



CITY of SUFFOLK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year
ended June 30, 2016

CITY OF SUFFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
June 30, 2016

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 6, 2016

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, 2015 through June 30, 2016. 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 by an independent auditor of the City is required. The City's financial statements have been audited by Cherry Bekaert LLP. As a result of an audit of the City's financial records and transactions of all funds, component units, and departments of the City, Cherry Bekaert LLP has concluded that the financial statements are in compliance with generally accepted accounting principles and has issued an unmodified opinion of the City's financial statements for the year ended June 30, 2016. 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, 2016. 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 \$189,709,515, resulting in more than 1.1 million square feet impacted and 1,868 new jobs created. Included in this total are the forty eight companies with diverse market interests that said “yes” to Suffolk’s many advantages as they planted new businesses here during calendar year 2015, and this equated to 863,580 in new square footage. An additional ninety one existing businesses invested in the city’s economic position by expanding their presence in the community and adding an additional 290,643 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, 2016

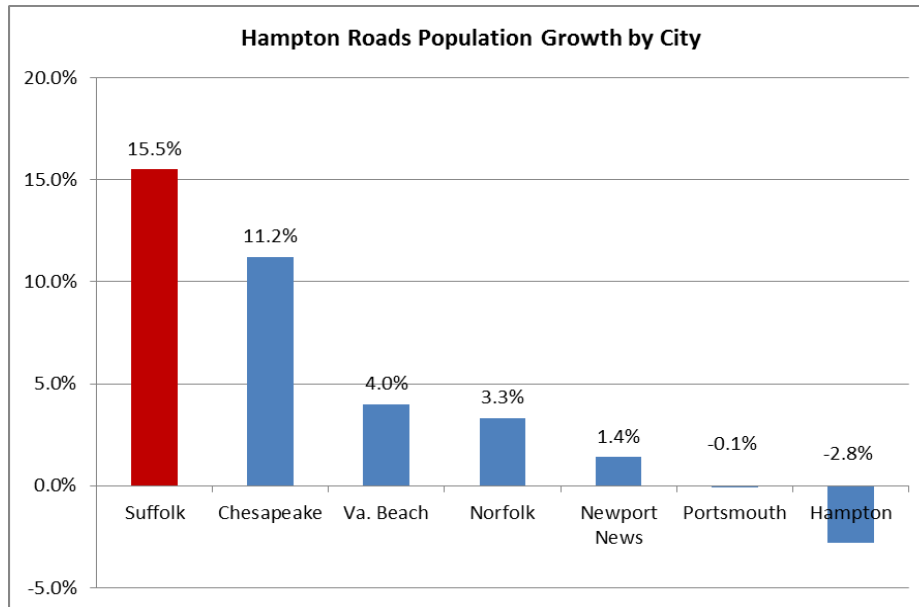
<u>New Business</u>	<u>Sector</u>	<u>Investment</u>
Hampton Roads Crossing	Retail	\$19,400,000
Wawa	Retail	\$5,500,000
My Storage Center	Other	\$5,000,000
CMP Global	Advanced Manufacturing	\$3,300,000
Panda Express	Retail	\$3,000,000
Texas Roadhouse	Retail	\$3,000,000

<u>Expanding Business</u>	<u>Sector</u>	<u>Investment</u>
Target Upstream Distribution Center	Warehousing & Distribution	\$50,000,000
Unilever Lipton	Food & Beverage Processing	\$31,000,000
Harbour View Medical Plaza	Medical	\$20,000,000
NSA Harbour View	Other	\$6,000,000
Sentara Healthcare	Medical	\$4,900,000
DMV	Office & Administration	\$3,450,000

Suffolk continues to outpace its neighboring Hampton Roads cities in population growth by a wide margin. Over the past 10 years, the population in Suffolk has grown by 15.5%.

Hampton Roads Population Growth by City

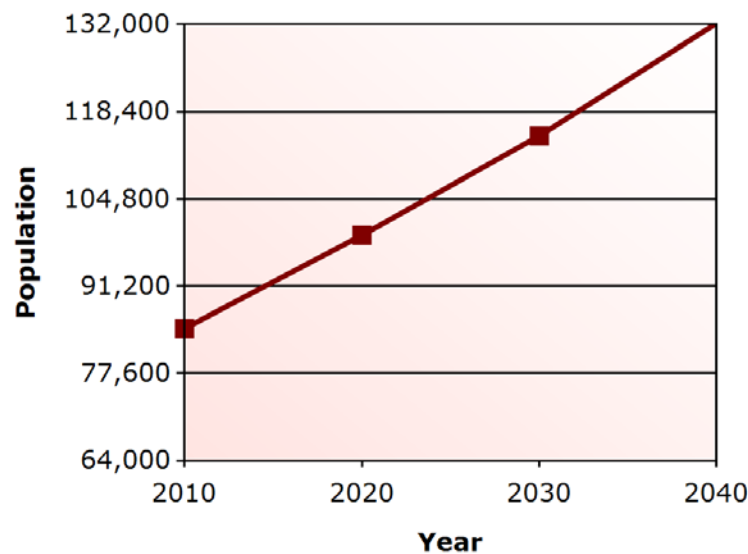
City	2005	2015	Percent Change
Hampton	142,683	138,626	-2.8%
Portsmouth	97,786	96,874	-0.1%
Newport News	180,996	183,454	1.4%
Norfolk	239,396	247,189	3.3%
Virginia Beach	436,156	453,500	4.0%
Chesapeake	214,342	238,283	11.2%
Suffolk	78,323	90,426	15.5%



This population trend is projected to continue over the foreseeable future. By 2040, we expect to see an increase in population by 46%. 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

Suffolk city



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, 2016 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 – Maintain rating of AAA

In July 2015, the City received a bond ratings upgrade from Fitch Rating Agency to that of "AAA" and maintained its bond ratings Standard and Poor's Ratings Services of "AAA" and from Moody's Investors Service of "Aa1". These ratings were reaffirmed in July 2016. These ratings reflect the City's commitment to strong financial management.

Comprehensive Annual Financial Report

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Suffolk, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2015, representing the 32nd 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 2015 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, 2015. 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, 2016. 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 eighth 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

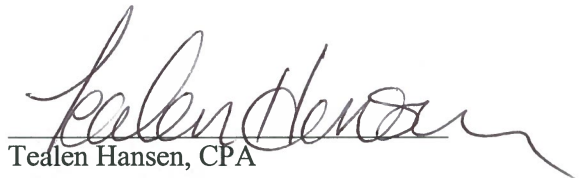
During the year, the staff of the Finance department rendered professional and knowledgeable services to the City. We are most appreciative of these efforts and take this opportunity to recognize these outstanding public servants.

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 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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive, flowing style with a prominent 'J' and 'E'.

Executive Director/CEO

CITY OF SUFFOLK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

As of June 30, 2016

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	City Manager
D. Scott Mills	Deputy City Manager
Helivi L. Holland	City Attorney
Kevin Hughes	Economic Development
Gerry Jones	Capital Programs and Buildings
Deputy Chief Brian Spicer	Emergency Management
Dr. Christopher Wilson.....	Health
Clint Rudy	Library
Diana L. Klink	Media and Community Relations
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
Tealen Hansen	Finance
Cedric Scott	Fire and Rescue
Nancy Olivo	Human Resources
Thomas E. Bennett	Police
Lakita Watson	Parks and Recreation
Albert S. Moor, II	Public Utilities
Azeez Felder	Social Services

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

June 30, 2016

SUFFOLK PUBLIC SCHOOLS – SCHOOL BOARD

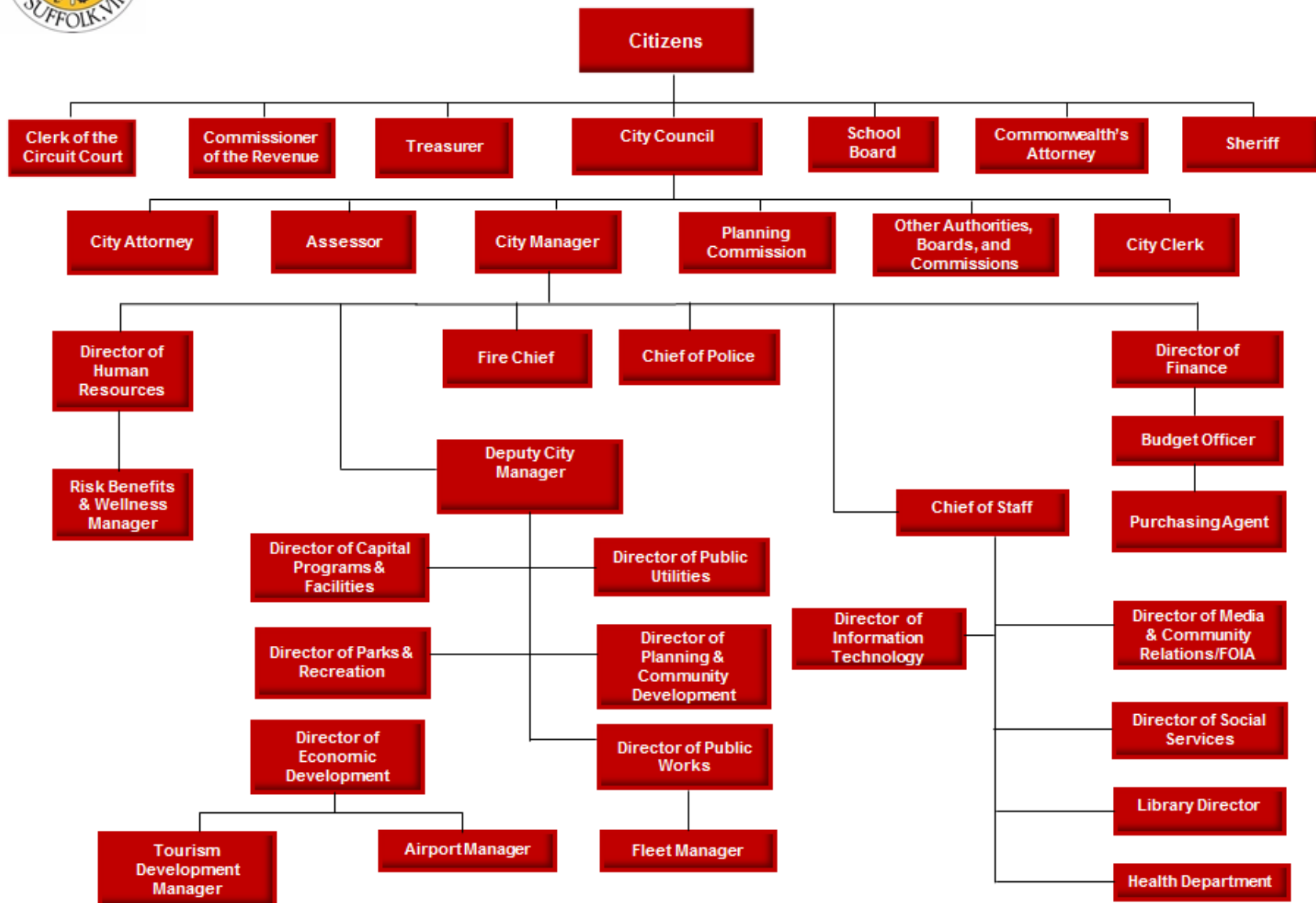
Michael J. Debranski, Ed.D.....	Chairman
Enoch C. Copeland.....	Vice Chairman
Phyllis C. Byrum.....	Board Member
Linda W. Bouchard.....	Board Member
David P. Mitnick	Board Member
Dr. Judith Brooks-Buck.....	Board Member
Lorraine B. Skeeter.....	Board Member

SUFFOLK PUBLIC SCHOOLS – ADMINISTRATION

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



City of Suffolk **FY 2015-2016 Operating and Capital Budget** **Organizational Chart**



FINANCIAL SECTION

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, 2016, 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, 2016, 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 17 to the financial statements, the fund balance as of June 30, 2015 of the General Fund and the aggregate remaining fund information and the net position as of June 30, 2015 of the governmental activities, the aggregate discretely presented component units and the aggregate remaining fund information have been restated from the City's previously issued financial statements to reflect the correction of errors. 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, 77–81 and 82–87, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016, 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 6, 2016

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, 2016. 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 \$517.6 million at June 30, 2016. Of this balance, \$369.9 million is attributed to the governmental activities and \$147.7 million to the business-type activities.
- For fiscal year 2016, taxes and other general revenues of the City’s governmental activities amounted to \$182.1 million and net program expenses \$158.0 million, which resulted in an increase from 2015 in net position for the City’s governmental activities of \$24.1 million.
- Revenues of the City’s business-type activities were \$63.9 million, expenses were \$61.6 million and transfers to the general fund were \$3.2 million, which resulted in a decrease of net position for the City’s business-type activities of \$0.9 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	
	2016	2015*	2015	2015	2016	2015*
Current and other assets	\$ 179.1	\$ 161.9	\$ 68.3	\$ 49.3	\$ 247.4	\$ 211.2
Capital and other non-current assets	519.0	507.0	455.0	466.9	974.0	973.9
Total assets	698.1	668.9	523.3	516.2	1,221.4	1,185.1
Deferred Outflows of Resources	12.1	11.1	12.2	8.2	24.3	19.3
Current and other liabilities	13.7	45.6	8.6	31.5	22.3	77.1
Long-term liabilities	313.3	274.1	377.9	342.7	691.2	616.8
Total liabilities	327.0	319.7	386.5	374.2	713.5	693.9
Deferred Inflows of Resources	13.3	14.5	1.3	1.6	14.6	16.1
Net position: *						
Net investment in capital assets	323.4	294.2	116.8	125.5	440.2	419.7
Restricted	4.6	5.0	2.3	2.2	6.9	7.2
Unrestricted	41.9	46.7	28.6	20.9	70.5	67.6
Net position	\$ 369.9	\$ 345.8	\$ 147.7	\$ 148.6	\$ 517.6	\$ 494.4
* Net Position for 2015 restated due to correction from prior year						

The City's combined net position (which is the City's "bottom line") increased by \$23.2 million in fiscal year 2016, 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 \$440.2 million comprises 85% 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 13.6% of net position, or \$70.5 million, as unrestricted. The unrestricted portion of net position is available to allow the City to provide services to citizens.

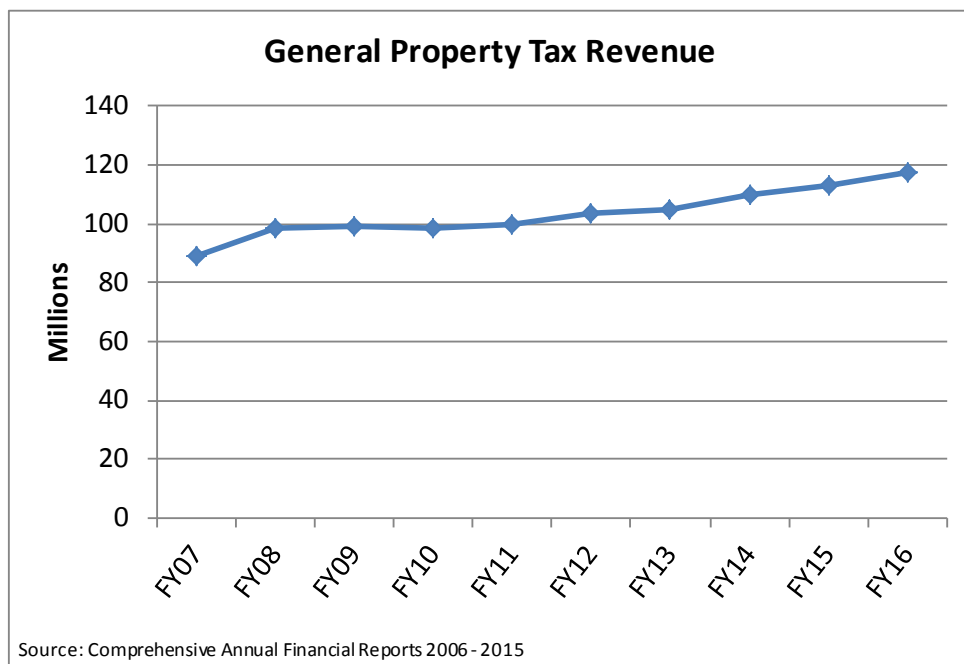
Statement of Activities

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

	Change in Net Position					
	(In Millions)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 9.2	\$ 9.7	\$ 58.8	\$ 53.2	\$ 68.0	\$ 62.9
Operating grants and contributions	36.4	35.4	-	-	36.4	35.4
Capital grants and contributions	9.2	4.5	3.7	0.6	12.9	5.1
General revenues:						
Real estate and property taxes	117.7	112.9	-	-	117.7	112.9
Other taxes	42.5	39.7	-	-	42.5	39.7
Grants and contributions, not restricted	13.5	13.4	-	-	13.5	13.4
Unrestricted investment earnings	1.4	1.2	1.0	0.6	2.4	1.8
Miscellaneous	5.9	5.4	0.4	0.2	6.3	5.6
Total revenues	235.8	222.2	63.9	54.6	299.7	276.8
Expenses:						
General government	22.0	20.4	-	-	22.0	20.4
Judicial	8.2	8.0	-	-	8.2	8.0
Public safety	49.9	48.7	-	-	49.9	48.7
Public works	38.0	36.8	-	-	38.0	36.8
Health and welfare	11.9	12.5	-	-	11.9	12.5
Transportation	1.0	1.0	-	-	1.0	1.0
Education	53.5	51.1	-	-	53.5	51.1
Parks, recreation, cultural	10.3	9.8	-	-	10.3	9.8
Community development	8.6	9.9	-	-	8.6	9.9
Interest on long-term debt	9.4	10.1	-	-	9.4	10.1
Utility	-	-	51.4	49.3	51.4	49.3
Refuse collection services	-	-	5.7	5.8	5.7	5.8
Stormwater utility	-	-	4.5	3.7	4.5	3.7
Total expenses	212.8	208.3	61.6	58.8	274.4	267.1
Excess (deficiency) of revenues over (under) expenses	23.0	13.9	2.3	(4.2)	25.3	9.7
Contribution to schools of capital assets	(0.2)	(18.3)	-	-	(0.2)	(18.3)
Loss on disposal of assets	(1.9)	-	-	-	(1.9)	-
Transfers	3.2	1.9	(3.2)	(1.9)	-	-
Change in net position	24.1	(2.5)	(0.9)	(6.1)	23.2	(8.6)
Net position - beginning *	345.8	348.3	148.6	154.7	494.4	503.0
Net position - ending	\$ 369.9	\$ 345.8	\$ 147.7	\$ 148.6	\$ 517.6	\$ 494.4
* Net position for 2015 restated due to correction from prior year						

Revenue Highlights:

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$117.6 million and \$112.9 million in fiscal year 2016 and 2015, respectively. The chart following indicates the growth in the General Property Taxes revenue over the past ten years. The increase in the real estate and personal property taxes is due to increase in assessed value of the real and personal property, as well as an increase in the tax rate of \$0.03 per \$100 of assessed value. This increase in the tax rate was implemented in order to provide additional funding for the public schools.



Other Local Taxes are comprised of revenue from local sales tax, meals, lodging, and utilities increased from fiscal year 2015 into fiscal year 2016. This increase is due to increased sales and meals taxes as well as business license tax due to increased economic development.

Expense Highlights:

The City is committed to ensuring the highest level of safety for its citizens and has expended \$49.9 million towards public safety efforts.

Education continues to be one of the City's highest priorities and commitments representing \$53.4 million, which is an increase over the prior year. This increase represents the implementation of a compensation study for the employees of the School.

Business-type Activities

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

Revenue Highlights:

Charges for services, including water and sewer fees, stormwater utility fees and refuse collection fees represent 92% of the total revenues collected. These revenues increased from fiscal year 2015 to 2016 due to an increase in the rates for water and sewer, as well as increased usage.

Expense Highlights:

Utility Fund expenses were \$51.4 million of which 24.6% is depreciation and amortization expenses. The increase in the expenses is due to an increase in depreciation as more projects are completed, as well as an increase in repairs and maintenance. Stormwater expenses were \$4.5 million for fiscal year 2016, which is an increase from fiscal year 2015. The refuse fund expenses were \$5.7 million in fiscal year 2016, which is a small decrease from fiscal year 2015.

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 \$140.7 million. Approximately 40.1% 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 \$62.6 million of which \$56.5 million represents unassigned fund balance of the General Fund. Fund Balance in the General Fund increased from fiscal year 2015. This increase was attributable to the increase in real estate and personal property taxes as well as other local taxes. The increased revenue is due to growth and development in the City, as well as a real estate tax rate increase.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total budgeted expenditures. The City has a financial policy goal that unassigned fund balance should be greater than 12%. The restricted portion of fund balance, \$1.2 million reflects restricted cash for unspent grant funds and developer deposits. The committed portion, \$4.5 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 \$57.4 million, \$5.9 million was committed for contracts and purchase orders in process, and the remaining balance of \$51.5 million is restricted, as it consists of unspent bond proceeds and cash proffers for subsequent years' projects.

Five of the city's significant capital projects are the following in fiscal year 2016:

- Public Works Operations and Maintenance Facility
- Suffolk Seaboard Coastline Trail Phase I
- New Northern Elementary School
- New Northern Middle School
- Airport Parallel Taxiway

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

Enterprise funds: The City's enterprise funds account for its water and sewer operations, stormwater utility efforts, and refuse collection services. The net position of the enterprise funds at the end of the current fiscal year totaled \$147.7 million.

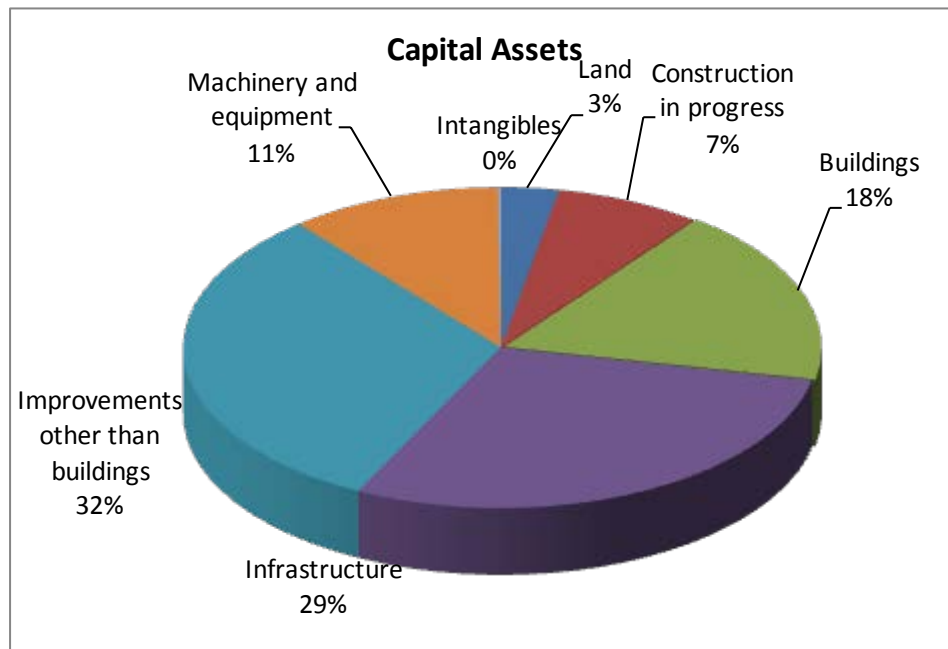
Internal service funds: The internal service funds are used to account for entity-wide fleet management, information technology and risk management programs. The total net position at the end of the current fiscal year was \$36.1 million.

Trust funds: The City funded \$1.8 million in other postemployment benefits in the OPEB Trust Fund. The City participates in the Virginia Pooled OPEB Trust Fund. In fiscal year 2016, the City fully funded its annual contribution to the fund as calculated by the actuaries and there is now \$25.7 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, 2016, totaled \$974.0 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, machinery and equipment and construction in progress.

Capital Assets (net of depreciation) (in Millions)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 23.0	\$ 22.9	\$ 5.6	\$ 5.6	\$ 28.6	\$ 28.5
Construction in progress	31.3	28.8	40.9	71.7	72.2	100.5
Buildings	96.7	78.5	77.6	77.9	174.3	156.4
Infrastructure	283.8	295.6	-	-	283.8	295.6
Improvements other than buildings	36.2	34.5	271.8	252.0	308.0	286.5
Machinery and equipment	46.6	45.4	59.1	59.7	105.7	105.1
Intangibles	1.4	1.3	-	-	1.4	1.3
Total	\$ <u>519.0</u>	\$ <u>507.0</u>	\$ <u>455.0</u>	\$ <u>466.9</u>	\$ <u>974.0</u>	\$ <u>973.9</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	
	2016	2015	2016	2015	2016	2015
Bonds payable	\$ 239.3	\$ 231.0	\$ 347.8	\$ 323.4	\$ 587.1	\$ 554.4
Bond Premiums	20.7	18.5	23.4	17.3	44.1	35.8
Capital leases	9.2	11.5	1.2	1.4	10.4	12.9
Loans payable	2.1	2.3	-	-	2.1	2.3
Total	<u>\$ 271.3</u>	<u>\$ 263.3</u>	<u>\$ 372.4</u>	<u>\$ 342.1</u>	<u>\$ 643.7</u>	<u>\$ 605.4</u>

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 \$904.3 million for 2016. The City Charter further limits this general obligation limit to 7% of the City's assessed value of real property or \$633.0 million. Of the debt shown above, only \$454.0 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 \$361.7 million to reflect its conservative use of borrowed monies. The City has met this policy limit as well. Achieving these limits represents the City's conservative debt borrowing policy.

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

ECONOMIC FACTORS

- The City's economic development initiatives created over 1,868 new jobs and over \$189.8 million dollars in new capital investment in the City during the calendar year 2015.
- For fiscal year 2016, the City's tax rate was \$1.07 per \$100 and remains the third lowest tax rate in the region.
- Utility rates increased as of July 1, 2016 to \$8.86 per 100 cubic feet for water and \$6.74 per 100 cubic feet for sewer due to increasing debt service requirements.
- Population in the City increased 13.6% in the last ten years.
- In July 2015, the City received a bond ratings upgrade from Fitch Rating Agency to that of "AAA" and maintained its bond ratings Standard and Poor's Ratings Services of "AAA" and from Moody's Investors Service of "Aa1". These ratings were reaffirmed in July 2016. 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

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 111,232,549	\$ 35,013,775	\$ 146,246,324	\$ 22,787,966	\$ 2,934,473
Cash and cash equivalents, restricted (Note 2)	51,726,842	26,282,159	78,009,001	-	1,475,277
Receivables, net (Note 3)	9,485,791	6,651,944	16,137,735	189,958	74,288
Due from other governments (Note 4)	4,160,304	-	4,160,304	4,610,686	-
Due from component units (Note 6)	900,634	-	900,634	-	-
Inventories	298,605	155,356	453,961	529,797	11,135,518
Prepaid items	-	-	-	95,000	-
OPEB asset (Note 12)	1,227,796	185,968	1,413,764	-	-
Capital assets: (Note 7)					
Land and construction in progress	54,305,967	46,538,117	100,844,084	6,387,523	1,021,162
Other capital assets, net	464,737,680	408,481,679	873,219,359	128,050,457	23,700,699
Total assets	698,076,168	523,308,998	1,221,385,166	162,651,387	40,341,417
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	5,173,251	11,154,214	16,327,465	-	180,734
Employer contributions to pension subsequent to the measurement date and net differences	6,959,212	1,076,626	8,035,838	12,887,925	-
Total deferred outflows of resources	12,132,463	12,230,840	24,363,303	12,887,925	180,734
LIABILITIES					
Accounts payable and accrued liabilities	6,003,178	3,508,405	9,511,583	1,242,267	197,886
Accrued payroll and related liabilities	1,227,463	204,798	1,432,261	17,188,027	-
Accrued interest payable	3,602,591	4,667,930	8,270,521	-	110,914
Due to Primary Government (Note 6)	-	-	-	661,379	239,255
Due to other governments	-	-	-	289,330	-
Unearned revenues (Note 8)	2,896,598	173,509	3,070,107	-	77,805
Net pension liability (Note 11)	31,947,321	4,880,391	36,827,712	118,725,976	-
Long-term liabilities: (Note 9)					
Due within one year	22,324,091	3,112,036	25,436,127	194,287	946,539
Due in more than one year	259,009,804	369,955,090	628,964,894	3,744,330	9,167,020
Total liabilities	327,011,046	386,502,159	713,513,205	142,045,596	10,739,419
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes (Note 8)	1,129,691	-	1,129,691	-	-
Proffers payable (Note 8)	1,626,277	-	1,626,277	-	-
Deposits (Note 8)	1,913,470	-	1,913,470	-	-
Net difference between projected and actual earnings on pension plan investments	3,935,960	601,272	4,537,232	8,242,599	-
Net difference between expected and actual experience and change in proportion	4,699,731	717,947	5,417,678	6,811,249	-
Total deferred inflows of resources	13,305,129	1,319,219	14,624,348	15,053,848	-
NET POSITION					
Net investment in capital assets	323,431,229	116,807,623	440,238,852	134,437,980	14,608,302
Restricted:					
Debt service	392,424	-	392,424	-	-
Repair and maintenance	-	-	-	-	1,364,363
Operating reserves	-	2,299,048	2,299,048	-	-
Cemetery care	1,182,594	-	1,182,594	-	-
Capital outlay - equipment	455,809	-	455,809	-	-
Capital projects	1,626,277	-	1,626,277	-	-
Other governmental purposes	875,768	-	875,768	-	-
Unrestricted	41,928,355	28,611,789	70,540,144	(115,998,112)	13,810,067
Total net position	\$ 369,892,456	\$ 147,718,460	\$ 517,610,916	\$ 18,439,868	\$ 29,782,732

The Notes to Financial Statements are an integral part of this statement.

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

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	\$ 22,013,102	\$ 4,887,432	\$ 1,503,473	\$ 3,077,758	\$ (12,544,439)	\$ -	\$ (12,544,439)		
Judicial administration	8,153,863	304,129	2,047,647	-	(5,802,087)	-	(5,802,087)		
Public safety	49,908,535	1,885,914	1,057,389	-	(46,965,232)	-	(46,965,232)		
Public works	38,037,371	899,794	22,758,708	5,006,683	(9,372,186)	-	(9,372,186)		
Health and welfare	11,901,139	-	7,598,958	-	(4,302,181)	-	(4,302,181)		
Transportation	960,983	67,759	141,002	49,422	(702,800)	-	(702,800)		
Education	53,440,550	-	-	-	(53,440,550)	-	(53,440,550)		
Parks, recreation, and cultural	10,318,851	1,108,862	287,351	1,028,457	(7,894,181)	-	(7,894,181)		
Community development	8,621,160	70	1,032,855	-	(7,588,235)	-	(7,588,235)		
Interest on long-term debt	9,419,498	-	-	-	(9,419,498)	-	(9,419,498)		
Total governmental activities	212,775,052	9,153,960	36,427,383	9,162,320	(158,031,389)	-	(158,031,389)	-	-
Business-type activities:									
Utility	51,423,536	46,876,297	-	3,682,628	-	(864,611)	(864,611)		
Stormwater utility	4,450,559	5,777,957	-	-	-	1,327,398	1,327,398		
Refuse	5,718,442	6,099,419	-	-	-	380,977	380,977		
Total business-type activities	61,592,537	58,753,673	-	3,682,628	-	843,764	843,764	-	-
Total Primary Government	\$ 274,367,589	\$ 67,907,633	\$ 36,427,383	\$ 12,844,948	\$ (158,031,389)	\$ 843,764	\$ (157,187,625)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 151,775,037	\$ 2,013,098	\$ 91,577,468	\$ -	\$ -	\$ -	\$ -	\$ (58,184,471)	\$ -
Economic Development Authority	5,868,655	1,763,490	-	-	-	-	-	-	(4,105,165)
Total component units	\$ 157,643,692	\$ 3,776,588	\$ 91,577,468	\$ -	-	-	-	(58,184,471)	(4,105,165)
General revenues:									
Property taxes					117,651,210	-	117,651,210	-	-
Sales and use taxes					9,904,693	-	9,904,693	-	-
Business license taxes					7,680,254	-	7,680,254	-	-
Meals taxes					8,996,483	-	8,996,483	-	-
Utility taxes					4,478,378	-	4,478,378	-	-
Communication taxes					3,115,672	-	3,115,672	-	-
Motor vehicle license taxes					2,449,544	-	2,449,544	-	-
Tobacco taxes					2,050,259	-	2,050,259	-	-
Lodging taxes					1,484,031	-	1,484,031	-	-
Recordation taxes					1,466,044	-	1,466,044	-	-
Other local taxes					882,385	-	882,385	-	-
Grants and contributions not restricted to specific programs					13,545,057	-	13,545,057	-	-
Miscellaneous					5,850,211	473,158	6,323,369	1,125,134	100,763
City of Suffolk contribution					-	-	-	52,908,674	1,717,079
Contributed capital					82,125	-	82,125	-	-
Contribution to Pruden from participating schools					-	-	-	2,786,536	-
Unrestricted revenues from use of money and property					1,374,395	983,001	2,357,396	72,274	7,876
Contribution to schools of capital assets					(185,632)	-	(185,632)	-	-
Loss on disposal of assets					(1,904,854)	-	(1,904,854)	-	-
Transfers (Note 5)					3,160,410	(3,160,410)	-	-	-
Total general revenues and transfers					182,080,665	(1,704,251)	180,376,414	56,892,618	1,825,718
Change in net position					24,049,276	(860,487)	23,188,789	(1,291,853)	(2,279,447)
Net position at July 1, as restated (Note 17)					345,843,180	148,578,947	494,422,127	19,731,721	32,062,179
Net position at June 30					\$ 369,892,456	\$ 147,718,460	\$ 517,610,916	\$ 18,439,868	\$ 29,782,732

CITY OF SUFFOLK, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 57,148,874	\$ 12,068,387	\$ 16,055,379	\$ 2,148,460	\$ 2,819,050	\$ 90,240,150
Cash and cash equivalents, restricted (Note 2)	618,062	47,440,340	-	392,424	1,440,300	49,891,126
Receivables, net (Note 3)	8,759,438	246,205	1,200	-	331,786	9,338,629
Due from other governmental units (Note 4)	2,092,928	1,582,757	-	-	484,619	4,160,304
Due from component units	900,634	-	-	-	-	900,634
Inventories	24,905	-	-	-	30,776	55,681
Total assets	<u>\$ 69,544,841</u>	<u>\$ 61,337,689</u>	<u>\$ 16,056,579</u>	<u>\$ 2,540,884</u>	<u>\$ 5,106,531</u>	<u>\$ 154,586,524</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 1,316,022	\$ 2,323,744	\$ 1,336,111	\$ -	\$ 345,589	\$ 5,321,466
Accrued payroll and related liabilities	1,010,960	-	112,440	-	22,453	1,145,853
Unearned revenues	-	-	-	-	294,707	294,707
Total liabilities	<u>2,326,982</u>	<u>2,323,744</u>	<u>1,448,551</u>	<u>-</u>	<u>662,749</u>	<u>6,762,026</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - taxes	2,398,220	-	-	-	14,073	2,412,293
Prepaid Taxes	1,129,691	-	-	-	-	1,129,691
Proffers received	-	1,626,277	-	-	-	1,626,277
Deposits	1,114,225	-	781,331	-	17,914	1,913,470
Total deferred inflows of resources	<u>4,642,136</u>	<u>1,626,277</u>	<u>781,331</u>	<u>-</u>	<u>31,987</u>	<u>7,081,731</u>
FUND BALANCES (NOTE 16)						
Nonspendable	24,905	-	-	-	30,776	55,681
Restricted	1,162,069	51,473,602	13,826,697	392,424	1,875,917	68,730,709
Committed	4,472,517	5,914,066	-	2,148,460	2,516,047	15,051,090
Assigned	425,008	-	-	-	-	425,008
Unassigned	56,491,224	-	-	-	(10,945)	56,480,279
Total fund balances	<u>62,575,723</u>	<u>57,387,668</u>	<u>13,826,697</u>	<u>2,540,884</u>	<u>4,411,795</u>	<u>140,742,767</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 69,544,841</u>	<u>\$ 61,337,689</u>	<u>\$ 16,056,579</u>	<u>\$ 2,540,884</u>	<u>\$ 5,106,531</u>	<u>\$ 154,586,524</u>

	Primary Government
Total fund balances - governmental funds	\$ 140,742,767
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.	487,341,006
Unavailable revenues represent amounts that were not available to fund current expenditures and, therefore, are not reported in the funds.	2,412,293
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
OPEB asset	1,167,974
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(3,486,499)
Deferred charges on refunding are not current outflows of resources and not reported in the governmental funds	5,173,251
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	(238,309,257)
Landfill liability	(1,700,494)
Unamortized premiums and other credits on bonds	(20,071,177)
Compensated absences	(4,868,900)
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	(30,405,523)
Deferred inflow - difference between projected and actual earnings on pension investments	(3,746,008)
Deferred inflow - difference between expected and actual experience related to pensions	(4,472,920)
Deferred outflow - employer pension contributions made subsequent to the measurement date	6,616,150
Unearned revenues not recorded in the funds as it did not arise from current financial resources relating to the golf course lease agreement	(2,601,891)
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	36,101,684
Net position of governmental activities	<u>\$ 369,892,456</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
REVENUES						
Real estate and personal property taxes	\$ 116,745,216	\$ -	\$ -	\$ -	\$ 1,331,403	\$ 118,076,619
Other local taxes	42,544,952	-	-	-	-	42,544,952
Permits, privilege fees and regulatory licenses	1,217,014	-	372,460	-	-	1,589,474
Fines and forfeitures	831,224	-	210,995	-	-	1,042,219
Revenue from use of money and property	710,858	70	47,731	297,200	233,555	1,289,414
Charges for services	3,586,869	-	798,514	-	633,140	5,018,523
Miscellaneous	1,747,040	319,974	294,683	31,605	89,137	2,482,439
Intergovernmental:						
Revenue from the Commonwealth	19,813,487	6,314,461	22,733,072	-	593,555	49,454,575
Revenue from the Federal government	5,153,630	2,442,437	-	-	1,648,018	9,244,085
Total revenues	192,350,290	9,076,942	24,457,455	328,805	4,528,808	230,742,300
EXPENDITURES						
Current:						
General government administration	14,762,819	-	-	-	748,480	15,511,299
Judicial administration	7,729,091	-	-	-	738,598	8,467,689
Public safety	50,017,085	-	-	-	471,176	50,488,261
Public works	885,475	-	21,986,362	-	167,063	23,038,900
Health and welfare	12,215,727	-	-	-	3,870	12,219,597
Transportation	-	-	-	-	1,033,663	1,033,663
Education	53,435,459	-	-	-	-	53,435,459
Parks, recreation, and cultural	9,651,173	-	-	-	184,330	9,835,503
Community development	7,277,329	-	-	-	671,191	7,948,520
Nondepartmental	466,002	-	-	-	-	466,002
Capital outlay	-	28,950,011	-	-	-	28,950,011
Debt service:						
Principal retirement	-	-	-	17,015,462	-	17,015,462
Bond issuance costs	-	-	-	446,658	-	446,658
Interest and fiscal charges	-	-	-	10,346,003	-	10,346,003
Total expenditures	156,440,160	28,950,011	21,986,362	27,808,123	4,018,371	239,203,027
Excess (deficiency) of revenues over/(under) expenditures	35,910,130	(19,873,069)	2,471,093	(27,479,318)	510,437	(8,460,727)
OTHER FINANCING SOURCES (USES)						
Refunding bonds issued	-	-	-	20,176,111	-	20,176,111
General obligations bonds issued	-	20,082,614	-	277,386	-	20,360,000
Premiums on bonds issued	-	1,544,491	-	2,411,044	-	3,955,535
Payment to escrow agent	-	-	-	(22,362,261)	-	(22,362,261)
Transfers in	2,345,591	6,996,409	-	27,002,916	1,248,288	37,593,204
Transfers out	(32,024,848)	-	(552,851)	-	(1,325,625)	(33,903,324)
Total other financing sources (uses), net	(29,679,257)	28,623,514	(552,851)	27,505,196	(77,337)	25,819,265
Net change in fund balances	6,230,873	8,750,445	1,918,242	25,878	433,100	17,358,538
Fund balances at July 1 (as restated)	56,344,850	48,637,223	11,908,455	2,515,006	3,978,695	123,384,229
Fund balances at June 30	\$ 62,575,723	\$ 57,387,668	\$ 13,826,697	\$ 2,540,884	\$ 4,411,795	\$ 140,742,767

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Total Governmental Funds
Change in fund balance - total governmental funds	\$ 17,358,538
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	31,474,337
Depreciation expense	(20,317,802)
Donated capital assets	481,757
Leased assets	863,996
Assets donated to the school board	(185,632)
Loss on disposal of assets	(1,431,671)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable revenues	(425,409)
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	39,655,055
Net change in deferred bond charges from refunding	(553,056)
Proceeds from issuance of new debt	(41,400,107)
Net change in bond premiums	(1,227,101)
Record the current pension expense based on the actuarial study of the net pension liability	(3,224,754)
Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date	6,616,150
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	(498,954)
Change in compensated absences	123,715
Change in landfill liability	(11,614)
Change in OPEB asset	253,949
Change in Golf Course unearned revenues	(1,656,603)
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.	(2,201,518)
Change in net position of governmental activities	\$ 24,049,276

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2016

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 29,130,714	\$ 5,883,061	\$ 35,013,775	\$ 20,992,399
Cash and cash equivalents, restricted	22,153,056	4,129,103	26,282,159	1,835,716
Receivables, net	6,214,195	437,749	6,651,944	147,162
Inventories	155,356	-	155,356	242,924
Total current assets	57,653,321	10,449,913	68,103,234	23,218,201
Noncurrent assets:				
OPEB asset	146,953	39,015	185,968	59,822
Land and construction in progress	46,538,117	-	46,538,117	1,419,692
Other capital assets, net	407,899,578	582,101	408,481,679	30,282,949
Total noncurrent assets	454,584,648	621,116	455,205,764	31,762,463
Total assets	512,237,969	11,071,029	523,308,998	54,980,664
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	11,154,214	-	11,154,214	-
Employer contributions to pension subsequent to the measurement date	654,201	422,425	1,076,626	343,062
Total deferred outflows of resources	11,808,415	422,425	12,230,840	343,062
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,551,172	640,071	2,191,243	681,712
Accounts payable from restricted resources	1,317,162	-	1,317,162	-
Accrued payroll and related liabilities	100,416	104,382	204,798	81,610
Due to other governments	-	-	-	-
Unearned revenues	173,509	-	173,509	-
Claims payable	-	-	-	2,025,735
Accrued interest payable	4,625,076	42,854	4,667,930	116,092
Compensated absences	21,254	16,286	37,540	3,793
Bonds and leases payable	3,074,495	-	3,074,495	3,351,567
Total current liabilities	10,863,084	803,593	11,666,677	6,260,509
Noncurrent liabilities:				
Compensated absences	399,271	186,080	585,351	231,165
Net pension liability	3,003,494	1,876,897	4,880,391	1,541,798
Claims payable	-	-	-	1,284,322
Bonds and leases payable	364,828,740	4,541,000	369,369,740	9,487,485
Total noncurrent liabilities	368,231,505	6,603,977	374,835,482	12,544,770
Total liabilities	379,094,589	7,407,570	386,502,159	18,805,279
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual earnings on plan investments	370,035	231,237	601,272	189,952
Net difference between expected and actual experience	441,840	276,107	717,947	226,811
Total deferred inflows of resources	811,875	507,344	1,319,219	416,763
NET POSITION				
Net investment in capital assets	116,225,522	582,101	116,807,623	20,699,305
Restricted:				
Operating reserves	2,299,048	-	2,299,048	-
Capital outlay - equipment	-	-	-	455,809
Unrestricted	25,615,350	2,996,439	28,611,789	14,946,570
Total net position	\$ 144,139,920	\$ 3,578,540	\$ 147,718,460	\$ 36,101,684

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
OPERATING REVENUES				
Charges for services	\$ 46,876,297	\$ 11,877,376	\$ 58,753,673	\$ 32,865,884
Other	258,124	98,034	356,158	525,019
Total operating revenues	<u>47,134,421</u>	<u>11,975,410</u>	<u>59,109,831</u>	<u>33,390,903</u>
OPERATING EXPENSES				
Personnel services	5,898,246	4,023,697	9,921,943	3,082,906
Self-insured claims	-	-	-	14,182,262
Contractual services	727,236	2,484,978	3,212,214	2,605,245
Administration	3,149,625	2,913,086	6,062,711	1,008,411
Supplies	673,340	362,701	1,036,041	64,268
Repairs and maintenance	4,386,830	8,547	4,395,377	162,708
Vehicle and power equipment – fuel	-	-	-	1,101,857
Vehicle and power equipment – supplies	-	-	-	1,581,218
Computers and equipment	-	-	-	883,749
Utilities	1,221,081	42,149	1,263,230	200,671
Insurance	-	-	-	1,869,824
OPEB – contributions to trust	-	-	-	1,800,000
Bulk-water purchases	4,721,111	-	4,721,111	-
Depreciation and amortization	12,825,260	85,987	12,911,247	5,537,456
Building and equipment rental	1,106,395	74,628	1,181,023	136,241
Other charges	1,206,804	90,173	1,296,977	154,671
Total operating expenses	<u>35,915,928</u>	<u>10,085,946</u>	<u>46,001,874</u>	<u>34,371,487</u>
Operating income (loss)	<u>11,218,493</u>	<u>1,889,464</u>	<u>13,107,957</u>	<u>(980,584)</u>
NONOPERATING REVENUES (EXPENSES)				
Loss on disposal of capital assets	-	-	-	(473,183)
Interest income	594,688	33,919	628,607	84,981
Interest expense and other fiscal changes	(13,904,829)	(42,855)	(13,947,684)	(303,261)
Costs of issuance	(776,005)	(40,200)	(816,205)	-
Contribution to WTTA infrastructure	(826,774)	-	(826,774)	-
Rental income	117,000	-	117,000	-
Recovered costs	354,394	-	354,394	-
Nonoperating expenses, net	<u>(14,441,526)</u>	<u>(49,136)</u>	<u>(14,490,662)</u>	<u>(691,463)</u>
(Loss) income before contributions and transfers	<u>(3,223,033)</u>	<u>1,840,328</u>	<u>(1,382,705)</u>	<u>(1,672,047)</u>
Capital contributions	3,682,628	-	3,682,628	-
Transfers out	<u>(610,253)</u>	<u>(2,550,157)</u>	<u>(3,160,410)</u>	<u>(529,470)</u>
Change in net position	<u>(150,658)</u>	<u>(709,829)</u>	<u>(860,487)</u>	<u>(2,201,517)</u>
Net position at July 1 (as restated)	<u>144,290,578</u>	<u>4,288,369</u>	<u>148,578,947</u>	<u>38,303,201</u>
Net position at June 30	<u>\$ 144,139,920</u>	<u>\$ 3,578,540</u>	<u>\$ 147,718,460</u>	<u>\$ 36,101,684</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
OPERATING ACTIVITIES				
Receipts from customers	\$ 47,993,062	\$ 12,005,657	\$ 59,998,719	\$ 33,455,536
Payments to employees	(5,916,439)	(3,930,593)	(9,847,032)	(3,175,568)
Payments to suppliers	(20,566,355)	(5,509,308)	(26,075,663)	(27,090,098)
Net cash provided by operating activities	<u>21,510,268</u>	<u>2,565,756</u>	<u>24,076,024</u>	<u>3,189,870</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(16,784,674)	(2,550,157)	(19,334,831)	(529,470)
Net cash used in noncapital financing activities	<u>(16,784,674)</u>	<u>(2,550,157)</u>	<u>(19,334,831)</u>	<u>(529,470)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	2,987,962	(332,200)	2,655,762	(6,702,272)
Proceeds from premiums on debt issuance	8,216,702	-	8,216,702	697,678
Proceeds from issuance of debt	82,259,999	4,541,000	86,800,999	5,955,000
Principal paid on capital debt	(3,546,759)	-	(3,546,759)	(3,475,929)
Refunding proceeds placed in escrow	(65,112,652)	-	(65,112,652)	-
Bond issuance costs	(776,005)	(40,200)	(816,205)	(85,756)
Loss on sale of assets	-	-	-	(473,183)
Interest paid on capital debt	(13,800,190)	-	(13,800,190)	(255,783)
Net cash provided by (used in) in capital and related financing activities	<u>10,229,057</u>	<u>4,168,600</u>	<u>14,397,657</u>	<u>(4,340,245)</u>
INVESTING ACTIVITIES				
Rental income	117,000	-	117,000	-
Interest received	594,688	33,919	628,607	84,981
Net cash provided by investing activities	<u>711,688</u>	<u>33,919</u>	<u>745,607</u>	<u>84,981</u>
Net increase (decrease) in cash and cash equivalents	15,666,339	4,218,118	19,884,457	(1,594,864)
CASH AND CASH EQUIVALENTS				
Beginning, July 1,	35,617,431	5,794,046	41,411,477	24,422,979
Ending, June 30	<u>\$ 51,283,770</u>	<u>\$ 10,012,164</u>	<u>\$ 61,295,934</u>	<u>\$ 22,828,115</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ 29,130,714	\$ 5,883,061	\$ 35,013,775	\$ 20,992,399
Cash and cash equivalents, restricted	22,153,056	4,129,103	26,282,159	1,835,716
	<u>\$ 51,283,770</u>	<u>\$ 10,012,164</u>	<u>\$ 61,295,934</u>	<u>\$ 22,828,115</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2016

	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)	\$ 11,218,493	\$ 1,889,464	\$ 13,107,957	\$ (980,584)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	12,825,260	85,987	12,911,247	5,537,456
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	939,805	30,245	970,050	65,479
Inventories	(54,912)	-	(54,912)	22,450
OPEB asset	(31,952)	(8,483)	(40,435)	(13,006)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(3,319,021)	466,956	(2,852,065)	(864,664)
Accrued payroll and related liabilities	13,759	101,587	115,346	(80,504)
Unearned revenues	(81,164)	-	(81,164)	-
Claims payable	-	-	-	(496,757)
Net cash provided by operating activities	<u>\$ 21,510,268</u>	<u>\$ 2,565,756</u>	<u>\$ 24,076,024</u>	<u>\$ 3,189,870</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases financed by capital leases	\$ 372,274	\$ -	\$ 372,274	\$ -
Non-cash capital contributions	\$ 3,682,628	\$ -	\$ 3,682,628	\$ -
Capitalized interest	\$ 1,407,805	\$ -	\$ 1,407,805	\$ -

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2016

	OPEB Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 25,720,279	\$ 661,939
Total assets	<u>\$ 25,720,279</u>	<u>\$ 661,939</u>
LIABILITIES		
Amounts held for others	\$ -	\$ 661,939
Total liabilities	<u>-</u>	<u>\$ 661,939</u>
NET POSITION		
Held in trust for OPEB benefits	<u>25,720,279</u>	
Total net position	<u>\$ 25,720,279</u>	

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OPEB TRUST FUND
Year Ended June 30, 2016

ADDITIONS

Employer contributions	\$ 1,800,000
Total additions	<u>1,800,000</u>

DEDUCTIONS

Administrative fees	26,471
Loss on investments	<u>44,302</u>
Total deductions	<u>70,773</u>

Change in net position	1,729,227
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NET POSITION AT JULY 1	<u>23,991,052</u>
NET POSITION AT JUNE 30	<u><u>\$ 25,720,279</u></u>

NOTES TO FINANCIAL STATEMENTS

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Economic Development Authority of the City of Suffolk

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

The following entities are excluded from the accompanying financial statements.

Jointly governed organizations:

Western Tidewater Water Authority

The Western Tidewater Water Authority (the “Water Authority”) was created March 18, 1998, by the City Council and the Board of Supervisors of the County of Isle of Wight, Virginia (the “County”) pursuant to the Virginia Water and Sewer Authorities Act, Chapter 51, Title 15.2, *Code of Virginia*. The members of the Water Authority Board representing both the City and the County have equal voting interests. The Water Authority was formed for the purpose of acquiring, financing, constructing, leasing, operating, and maintaining facilities for the production, impoundment, treatment, and transmission of potable and non-potable water. The City is not obligated to pay the principal or interest on notes or any other liabilities of the Authority and has no financial interest in the Authority. Separate audited financial statements can be obtained by contacting the City Finance Director at the City of Suffolk at 442 West Washington St., Suffolk, Virginia 23434.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016 to the VRA was \$20,670,000 and Suffolk’s guarantee percentage was 12.87%, which totaled \$2,660,229.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016

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, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City presents the following major governmental funds:

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

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

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

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

The City presents the following non-major governmental funds:

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

Proprietary Fund Types:

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016

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, 2016

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, 2016

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 2016 totaled \$1,043,736.

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 requirements are met have been recorded as unearned revenue. Unearned revenue in the government-wide statements also consists of lease payments credited for future years relating to certified capital improvements at the golf course.

K. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City's deferred outflows of resources consist of the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt. The related deferred outflow is being amortized over the remaining life of the refunded debt. Deferred outflows for pensions result from changes in actuarial assumptions, 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, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows and Inflows of Resources (Continued)

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

L. Compensated Absences

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

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

M. Long-Term Liabilities

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

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

N. Pension Plan

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balance

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

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

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

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

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

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balance

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

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

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

P. Net Position

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

Q. Estimates

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

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

S. Change in Accounting Principle

Effective July 1, 2015, the City adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. Statement No. 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. In practice, the effect on the City's financial statements will be minor changes to the note disclosures for the Cash and Investments.

Effective July 1, 2015, the City adopted the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, which established requirements for defined benefit pensions and defined contribution pensions that are not within the scope of GASB Statement No. 68. In practice, Statement No. 73 has an immaterial effect on the information presented in the required supplementary information related to the pension plan.

Effective July 1, 2015, the City adopted the provisions of GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, the objective of which is to identify the hierarchy of generally accepted accounting principles (GAAP). Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. In practice, there have been no material changes to the financial statements of the City as a result of Statement No. 76.

Effective July 1, 2015, the City adopted the provisions of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, this statement addresses accounting and financial reporting for certain external investment pools and pool participants. Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for reporting purposes. Statement No. 79 also establishes additional note disclosure requirement for qualifying external investment pools that measure all of their investments at amortized cost for reporting purposes and for governments that participate in those pools.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016

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	\$ 47,649,779	\$ 23,983,111	\$ 71,632,890
Debt service	392,424	-	392,424
Cemetery	1,182,594	-	1,182,594
Escrow/bond/customer deposits	2,244,339	-	2,244,339
Other external purposes	257,706	2,299,048	2,556,754
Total	<u>\$ 51,726,842</u>	<u>\$ 26,282,159</u>	<u>\$ 78,009,001</u>

	Primary Government	Component Units School Board	Economic Development Authority
Deposits and Investments:			
SNAP	\$ 72,801,980	\$ -	\$ -
Lease proceeds	457,187	-	-
Deposits	150,996,158	22,787,966	4,409,750
Total	<u>\$ 224,255,325</u>	<u>\$ 22,787,966</u>	<u>\$ 4,409,750</u>
Statement of Net Position:			
Cash and cash equivalents	\$ 146,246,324	\$ 22,787,966	\$ 2,934,473
Cash and cash equivalents, restricted	78,009,001	-	1,475,277
Total	<u>\$ 224,255,325</u>	<u>\$ 22,787,966</u>	<u>\$ 4,409,750</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 3. Receivables

Receivables are as follows:

Governmental Activities							
	General	Capital Projects	Road Maintenance	Non-major Governmental Funds	Internal Service Funds		Total
					Fleet Management	Risk Management	
Taxes	\$ 6,609,469	\$ -	\$ -	\$ 35,495	\$ -	\$ -	\$ 6,644,964
Accounts	6,531,727	246,205	1,200	309,140	145,912	1,250	7,235,434
Subtotal	13,141,196	246,205	1,200	344,635	145,912	1,250	13,880,398
Less Allowance	(4,381,758)	-	-	(12,849)	-	-	(4,394,607)
Receivables, net	<u>\$ 8,759,438</u>	<u>\$ 246,205</u>	<u>\$ 1,200</u>	<u>\$ 331,786</u>	<u>\$ 145,912</u>	<u>\$ 1,250</u>	<u>\$ 9,485,791</u>

Business-type Activities					
	Utilities	Stormwater	Refuse	Total	Component Unit -- School Board
Accounts	\$ 6,595,878	\$ 459,445	\$ 224,262	\$ 7,279,585	\$ 189,958
Less Allowance	(381,683)	(164,878)	(81,080)	(627,641)	-
Receivables, net	<u>\$ 6,214,195</u>	<u>\$ 294,567</u>	<u>\$ 143,182</u>	<u>\$ 6,651,944</u>	<u>\$ 189,958</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	\$ 2,672,364	\$ -
General Fund - EMS receivable	1,709,394	-
Non-major Funds - taxes receivable	12,849	-
Utility Fund - accounts receivable	-	381,683
Non-major Proprietary Funds - accounts receivable	-	245,958
Total	<u>\$ 4,394,607</u>	<u>\$ 627,641</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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	\$ 841,365	\$ -	\$ -	\$ 841,365
Communication sales tax	279,969	-	-	279,969
Shared expenses	236,235	-	-	236,235
Social services reimbursement	190,052	-	-	190,052
VA Department of Transportation	-	809,696	-	809,696
Various grants and state aid	108,544	98,406	20,070	227,020
	<u>1,656,165</u>	<u>908,101</u>	<u>20,070</u>	<u>2,584,336</u>
<u>Federal Government:</u>				
Social services reimbursement	430,633	-	-	430,633
Various grants	6,130	674,656	464,549	1,145,335
	<u>436,763</u>	<u>674,656</u>	<u>464,549</u>	<u>1,575,968</u>
Total due from other governments	<u>\$ 2,092,928</u>	<u>\$ 1,582,757</u>	<u>\$ 484,619</u>	<u>\$ 4,160,304</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 4. Due From Other Governments (Continued)

Component Unit – School Board:

	School Operating	School Grants	School Food Service	Total
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,266,713	\$ -	\$ -	\$ 1,266,713
Various grants	229,759	23,294	-	253,053
	<u>1,496,472</u>	<u>23,294</u>	<u>-</u>	<u>1,519,766</u>
<u>Federal Government:</u>				
School food reimbursement	-	-	308,452	308,452
Title I	-	1,225,313	-	1,225,313
Title VI-B	-	1,073,254	-	1,073,254
Education jobs grant	-	184,247	-	184,247
Various grants	222,575	77,079	-	299,654
	<u>222,575</u>	<u>2,559,893</u>	<u>308,452</u>	<u>3,090,920</u>
Total due from other governments	<u>\$ 1,719,047</u>	<u>\$ 2,583,187</u>	<u>\$ 308,452</u>	<u>\$ 4,610,686</u>

Note 5. Interfund Transactions:

Interfund Transfers:

	Transfers to:				
	General Fund	Capital Projects	Debt Service	Non-major Governmental	Total
Transfers from:					
General Fund	\$ -	\$ 4,786,409	\$ 25,990,151	\$ 1,248,288	\$ 32,024,848
Road Maintenance	552,851	-	-	-	552,851
Utility	610,253	-	-	-	610,253
Non-major:					
Governmental	52,860	260,000	1,012,765	-	1,325,625
Enterprise	600,157	1,950,000	-	-	2,550,157
Internal Service	529,470	-	-	-	529,470
Total	<u>\$ 2,345,591</u>	<u>\$ 6,996,409</u>	<u>\$ 27,002,916</u>	<u>\$ 1,248,288</u>	<u>\$ 37,593,204</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, 2016

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	\$ 149,930,810
Repayment of School Board debt	<u>10,978,743</u>
	\$ <u>160,909,553</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7. Capital Assets

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

	Governmental Activities			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, non-depreciable				
Land	\$ 22,947,105	\$ 90,117	\$ -	\$ 23,037,222
Construction in progress	28,838,854	30,270,404	27,840,513	31,268,745
Total Capital assets, non-depreciable	51,785,959	30,360,521	27,840,513	54,305,967
Capital Assets, depreciable				
Buildings **	101,686,264	21,121,826	629,413	122,178,677
Infrastructure	402,609,458	1,676,874	11,750	404,274,582
Improvements other than buildings	46,585,973	3,436,025	934,789	49,087,209
Machinery and equipment	93,883,484	10,491,526	7,394,006	96,981,004
Intangibles	2,376,627	564,656	405,031	2,536,252
Total capital assets, depreciable	647,141,806	37,290,907	9,374,989	675,057,724
Less accumulated depreciation for:				
Buildings **	23,206,147	2,421,667	176,370	25,451,444
Infrastructure	107,009,601	13,440,571	2,546	120,447,626
Improvement other than buildings	12,042,619	1,251,802	408,800	12,885,621
Machinery and equipment	48,572,246	8,405,369	6,598,153	50,379,462
Intangibles	1,103,306	335,853	283,268	1,155,891
Total accumulated depreciation	191,933,919	25,855,262	7,469,137	210,320,044
Total capital assets, depreciable, net	455,207,887	11,435,645	1,905,852	464,737,680
Governmental activities, capital assets, net **	\$ 506,993,846	\$ 41,796,166	\$ 29,746,365	\$ 519,043,647

** As restated, see Note 17 for further details

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7. Capital Assets (Continued)

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

Governmental Activities:

General government	\$ 6,382,729
Judicial administration	1,980
Public safety	1,513,687
Public works	16,483,229
Community development	734,273
Education	273,767
Parks, recreation, and cultural	465,597
Total	<u>\$ 25,855,262</u>

Government activities included depreciation of \$4,639,720 for the Fleet Maintenance fund, \$116,319 for the Risk Management fund, and \$781,417 for Information Technology fund.

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

	Business-type Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, non-depreciable				
Land	\$ 5,564,601	\$ 8,162	\$ -	\$ 5,572,762
Construction in progress	71,706,030	10,611,329	41,352,004	40,965,355
Total Capital assets, non-depreciable	<u>77,270,631</u>	<u>10,619,491</u>	<u>41,352,004</u>	<u>46,538,117</u>
Capital Assets, depreciable				
Buildings	96,661,241	1,973,961	-	98,635,203
Improvements other than buildings	329,708,691	26,742,271	-	356,450,962
Machinery and equipment	94,021,283	3,043,148	-	97,064,431
Intangibles	43,606	-	-	43,606
Total capital assets, depreciable	<u>520,434,821</u>	<u>31,759,380</u>	<u>-</u>	<u>552,194,202</u>
Less accumulated depreciation for:				
Buildings	18,747,335	2,315,402	-	21,062,737
Improvement other than buildings	77,732,960	6,927,614	-	84,660,574
Machinery and equipment	34,285,316	3,645,516	-	37,930,832
Intangibles	35,664	22,716	-	58,380
Total accumulated depreciation	<u>130,801,275</u>	<u>12,911,248</u>	<u>-</u>	<u>143,712,523</u>
Total capital assets, depreciable, net	<u>389,633,546</u>	<u>18,848,132</u>	<u>-</u>	<u>408,481,679</u>
Business-type activities, capital assets, net	<u>\$ 466,904,177</u>	<u>\$ 29,467,623</u>	<u>\$ 41,352,004</u>	<u>\$ 455,019,796</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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	\$ 6,387,523	\$ -	\$ -	\$ 6,387,523
Total Capital assets, non-depreciable	6,387,523	-	-	6,387,523
Capital Assets, depreciable				
Buildings	200,805,294	215,734	-	201,021,028
Improvements other than buildings	16,633,857	125,997	-	16,759,854
Machinery and equipment	42,462,397	4,560,249	2,715,313	44,307,333
Total capital assets, depreciable	259,901,548	4,901,980	2,715,313	262,088,215
Less accumulated depreciation for:				
Buildings	87,244,863	5,391,478	-	92,636,341
Improvement other than buildings	10,668,706	426,147	-	11,094,853
Machinery and equipment	29,764,843	3,247,773	2,706,052	30,306,564
Total accumulated depreciation	127,678,412	9,065,398	2,706,052	134,037,758
Total capital assets, depreciable, net	132,223,136	(4,163,418)	9,261	128,050,457
Component Unit - School Board, capital assets, net **	\$ 138,610,659	\$ (4,163,418)	\$ 9,261	\$ 134,437,980

** As restated, see Note 17 for further details

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

	Governmental Funds Unavailable Revenues	Governmental Activities Unearned Revenues
Liability:		
Grant receipts -- unearned	\$ 294,707	\$ 294,707
Golf-course lease revenue -- unearned (Note 10)	-	2,601,891
Total unavailable/unearned revenues	<u>\$ 294,707</u>	<u>\$ 2,896,598</u>
Deferred inflow of resources:		
Prepaid taxes and other amounts -- unearned	\$ 1,129,691	\$ 1,129,691
Developer deposits -- unearned (General)	1,114,225	1,114,225
Developer deposits -- unearned (Road Maintenance)	781,331	781,331
Hanger deposits -- unearned (Aviation)	17,914	17,914
Proffers received -- unearned	1,626,277	1,626,277
Taxes receivable, net -- unavailable	2,412,293	-
Total unavailable/unearned revenues	<u>\$ 7,081,731</u>	<u>\$ 4,669,438</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, 2016

Note 9. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General obligation debt	\$ 230,942,757	\$ 46,491,111	\$ 38,168,533	\$ 239,265,335	\$ 16,693,132
Add bond premiums and other credits	18,535,343	4,653,213	2,525,613	20,662,943	-
	249,478,100	51,144,324	40,694,146	259,928,278	16,693,132
Section 108 loan	2,301,000	-	193,000	2,108,000	193,000
Capital lease obligations	11,537,472	863,997	3,218,261	9,183,208	3,020,009
	263,316,572	52,008,320	44,105,407	271,219,486	19,906,141
Net pension liability	33,427,161	20,654,231	22,134,071	31,947,321	-
Claims payable	3,806,814	14,024,237	14,520,994	3,310,057	2,025,735
Compensated absences	5,242,366	234,595	373,103	5,103,858	392,215
Landfill liability	1,688,880	11,614	-	1,700,494	-
Governmental activities, long-term liabilities	\$ 307,481,793	\$ 86,932,997	\$ 81,133,575	\$ 313,281,216	\$ 22,324,091
<u>Business-type activities:</u>					
General obligation bonds	\$ 243,707,243	\$ 2,889	\$ 9,050,063	\$ 234,660,069	\$ 2,146,272
Taxable GO BAN	-	4,541,000	-	4,541,000	-
Revenue bonds	79,670,000	82,260,000	53,230,000	108,700,000	575,000
Add bond premiums and other credits	17,276,421	8,216,702	2,116,616	23,376,507	-
	340,653,664	95,020,592	64,396,679	371,277,576	2,721,272
Capital lease obligations	1,432,958	113,545	379,844	1,166,659	353,223
	342,086,622	95,134,136	64,776,523	372,444,235	3,074,495
Net pension liability	4,957,256	3,304,418	3,381,283	4,880,391	-
Compensated absences	642,930	25,499	45,538	622,891	37,541
Business-type activities, long-term liabilities	\$ 347,686,808	\$ 98,464,053	\$ 68,203,344	\$ 377,947,517	\$ 3,112,036

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, 2016

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:						
2007 Public Improvement and Refunding Bonds	04/11/07	02/01/35	4.00-4.50	88,245,000	26,665,000	-
2007B Public Improvement Bonds	12/01/07	12/01/27	4.00-5.00	24,475,000	2,450,000	-
2008 Public Improvement Bonds	10/28/08	02/01/29	4.00-5.00	16,600,000	2,490,000	
2009 Series (Taxable - Build America Bonds	11/10/09	02/01/40	3.87	27,000,000	-	24,505,000
2010A Public Improvement and Refunding Bonds	04/29/10	08/01/32	3.38	34,155,000	26,375,000	-
2011 Public Improvement	07/07/11	02/01/27	2.00-5.00	84,510,000	19,795,000	55,810,000
2011 Public Improvement and Refunding Bonds	07/07/11	02/01/27	2.00-5.00	30,065,000	5,590,000	16,595,000
2011 VPSA Local School Bond	12/15/11	06/30/31	4.97	7,500,000	7,000,000	-
2012 Public Improvement and Refunding Bonds	08/22/12	06/01/42	2.00-5.00	60,610,000	18,940,000	37,205,000
2013 Public Improvement and Refunding Bonds	07/30/13	12/01/32	3.00-5.00	64,415,000	34,232,821	26,807,179
2013B Public Improvement Bonds	12/12/13	06/30/29	2.55	2,100,000	1,870,000	-
2014 Public Improvement and Refunding Bonds	07/30/14	02/01/42	2.00-5.00	124,820,000	48,980,000	73,735,000
2015 Public Improvement and Refunding Bonds	07/08/15	02/01/35	2.00-5.00	41,170,000	40,380,000	-
2015B Taxable GO BAN	12/17/15	08/01/18	1.82	4,541,000	-	4,541,000
2015C Refunding Bonds	12/17/15	12/01/25	2.40	5,324,000	4,497,515	2,889
Total general obligation bonds					<u>239,265,335</u>	<u>239,201,069</u>
Other Notes:						
Section 108 Loan Payable	09/14/06	08/01/26	4.96-5.77	3,845,000	<u>2,108,000</u>	<u>-</u>
Total bonds payable					<u>\$ 241,373,335</u>	<u>\$ 239,201,069</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 2031	\$ 2,471,499	\$ 1,166,659
\$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%	63,426	-
\$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%	596,690	-
\$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%	1,041,211	-
\$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%	2,544,186	-
\$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%	2,466,197	-
Total capital lease obligations	<u>\$ 9,183,208</u>	<u>\$ 1,166,659</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	9,260,000
2006C Series Water and Sewer Revenue Bond - VRA	11/26/06	10/01/36	4.26-4.91	36,460,000	5,130,000
2009 Series Water and Sewer Revenue Bond - VRA	06/17/09	10/01/25	1.13-4.86	10,200,000	7,130,000
2010 VRA Refunding Bonds	06/16/10	04/01/31	4.52	4,945,000	4,920,000
2015B VRA Revenue and Refunding Bonds	11/18/15	10/01/45	3.12-5.12	81,125,000	81,125,000
2015B VRA Taxable Refunding Bonds	11/18/15	10/01/20	2.34	1,135,000	1,135,000
Total pledged revenue bonds					<u>\$ 108,700,000</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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
2017	16,693,132	10,336,499	193,000	111,567	3,020,009	83,217
2018	18,563,915	9,534,220	193,000	101,521	2,619,219	47,347
2019	16,931,146	8,776,677	193,000	91,215	1,486,016	19,101
2020	16,903,161	8,096,106	193,000	80,764	591,082	3,238
2021	16,867,316	7,475,360	193,000	70,187	193,972	-
2022-2026	72,291,666	26,764,634	965,000	188,663	760,816	-
2027-2031	57,355,000	11,880,475	178,000	5,135	512,093	-
2032-2036	23,660,000	1,808,938	-	-	-	-
	<u>\$239,265,335</u>	<u>\$ 84,672,909</u>	<u>\$ 2,108,000</u>	<u>\$ 649,052</u>	<u>\$ 9,183,208</u>	<u>\$ 152,903</u>

Year Ending June 30,	Business-type Activities							
	General Obligations Bonds		Taxable GO BAN		Revenue Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	2,146,272	10,521,644	-	92,747	575,000	4,752,702	353,223	-
2018	4,901,085	10,440,998	-	82,646	1,150,000	4,723,443	304,452	-
2019	5,721,854	10,214,654	4,541,000	41,323	1,200,000	4,667,243	196,069	-
2020	5,986,839	9,994,354	-	-	1,260,000	4,610,476	137,817	-
2021	8,425,684	9,752,127	-	-	3,855,000	4,512,543	79,067	-
2022-2026	48,233,334	42,726,660	-	-	22,065,000	19,733,613	65,752	-
2027-2031	49,670,000	31,212,076	-	-	28,325,000	13,984,079	30,279	-
2032-2036	56,720,000	20,313,617	-	-	24,290,000	8,486,922	-	-
2037-2041	47,780,000	7,574,728	-	-	18,320,000	3,404,090	-	-
2042-2046	5,075,000	229,325	-	-	7,660,000	955,300	-	-
	<u>\$234,660,069</u>	<u>\$152,980,181</u>	<u>\$ 4,541,000</u>	<u>\$ 216,716</u>	<u>\$108,700,000</u>	<u>\$ 69,830,410</u>	<u>\$ 1,166,659</u>	<u>\$ -</u>

The Governmental Activities' capital lease obligations are collateralized by equipment with a book value of \$9,112,628, which is net of accumulated depreciation of \$3,063,961 at June 30, 2016.

The Business-type Activities' capital Lease obligations are collateralized by equipment with a book value of \$1,218,370, which is net of accumulated depreciation of \$2,477,908 at June 30, 2016.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 \$178,530,410 through 2046.

In accordance with the master trust indenture, the revenue covenant has been met for the pledged-revenue bonds. Net revenues are required to be no less than greater of (i) the sum of 1.5 times senior debt service and 1.0 times subordinate debt service for the fiscal year (ii) net revenues are not less than 1.0 times the funding requirements for transfers from the revenue fund to the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund, and the rate stabilization fund. This coverage ratio for the current year is 3.99, 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, 2016, the City's aggregate general obligation indebtedness is approximately \$447.7 million less than the Commonwealth's limit and \$176.4 million less than the City's independent limit.

School Board Long-Term Liabilities:

Following is a summary of changes in noncurrent liabilities of the School Board for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Component Unit - School Board</u>					
Other postemployment benefits	\$ 2,361,447	\$ 1,097,001	\$ 1,578,887	\$ 1,879,561	\$ -
Net pension liability	114,758,733	9,803,419	5,836,176	118,725,976	-
Compensated absences	2,206,397	1,634,588	1,781,929	2,059,056	194,287
Total	<u>\$ 119,326,577</u>	<u>\$ 12,535,008</u>	<u>\$ 9,196,992</u>	<u>\$ 122,664,593</u>	<u>\$ 194,287</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Long-Term Liabilities (Continued)

Current Year Refunding of Debt

During the fiscal year, the City issued general obligation and VRA revenue bonds to refund amounts outstanding on prior bond issuances. The details of these refunding issuances are included in the table below. The liability for the refunded bonds has been replaced with the liability from new debt with the difference between the reacquisition price and the net carrying amount of the old debt, the deferred charge on refunding, being deferred and amortized over the shorter of life of the defeased debt or the replacement debt. Portions of the refunded bonds were advance refunded and the proceeds from the new bonds placed in an escrow account to be paid upon the call date. These amounts are outstanding as of June 30, 2016 and will be paid from the escrow accounts set up with the 2015 issuance.

The City refunded these bonds in order to reduce the average interest rate paid on the bonds without extending the final maturity. The impact of the GO refunding was to decrease the overall debt service on the refunded obligations. The purpose of the VRA refunding was to restructure the debt service to reduce the debt service in the early years. In addition, this resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt).

Type of bonds refunded	<u>July 2015 GO refunding</u> GO	<u>December 2015 GO refunding</u> GO	<u>November 2015 VRA refunding</u> GO and VRA VRA (2006, 2007, 2008) and GO 2009, 2011, 2012, 2013
Issue date of refunded bonds	2005, 2007, and 2008	2005	
Total refunding bonds issued (new bonds)	\$14,855,000	\$5,324,000	\$60,385,000
Value of Refunded bonds (old bonds)	\$15,535,000	\$5,275,000	\$60,120,000
Net Proceeds of refunding (including the premiums and costs of issuance)	\$17,061,548	\$5,308,905	\$65,977,954
Bond premium received	\$2,411,044	n/a	\$6,337,958
Costs of issuance	\$204,496	\$46,700	\$745,004
Deferred charge on refunding	\$1,203,902	\$656,023	\$4,998,654
Amount in escrow at 6/30 still outstanding	\$14,715,000	n/a	\$56,990,000
Overall debt service savings	\$942,682	\$439,362	\$(3,818,880)
Net present value of savings or economic gain	\$819,309	\$388,573	\$2,647,062

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, 2016, the balance of these defeased bonds was \$154,615,000.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Long-Term Liabilities (Continued)

Bonds Authorized and Unissued:

There was no bonded debt authorized by City Council in previous years but unissued as of June 30, 2016.

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 \$1,700,494. This amount is included in the long-term liabilities in the primary government.

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

Note 10. Leases

Lessor:

On October 27, 2009, the City entered into an operating lease whereby the City leased the Sleepy Hole Golf Course to a private operator. The lease was amended on May 1, 2010 and the term of the lease ends April 30, 2030. The agreement requires annual lease payments to the City of \$356,000. This amount is reduced by certified annual capital costs made by the operator to enhance the integrity of the golf course facility. The operator has reported \$1,656,603 of certified capital improvements over the last several years. The remaining amount of unearned lease revenue, in the form of capital improvements exceeding the annual lease payments at June 30, 2016, is \$2,601,891.

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 \$1,429,920 and \$136,677 respectively.

Future minimum lease payments under these leases are as follows:

2017	\$ 1,750,227
2018	1,762,737
	<u>\$ 3,512,964</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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/2015-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, 2016

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, 2016

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, 2016

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:	541	160
Inactive Members:		
Vested inactive members	188	21
Non-vested inactive members	336	137
Inactive members active elsewhere in VRS	363	51
Total inactive members	887	209
Active Employees:	1,243	324
Total	2,671	693

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 2016 were based on the actuary's valuation as of June 30, 2014. 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, 2016 was 11.45% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2014.

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, 2016 and June 30, 2015, respectively were \$8,035,838 and \$8,321,012.

The School Board's contractually required contribution rate for the Teacher Retirement Plan for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20, however, it was reduced to 17.64% as a result of the transfer.

The School Board's (non-teacher plan) contractually required contribution rate for the year ended June 30, 2016 was 7.18% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2014.

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, 2016. Contributions to the Teacher Retirement pension plan for the years ended June 30, 2016 and June 30, 2015, respectively were \$11,533,874 and \$11,809,302. Contributions to the Non-Teacher pension plan for the years ended June 30, 2016 and June 30, 2015, respectively were \$701,325 and \$747,583.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The most recent actuarial valuation to determine the net pension liabilities for the City and School Board was prepared as of June 30, 2014. 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, 2015. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post – Disablement:

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

Public Safety Employees:

Pre-Retirement:

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

Post-Retirement:

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

Post – Disablement:

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Net Pension Liability (continued)

School Board Teacher Retirement Plan employees:

Pre-Retirement:

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

Post-Retirement:

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

Post – Disablement:

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

The actuarial assumptions used in the June 30, 2014 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, 2016

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, 2016

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 07/01/2014	\$ 245,100,887	\$ 206,716,468	\$ 38,384,419
Changes for the Year:			
Service cost	7,018,182	-	7,018,182
Interest	16,812,748	-	16,812,748
Difference between expected and actual experience	(5,841,034)		(5,841,034)
Contributions -- employer	-	7,327,510	(7,327,510)
Contributions -- employee	-	2,851,871	(2,851,871)
Net investment income	-	9,496,953	(9,496,953)
Benefit payments including refunds of employee contributions	(9,837,539)	(9,837,539)	-
Administrative expense	-	(127,715)	127,715
Other changes	-	(2,016)	2,016
Net Changes	8,152,357	9,709,064	(1,556,707)
Balances at 6/30/2015	\$ 253,253,244	\$ 216,425,532	\$ 36,827,712

	Increase/(Decrease)		
	School Board (non-teacher) Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Liability) Asset
Balance at 7/1/2014	\$ 22,459,222	\$ 22,238,899	\$ 220,323
Changes for the Year:			
Service cost	713,970	-	713,970
Interest	1,537,449	-	1,537,449
Difference between expected and actual experience	304,251	-	304,251
Contributions -- employer	-	477,042	(477,042)
Contributions -- employee	-	312,739	(312,739)
Net investment income	-	1,014,884	(1,014,884)
Benefit payments including refunds of employee contributions	(991,325)	(991,325)	-
Administrative expense	-	(13,901)	13,901
Other changes	-	(215)	215
Net Changes	1,564,345	799,224	765,121
Balances at 6/30/2015	\$ 24,023,567	\$ 23,038,123	\$ 985,444

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Changes in the Net Pension Liability (Continued)

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

	1.00% Lower 6.00%	Current Discount Rate: 7.00%	1.00% Higher 8.00%
City's Net Pension Liability	\$72,319,470	\$36,827,212	\$7,527,840
School Board's (non-teacher) Net Pension Liability (Asset)	\$4,092,320	\$985,444	\$(1,612,710)
Pruden Center's (non-teacher) Net Pension Liability (Asset)	\$(102,723)	\$(108,468)	\$(113,435)
School Board's Teacher Retirement Plan Net Pension Liability	\$169,112,000	\$115,560,000	\$71,476,000
Pruden Center's Teacher Retirement Plan Net Pension Liability	\$3,350,000	\$2,289,000	\$1,416,000

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

For the year ended June 30, 2016, the City recognized pension expense of \$3,189,476.

For the year ended June 30, 2016, the School Board (non-teacher) plan recognized pension expense of \$255,045.

At June 30, 2016, the School Board Teacher Retirement Plan reported a liability of \$115,560,000 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the School Board Teacher Retirement Plan's proportion was 0.91814% as compared to 0.93031% at June 30, 2014.

For the year ended June 30, 2016, The School Board's Teacher Retirement plan recognized pension expense of \$7,076,000. 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, 2016

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, 2016, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City Pension Plan		School Board non-teacher Plan		School Board Teacher Retirement Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 4,537,232	\$ 220,895	\$ 14,249	\$ -	\$ 1,623,000
Net difference between projected and actual earnings on pension plan investments.	-	5,417,678	431,831	1,025,599	-	7,217,000
Change in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-	-	5,174,000
Contributions to the plan subsequent to the measurement date	8,035,838	-	701,325	-	11,533,874	-
Total	\$ 8,035,838	\$ 9,954,910	\$ 1,354,051	\$ 1,039,848	\$ 11,533,874	\$ 14,014,000

\$8,035,838, \$701,325, and \$11,533,874 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, 2017.

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
2017	(3,441,737)	(154,849)	(4,600,000)
2018	(3,441,737)	(154,849)	(4,600,000)
2109	(3,441,735)	(184,020)	(4,600,000)
2020	370,299	106,596	103,000
2021	-	-	(317,000)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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, 2016, the City contributed \$3,501,603 including \$1,800,000 contributed to the trust fund and \$1,701,603 in claims paid on behalf of the retirees. For the fiscal year ended June 30, 2016, the School Board contributed \$1,578,887 to the trust fund including \$223,200 contributed to the trust fund and \$1,355,687 in claims paid on behalf of retirees. Expenses allocated to the Trust Fund during the fiscal year ended June 30, 2016 totaled \$26,471 for the City and \$13,986 for the School Board. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League ("VML") at P.O. Box 12164, Richmond, Virginia 23241.

Plan Description

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

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

Funding Policy

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 \$1,701,603 and \$1,355,687 towards the estimated pay-as-you-go cost for OPEB benefits in fiscal year 2016, in addition contributed \$1,800,000 and \$223,200 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:

	<u>City</u>	<u>School Board</u>
Annual Required Contribution	\$ 3,182,500	\$ 1,122,000
Interest on net OPEB obligation	(77,445)	165,301
Adjustment to Annual Required Contribution	89,159	(190,300)
Annual OPEB cost	3,194,214	1,097,001
Contributions made	3,501,603	1,578,887
Decrease in net OPEB obligation	(307,389)	(481,886)
Net OPEB obligation (asset) -- beginning of year	(1,106,375)	2,361,447
Net OPEB obligation (asset) -- end of year	<u>\$ (1,413,764)</u>	<u>\$ 1,879,561</u>

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>(Asset)</u> <u>Obligation</u>
City:			
June 30, 2016	\$ 3,194,213	109.62%	\$ (1,413,765)
June 30, 2015	\$ 3,084,882	113.60%	\$ (1,106,375)
June 30, 2014	\$ 3,166,619	82.80%	\$ (687,778)
School Board:			
Nonprofessional			
June 30, 2016	\$ 1,097,001	143.93%	\$ 1,879,561
June 30, 2015	\$ 1,310,707	124.46%	\$ 2,361,447
June 30, 2014	\$ 1,256,517	104.44%	\$ 2,682,025

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016

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, 2016, projects expected to be completed at various dates through 2017 had a total unexpended balance of \$8,029,083 (governmental) and \$8,524,650 (utility).

Encumbrances:

The City has the following encumbrances as of June 30, 2016:

General Fund	Road Maintenance Fund	Capital Projects Fund	Non-Major Governmental Funds	Utility Fund	Non-Major Enterprise Fund	Internal Service Funds
\$828,952	\$3,868,197	\$8,029,083	\$105,153	\$8,846,290	\$232,987	\$1,659,717

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, 2016, lease payments and the associated repairs and maintenance commitments had a total unexpended balance of \$4,304,798.

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 14. Risk Management (Continued)

Self-Insurance – City: (Continued)

continue to carry commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Self-Insurance – City:

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

Claims payable reported in the Risk Management Fund at June 30, 2016 consists of all current self-insured claims payable, including an estimate of incurred but not reportable claims amounting to \$1,340,000, the current portion of which is \$2,025,735 for 2016. Claims payable for health insurance are based on current enrollment and benefits and historical experience.

Claims payable for workers' compensation and property and liability are based on insurance coverage and specific claims which have presented. Following is a summary of changes in claims payable for the fiscal years ended June 30, 2016 and 2015:

		Beginning Balance	Claims and Reserves	Claim Payments	Ending Balance
Workers' Compensation					
2016	\$	1,866,660	\$ 676,732	\$ 1,009,070	\$ 1,534,322
2015	\$	1,309,382	\$ 1,065,788	\$ 508,510	\$ 1,866,660
Property and Liability					
2016	\$	630,773	\$ 326,459	\$ 555,283	\$ 401,949
2015	\$	646,176	\$ 568,448	\$ 583,851	\$ 630,773
Health Insurance					
2016	\$	1,309,381	\$ 13,021,046	\$ 12,956,641	\$ 1,373,786
2015	\$	1,159,518	\$ 11,548,009	\$ 11,398,146	\$ 1,309,381

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, 2016, \$225,000 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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 14. Risk Management (Continued)

Workers' Compensation Self-Insurance Coverage – School Board:

of June 30, 2016, the workers' compensation benefit obligation consisted of \$702,497 in reported unpaid claims and estimated incurred but not reported claims.

Changes in the balance of claims liabilities during the years ended June 30, 2016 and 2015, are as follows:

		<u>Beginning Balance</u>	<u>Claims and Reserves</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
Workers' Compensation					
2016	\$	552,103	\$ 689,174	\$ 538,780	\$ 702,497
2015	\$	317,870	\$ 889,426	\$ 655,193	\$ 552,103

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, 2016, 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 \$51,085,000 of authorized General Obligation and Refunding Bonds, Series 2016A tax-exempt, and \$25,745,000 of authorized General Obligation Refunding Bonds, Series 2016B taxable, on July 14, 2016 with maturity dates of February 1, 2036 and February 1, 2035, respectively. 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 \$92,795,000 of authorized Water and Sewer System Revenue and Refunding bonds with the Virginia Resources Authority in November 2016. These bonds have a final maturity date of October 1, 2043. 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, 2016

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	\$ 24,905	\$ -	\$ -	\$ -	\$ 30,776
Total Nonspendable	24,905	-	-	-	30,776
Restricted for:					
Judicial Administration	47,846	-	-	-	406,064
Public Safety	-	-	-	-	48,488
Public Works	1,114,223	-	-	-	6,652
Cemetery Care	-	-	-	-	1,157,463
Community Development	-	-	-	-	257,250
Capital Outlay:	-	814,005	-	-	-
Public Buildings	-	6,214,679	-	-	-
Public Safety	-	1,253,914	-	-	-
Roadway Projects	-	23,894,240	13,826,697	-	-
Schools	-	17,183,209	-	-	-
Recreation Facilities	-	2,113,555	-	-	-
Debt Service	-	-	-	392,424	-
Total Restricted	1,162,069	51,473,602	13,826,697	392,424	1,875,917
Committed to:					
General Government	22,635	-	-	-	-
Judicial Administration	198,457	-	-	-	-
Public Safety:					
Police	512,220	-	-	-	-
Fire	390,851	-	-	-	-
Transportation	-	-	-	-	144,213
Public Works:	-	-	-	-	942,623
Bridges and Road Maintenance	-	-	-	-	-
Aviation	-	-	-	-	413,552
Route 17 Taxing District	-	-	-	-	1,015,659
Community Development	-	-	-	-	-
Economic Development Incentives	3,348,354	-	-	-	-
Capital Outlay:	-	5,914,066	-	-	-
Debt Service	-	-	-	2,148,460	-
Total Committed	4,472,517	5,914,066	-	2,148,460	2,516,047
Assigned to:					
General Government	175	-	-	-	-
Judicial Administration	11,586	-	-	-	-
Public Safety:					
Police	86,107	-	-	-	-
Public Works	58,989	-	-	-	-
Social Services	207,495	-	-	-	-
Parks, Recreation and Cultural	8,161	-	-	-	-
Community Development	52,495	-	-	-	-
Total Assigned	425,008	-	-	-	-
Unassigned	56,491,224	-	-	-	(10,945)
Total Fund Balance	\$ 62,575,723	\$ 57,387,668	\$ 13,826,697	\$ 2,540,884	\$ 4,411,795

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 17. Prior Period Adjustments

The following is a summary of the restatements to fund balance/net position:

The adjustment for the correction of misapplied revenues was necessary due to a situation where the incorrect percentage of revenue was applied to the special taxing districts. This incorrect percentage caused more revenue to be applied to the special taxing districts in prior years that should have been applied to the General Fund. The impact on the change in net position for fiscal year 2015 would have been to increase the change for the General Fund by \$314,411 while decreasing the change in fund balance for the Downtown Business Overlay District by \$54,095 and the Route 17 Taxing District by \$260,316.

The restatement for the error correction was due to an entry that was made in a prior fiscal year to transfer some capital assets out of the internal service funds and into the value of governmental activities capital assets. This entry was done incorrectly in the previous fiscal year. The impact on the change in net position for fiscal year 2015 would be to increase the change for the Governmental Activities and Fleet Management while decreasing Risk Management net position change by the amounts shown in the table.

The error correction related to the inconsistent application of GAAP was due to the recording of a completed CIP project for Pioneer Elementary school. The School Board has historically recorded the schools assets on the records of the School consistent with GAAP. When Pioneer Elementary was completed in 2015, the City recorded the asset on the records of the City under a tenancy in common. In order to be consistent with historical practice, City policy and GAAP, the school building was transferred to the records of the Schools. The impact on the change in net position for fiscal year 2015 would be to decrease the change for the Governmental Activities while increasing the Schools' net position by \$18,234,608.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 17. Prior Period Adjustments (Continued)

	Governmental Activities (Government-wide Activities)	General Fund	Non-major Governmental				Information Technology Fund	Internal Service			Schools Component Unit
			Downtown Business Overlay District Fund	Route 17 Taxing District Fund	Other Non-major Governmental Funds	Total Non-major Governmental Funds		Risk Management Fund	Fleet Management Fund	Total Internal Service	
Net Position/Fund Balance at June 30, 2015, as previously reported	\$ 362,287,571	\$ 55,581,665	\$ 234,941	\$ 1,442,975	\$ 3,063,964	\$ 4,741,880	\$ 3,745,630	\$ 8,314,098	\$ 24,453,256	\$ 36,512,984	\$ 1,497,113
Restatement related to:											
Correction of error for misapplied revenues	-	763,185	(138,483)	(624,702)	-	(763,185)	-	-	-	-	-
Correction of error in prior year entries	1,790,217		-	-	-	-	-	(433,281)	2,223,498	1,790,217	-
Correction of error in inconsistent application of GAAP	(18,234,608)	-	-	-	-	-	-	-	-	-	18,234,608
Net Position/Fund Balance at June 30, 2015, as restated	\$ 345,843,180	\$ 56,344,850	\$ 96,458	\$ 818,273	\$ 3,063,964	\$ 3,978,695	\$ 3,745,630	\$ 7,880,817	\$ 26,676,754	\$ 38,303,201	\$ 19,731,721
Net Capital Assets at June 30, 2015, as previously reported (Note 7)	\$ 525,228,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,376,051
Change in accounting treatment - inconsistent application of GAAP	(18,234,608)	-	-	-	-	-	-	-	-	-	18,234,608
Net Capital Assets at June 30, 2015, as restated	\$ 506,993,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,610,659

Note 18. New Accounting Standards

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

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 18. New Accounting Standards (continued)

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.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of a state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that, (1) is not the state or local governmental pension plan, (2) is used to provide defined benefit pensions to both employees of the local government and employees for employers that are not the state or local government, and (3) has no predominant state or local governmental employer. This statement is effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, clarifies the financial statement presentation requirements for certain component units. Statement No. 80 requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement is effective for the fiscal year ending June 30, 2017.

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

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*, addresses certain issues that have been raised with respect to Statements No's. 67, 68 and 73, specifically (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. 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

CITY OF SUFFOLK, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
General property taxes:				
Real estate	\$ 93,167,737	\$ 93,167,737	\$ 91,844,007	\$ (1,323,730)
Personal property	18,200,000	18,200,000	17,817,813	(382,187)
Public service corporations	3,400,000	3,400,000	3,902,017	502,017
Machinery and tools	-	-	1,985,490	1,985,490
Payments in Lieu of Taxes	3,000	3,000	-	(3,000)
Penalties	1,000,000	1,000,000	1,195,890	195,890
Total general property taxes	115,770,737	115,770,737	116,745,217	974,480
Other Local Taxes				
Sales and use	8,500,000	8,500,000	9,904,693	1,404,693
Utility tax	4,300,000	4,300,000	4,478,378	178,378
Communication taxes	3,600,000	3,600,000	3,115,672	(484,328)
Business and occupational licenses	6,700,000	6,700,000	7,680,254	980,254
Motor vehicle license	2,200,000	2,200,000	2,449,544	249,544
Bank stock	490,000	490,000	564,037	74,037
Recordation	1,100,000	1,100,000	1,466,044	366,044
Tobacco	1,900,000	1,900,000	2,050,259	150,259
Lodging	1,275,000	1,275,000	1,484,031	209,031
Meals	7,600,000	7,600,000	8,996,483	1,396,483
Admission	250,000	250,000	318,348	68,348
Total other local taxes	37,915,000	37,915,000	42,507,743	4,592,743
Permits, fees, and licenses				
Animal license	35,000	35,000	37,209	2,209
Permits and other licenses	965,800	965,800	1,217,014	251,214
Total permits, fees, and licenses	1,000,800	1,000,800	1,254,223	253,423
Fines and forfeitures	830,000	830,000	831,224	1,224
Revenue from use of money and property:				
Revenue from use of money	350,000	350,000	338,345	(11,655)
Revenue from use of property	304,000	304,000	372,514	68,514
Total use of money and property	654,000	654,000	710,859	56,859
Charges for services:				
Court costs	183,787	183,787	228,504	44,717
Commonwealth's attorney fee	9,000	9,000	13,202	4,202
Police and traffic control	22,000	22,000	36,130	14,130
Charges for fire & rescue service	1,905,000	1,905,000	1,778,715	(126,285)
Charges for other protection	80,000	80,000	71,069	(8,931)
Charges for parks and recreation	800,000	800,000	958,793	158,793
Charges for library	20,000	20,000	18,239	(1,761)
Charges for tourism	32,000	32,000	36,505	4,505
Charges for planning and community development	100	100	70	(30)
Charges for other services	563,000	563,000	445,643	(117,357)
Total charges for services	3,614,887	3,614,887	3,586,870	(28,017)

(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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES (Continued)				
Miscellaneous revenue				
Miscellaneous	\$ 1,019,017	\$ 1,019,015	\$ 1,747,039	\$ 728,024
Total revenue from local sources	160,804,441	160,804,439	167,383,175	6,578,736
Revenue from the Commonwealth:				
Noncategorical aid:				
Tax on deeds	350,000	350,000	279,231	(70,769)
Railroad rolling stock tax	130,000	130,000	141,214	11,214
House bill 599 funds	2,764,800	2,764,800	2,764,800	-
PPTRA	10,169,729	10,169,729	10,169,730	1
Mobile home titling tax	15,000	15,000	33,714	18,714
Vehicle rental tax	130,000	130,000	194,746	64,746
Local aid Commonwealth state reduction	-	-	(38,378)	(38,378)
Total noncategorical aid	13,559,529	13,559,529	13,545,057	(14,472)
Categorical aid:				
Commonwealth's Attorney	1,005,689	1,005,689	1,023,309	17,620
Commissioner of Revenue	164,150	164,150	164,058	(92)
Treasurer	207,469	207,469	208,918	1,449
Sheriff	906,687	906,687	906,612	(75)
Circuit Court Clerk	539,781	569,278	573,413	4,135
Registrar	45,000	45,000	88,860	43,860
Total categorical aid	2,868,776	2,898,273	2,965,170	66,897
Other categorical aid:				
Public assistance and welfare administration	3,740,000	3,740,000	2,514,580	(1,225,420)
Police	190,000	190,000	284,284	94,284
Fire and rescue	330,294	330,294	348,745	18,451
Library	155,466	155,466	155,649	183
Total other categorical aid	4,415,760	4,415,760	3,303,258	(1,112,502)
Total categorical aid	7,284,536	7,314,033	6,268,428	(1,045,605)
Total revenue from the Commonwealth	20,844,065	20,873,562	19,813,485	(1,060,077)
Revenue from the Federal government				
Categorical aid:				
Public assistance and welfare administration	4,900,000	4,900,000	5,080,507	180,507
Public safety	11,032	11,032	52,071	41,039
Parks, recreation and cultural	20,000	20,000	21,052	1,052
Total revenue from the Federal government	4,931,032	4,931,032	5,153,630	222,598
Total revenues	186,579,538	186,609,033	192,350,290	5,741,257

(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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES				
General Government administration:				
Legislative:				
City Council	\$ 444,946	\$ 427,767	\$ 417,451	\$ 10,316
General and financial administration:				
City Manager	1,112,361	1,009,505	1,005,431	4,074
Budget and strategic planning	297,214	265,554	265,554	-
City Attorney	1,025,764	998,345	998,677	(332)
Human resources	1,034,473	1,042,236	1,042,454	(218)
Commissioner of the Revenue	983,169	959,541	959,041	500
City Assessor	1,498,053	1,461,260	1,456,020	5,240
City Treasurer	1,474,348	1,423,884	1,417,098	6,786
Finance	1,644,247	1,298,100	1,291,551	6,549
Purchasing	327,980	317,455	316,428	1,027
Capital Program Management	3,524,542	3,483,753	3,483,753	-
Communications	654,849	644,937	643,701	1,236
Local and regional organizations	976,945	987,235	987,235	-
Board of Elections:				
Registrar	463,623	479,037	479,037	-
Total general government administration	15,462,514	14,798,609	14,763,431	35,178
Judicial administration:				
Courts:				
Circuit Court	187,277	182,014	181,264	750
District Court	60,449	52,222	47,817	4,405
Magistrate	20,896	18,655	18,444	211
Juvenile and Domestic Relations Court	23,196	12,966	12,959	7
Juvenile and Domestic Relations Court Service Unit	910,183	908,353	747,991	160,362
Circuit Court Clerk	1,438,165	1,421,250	1,389,456	31,794
Sheriff	2,336,850	2,408,188	2,407,204	984
Commonwealth Attorney	2,978,640	3,120,512	2,935,541	184,971
Total judicial administration	7,955,656	8,124,160	7,740,676	383,484
Public safety:				
Police	19,384,530	19,121,921	19,103,455	18,466
Communications	1,638,050	1,588,996	1,586,208	2,788
Property seizure program - Federal	-	199,440	45,848	153,592
Police E-ticketing	-	50,444	-	50,444
Confiscation program - State	-	203,453	44,667	158,786
DARE	-	2,850	-	2,850
Fire	22,756,351	25,405,716	25,152,705	253,011
Western Tidewater Regional Jail	4,424,891	4,303,091	4,303,091	-
Emergency services	37,396	28,753	28,160	593
Total public safety	48,241,218	50,904,664	50,264,134	640,530
Public works:				
Administration	878,649	995,218	944,027	51,191
Total public works	878,649	995,218	944,027	51,191

(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, 2016

	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	11,557,274	11,764,769	10,200,729	1,564,040
Comprehensive Services Act	1,747,004	1,747,004	1,101,341	645,663
Total health and welfare	14,425,430	14,632,925	12,423,222	2,209,703
Education:				
Contributions to component unit school board	53,570,053	53,570,053	52,908,674	661,379
Lease rent of building	526,784	526,784	526,785	(1)
Total education	54,096,837	54,096,837	53,435,459	661,378
Parks, recreation, and cultural:				
Parks and recreation	1,449,928	1,491,836	1,491,836	-
Parks and recreation -- Office on Youth	151,865	139,394	139,394	-
Parks and recreation maintenance	1,918,304	2,140,035	2,140,035	-
Parks and recreation ground maintenance	547,948	485,266	485,266	-
Parks and recreation support services	470,520	483,301	483,301	-
Parks and recreation - recreation	2,065,516	2,305,125	2,305,841	(716)
Public libraries	2,754,042	2,615,002	2,613,660	1,342
Total parks, recreation, and cultural	9,358,123	9,659,959	9,659,333	626
Community Development:				
Community development	2,343,046	2,318,346	2,285,061	33,285
Planning	1,420,683	1,126,008	1,060,857	65,151
Economic development	814,773	5,880,154	2,786,556	3,093,598
Tourism	556,870	552,215	552,216	(1)
Animal shelter and management	801,772	836,302	836,272	30
Cooperative extension services	74,712	53,256	51,865	1,391
Total community development	6,011,856	10,766,281	7,572,827	3,193,454
Nondepartmental:				
Salary, fringe benefits and insurance	506,974	428,270	428,271	(1)
Other Miscellaneous	60,000	43,363	37,732	5,631
Total nondepartmental	566,974	471,633	466,003	5,630
Total expenditures	156,997,257	164,450,286	157,269,112	7,181,174
Excess of revenues over expenditures	29,582,281	22,158,747	35,081,178	12,922,431
OTHER FINANCING SOURCES (USES)				
Fund Balance Surplus - Assigned	-	8,345,863	-	8,345,863
Transfers in	2,345,591	2,345,591	2,345,591	-
Transfers out	(31,927,872)	(32,850,201)	(32,024,848)	(825,353)
Total other financing uses, net	(29,582,281)	(22,158,747)	(29,679,257)	7,520,510
Net change in fund balances	\$ -	\$ -	\$ 5,401,921	\$ 5,401,921
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ 5,401,921	
Encumbrances			828,952	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 4)			<u>\$ 6,230,873</u>	

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, 2016**

	Road Maintenance			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Permits, fees and licenses	\$ 195,000	\$ 195,000	\$ 372,460	\$ 177,460
Fines & forfeitures	200,000	200,000	210,995	10,995
Revenue from use of money and property	-	-	47,731	47,731
Charges for services	1,408,000	1,408,000	798,514	(609,486)
Miscellaneous	34,500	125,536	294,683	169,147
Intergovernmental:				
Revenue from the Commonwealth	21,705,092	21,705,092	22,733,072	1,027,980
Fund balance (rollover/appropriations)	5,000,000	5,596,425	-	(5,596,425)
Total revenues	28,542,592	29,230,053	24,457,455	(4,772,598)
EXPENDITURES				
Current:				
Public Works	27,989,741	28,677,202	25,854,559	2,822,643
Total expenditures	27,989,741	28,677,202	25,854,559	2,822,643
Excess (deficiency) of revenues over (under) expenditures	552,851	552,851	(1,397,104)	(1,949,955)
OTHER FINANCING USES				
Transfers out	(552,851)	(552,851)	(552,851)	-
Total other financing uses	(552,851)	(552,851)	(552,851)	-
Net change in fund balances	\$ -	\$ -	\$ (1,949,955)	\$ (1,949,955)
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (1,949,955)	
Encumbrances			3,868,197	
Total net change in fund balance per Statement of Revenues, Expenditures and changes in Fund Balance (Exhibit 4)			\$ 1,918,242	

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	2015
Total Pension Liability		
Service cost	\$ 6,994,155	\$ 7,018,182
Interest	15,882,027	16,812,748
Difference between expected and actual experience	-	(5,841,034)
Benefit payments, including refunds of employee contributions	(9,322,789)	(9,837,539)
Net change in total pension liability	13,553,393	8,152,357
Total pension liability -- beginning	231,547,492	245,100,885
Total pension liability -- ending	<u>\$ 245,100,885</u>	<u>\$ 253,253,242</u>
 Plan fiduciary net position		
Contributions -- employer	\$ 7,684,006	\$ 7,327,510
Contributions -- employee	2,877,613	2,851,871
Net investment income	28,132,949	9,496,953
Benefit payments, including refunds of employee contributions	(9,322,789)	(9,837,539)
Administrative expense	(149,011)	(127,715)
Other	1,483	(2,019)
Net change in plan fiduciary net position	29,224,251	9,709,061
Plan fiduciary net position -- beginning	177,492,218	206,716,469
Plan fiduciary net position -- ending	<u>\$ 206,716,469</u>	<u>\$ 216,425,530</u>
 Total net pension liability -- beginning	\$ 54,055,274	\$ 38,384,416
Total Net Pension Liability -- ending	<u>\$ 38,384,416</u>	<u>\$ 36,827,712</u>
 Plan fiduciary net position as a percentage of total pension liability	84.34%	85.46%
 Covered employee payroll	\$ 56,537,670	\$ 57,411,532
 Net Pension Liability as a percentage of covered employee payroll	67.89%	64.15%

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

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

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:					
2007	\$ 3,776,542	\$ 4,123,650	\$ (347,108)	\$ 42,243,197	9.76%
2008	\$ 4,285,894	\$ 4,404,885	\$ (118,991)	\$ 47,940,645	9.19%
2009	\$ 4,634,166	\$ 4,730,739	\$ (96,573)	\$ 50,262,100	9.41%
2010	\$ 4,837,015	\$ 4,817,023	\$ 19,992	\$ 52,462,203	9.18%
2011	\$ 8,372,697	\$ 8,407,146	\$ (34,449)	\$ 52,101,413	16.14%
2012	\$ 8,483,177	\$ 8,526,249	\$ (43,072)	\$ 52,788,904	16.15%
2013	\$ 10,018,672	\$ 10,197,688	\$ (179,016)	\$ 53,979,914	18.89%
2014	\$ 10,385,226	\$ 10,526,564	\$ (141,338)	\$ 55,954,879	18.81%
2015	\$ 8,171,325	\$ 8,321,012	\$ (149,687)	\$ 63,639,606	13.08%
2016	\$ 6,772,022	\$ 8,035,838	\$ (1,263,816)	\$ 59,144,296	13.59%
School Board (non-teacher) Pension Plan:					
2007	\$ 443,231	\$ 484,246	\$ (41,015)	\$ 6,207,715	7.80%
2008	\$ 829,400	\$ 821,274	\$ 8,126	\$ 6,831,960	12.02%
2009	\$ 818,655	\$ 837,098	\$ (18,443)	\$ 6,776,948	12.35%
2010	\$ 510,614	\$ 871,508	\$ (360,894)	\$ 7,212,065	12.08%
2011	\$ 643,329	\$ 820,689	\$ (177,360)	\$ 7,204,137	11.39%
2012	\$ 628,539	\$ 787,554	\$ (159,015)	\$ 7,038,507	11.19%
2013	\$ 950,684	\$ 938,800	\$ 11,884	\$ 6,839,451	13.73%
2014	\$ 936,860	\$ 820,701	\$ 116,159	\$ 6,739,997	12.18%
2015	\$ 747,583	\$ 747,583	\$ -	\$ 6,271,733	11.92%
2016	\$ 701,325	\$ 701,325	\$ -	\$ 7,303,711	9.60%
School Board Teacher Retirement Plan:					
2007	\$ -	\$ 4,077,444	\$ (4,077,444)	\$ 44,320,043	9.20%
2008	\$ -	\$ 6,170,650	\$ (6,170,650)	\$ 40,331,046	15.30%
2009	\$ -	\$ 10,175,482	\$ (10,175,482)	\$ 73,681,984	13.81%
2010	\$ -	\$ 8,229,751	\$ (8,229,751)	\$ 93,413,746	8.81%
2011	\$ -	\$ 6,327,523	\$ (6,327,523)	\$ 40,405,639	15.66%
2012	\$ -	\$ 7,895,331	\$ (7,895,331)	\$ 58,745,022	13.44%
2013	\$ -	\$ 11,648,391	\$ (11,648,391)	\$ 74,383,084	15.66%
2014	\$ -	\$ 10,439,005	\$ (10,439,005)	\$ 89,528,345	11.66%
2015	\$ 11,594,588	\$ 11,594,588	\$ -	\$ 68,193,037	17.00%
2016	\$ 11,533,874	\$ 11,533,874	\$ -	\$ 71,032,824	16.24%

CITY OF SUFFOLK, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

Changes in Benefit terms

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

Changes of assumptions

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

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

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

School Board Teacher Retirement Plan Employees:

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

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
June 30, 2016

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%

OTHER SUPPLEMENTARY INFORMATION

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.

CITY OF SUFFOLK, VIRGINIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016

	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	\$ -	\$ 137,652	\$ -	\$ 222,329	\$ 1,011,401	\$ 808,600	\$ -	\$ 220,111	\$ 418,957	\$ 2,819,050
Cash and cash equivalents, restricted	-	-	257,706	-	-	-	1,182,594	-	-	1,440,300
Receivables, net:										
Taxes	-	8,263	-	-	14,383	-	-	-	-	22,646
Accounts	-	-	269,130	3,221	-	-	-	212	36,577	309,140
Due from other governmental units	-	-	480,737	-	-	-	-	-	3,882	484,619
Inventory	-	-	-	-	-	-	-	-	30,776	30,776
Total assets	<u>\$ -</u>	<u>\$ 145,915</u>	<u>\$ 1,007,573</u>	<u>\$ 225,550</u>	<u>\$ 1,025,784</u>	<u>\$ 808,600</u>	<u>\$ 1,182,594</u>	<u>\$ 220,323</u>	<u>\$ 490,192</u>	<u>\$ 5,106,531</u>
LIABILITIES										
Liabilities:										
Accounts payable and accrued liabilities	\$ 10,945	\$ 7,944	\$ 197,518	\$ 503	\$ -	\$ -	\$ 25,131	\$ 76,110	\$ 27,438	\$ 345,589
Accrued payroll and related liabilities	-	-	21,018	923	-	-	-	-	512	22,453
Unavailable revenues	-	-	294,707	-	-	-	-	-	-	294,707
Total liabilities	<u>10,945</u>	<u>7,944</u>	<u>513,243</u>	<u>1,426</u>	<u>-</u>	<u>-</u>	<u>25,131</u>	<u>76,110</u>	<u>27,950</u>	<u>662,749</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenues - taxes	-	3,948	-	-	10,125	-	-	-	-	14,073
Deposits	-	-	-	-	-	-	-	-	17,914	17,914
Total deferred inflows	<u>-</u>	<u>3,948</u>	<u>-</u>	<u>-</u>	<u>10,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,914</u>	<u>31,987</u>
FUND BALANCES										
Nonspendable	-	-	-	-	-	-	-	-	30,776	30,776
Restricted	-	-	494,330	224,124	-	-	1,157,463	-	-	1,875,917
Committed	-	134,023	-	-	1,015,659	808,600	-	144,213	413,552	2,516,047
Unassigned	(10,945)	-	-	-	-	-	-	-	-	(10,945)
Total fund balances	<u>(10,945)</u>	<u>134,023</u>	<u>494,330</u>	<u>224,124</u>	<u>1,015,659</u>	<u>808,600</u>	<u>1,157,463</u>	<u>144,213</u>	<u>444,328</u>	<u>4,411,795</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 145,915</u>	<u>\$ 1,007,573</u>	<u>\$ 225,550</u>	<u>\$ 1,025,784</u>	<u>\$ 808,600</u>	<u>\$ 1,182,594</u>	<u>\$ 220,323</u>	<u>\$ 490,192</u>	<u>\$ 5,106,531</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2016

	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	\$ 6	\$ 178,582	\$ -		\$ 1,152,723	\$ 92	\$ -	\$ -	\$ -	\$ 1,331,403
Revenue from use of money and property	-	411	-	664	3,018	2,413	5,614	656	220,779	233,555
Charges for services	-	-	22,951	39,473	-	-	25,068	67,759	477,889	633,140
Miscellaneous	-	-	80,100	819	-	-	-	8,218	-	89,137
Intergovernmental:										
Revenue from the Commonwealth	-	-	384,803	-	-	-	-	190,424	18,328	593,555
Revenue from the Federal government	-	-	1,648,018	-	-	-	-	-	-	1,648,018
Total revenues	6	178,993	2,135,872	40,956	1,155,741	2,505	30,682	267,057	716,996	4,528,808
EXPENDITURES										
Current:										
General government administration	-	-	-	-	-	-	-	-	748,480	748,480
Judicial administration	-	-	699,702	38,896	-	-	-	-	-	738,598
Public safety	-	-	471,176	-	-	-	-	-	-	471,176
Public works	-	141,428	25,635	-	-	-	-	-	-	167,063
Health and welfare	-	-	3,870	-	-	-	-	-	-	3,870
Transportation	-	-	-	-	-	-	-	1,033,663	-	1,033,663
Parks, recreation, and cultural	-	-	110,650	-	-	-	73,680	-	-	184,330
Community development	-	-	671,191	-	-	-	-	-	-	671,191
Total expenditures	-	141,428	1,982,224	38,896	-	-	73,680	1,033,663	748,480	4,018,371
Excess (deficiency) of revenues over (under) expenditures	6	37,565	153,648	2,060	1,155,741	2,505	(42,998)	(766,606)	(31,484)	510,437
Other financing sources (uses):										
Transfers in	-	-	296,777	-	-	-	-	795,395	156,116	1,248,288
Transfers out	-	-	(314,410)	-	(958,355)	-	-	-	(52,860)	(1,325,625)
Total other financing sources (uses), net	-	-	(17,633)	-	(958,355)	-	-	795,395	103,256	(77,337)
Net changes in fund balances	6	37,565	136,015	2,060	197,386	2,505	(42,998)	28,789	71,772	433,100
Fund balances at July 1 (as restated)	(10,951)	96,458	358,315	222,064	818,273	806,095	1,200,461	115,424	372,556	3,978,695
Fund balances at June 30	\$ (10,945)	\$ 134,023	\$ 494,330	\$ 224,124	\$ 1,015,659	\$ 808,600	\$ 1,157,463	\$ 144,213	\$ 444,328	\$ 4,411,795

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, 2016

	<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	\$ -	\$ -	\$ 297,200	\$ 297,200
Miscellaneous	-	-	31,605	
Total revenues	-	-	328,805	297,200
EXPENDITURES				
Current:				
Principal	16,760,462	16,760,462	17,015,462	(255,000)
Bond issuance costs	-	360,000	446,658	(86,658)
Interest and other fiscal charges	11,492,255	11,132,255	10,346,003	786,252
Total expenditures	28,252,717	28,252,717	27,808,123	444,594
Deficiency of revenues under expenditures	(28,252,717)	(28,252,717)	(27,479,318)	741,794
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	20,176,111	20,176,111
General obligation bonds issued	-	-	277,386	277,386
Premium on bonds issued	-	-	2,411,044	2,411,044
Payment to escrow agent	-	-	(22,362,261)	(22,362,261)
Transfers in	28,252,717	28,252,717	27,002,916	(1,249,801)
Total other financing sources, net	28,252,717	28,252,717	27,505,196	(747,521)
Net change in fund balances	\$ -	\$ -	\$ 25,878	\$ (5,727)

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, 2016

	<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	\$ 178,582	\$ 8,582
Revenue from use of money and property	-	-	664	664	-	-	411	411
Charges for services	44,562	44,562	39,473	(5,089)	-	-	-	-
Miscellaneous	-	-	819	819	-	-	-	-
Total revenues	44,562	44,562	40,956	(3,606)	170,000	170,000	178,993	8,993
EXPENDITURES								
Current:								
Judicial administration	-	-	38,896	(38,896)	-	-	-	-
Public works	-	-	-	-	170,000	170,000	141,428	28,572
Total expenditures	-	-	38,896	(38,896)	170,000	170,000	141,428	28,572
Excess (deficiency) of revenues over (under) expenditures	44,562	44,562	2,060	(42,502)	-	-	37,565	37,565
Net change in fund balances	\$ 44,562	\$ 44,562	\$ 2,060	\$ (42,502)	\$ -	\$ -	\$ 37,565	\$ 37,565

(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, 2016

	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	\$ 1,400,000	\$ 1,400,000	\$ 1,152,723	\$ (247,277)	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	3,018	3,018	238,000	238,000	220,779	(17,221)
Charges for services	-	-	-	-	700,000	700,000	477,889	(222,111)
Intergovernmental:								
Revenue from the Commonwealth	-	-	-	-	-	26,845	18,328	(8,517)
Fund balance (rollover/appropriations)	-	-	-	-	-	22,583	-	(22,583)
Total revenues	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,155,741</u>	<u>(244,259)</u>	<u>938,000</u>	<u>987,428</u>	<u>716,996</u>	<u>(270,432)</u>
EXPENDITURES								
Current:								
General government administration	-	-	-	-	1,041,256	1,090,684	748,480	342,204
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,041,256</u>	<u>1,090,684</u>	<u>748,480</u>	<u>342,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,155,741</u>	<u>(244,259)</u>	<u>(103,256)</u>	<u>(103,256)</u>	<u>(31,484)</u>	<u>71,772</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	156,116	156,116	156,116	-
Transfers out	(958,355)	(958,355)	(958,355)	-	(52,860)	(52,860)	(52,860)	-
Total other financing sources (uses), net	<u>(958,355)</u>	<u>(958,355)</u>	<u>(958,355)</u>	<u>-</u>	<u>103,256</u>	<u>103,256</u>	<u>103,256</u>	<u>-</u>
Net change in fund balances	<u>\$ 441,645</u>	<u>\$ 441,645</u>	<u>\$ 197,386</u>	<u>\$ (244,259)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,772</u>	<u>\$ 71,772</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, 2016**

Transit				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 656	\$ 656
Charges for services	50,000	50,000	67,759	17,759
Miscellaneous	6,000	6,000	8,218	2,218
Intergovernmental:				
Revenue from the Commonwealth	186,059	207,002	190,424	(16,578)
Fund balance (rollover/appropriations)	-	61,046	-	(61,046)
Total revenues	242,059	324,048	267,057	(56,991)
EXPENDITURES				
Current:				
Transportation	1,037,454	1,119,443	1,051,692	67,751
Total expenditures	1,037,454	1,119,443	1,051,692	67,751
Deficiency of revenues under expenditures	(795,395)	(795,395)	(784,635)	10,760
OTHER FINANCING SOURCES				
Transfers in	795,395	795,395	795,395	-
Total other financing sources net	795,395	795,395	795,395	-
Net change in fund balances	\$ -	\$ -	\$ 10,760	\$ 10,760

Reconciliation to Governmental Fund Statement:

Total net change in fund balance	\$ 10,760
Encumbrances	<u>18,029</u>
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 18)	<u>\$ 28,789</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.

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
June 30, 2016

	Business-type Activities - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,125,280	\$ 3,757,781	\$ 5,883,061
Cash and cash equivalents, restricted	-	4,129,103	4,129,103
Receivables, net	143,182	294,567	437,749
Total current assets	2,268,462	8,181,451	10,449,913
Noncurrent assets:			
OPEB asset	39,015	-	39,015
Capital assets, net	570,336	11,765	582,101
Total noncurrent assets	609,351	11,765	621,116
Total assets	2,877,813	8,193,216	11,071,029
DEFERRED OUTFLOWS OF RESOURCES			
Employer contributions to pension subsequent to the measurement date	267,743	154,682	422,425
Total deferred outflows of resources	267,743	154,682	422,425
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	88,795	551,276	640,071
Accrued payroll and related liabilities	67,628	36,754	104,382
Accrued interest payable	-	42,854	42,854
Compensated absences	11,661	4,625	16,286
Total current liabilities	168,084	635,509	803,593
Noncurrent liabilities:			
Compensated absences	103,502	82,578	186,080
Net pension liability	1,174,883	702,014	1,876,897
Bonds and leases payable	-	4,541,000	4,541,000
Total noncurrent liabilities	1,278,385	5,325,592	6,603,977
Total liabilities	1,446,469	5,961,101	7,407,570
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on plan investments	144,747	86,490	231,237
Net difference between expected and actual	172,835	103,272	276,107
Total deferred inflows of resources	317,582	189,762	507,344
NET POSITION			
Net investment in capital assets	570,336	11,765	582,101
Unrestricted	811,169	2,185,270	2,996,439
Total net position	\$ 1,381,505	\$ 2,197,035	\$ 3,578,540

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
OPERATING REVENUES			
Charges for services	\$ 5,777,957	\$ 6,099,419	\$ 11,877,376
Other	92,552	5,482	98,034
Total operating revenues	5,870,509	6,104,901	11,975,410
OPERATING EXPENSES			
Personnel services	2,553,230	1,470,467	4,023,697
Contractual services	562,148	1,922,830	2,484,978
Administration	822,294	2,090,792	2,913,086
Supplies	271,829	90,872	362,701
Repairs and maintenance	1,241	7,306	8,547
Utilities	21,897	20,252	42,149
Depreciation	82,625	3,362	85,987
Building and equipment rental	74,628	-	74,628
Other charges	60,667	29,506	90,173
Total operating expenses	4,450,559	5,635,387	10,085,946
Operating income	1,419,950	469,514	1,889,464
NONOPERATING REVENUES (EXPENSES)			
Interest income	6,248	27,671	33,919
Interest expense	-	(42,855)	(42,855)
Cost of issuance	-	(40,200)	(40,200)
Net nonoperating revenues (expenses)	6,248	(55,384)	(49,136)
Income before transfers	1,426,198	414,130	1,840,328
Transfers out	(2,293,910)	(256,247)	(2,550,157)
Change in net position	(867,712)	157,883	(709,829)
Net position at July 1	2,249,217	2,039,152	4,288,369
Net position at June 30	\$ 1,381,505	\$ 2,197,035	\$ 3,578,540

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 5,879,086	\$ 6,126,571	\$ 12,005,657
Payments to employees	(2,477,216)	(1,453,377)	(3,930,593)
Payments to suppliers	(1,772,106)	(3,737,202)	(5,509,308)
Net cash provided by operating activities	1,629,764	935,992	2,565,756
NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(2,293,910)	(256,247)	(2,550,157)
Net cash used in noncapital financing activities	(2,293,910)	(256,247)	(2,550,157)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(332,200)	-	(332,200)
Proceeds from issuance of debt	-	4,541,000	4,541,000
Bond issuance costs	-	(40,200)	(40,200)
Net cash provided by (used in) capital and related financing activities	(332,200)	4,500,800	4,168,600
INVESTING ACTIVITIES			
Interest received	6,248	27,671	33,919
Net cash provided by investing activities	6,248	27,671	33,919
Net increase (decrease) in cash and cash equivalents	(990,098)	5,208,216	4,218,118
CASH AND CASH EQUIVALENTS			
Beginning, July 1	3,115,378	2,678,668	5,794,046
Ending, June 30	\$ 2,125,280	\$ 7,886,884	\$ 10,012,164
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,419,950	\$ 469,514	\$ 1,889,464
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	82,625	3,362	85,987
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	8,575	21,670	30,245
OPEB asset	(8,483)	-	(8,483)
Increase (decrease) in:			
Accounts payable and accrued liabilities	42,600	424,356	466,956
Accrued payroll and related liabilities	84,497	17,090	101,587
Net cash provided by operating activities	\$ 1,629,764	\$ 935,992	\$ 2,565,756

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.

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2016

	Information Technology	Fleet Management	Risk Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,075,490	\$ 10,276,675	\$ 9,640,234	\$ 20,992,399
Cash and cash equivalents, restricted	671,211	1,164,505	-	1,835,716
Receivables, net	-	145,912	1,250	147,162
Inventories	-	242,924	-	242,924
Total current assets	1,746,701	11,830,016	9,641,484	23,218,201
Noncurrent assets:				
OPEB asset	26,010	29,911	3,901	59,822
Land and construction in progress	1,121,692	298,000	-	1,419,692
Other capital assets, net	4,974,165	24,931,467	377,317	30,282,949
Total noncurrent assets	6,121,867	25,259,378	381,218	31,762,463
Total assets	7,868,568	37,089,394	10,022,702	54,980,664
DEFERRED OUFLOWS OF RESOURCES				
Employer contributions to pension subsequent to the measurement date	185,166	111,911	45,985	343,062
Total deferred outflows of resources	185,166	111,911	45,985	343,062
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	258,686	401,821	21,205	681,712
Accrued payroll and related liabilities	40,646	28,290	12,674	81,610
Claims payable	-	-	2,025,735	2,025,735
Accrued interest	40,139	75,953	-	116,092
Compensated absences	1,320	878	1,595	3,793
Capital leases -- current	526,374	2,250,193	-	2,776,567
Bonds payable -- current	465,000	110,000	-	575,000
Total current liabilities	1,332,165	2,867,135	2,061,209	6,260,509
Noncurrent liabilities:				
Compensated absences	124,852	74,442	31,871	231,165
Net pension liability	853,999	536,079	151,720	1,541,798
Claims payable	-	-	1,284,322	1,284,322
Capital leases	575,546	3,475,173	-	4,050,719
Bonds payable	2,238,577	3,198,189	-	5,436,766
Total noncurrent liabilities	3,792,974	7,283,883	1,467,913	12,544,770
Total liabilities	5,125,139	10,151,018	3,529,122	18,805,279
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual earnings on plan investments	105,214	66,046	18,692	189,952
Net difference between expected and actual experience	125,630	78,862	22,319	226,811
Total deferred inflows of resources	230,844	144,908	41,011	416,763
NET POSITION				
Net investment in capital assets	2,961,571	17,360,417	377,317	20,699,305
Restricted:				
Other Purposes	-	455,809	-	455,809
Unrestricted	(263,820)	9,089,153	6,121,237	14,946,570
Total net position	\$ 2,697,751	\$ 26,905,379	\$ 6,498,554	\$ 36,101,684

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2016

	Information Technology	Fleet Management	Risk Management	Total
OPERATING REVENUES				
Charges for services	\$ 6,158,150	\$ 9,501,154	\$ 17,206,580	\$ 32,865,884
Other	8,500	372,703	143,816	525,019
Total operating revenues	<u>6,166,650</u>	<u>9,873,857</u>	<u>17,350,396</u>	<u>33,390,903</u>
OPERATING EXPENSES				
Personnel services	1,672,402	936,675	473,829	3,082,906
Self-insured claims	-	-	14,182,262	14,182,262
Contractual services	2,493,443	29,032	82,770	2,605,245
Administration	257,162	712,914	38,335	1,008,411
Supplies	4,400	47,095	12,773	64,268
Repairs and maintenance	111,992	50,716	-	162,708
Vehicle and power equipment – fuel	-	1,101,857	-	1,101,857
Vehicle and power equipment – supplies	-	1,581,218	-	1,581,218
Computers and Equipment	883,749	-	-	883,749
Utilities	169,202	28,754	2,715	200,671
Insurance	-	-	1,869,824	1,869,824
OPEB – contributions to trust	-	-	1,800,000	1,800,000
Depreciation	781,417	4,639,720	116,319	5,537,456
Building and equipment rental	94,290	20,021	21,930	136,241
Other charges	62,479	18,677	73,515	154,671
Total operating expenses	<u>6,530,536</u>	<u>9,166,679</u>	<u>18,674,272</u>	<u>34,371,487</u>
Operating income (loss)	<u>(363,886)</u>	<u>707,178</u>	<u>(1,323,876)</u>	<u>(980,584)</u>
NONOPERATING REVENUES (EXPENSES)				
Loss on disposal of capital assets	(387,595)	(85,588)	-	(473,183)
Interest income	16,309	38,699	29,973	84,981
Interest expense	(99,949)	(203,312)	-	(303,261)
Total nonoperating revenues (expenses), net	<u>(471,235)</u>	<u>(250,201)</u>	<u>29,973</u>	<u>(691,463)</u>
Net income (loss) before transfers	<u>(835,121)</u>	<u>456,977</u>	<u>(1,293,903)</u>	<u>(1,672,047)</u>
Transfers out	<u>(212,758)</u>	<u>(228,352)</u>	<u>(88,360)</u>	<u>(529,470)</u>
Change in net position	(1,047,879)	228,625	(1,382,263)	(2,201,517)
Net position at July 1, as restated	<u>3,745,630</u>	<u>26,676,754</u>	<u>7,880,817</u>	<u>38,303,201</u>
Net position at June 30	<u>\$ 2,697,751</u>	<u>\$ 26,905,379</u>	<u>\$ 6,498,554</u>	<u>\$ 36,101,684</u>

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2016

	Information Technology	Fleet Management	Risk Management	Total
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 6,166,939	\$ 9,901,417	\$ 17,387,180	\$ 33,455,536
Payments to employees	(1,689,913)	(1,024,727)	(460,928)	(3,175,568)
Payments to suppliers	(4,410,258)	(4,013,675)	(18,666,165)	(27,090,098)
Net cash provided by (used in) operating activities	66,768	4,863,015	(1,739,913)	3,189,870
NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(212,758)	(228,352)	(88,360)	(529,470)
Net cash used in noncapital financing activities	(212,758)	(228,352)	(88,360)	(529,470)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,932,947)	(4,769,325)	-	(6,702,272)
Proceeds from premiums on debt issuance	262,291	435,387	-	697,678
Proceeds from issuance of debt	2,925,000	3,030,000	-	5,955,000
Principal paid on capital debt	(966,373)	(2,509,556)	-	(3,475,929)
Loss on sale of assets	(387,595)	(85,588)	-	(473,183)
Interest paid on debt	(62,048)	(193,735)	-	(255,783)
Bond issuance costs	(41,585)	(44,171)	-	(85,756)
Net cash used in capital and related financing activities	(203,257)	(4,136,988)	-	(4,340,245)
INVESTING ACTIVITIES				
Interest earned	16,309	38,699	29,973	84,981
Net increase (decrease) in cash and cash equivalents	(332,938)	536,374	(1,798,300)	(1,594,864)
Beginning, July 1	2,079,639	10,904,806	11,438,534	24,422,979
Ending, June 30	\$ 1,746,701	\$ 11,441,180	\$ 9,640,234	\$ 22,828,115
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ 1,075,490	\$ 10,276,675	\$ 9,640,234	\$ 20,992,399
Cash and cash equivalents, restricted	671,211	1,164,505	-	1,835,716
	\$ 1,746,701	\$ 11,441,180	\$ 9,640,234	\$ 22,828,115
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (363,886)	\$ 707,178	\$ (1,323,876)	\$ (980,584)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	781,417	4,639,720	116,319	5,537,456
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	288	27,559	37,632	65,479
Inventories	-	22,450	-	22,450
OPEB asset	(5,655)	(6,503)	(848)	(13,006)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(333,540)	(445,840)	(85,284)	(864,664)
Accrued payroll and related liabilities	(11,856)	(81,549)	12,901	(80,504)
Claims payable	-	-	(496,757)	(496,757)
Net cash provided by (used in) operating activities	\$ 66,768	\$ 4,863,015	\$ (1,739,913)	\$ 3,189,870

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.

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -- AGENCY FUNDS

June 30, 2016

	Special Welfare Fund	Commonwealth of Virginia Fund	Western Tidewater Water Authority	Total
ASSETS				
Cash and cash equivalents	\$ 27,610	\$ 28,212	\$ 606,117	\$ 661,939
Total assets	<u>\$ 27,610</u>	<u>\$ 28,212</u>	<u>\$ 606,117</u>	<u>\$ 661,939</u>
LIABILITIES				
Amounts held for others	\$ 27,610	\$ 28,212	\$ 606,117	\$ 661,939
Total liabilities	<u>\$ 27,610</u>	<u>\$ 28,212</u>	<u>\$ 606,117</u>	<u>\$ 661,939</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES --
AGENCY FUNDS

Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 35,106	\$ 49,036	\$ 56,532	\$ 27,610
Total assets	<u>\$ 35,106</u>	<u>\$ 49,036</u>	<u>\$ 56,532</u>	<u>\$ 27,610</u>
LIABILITIES				
Amounts held for others	\$ 35,106	\$ 49,036	\$ 56,532	\$ 27,610
Total liabilities	<u>\$ 35,106</u>	<u>\$ 49,036</u>	<u>\$ 56,532</u>	<u>\$ 27,610</u>
Commonwealth of Virginia Fund				
ASSETS				
Cash and cash equivalents	\$ 23,185	\$ 105,367	\$ 100,340	\$ 28,212
Total assets	<u>\$ 23,185</u>	<u>\$ 105,367</u>	<u>\$ 100,340</u>	<u>\$ 28,212</u>
LIABILITIES				
Amounts held for others	\$ 23,185	\$ 105,367	\$ 100,340	\$ 28,212
Total liabilities	<u>\$ 23,185</u>	<u>\$ 105,367</u>	<u>\$ 100,340</u>	<u>\$ 28,212</u>
Western Tidewater Water Authority				
ASSETS				
Cash and cash equivalents	\$ 628,538	\$ 7,527,474	\$ 7,549,895	\$ 606,117
Total assets	<u>\$ 628,538</u>	<u>\$ 7,527,474</u>	<u>\$ 7,549,895</u>	<u>\$ 606,117</u>
LIABILITIES				
Amounts held for others	\$ 628,538	\$ 7,527,474	\$ 7,549,895	\$ 606,117
Total liabilities	<u>\$ 628,538</u>	<u>\$ 7,527,474</u>	<u>\$ 7,549,895</u>	<u>\$ 606,117</u>
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 686,829	7,681,877	7,706,767	\$ 661,939
Total assets	<u>\$ 686,829</u>	<u>\$ 7,681,877</u>	<u>\$ 7,706,767</u>	<u>\$ 661,939</u>
LIABILITIES				
Amounts held for others	\$ 686,829	7,681,877	7,706,767	\$ 661,939
Total liabilities	<u>\$ 686,829</u>	<u>\$ 7,681,877</u>	<u>\$ 7,706,767</u>	<u>\$ 661,939</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.

CITY OF SUFFOLK, VIRGINIA

COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
June 30, 2016

	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	\$ 18,274,362	\$ -	\$ 4,045,795	\$ 22,320,157	\$ 467,809	\$ 22,787,966
Receivables, net	73,745	40,365	29,024	143,134	46,824	189,958
Due from other funds	1,480,939	-	-	1,480,939	-	1,480,939
Due from other governments	1,719,047	2,583,187	308,452	4,610,686	-	4,610,686
Inventories	150,753	-	379,044	529,797	-	529,797
Prepaid items	95,000	-	-	95,000	-	95,000
Total assets	<u>\$ 21,793,846</u>	<u>\$ 2,623,552</u>	<u>\$ 4,762,315</u>	<u>\$ 29,179,713</u>	<u>\$ 514,633</u>	<u>\$ 29,694,346</u>
LIABILITIES						
Accounts payable	\$ 1,115,849	\$ 33,831	\$ 41,602	\$ 1,191,282	\$ 50,985	\$ 1,242,267
Accrued payroll and related liabilities	16,206,351	617,880	189,961	17,014,192	173,835	17,188,027
Due to the Primary Government	661,379	-	-	661,379	-	661,379
Due to other governments	-	-	-	-	289,330	289,330
Due to other funds	-	1,480,939	-	1,480,939	-	1,480,939
Total liabilities	<u>17,983,579</u>	<u>2,132,650</u>	<u>231,563</u>	<u>20,347,792</u>	<u>514,150</u>	<u>20,861,942</u>
FUND BALANCES						
Nonspendable:						
Inventories and prepaids	150,753	-	379,044	529,797	-	529,797
Premiums held for workers compensation claims	225,000	-	-	225,000	-	225,000
Premiums held for health insurance claims	380,122	-	-	380,122	-	380,122
Committed:						
Grant local match	-	416,826	-	416,826	483	417,309
Assigned:						
Special revenue	-	74,076	-	74,076	-	74,076
Food service	-	-	4,147,568	4,147,568	-	4,147,568
Encumbrances	2,899,577	-	4,140	2,903,717	-	2,903,717
Unassigned	<u>154,815</u>	<u>-</u>	<u>-</u>	<u>154,815</u>	<u>-</u>	<u>154,815</u>
Total fund balances	<u>3,810,267</u>	<u>490,902</u>	<u>4,530,752</u>	<u>8,831,921</u>	<u>483</u>	<u>8,832,404</u>
Total liabilities and fund balance	<u>\$ 21,793,846</u>	<u>\$ 2,623,552</u>	<u>\$ 4,762,315</u>	<u>\$ 29,179,713</u>	<u>\$ 514,633</u>	<u>\$ 29,694,346</u>
Reconciliation to the Statement of Net Position (Exhibit 1)						
Total fund balance						\$ 8,832,404
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						
School Board						133,205,567
Pruden Center						1,232,413
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.						
Other postemployment benefits						(1,879,561)
School Board compensated absences						(1,982,895)
Pruden Center compensated absences						(76,161)
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						(116,545,444)
Net pension liability - Pruden						(2,180,532)
Deferred Inflow - difference between projected and actual earnings on pension investments						(7,666,000)
Deferred Inflow - difference between projected and actual earnings on pension investments - Pruden						(144,831)
Deferred Inflow - difference between expected and actual experience						(1,370,000)
Deferred Inflow - difference between expected and actual experience - Pruden						(46,291)
Deferred Inflow - difference in proportion and difference between employer contributions and proportionate share of contributions						(5,110,000)
Deferred Inflow - difference in proportion and difference between employer contributions and proportionate share of contributions - Pruden						(64,000)
Deferred outflow - employer pension contributions made subsequent to the measurement date						12,022,085
Deferred outflow - employer pension contributions made subsequent to the measurement date - Pruden						213,114
Net position of governmental activities						<u>\$ 18,439,868</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, 2016

	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	\$ 65,549	\$ -	\$ 6,725	\$ 72,274	\$ -	\$ 72,274
Charges for services	117,513	-	1,855,327	1,972,840	40,258	2,013,098
Miscellaneous	648,333	233,605	243,196	1,125,134	-	1,125,134
Intergovernmental:						
City contribution	52,908,674	-	-	52,908,674	-	52,908,674
Revenue from the Commonwealth	77,502,208	1,295,060	181,892	78,979,160	25,930	79,005,090
Revenue from the Federal Government	1,155,714	6,233,621	5,183,043	12,572,378	-	12,572,378
School Board contribution to Pruden Center	-	-	-	-	1,875,391	1,875,391
Isle of Wight contribution to Pruden Center	-	-	-	-	911,145	911,145
Total revenues	<u>132,397,991</u>	<u>7,762,286</u>	<u>7,470,183</u>	<u>147,630,460</u>	<u>2,852,724</u>	<u>150,483,184</u>
EXPENDITURES						
Current:						
Education	134,610,558	8,022,879	7,297,373	149,930,810	2,852,724	152,783,534
Total expenditures	<u>134,610,558</u>	<u>8,022,879</u>	<u>7,297,373</u>	<u>149,930,810</u>	<u>2,852,724</u>	<u>152,783,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,212,567)</u>	<u>(260,593)</u>	<u>172,810</u>	<u>(2,300,350)</u>	<u>-</u>	<u>(2,300,350)</u>
Other financing sources (uses):						
Transfers in	-	200,664	-	200,664	-	200,664
Transfers out	(200,664)	-	-	(200,664)	-	(200,664)
Total other financing sources (uses), net	<u>(200,664)</u>	<u>200,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(2,413,231)</u>	<u>(59,929)</u>	<u>172,810</u>	<u>(2,300,350)</u>	<u>-</u>	<u>(2,300,350)</u>
Fund balances at July 1	6,223,498	550,831	4,357,942	11,132,271	483	11,132,754
Fund balances at June 30	<u>\$ 3,810,267</u>	<u>\$ 490,902</u>	<u>\$ 4,530,752</u>	<u>\$ 8,831,921</u>	<u>\$ 483</u>	<u>\$ 8,832,404</u>

Reconciliation to the Statement of Activities (Exhibit 2)

Net change in fund balance - governmental funds	\$ (2,300,350)
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	(8,878,956)
Capitalized expenditures	4,891,500
Pruden Center depreciation expense	(186,442)
Pruden Center capitalized expenditures	-
Record the current pension expense based on the actuarial study of the Net Pension Liability- Schools	(7,544,477)
Record the current pension expense based on the actuarial study of the Net Pension Liability- Pruden	(137,554)
Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date- Schools	12,022,085
Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date- Pruden	213,114
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	155,653
This amount represents the current year change in those items for the School Board - OPEB	481,886
This amount represents the current year change in compensated absences for the Pruden Center	(8,312)
Change in net position of governmental activities (Exhibit 2)	\$ (1,291,853)

CITY OF SUFFOLK, VIRGINIA

BUDGETARY RECONCILIATION SCHEDULE
GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2016

	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	\$ 132,397,991	\$ -	\$ 132,397,991	\$ 7,762,286	\$ -	\$ 7,762,286	\$ 7,470,183	\$ -	\$ 7,470,183
Total other financing sources	-	-	-	200,664	-	200,664	-	-	-
Total revenues	132,397,991	-	132,397,991	7,962,950	-	7,962,950	7,470,183	-	7,470,183
Total expenditures	132,185,800	(2,424,758)	134,610,558	8,022,879	-	8,022,879	7,280,969	(16,404)	7,297,373
Total other financing uses	200,664	-	200,664	-	-	-	-	-	-
Total expenditures	132,386,464	(2,424,758)	134,811,222	8,022,879	-	8,022,879	7,280,969	(16,404)	7,297,373
Net changes in fund balances	\$ 11,527	\$ 2,424,758	\$ (2,413,231)	\$ (59,929)	\$ -	\$ (59,929)	\$ 189,214	\$ 16,404	\$ 172,810

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, 2016

	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	\$ 50,000	\$ 65,549	\$ 15,549	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 6,725	\$ 5,725
Charges for services	75,605	75,605	117,513	41,908	-	-	-	-	2,375,000	2,375,000	1,855,327	(519,673)
Miscellaneous	616,000	661,000	648,333	(12,667)	2,100,000	49,214	233,605	184,391	852,747	852,746	243,196	(609,550)
Intergovernmental:												
Contribution from the City of Suffolk	53,570,053	53,570,053	52,908,674	(661,379)	-	-	-	-	-	-	-	-
Revenue from the Commonwealth	76,962,333	76,917,333	77,502,208	584,875	1,640,000	3,168,565	1,295,060	(1,873,505)	132,000	132,000	181,892	49,892
Revenue from the Federal Government	1,124,000	1,124,000	1,155,714	31,714	7,570,000	7,754,653	6,233,621	(1,521,032)	4,082,000	4,082,000	5,183,043	1,101,043
Total revenues	132,397,991	132,397,991	132,397,991	-	11,310,000	10,972,432	7,762,286	(3,210,146)	7,442,747	7,442,746	7,470,183	27,437
EXPENDITURES												
Current:												
Education	132,397,991	132,165,705	132,185,800	(20,095)	-	-	-	-	-	-	-	-
Grant expenditures	-	-	-	-	11,598,597	11,598,597	8,022,879	3,575,718	-	-	-	-
Food Services	-	-	-	-	-	-	-	-	7,442,747	7,442,746	7,280,969	161,777
Total expenditures	132,397,991	132,165,705	132,185,800	(20,095)	11,598,597	11,598,597	8,022,879	3,575,718	7,442,747	7,442,746	7,280,969	161,777
Excess (deficiency) of revenues over (under) expenditures	-	232,286	212,191	(20,095)	(288,597)	(626,165)	(260,593)	365,572	-	-	189,214	189,214
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	288,597	626,165	200,664	(425,501)	-	-	-	-
Transfers out	-	(232,286)	(200,664)	31,622	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	(232,286)	(200,664)	31,622	288,597	626,165	200,664	(425,501)	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ 11,527	\$ 11,527	\$ -	\$ -	\$ (59,929)	\$ (59,929)	\$ -	\$ -	\$ 189,214	\$ 189,214

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2016

	OPEB Trust Fund	School Activity Funds
ASSETS		
Cash and cash equivalents	\$ 12,563,714	\$ 1,166,284
Total assets	<u>12,563,714</u>	<u><u>1,166,284</u></u>
LIABILITIES		
Amounts held for students	<u>-</u>	<u>\$ 1,166,284</u>
Total liabilities	<u>-</u>	<u><u>\$ 1,166,284</u></u>
Net Position		
Held in trust for OPEB benefits	<u>12,563,714</u>	
Net position	<u><u>\$ 12,563,714</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, 2016

	<u>School Board</u>
Additions:	
Employer Contributions	\$ 223,200
Total additions	<u>223,200</u>
Deductions:	
Administrative fees	48,832
Loss on investments	<u>13,936</u>
Total deductions	62,768
Change in net position	160,432
Net position - beginning of year	<u>12,403,282</u>
Net position - end of year	<u><u>\$ 12,563,714</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, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets:				
Cash and cash equivalents	\$ 1,508,119	\$ 2,229,812	\$ 2,571,647	\$ 1,166,284
Liabilities:				
Amounts held for students	\$ 1,508,119	\$ 2,229,812	\$ 2,571,647	\$ 1,166,284

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.

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 128,097,710	\$ 140,789,631	\$ 129,638,603	\$ 105,871,501	\$ 329,191,210	\$ 335,377,003	\$ 287,319,247	\$ 290,323,371	\$ 294,142,955	\$ 323,431,229
Restricted:										
Capital Projects	-	-	-	-	-	-		1,162,771	1,270,512	1,626,277
Debt Service	392,169	392,169	392,169	392,169	392,169	392,169	392,219	392,259	392,299	392,424
Other Purposes	-	959,304	-	8,269,446	18,217,244	5,757,526	6,658,293	8,023,744	3,374,719	2,514,171
Unrestricted	44,337,037	57,234,531	60,941,946	80,954,531	(21,155,533)	26,476,856	87,103,333	46,588,610	46,662,695	41,928,355
Total Net Position										
Governmental Activities	<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>\$ 345,843,180</u>	<u>\$ 369,892,456</u>
Business-type Activities										
Net investment in capital assets	\$ 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	\$ 116,807,623
Restricted:										
Debt Service	-	-	-	1,525,006	1,887,575	1,978,028	-	-	-	-
Other Purposes	-	-	-	-	32,827	-	2,079,370	2,144,619	2,195,062	2,299,048
Unrestricted	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	28,611,789
Total Net Position										
Business-type Activities	<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>	<u>\$ 147,718,460</u>
Primary Government										
Net investment in capital assets	\$ 301,182,333	\$ 312,955,006	\$ 300,948,006	\$ 265,125,387	\$ 487,812,464	\$ 492,461,817	\$ 440,466,668	\$ 435,434,863	\$ 419,611,298	\$ 440,238,852
Restricted:										
Capital Projects	-	-	-	-	-	-	-	1,162,771	1,270,512	1,626,277
Debt Service	392,169	392,169	392,169	1,917,175	2,279,744	2,370,197	392,219	392,259	392,299	392,424
Other Purposes	-	959,304	-	8,269,446	18,250,071	5,757,526	8,737,663	10,168,363	5,569,781	4,813,219
Unrestricted	44,782,209	58,724,347	63,877,370	86,453,911	(14,784,638)	33,070,801	95,991,731	54,011,419	67,578,237	70,540,144
Total Net Position										
Primary Government	<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>\$ 494,422,127</u>	<u>\$ 517,610,916</u>
	(3)			(4)	(5)		(6)	(7)	(8)	

(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

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

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

Page 1 of 2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General Government	\$ 8,379,163	\$ 9,575,332	\$ 8,493,992	\$ 9,422,635	\$ 11,784,825	\$ 12,554,225	\$ 17,558,767	\$ 18,904,150	\$ 18,757,768	\$ 22,013,103
Judicial	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	8,153,863
Public Safety	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	49,908,535
Public Works	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	38,037,370
Health and Welfare	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	11,901,139
Transportation	-	-	-	-	-	-	888,933	619,876	908,293	960,983
Education	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	53,440,550
Parks, Recreation and Cultural	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	10,318,851
Community Development	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	8,621,160
Interest on Long-Term Debt	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	9,419,498
Total Governmental Activities Expenses	183,733,932	163,520,279	200,363,715	188,073,178	193,852,407	188,416,224	196,857,086	204,911,837	206,545,676	212,775,052
Business-type Activities:										
Utilities	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	51,423,536
Golf course	1,979,380	1,780,625	1,689,229	-	-	-	-	-	-	-
Refuse collection	-	-	-	-	-	5,712,045	5,204,255	5,198,550	5,772,239	5,718,442
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	4,450,559
Total Business-type Activities Expenses	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	61,592,537
Total Primary Government Expenses	\$ 217,797,671	\$ 197,039,664	\$ 234,110,268	\$ 229,708,965	\$ 230,957,604	\$ 233,113,754	\$ 245,412,598	\$ 258,633,169	\$ 265,386,094	\$ 274,367,589
Program Revenues										
Governmental activities:										
Charges for Services:										
General Government Administration	\$ -	\$ -	\$ -	\$ 6,299	\$ -	\$ 3,287,250	\$ 4,800,759	\$ 4,977,004	\$ 5,044,744	\$ 4,887,432
Judicial Administration	939,300	788,324	753,969	736,610	932,474	374,594	361,926	275,113	286,398	304,129
Public Safety	1,313,880	2,361,369	2,587,982	2,931,733	2,074,431	575,653	3,130,972	-	1,864,675	1,885,914
Public Works	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	899,794
Health and Welfare	15,015	15,201	7,388	25,280	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	47,971	46,870	53,055	67,759
Parks, Recreation and Cultural	335,642	476,376	628,393	670,162	759,323	719,783	774,237	824,628	982,354	1,108,862
Community Development	948,983	1,215,821	302,134	248,816	1,470,640	35,124	100,172	287	85	70
Total Charges for Services	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	9,153,960
Operating Grants and Contributions:										
General Government Administration	473,712	531,013	170,905	122,185	395,505	4,620,917	467,086	1,433,125	636,628	1,503,473
Judicial Administration	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	2,047,647
Public Safety	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	1,057,389
Public Works	16,350,686	17,088,074	18,491,121	18,095,389	18,781,620	-	20,157,859	20,799,365	21,534,701	22,758,708
Health and Welfare	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	7,598,958
Transportation	-	-	-	-	-	-	116,122	142,793	152,565	141,002
Education	-	-	-	-	-	-	140,879	62,308	20,000	-
Parks, Recreation and Cultural	285,761	297,489	305,120	294,402	18,228	-	261,267	266,774	521,608	287,351
Community Development	756,429	302,122	575,172	1,808,426	-	-	1,522,630	1,153,383	1,128,636	1,032,855
Total Operating Grants and Contributions	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	36,427,383
Capital Grants and Contributions:										
General Government	-	-	-	-	-	99,389	2,299,245	506,228	973,634	3,077,758
Public Safety	-	-	70,500	-	-	1,958,630	-	-	-	-
Public Works	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	5,006,683
Health and Welfare	8,383	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	159,005	1,561	206,665	49,422
Parks, Recreation and Cultural	2,043	-	-	-	-	-	157,231	42,882	474,341	1,028,457
Community Development	1,127,019	1,088,018	966,594	109,151	4,368,366	3,828	-	-	-	-
Total Capital Grants and Contributions	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	9,162,320
Total Governmental Activities Program Revenues	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	54,743,663

CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues: (Continued)										
Business-type Activities:										
Charges for Services:										
Utility	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	46,876,297
Non-major	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	11,877,376
Total Charges for Services	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	58,753,673
Operating Grants and Contributions:										
Utility	814,500	864,141	542,287	-	-	-	-	-	-	-
Total Operating Grants and Contributions	814,500	864,141	542,287	-	-	-	-	-	-	-
Capital Grants and Contributions:										
Utility	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	3,682,628
Total Capital Grants and Contributions	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	3,682,628
Total Business-type Activities Program Revenues	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	62,436,301
Total Primary Government Program Revenues	\$ 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	\$ 117,179,964
Net (Expense)/Revenue										
Governmental Activities	\$ (41,939,309)	\$ (125,146,977)	\$ (159,907,087)	\$ (144,871,258)	\$ (145,987,896)	\$ (119,598,998)	\$ (142,370,304)	\$ (160,249,316)	\$ (156,923,707)	\$ (158,031,389)
Business-type Activities	(697,287)	(973,116)	547,859	(7,225,586)	1,043,989	(629,240)	2,458,467	(3,680,771)	(5,052,790)	843,764
Total Primary Government Net Expense	\$ (42,636,596)	\$ (126,120,093)	\$ (159,359,228)	\$ (152,096,844)	\$ (144,943,907)	\$ (120,228,238)	\$ (139,911,837)	\$ (163,930,086)	\$ (161,976,497)	\$ (157,187,625)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes	\$ 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	\$ 160,158,953
Grants and Contributions Not Restricted to Specific Programs	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	13,545,057
Revenue from use of money and property	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	1,374,395
Gain on Disposal of Capital Assets	-	-	-	-	-	-	-	-	242,375	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(1,904,854)
Capital assets donated to Component Unit	-	-	-	-	-	-	(4,528,560)	-	(18,234,608)	(185,632)
Transfers/Miscellaneous	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	9,092,746
Total Governmental Activities	142,677,449	151,695,696	151,504,170	150,792,383	277,145,339	160,957,462	157,819,240	165,649,509	156,276,134	182,080,665
Business-type Activities:										
Investment Earnings	1,042,633	1,633,718	640,041	555,814	363,684	835,126	741,640	571,581	562,699	983,001
Transfers/Miscellaneous	(329,670)	(535,206)	(598,264)	(2,063,316)	(773,394)	(1,461,650)	(1,950,430)	(338,342)	(1,609,882)	(2,687,252)
Total Business-type Activities	712,963	1,098,512	41,777	(1,507,502)	(409,710)	(626,524)	(1,208,790)	233,239	(1,047,183)	(1,704,251)
Total Primary Government	\$ 143,390,412	\$ 152,794,208	\$ 151,545,947	\$ 149,284,881	\$ 276,735,629	\$ 160,330,938	\$ 156,610,450	\$ 165,882,748	\$ 155,228,951	\$ 180,376,414
Change in Net Position										
Governmental Activities	\$ 100,738,140	\$ 26,548,719	\$ (8,402,917)	\$ 5,921,125	\$ 131,157,443	\$ 41,358,464	\$ 15,448,936	\$ 5,400,193	\$ (647,573)	\$ 24,049,276
Business-type Activities	15,676	125,396	589,636	(8,733,088)	634,279	(1,255,764)	1,249,677	(3,447,532)	(6,099,973)	(860,487)
Total Primary Government	\$ 100,753,816	\$ 26,674,115	\$ (7,813,281)	\$ (2,811,963)	\$ 131,791,722	\$ 40,102,700	\$ 16,698,613	\$ 1,952,662	\$ (6,747,546)	\$ 23,188,789
	(1)			(2)	(3)				(4)	

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

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

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

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

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2007	2008	2009	A	2010	2011	2012	2013	2014	2015	2016
General Fund											
Reserved	\$ 594,170	\$ 810,492	\$ 670,027		-	-	-	-	-	-	-
Unreserved	33,217,808	47,279,178	50,540,042		-	-	-	-	-	-	-
Non-Spendable	-	-	-		\$ 277,482	\$ 81,697	\$ 41,086	\$ 9,794	\$ 3,920	\$ 42,454	\$ 24,905
Restricted	-	-	-		-	2,106,682	2,106,682	565,969	580,948	668,506	1,162,069
Committed	-	-	-		585,475	8,200,533	7,746,520	9,909,530	8,792,595	6,285,381	4,472,517
Assigned	-	-	-		9,515,153	1,520,457	7,676,544	1,646,157	2,348,576	701,393	425,008
Unassigned	-	-	-		43,222,091	35,569,058	36,881,374	43,938,132	45,575,368	48,647,116	56,491,224
Total General Fund	<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>\$ 56,344,850</u>	<u>\$ 62,575,723</u>
All Other Governmental Funds											
Reserved	\$ 2,419,652	\$ 8,189,612	\$ 12,318,937		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:											
Capital Projects Funds	28,003,480	21,339,005	19,353,128		-	-	-	-	-	-	-
Debt Service Funds	734,340	861,708	679,706		-	-	-	-	-	-	-
Permanent	1,026,077	959,304	-		-	-	-	-	-	-	-
Special Revenue Funds	4,171,904	6,635,295	8,214,906		-	-	-	-	-	-	-
Nonspendable	-	-	-		-	-	-	-	88,383	38,309	30,776
Restricted	-	-	-		392,169	17,195,832	14,227,163	14,353,521	35,666,062	60,045,985	67,568,640
Committed, reported in:											
Capital Projects Funds	-	-	-		12,986,435	2,057,504	31,842,530	34,504,114	6,469,155	1,972,667	5,914,066
Nonmajor Governmental Funds	-	-	-		5,889,037	2,899,128	3,293,204	2,839,333	2,125,879	2,170,497	2,516,047
Other Governmental Funds	-	-	-		286,150	7,115,186	10,809,261	10,890,830	13,337,889	2,822,872	2,148,460
Assigned, reported in:											
Other Governmental Funds	-	-	-		6,868,143	-	-	-	-	-	-
Special Revenue Funds	-	-	-		5,468,839	872,002	949,904	2,864,515	1,941,868	-	-
Debt Service Funds	-	-	-		600,859	-	-	-	-	-	-
Unassigned	-	-	-		(69,801)	(71,710)	-	(10,938)	(10,909)	(10,951)	(10,945)
Total all other Governmental Funds	<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>\$ 67,039,379</u>	<u>\$ 78,167,044</u>
Component Unit (School Board)											
Reserved	\$ 8,174,301	\$ 8,065,992	\$ 10,459,827		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	1,134,919
Restricted	-	-	-		322,418	-	-	-	-	-	-
Committed	-	-	-		1,007,606	6,324,592	818,913	357,600	504,320	477,237	417,309
Assigned	-	-	-		7,928,595	9,833,477	6,625,214	5,558,243	7,016,812	9,091,818	7,125,361
Unassigned	-	-	-		-	(1,521,774)	(127,803)	(149,539)	-	-	154,815
	<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>	<u>\$ 8,832,404</u>
		(2)			(3)	(4)				(5)	

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

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

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

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

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

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

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
General Property Taxes	\$ 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	\$ 118,076,619
Other Local Taxes	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	42,544,952
Licenses, Permits and Fees	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	1,589,474
Fines and Forfeitures	552,063	475,350	521,771	852,307	869,701	1,024,324	1,048,276	1,067,296	1,254,627	1,042,219
Use of Money and Property	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	1,289,414
Intergovernmental	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	58,698,660
Charges for Services	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	5,018,523
Miscellaneous	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	2,482,439
Total Revenues	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	230,742,300
Expenditures										
General Government Administration	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	15,511,299
Judicial Administration	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	8,467,689
Public Safety	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	50,488,261
Public Works	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	23,038,899
Health and Welfare	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	12,219,597
Transportation	-	-	-	-	-	-	888,337	672,274	1,209,090	1,033,663
Education	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	53,435,459
Parks, Recreation and Cultural	6,042,500 (7)	5,984,292	6,680,503	6,972,187	6,453,131	7,567,516	7,650,996	7,857,639	9,382,259	9,835,503
Community Development	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	7,948,520
Non-Departmental	7,012,669	7,622,634	8,753,753	8,264,861	6,977,603	455,436	474,540	531,079	1,848,130	466,002
Capital Outlay	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	28,950,011
Debt Service:										
Other	1,005,084	190,205	288,914	339,170	17,787	319,789	168,343	521,661	497,736	446,658
Interest	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	10,346,003
Principal	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	17,015,462
Total Expenditures	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	239,203,026
Excess (Deficiency) of Revenues Over (Under) Expenditures	(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)	(8,460,726)
Other Financing Sources (Uses)										
Proceeds of Refunding Bonds	28,440,000	-	-	30,605,000	-	14,295,853	11,520,000	5,370,000	20,160,000	20,176,111
Proceeds of Bonds Issued	63,486,239	24,475,000	16,600,000	3,550,000	-	32,526,431	9,890,000	33,105,000	28,820,000	20,360,000
Premiums on Debt	3,131,272	501,623	-	2,102,918	-	-	3,322,503	4,248,968	6,695,020	3,955,535
Transfers to other governments	-	-	-	-	-	-	-	(304,763)	-	-
Transfers In	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	37,593,204
Payment to Refunded Bonds Escrow Agent	(29,703,423)	-	-	(32,350,000)	-	(14,096,458)	(13,568,249)	(4,844,006)	(23,830,555)	(22,362,261)
Transfers Out	(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)	(33,903,324)
Total Other Financing Sources, net	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	25,819,265
Net Change in Fund Balance	<u>\$ 43,592,805</u>	<u>\$ 15,907,164 (8)</u>	<u>\$ 5,702,151</u>	<u>\$ (6,896,169) (8)</u>	<u>\$ (10,041,908) (8)</u>	<u>\$ 38,027,899</u>	<u>\$ 5,936,689</u>	<u>\$ (4,591,223)</u>	<u>\$ 6,464,495</u>	<u>\$ 17,358,539</u>
Capital outlay (1)	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	31,474,338
Debt Service as a percentage of non-capital expenditures (1)	11.84%	12.67%	12.75%	12.84%	11.81%	12.63%	13.01%	13.49%	13.10%	13.17%
Add'l School Operating & Food Service Expenditures (2)	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	88,999,257
Debt Service as a percentage of non-capital plus school expenditures (2)	8.26%	8.48%	8.50%	8.70%	8.25%	8.71%	8.99%	9.68%	9.34%	9.22%

- (1) Calculated as the Principal plus Interest shown above divided by the Total Expenditures less Capital Outlay as Additional School expenditures are found in the Component Unit section of the CAFR (School Operating and School Food Service Fund expenditures less Contribution revenue Contribution to IDA/EDA for Hilton Garden Inn/Suffolk Conference Center EDA Revenue Bonds: 2004, \$2.4 M for the IDA's Secondary Debt Service Reserve Fund to support the \$18.3 M Revenue Bonds; 2007, \$18.5 M to refund the

- (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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Change 2007-2016
General Property Tax	\$ 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	\$ 117,651,210	33%
Other Local Taxes:											
Sales and Use	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	9,904,693	38%
Utility Tax	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	4,478,378	-16%
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	3,115,672 (1)	81%
Business and Occupational License	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	7,680,254	35%
Franchise	138,635	-	-	-	-	-	-	-	-	-	-100%
Motor Vehicle License	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	2,449,544	60%
Bank Stock	350,564	288,973	306,405	641,735	498,527	493,688	486,092	505,550	529,855	564,037	61%
Recordation	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	1,466,044	-31%
Tobacco	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	2,050,259	49%
Lodging	226,867	832,049	778,559	957,654	924,901	1,198,551	1,071,900	1,119,678	1,172,193	1,484,031	554%
Meals	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	8,996,483	109%
Admission	382,592	354,950	376,024	377,341	338,767	306,196	237,060	243,203	215,019	318,348	-17%
Emergency Phone Services	502,503	-	-	-	-	-	-	-	-	- (1)	-100%
Public Facility Tax Rebate	395,398	106,549	39,667	-	-	140,172	83,949	100,099	-	-	-100%
Total	\$ 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	\$ 160,158,953	

(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		
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
2016	9,012,246,300	30,898,516	9,043,144,816	9,423,596,600	1.07	941,845,500	329,961,909	1,271,807,409	4.25	10,314,952,225

(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			
2007	\$ 0.98	\$ 0.94	\$ 0.26	\$ 0.04	\$ 0.13	\$ 4.25	\$ 3.15	\$ 5.19
2008 (6)	-	0.94	0.26	-	0.125	4.25	3.15	5.19
2009	-	0.91	0.26	-	0.125	4.25	3.15	5.16
2010	-	0.91	0.26	-	0.125	4.25	3.15	5.16
2011	-	0.91	0.26	-	0.125	4.25	3.15	5.16
2012	-	0.97	0.26	-	0.125	4.25	3.15	5.22
2013	-	0.97	0.25	-	0.115	4.25	3.15	5.22
2014	-	1.03	0.25	-	0.105	4.25	3.15	5.28
2015	-	1.03	0.24	-	0.105	4.25	3.15	5.28
2016	-	1.07	0.24	-	0.105	4.25	3.15	5.28

(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	2016		2007	
		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)
Target Corporation	Distribution Warehouse	\$ 58,876,200	0.65%	\$ 53,917,700	0.71%
116 Lakeview Parkway, LLC	Joint Military Training Facility	55,578,000	0.62%		
Centerpoint Properties Trust	Real Property Management	51,601,200	0.57%		
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	43,744,200	0.49%	42,040,800	0.55%
TowneBank	Financial Institution	40,876,400	0.45%		
The Pergola Group	Apartment Complex	39,380,000	0.44%	28,308,900	0.37%
Lake Prince Center, Inc.	Retirement Community	33,599,000	0.37%	24,671,300	0.32%
Wal-Mart Stores	Retail Merchandise	31,433,800	0.35%	29,650,800	0.39%
Boyd Suffolk GSA LLC	Military	31,320,200	0.35%		
SGP 115 Lake View LLC	Military	27,614,500	0.31%		
Sysco Food Services of Hampton Roads	Food Service Distribution			28,210,500	0.37%
Rubicon - NGP	Joint Military Training Facility			67,963,300	0.89%
BASF Corporation	Chemical Plant			25,932,200	0.34%
Lockheed Martin	Technology Company			31,269,500	0.41%
City of Norfolk	Municipal Water System			26,094,000	0.34%
		<u>\$ 414,023,500</u>	<u>4.59%</u>	<u>\$ 358,059,000</u>	<u>4.70%</u>
(1) Total Assessed Value (does not include public service corporations)		\$ 9,012,246,300		\$ 7,615,318,300	
(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	2016		2007	
		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	\$ 25,082,050	2.66%	\$ 6,432,286	0.81%
Planters/Kraft Foods	Food Processing	10,908,730	1.16%	7,288,508	0.92%
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	7,521,535	0.80%	2,606,659	0.33%
Lockheed Martin Corporation	Technology Company	6,323,605	0.67%	2,550,824	0.32%
Massimo Zanetti Beverage USA	Beverage Company	5,959,760	0.63%	4,808,476	0.61%
JM Smucker Company	Beverage Company	5,871,995	0.62%	7,658,095	0.97%
Sysco Food Services of Hampton Roads	Food Service Distribution	4,974,590	0.53%	1,828,541	0.23%
BASF Corporation	Chemical Plant	4,042,060	0.43%	7,456,286	0.94%
Target Corporation	Distribution Warehouse	3,917,015	0.42%	2,357,035	0.30%
Charter Communications	Cable Products	3,072,270	0.33%	2,430,094	0.31%
		<u>\$ 77,673,610</u>	<u>8.25%</u>	<u>\$ 45,416,804</u>	<u>5.75%</u>
(2) Total Assessed Value (does not include public service corporations)		\$ 941,845,500		\$ 790,041,770	

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

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

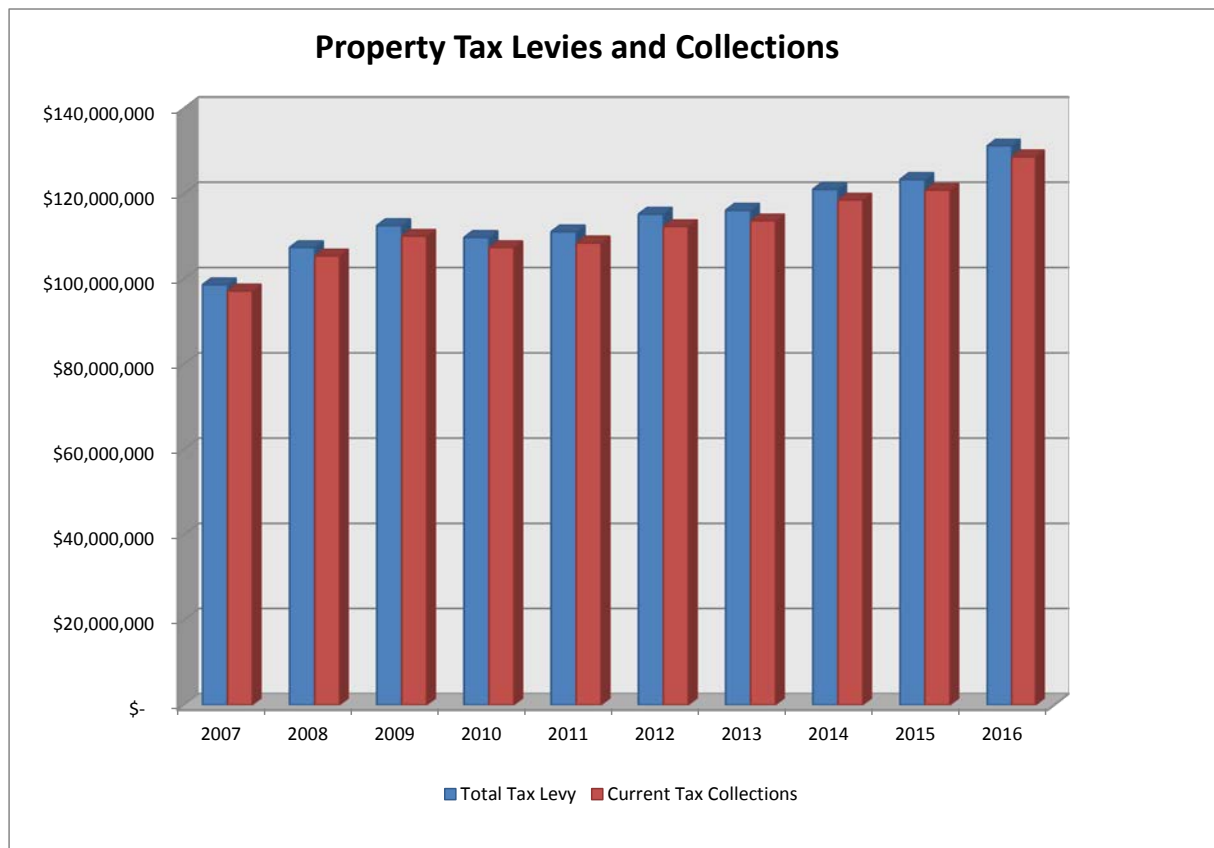
Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Tax Collections				Outstanding Delinquent Taxes At End of Fiscal Year (2)
				Delinquent		Total		
				Delinquent Tax Collections	As Percent of Outstanding Delinquent Taxes	Total Tax Collections (2)	Total Collections as a Percent of the Levy	
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
2016	131,208,221	128,655,899	98.05%	1,880,684	44.26%	130,536,583	99.49%	4,249,557

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	
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
2016	152	58,345,994	691	79,256,973	6,739,083,100	2,023,675,300	660,838,200	1,026,465,000	10,450,061,600

(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, 2016

Water Consumers	Type of Business	Annual Consumption (Hundred Cubic Feet)	% of Total Annual Consumption (1)
Western Tidewater Water Authority	Regional Water Supply	223,764	9.18%
JM Smucker Company	Beverage Company	59,399	2.44%
Western Tidewater Regional Jail	Jail-Regional Facility	44,599	1.83%
Sentara/Obici Hospital	Hospital	34,847	1.43%
Suffolk Public Schools	Education	30,626	1.26%
Planters/Kraft Foods	Food Processing	23,690	0.97%
Wanchese Fish Company	Seafood Processing	23,575	0.97%
Harbour Breeze Apartments	Real Property Management	15,830	0.65%
Unilever/Lipton, Inc.	Beverage Company	12,941	0.53%
Lake Prince	Real Property Management	10,481	0.43%
		479,752	19.67%

(1) Total annual consumption (all water customers) 2,438,699

Sewer Consumers	Type of Business	Annual Consumption (Hundred Cubic Feet)	% of Total Annual Consumption (2)
JM Smucker Company	Beverage Company	49,627	2.54%
Western Tidewater Regional Jail	Jail-Regional Facility	44,599	2.28%
Sentara/Obici Hospital	Hospital	34,847	1.78%
BASF Corporation	Chemical Plant	33,837	1.73%
Suffolk Public Schools	Education	30,626	1.57%
Wanchese Fish Company	Seafood Processing	23,575	1.21%
Southeastern Public Service Authority	Waste Management	16,332	0.84%
Harbour Breeze Apartments	Real Property Management	15,830	0.81%
Lake Prince Center	Real Property Management	10,481	0.54%
Remington Park Condo Association	Real Property Management	8,838	0.45%
		268,592	13.73%

(2) Total annual consumption (all sewer customers) 1,955,631

Source: Department of Public Utilities

WATER AND SEWER RATE SCHEDULE
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
WATER										
Water Rate per 100 cubic feet	\$ 3.09	\$ 3.41	\$ 3.92	\$ 4.94	\$ 5.84	\$ 6.43	\$ 7.13	\$ 7.84	\$ 8.29	\$ 8.86
Minimum Bi-monthly Charge (5 ccf)	15.45	17.05	19.60	24.70	29.20	32.15	33.65	-	-	-
Meter Service Charge (per month)										
5/8 inch meter	2.40	2.40	2.40	2.40	2.40	2.40	2.40	5.35	6.40	7.00
Water Connection Charge (installed by city)										
5/8 inch meter	1,100	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	5,390	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
Water Availability Charge (commercial)										
5/8 inch meter	5,390	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
3/4 inch meter	8,090	8,180	8,180	8,180	8,180	8,180	8,180	8,180	5,520	5,520
1 inch meter	13,480	13,520	13,520	13,520	13,520	13,520	13,520	13,520	13,520	13,520
1½ inch meter	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950
2 inch meter	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120
3 inch meter	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850
4 inch meter	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750
WTWA Wholesale Water Rate										
Water Rate (CCF)	3.29	3.43	3.53	3.99	3.76	3.84	4.13	4.36	4.46	4.67
Fixed Capacity Charge (Per Month)	87,567	102,370	147,242	160,979	190,452	220,668	193,496	204,641	210,994	204,959
SEWER										
Sewer Collection (per 100 cubic feet)	2.12	2.61	2.88	3.78	4.50	4.91	5.35	5.82	6.47	6.74
Minimum Bi-monthly period (5 ccf)	10.60	13.05	14.40	18.90	22.50	24.55	26.75	-	-	-
Sewer Connection Charge (installed by city)										
4 inch lateral size	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
6 inch lateral size	2,650	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	4,920	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Sewer Availability Charge (commercial)										
5/8 inch meter	4,920	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
3/4 inch meter	7,380	9,000	9,000	9,000	9,000	9,000	9,000	9,000	6,000	6,000
1 inch meter	12,300	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800
1½ inch meter	24,600	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500
2 inch meter	39,360	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100
3 inch meter	73,800	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100
4 inch meter	123,000	146,700	146,800	146,800	146,800	146,800	146,800	146,800	146,800	146,800

Source: Department of Public Utilities

RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS*

Fiscal Year **	General Bonded Debt (1)					Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)	Other Governmental Activities Debt	
	a	b	c	d	a+b+c+d			e	f
	General Obligation Bonds General Gov't (2)	General Obligation Bonds Business-type activities	Literary Bonds	Notes Payable	Total General Bonded Debt			Capital Leases	Section 108 Loan Payable
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%	4,236	5,388,859	2,687,000
2014	234,108,838	182,234,124	-	-	416,342,962	4.56%	4,740	10,738,856	2,494,000
2015	249,478,100	259,509,734	-	-	508,987,834	5.49%	5,795	11,537,472	2,301,000
2016	259,928,278	253,567,653	-	-	513,495,931	5.45%	5,679	9,183,208	2,108,000

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			
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%	6,893
2016	1,166,659	117,709,923	24,505,000	271,219,486	372,444,235	643,663,721	16.34%	7,118

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

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

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

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

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

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

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

LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2014

	City's Financial Policy Goal	City's Legal Debt Limit	Commonwealth's Legal Debt Limit
Assessed value (as of July 1) - taxable real property, including public service corporations	\$ 9,043,144,816	\$ 9,043,144,816	\$ 9,043,144,816
Adopted and Legal debt limits:			
4% of assessed value (authorized limit adopted by City Council 2010)	\$ 361,725,793		
7% of assessed value (authorized limit imposed by City Charter)		\$ 633,020,137	
10% of assessed value (authorized by the Commonwealth for all cities)			\$ 904,314,482
Deduct amount of debt applicable to debt limit:			
Gross general bonded debt (includes bonds and notes payable)	(4) 258,493,543	453,961,404	453,961,404
Guarantee of Southeast Public Service Authority Bonds		2,660,229	
	\$ 103,232,250	\$ 176,398,504	\$ 447,692,848

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014*	2015	2016
City's Legal Debt Margin										
Debt Limit	\$ 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	\$ 633,020,137
Total Net Debt Applicable to Limit*	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	456,621,633
Legal Debt Margin	\$ 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	\$ 176,398,504
Total Net Debt Applicable to Limit as percentage of Debt Limit	39.8%	37.6%	35.4%	38.4%	36.6%	52.1%	57.1%	49.5%	73.2%	72.1%
Commonwealth's Legal Debt Margin										
Debt Limit	\$ 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	\$ 904,314,482
Total Net Debt Applicable to Limit*	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 **	456,621,633
Legal Debt Margin	\$ 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	\$ 447,692,848
Total Net Debt Applicable to Limit as percentage of Debt Limit	27.9%	26.3%	24.7%	26.9%	25.6%	36.4%	40.0%	34.7%	51.3%	50.5%

Notes:

(1) Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City (including Utility GO Bonds--with or without an additional revenue pledge, see table 13). Prior fiscal years have been restated in order to accommodate this determination. The calculation excludes the unamortized premiums and deferred amounts for advance refunding, installment purchase contracts, accrued sick and annual leave, landfill liability, and net pension and OPEB obligations.

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

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

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

*Previous years' general bonded debt has been restated to include Utility General Obligation debt.

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

PLEDGE-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage (4)
				Principal	Interest	Total	
UTILITY REVENUE BONDS (WATER AND SEWER)							
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
2016	48,200,503	23,090,668	25,109,835	1,135,000	5,158,290	6,293,290	3.99

- (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
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	3,940,083	45,390	13,739	6.4%	5.4%	6.3%
2015	89,586	not available	not available	13,762	5.3%	5.0%	5.3%
2016	90,426	not available	not available	13,837	4.3%	4.0%	5.1%

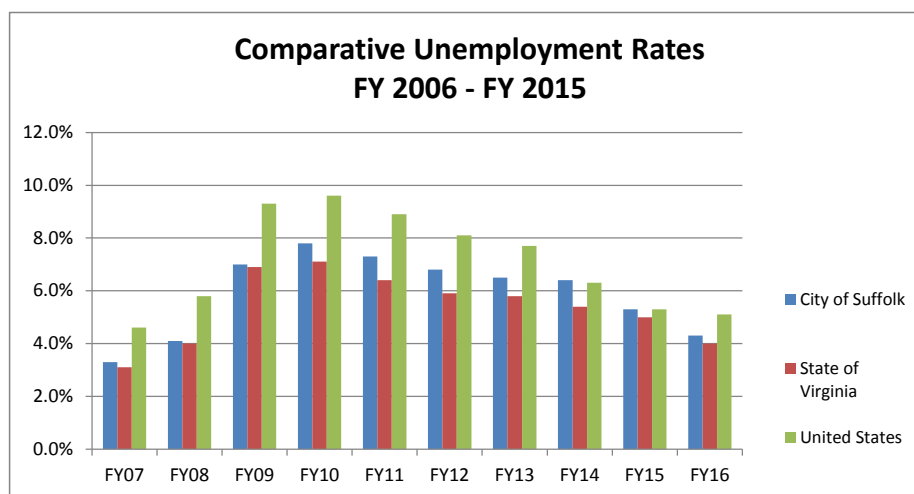
Sources:

(1) Weldon Cooper Center for Public Service

(2) Bureau of Economic Analysis based on calendar year

(3) City of Suffolk Public Schools

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



PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	Type of Business	2016	
		Employees	Percentage of Total City Employment
Navy Information Dominance Forces Commands (Cyber Force)	ModSim & Technology	1,500	5.18%
J-7 Joint Staff	ModSim & Technology	1,200	4.15%
Sentara Health Systems	Medical	1,061	3.67%
CVN Distribution / QVC, Inc	Warehousing & Distribution	620	2.14%
Target	Warehousing & Distribution	600	2.07%
Wal-Mart Stores	Retail	450	1.56%
Towne Bank	Banking	369	1.28%
Sysco Food Services of Hampton Roads	Food Service Distribution	350	1.21%
Planters/Kraft Foods	Food Processing	350	1.21%
Unilever/Lipton Inc.	Beverage Company	300	1.04%
		6,800	23.50%
Total Employment by Industry in City of Suffolk for fiscal year		28,935	
Employer	Type of Business	2007	
		Employees	Percentage of Total City Employment
U.S. Joint Forces Command	ModSim & Technology	2,220	5.85%
Obici Memorial Hospital	Healthcare	1,200	3.16%
CVN Distribution / QVC, Inc	Distribution Warehouse	1,100	2.90%
Wal-Mart Stores	Retail	1,000	2.63%
SYSCO Food Services of Hampton Roads	Education	500	1.32%
Southeastern Public Service Authority	Refuse Collection	500	1.32%
CIBA Specialty Chemicals	Chemical Manufacturer	400	1.05%
Unilever/Lipton Inc.	Beverage Company	350	0.92%
Planters/Kraft Foods	Food Processing	340	0.90%
Target Corporation	Distribution Warehouse	300	0.79%
		7,910	20.83%
Total Employment by Industry in City of Suffolk for fiscal year		37,967	

The Suffolk Public Schools (2,021 employees) and the City of Suffolk (1,315 FTE employees) have not been included to give a clearer reflection of community activity.

Source: Economic Development Department and Virginia Employment Commission

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
General Government:										
City Council	9	9	10	10	10	10	10	2	2	2
City Manager	5	5	6	6	6	6	7	7	7	7
Asst City Manager Operations	1	-	-	-	-	-	-	-	-	-
Asst City Manager Development	4	2	-	-	-	-	-	-	-	-
Management Services	6	6	-	-	-	-	-	-	-	-
Budget and Strategic Planning	-	-	4	4	4	4	3	4	4	3
City Attorney	9	9	9	8	8	9	9	9	9	9
Human Resources	8	8	8	8	9	13	10	10	10	7
Commissioner of Revenue	12	12	12	11	12	12	12	12	12	12
City Assessor	13	13	14	15	13	14	15	16	17	17
Treasurer	16	16	15	15	15	15	15	15	15	16
Finance - Administration and Accounting	11	11	10	12	11	14	12	14	16	17
Finance - Purchasing	5	5	4	4	3	3	3	4	4	4
Registrar	2	2	2	2	2	2	2	2	2	2
Total	101	98	94	95	93	102	98	95	98	96
Judicial:										
Circuit Court	2	2	2	2	2	2	2	2	2	2
Circuit Court - Clerk's Office	14	14	13	14	14	14	14	14	14	14
Sheriff	25	25	25	24	22	24	24	25	25	25
Commonwealth Attorney	22	29	29	28	23	23	24	24	24	24
Total	63	70	69	68	61	63	64	65	65	65
Public Safety:										
Police										
Administration and Officers	206	206	194	204	205	208	196	214	213	213
Emergency Communications	26	26	26	22	25	26	24	27	27	27
Animal Shelter and Management	9	9	8	7	8	9	8	10	10	10
Fire										
Fire and Rescue	197	197	216	213	220	240	238	253	252	252
Fire Prevention	3	3	5	-	-	-	-	-	-	-
Community Development	27	27	26	24	26	27	26	26	26	26
Total	468	468	475	470	484	510	492	530	528	528
Public Works:										
Public Works										
Administration	7	6	5	3	3	2	2	2	2	2
Refuse Collection (3)	46	46	40	41	40	-	-	-	-	-
Maintenance Building and Grounds (7)	27	27	15	4	4	4	4	4	0	0
Mosquito Control	2	-	-	-	-	-	-	-	-	-
Capital Programs and Facilities	3	3	6	20	22	24	23	24	24	24
Aviation Facilities	3	3	3	3	3	-	-	-	-	-
Total	88	85	69	71	72	30	29	30	26	26

CITY OF SUFFOLK, VIRGINIA

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

Table 18 (continued)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Health and Welfare:										
Social Services	102	102	101	100	101	98	100	103	103	103
Comprehensive Services Act	1	1	1	1	1	1	2	2	2	2
Total	103	103	102	101	102	99	102	105	105	105
Parks, Recreation and Cultural:										
Parks and Recreation										
Administration	4	4	4	4	4	5	5	5	4	4
Office on Youth	-	-	-	-	-	-	-	-	2	2
Support Services	4	4	4	4	5	5	6	6	6	6
Parks, Gateway and Facility Maintenance	22	22	20	19	18	18	19	19	19	19
Grounds Maintenance (7)	-	-	-	-	-	-	-	-	4	4
Recreation	12	12	14	16	15	16	16	22	21	21
Library	35	34	31	31	30	31	28	31	31	31
Total	77	76	73	74	72	75	74	83	87	87
Community Development:										
Planning	18	16	14	12	14	12	13	14	14	14
Geographic Information Systems	-	3	5	5	-	-	-	-	-	-
Economic Development	7	8	5	4	5	5	5	5	5	5
Tourism	3	3	3	3	3	2	3	3	3	3
Media and Community Relations	5	5	5	5	6	6	6	6	6	6
Total	33	35	32	29	28	25	27	28	28	28
Total General Fund	933	935	914	908	912	904	886	936	937	935
Special Revenue Fund:										
Transit	5	5	-	-	-	-	-	-	-	-
Road Maintenance (1)										
Road Maintenance	93	94	86	91	88	90	84	101	99	100
Traffic Engineering	20	23	22	23	22	23	21	23	23	24
Aviation Facilities (6)	-	-	-	-	-	3	3	3	3	3
Total Special Revenue Fund	118	122	108	114	110	116	108	127	125	127
Enterprise Fund:										
Public Utilities										
Administration	6	8	6	9	8	9	7	8	9	9
Customer Service	18	18	18	18	18	18	18	18	18	20
Line Maintenance	26	26	24	27	26	24	25	26	27	28
Maintenance	20	20	19	20	20	22	24	26	25	25
Water Production	28	29	28	29	27	28	30	30	30	28
Engineering	16	18	15	17	14	15	15	15	15	15
Stormwater Utility										
Stormwater Utility (2)	28	28	26	27	25	28	27	31	38	38
Mosquito Control (2)	-	7	6	7	5	7	6	7	7	7
Refuse (5)	-	-	-	-	-	39	36	41	40	40
Total Enterprise Fund	142	154	142	154	143	190	188	202	209	210
Internal Service Funds:										
Fleet Management	25	26	23	21	23	18	20	21	21	21
Information Technology	12	13	13	12	20	21	22	25	25	25
Risk Management	2	2	2	1	3	5	4	4	4	6
Total Risk Management	39	41	38	34	46	44	46	50	50	52
Total	1,232	1,252	1,202	1,210	1,211	1,254	1,228	1,315	1,321	1,324
			(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)

1. Road maintenance fund was increased in 2007 due to VA Dept. of Transportation turning over the highway system within the City to Suffolk.
2. New program adopted by City Council in 2007 and staffing realignment.
3. Change in methodology of calculating full time employees in this department.
4. 2009 - 2013 actual data furnished by Human Resources. 2007-2008, and 2014 - 2016 provided by Budget Office.
5. The City established a Refuse Fund in FY 2011-2012. The employees for this Fund were transferred from the General Fund.
6. The City established an Aviation Facilities Special Revenue Fund in FY 2011-2012. The employees for this Fund were transferred from the General Fund.

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government:										
Building permits issued	1,416	1,294	488	949	771	824	978	899	867	843
Value of permits issued (millions)	\$ 272.8	\$ 179.4	\$ 134.3	\$ 108.3	\$ 74.1	\$ 117.7	\$ 255.4	\$ 151.4	\$ 162.3	\$ 137.6
Number of registered voters	48,170	50,843	55,578	55,008	55,941	56,745	57,067	57,280	56,268	58,141
Taxable retail sales (millions)	\$ 645.2	\$ 652.8	\$ 632.9	\$ 642.3	\$ 671.2	\$ 716.4	\$ 729.6	\$ 759.9	\$ 821.3	**Not Available
Taxable retail sales per capita	8,114	7,931	7,727	7,738	7,936	8,285	8,307	8,404	9,083	**Not Available
Parks, Recreation and Cultural:										
Library volumes in collection (thousands)	218.1	222.7	228.4	221.4	218.0	218.9	222.1	224.9	286.8	827.1
Circulation (thousands)	n/a	n/a	401	401	356	327	313	320	335	339
Transit										
Number of Service days (not including ADA service)	n/a	n/a	n/a	n/a	n/a	128	254	252	253	257
Number of Routes (not including ADA service)	n/a	n/a	n/a	n/a	n/a	2	3	4	6	6
Vehicle Trips (not including ADA service)	n/a	n/a	n/a	n/a	n/a	3,072	7,221	8,885	13,004	13,856 (4)
Passenger Trips (not including ADA service)	n/a	n/a	n/a	n/a	n/a	24,662	57,814	64,563	77,631	101,616 (5)
Vehicle Hours (ADA Service)	n/a	n/a	n/a	n/a	n/a	363	693	757	1,081	1,271 (4)
Passenger Trips (ADA Service)	n/a	n/a	n/a	n/a	n/a	633	1,198	1,152	1,353	1,537 (5)
Enterprise Fund:										
Public Utilities										
Customers - Water	23,435	24,370	24,576	24,663	24,657	24,729	24,380	24,836	24,912	24,868
Customers - Sewer	19,795	20,319	20,708	20,911	20,892	20,921	20,692	21,010	21,486	21,770
Average daily production (mgd)	6.70	7.68	6.89	6.79	6.42	6.63	5.96	6.71	6.82	6.77
Treatment Capacity daily (mgd)	11.20	11.20	11.20	17.45	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	31,470 (1)
Refuse collection										
Customers	-	-	-	-	-	27,573	27,675	27,982	28,046	28,311 (2)
Recycled (tons)	-	-	-	-	-	4,491	5,408	5,767	5,534	5,878 (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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety:										
Police Stations	4	4	4	5	5	5	5	5	5	5
Fire and Rescue Stations	9	9	9	9	10	10	10	10	10	10
Public Works: (1)										
State maintained road miles	17	18	18	18	18	18	18	18	18	18
City maintained road miles	1,420	1,500	1,531	1,581	1,581	1,600	1,600	1,626	1,626	1,596
Streetlights	6,980	7,000	7,139	7,648	7,917	7,996	8,113	8,425	8,593	8,657
Bridges	144	144	147	147	147	147	155	147	150	149
Traffic Signals	86	89	91	91	93	93	93	98	96	98
Education:										
Elementary Schools	13	13	14	14	14	12	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	1,393	1,405	1,448	1,425	1,419	1,420	1,402	1,398	1,345	1,383
Average Daily Membership	13,490	13,512	13,568	13,801	13,863	13,734	13,844	13,739	13,762	13,837
Capacity of Schools	14,050	14,050	14,632	14,577	14,577	14,192	14,352	14,352	14,590	14,590
Enterprise Fund:										
Public Utilities										
Miles of Water Main	415	420	420	422	436	453	454	462	467	475
Miles of Sanitary Sewers	308	309	313	315	334	316	330	334	344	352
Miles of Storm Sewers	142	236	236	236	236	236	266	246	294	333
Pump Stations	125	129	131	134	136	140	140	140	144	146
Storage Tanks	6	6	7	7	8	9	9	10	10	10
Parks, Recreation and Cultural:										
Parks and Recreation										
Number of major parks and recreation facilities (2)	41	41	40	40	42	42	43	43	50	50
Acreage of major parks and recreation facilities	1,825	1,827	1,827	1,827	1,921	1,921	1,928	1,879	2,031	2,042
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Number of branch libraries	3	2	2	2	2	2	2	2	3	3
Number of bookmobiles	1	1	1	1	1	1	1	1	1	1
Transit (3)										
Buses	n/a	n/a	n/a	n/a	n/a	-	4	4	6	8
Bus Stops with Shelters	n/a	n/a	n/a	n/a	n/a	4	4	6	8	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 Whaleyville 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

**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2016. Our report included an emphasis paragraph indicating that the fund balance as of June 30, 2015 of the General Fund and the aggregate remaining fund information and the net position as of June 30, 2015 of the governmental activities, the aggregate discretely presented component units and the aggregate remaining fund information have been restated from the City's previously issued financial statements to reflect the correction of errors.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described at 2016-001 in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and two instances of noncompliance that are required to be reported under the *Specifications for Audits of Counties, Cities, and Towns*, which are described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003.

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 6, 2016

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

To the City Council
City of Suffolk, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Suffolk, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Suffolk, Virginia's ("City") major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Suffolk, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

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

Richmond, Virginia
December 6, 2016

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Period Ending June 30, 2016

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Cluster Total	Federal Expenditures	Department Totals
<u>U.S. Department of Agriculture</u>					
59047	Passed Through Commonwealth of Virginia: Department of Agriculture and Department of Education Child Nutrition Cluster				
	National School Breakfast Program	10.553		1,439,084	
	Food Distribution	10.555		493,439	
	National School Lunch Program	10.555		3,165,336	
	Summer Food Service Program for Children	10.559		190,834	
	Child Nutrition Cluster Total		5,288,693		
	Department of Social Services				
	State Administrative Matching Grants for Food Stamp Program	10.561		1,107,251	
	USDA FNS SNAP E&T Pilot	10.596		9,943	
	Total U.S. Department of Agriculture				6,405,887
<u>U.S. Department of Defense</u>					
	Direct Program:				
	JROTC Instruction	12.000		187,093	
	Total U.S. Department of Defense				187,093
<u>U.S. Department of Housing and Urban Development</u>					
B11MC510024, B12MC510024, B13MC510024, B14MC510024, B15MC510024 M12DC510213, M13DC510213, M14DC510213, M15MC510024, M08DC510213, M09DC510213, M10DC51010206 11-NSP-07-NSP3	Direct Program:				
	Community Development Block Grants/Entitlement Grants	14.218		422,157	
	Home Investment Partnerships Program	14.239		535,042	
	Passed Through Commonwealth of Virginia: Community Development Block Grants-Neighborhood Stabilization Program	14.228		28,401	
	Total U.S. Department of Housing and Urban Development				985,600
<u>U.S. Department of Interior</u>					
	Direct Program:				
	National Wildlife Refuge Fund/Fish & Wildlife Service	15.659		21,052	
	Passed Through Commonwealth of Virginia: Land and Water Conservation Fund Grant	15.916		90,674	
	Total U.S. Department of Interior				111,726
<u>U.S. Department of Justice</u>					
16-V8580VW15 15-R9824VA14, 16-R9824VA15 2015-H0634-VA-AP 2013-DJ-BX-0836, 2014-DJ-BX-0417, 2015-DJ-BX-0555, 16-A3197AD14, 16-A3276BY11	Direct Program:				
	Bullet Proof Vests Partnership Program	16.607		7,841	
	Passed Through Department of Criminal Justice Services				
	Crime Victim Assistance	16.575		276,366	
	Violence Against Women Formula Grants	16.588		85,930	
	State Criminal Alien Assistance Program	16.606		1,421	
	Edward Byrne Memorial Justice Assistance Grant Program	16.738		95,635	
	Equitable Sharing Program	16.922		72,125	
	Total U.S. Department of Justice				539,318
<u>U.S. Department of Transportation</u>					
3-51-0050-024-2015, 3-51-0050-022-2015 154AL-2015-55316-6055, 154AL-2016-56196-6056, 154AL-2016-56425-6630 M2HVE-2016-56206-6406 0460-133-102 0017-133-S43 U000-133-338 U000-133-S44 0017-133-S42 U000-133-S41 0626-061-324 0337-133-101 EN01-133-104	Direct Program:				
	Airport Improvement Program	20.106		2,340,630	
	Highway Safety Grant -Selective Enforcement-Alcohol	20.607		87,992	
	Highway Safety Grant- Selective Enforcement-Occupant Protection	20.616		2,471	
	Highway Planning and Construction Cluster				
	CMAQ Route 460 North Main Street Sidewalk- Phase II Project	20.205		236,117	
	CMAQ Bridge Road & Lee Farm Lane Project	20.205		262,312	
	CMAQ Route 58/Godwin Blvd. Park & Ride Lot Project	20.205		3,639	
	CMAQ Portsmouth Blvd. Park & Ride Project	20.205		167,676	
	CMAQ Bridge Road & Bennett's Pasture Project	20.205		332,038	
	CMAQ Harbourview Signal Improvement Project	20.205		121,012	
	Shoulders Hill Road Reconstruction Project	20.205		35,644	
	Nansemond Pkwy Widening Phase II Project	20.205		926,223	
	Greenways, Blueways & Trails Project	20.205		612,940	2,697,601
	Total U.S. Department of Transportation				5,128,694

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Period Ending June 30, 2016

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Cluster Total	Federal Expenditures	Department Totals
	<u>Environmental Protection Agency</u>				
16056	Passed Through Virginia Dept. of Environmental Quality Chesapeake Bay Program- Historical Data Cleanup	66.466		7,195	
	Total Environmental Protection Agency				<u>7,195</u>
	<u>U.S. Department of Education</u>				
S041B-2015-5303	Direct Program: Impact Aid	84.041		371,097	
	Passed Through Commonwealth of Virginia:				
S367A150044	Career and Technical-Basic Grants to States	84.048		236,386	
P3345140027	Title II-A	84.367		511,337	
	Gear Up Grant	84.334		30,527	
S010A150046	Title I, Part A Cluster				
	Title I Grants to Local Educational Agencies	84.010		2,852,211	
H027A150107	Special Education Cluster (IDEA)				
H173A150112	Special Education - Grants to States	84.027		2,524,978	
	Special Education - Preschool Grants	84.173		78,182	
	Special Education Cluster (IDEA) Total		<u>2,603,160</u>		
	Total U.S. Department of Education				<u>6,604,718</u>
	<u>U.S. Department of Health and Human Services</u>				
1003996083	Direct Payments:				
	Medical Assistance Program	93.778		571,960	
	Passed Through Commonwealth of Virginia:				
	Medical Assistance Program	93.778		1,406,664	1,978,624
	Promoting Safe and Stable Families	93.556		36,025	
	Temporary Assistance for Needy Families	93.558		908,234	
	Refugee & Entrant Assistance	93.566		1,012	
	ILP Education & Training	93.599		5,280	
	Child Welfare Services	93.645		5,985	
	Foster Care - Title IV-E	93.658		485,059	
	Adoption Assistance	93.659		180,551	
	Social Service Block Grant	93.667		644,392	
	Foster Care Independent Living	93.674		8,695	
	Children's Health Insurance Program	93.767		46,325	
	CCDF Cluster				
	Child Care and Development Block Grant	93.575		(830)	
	Child Care Mandatory & Matching Funds for Child Care Dev Fund	93.596		134,168	
	CCDF Cluster Total		<u>133,338</u>		
	Total U.S. Department of Health and Human Services				<u>4,433,520</u>
	<u>U.S. Social Security Administration</u>				
	Passed Through Commonwealth of Virginia:				
	Low-Income Home Energy Assistance	96.568		101,755	
	Total U.S. Social Security Administration				<u>101,755</u>
	<u>Executive Office of the President</u>				
	Passed Through Virginia HIDTA:				
	High Intensity Drug Trafficking Areas Program	95.001		24,478	
	Total Executive Office of the President				<u>24,478</u>
	<u>U.S. Department of Homeland Security</u>				
EMW-2015-PU-00181	Passed Through Department of Criminal Justice:				
	Port Security Grant Program	97.056		36,859	
	Passed Through Department of Emergency Services:				
	VDEM Emergency Mgmt Program Grant	97.042		42,300	
	Total U.S. Department of Homeland Security				<u>79,159</u>
	Total Expenditures of Federal Awards				<u>24,609,143</u>

Note 1: Basis of Accounting

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

Note 2: Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities. At June 30, 2016, the School Board had USDA food commodities totaling \$493,439 in inventory.

Note 3: Reporting Entity

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

Note 4: De minimis cost rate

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

CITY OF SUFFOLK, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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: **Yes, Finding 2016-001**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **No**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under Uniform Grant Guidance: **No**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 and 10.559	Child Nutrition Cluster (#10.553/#10.555/#10.559)
84.027 and 84.173	Special Education Cluster (IDEA) (#84.027/#84.173)
20.106	Airport Improvement Program

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

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

2016-001 Material Weakness – Internal Control Over Financial Reporting – Correction of Errors

Condition: Yearly, the City's Finance Department oversees the preparation, processing, and recordation of tens of thousands of financial transactions that ultimately will be reflected in the yearly Comprehensive Annual Financial Report ("CAFR") produced by the Finance Department. In order to ensure the transactions are fairly presented, procedures must be in place and functioning effectively to produce complete and accurate financial information. During the 2016 year end closing and the CAFR audit processes, errors related to prior fiscal years were identified by City Finance Department management. Specifically related to capital assets, the City identified inconsistent application of accounting principles generally accepted in the United States of America (GAAP) with regard to the recordation of constructed school assets that should have been recorded on the Schools' ledger instead of the City's ledger. Also, incorrect allocations of revenues and intra-entity transactions were noted that impacted the fund balance and net position of several individual reporting units.

Criteria: Annual external reporting of the City's financial activities should be performed in accordance with the requirements of GAAP.

CITY OF SUFFOLK, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Cause: The City's controls failed to prevent, or detect and correct, a misstatement of an account balance.

Effect: The fund balance as of June 30, 2015 of the General Fund and the aggregate remaining fund information and the net position as of June 30, 2015 of the governmental activities, aggregate discretely presented component units and the aggregate remaining fund information have been restated from the City's previously issued financial statements to reflect the correction of errors.

Recommendation: We recommend that the City review its current policies and procedures and make necessary changes to ensure that City fully monitors and reviews all financial areas throughout the year, to ensure that all transactions and activities are properly recorded within the general ledger.

Management Response: Management has identified the instances that caused the need to restate the June 30, 2015 net position and fund balances, and upon discovering the errors took action to make the corrections.

C. Findings and Questioned Costs Relating to Federal Awards:

None reported.

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

2016-002 Social Services Terminated Users (Repeat Finding 2015-001)

Condition: Three (3) of five (5) terminated employees' reviewed for testing did not have their access privileges to Virginia Department of Social Services (VDSS) systems removed within three working days of employment termination.

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.

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

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

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

Management Response: The Department has revised its Employee Separation process which will ensure future compliance with the above listed criteria from the APA's Commonwealth of Virginia Specifications for Audits of Counties, Cities, and Towns. The Department's Administrative Analyst will communicate with the Department's Security Officer regarding employee's pending separation from service. The Security Officer (Human Services/IT Administrator) will assume primary responsibility for removing separated employees from necessary systems within the Commonwealth of Virginia Department of Social Services guidelines.

CITY OF SUFFOLK, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

2016-003 Social Services Annual Review of Access

Condition: No review of access to VDSS systems was completed for any employees during FY16.

Criteria: Per the Specifications, all employees' access to each application should be reviewed annually with the employees' supervisors to ensure that the access is properly aligned with job responsibilities.

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

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

Recommendation: All employees' access to applications should be reviewed annually with employees' supervisors.

Management Response: The Department has developed an Annual Security Review form which will ensure future compliance with the above listed criteria from the APA's Commonwealth of Virginia Specifications for Audits of Counties, Cities, and Towns. The Department's Security Officer (Human Services/IT Administrator) will assume primary responsibility for coordinating the annual review with employees' Supervisors and will retain copies of said review on file for inspection as requested.

E. Status of Prior Year Findings:

2015-001 Social Services Terminated Users – Finding Repeated

2015-002 Highway Maintenance Funds Expenditures – Finding not repeated

2015-003 Unclaimed Property – Finding not repeated

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