on the financial statements of the full accrual basis statements. The implementation of these standards required the restatement of net position for the beginning balance of the net pension liability as actuarially determined by the System.

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

Primary Government					
	Governmental Activities (excluding ISF)	Fleet Management Fund	Information Technology Fund	Risk Management Fund	Total Governmental Activities
Net Position					
June 30, 2014, as previously stated	\$ 349,362,139	\$ 22,662,879	\$ 5,228,900	\$ 9,619,366	\$ 386,873,284
Restatement to:					
Beginning net pension liability	(38,507,966)	(698,590)	(1,018,848)	(157,126)	(40,382,530)
Net Position					
June 30, 2014, as restated	\$ 310,854,172	\$ 21,964,289	\$ 4,210,052	\$ 9,462,240	\$ 346,490,753

Primary Government					Component Unit
	Utility Fund	Stormwater Fund	Refuse Fund	Total Business- type Activities	School Board
Net Position					
June 30, 2014, as previously stated	\$ 155,562,805	\$ 2,410,797	\$ 2,694,056	\$ 160,667,658	\$ 129,742,754
Restatement to:					
Beginning net pension liability	(3,856,152)	(1,323,118)	(809,468)	(5,988,738)	(129,819,000)
Net Position					
June 30, 2014, as restated	\$ 151,706,653	\$ 1,087,679	\$ 1,884,588	\$ 154,678,920	\$ (76,246)

Note 18. New Accounting Standards

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

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses issues related to fair value measurements and defines what fair value is, and provides guidance for determining a fair value measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for the year ending June 30, 2016.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 18. New Accounting Standards (continued)

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and amendments to certain provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68. In addition, the statement establishes requirements of defined contribution pensions that are not within the scope of Statement No. 68 and also amends certain provisions of Statements No. 67 and 68. The statement is effective for the fiscal year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. The scope of this statement applies to OPEB plans administered through trusts for which the contributions are irrevocable, the plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms, and the plan assets are legally protected from the creditors of employers. The statement is effective for the fiscal year ending June 15, 2017.

GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits other than Pensions*, addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. The statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense. This statement is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies the hierarchy of GAAP. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction is not specified within a source of authoritative GAAP. This statement is effective for the year ending June 30, 2016.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about both the reporting government's own tax abatement agreements and those that are entered into by other governments and reduce the reporting government's tax revenues. This statement is effective for the fiscal year ending June 30, 2017.

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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
General property taxes:				
Real estate	\$ 87,500,000	\$ 87,500,000	\$ 87,868,430	\$ 368,430
Personal property	16,500,000	16,500,000	16,423,994	(76,006)
Public service corporations	3,200,000	3,200,000	3,470,735	270,735
Machinery and tools	-	-	1,648,970	1,648,970
Payments in Lieu of Taxes	3,000	3,000	-	(3,000)
Penalties	1,000,000	1,000,000	1,206,718	206,718
Total general property taxes	108,203,000	108,203,000	110,618,848	2,415,848
Other Local Taxes				
Sales and use	8,100,000	8,100,000	9,397,170	1,297,170
Utility tax	4,300,000	4,300,000	4,509,480	209,480
Communication taxes	3,600,000	3,600,000	3,492,721	(107,279)
Business and occupational licenses	6,200,000	6,200,000	6,928,327	728,327
Motor vehicle license	2,200,000	2,200,000	2,301,259	101,259
Bank stock	490,000	490,000	529,855	39,855
Recordation	1,100,000	1,100,000	1,456,396	356,396
Tobacco	1,300,000	1,300,000	1,391,263	91,263
Lodging	1,100,000	1,100,000	1,172,193	72,193
Meals	7,300,000	7,300,000	8,329,490	1,029,490
Public facility taxes	100,000	100,000	-	(100,000)
Admission	250,000	250,000	215,019	(34,981)
Total other local taxes	36,040,000	36,040,000	39,723,173	3,683,173
Permits, fees, and licenses				
Animal license	35,000	35,000	39,598	4,598
Permits and other licenses	965,750	965,750	1,070,553	104,803
Total permits, fees, and licenses	1,000,750	1,000,750	1,110,151	109,401
Fines and forfeitures				
	860,000	860,000	985,992	125,992
Revenue from use of money and property:				
Revenue from use of money	350,000	350,000	239,785	(110,215)
Revenue from use of property	381,000	381,000	343,890	(37,110)
Total use of money and property	731,000	731,000	583,675	(147,325)
Charges for services:				
Court costs	283,787	283,787	222,642	(61,145)
Commonwealth's attorney fee	9,000	9,000	4,171	(4,829)
Police and traffic control	20,000	20,000	29,542	9,542
Charges for other protection	1,880,000	1,880,000	1,835,133	(44,867)
Charges for parks and recreation	800,000	800,000	932,009	132,009
Charges for library	20,000	20,000	17,373	(2,627)
Charges for tourism	35,000	35,000	32,971	(2,029)
Charges for planning and community development	-	-	85	85
Charges for other services	604,000	604,000	513,464	(90,536)
Total charges for services	3,651,787	3,651,787	3,587,390	(64,397)

(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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES (Continued)				
Miscellaneous revenue				
Miscellaneous	\$ 1,228,198	\$ 1,228,198	\$ 1,315,176	\$ 86,978
Total revenue from local sources	151,714,735	151,714,735	157,924,405	6,209,670
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carrier tax	-	-	-	-
Tax on deeds	550,000	550,000	373,283	(176,717)
Railroad rolling stock tax	130,000	130,000	134,775	4,775
House bill 599 funds	2,860,000	2,860,000	2,764,800	(95,200)
PPTRA	10,169,729	10,169,729	10,169,730	1
Mobile home titling tax	20,000	20,000	16,244	(3,756)
Vehicle rental tax	120,000	120,000	139,424	19,424
Local aid Commonwealth state reduction	-	-	(213,192)	(213,192)
Total noncategorical aid	13,849,729	13,849,729	13,385,064	(464,665)
Categorical aid:				
Commonwealth's Attorney	960,000	960,000	994,471	34,471
Commissioner of Revenue	160,000	160,000	160,929	929
Treasurer	202,000	202,000	203,644	1,644
Sheriff	878,000	878,000	889,838	11,838
Circuit Court Clerk	641,408	731,532	610,426	(121,106)
Registrar	45,000	45,000	46,007	1,007
Total categorical aid	2,886,408	2,976,532	2,905,315	(71,217)
Other categorical aid:				
Public assistance and welfare administration	3,770,000	3,770,000	2,612,965	(1,157,035)
Police	200,000	200,000	244,227	44,227
Fire and rescue	286,000	286,000	311,718	25,718
Library	155,000	155,000	156,682	1,682
Other categorical aid	-	200,000	201,240	1,240
Total other categorical aid	4,411,000	4,611,000	3,526,832	(1,084,168)
Total categorical aid	7,297,408	7,587,532	6,432,147	(1,155,385)
Total revenue from the Commonwealth	21,147,137	21,437,261	19,817,211	(1,620,050)
Revenue from the Federal government				
Categorical aid:				
Public assistance and welfare administration	4,900,000	4,900,000	4,943,272	43,272
Public safety	11,032	11,032	42,736	31,704
Parks, recreation and cultural	20,000	20,000	20,067	67
Total revenue from the Federal government	4,931,032	4,931,032	5,006,075	75,043
Total revenues	177,792,904	178,083,028	182,747,691	4,664,663

(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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES				
General Government administration:				
Legislative:				
City Council	\$ 453,263	\$ 423,319	\$ 423,319	\$ -
General and financial administration:				
City Manager	1,116,511	1,008,027	1,008,027	-
Budget and strategic planning	346,910	218,198	218,198	-
City Attorney	981,581	985,654	985,654	-
Human resources	1,085,128	1,064,855	1,064,751	104
Commissioner of the Revenue	973,436	904,521	904,521	-
City Assessor	1,526,976	1,406,210	1,406,210	-
City Treasurer	1,427,818	1,406,256	1,406,256	-
Finance	1,504,887	1,428,724	1,428,724	-
Purchasing	323,742	319,946	319,946	-
Capital Program Management	2,896,752	3,491,334	3,491,334	-
Communications	586,541	612,701	612,701	-
Local and regional organizations	971,905	972,117	972,117	-
Board of Elections:				
Registrar	381,413	576,158	576,158	-
Total general government administration	14,576,863	14,818,020	14,817,916	104
Judicial administration:				
Courts:				
Circuit Court	188,414	183,913	181,947	1,966
District Court	60,772	62,597	62,597	-
Magistrate	18,043	15,827	15,827	-
Juvenile and Domestic Relations Court	24,049	14,210	14,210	-
Juvenile and Domestic Relations Court Service Unit	910,624	918,000	918,000	-
Circuit Court Clerk	1,270,352	1,320,409	1,307,962	12,447
Sheriff	2,222,314	2,289,305	2,289,305	-
Commonwealth Attorney	2,800,743	2,986,669	2,815,392	171,277
Total judicial administration	7,495,311	7,790,930	7,605,240	185,690
Public safety:				
Police	19,578,082	19,421,123	19,392,385	28,738
Communications	1,595,302	1,553,879	1,553,879	-
Property seizure program - Federal	-	168,250	1,754	166,496
Confiscation program - State	-	277,557	90,299	187,258
DARE	-	2,850	-	2,850
Fire	22,569,051	24,798,568	24,583,931	214,637
Western Tidewater Regional Jail	2,588,491	3,797,045	3,797,045	-
Emergency services	19,151	13,944	13,944	-
Total public safety	46,350,077	50,033,216	49,433,237	599,979
Public works:				
Administration	844,962	1,010,643	1,010,643	-
Total public works	844,962	1,010,643	1,010,643	-

(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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES (Continued)				
Health and welfare:				
Western Tidewater Health Department	\$ 840,000	\$ 840,000	\$ 840,000	\$ -
Western Tidewater CSB	281,152	281,152	281,152	-
Social Services	11,574,688	11,791,173	10,427,483	1,363,690
Comprehensive Services Act	1,810,142	1,810,142	1,470,615	339,527
Total health and welfare	14,505,982	14,722,467	13,019,250	1,703,217
Education:				
Contributions to component unit school board	49,684,053	50,604,809	50,604,809	-
Lease rent of building	509,899	509,899	509,899	-
Total education	50,193,952	51,114,708	51,114,708	-
Parks, recreation, and cultural:				
Parks and recreation	1,380,440	1,312,697	1,312,697	-
Parks and recreation -- Office on Youth	132,453	124,532	124,532	-
Parks and recreation maintenance	1,847,545	1,961,215	1,961,215	-
Parks and recreation ground maintenance	560,687	523,706	523,491	215
Parks and recreation support services	466,829	457,805	457,805	-
Parks and recreation - recreation	2,015,533	2,199,861	2,199,861	-
Public libraries	2,697,690	2,548,828	2,548,828	-
Total parks, recreation, and cultural	9,101,177	9,128,644	9,128,429	215
Community Development:				
Community development	2,345,004	2,258,907	2,258,907	-
Planning	1,312,326	1,132,513	1,132,513	-
Economic development	823,652	5,313,114	5,313,114	-
Tourism	553,275	551,942	551,942	-
Animal shelter and management	826,101	804,829	804,829	-
Cooperative extension services	73,853	52,705	52,705	-
Total community development	5,934,211	10,114,010	10,114,010	-
Nondepartmental:				
Fringe benefits and insurance	243,086	612,239	560,006	52,233
Capital Outlay	-	1,200,000	1,200,000	-
Other Miscellaneous	60,000	101,992	88,123	13,869
Total nondepartmental	303,086	1,914,231	1,848,129	66,102
Total expenditures	149,305,621	160,646,869	158,091,562	2,555,307
Excess of revenues over expenditures	28,487,283	17,436,159	24,656,129	7,219,970
OTHER FINANCING SOURCES (USES)				
Fund Balance Surplus - Assigned	-	11,492,882	-	11,492,882
Transfers in	2,405,554	3,326,310	3,326,310	-
Transfers out	(30,892,837)	(32,255,351)	(32,191,869)	(63,482)
Total other financing uses, net	(28,487,283)	(17,436,159)	(28,865,559)	11,429,400
Net change in fund balances	\$ -	\$ -	\$ (4,209,430)	\$ (4,209,430)
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (4,209,430)	
Encumbrances			2,489,688	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 4)			\$ (1,719,742)	

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, 2015**

	Road Maintenance			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Permits, fees and licenses	\$ 235,000	\$ 235,000	\$ 326,462	\$ 91,462
Fines & forfeitures	200,000	200,000	268,635	68,635
Revenue from use of money and property	-	-	44,757	44,757
Charges for services	1,368,000	1,368,000	965,590	(402,410)
Miscellaneous	31,500	31,500	42,888	11,388
Intergovernmental:				
Revenue from the Commonwealth	21,171,275	21,171,275	21,512,965	341,690
Fund balance (rollover/appropriations)	2,000,000	8,591,874	-	(8,591,874)
Total revenues	25,005,775	31,597,649	23,161,297	(8,436,352)
EXPENDITURES				
Current:				
Public Works	21,919,766	28,511,640	21,895,116	6,616,524
Total expenditures	21,919,766	28,511,640	21,895,116	6,616,524
Excess (deficiency) of revenues over (under) expenditures	3,086,009	3,086,009	1,266,181	(1,819,828)
OTHER FINANCING USES				
Transfers out	(3,086,009)	(3,086,009)	(3,086,009)	-
Total other financing uses	(3,086,009)	(3,086,009)	(3,086,009)	-
Net change in fund balances	\$ -	\$ -	\$ (1,819,828)	\$ (1,819,828)
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (1,819,828)	
Encumbrances			596,425	
Total net change in fund balance per Statement of Revenues, Expenditures and changes in Fund Balance (Exhibit 14)			\$ (1,223,403)	

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,

	2014
Total Pension Liability	
Service cost	\$ 6,994,155
Interest	15,882,027
Benefit payments, including refunds of employee contributions	<u>(9,322,789)</u>
Net change in total pension liability	13,553,393
Total pension liability -- beginning	<u>231,547,492</u>
Total pension liability -- ending	<u><u>\$ 245,100,885</u></u>
 Plan fiduciary net position	
Contributions -- employer	\$ 7,684,006
Contributions -- employee	2,877,613
Net investment income	28,132,949
Benefit payments, including refunds of employee contributions	(9,322,789)
Administrative expense	(149,011)
Other	<u>1,483</u>
Net change in plan fiduciary net position	29,224,251
Plan fiduciary net position -- beginning	<u>177,492,218</u>
Plan fiduciary net position -- ending	<u><u>\$ 206,716,469</u></u>
 Total net pension liability -- beginning	\$ 54,055,274
Total Net Pension Liability -- ending	<u><u>\$ 38,384,416</u></u>
 Plan fiduciary net position as a percentage of total pension liability	 84.34%
 Covered employee payroll	 \$ 62,200,251
 Net Pension Liability as a percentage of covered employee payroll	 61.71%

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

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 738,127
Interest	1,455,330
Benefit payments, including refunds of employee contributions	<u>(1,049,323)</u>
Net change in total pension liability	1,144,134
Total pension liability -- beginning	<u>21,315,088</u>
Total pension liability -- ending	<u><u>\$ 22,459,222</u></u>
 Plan fiduciary net position	
Contributions -- employer	\$ 587,401
Contributions -- employee	330,019
Net investment income	3,042,856
Benefit payments, including refunds of employee contributions	(1,049,323)
Administrative expense	(16,345)
Other	<u>161</u>
Net change in plan fiduciary net position	2,894,769
Plan fiduciary net position -- beginning	<u>19,344,130</u>
Plan fiduciary net position -- ending	<u><u>\$ 22,238,899</u></u>
 Total net pension liability -- beginning	\$ 1,970,958
Total net pension liability -- ending	<u><u>\$ 220,323</u></u>
 Plan fiduciary net position as a percentage of total pension liability	99%
 Covered employee payroll	\$ 6,572,813
 Net Pension Liability as a percentage of covered employee payroll	3.35%

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

	<u>2014</u>
Employers proportion of the net pension liability	0.93031%
Employer's proportionate share of the net pension liability	\$ 112,425,000
Employer's covered-employee payroll	68,010,782
Employer proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.30%
Plan fiduciary net position as a percentage of the total pension liability	70.88%

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
City Pension Plan:					
2015	\$ 8,171,325	\$ 8,321,012	\$ (149,687)	\$ 63,639,606	13.08%
School Board (non-teacher) Pension Plan:					
2015	\$ 747,583	\$ 747,583	\$ -	\$ 6,271,733	12%
School Board Teacher Retirement Plan:					
2015	\$ 11,594,588	\$ 11,594,588	\$ -	\$ 68,193,037	17%

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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

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. 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. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013. The impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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, 2015

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.

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
City:						
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%
July 1, 2011	\$ 11,918,849	\$ 21,100,600	\$ 9,181,751	56.49%	\$ 52,047,300	17.64%
School Board:						
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%
July 1, 2011	\$ 6,050,180	\$ 16,559,900	\$ 10,509,720	36.54%	\$ 58,739,000	17.89%

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OTHER SUPPLEMENTARY INFORMATION

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OTHER SUPPLEMENTARY INFORMATION:

NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

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

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

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CITY OF SUFFOLK, VIRGINIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Suffolk Taxing District	Downtown Business Overlay District	Consolidated Grants	Law Library	Route 17 Taxing District	Mosquito Taxing District	Cemetery	Transit	Aviation	Total Non-Major Governmental Funds
ASSETS										
Assets:										
Cash and cash equivalents	\$ -	\$ 249,672	\$ -	\$ 223,719	\$ 1,461,248	\$ 806,095	\$ -	\$ 189,962	\$ 350,271	\$ 3,280,967
Cash and cash equivalents, restricted	-	-	319,431	-	-	-	1,200,461	-	-	1,519,892
Receivables, net:										
Taxes	-	6,753	-	-	-	-	-	-	-	6,753
Accounts	-	-	-	276	-	-	-	817	18,039	19,132
Due from other governmental units	-	-	487,134	-	-	-	-	-	5,407	492,541
Inventory	-	-	-	-	-	-	-	-	38,309	38,309
Total assets	<u>\$ -</u>	<u>\$ 256,425</u>	<u>\$ 806,565</u>	<u>\$ 223,995</u>	<u>\$ 1,461,248</u>	<u>\$ 806,095</u>	<u>\$ 1,200,461</u>	<u>\$ 190,779</u>	<u>\$ 412,026</u>	<u>\$ 5,357,594</u>
LIABILITIES										
Liabilities:										
Accounts payable and accrued liabilities	\$ 10,951	\$ 15,741	\$ 392,420	\$ 1,046	\$ 9,602	\$ -	\$ -	\$ 75,355	\$ 23,323	\$ 528,438
Accrued payroll and related liabilities	-	-	3,608	885	-	-	-	-	783	5,276
Unavailable revenues	-	-	52,222	-	-	-	-	-	-	52,222
Total liabilities	<u>10,951</u>	<u>15,741</u>	<u>448,250</u>	<u>1,931</u>	<u>9,602</u>	<u>-</u>	<u>-</u>	<u>75,355</u>	<u>24,106</u>	<u>585,936</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenues - taxes	-	5,743	-	-	8,671	-	-	-	-	14,414
Deposits	-	-	-	-	-	-	-	-	15,364	15,364
Total deferred inflows	<u>-</u>	<u>5,743</u>	<u>-</u>	<u>-</u>	<u>8,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,364</u>	<u>29,778</u>
FUND BALANCES										
Nonspendable	-	-	-	-	-	-	-	-	38,309	38,309
Restricted	-	-	358,315	222,064	-	-	1,200,461	-	-	1,780,840
Committed	-	234,941	-	-	1,442,975	806,095	-	115,424	334,247	2,933,682
Unassigned	(10,951)	-	-	-	-	-	-	-	-	(10,951)
Total fund balances	<u>(10,951)</u>	<u>234,941</u>	<u>358,315</u>	<u>222,064</u>	<u>1,442,975</u>	<u>806,095</u>	<u>1,200,461</u>	<u>115,424</u>	<u>372,556</u>	<u>4,741,880</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 256,425</u>	<u>\$ 806,565</u>	<u>\$ 223,995</u>	<u>\$ 1,461,248</u>	<u>\$ 806,095</u>	<u>\$ 1,200,461</u>	<u>\$ 190,779</u>	<u>\$ 412,026</u>	<u>\$ 5,357,594</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2015

	Suffolk Taxing District	Downtown Business Overlay District	Consolidated Grants	Law Library	Route 17 Taxing District	Mosquito Taxing District	Cemetery	Transit	Aviation	Total Non-Major Governmental Funds
REVENUES										
Real estate taxes	\$ -	\$ 225,802	\$ -	\$ -	\$ 1,714,111	\$ -	\$ -	\$ -	\$ -	\$ 1,939,913
Revenue from use of money and property	-	841	-	753	4,921	2,714	5,579	639	178,821	194,268
Charges for services	-	-	20,465	39,120	-	-	15,467	53,055	663,066	791,173
Miscellaneous	-	-	316,758	192	-	-	-	7,571	-	324,521
Intergovernmental:										
Revenue from the Commonwealth	-	-	379,564	-	-	-	-	359,230	24,808	763,602
Revenue from the Federal government	-	-	1,562,413	-	-	-	-	-	-	1,562,413
Total revenues	-	226,643	2,279,200	40,065	1,719,032	2,714	21,046	420,495	866,695	5,575,890
EXPENDITURES										
Current:										
General government administration	42	-	-	-	-	-	-	-	912,074	912,116
Judicial administration	-	-	672,005	33,543	-	-	-	-	-	705,548
Public safety	-	-	317,262	-	-	-	-	-	-	317,262
Public works	-	157,779	22,786	-	-	16	-	-	-	180,581
Health and welfare	-	-	1,397	-	-	-	-	-	-	1,397
Transportation	-	-	-	-	-	-	-	1,209,090	-	1,209,090
Education	-	-	20,000	-	-	-	-	-	-	20,000
Parks, recreation, and cultural	-	-	344,858	-	-	-	-	-	-	344,858
Community development	-	-	804,422	-	-	-	-	-	-	804,422
Total expenditures	42	157,779	2,182,730	33,543	-	16	-	1,209,090	912,074	4,495,274
Excess (deficiency) of revenues over (under) expenditures	(42)	68,864	96,470	6,522	1,719,032	2,698	21,046	(788,595)	(45,379)	1,080,616
Other financing sources (uses):										
Transfers in	-	-	494,963	-	-	-	-	677,935	135,276	1,308,174
Transfers out	-	-	(324,214)	-	(971,791)	-	-	-	(40,311)	(1,336,316)
Total other financing sources (uses), net	-	-	170,749	-	(971,791)	-	-	677,935	94,965	(28,142)
Net changes in fund balances	(42)	68,864	267,219	6,522	747,241	2,698	21,046	(110,660)	49,586	1,052,474
Fund balances at July 1	(10,909)	166,077	91,096	215,542	695,734	803,397	1,179,415	226,084	322,970	3,689,406
Fund balances at June 30	\$ (10,951)	\$ 234,941	\$ 358,315	\$ 222,064	\$ 1,442,975	\$ 806,095	\$ 1,200,461	\$ 115,424	\$ 372,556	\$ 4,741,880

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 295,523	\$ 295,523
Fund Balance (rollover/appropriation)	-	1,420,756	-	(1,420,756)
Total revenues	-	1,420,756	295,523	(1,125,233)
EXPENDITURES				
Current:				
Principal	16,635,462	16,327,962	16,435,462	(107,500)
Bond issuance costs	-	307,500	497,736	(190,236)
Interest and other fiscal charges	10,800,570	10,800,570	10,334,731	465,839
Total expenditures	27,436,032	27,436,032	27,267,929	168,103
Deficiency of revenues under expenditures	(27,436,032)	(26,015,276)	(26,972,406)	(957,130)
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	20,160,000	20,160,000
General obligation bonds issued	-	-	570,880	570,880
Premium on bonds issued	-	-	3,869,140	3,869,140
Payment to escrow agent	-	-	(23,830,555)	(23,830,555)
Transfers in	27,436,032	27,436,032	27,598,545	162,513
Transfers out	-	(1,420,756)	(1,420,756)	-
Total other financing sources, net	27,436,032	26,015,276	26,947,254	931,978
Net change in fund balances	\$ -	\$ -	\$ (25,152)	\$ (25,152)

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, 2015

	<u>Law Library</u>				<u>Downtown Business Overlay District</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
REVENUES								
Real estate taxes	\$ -	\$ -		\$ -	\$ 170,000	\$ 170,000	\$ 225,802	\$ 55,802
Revenue from use of money and property	-	-	753	753	-	-	841	841
Charges for services	41,460	41,460	39,120	(2,340)	-	-	-	-
Miscellaneous	-	-	192	192	-	-	-	-
Fund balance (rollover/appropriations)	-	-	-	-	-	31,350	-	(31,350)
Total revenues	41,460	41,460	40,065	(1,395)	170,000	201,350	226,643	25,293
EXPENDITURES								
Current:								
Judicial administration	41,460	41,460	33,543	7,917	-	-	-	-
Public works	-	-	-	-	170,000	201,350	157,779	43,571
Total expenditures	41,460	41,460	33,543	7,917	170,000	201,350	157,779	43,571
Excess (deficiency) of revenues over (under) expenditures	-	-	6,522	6,522	-	-	68,864	68,864
Net change in fund balances	\$ -	\$ -	\$ 6,522	\$ 6,522	\$ -	\$ -	\$ 68,864	\$ 68,864
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ 6,522				\$ 68,864	
Encumbrances			-				-	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 18)			<u>\$ 6,522</u>				<u>\$ 68,864</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, 2015

	Route 17 Taxing District				Aviation			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES								
Real estate taxes	\$ 1,300,000	\$ 1,300,000	\$ 1,714,111	\$ 414,111	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	4,921	4,921	249,948	249,948	178,821	(71,127)
Charges for services	-	-	-	-	668,590	668,590	663,066	(5,524)
Intergovernmental:								
Revenue from the Commonwealth	-	-	-	-	-	36,615	24,808	(11,807)
Total revenues	1,300,000	1,300,000	1,719,032	419,032	918,538	955,153	866,695	(88,458)
EXPENDITURES								
Current:								
General government administration	328,209	328,209	-	328,209	1,013,503	1,050,118	934,657	115,461
Total expenditures	328,209	328,209	-	-	1,013,503	1,050,118	934,657	115,461
Excess (deficiency) of revenues over (under) expenditures	971,791	971,791	1,719,032	747,241	(94,965)	(94,965)	(67,962)	27,003
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	135,276	135,276	135,276	-
Transfers out	(971,791)	(971,791)	(971,791)	-	(40,311)	(40,311)	(40,311)	-
Total other financing sources (uses), net	(971,791)	(971,791)	(971,791)	-	94,965	94,965	94,965	-
Net change in fund balances	\$ -	\$ -	\$ 747,241	\$ 747,241	\$ -	\$ -	\$ 27,003	\$ 27,003
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ 747,241				\$ 27,003	
Encumbrances			-				22,583	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 18)			\$ 747,241				\$ 49,586	

(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, 2015**

Transit				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 639	\$ 639
Charges for services	55,050	55,050	53,055	(1,995)
Miscellaneous	5,000	5,000	7,571	2,571
Intergovernmental:				
Revenue from the Commonwealth	315,636	250,859	359,230	108,371
Fund balance (rollover/appropriations)	-	368,116	-	(368,116)
Total revenues	375,686	679,025	420,495	(258,530)
EXPENDITURES				
Current:				
Transportation	1,053,621	1,356,960	1,270,136	86,824
Total expenditures	1,053,621	1,356,960	1,270,136	86,824
Deficiency of revenues under expenditures	(677,935)	(677,935)	(849,641)	(171,706)
OTHER FINANCING SOURCES				
Transfers in	677,935	677,935	677,935	-
Total other financing sources net	677,935	677,935	677,935	-
Net change in fund balances	\$ -	\$ -	\$ (171,706)	\$ (171,706)

Reconciliation to Governmental Fund Statement:

Total net change in fund balance	\$ (171,706)
Encumbrances	<u>61,046</u>
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 18)	<u>\$ (110,660)</u>

OTHER SUPPLEMENTARY INFORMATION: NON-MAJOR PROPRIETARY FUNDS

Enterprise Funds are used to account for:

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

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

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CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS

June 30, 2015

	Business-type Activities - Enterprise Funds		
	Stormwater Utility	Refuse	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,115,378	\$ 2,678,668	\$ 5,794,046
Receivables, net	151,757	316,237	467,994
Total current assets	3,267,135	2,994,905	6,262,040
Noncurrent assets:			
OPEB asset	30,532	-	30,532
Capital assets, net	320,761	15,127	335,888
Total noncurrent assets	351,293	15,127	366,420
Total assets	3,618,428	3,010,032	6,628,460
DEFERRED OUTFLOWS OF RESOURCES			
Employer contributions to pension subsequent to the measurement date	262,775	152,007	414,782
Total deferred outflows of resources	262,775	152,007	414,782
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	46,199	126,921	173,120
Accrued payroll and related liabilities	32,693	19,056	51,749
Compensated absences	4,481	5,585	10,066
Total current liabilities	83,373	151,562	234,935
Noncurrent liabilities:			
Compensated absences	95,687	82,442	178,129
Net pension liability	1,095,228	670,048	1,765,276
Total noncurrent liabilities	1,190,915	752,490	1,943,405
Total liabilities	1,274,288	904,052	2,178,340
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on plan investments	357,698	218,835	576,533
Total deferred inflows of resources	357,698	218,835	576,533
NET POSITION			
Net investment in capital assets	320,761	15,127	335,888
Unrestricted	1,928,456	2,024,025	3,952,481
Total net position	\$ 2,249,217	\$ 2,039,152	\$ 4,288,369

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Actives - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
OPERATING REVENUES			
Charges for services	\$ 5,889,629	\$ 6,123,057	\$ 12,012,686
Other	83,861	3,213	87,074
Total operating revenues	5,973,490	6,126,270	12,099,760
OPERATING EXPENSES			
Personnel services	2,194,210	1,357,821	3,552,031
Contractual services	477,258	1,225,496	1,702,754
Administration	771,914	2,089,864	2,861,778
Supplies	113,636	993,621	1,107,257
Repairs and maintenance	857	37,022	37,879
Utilities	15,882	25,048	40,930
Depreciation	37,057	3,362	40,419
Building and equipment rental	60,402	-	60,402
Other charges	62,808	40,005	102,813
Total operating expenses	3,734,024	5,772,239	9,506,263
Operating income	2,239,466	354,031	2,593,497
NONOPERATING REVENUES			
Interest income	10,399	8,960	19,359
Net nonoperating revenues	10,399	8,960	19,359
Income before transfers	2,249,865	362,991	2,612,856
Transfers out	(1,088,327)	(208,427)	(1,296,754)
Change in net position	1,161,538	154,564	1,316,102
Net position at July 1 (as restated)	1,087,679	1,884,588	2,972,267
Net position at June 30	\$ 2,249,217	\$ 2,039,152	\$ 4,288,369

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		
	Stormwater Utility	Refuse	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 5,949,765	\$ 6,101,705	\$ 12,051,470
Payments to employees	(2,311,822)	(1,421,378)	(3,733,200)
Payments to suppliers	(1,470,568)	(4,419,251)	(5,889,819)
Net cash provided by operating activities	2,167,375	261,076	2,428,451
NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(1,088,327)	(208,427)	(1,296,754)
Net cash used in noncapital financing activities	(1,088,327)	(208,427)	(1,296,754)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(245,627)	-	(245,627)
Net cash used in capital and related financing activities	(245,627)	-	(245,627)
INVESTING ACTIVITIES			
Interest received	10,399	8,960	19,359
Net cash provided by investing activities	10,399	8,960	19,359
Net increase in cash and cash equivalents	843,820	61,609	905,429
CASH AND CASH EQUIVALENTS			
Beginning, July 1	2,271,558	2,617,059	4,888,617
Ending, June 30	\$ 3,115,378	\$ 2,678,668	\$ 5,794,046
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 2,239,466	\$ 354,031	\$ 2,593,497
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	37,057	3,362	40,419
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(23,725)	(24,565)	(48,290)
Increase (decrease) in:			
Accounts payable and accrued liabilities	32,189	(8,195)	23,994
Accrued payroll and related liabilities	(117,612)	(63,557)	(181,169)
Net cash provided by operating activities	\$ 2,167,375	\$ 261,076	\$ 2,428,451

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OTHER SUPPLEMENTARY INFORMATION:

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for:

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

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

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

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EXHIBIT 24

**CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2015**

	Information Technology	Fleet Management	Risk Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,079,639	\$ 7,444,543	\$ 11,871,815	\$ 21,395,997
Cash and cash equivalents, restricted	-	1,236,765	-	1,236,765
Receivables, net	288	173,471	38,882	212,641
Inventories	-	265,374	-	265,374
Total current assets	<u>2,079,927</u>	<u>9,120,153</u>	<u>11,910,697</u>	<u>23,110,777</u>
Noncurrent assets:				
OPEB asset	20,355	23,408	3,053	46,816
Land and construction in progress	-	298,000	-	298,000
Other capital assets, net	4,944,327	24,801,862	493,636	30,239,825
Total noncurrent assets	<u>4,964,682</u>	<u>25,123,270</u>	<u>496,689</u>	<u>30,584,641</u>
Total assets	<u>7,044,609</u>	<u>34,243,423</u>	<u>12,407,386</u>	<u>53,695,418</u>
DEFERRED OUFLOWS OF RESOURCES				
Employer contributions to pension subsequent to the measurement date	185,129	121,162	30,675	336,966
Total deferred outflows of resources	<u>185,129</u>	<u>121,162</u>	<u>30,675</u>	<u>336,966</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	592,226	847,665	106,489	1,546,380
Accrued payroll and related liabilities	22,380	13,673	5,258	41,311
Claims payable	-	-	2,190,154	2,190,154
Accrued interest	108	48,347	-	48,455
Compensated absences	10,670	2,977	2,734	16,381
Capital leases	526,374	2,414,555	-	2,940,929
Total current liabilities	<u>1,151,758</u>	<u>3,327,217</u>	<u>2,304,635</u>	<u>6,783,610</u>
Noncurrent liabilities:				
Compensated absences	111,625	91,620	30,127	233,372
Net pension liability	843,365	578,267	130,063	1,551,695
Claims payable	-	-	1,616,660	1,616,660
Capital leases	1,101,920	5,725,365	-	6,827,285
Total noncurrent liabilities	<u>2,056,910</u>	<u>6,395,252</u>	<u>1,776,850</u>	<u>10,229,012</u>
Total liabilities	<u>3,208,668</u>	<u>9,722,469</u>	<u>4,081,485</u>	<u>17,012,622</u>
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual earnings on plan investments	275,440	188,860	42,478	506,778
Total deferred inflows of resources	<u>275,440</u>	<u>188,860</u>	<u>42,478</u>	<u>506,778</u>
NET POSITION				
Net investment in capital assets	3,316,033	16,959,942	493,636	20,769,611
Restricted:				
Other Purposes	-	1,236,765	-	1,236,765
Unrestricted	429,597	6,256,549	7,820,462	14,506,608
Total net position	<u>\$ 3,745,630</u>	<u>\$ 24,453,256</u>	<u>\$ 8,314,098</u>	<u>\$ 36,512,984</u>

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2015

	Information Technology	Fleet Management	Risk Management	Total
OPERATING REVENUES				
Charges for services	\$ 5,468,843	\$ 10,248,532	\$ 17,684,510	\$ 33,401,885
Other	1,472	11,018	251,617	264,107
Total operating revenues	<u>5,470,315</u>	<u>10,259,550</u>	<u>17,936,127</u>	<u>33,665,992</u>
OPERATING EXPENSES				
Personnel services	1,581,377	1,012,637	329,740	2,923,754
Self-insured claims	-	-	13,112,481	13,112,481
Contractual services	1,601,778	12,935	42,810	1,657,523
Administration	256,395	729,140	30,683	1,016,218
Supplies	9,439	24,267	1,714	35,420
Repairs and maintenance	66,333	14,960	-	81,293
Vehicle and power equipment – fuel	-	1,696,663	-	1,696,663
Vehicle and power equipment – supplies	-	2,265,752	-	2,265,752
Computers and Equipment	1,312,077	-	-	1,312,077
Utilities	105,638	34,262	3,660	143,560
Insurance	-	-	2,802,486	2,802,486
OPEB – contributions to trust	-	-	2,310,000	2,310,000
Depreciation	632,566	4,424,217	107,379	5,164,162
Building and equipment rental	87,059	26,751	17,555	131,365
Other charges	45,924	28,986	272,662	347,572
Total operating expenses	<u>5,698,586</u>	<u>10,270,570</u>	<u>19,031,170</u>	<u>35,000,326</u>
Operating loss	<u>(228,271)</u>	<u>(11,020)</u>	<u>(1,095,043)</u>	<u>(1,334,334)</u>
NONOPERATING REVENUES (EXPENSES)				
Gain on disposal of capital assets	3,579	224,303	-	227,882
Interest income	-	9,091	39,877	48,968
Interest expense	(1,737)	(158,029)	-	(159,766)
Total nonoperating revenues, net	<u>1,842</u>	<u>75,365</u>	<u>39,877</u>	<u>117,084</u>
Net income (loss) before transfers	<u>(226,429)</u>	<u>64,345</u>	<u>(1,055,166)</u>	<u>(1,217,250)</u>
Transfers in	-	2,647,000	-	2,647,000
Transfers out	<u>(237,993)</u>	<u>(222,378)</u>	<u>(92,976)</u>	<u>(553,347)</u>
Change in net position	<u>(464,422)</u>	<u>2,488,967</u>	<u>(1,148,142)</u>	<u>876,403</u>
Net position at July 1, as restated	<u>4,210,052</u>	<u>21,964,289</u>	<u>9,462,240</u>	<u>35,636,581</u>
Net position at June 30	<u>\$ 3,745,630</u>	<u>\$ 24,453,256</u>	<u>\$ 8,314,098</u>	<u>\$ 36,512,984</u>

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2015

	Information Technology	Fleet Management	Risk Management	Total
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 5,470,028	\$ 10,215,012	\$ 17,945,946	\$ 33,630,986
Payments to employees	(1,648,306)	(1,056,645)	(343,364)	(3,048,315)
Payments to suppliers	(3,295,812)	(4,204,615)	(17,889,921)	(25,390,348)
Net cash provided by (used in) operating activities	<u>525,910</u>	<u>4,953,752</u>	<u>(287,339)</u>	<u>5,192,323</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	2,647,000	-	2,647,000
Transfers to other funds	(237,993)	(222,378)	(92,976)	(553,347)
Net cash (used in) provided by noncapital financing activities	<u>(237,993)</u>	<u>2,424,622</u>	<u>(92,976)</u>	<u>2,093,653</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,614,529)	(6,779,714)	(98,437)	(8,492,680)
Lease financing proceeds	-	3,476,950	-	3,476,950
Principal paid on capital lease obligations	(939,378)	(1,894,128)	-	(2,833,506)
Gain on sale of assets	3,579	224,303	-	227,882
Interest paid on debt	(1,783)	(124,416)	-	(126,199)
Net cash used in capital and related financing activities	<u>(2,552,111)</u>	<u>(5,097,005)</u>	<u>(98,437)</u>	<u>(7,747,553)</u>
INVESTING ACTIVITIES				
Interest earned	-	9,090	39,877	48,967
Net increase (decrease) in cash and cash equivalents	(2,264,194)	2,290,459	(438,875)	(412,610)
Beginning, July 1	4,343,833	6,435,349	12,310,690	23,089,872
Ending, June 30	<u>\$ 2,079,639</u>	<u>\$ 8,725,808</u>	<u>\$ 11,871,815</u>	<u>\$ 22,677,262</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ 2,079,639	\$ 7,444,543	\$ 11,871,815	\$ 21,395,997
Cash and cash equivalents, restricted	-	1,236,765	-	1,236,765
	<u>\$ 2,079,639</u>	<u>\$ 8,681,308</u>	<u>\$ 11,871,815</u>	<u>\$ 22,632,762</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (228,271)	\$ (11,020)	\$ (1,095,043)	\$ (1,334,334)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	632,566	4,424,217	107,379	5,164,162
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(288)	(44,539)	9,819	(35,008)
Inventories	-	12,162	-	12,162
Increase (decrease) in:				
Accounts payable and accrued liabilities	188,833	616,940	12,393	818,166
Accrued payroll and related liabilities	(66,930)	(44,008)	(13,625)	(124,563)
Claims payable	-	-	691,738	691,738
Net cash provided by (used in) operating activities	<u>\$ 525,910</u>	<u>\$ 4,953,752</u>	<u>\$ (287,339)</u>	<u>\$ 5,192,323</u>

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OTHER SUPPLEMENTARY INFORMATION: FIDUCIARY FUNDS

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

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

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

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

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CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -- AGENCY FUNDS

June 30, 2015

	Special Welfare Fund	Commonwealth of Virginia Fund	Western Tidewater Water Authority	Total
ASSETS				
Cash and cash equivalents	\$ 35,106	\$ 23,185	\$ 628,538	\$ 686,829
Total assets	<u>\$ 35,106</u>	<u>\$ 23,185</u>	<u>\$ 628,538</u>	<u>\$ 686,829</u>
LIABILITIES				
Amounts held for others	\$ 35,106	\$ 23,185	\$ 628,538	\$ 686,829
Total liabilities	<u>\$ 35,106</u>	<u>\$ 23,185</u>	<u>\$ 628,538</u>	<u>\$ 686,829</u>

CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES --
AGENCY FUNDS
Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 21,792	\$ 79,090	\$ 65,776	\$ 35,106
Total assets	<u>\$ 21,792</u>	<u>\$ 79,090</u>	<u>\$ 65,776</u>	<u>\$ 35,106</u>
LIABILITIES				
Amounts held for others	\$ 21,792	\$ 79,090	\$ 65,776	\$ 35,106
Total liabilities	<u>\$ 21,792</u>	<u>\$ 79,090</u>	<u>\$ 65,776</u>	<u>\$ 35,106</u>
Commonwealth of Virginia Fund				
ASSETS				
Cash and cash equivalents	\$ 18,599	\$ 116,618	\$ 112,032	\$ 23,185
Total assets	<u>\$ 18,599</u>	<u>\$ 116,618</u>	<u>\$ 112,032</u>	<u>\$ 23,185</u>
LIABILITIES				
Amounts held for others	\$ 18,599	\$ 116,618	\$ 112,032	\$ 23,185
Total liabilities	<u>\$ 18,599</u>	<u>\$ 116,618</u>	<u>\$ 112,032</u>	<u>\$ 23,185</u>
Western Tidewater Water Authority				
ASSETS				
Cash and cash equivalents	\$ 891,585	\$ 8,725,518	\$ 8,988,565	\$ 628,538
Total assets	<u>\$ 891,585</u>	<u>\$ 8,725,518</u>	<u>\$ 8,988,565</u>	<u>\$ 628,538</u>
LIABILITIES				
Amounts held for others	\$ 891,585	\$ 8,725,518	\$ 8,988,565	\$ 628,538
Total liabilities	<u>\$ 891,585</u>	<u>\$ 8,725,518</u>	<u>\$ 8,988,565</u>	<u>\$ 628,538</u>
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 931,976	\$ 8,921,226	\$ 9,166,373	\$ 686,829
Total assets	<u>\$ 931,976</u>	<u>\$ 8,921,226</u>	<u>\$ 9,166,373</u>	<u>\$ 686,829</u>
LIABILITIES				
Amounts held for others	\$ 931,976	\$ 8,921,226	\$ 9,166,373	\$ 686,829
Total liabilities	<u>\$ 931,976</u>	<u>\$ 8,921,226</u>	<u>\$ 9,166,373</u>	<u>\$ 686,829</u>

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

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

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

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

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

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

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

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CITY OF SUFFOLK, VIRGINIA

COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
June 30, 2015

	School Operating Fund	School Grants Fund	School Food Service Fund	Subtotal Excluding Component Unit	The Pruden Center for Industry & Technology	Total School Board
ASSETS						
Cash and cash equivalents	\$ 21,291,277	\$ -	\$ 3,165,229	\$ 24,456,506	\$ 422,783	\$ 24,879,289
Receivables, net	187,334	34,283	49,033	270,650	35,434	306,084
Due from other funds	864,473	-	-	864,473	-	864,473
Due from other governments	1,457,153	2,032,166	739,674	4,228,993	-	4,228,993
Inventories	171,468	-	664,536	836,004	-	836,004
Prepaid items	95,000	-	-	95,000	-	95,000
Total assets	<u>\$ 24,066,705</u>	<u>\$ 2,066,449</u>	<u>\$ 4,618,472</u>	<u>\$ 30,751,626</u>	<u>\$ 458,217</u>	<u>\$ 31,209,843</u>
LIABILITIES						
Accounts payable	\$ 1,296,425	\$ 18,279	\$ 80,669	\$ 1,395,373	\$ 56,365	\$ 1,451,738
Accrued payroll and related liabilities	16,533,356	632,866	179,861	17,346,083	134,510	17,480,593
Due to other governments	13,426	-	-	13,426	266,859	280,285
Due to other funds	-	864,473	-	864,473	-	864,473
Total liabilities	<u>17,843,207</u>	<u>1,515,618</u>	<u>260,530</u>	<u>19,619,355</u>	<u>457,734</u>	<u>20,077,089</u>
FUND BALANCES						
Nonspendable:						
Inventories and prepaids	171,468	-	664,536	836,004	-	836,004
Premiums held for workers compensation claims	347,573	-	-	347,573	-	347,573
Premiums held for health insurance claims	380,122	-	-	380,122	-	380,122
Committed:						
Grant local match	-	476,754	-	476,754	483	477,237
Assigned:						
Special revenue	-	74,077	-	74,077	-	74,077
Food service	-	-	3,672,862	3,672,862	-	3,672,862
Encumbrances	5,324,335	-	20,544	5,344,879	-	5,344,879
Total fund balances	<u>6,223,498</u>	<u>550,831</u>	<u>4,357,942</u>	<u>11,132,271</u>	<u>483</u>	<u>11,132,754</u>
Total liabilities and fund balance	<u>\$ 24,066,705</u>	<u>\$ 2,066,449</u>	<u>\$ 4,618,472</u>	<u>\$ 30,751,626</u>	<u>\$ 458,217</u>	<u>\$ 31,209,843</u>
Reconciliation to the Statement of Net Position (Exhibit 1)						
Total fund balance						\$ 11,132,754
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						
School Board						118,957,196
Pruden Center						1,418,855
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.						
Other postemployment benefits						(2,361,447)
School Board compensated absences						(2,138,548)
Pruden Center compensated absences						(67,849)
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						(112,645,323)
Net pension liability - Pruden						(2,113,410)
Deferred Inflows - difference between projected and actual earnings on pension investments and change in proportionate share - Schools						(22,827,000)
Deferred Inflows - difference between projected and actual earnings on pension investments and change in proportionate share -Pruden						(415,000)
Deferred outflows - employer pension contributions made subsequent to the measurement date - Schools						12,342,171
Deferred outflows - employer pension contributions made subsequent to the measurement date - Pruden						214,714
Net position of governmental activities						<u>\$ 1,497,113</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
Year Ended June 30, 2015

	School Operating Fund	School Grants Fund	School Food Service Fund	Subtotal Excluding Component Unit	The Pruden Center for Industry & Technology	Total School Board
REVENUES						
Revenue from use of money and property	\$ 29,520	\$ -	\$ 6,626	\$ 36,146	\$ -	\$ 36,146
Charges for services	129,512	-	1,849,640	1,979,152	19,044	1,998,196
Miscellaneous	595,617	193,985	259,576	1,049,178	-	1,049,178
Intergovernmental:						
City contribution	50,591,383	-	-	50,591,383	-	50,591,383
Revenue from the Commonwealth	76,022,393	817,406	172,163	77,011,962	25,930	77,037,892
Revenue from the Federal Government	739,607	6,073,583	4,805,244	11,618,434	-	11,618,434
School Board contribution to Pruden Center	-	-	-	-	1,851,045	1,851,045
Isle of Wight contribution to Pruden Center	-	-	-	-	860,166	860,166
Total revenues	<u>128,108,032</u>	<u>7,084,974</u>	<u>7,093,249</u>	<u>142,286,255</u>	<u>2,756,185</u>	<u>145,042,440</u>
EXPENDITURES						
Current:						
Education	<u>125,917,097</u>	<u>7,312,824</u>	<u>6,983,411</u>	<u>140,213,332</u>	<u>2,766,665</u>	<u>142,979,997</u>
Total expenditures	<u>125,917,097</u>	<u>7,312,824</u>	<u>6,983,411</u>	<u>140,213,332</u>	<u>2,766,665</u>	<u>142,979,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,190,935</u>	<u>(227,850)</u>	<u>109,838</u>	<u>2,072,923</u>	<u>(10,480)</u>	<u>2,062,443</u>
Other financing sources (uses):						
Transfers in	-	200,303	-	200,303	-	200,303
Transfers out	<u>(200,303)</u>	<u>-</u>	<u>-</u>	<u>(200,303)</u>	<u>-</u>	<u>(200,303)</u>
Total other financing sources (uses), net	<u>(200,303)</u>	<u>200,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>1,990,632</u>	<u>(27,547)</u>	<u>109,838</u>	<u>2,072,923</u>	<u>(10,480)</u>	<u>2,062,443</u>
Fund balances at July 1	<u>4,232,866</u>	<u>578,378</u>	<u>4,248,104</u>	<u>9,059,348</u>	<u>10,963</u>	<u>9,070,311</u>
Fund balances at June 30	<u>\$ 6,223,498</u>	<u>\$ 550,831</u>	<u>\$ 4,357,942</u>	<u>\$ 11,132,271</u>	<u>\$ 483</u>	<u>\$ 11,132,754</u>

Reconciliation to the Statement of Activities (Exhibit 2)

Net change in fund balance - governmental funds	\$ 2,062,443
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	(8,176,337)
Capitalized expenditures	3,433,187
Pruden Center depreciation expense	(187,554)
Pruden Center capitalized expenditures	10,479
Record the current pension expense based on the actuarial study of the Net Pension Liability- Schools	(8,028,323)
Record the current pension expense based on the actuarial study of the Net Pension Liability- Pruden	(153,410)
Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date- Schools	12,342,171
Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date- Pruden	214,714
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	(302,131)
This amount represents the current year change in those items for the School Board - OPEB	320,578
This amount represents the current year change in compensated absences for the Pruden Center	37,542
Change in net position of governmental activities (Exhibit 2)	\$ 1,573,359

CITY OF SUFFOLK, VIRGINIA

BUDGETARY RECONCILIATION SCHEDULE
GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2015

	School Operating Fund			School Grants Fund			School Food Service Fund		
	Total Exhibit 32	Budget Based Items	Total Exhibit 30	Total Exhibit 32	Budget Based Items	Total Exhibit 30	Total Exhibit 32	Budget Based Items	Total Exhibit 30
Total revenues	\$ 128,108,032	\$ -	\$ 128,108,032	\$ 7,084,974	\$ -	\$ 7,084,974	\$ 7,093,249	\$ -	\$ 7,093,249
Total other financing sources	-	-	-	200,303	-	200,303	-	-	-
Total revenues	128,108,032	-	128,108,032	7,285,277	-	7,285,277	7,093,249	-	7,093,249
Total expenditures	128,054,856	2,137,759	125,917,097	7,691,851	379,027	7,312,824	6,854,084	(129,327)	6,983,411
Total other financing uses	200,303	-	200,303	-	-	-	-	-	-
Total expenditures	128,255,159	2,137,759	126,117,400	7,691,851	379,027	7,312,824	6,854,084	(129,327)	6,983,411
Net changes in fund balances	\$ (147,127)	\$ (2,137,759)	\$ 1,990,632	\$ (406,574)	\$ (379,027)	\$ (27,547)	\$ 239,165	\$ 129,327	\$ 109,838

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, 2015

	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		
REVENUES												
Revenue from use of money and property	\$ 50,000	\$ 55,000	\$ 29,520	\$ (25,480)	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 6,626	\$ 5,626
Charges for services	75,605	75,605	129,512	53,907	-	-	-	-	2,375,000	2,375,000	1,849,640	(525,360)
Miscellaneous	576,000	626,000	595,617	(30,383)	2,288,597	458,550	193,985	(264,565)	888,228	888,228	259,576	(628,652)
Intergovernmental:												
Contribution from the City of Suffolk	50,754,809	50,604,809	50,591,383	(13,426)	-	-	-	-	-	-	-	-
Revenue from the Commonwealth	76,394,682	76,339,682	76,022,393	(317,289)	1,640,000	3,271,628	817,406	(2,454,222)	132,000	132,000	172,163	40,163
Revenue from the Federal Government	1,169,000	1,169,000	739,607	(429,393)	7,645,000	7,417,800	6,073,583	(1,344,217)	4,082,000	4,082,000	4,805,244	723,244
Total revenues	129,020,096	128,870,096	128,108,032	(762,064)	11,573,597	11,147,978	7,084,974	(4,063,004)	7,478,228	7,478,228	7,093,249	(384,979)
EXPENDITURES												
Current:												
Education	128,920,096	128,344,477	128,054,856	289,621	-	-	-	-	-	-	-	-
Grant expenditures	-	-	-	-	11,673,597	11,673,597	7,691,851	3,981,746	-	-	-	-
Food Services	-	-	-	-	-	-	-	-	7,478,228	7,478,228	6,854,084	624,144
Total expenditures	128,920,096	128,344,477	128,054,856	289,621	11,673,597	11,673,597	7,691,851	3,981,746	7,478,228	7,478,228	6,854,084	624,144
Excess (deficiency) of revenues over (under) expenditures	100,000	525,619	53,176	(472,443)	(100,000)	(525,619)	(606,877)	(81,258)	-	-	239,165	239,165
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	100,000	525,619	200,303	(325,316)	-	-	-	-
Transfers out	(100,000)	(525,619)	(200,303)	325,316	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	(100,000)	(525,619)	(200,303)	325,316	100,000	525,619	200,303	(325,316)	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ (147,127)	\$ (147,127)	\$ -	\$ -	\$ (406,574)	\$ (406,574)	\$ -	\$ -	\$ 239,165	\$ 239,165

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2015

	OPEB Trust Fund	School Activity Funds
ASSETS		
Cash and cash equivalents	\$ 12,403,282	\$ 1,508,119
Total assets	<u>12,403,282</u>	<u><u>1,508,119</u></u>
LIABILITIES		
Amounts held for students	<u>-</u>	<u>\$ 1,508,119</u>
Total liabilities	<u>-</u>	<u><u>\$ 1,508,119</u></u>
Net Position		
Held in trust for OPEB benefits	<u>12,403,282</u>	
Net position	<u><u>\$ 12,403,282</u></u>	

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OPEB TRUST FUND – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2015

	<u>School Board</u>
Additions:	
Employer Contributions	\$ 421,000
Gain on investments	<u>271,775</u>
Total additions	<u>692,775</u>
Deductions:	
Administrative fees	<u>13,351</u>
Total deductions	13,351
Change in net position	679,424
Net position - beginning of year	<u>11,723,858</u>
Net position - end of year	<u><u>\$ 12,403,282</u></u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets:				
Cash and cash equivalents	\$ 1,370,126	\$ 2,711,954	\$ 2,573,961	\$ 1,508,119
Liabilities:				
Amounts held for students	\$ 1,370,126	\$ 2,711,954	\$ 2,573,961	\$ 1,508,119

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STATISTICAL SECTION

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.

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

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

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NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net investment in capital assets	\$ 50,694,555	\$ 128,097,710	\$ 140,789,631	\$ 129,638,603	\$ 105,871,501	\$ 329,191,210	\$ 335,377,003	\$ 287,319,247	\$ 290,323,371	\$ 312,377,563
Restricted:										
Capital Projects	5,222,554	-	-	-	-	-	-		1,162,771	1,270,512
Debt Service	-	392,169	392,169	392,169	392,169	392,169	392,169	392,219	392,259	392,299
Other Purposes	3,703,280	-	959,304	-	8,269,446	18,217,244	5,757,526	6,658,293	8,023,744	3,374,719
Unrestricted	12,468,387	44,337,037	57,234,531	60,941,946	80,954,531	(21,155,533)	26,476,856	87,103,333	46,588,610	44,872,478
Total Net Position										
Governmental Activities	<u>\$ 72,088,776</u>	<u>\$ 172,826,916</u>	<u>\$ 199,375,635</u>	<u>\$ 190,972,718</u>	<u>\$ 195,487,647</u>	<u>\$ 326,645,090</u>	<u>\$ 368,003,554</u>	<u>\$ 381,473,092</u>	<u>\$ 346,490,755</u>	<u>\$ 362,287,571</u>
Business-type Activities										
Net investment in capital assets	\$ 170,862,396	\$ 173,084,623	\$ 172,165,375	\$ 171,309,403	\$ 159,253,886	\$ 158,621,254	\$ 157,084,814	\$ 153,147,421	\$ 145,111,492	\$ 125,468,343
Restricted:										
Debt Service	-	-	-	-	1,525,006	1,887,575	1,978,028	-	-	-
Other Purposes	39,426	-	-	-	-	32,827	-	2,079,370	2,144,619	2,195,062
Unrestricted	3,058,548	445,172	1,489,816	2,935,424	5,499,380	6,370,895	6,593,945	8,888,398	7,422,809	20,915,542
Total Net Position										
Business-type Activities	<u>\$ 173,960,370</u>	<u>\$ 173,529,795</u>	<u>\$ 173,655,191</u>	<u>\$ 174,244,827</u>	<u>\$ 166,278,272</u>	<u>\$ 166,912,551</u>	<u>\$ 165,656,787</u>	<u>\$ 164,115,189</u>	<u>\$ 154,678,920</u>	<u>\$ 148,578,947</u>
Primary Government										
Net investment in capital assets	\$ 221,556,951	\$ 301,182,333	\$ 312,955,006	\$ 300,948,006	\$ 265,125,387	\$ 487,812,464	\$ 492,461,817	\$ 440,466,668	\$ 435,434,863	\$ 437,845,906
Restricted:										
Capital Projects	5,222,554	-	-	-	-	-	-	-	1,162,771	1,270,512
Debt Service	-	392,169	392,169	392,169	1,917,175	2,279,744	2,370,197	392,219	392,259	392,299
Other Purposes	3,742,706	-	959,304	-	8,269,446	18,250,071	5,757,526	8,737,663	10,168,363	5,569,781
Unrestricted	15,526,935	44,782,209	58,724,347	63,877,370	86,453,911	(14,784,638)	33,070,801	95,991,731	54,011,419	65,788,020
Total Net Position										
Primary Government	<u>\$ 246,049,146</u>	<u>\$ 346,356,711</u>	<u>\$ 373,030,826</u>	<u>\$ 365,217,545</u>	<u>\$ 361,765,919</u>	<u>\$ 493,557,641</u>	<u>\$ 533,660,341</u>	<u>\$ 545,588,281</u>	<u>\$ 501,169,675</u>	<u>\$ 510,866,518</u>
	(2)	(3)			(4)	(5)		(6)	(7)	

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

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

(3) This includes a \$12,376,267 restatement in the Governmental Activities Net position and \$446,251 restatement in the Business-type Activities Net position.

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

(5) This includes a restatement on Net Position in both the Governmental of \$127,665,951 and Business-Type Activities of \$768,687. In Addition, the debt associated with School Board assets began to be reflected as a reduction in unrestricted net assets.

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

(7) 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

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General Government	\$ 6,916,053	\$ 8,379,163	\$ 9,575,332	\$ 8,493,992	\$ 9,422,635	\$ 11,784,825	\$ 12,554,225	\$ 17,558,767	\$ 18,904,150	\$ 20,547,985
Judicial	5,535,063	6,807,141	7,157,778	7,159,993	7,393,681	7,221,482	7,622,124	8,138,225	7,994,313	8,031,886
Public Safety	33,410,471	33,914,535	36,275,476	36,372,402	42,448,954	43,635,617	48,587,624	49,413,603	52,439,287	48,708,228
Public Works	5,275,996	28,828,221	29,772,711	32,530,396	34,682,047	30,775,346	37,156,299	32,943,383	35,491,175	36,760,229
Health and Welfare	13,252,584	10,843,875	12,718,036	12,187,513	13,569,286	13,796,431	12,616,178	12,972,806	12,941,699	12,536,910
Transportation	-	-	-	-	-	-	-	888,933	619,876	908,293
Education	38,779,835	51,958,540	42,109,639	77,678,641	53,624,148	56,504,857	44,206,593	49,386,060	49,180,560	51,093,179
Parks, Recreation and Cultural	8,707,837	8,783,502	8,524,477	8,301,660	8,309,722	7,818,362	7,888,484	8,456,643	8,817,413	9,750,157
Community Development	11,807,444	27,229,557	6,296,351	7,742,440	9,329,455	13,789,850	5,951,888	8,099,788	8,665,119	9,933,559
Other Public Services	3,669,173	-	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	7,099,604	6,989,398	11,090,479	9,896,678	9,293,250	8,525,637	11,832,809	8,998,878	9,858,244	10,065,468
Bond Costs	22,272	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	134,476,332	183,733,932	163,520,279	200,363,715	188,073,178	193,852,407	188,416,224	196,857,086	204,911,837	208,335,893
Business-type Activities:										
Utilities	23,296,106	30,173,237	29,147,386	29,133,054	38,634,542	34,149,870	35,912,782	40,101,617	45,108,820	49,334,155
Golf course	1,934,301	1,979,380	1,780,625	1,689,229	-	-	-	-	-	-
Refuse collection	-	-	-	-	-	-	5,712,045	5,204,255	5,198,550	5,772,239
Stormwater management	-	1,911,122	2,591,374	2,924,270	3,001,245	2,955,327	3,072,703	3,249,640	3,413,963	3,734,024
Total Business-type Activities Expenses	25,230,407	34,063,739	33,519,385	33,746,553	41,635,787	37,105,197	44,697,530	48,555,512	53,721,333	58,840,418
Total Primary Government Expenses	\$ 159,706,739	\$ 217,797,671	\$ 197,039,664	\$ 234,110,268	\$ 229,708,965	\$ 230,957,604	\$ 233,113,754	\$ 245,412,598	\$ 258,633,169	\$ 267,176,311
Program Revenues										
Governmental activities:										
Charges for Services:										
General Government Administration	\$ 2,507,468	\$ -	\$ -	\$ -	\$ 6,299	\$ -	\$ 3,287,250	\$ 4,800,759	\$ 4,977,004	\$ 5,044,744
Judicial Administration	687,317	939,300	788,324	753,969	736,610	932,474	374,594	361,926	275,113	286,398
Public Safety	249,612	1,313,880	2,361,369	2,587,982	2,931,733	2,074,431	575,653	3,130,972	-	1,864,675
Public Works	1,254,981	1,746,854	1,531,857	2,195,198	2,367,267	1,504,393	872,302	1,469,668	1,460,003	1,479,054
Health and Welfare	-	15,015	15,201	7,388	25,280	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	47,971	46,870	53,055
Parks, Recreation and Cultural	325,748	335,642	476,376	628,393	670,162	759,323	719,783	774,237	824,628	982,354
Community Development	27,930	948,983	1,215,821	302,134	248,816	1,470,640	35,124	100,172	287	85
Other Public Service	812,681	-	-	-	-	-	-	-	-	-
Total Charges for Services	5,865,737	5,299,674	6,388,948	6,475,064	6,986,167	6,741,261	5,864,706	10,685,705	7,583,905	9,710,365
Operating Grants and Contributions:										
General Government Administration	294,285	473,712	531,013	170,905	122,185	395,505	4,620,917	467,086	1,433,125	636,628
Judicial Administration	2,141,741	1,802,021	1,846,680	1,829,318	1,766,209	2,377,742	1,451,567	2,826,315	2,102,897	3,017,272
Public Safety	1,159,591	2,325,968	2,293,795	2,136,678	2,705,501	3,256,578	892,671	3,414,088	1,563,382	818,251
Public Works	676,331	16,350,686	17,088,074	18,491,121	18,095,389	18,781,620	-	20,157,859	20,799,365	21,534,701
Health and Welfare	10,199,959	8,172,786	8,398,910	8,848,554	9,511,711	8,540,671	7,731,229	8,198,767	7,682,494	7,557,634
Transportation	-	-	-	-	-	-	-	116,122	142,793	152,565
Education	-	-	-	-	-	-	-	140,879	62,308	20,000
Parks, Recreation and Cultural	749,244	285,761	297,489	305,120	294,402	18,228	-	261,267	266,774	521,608
Community Development	550,749	756,429	302,122	575,172	1,808,426	-	-	1,522,630	1,153,383	1,128,636
Other Public Services	28,630	-	-	-	-	-	-	-	-	-
Total Operating Grants and Contributions	15,800,530	30,167,363	30,758,083	32,356,868	34,303,823	33,370,344	14,696,384	37,105,013	35,206,521	35,387,295
Capital Grants and Contributions:										
General Government	-	-	-	-	-	-	99,389	2,299,245	506,228	973,634
Public Safety	-	-	-	70,500	-	-	1,958,630	-	-	-
Public Works	1,979,527	105,190,141	138,253	587,602	1,802,779	3,384,540	46,194,289	4,080,584	1,321,424	2,869,669
Health and Welfare	-	8,383	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	159,005	1,561	206,665
Education	1,394,061	-	-	-	-	-	-	-	-	-
Parks, Recreation and Cultural	227,199	2,043	-	-	-	-	-	157,231	42,882	474,341
Community Development	628,900	1,127,019	1,088,018	966,594	109,151	4,368,366	3,828	-	-	-
Total Capital Grants and Contributions	4,229,687	106,327,586	1,226,271	1,624,696	1,911,930	7,752,906	48,256,136	6,696,065	1,872,095	4,524,309
Total Governmental Activities Program Revenues	25,895,954	141,794,623	38,373,302	40,456,628	43,201,920	47,864,511	68,817,226	54,486,783	44,662,521	49,621,969

CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues: (Continued)										
Business-type Activities:										
Charges for Services:										
Utility	20,419,822	22,096,514	23,803,453	24,813,989	29,044,958	29,818,675	32,934,240	37,884,451	39,013,878	41,209,347
Non-major	1,510,288	4,412,172	5,220,655	5,152,294	3,861,010	3,861,677	10,055,670	10,765,864	10,570,683	12,012,686
Total Charges for Services	21,930,110	26,508,686	29,024,108	29,966,283	32,905,968	33,680,352	42,989,910	48,650,315	49,584,561	53,222,033
Operating Grants and Contributions:										
Utility	11,163	814,500	864,141	542,287	-	-	-	-	-	-
Total Operating Grants and Contributions	11,163	814,500	864,141	542,287	-	-	-	-	-	-
Capital Grants and Contributions:										
Utility	383,412	6,043,266	2,658,020	3,785,842	1,504,233	4,468,834	1,078,380	2,363,664	456,001	565,595
Total Capital Grants and Contributions	383,412	6,043,266	2,658,020	3,785,842	1,504,233	4,468,834	1,078,380	2,363,664	456,001	565,595
Total Business-type Activities Program Revenues	22,324,685	33,366,452	32,546,269	34,294,412	34,410,201	38,149,186	44,068,290	51,013,979	50,040,562	53,787,628
Total Primary Government Program Revenues	\$ 48,220,639	\$ 175,161,075	\$ 70,919,571	\$ 74,751,040	\$ 77,612,121	\$ 86,013,697	\$ 112,885,516	\$ 105,500,762	\$ 94,703,083	\$ 103,409,597
Net (Expense)/Revenue										
Governmental Activities	\$ (108,580,378)	\$ (41,939,309)	\$ (125,146,977)	\$ (159,907,087)	\$ (144,871,258)	\$ (145,987,896)	\$ (119,598,998)	\$ (142,370,304)	\$ (160,249,316)	\$ (158,713,924)
Business-Type Activities	(2,905,722)	(697,287)	(973,116)	547,859	(7,225,586)	1,043,989	(629,240)	2,458,467	(3,680,771)	(5,052,790)
Total Primary Government Net Expense	\$ (111,486,100)	\$ (42,636,596)	\$ (126,120,093)	\$ (159,359,228)	\$ (152,096,844)	\$ (144,943,907)	\$ (120,228,238)	\$ (139,911,837)	\$ (163,930,086)	\$ (163,766,714)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes	\$ 106,905,524	\$ 120,034,998	\$ 131,543,030	\$ 132,560,748	\$ 131,748,747	\$ 133,841,481	\$ 140,556,855	\$ 141,004,777	\$ 146,247,763	\$ 152,576,375
Grants and Contributions Not Restricted to Specific Programs	14,174,921	14,535,729	14,427,389	14,405,688	13,938,495	12,591,336	13,143,469	13,624,485	13,609,376	13,385,064
Revenue from use of money and property	2,445,754	3,871,010	3,794,438	1,845,378	1,136,704	1,142,359	1,091,549	1,257,594	1,230,251	1,167,212
Gain on Disposal of Capital Assets	180,500	-	-	-	-	-	-	-	-	242,375
Capital assets donated to Component Unit	-	-	-	-	-	-	-	(4,528,560)	-	-
Transfers/Miscellaneous	2,659,201	4,235,712	1,930,839	2,692,356	3,968,437	129,570,163	6,165,589	6,460,944	4,562,119	7,139,716
Total Governmental Activities	126,365,900	142,677,449	151,695,696	151,504,170	150,792,383	277,145,339	160,957,462	157,819,240	165,649,509	174,510,742
Business-type Activities:										
Investment Earnings	476,611	1,042,633	1,633,718	640,041	555,814	363,684	835,126	741,640	571,581	562,699
Transfers/Miscellaneous	(158,526)	(329,670)	(535,206)	(598,264)	(2,063,316)	(773,394)	(1,461,650)	(1,950,430)	(338,342)	(1,609,882)
Total Business-type Activities	318,085	712,963	1,098,512	41,777	(1,507,502)	(409,710)	(626,524)	(1,208,790)	233,239	(1,047,183)
Total Primary Government	\$ 126,683,985	\$ 143,390,412	\$ 152,794,208	\$ 151,545,947	\$ 149,284,881	\$ 276,735,629	\$ 160,330,938	\$ 156,610,450	\$ 165,882,748	\$ 173,463,559
Change in Net Position										
Governmental Activities	\$ 17,785,522	\$ 100,738,140	\$ 26,548,719	\$ (8,402,917)	\$ 5,921,125	\$ 131,157,443	\$ 41,358,464	\$ 15,448,936	\$ 5,400,193	\$ 15,796,818
Business-Type Activities	(2,587,637)	15,676	125,396	589,636	(8,733,088)	634,279	(1,255,764)	1,249,677	(3,447,532)	(6,099,973)
Total Primary Government	\$ 15,197,885	\$ 100,753,816	\$ 26,674,115	\$ (7,813,281)	\$ (2,811,963)	\$ 131,791,722	\$ 40,102,700	\$ 16,698,613	\$ 1,952,662	\$ 9,696,845

(1)

(2)

(3)

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

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

(3) In FY2011, prior period adjustments were made that impacted multiple years. Therefore, FY2011 values for governmental activities revenues were increased by \$127,665,951 and business-type expenses increased by \$768,687 per Note 17 in the financial statements.

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	A	2010	2011	2012	2013	2014	2015
General Fund											
Reserved	\$ 2,008,158	\$ 594,170	\$ 810,492	\$ 670,027		-	-	-	-	-	-
Unreserved	28,146,402	33,217,808	47,279,178	50,540,042		-	-	-	-	-	-
Non-Spendable	-	-	-	-		\$ 277,482	\$ 81,697	\$ 41,086	\$ 9,794	\$ 3,920	\$ 42,454
Restricted	-	-	-	-		-	2,106,682	2,106,682	565,969	580,948	668,506
Committed	-	-	-	-		585,475	8,200,533	7,746,520	9,909,530	8,792,595	6,285,381
Assigned	-	-	-	-		9,515,153	1,520,457	7,676,544	1,646,157	2,348,576	701,393
Unassigned	-	-	-	-		43,222,091	35,569,058	36,881,374	43,938,132	45,575,368	47,883,931
Total General Fund	<u>\$ 30,154,560</u>	<u>\$ 33,811,978</u>	<u>\$ 48,089,670</u>	<u>\$ 51,210,069</u>		<u>\$ 53,600,201</u>	<u>\$ 47,478,427</u>	<u>\$ 54,452,206</u>	<u>\$ 56,069,582</u>	<u>\$ 57,301,407</u>	<u>\$ 55,581,665</u>
All Other Governmental Funds											
Reserved	\$ 5,890,801	\$ 2,419,652	\$ 8,189,612	\$ 12,318,937		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:											
Capital Projects Funds	(7,242,148)	28,003,480	21,339,005	19,353,128		-	-	-	-	-	-
Debt Service Funds	(757,116)	734,340	861,708	679,706		-	-	-	-	-	-
Permanent	977,277	1,026,077	959,304	-		-	-	-	-	-	-
Special Revenue Funds	(174,585)	4,171,904	6,635,295	8,214,906		-	-	-	-	-	-
Nonspendable	-	-	-	-		-	-	-	-	88,383	38,309
Restricted	-	-	-	-		392,169	17,195,832	14,227,163	14,353,521	35,666,062	60,045,985
Committed, reported in:											
Capital Projects Funds	-	-	-	-		12,986,435	2,057,504	31,842,530	34,504,114	6,469,155	1,972,667
Nonmajor Governmental Funds	-	-	-	-		5,889,037	2,899,128	3,293,204	2,839,333	2,125,879	2,933,682
Other Governmental Funds	-	-	-	-		286,150	7,115,186	10,809,261	10,890,830	13,337,889	2,822,872
Assigned, reported in:											
Other Governmental Funds	-	-	-	-		6,868,143	-	-	-	-	-
Special Revenue Funds	-	-	-	-		5,468,839	872,002	949,904	2,864,515	1,941,868	-
Debt Service Funds	-	-	-	-		600,859	-	-	-	-	-
Unassigned	-	-	-	-		(69,801)	(71,710)	0	(10,938)	(10,909)	(10,951)
Total all other Governmental Funds	<u>\$ (1,305,771)</u>	<u>\$ 36,355,453</u>	<u>\$ 37,984,924</u>	<u>\$ 40,566,677</u>		<u>\$ 32,421,831</u>	<u>\$ 30,067,942</u>	<u>\$ 61,122,062</u>	<u>\$ 65,441,375</u>	<u>\$ 59,618,327</u>	<u>\$ 67,802,564</u>
Component Unit (School Board)											
Reserved	\$ 5,378,752	\$ 8,174,301	\$ 8,065,992	\$ 10,459,827		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,011,181	783,382	1,370,368	1,404,236		-	-	-	-	-	-
Nonspendable	-	-	-	-		451,829	1,387,121	5,055,925	1,397,417	1,549,179	1,563,699
Restricted	-	-	-	-		322,418	-	-	-	-	-
Committed	-	-	-	-		1,007,606	6,324,592	818,913	357,600	504,320	477,237
Assigned	-	-	-	-		7,928,595	9,833,477	6,625,214	5,558,243	7,016,812	9,091,818
Unassigned	-	-	-	-		-	(1,521,774)	(127,803)	(149,539)	-	-
	<u>\$ 6,389,933</u>	<u>\$ 8,957,683</u>	<u>\$ 9,436,360</u>	<u>\$ 11,864,063</u>		<u>\$ 9,710,448</u>	<u>\$ 16,023,416</u>	<u>\$ 12,372,249</u>	<u>\$ 7,163,721</u>	<u>\$ 9,070,311</u>	<u>\$ 11,132,754</u>
		(2)				(3)	(4)				

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

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

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

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

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

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
General Property Taxes	\$ 87,023,480	\$ 88,450,925	\$ 98,037,522	\$ 99,044,697	\$ 98,299,291	\$ 98,760,972	\$ 103,782,797	\$ 104,577,439	\$ 110,069,867	\$ 112,558,761
Other Local Taxes	30,512,149	31,261,557	33,104,223	33,090,604	32,916,852	34,520,691	36,916,761	36,379,136	36,077,720	39,723,172
Licenses, Permits and Fees	1,811,848	1,532,729	1,375,508	1,182,302	1,394,842	1,182,746	1,267,377	1,284,823	1,282,637	1,436,613
Fines and Forfeitures	695,620	552,063	475,350	521,771	852,307	869,701	1,024,324	1,048,276	1,067,296	1,254,627
Use of Money and Property	2,433,824	3,871,010	3,794,438	1,845,378	1,136,704	786,359	817,326	1,199,549	1,180,391	1,118,245
Intergovernmental	25,571,959 ⁽⁸⁾	50,439,343	47,805,781	49,182,612	50,154,248	52,221,486	53,256,359	55,743,813	50,170,399	52,623,910
Charges for Services	3,166,463	3,214,881	4,538,081	4,770,991	4,739,019	4,711,730	5,379,984	6,999,252	5,354,741	5,344,154
Miscellaneous	2,005,995 ⁽⁷⁾	3,715,402	1,368,871	1,784,155	1,674,116	1,445,202	1,900,247	2,229,766	1,385,847	1,981,761
Total Revenues	153,221,338	183,037,910	190,499,774	191,422,510	191,167,379	194,498,887	204,345,175	209,462,054	206,588,898	216,041,243
Expenditures										
General Government Administration	6,648,753	8,177,101 ⁽⁷⁾	8,172,799	8,075,932	8,113,416	11,008,630 ⁽⁷⁾	13,563,676	15,171,035	15,045,173	15,717,849
Judicial Administration	5,183,428	6,602,250	6,770,319	6,815,601	6,812,528	6,743,740	7,731,218	8,086,574	7,978,377	8,308,093
Public Safety	30,227,291	31,896,254	33,563,830	34,676,356	37,802,601	40,185,432	48,947,127	48,435,845	48,997,652	49,275,180
Public Works	11,172,271 ⁽⁵⁾	22,157,962	24,379,984	26,204,343	26,784,701	22,330,517 ⁽⁷⁾	19,019,321	19,465,040	21,231,887	22,352,347
Health and Welfare	12,581,669	10,493,819 ⁽⁷⁾	11,040,820	11,597,910	12,718,523	13,156,330	12,802,756	12,920,565	12,933,567	12,813,152
Transportation	-	-	-	-	-	-	-	888,337	672,274	1,209,090
Education	38,779,835	41,645,810	45,999,422	48,472,908	44,725,754	46,746,091	44,206,593	49,386,060	49,170,847	51,134,708
Parks, Recreation and Cultural	4,839,971	6,042,500 ⁽⁷⁾	6,680,503	6,972,187	6,453,131	7,567,516	7,650,996	7,857,639	9,382,259	9,382,259
Community Development	4,541,559	26,784,795 ⁽³⁾	6,192,145	8,032,334	8,783,239	13,644,310 ⁽³⁾	6,005,460	8,062,809	8,238,220	9,355,031
Other Public Services	3,561,018	-	-	-	-	-	-	-	-	-
Non-Departmental	5,530,537	7,012,669	7,622,634	8,753,753	8,264,861	6,977,603	455,436	474,540	531,079	1,848,130
Capital Outlay	38,086,252	18,741,520	28,574,620	20,582,782	20,789,098	16,235,879	15,988,154	20,951,351	46,949,925	32,536,679
Debt Service:										
Other	209,398	1,005,084	190,205	288,914	339,170	17,787	319,789	168,343	521,661	497,736
Interest	7,385,176	6,689,872	8,531,876	9,645,646	9,755,820	8,825,336	9,034,916	9,702,110	10,206,705	10,334,731
Principal	12,991,845	15,044,611	13,361,741	13,667,737	14,315,646	13,571,169	14,862,418	15,512,377	17,233,990	16,435,462
Total Expenditures	181,739,003	202,294,247	200,384,687	203,494,719	206,177,544	205,895,955	200,504,380	216,875,982	247,568,997	241,200,447
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,517,665)	(19,256,337)	(9,884,913)	(12,072,209)	(15,010,165)	(11,397,068)	3,840,795	(7,413,928)	(40,980,099)	(25,159,204)
Other Financing Sources (Uses)										
Proceeds of Refunding Bonds	9,978,267	28,440,000	-	-	30,605,000	-	14,295,853	11,520,000	5,370,000	20,160,000
Proceeds of Bonds Issued	14,406,949	63,486,239	24,475,000	16,600,000	3,550,000	-	32,526,431	9,890,000	33,105,000	28,820,000
Premiums on Debt	918,255	3,131,272	501,623	-	2,102,918	-	-	3,322,503	4,248,968	6,695,020
Transfers to other governments	-	-	-	-	-	-	-	-	(304,763)	-
Transfers In	6,114,990	6,517,082	27,223,057	30,481,200	31,222,564	31,070,025	32,840,198	35,363,768	34,821,649	38,022,629
Payment to Refunded Bonds Escrow Agent	(10,365,390)	(29,703,423)	-	-	(32,350,000)	-	(14,096,458)	(13,568,249)	(4,844,006)	(23,830,555)
Transfers Out	(5,778,826)	(9,022,028)	(26,407,603)	(29,306,840)	(27,016,486)	(29,714,865)	(31,378,920)	(33,177,405)	(36,007,972)	(38,243,395)
Total Other Financing Sources, net	15,274,245	62,849,142	25,792,077	17,774,360	8,113,996	1,355,160	34,187,104	13,350,617	36,388,876	31,623,699
Net Change in Fund Balance	\$ (13,243,420)	\$ 43,592,805	\$ 15,907,164 ⁽⁸⁾	\$ 5,702,151	\$ (6,896,169) ⁽⁸⁾	\$ (10,041,908) ⁽⁸⁾	\$ 38,027,899	\$ 5,936,689	\$ (4,591,223)	\$ 6,464,495
Capital outlay (1)	38,086,252	18,741,520	27,619,315	20,582,782	18,694,339	16,206,989	11,253,052	23,029,711	44,465,715	36,911,941
Debt Service as a percentage of non-capital expenditures (1)	14.18%	11.84%	12.67%	12.75%	12.84%	11.81%	12.63%	13.01%	13.49%	13.10%
Add'l School Operating & Food Service Expenditures (2)	73,676,524	79,602,860	85,408,681	91,340,694	89,115,227	81,934,663	85,170,286	86,707,523	80,056,924	82,309,125
Debt Service as a percentage of non-capital plus school expenditures (2)	9.38%	8.26%	8.48%	8.50%	8.70%	8.25%	8.71%	8.99%	9.68%	9.34%

- (1) Calculated as the Principal plus Interest shown above divided by the Total Expenditures less Capital Outlay as shown in the Exhibit 4 reconciliation schedule.
- (2) Additional School expenditures are found in the Component Unit section of the CAFR (School Operating and School Food Service Fund expenditures less Contribution revenue from the City). The related ratio is part of bond continuing Contribution to IDA/EDA for Hilton Garden Inn/Suffolk Conference Center EDA
- (3) Revenue Bonds: 2004, \$2.4 M for the IDA's Secondary Debt Service Reserve Fund to support the \$18.3 M Revenue Bonds; 2007, \$18.5 M to refund the Revenue Bonds; 2011, \$5.6 M to make final payment on the Revenue Bonds.

- (4) Nondepartmental includes expenditures for Hurricane Isabel.
- (5) Includes revenues and expenditures for the Road Maintenance fund which had a full year of maintenance for fiscal year 2007.
- (6) Education prior to 2003 was recorded as a Transfer to Component Units instead of an expenditure.
- (7) Reclassification due to GFOA comments or management/auditor decisions.
- (8) Restatements made in the subsequent year are not reflected here.

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Change 2006-2015
General Property Tax	\$ 76,472,589	\$ 88,450,925	\$ 98,037,522	\$ 99,044,697	\$ 98,299,291	\$ 99,497,154	\$ 103,640,094	\$ 104,577,439	\$ 110,069,867	\$ 112,558,761	47%
Other Local Taxes:											
Sales and Use	7,043,982	7,177,386	7,579,882	7,323,289	7,355,338	7,534,722	8,378,591	8,050,485	8,473,872	9,397,170	33%
Utility Tax	6,420,430	5,348,947	4,190,304	4,279,814	4,238,079	4,388,706	3,580,799	4,390,438	4,430,346	4,509,480	-30%
Communication Taxes	-	1,723,627	3,682,126	3,733,667	3,614,856	3,649,188	3,826,015	3,602,321	3,535,356	3,492,721 (1)	100%
Business and Occupational License	5,177,235	5,674,968	5,806,810	6,261,676	5,985,479	6,668,905	7,536,501	6,277,297	5,158,825	6,928,327	34%
Franchise	251,447	138,635	-	-	-	-	-	-	-	-	-100%
Motor Vehicle License	1,359,928	1,532,277	1,650,732	1,713,998	1,711,012	1,695,869	2,104,948	2,247,870	2,240,157	2,301,259	69%
Bank Stock	362,571	350,564	288,973	306,405	641,735	498,527	493,688	486,092	505,550	529,855	46%
Recordation	2,632,855	2,122,575	1,563,745	1,186,018	1,009,592	830,076	922,372	1,165,979	1,269,043	1,456,395	-45%
Tobacco	1,403,764	1,378,724	1,415,123	1,408,348	1,382,361	1,383,896	1,352,797	1,313,533	1,354,757	1,391,263	-1%
Lodging	235,137	226,867	832,049	778,559	957,654	924,901	1,198,551	1,071,900	1,119,678	1,172,193	399%
Meals	3,886,919	4,306,494	5,632,980	5,683,139	5,643,405	6,430,769	7,076,131	7,452,212	7,646,834	8,329,490	114%
Admission	356,211	382,592	354,950	376,024	377,341	338,767	306,196	237,060	243,203	215,019	-40%
Emergency Phone Services	1,033,810	502,503	-	-	-	-	-	-	-	- (1)	-100%
Public Facility Tax Rebate	347,860	395,398	106,549	39,667	-	-	140,172	83,949	100,099	-	-100%
Total	\$ 106,984,738	\$ 119,712,482	\$ 131,141,745	\$ 132,135,301	\$ 131,216,143	\$ 133,841,480	\$ 140,556,855	\$ 140,956,575	\$ 146,147,587	\$ 152,281,933	

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

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

Fiscal Year	Real Property					Personal Property				Total
	Assessed Value			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		
2006	\$ 5,767,166,200	\$ 18,411,941	\$ 5,785,578,141	\$ 6,215,420,841	\$ 1.06	\$ 699,151,891	\$ 175,007,613	\$ 874,159,504	\$ 4.25	\$ 6,659,737,645
2007	7,615,318,305	16,841,670	7,632,159,975	8,207,595,470	0.94	760,041,770	154,722,996	914,764,766	4.25	8,546,924,741
2008	8,471,944,000	20,753,336	8,492,697,336	9,466,652,720	0.94	766,350,990	207,604,394	973,955,384	4.25	9,466,652,720
2009	9,095,186,800	23,662,692	9,118,849,492	9,723,630,800	0.91	804,367,320	217,629,411	1,021,996,731	4.25	10,140,846,223
2010	9,055,790,400	26,606,668	9,082,397,068	9,705,046,100	0.91	721,104,740	245,272,079	966,376,819	4.25	10,048,773,887
2011	9,045,325,900	27,016,838	9,072,342,738	9,687,791,300	0.91	773,957,620	253,653,952	1,027,611,572	4.25	10,099,954,310
2012	8,848,672,100	29,240,750	8,877,912,850	9,472,557,700	0.97	793,373,032	271,085,304	1,064,458,336	4.25	9,942,371,186
2013	8,776,025,000	29,254,047	8,805,279,047	9,371,181,700	0.97	839,643,073	299,930,734	1,139,573,807	4.25	9,944,852,854
2014	8,612,541,300	28,707,851	8,641,249,151	9,132,641,100	1.03	864,971,340	297,602,714	1,162,574,054	4.25	9,803,823,205
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

(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			
2006	\$ 1.22	\$ 1.06	\$ 0.26	\$ 0.04	\$ -	\$ 4.25	\$ 3.15	\$ 5.31
2007	0.98	0.94	0.26	0.04	0.13	4.25	3.15	5.19
2008 (6)	-	0.94	0.26	-	0.13	4.25	3.15	5.19
2009	-	0.91	0.26	-	0.13	4.25	3.15	5.16
2010	-	0.91	0.26	-	0.13	4.25	3.15	5.16
2011	-	0.91	0.26	-	0.13	4.25	3.15	5.16
2012	-	0.97	0.26	-	0.13	4.25	3.15	5.22
2013	-	0.97	0.25	-	0.12	4.25	3.15	5.22
2014	-	1.03	0.25	-	0.11	4.25	3.15	5.28
2015	-	1.03	0.25	-	0.11	4.25	3.15	5.28

(1) The City is not a component of any overlapping governments; therefore, it does not share any overlapping tax rates nor debt.

(2) Real property is assessed at 100% of estimated actual value, except land use property which approximates 30%.

(3) Vehicles are assessed at 100% of average loan value.

(4) Assessed at 20% of original cost during the first five years of life; 10% thereafter.

(5) The district tax rates include the City-wide rate. Additionally, districts overlap some properties, resulting in those properties being taxed at the City rate plus the additional rate for each applicable district. Therefore, only the City-wide rate is used with the personal property rate to calculate the Minimum Total Direct Rate.

(6) Beginning in Fiscal Year 2008, the Suffolk Taxing District and Mosquito Control District supplemental taxes were no longer assessed because the City instituted a city-wide mosquito control program and incorporated the fees associated with those services into the storm water utility fee.

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Real Property					
Taxpayer	Type of Business	2015		2006	
		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)
116 Lakeview Parkway, LLC	Joint Military Training Facility	\$ 54,894,200	0.62%		
Maryview Hospital ⁽²⁾	Medical	47,290,200	0.54%		
The Pergola Group	Apartment Complex	45,361,700	0.52%	\$ 28,083,800	0.49%
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	43,743,100	0.50%	35,839,900	0.62%
Sysco Food Services of Hampton Roads	Food Service Distribution	42,381,300	0.48%	24,298,900	0.42%
Target Corporation	Distribution Warehouse	39,245,000	0.45%	42,287,300	0.73%
TowneBank	Financial Institution	38,798,300	0.44%		
Centerpoint Properties Trust	Real Property Management	35,384,600	0.40%		
Lake Prince Center, Inc.	Retirement Community	33,412,500	0.38%	24,382,800	0.42%
Wal-Mart Stores	Retail Merchandise	31,433,800	0.36%		0.00%
Lake View Development Group LLC	Joint Military Training Facility			25,960,100	
Rubicon - NGP	Joint Military Training Facility			66,939,900	1.16%
JM Smucker Company	Beverage Company			24,258,100	0.42%
BASF Corporation	Chemical Plant			23,701,000	0.41%
Lockheed Martin	Technology Company			31,146,100	0.54%
		<u>\$ 411,944,700</u>	<u>4.68%</u>	<u>\$ 326,897,900</u>	<u>5.67%</u>
(1) Total Assessed Value (does not include public service corporations)		\$ 8,802,263,400		\$ 5,767,166,200	
(2) Maryview Hospital has applied for exempt status due to religious purposes					

Source: City of Suffolk Assessor's Office

Personal Property					
Taxpayer	Type of Business	2015		2006	
		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (2)	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (2)
Unilever/Lipton, Inc.	Beverage Company	\$ 16,468,320	1.86%	\$ 6,096,444	0.87%
Planters/Kraft Foods	Food Processing	9,232,290	1.04%	7,006,159	1.00%
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	7,287,860	0.82%	2,712,612	0.39%
Lockheed Martin Corporation	Technology Company	6,896,300	0.78%		-
JM Smucker Company	Beverage Company	5,654,810	0.64%	12,366,063	1.77%
Massimo Zanetti Beverage USA	Beverage Company	5,312,870	0.60%		-
Sysco Food Services of Hampton Roads	Food Service Distribution	5,305,865	0.60%	1,769,835	0.25%
BASF Corporation	Chemical Plant	3,984,720	0.45%	8,174,635	1.17%
Target Corporation	Distribution Warehouse	3,687,170	0.42%	1,671,153	-
Charter Communications	Cable Products	2,963,770	0.33%	1,801,600	0.26%
Vitex Packaging	Packaging Warehouse			1,503,651	0.22%
Suffolk Energy Partners L.P.	Energy Services			709,482	0.10%
		<u>\$ 66,793,975</u>	<u>7.54%</u>	<u>\$ 43,811,634</u>	<u>6.27%</u>
(2) Total Assessed Value (does not include public service corporations)		\$ 885,552,076		\$ 699,151,891	

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

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

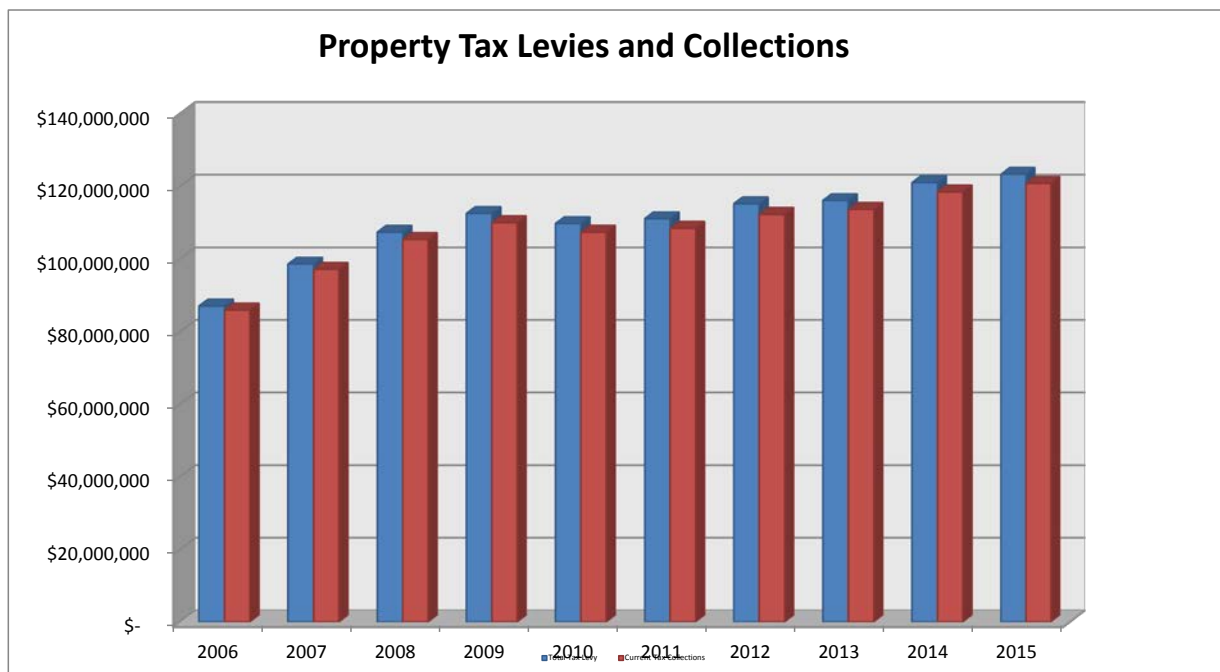
Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Tax Collections				Outstanding Delinquent Taxes At End of Fiscal Year (2)
				Delinquent		Total		
				Delinquent Tax Collections	As Percent of Outstanding Delinquent Taxes	Total Tax Collections (2)	Total Collections as a Percent of the Levy	
2006	\$ 87,028,625	\$ 85,921,671	98.73%	\$ 968,148	46.59%	\$ 86,889,819	99.84%	\$ 2,077,972
2007	98,604,779	97,146,638	98.52%	951,030	40.71%	98,097,668	99.49%	2,336,057
2008	107,353,414	105,361,772	98.14%	933,545	88.23%	106,295,317	99.01%	1,058,097
2009	112,502,640	110,007,171	97.78%	1,475,446	40.49%	111,482,617	99.09%	3,643,790
2010	109,732,744	107,359,137	97.84%	1,585,519	38.92%	108,944,656	99.28%	4,073,288
2011	111,072,859	108,430,361	97.62%	2,711,843	65.92%	111,142,204	100.06%	4,113,644
2012	115,190,689	112,303,915	97.49%	1,970,995	43.95%	114,274,910	99.20%	4,484,190
2013	116,106,208	113,620,442	97.86%	2,307,092	55.20%	115,927,534	99.85%	4,179,156
2014	121,016,827	118,482,416	97.91%	1,818,928	42.55%	120,301,344	99.41%	4,275,281
2015	123,326,675	120,807,937	97.96%	1,919,984	45.51%	122,727,921	99.51%	4,218,636

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

(1) Beginning in the year ended June 30, 2000, the tax levy includes the Commonwealth's reimbursement.

(2) Adjusted for collections through August 15.

Source: City Treasurer



PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		Real Property Value (2)				Total
	Number of Permits	Value	Number of Permits	Value	Residential	Commercial	Agricultural	Nontaxable	
2005	191	\$ 86,239,759	1,585	\$ 182,767,959	\$ 3,633,548,700	\$ 876,319,900	\$ 457,703,200	\$ 751,744,400	\$ 5,719,316,200
2006	196	59,858,597	1,690	228,671,215	4,537,277,500	1,013,362,100	646,369,300	809,532,500	7,006,541,400
2007	218	140,285,316	1,198	132,475,248	6,060,448,500	1,362,319,600	767,985,700	914,701,000	9,105,454,800
2008	193	73,914,062	1,101	105,455,002	6,850,010,900	1,444,643,500	845,756,000	978,058,800	10,118,469,200
2009	151	79,953,808	337	54,363,185	7,114,848,900	1,779,310,900	829,471,000	1,000,191,500	10,723,822,300
2010	168	40,876,496	781	67,393,951	7,115,582,200	1,747,470,100	841,993,800	1,021,152,900	10,726,199,000
2011	133	28,621,709	638	45,448,453	6,945,973,900	1,875,936,500	865,880,900	974,049,400	10,661,840,700
2012	177	64,189,699	647	53,549,031	6,887,276,900	1,762,876,100	822,404,700	1,005,501,100	10,478,058,800
2013	146	75,601,465	832	179,774,238	6,813,160,700	1,760,322,100	797,698,900	990,739,800	10,361,921,500
2014	149	66,694,893	750	84,679,157	6,685,327,800	1,726,979,800	720,333,500	1,022,171,600	10,154,812,700
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

(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, 2015

Water Consumers	Type of Business	Annual Consumption (Hundred Cubic Feet)	% of Total Annual Consumption (1)
Western Tidewater Water Authority	Regional Water Supply	206,760	8.49%
JM Smucker Company	Beverage Company	60,941	2.50%
Western Tidewater Regional Jail	Jail-Regional Facility	48,240	1.98%
Sentara/Obici Hospital	Hospital	29,489	1.21%
Wanchese Fish Company	Seafood Processing	22,226	0.91%
Suffolk Public Schools	Education	30,314	1.24%
Planters/Kraft Foods	Food Processing	24,790	1.02%
Harbour Breeze Apartments	Real Property Management	14,577	0.60%
Unilever/Lipton, Inc.	Beverage Company	12,162	0.50%
Lake Prince	Real Property Management	8,764	0.36%
		458,263	18.82%

(1) Total annual consumption (all water customers) 2,434,979

Sewer Consumers	Type of Business	Annual Consumption (Hundred Cubic Feet)	% of Total Annual Consumption (2)
JM Smucker Company	Beverage Company	62,459	3.16%
Western Tidewater Regional Jail	Jail-Regional Facility	48,240	2.44%
Sentara/Obici Hospital	Hospital	29,489	1.49%
BASF Corporation	Chemical Plant	36,794	1.86%
Wanchese Fish Company	Seafood Processing	22,226	1.12%
Suffolk Public Schools	Education	30,314	1.53%
Harbour Breeze Apartments	Real Property Management	14,577	0.74%
Southeastern Public Service Authority	Waste Management	13,805	0.70%
Unilever/Lipton, Inc.	Beverage Company	9,936	0.50%
Lake Prince Center	Real Property Management	8,764	0.44%
		276,604	14.00%

(2) Total annual consumption (all sewer customers) 1,975,893

Source: Department of Public Utilities

WATER AND SEWER RATE SCHEDULE
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
WATER										
Water Rate per 100 cubic feet	\$ 2.82	\$ 3.09	\$ 3.41	\$ 3.92	\$ 4.94	\$ 5.84	\$ 6.43	\$ 7.13	\$ 7.84	\$ 8.29
Minimum Bi-monthly Charge (5 ccf)	12.48	15.45	17.05	19.60	24.70	29.20	32.15	33.65	-	-
Meter Service Charge (per month)										
5/8 inch meter	1.50	2.40	2.40	2.40	2.40	2.40	2.40	2.40	5.35	6.40
Water Connection Charge (installed by city)										
5/8 inch meter	1,030	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Water Connection Charge (installed by developer)	50	50	50	50	50	50	50	50	50	50
Water Availability Charge (residential)										
Single Family	4,520	5,390	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
Water Availability Charge (commercial)										
5/8 inch meter	4,520	5,390	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
3/4 inch meter	6,780	8,090	8,180	8,180	8,180	8,180	8,180	8,180	8,180	5,520
1 inch meter	11,300	13,480	13,520	13,520	13,520	13,520	13,520	13,520	13,520	13,520
1½ inch meter	22,600	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950
2 inch meter	36,155	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120
3 inch meter	67,795	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850
4 inch meter	112,985	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750
WTA Wholesale Water Rate										
Water Rate (CCF)	3.47	3.29	3.43	3.53	3.99	3.76	3.84	4.13	4.36	4.46
Fixed Capacity Charge (Per Month)	N/A	87,567	102,370	147,242	160,979	190,452	220,668	193,496	204,641	210,994
SEWER										
Sewer Collection (per 100 cubic feet)	1.83	2.12	2.61	2.88	3.78	4.50	4.91	5.35	5.82	6.47
Minimum Bi-monthly period (5 ccf)	11.38	10.60	13.05	14.40	18.90	22.50	24.55	26.75	-	-
Sewer Connection Charge (installed by city)										
4 inch lateral size	1,350	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
6 inch lateral size	2,475	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650
Sewer Connection Charge (installed by developer)	50	50	50	50	50	50	50	50	50	50
Sewer Availability Charge (residential)										
Single Family	2,190	4,920	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Sewer Availability Charge (commercial)										
5/8 inch meter	2,190	4,920	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
3/4 inch meter	3,285	7,380	9,000	9,000	9,000	9,000	9,000	9,000	9,000	6,000
1 inch meter	5,475	12,300	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800
1½ inch meter	10,950	24,600	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500
2 inch meter	17,525	39,360	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100
3 inch meter	32,860	73,800	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100
4 inch meter	54,770	123,000	146,700	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)	Business-type activities	Literary Bonds	Notes Payable	Total General Bonded Debt			Capital Leases	Section 108 Loan Payable
2006	\$ 144,350,436	\$ 10,362,731	\$ 7,250,000	\$ 4,196,949	\$ 166,160,116	2.67%	\$ 2,121	\$ 8,370,710	\$ -
2007	195,065,531	9,386,856	6,750,000	1,588,475	212,790,862	2.50%	2,674	8,767,219	3,845,000
2008	208,232,132	8,616,329	6,250,000	480,000	223,578,461	2.36%	2,757	6,354,783	3,652,000
2009	215,824,433	3,874,661	5,750,000	240,000	225,689,094	2.32%	2,751	8,786,426	3,459,000
2010	208,487,019	30,393,631	5,250,000	-	244,130,650	2.52%	2,955	6,394,321	3,266,000
2011	195,594,667	28,937,715	4,750,000	-	229,282,382	2.37%	2,711	4,549,616	3,073,000
2012	214,567,471	109,776,348	4,250,000	-	328,593,819	3.47%	3,835	4,390,193	2,880,000
2013	214,236,652	152,015,340	-	-	366,251,992	3.91%	4,274	5,388,859	2,687,000
2014	234,108,838	182,234,124	-	-	416,342,962	4.56%	4,740	10,738,856	2,494,000
2015	249,478,100	259,509,734	-	-	508,987,834	5.49%	5,682	11,537,472	2,301,000

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			
2006	\$ -	\$ 67,023,043	\$ -	\$ 164,168,095	\$ 77,385,774	\$ 241,553,869	9.10%	3,084
2007	-	106,290,829	-	216,016,225	115,677,685	331,693,910	11.59%	4,169
2008	-	145,323,116	-	224,968,915	153,939,445	378,908,360	12.55%	4,672
2009	-	188,938,920	-	234,059,859	192,813,581	426,873,440	13.98%	5,203
2010	-	185,823,411	27,000,000	223,397,340	216,217,042	439,614,382	14.06%	5,321
2011	-	179,922,539	27,000,000	207,967,283	208,860,254	416,827,537	12.50%	4,928
2012	2,718,563	161,624,546	27,000,000	226,087,664	274,119,458	500,207,122	14.20%	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%	6,758

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

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

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

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

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

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

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

LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2014

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				\$ 8,830,387,194	\$ 8,830,387,194	\$ 8,830,387,194					
Adopted and Legal debt limits:											
4% of assessed value (authorized limit adopted by City Council 2010)				\$ 353,215,488							
7% of assessed value (authorized limit imposed by City Charter)					\$ 618,127,104						
10% of assessed value (authorized by the Commonwealth for all cities)						\$ 883,038,719					
Deduct amount of debt applicable to debt limit:											
Gross general bonded debt (includes bonds and notes payable)	(4)	253,740,544			449,500,000	449,500,000					
Guarantee of Southeast Public Service Authority Bonds					3,089,444	3,089,444					
				\$ 99,474,944	\$ 165,537,660	\$ 430,449,275					
							Fiscal Year				
	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015	
City's Legal Debt Margin											
Debt Limit	\$ 404,990,470	\$ 534,251,198	\$ 594,488,418	\$ 638,194,643	\$ 635,767,795	\$ 635,063,992	\$ 621,453,900	\$ 616,369,533	\$ 604,887,441	\$ 618,127,104	
Total Net Debt Applicable to Limit*	166,160,116	212,790,862	223,578,461	225,689,094	244,130,650	232,540,874 **	323,484,000 **	351,784,115 **	299,613,810	452,589,444	
Legal Debt Margin	\$ 238,830,354	\$ 321,460,336	\$ 370,909,957	\$ 412,505,549	\$ 391,637,145	\$ 402,523,118	\$ 297,969,900	\$ 264,585,418	\$ 305,273,631	\$ 165,537,660	
Total Net Debt Applicable to Limit as percentage of Debt Limit	41.0%	39.8%	37.6%	35.4%	38.4%	36.6%	52.1%	57.1%	49.5%	73.2%	
Commonwealth's Legal Debt Margin											
Debt Limit	\$ 578,557,814	\$ 763,215,997	\$ 849,269,734	\$ 911,884,949	\$ 908,239,707	\$ 907,234,274	\$ 887,791,285	\$ 880,527,905	\$ 864,124,915	\$ 883,038,719	
Total Net Debt Applicable to Limit*	166,160,116	212,790,862	223,578,461	225,689,094	244,130,650	232,540,874 **	323,484,000 **	351,784,115 **	299,613,810 **	452,589,444	
Legal Debt Margin	\$ 412,397,698	\$ 550,425,135	\$ 625,691,273	\$ 686,195,855	\$ 664,109,057	\$ 674,693,400	\$ 564,307,285	\$ 528,743,790	\$ 564,511,105	\$ 430,449,275	
Total Net Debt Applicable to Limit as percentage of Debt Limit	28.7%	27.9%	26.3%	24.7%	26.9%	25.6%	36.4%	40.0%	34.7%	51.3%	

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				Net Revenue				Coverage (4)					
	Gross Revenues (1)	Direct Operating Expenses (2)	Available For Debt Service	Debt Service Requirements (3)									
				Principal	Interest	Total							
UTILITY REVENUE BONDS (WATER AND SEWER)													
2006	\$	21,275,903	\$	13,840,075	\$	7,435,828	\$	1,240,000	\$	3,045,619	\$	4,285,619	1.74
2007		29,991,524		14,859,732		15,131,792		1,810,000		3,123,149		4,933,149	3.07
2008		28,893,476		14,820,616		14,072,860		1,610,000		4,026,864		5,636,864	2.50
2009		29,758,790		16,601,440		13,157,350		2,290,000		4,258,888		6,548,888	2.01
2010		29,579,413		15,710,773		13,868,640		3,155,000		6,441,335		9,596,335	1.45
2011		30,342,116		15,009,702		15,332,414		4,040,000		8,929,768		12,969,768	1.18
2012		34,213,151		16,600,935		17,612,216		2,640,000		9,316,190		11,956,190	1.47
2013		38,796,061		18,491,436		20,304,625		2,010,000		8,814,174		10,824,174	1.88
2014		39,711,399		19,718,299		19,993,100		2,070,000		8,317,701		10,387,701	1.92
2015		41,928,618		19,255,373		22,673,245		2,135,000		5,385,232		7,520,232	3.01

- (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)	Per Capita Income (2)*	Schools: Average Daily Membership (3)	Unemployment Rate (4)		
		In Thousands			City of Suffolk	State of Virginia	United States
2006	78,323	\$ 2,654,590	\$ 33,119	13,452	3.5%	3.0%	4.6%
2007	79,567	2,861,021	35,255	13,490	3.3%	3.1%	4.6%
2008	81,103	3,018,158	36,618	13,513	4.1%	4.0%	5.8%
2009	82,039	3,053,030	36,494	13,568	7.0%	6.9%	9.3%
2010	82,616	3,125,659	36,828	13,801	7.8%	7.1%	9.6%
2011	84,585	3,335,932	39,279	13,863	7.3%	6.4%	8.9%
2012	85,692	3,521,692	41,344	13,734	6.8%	5.9%	8.1%
2013	86,463	3,579,047	41,749	13,844	6.5%	5.8%	7.7%
2014	87,831	not available	not available	13,739	6.4%	5.4%	6.3%
2015	89,586	not available	not available	13,762	5.3%	5.0%	5.3%

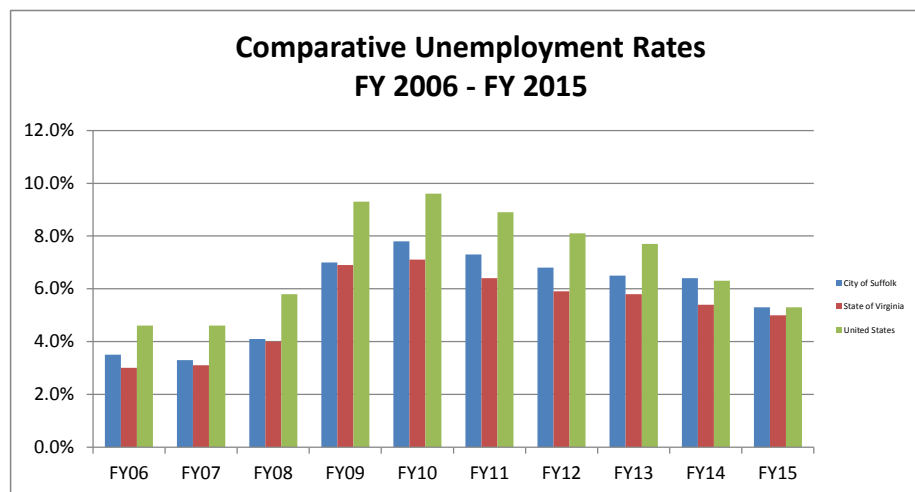
Sources:

(1) Weldon Cooper Center for Public Service

(2) Bureau of Economic Analysis based on calendar year

(3) City of Suffolk Public Schools

(4) Virginia Employment Commission - Area Unemployment Statistics, based on calendar year. 2015 rate as of April 2015



PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	Type of Business	2015	
		Employees	Percentage of Total City Employment
Navy Information Dominance Forces Commands (Cyber Force)	ModSim & Technology	1,500	5.53%
Sentara Health Systems	Medical	1,300	4.79%
J-7 Joint Staff	ModSim & Technology	1,200	4.42%
CVN Distribution / QVC, Inc	Warehousing & Distribution	900	3.32%
Sysco Food Services of Hampton Roads	Food Service Distribution	500	1.84%
Wal-Mart Stores	Retail	450	1.66%
Planters/Kraft Foods	Food Processing	340	1.25%
Unilever/Lipton Inc.	Beverage Company	300	1.11%
Towne Bank	Banking	300	1.11%
Lakeview Medical Center	Medical	270	0.99%
		<u>7,060</u>	<u>26.01%</u>
Total Employment by Industry in City of Suffolk for fiscal year		27,145	
Employer	Type of Business	2006	
		Employees	Percentage of Total City Employment
U.S. Joint Forces Command	ModSim & Technology	2,220	6.13%
Obici Memorial Hospital	Healthcare	1,200	3.31%
CVN Distribution / QVC, Inc	Distribution Warehouse	1,100	3.04%
Wal-Mart Stores	Retail	985	2.72%
SYSCO Food Services of Hampton Roads	Education	500	1.38%
CIBA Specialty Chemicals	Chemical Manufacturer	415	1.15%
Unilever/Lipton Inc.	Beverage Company	350	0.97%
Planters/Kraft Foods	Food Processing	340	0.94%
Sentry Services	Gas Distribution	325	0.90%
Target Corporation	Distribution Warehouse	300	0.83%
		<u>7,735</u>	<u>21.34%</u>
Total Employment by Industry in City of Suffolk for fiscal year		36,243	

The Suffolk Public Schools (1,780 employees) and the City of Suffolk (1,139 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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
General Government:										
City Council	9	9	9	10	10	10	10	10	2	2
City Manager	2	5	5	6	6	6	6	7	7	7
Asst City Manager Operations	2	1	-	-	-	-	-	-	-	-
Asst City Manager Development	4	4	2	-	-	-	-	-	-	-
Management Services	7	6	6	-	-	-	-	-	-	-
Budget and Strategic Planning	-	-	-	4	4	4	4	3	4	4
City Attorney	7	9	9	9	8	8	9	9	9	9
Human Resources	7	8	8	8	8	9	13	10	10	10
Commissioner of Revenue	11	12	12	12	11	12	12	12	12	12
City Assessor	13	13	13	14	15	13	14	15	16	17
Treasurer	13	16	16	15	15	15	15	15	15	15
Finance - Administration and Accounting	12	11	11	10	12	11	14	12	14	16
Finance - Purchasing	4	5	5	4	4	3	3	3	4	4
Registrar	2	2	2	2	2	2	2	2	2	2
Total	93	101	98	94	95	93	102	98	95	98
Judicial:										
Circuit Court	2	2	2	2	2	2	2	2	2	2
Circuit Court - Clerk's Office	13	14	14	13	14	14	14	14	14	14
Sheriff	22	25	25	25	24	22	24	24	25	25
Commonwealth Attorney	18	22	29	29	28	23	23	24	24	24
Total	55	63	70	69	68	61	63	64	65	65
Public Safety:										
Police										
Administration and Officers	196	206	206	194	204	205	208	196	214	213
Emergency Communications	22	26	26	26	22	25	26	24	27	27
Animal Shelter and Management	9	9	9	8	7	8	9	8	10	10
Fire										
Fire and Rescue	190	197	197	216	213	220	240	238	253	252
Fire Prevention	3	3	3	5	-	-	-	-	-	-
Community Development	27	27	27	26	24	26	27	26	26	26
Total	447	468	468	475	470	484	510	492	530	528
Public Works:										
Public Works										
Administration	7	7	6	5	3	3	2	2	2	2
Traffic Engineering and Maintenance (1)	34	-	-	-	-	-	-	-	-	-
Engineering (2)	12	-	-	-	-	-	-	-	-	-
Refuse Collection (3)	14	46	46	40	41	40	-	-	-	-
Maintenance Building and Grounds (7)	25	27	27	15	4	4	4	4	4	0
Mosquito Control	2	2	-	-	-	-	-	-	-	-
Capital Programs and Facilities	3	3	3	6	20	22	24	23	24	24
Aviation Facilities	3	3	3	3	3	3	-	-	-	-
Total	100	88	85	69	71	72	30	29	30	26

CITY OF SUFFOLK, VIRGINIA

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

Table 18 (continued)

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Health and Welfare:										
Social Services	101	102	102	101	100	101	98	100	103	103
Comprehensive Services Act	1	1	1	1	1	1	1	2	2	2
Total	102	103	103	102	101	102	99	102	105	105
Parks, Recreation and Cultural:										
Parks and Recreation										
Administration	5	4	4	4	4	4	5	5	5	4
Office on Youth	-	-	-	-	-	-	-	-	-	2
Support Services	5	4	4	4	4	5	5	6	6	6
Parks, Gateway and Facility Maintenance	20	22	22	20	19	18	18	19	19	19
Grounds Maintenance (7)	-	-	-	-	-	-	-	-	-	4
Recreation	9	12	12	14	16	15	16	16	22	21
Library	23	35	34	31	31	30	31	28	31	31
Total	62	77	76	73	74	72	75	74	83	87
Community Development:										
Planning	16	18	16	14	12	14	12	13	14	14
Geographic Information Systems	-	-	3	5	5	-	-	-	-	-
Economic Development	7	7	8	5	4	5	5	5	5	5
Tourism	3	3	3	3	3	3	2	3	3	3
Media and Community Relations	5	5	5	5	5	6	6	6	6	6
Total	31	33	35	32	29	28	25	27	28	28
Total General Fund	890	933	935	914	908	912	904	886	936	937
Special Revenue Fund:										
Transit	5	5	5	-	-	-	-	-	-	-
Road Maintenance (1)										
Road Maintenance	-	93	94	86	91	88	90	84	101	99
Traffic Engineering	-	20	23	22	23	22	23	21	23	23
Aviation Facilities (6)	-	-	-	-	-	-	3	3	3	3
Total Special Revenue Fund	5	118	122	108	114	110	116	108	127	125
Enterprise Fund:										
Public Utilities										
Administration	6	6	8	6	9	8	9	7	8	9
Customer Service	17	18	18	18	18	18	18	18	18	18
Line Maintenance	26	26	26	24	27	26	24	25	26	27
Maintenance	20	20	20	19	20	20	22	24	26	25
Water Production	28	28	29	28	29	27	28	30	30	30
Engineering	12	16	18	15	17	14	15	15	15	15
Stormwater Utility										
Stormwater Utility (2)	-	28	28	26	27	25	28	27	31	38
Mosquito Control (2)	-	-	7	6	7	5	7	6	7	7
Refuse (5)	-	-	-	-	-	-	39	36	41	40
Total Enterprise Fund	109	142	154	142	154	143	190	188	202	209
Internal Service Funds:										
Fleet Management	19	25	26	23	21	23	18	20	21	21
Information Technology	12	12	13	13	12	20	21	22	25	25
Risk Management	2	2	2	2	1	3	5	4	4	4
Total Risk Management	33	39	41	38	34	46	44	46	50	50
Total	1,037	1,232	1,252	1,202	1,210	1,211	1,254	1,228	1,315	1,321
				(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. 2006-2008, and 2014 - 2015 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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government:										
Building permits issued	1,886	1,416	1,294	488	949	771	824	978	899	867
Value of permits issued (millions)	\$ 288.5	\$ 272.8	\$ 179.4	\$ 134.3	\$ 108.3	\$ 74.1	\$ 117.7	\$ 255.4	\$ 151.4	\$ 162.3
Number of registered voters	47,569	48,170	50,843	55,578	55,008	55,941	56,745	57,067	57,280	56,268
Taxable retail sales (millions)	\$ 628.6	\$ 645.2	\$ 652.8	\$ 632.9	\$ 642.3	\$ 671.2	\$ 716.4	\$ 729.6	\$ 759.9	**Not Available
Taxable retail sales per capita	8,153	8,114	7,931	7,727	7,738	7,936	8,285	8,307	8,483	**Not Available
Parks, Recreation and Cultural:										
Library volumes in collection (thousands)	175.7	218.1	222.7	228.4	221.4	218.0	218.9	222.1	224.9	286.8
Circulation (thousands)	n/a	n/a	n/a	401	401	356	327	313	320	335
Transit										
Number of Service days (not including ADA service)	n/a	n/a	n/a	n/a	n/a	n/a	128	254	252	253
Number of Routes (not including ADA service)	n/a	n/a	n/a	n/a	n/a	n/a	2	3	4	6
Vehicle Trips (not including ADA service)	n/a	n/a	n/a	n/a	n/a	n/a	3,072	7,221	8,885	13,004 (4)
Passenger Trips (not including ADA service)	n/a	n/a	n/a	n/a	n/a	n/a	24,662	57,814	64,563	77,631 (5)
Vehicle Trips (ADA Service)	n/a	n/a	n/a	n/a	n/a	n/a	363	693	757	1,081 (4)
Passenger Trips (ADA Service)	n/a	n/a	n/a	n/a	n/a	n/a	633	1,198	1,152	1,353 (5)
Enterprise Fund:										
Public Utilities										
Customers - Water	22,533	23,435	24,370	24,576	24,663	24,657	24,729	24,380	24,836	24,912
Customers - Sewer		19,795	20,319	20,708	20,911	20,892	20,921	20,692	21,010	21,486
Average daily production (mgd)	6.49	6.70	7.68	6.89	6.79	6.42	6.63	5.96	6.71	6382
Treatment Capacity daily (mgd)	11.20	11.20	11.20	11.20	17.45	17.45	17.45	17.45	17.45	17.45
Stormwater										
Billed customers	-	29,176	30,307	29,587	29,793	30,342	30,289	30,508	30,791	31,395 (1)
Refuse collection										
Customers	-	-	-	-	-	-	27,573	27,675	27,982	28,046 (2)
Recycled (tons)	-	-	-	-	-	-	4,491	5,408	5,767	5,534 (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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety:										
Police Stations	4	4	4	4	5	5	5	5	5	5
Fire Stations	8	8	8	8	8	9	9	9	9	9
Public Works: (1)										
State maintained road miles	1,308	17	18	18	18	18	18	18	18	18
City maintained road miles	76	1,420	1,500	1,531	1,581	1,581	1,600	1,600	1,626	1,626
Streetlights	6,940	6,980	7,000	7,139	7,648	7,917	7,996	8,113	8,425	8,593
Bridges	3	144	144	147	147	147	147	155	147	150
Traffic Signals	23	86	89	91	91	93	93	93	98	96
Education:										
Elementary Schools	12	13	13	14	14	14	12	12	12	12
Middle Schools	4	4	4	4	4	4	4	4	4	4
High Schools	3	3	3	3	3	3	3	3	3	3
Alternative Schools	1	1	1	1	1	1	1	1	1	1
Number of Teachers, Principals, and Assistants	1,380	1,393	1,405	1,448	1,425	1,419	1,420	1,402	1,398	1,345
Average Daily Membership	13,452	13,490	13,512	13,568	13,801	13,863	13,734	13,844	13,739	13,762
Capacity of Schools	13,250	14,050	14,050	14,632	14,577	14,577	14,192	14,352	14,352	14,590
Enterprise Fund:										
Public Utilities										
Miles of Water Main	400	415	420	420	422	436	453	454	462	467
Miles of Sanitary Sewers	293	308	309	313	315	334	316	330	334	344
Miles of Storm Sewers	6	142	236	236	236	236	236	266	246	294
Pump Stations	113	125	129	131	134	136	140	140	140	144
Storage Tanks	6	6	6	7	7	8	9	9	10	10
Parks, Recreation and Cultural:										
Parks and Recreation										
Number of major parks and recreation facilities (2)	41	41	41	40	40	42	42	43	43	50
Acreage of major parks and recreation facilities	1,825	1,825	1,827	1,827	1,827	1,921	1,921	1,928	1,879	2,031
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Number of branch libraries	3	3	2	2	2	2	2	2	2	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	n/a	n/a	-	4	4	6
Bus Stops with Shelters	n/a	n/a	n/a	n/a	n/a	n/a	4	4	6	8

Sources: Various City Departments

1. 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
2. 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 Whaleville Community Center.
3. 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, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 15, 2015. That report recognizes that the City implemented two new accounting standards effective July 1, 2014.

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 2015-001 through 2015-003.

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 Behrman CP". The signature is written in a cursive style.

Richmond, Virginia
December 15, 2015

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

To the City Council
City of Suffolk, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Suffolk, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Suffolk, Virginia's ("City") major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Suffolk, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

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

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

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

Richmond, Virginia
December 15, 2015

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Period Ending June 30, 2015

Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Federal Expenditures	Department Totals
<u>U.S. Department of Agriculture</u>			
Passed Through Commonwealth of Virginia:			
Department of Agriculture and Department of Education			
Child Nutrition Cluster			
National School Breakfast Program	10.553	\$ 1,278,398	
Food Distribution	10.555	430,540	
National School Lunch Program	10.555	3,053,899	
Summer Food Service Program for Children	10.559	122,141	
Total Child Nutrition Cluster		4,884,978	
Department of Social Services			
State Administrative Matching Grants for Food Stamp Program	10.561	1,113,173	
Total U.S. Department of Agriculture			5,998,151
<u>U.S. Department of Defense</u>			
Direct Program:			
JROTC Instruction	12.000	175,798	
Total U.S. Department of Defense			175,798
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grants/Entitlement Grants	14.218	463,358	
Home Investment Partnerships Program	14.239	662,966	
Economic Development Initiative-The Great Dismal Swamp	14.251	41,720	
Passed Through Commonwealth of Virginia:			
Community Development Block Grants-Neighborhood Stabilization Program	14.228	845	
Total U.S. Department of Housing and Urban Development			1,168,889
<u>U.S. Department of Interior</u>			
Direct Program:			
National Wildlife Refuge Fund/Fish & Wildlife Service	15.659	20,067	
Total U.S. Department of Interior			20,067
<u>U.S. Department of Justice</u>			
Direct Program:			
Bullet Proof Vests Partnership Program	16.607	7,310	
Passed Through Department of Criminal Justice Services			
Crime Victim Assistance	16.575	251,430	
Violence Against Women Formula Grants	16.588	100,495	
State Criminal Alien Assistance Program	16.606	455	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	34,718	
Equitable Sharing Program	16.922	61,007	
Total U.S. Department of Justice			455,416
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	205,526	
Highway Safety Grant	20.601	22,545	
Highway Planning and Construction Cluster			
Direct Program:			
Highway Planning and Construction	20.205	357,640	
Passed Through Commonwealth of Virginia:			
Highway Planning and Construction	20.205	1,971,731	
Total Highway Planning and Construction		2,329,371	
Total U.S. Department of Transportation			2,557,442
<u>U.S. Department of Education</u>			
Direct Program:			
Impact Aid	84.041	370,592	
Passed Through Commonwealth of Virginia:			
Career and Technical-Basic Grants to States	84.048	152,326	
Title II-A	84.367	522,583	
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	2,851,648	

<u>U.S. Department of Education (Continued)</u>		
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	2,481,180
Special Education - Preschool Grants	84.173	<u>60,876</u>
Total Special Education Cluster (IDEA)		2,542,056
Total U.S. Department of Education		<u>6,439,205</u>
<u>U.S. Department of Health and Human Services</u>		
Direct Payments:		
Medical Assistance Program	93.778	147,171
Passed Through Commonwealth of Virginia:		
Promoting Safe and Stable Families	93.556	35,374
Temporary Assistance for Needy Families	93.558	939,746
Refugee & Entrant Assistance	93.566	2,343
ILP Education & Training	93.599	3,145
Child Welfare Services	93.645	6,098
Foster Care - Title IV-E	93.658	474,330
Adoption Assistance	93.659	172,787
Social Service Block Grant	93.667	636,314
Foster Care Independent Living	93.674	14,819
Children's Health Insurance Program	93.767	37,197
Medical Assistance Program	93.778	1,275,547
CCDF Cluster		
Child Care and Development Block Grant	93.575	(1,941)
Child Care Mandatory & Matching Funds for Child Care Dev Fund	93.596	<u>133,965</u>
Total CCDF Cluster		132,024
Total U.S. Department of Health and Human Services		<u>3,876,893</u>
<u>U.S. Social Security Administration</u>		
Passed Through Commonwealth of Virginia:		
Low-Income Home Energy Assistance	96.568	100,377
Total U.S. Social Security Administration		<u>100,377</u>
<u>U.S. Department of Homeland Security</u>		
Passed Through Department of Criminal Justice:		
Port Security Grant Program	97.056	46,866
Total U.S. Department of Homeland Security		<u>46,866</u>
Total Expenditures of Federal Awards		<u>\$ 20,839,104</u>

Note 1: Basis of Accounting:
This schedules 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, 2015, the School Board had USDA food commodities totaling \$431,213 in inventory.

CITY OF SUFFOLK, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

A. Summary of Auditor's Results

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
14.239	HOME Investment Partnerships Program
93.778	Medical Assistance Program
20.205	Highway Planning and Construction

10. Dollar threshold used to distinguish between type A and type B programs: **\$625,173**
11. City of Suffolk qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **Yes**

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

None reported.

C. Findings and Questioned Costs Relating to Federal Awards:

None reported.

CITY OF SUFFOLK, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

2015-001 Social Services Terminated Users

Criteria: Per the Auditor of Public Accounts of the Commonwealth of Virginia's *Specifications for Audits of Counties, Cities, and Towns* (Specifications), terminated employees' access privileges to all Virginia Department of Social Services systems should be removed within three working days of employment termination.

Condition: One terminated employees' access privileges to Virginia Department of Social Services systems was not removed within three working days of employment termination.

Cause: City personnel practiced a policy that was inconsistent with Virginia Department of Social Services requirements.

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

Recommendation: Terminated employees' access privileges to Virginia Department of Social Services systems should be removed within three working days of employment termination.

Management Response: Upon review it was ascertained that the Local Security Officer was on leave on September 2, 2014 which was the day after Labor Day. Although the terminated employee was removed within three days of the Local Security Officer's return, it should have been done on September 4, 2014. The Local Security Officer thought the former five day termination of access policy from the State was still in effect.

The Department will take the following steps to prevent this from recurring:

Upon notification of an employee's separation date, the HR liaison will contact the local security officer and back-up security officers, via e-mail and telephone, to remove employee.

In the event that the local security officer is on leave, or has leave scheduled around the termination date, the back-up officer(s) will be advised to effect the removal.

Please note: As a result of this finding, the current local security officer and back-up officers are aware of the State and APA auditing requirements of removal within three working days.

CITY OF SUFFOLK, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

2015-002 Highway Maintenance Funds Expenditures

Criteria: Per the Specifications, charges claimed on the Weldon Cooper Center Local Finance Survey:

- a) must be incurred for the maintenance, construction, or reconstruction of the street(s) as defined by the Urban Manual,
- b) must be for “acceptable” costs under the program as defined by the Urban Manual,
- c) must be for eligible streets included on the Department of Transportation’s annual listing of eligible streets (Urban Inventory), and
- d) charges that have been allocated to eligible maintenance, construction, and reconstruction are supported by adequate documentation to justify the amounts allocated.

Condition: The fiscal year 2014 Weldon Cooper Center Local Finance Survey included charges for which the auditor could not determine whether they were incurred for work performed on eligible streets, charges for which the dollar amount claimed was not properly supported, and charges for which the supporting documentation did not indicate the type of work that was performed or the streets for which the work was performed.

Cause: City personnel did not follow Weldon Cooper requirements.

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

Recommendation: All charges that are claimed on the Weldon Cooper Center Local Finance Survey should be supported by documentation that clearly indicates that the charges meet the requirements established by the Commonwealth of Virginia.

Management Response: The City acknowledges the finding and the Departments of Finance and Public Works will work together with the City’s auditors to ensure proper controls are in place and utilized for future reporting.

2015-003 Unclaimed Property

Criteria: The Uniform Disposition of Unclaimed Property Act requires local governments to file an annual report with the State Treasurer listing all unclaimed property. The local government must then remit the property to the State Treasurer for final disposition. All intangible property held for the owner that remains unclaimed for more than a year is presumed abandoned.

Condition: During our testing of cash, we noted outstanding checks that were greater than one year old.

Cause: Unknown.

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

Recommendation: Checks greater than one year old should be included on the annual report filed with State Treasurer and the property should be remitted to the State Treasurer for final disposition.

Management Response: The Finance department has taken steps to remit these unclaimed items to the State in order to be compliant with State requirements.

CITY OF SUFFOLK, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Status of Prior Year Findings:

2014-001 Conflicts of Interest – Finding not repeated

2014-002 Sheriff's Office – Finding not repeated



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