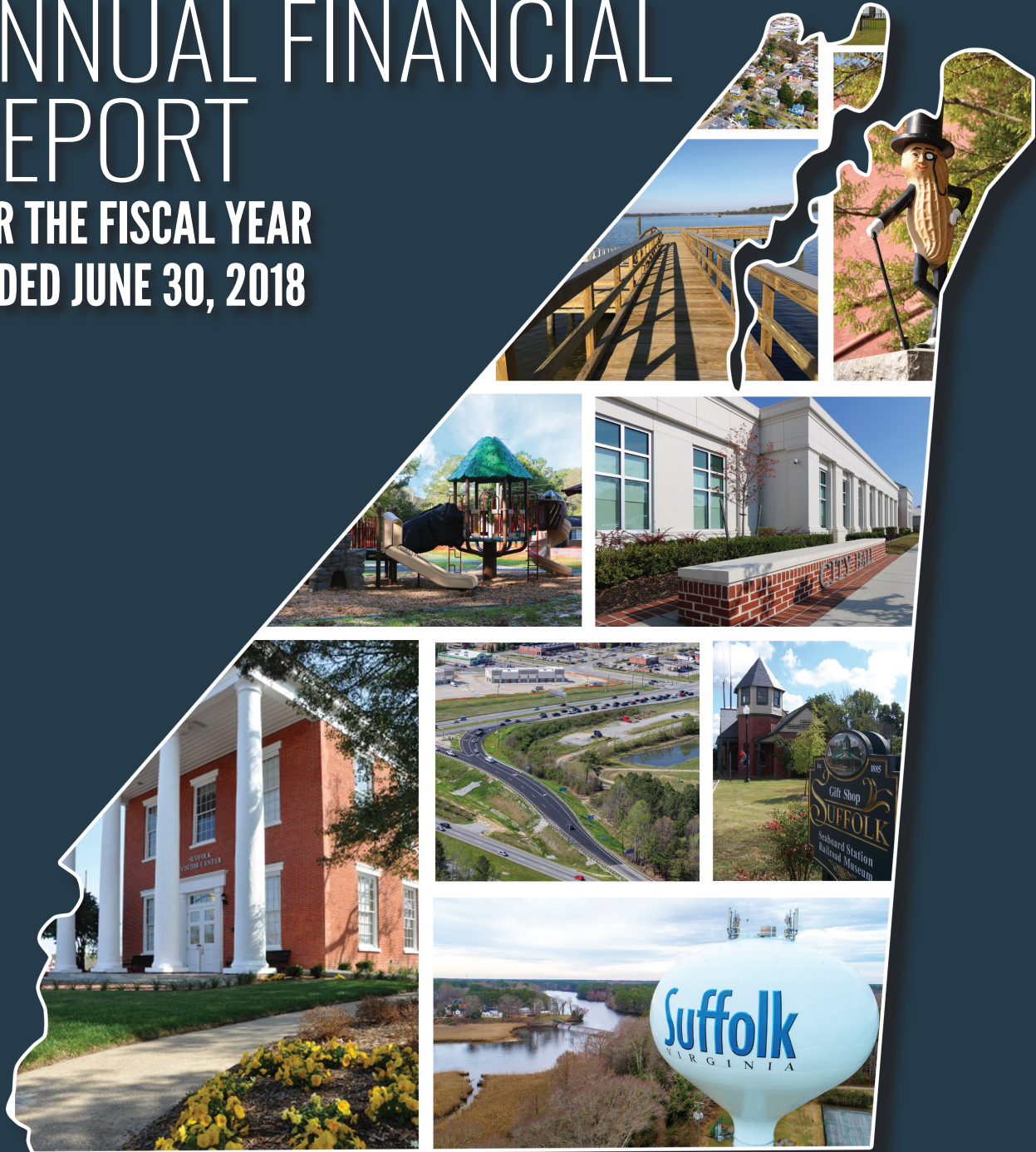


CITY of SUFFOLK, VIRGINIA COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2018



CITY OF SUFFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
June 30, 2018

Prepared by:
The Department of Finance

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CITY OF SUFFOLK, VIRGINIA

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INTRODUCTORY SECTION



CITY OF SUFFOLK

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

CITY MANAGER

January 14, 2019

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, 2017 through June 30, 2018. The code of the Commonwealth of Virginia and the charter of the City of Suffolk (the City) require the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and complies with state law and guidelines of the Auditor of Public Accounts of the Commonwealth of Virginia.

The City's Management assumes full responsibility for the accuracy, completeness, and reliability of all information presented in this report. We believe the data, as presented, are accurate in all material respects and are presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. In order to provide reasonable, but not absolute, assurance regarding the data, the management of the City has designed a framework of internal accounting controls to protect the City's assets from loss through unauthorized use or disposition, provide reliability of financial records for preparing financial statements and maintain the accountability of assets.

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

According to Section 8.08 of the City Charter and Section 15.2-2511 of the 1950 Code of Virginia, as amended, an annual audit by an independent auditor of the City is required. The City's financial statements have been audited by Cherry Bekaert LLP. As a result of an audit of the City's financial records and transactions of all funds, component units, and departments of the City, Cherry Bekaert LLP has concluded that the financial statements are in compliance with generally accepted accounting principles and has issued an unmodified opinion of the City's financial statements for the year ended June 30, 2018. 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, 2018. A description of the procedures utilized to establish budgetary data is presented in Note 1D within the Notes to Financial Statements tab.

Economic Activity

Suffolk, Virginia is a fast-growing, vibrant and diverse city located in the mid-Atlantic region of the United States. Population estimates for the City of Suffolk reflect a consistent increase every year, reflecting significant growth of approximately 45% since the 2000 census. This ranking affirms Suffolk's population as the fastest growing city in Hampton Roads, and one of the fastest in the state of Virginia. The reasons people are choosing to live in Suffolk are ample: central location, abundance of natural resources and recreation, proximity to good-paying jobs, quality of schools and high standards of living, variety of residential housing options and affordable taxes.

Industries have taken note of Suffolk's desirable attributes as well. New and expanding businesses have invested in impressive \$704,078,924 since 2012, resulting in 6,482 new jobs and impacting over 6.5 million square feet of commercial space. Businesses are attracted to Suffolk's proximity to the Port of Virginia, availability of existing infrastructure, business-friendly environment, pad-ready sites and build-to-suit opportunities, access to highways, skilled labor force, stable labor relations history and strong government initiatives. Thanks to the positive attributes Suffolk enjoys, the industry mix in Suffolk is quite diverse. Industry sectors are divided into seven broad groups: Office & Administration, Retail, Warehousing & Distribution, Medical, Advanced Manufacturing, Food & Beverage Processing and Hospitality.

Food and Beverage Processing has long been an important business sector in Suffolk, tracing its historic roots to Amedeo Obici, founder of Planters Peanuts which still operates a peanut processing facility in the city to this day

Sentara Healthcare invested \$34 million in an 85,000 square-foot, four-story facility that is joined to the existing BelleHarbour campus. The expansion adds two operating rooms, an FAA-registered helipad for air ambulances and additional medical office space. The campus offers MRI and CT scanning, a Breast Center with 3-D mammography, cardiac testing, physical therapy, a certified sleep center and other medical services. Suffolk's fast-growing population is driving the need for this expansion.

Ace Hardware added 138,000 square feet to the existing 336,000 square-foot ACE Import Redistribution Center with a \$9,000,000 investment that realigns the product and expands the company's footprint. Merchandise received through the Port of Virginia at this facility is then sent to ACE's Retail Support Centers.

Other growth areas included Retail, Advanced Manufacturing and Warehousing and Distribution. The following charts highlight some of this activity.

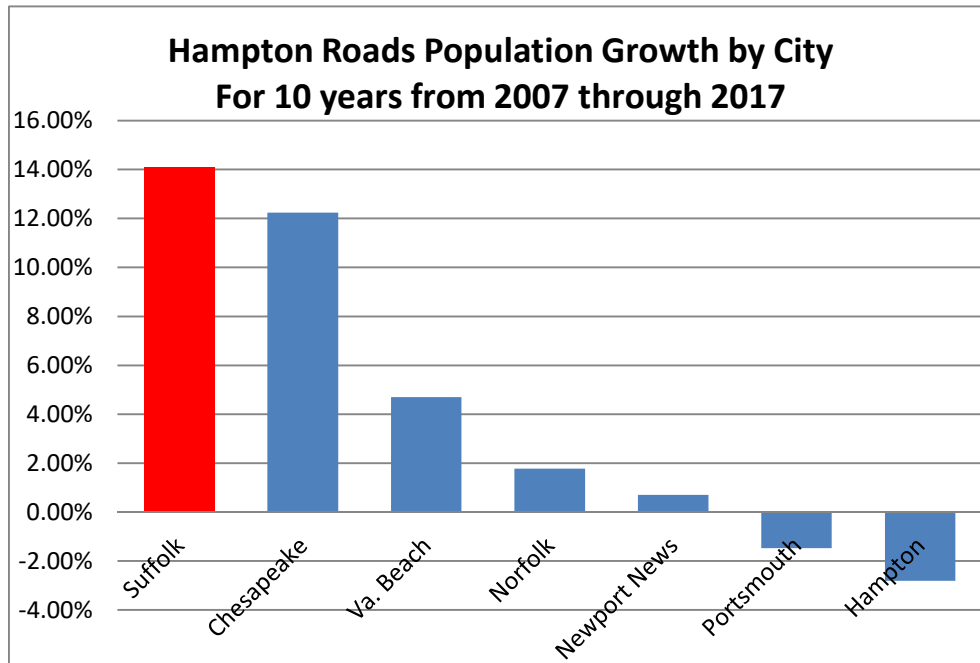
New and Expanding Business Highlights January 1 – December 31, 2017:

<u>New Business</u>	<u>Sector</u>	<u>Investment</u>
Harbour View North	Retail	\$ 6,400,000
Atarfil	Advanced Manufacturing	\$ 5,100,000
ALDI	Retail	\$ 5,000,000
CVS Pharmacy	Retail	\$ 4,000,000
<u>Expanding Business</u>	<u>Sector</u>	<u>Investment</u>
Sentara BelleHarbour	Medical	\$34,000,000
Lakeview Medical Center at Harbour View	Medical	\$14,000,000
Ace Hardware	Warehousing & Distribution	\$ 9,000,000
Hardee's	Retail	\$ 2,500,000
Nansemond Pre-Cast Concrete	Advanced Manufacturing	\$ 2,200,000

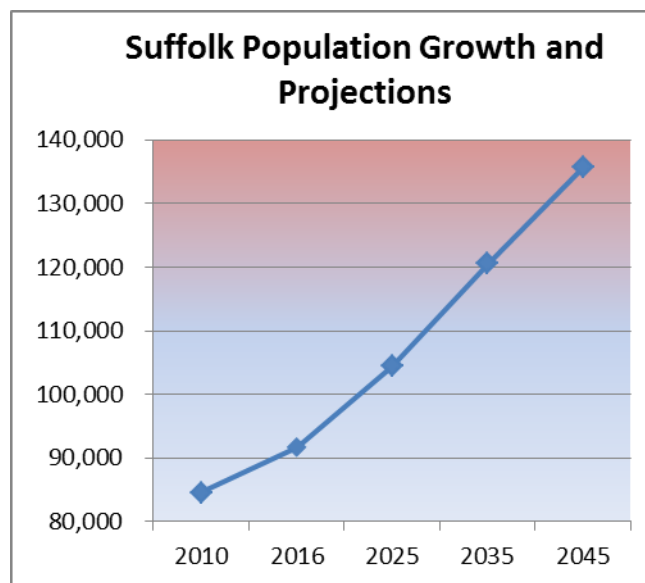
Suffolk continues to outpace its neighboring Hampton Roads cities in population growth. Over the past 10 years, the population in Suffolk has grown by 14.09%. The City has grown over 9% since the 2010 Census.

Hampton Roads Population Growth by City

City	2007	2010 Census	2017	Percent Change – 10 year (2007 – 2017)	Percent Change (2010 -2017)
Hampton	140,690	137,467	136,743	-2.81%	-0.53%
Portsmouth	96,859	95,535	95,440	-1.47%	-0.1%
Newport News	180,893	180,966	182,155	0.70%	0.66%
Norfolk	241,941	242,803	246,256	1.78%	1.42%
Virginia Beach	434,058	437,994	454,448	4.70%	3.76%
Chesapeake	216,192	222,209	242,655	12.24%	9.2%
Suffolk	81,103	84,585	92,533	14.09%	9.4%



This population trend is projected to continue over the foreseeable future. By 2045, we expect to see an increase in population by 47%. Furthermore, median household income (MHI) has grown in the City by 63% from 2000 to 2016. The City of Suffolk has the third highest MHI in the region (\$65,435) which is almost equal to the state (\$66,149) and higher than the national MHI (\$55,322).



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

Strategic planning, key location, a highly-trained workforce and business-friendly environment once again catapulted Suffolk to the enviable position of one of the fastest growing cities in Virginia and a top

pick for business development. The residential growth and change in Suffolk require the City to be proactive in planning for its future to insure efficient and effective delivery of services and a high quality of life for its citizens. Through the proficient management of residential and commercial development, the City continues to offer families and businesses plenty of room to live, work and play.

Long-term Financial Planning

City Council and City Management maintain their visionary process in their commitment to planning for the future of the City of Suffolk. Through a series of retreats and work sessions, City Council has established priorities as the guiding principles to move the city into the twenty-first century and to develop partnerships to further the City's objectives. Financial planning is further extended with the aid of financial advisors for bond issues and rate consultants for utility rate analysis.

In planning for the specific initiatives under these priorities, the City's adopted ten-year Capital Improvements Plan represents a planned schedule of the City's needed expenditures for physical improvements over the next decade. The Capital Improvements Plan, which covers the ten-year period from fiscal year 2019 through fiscal year 2028, totals approximately \$897.5 million. Of this amount, water, sewer, stormwater, fleet and special taxing district projects are estimated at \$216.8 million while general government projects are estimated at \$680.7 million.

Financial policies are vital in maintaining consistency and focus. One of the financial policies continually reviewed is that of fund balance levels. The ratio of unassigned General Fund balance as a percentage of budgeted governmental funds expenditures (net of the general fund contribution to the Schools, transfers to other governmental funds, and Capital Projects fund expenditures), plus the budgeted expenditures in the School Operating and Food Service Funds, indicates the ability of the City to cope with unexpected financial challenges or emergencies. The larger the unassigned General Fund balance, the greater the City's ability to cope with these potential financial emergencies and fluctuations in revenue cycles. The City has established a target rate of 12% at the close of each fiscal year. At June 30, 2018 the fund balance ratio exceeded the target.

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

Awards and Recognition

Bond Ratings – Maintain rating of AAA

In July 2015, the City received a bond ratings upgrade from Fitch Rating Agency to that of "AAA" and maintained its bond ratings Standard and Poor's Ratings Services of "AAA" and from Moody's Investors Service of "Aa1". These ratings were reaffirmed in July 2018 with Moody's Investors Service giving the city a positive outlook. These ratings reflect the City's commitment to strong financial management.

Comprehensive Annual Financial Report

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Suffolk, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2017, representing the 34th

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 ended June 30, 2017. This is the fourth year that the City has prepared the PAFR, and received the award. The report provides an overview of the City's financial results and is designed to increase awareness throughout the community of the City's financial operations in a user-friendly manner. The information is derived from the audited financial statements in the City's 2017 CAFR. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

The Association of Government Accountants (AGA) awarded a Certificate of Excellence in Citizen-Centric Reporting to the City of Suffolk, Virginia for its report to our citizens for the fiscal year ended June 30, 2017. The Certificate of Excellence is awarded to recognize outstanding efforts in the publication of a timely report that communicates financial and community information demonstrating accountability and transparency to the citizens.

Annual Budget

The GFOA presented a Distinguished Budget Presentation Award to the City of Suffolk, Virginia for its annual budget for the fiscal year beginning July 1, 2018. 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 tenth consecutive year for this recognition and it is valid for a one year period.

Suffolk's Future is Bright

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

In the last decade, we've announced more than 11,297 new jobs, and almost \$1.4 billion in capital investment. These are especially impressive numbers when you take into account that we also experienced one of the worst recessions in our nation's history during the same decade.

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

Acknowledgments

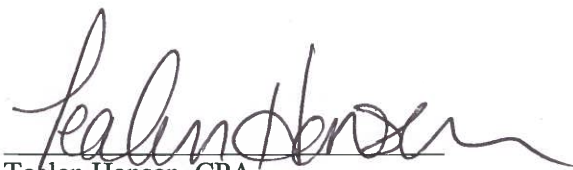
During the year, the staff of the Finance department rendered professional and knowledgeable services to the City. We are most appreciative of these efforts and take this opportunity to recognize these outstanding public servants.

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

Respectfully,



Patrick Roberts
City Manager



Tealen Hansen, CPA
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Suffolk
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF SUFFOLK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

As of June 30, 2018

MEMBERS OF CITY COUNCIL

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

CONSTITUTIONAL OFFICERS

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

CITY ADMINISTRATION

Patrick Roberts	City Manager
D. Scott Mills	Deputy City Manager
Helivi L. Holland	City Attorney
Kevin Hughes	Economic Development
Gerry Jones	Capital Programs and Buildings
Deputy Chief Brian Spicer	Emergency Management
Dr. Christopher Wilson.....	Health
Clint Rudy	Library
Diana L. Klink	Media and Community Relations
David Hainley	Planning and Community Development
Eric T. Nielsen	Public Works
Debbie George	Chief of Staff
Jean Jackson	City Assessor
Erika S. Dawley.....	City Clerk
Tealen Hansen	Finance
Cedric Scott	Fire and Rescue
Nancy Olivo	Human Resources
Thomas E. Bennett	Police
Lakita Watson	Parks and Recreation
Albert S. Moor, II	Public Utilities
Azeez Felder	Social Services

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

June 30, 2018

SUFFOLK PUBLIC SCHOOLS – SCHOOL BOARD

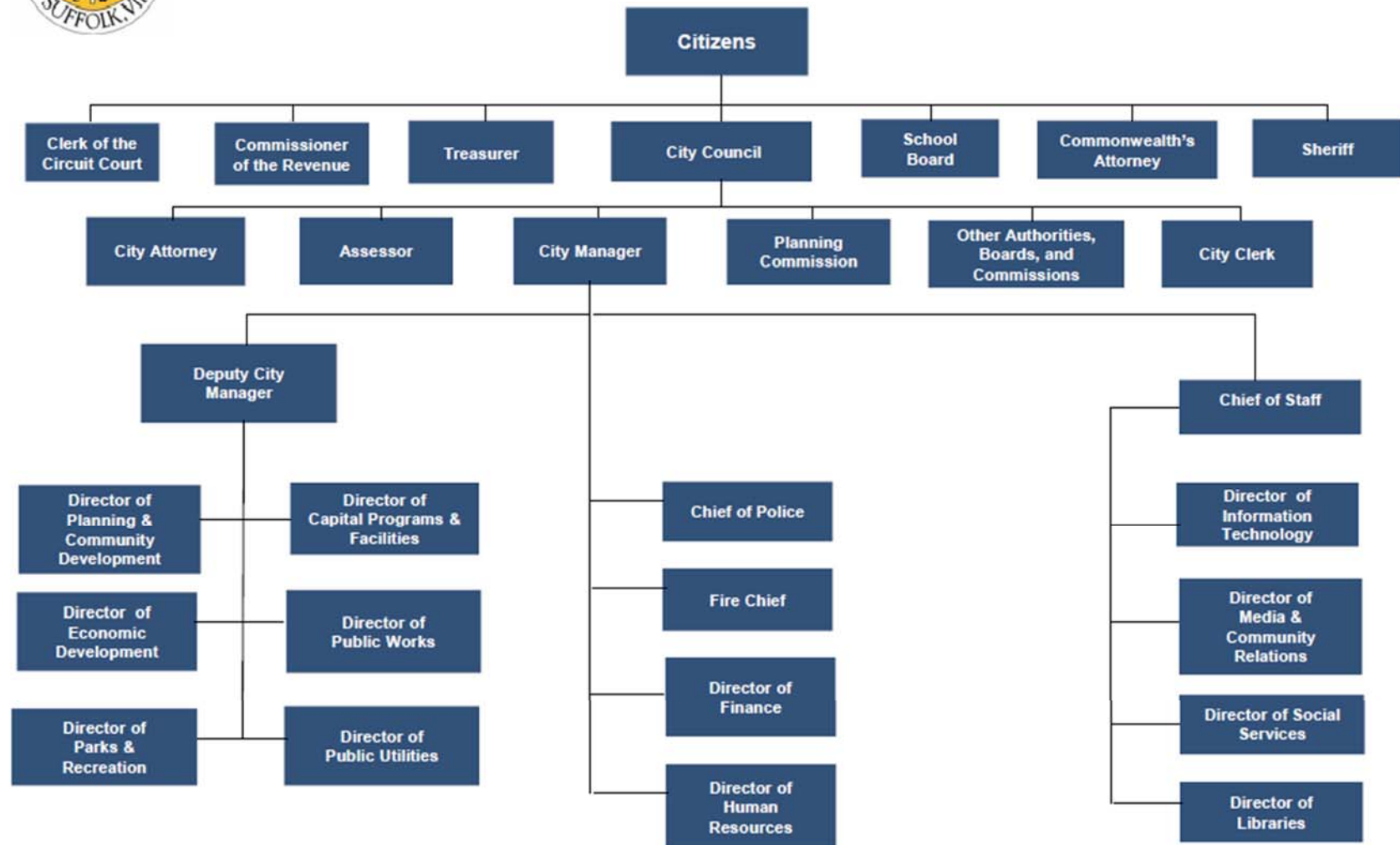
Michael J. Debranski, Ed.D.....	Chairman
Enoch C. Copeland.....	Vice Chairman
Phyllis C. Byrum.....	Board Member
Linda W. Bouchard.....	Board Member
David P. Mitnick	Board Member
Dr. Judith Brooks-Buck.....	Board Member
Lorraine B. Skeeter.....	Board Member

SUFFOLK PUBLIC SCHOOLS – ADMINISTRATION

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



City of Suffolk FY 2017-2018 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, 2018, 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, 2018, 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 described in Note 17 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. 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 and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 January 14, 2019, on our consideration of the City'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 solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.



Richmond, Virginia
January 14, 2019

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, 2018. 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 \$559.2 million at June 30, 2018. Of this balance, \$404.6 million is attributed to the governmental activities and \$154.6 million to the business-type activities.
- For fiscal year 2018, taxes and other general revenues of the City's governmental activities amounted to \$197.4 million and net program expenses \$165.2 million, which resulted in an increase from 2017 in net position for the City's governmental activities of \$32.2 million.
- Revenues of the City's business-type activities were \$69.8 million, expenses were \$63.6 million and net transfers to the General Fund were \$530 thousand, which resulted in an increase of net position for the City's business-type activities of \$5.7million.
- The City is rated AAA with Fitch and Standard and Poor's and Aa1 with Moody's.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the City's finances in a manner similar to a private-sector business. These statements include all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources reported using the accrual basis of accounting. Government-wide financial reporting consists of two statements: the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* presents information on all City assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as *net position*. Net position is one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information identifying how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some items of revenues and expenses are reported in this statement that will result in cash flows in future fiscal periods.

In the *Statement of Net Position* and the *Statement of Activities*, the City is divided into the following categories:

- **Governmental Activities** – Most of the City's basic services are reported here including general government, public safety, public works, education, health and welfare, parks and recreation and economic and community development. Government activities are financed primarily through property taxes, other taxes and state and federal grants.
- **Business-type Activities** – The City's water and sewer services are reported here as well as the City's stormwater utility, and the refuse collection service. These services are supported by charges for services based on use.
- **Component Units** – The City includes two separate legal entities in its report – the Suffolk School Board and the Economic Development Authority of the City of Suffolk. While legally separate, the City is financially accountable and provides operating and capital funding to these component units.

Fund Financial Statements

Fund financial statements provide more detailed information about the City's most significant funds. Funds are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's most significant funds. The fund financial statements are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for

governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Since this presentation does not include the long term focus of the government-wide statements, both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The fund financial statements using the current financial resources measurement focus will show bond proceeds and interfund transfers as other financing sources, in addition capital outlay and bond principal payments will be shown as expenditures. The reconciliation between the fund statements and the government-wide statements will eliminate these transactions and incorporate capital assets and long term debt obligations in to the government activities column in the government-wide statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds' statements for the General, Capital Projects, Road Maintenance and Debt Service funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements; provide both short- and long-term financial information. The City maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, and provide more detail and additional information, such as a cash flow statement. The City uses enterprise funds to account for its water and sewer operations, the activities of the stormwater utility fund, and the refuse collection services.

Internal Service funds are an accounting mechanism used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet management, information technology and insurance programs.

Fiduciary Funds – The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is similar to that of the proprietary funds.

Notes to the Financial Statements – Included as part of the basic financial statements, the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of the Basic Financial Statements section of this report.

Required Supplementary Information – In addition to the basic financial statements and notes, this section presents budgetary comparison schedules, a schedule of funding progress for defined benefit pension plan and an analysis of funding progress for other postemployment benefits.

Other Supplementary Information – This section of the report presents combining and individual fund statements and schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Net Position (In Millions)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017**	2018	2017**	2018	2017**
Current and other assets	\$ 186.9	\$ 187.2	\$ 93.1	\$ 84.3	\$ 280.0	\$ 271.5
Capital and other non-current assets	575.2	540.5	463.4	456.9	1,038.6	997.4
Total assets	762.1	727.7	556.5	541.2	1,318.6	1,268.9
Deferred Outflows of Resources	15.9	21.6	19.3	18.5	35.2	40.1
Current and other liabilities	41.1	59.1	20.6	13.7	61.7	72.8
Long-term liabilities	317.4	308.0	399.0	396.1	716.4	704.1
Total liabilities	358.5	367.1	419.6	409.8	778.1	776.9
Deferred Inflows of Resources	14.9	9.8	1.6	1.0	16.5	10.8
Net position:						
Net investment in capital assets	336.0	318.7	108.5	108.8	444.5	427.5
Restricted	2.1	8.9	2.5	2.9	4.6	11.8
Unrestricted	66.5	44.8	43.6	37.2	110.1	82.0
Net position	\$ 404.6	\$ 372.4	\$ 154.6	\$ 148.9	\$ 559.2	\$ 521.3
** 2017 has been restated to reflect the implementation of GASB 75						

The City's combined net position (which is the City's "bottom line") increased by \$37.9 million in fiscal year 2018, of which approximately 0.82% 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 \$444.5 million comprises 79.49% 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 19.69% of net position, or \$110.1 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:

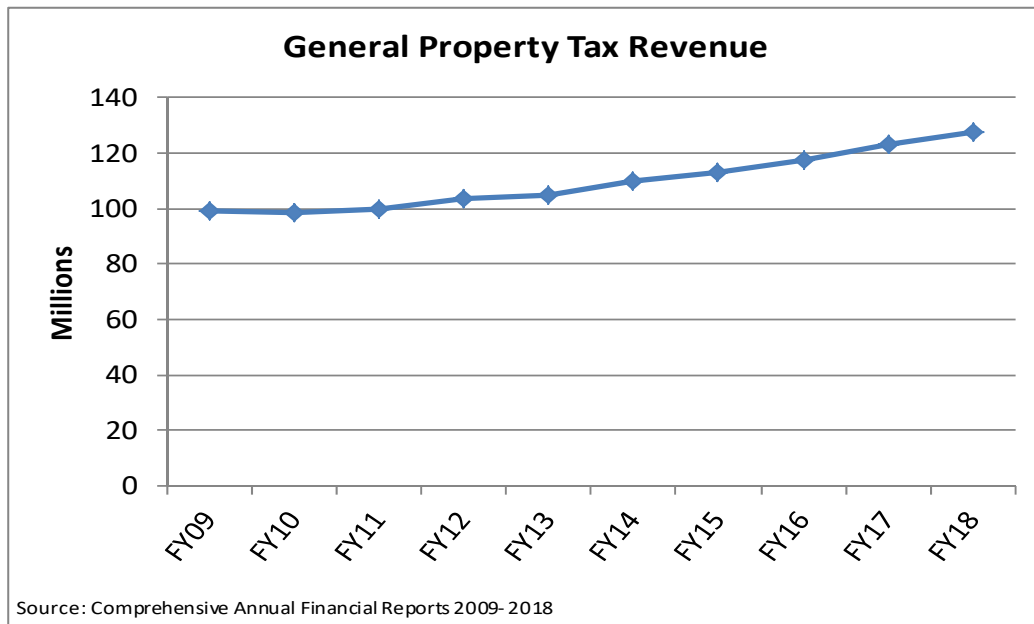
	Change in Net Position (In Millions)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017**	2018	2017**	2018	2017**
Revenues:						
Program revenues:						
Charges for services	\$ 9.1	\$ 9.0	\$ 62.7	\$ 60.1	\$ 71.8	\$ 69.1
Operating grants and contributions	37.6	39.8	-	0.1	37.6	39.9
Capital grants and contributions	15.6	9.4	5.5	1.9	21.1	11.3
General revenues:						
Real estate and property taxes	127.3	123.4	-	-	127.3	123.4
Other taxes	45.7	43.2	-	-	45.7	43.2
Grants and contributions, not restricted	13.8	13.6	-	-	13.8	13.6
Unrestricted investment earnings	2.9	1.8	0.9	0.9	3.8	2.7
Miscellaneous	7.2	9.0	0.7	0.8	7.9	9.8
Total revenues	259.2	249.2	69.8	63.8	329.0	313.0
Expenses:						
General government	17.3	23.9	-	-	17.3	23.9
Judicial	8.8	8.9	-	-	8.8	8.9
Public safety	63.5	58.2	-	-	63.5	58.2
Public works	37.2	40.5	-	-	37.2	40.5
Health and welfare	13.0	13.2	-	-	13.0	13.2
Transportation	1.0	1.0	-	-	1.0	1.0
Education	57.9	55.0	-	-	57.9	55.0
Parks, recreation, cultural	11.7	12.1	-	-	11.7	12.1
Community development	7.3	10.6	-	-	7.3	10.6
Interest on long-term debt	9.8	8.8	-	-	9.8	8.8
Utility	-	-	52.0	49.3	52.0	49.3
Refuse collection services	-	-	6.7	5.3	6.7	5.3
Stormwater utility	-	-	4.9	4.7	4.9	4.7
Total expenses	227.5	232.2	63.6	59.3	291.1	291.5
Excess of revenues over expenses	31.7	17.0	6.2	4.5	37.9	21.5
Transfers	0.5	1.9	(0.5)	(1.9)	-	-
Change in net position	32.2	18.9	5.7	2.6	37.9	21.5
Net position - beginning	372.4	369.9	148.9	147.7	521.3	517.6
Cumulative change in accounting principle	-	(16.4)	-	(1.4)	-	(17.8)
Net position - ending	\$ 404.6	\$ 372.4	\$ 154.6	\$ 148.9	\$ 559.2	\$ 521.3

** 2017 has been restated to reflect the implementation of GASB 75.

Governmental Activities

Revenue Highlights:

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$127.3 million and \$123.4 million in fiscal year 2018 and 2017, respectively. The chart following indicates the growth in the General Property Taxes revenue over the past ten years. The increase in the real estate and personal property taxes is due to increase in assessed value of the real and personal property as well as an increase in new construction.



Other Local Taxes are comprised of revenue from local sales tax, meals, lodging, and utilities increased from fiscal year 2017 into fiscal year 2018. 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 \$63.5million towards public safety efforts.

Education continues to be one of the City's highest priorities and commitments representing \$57.9 million, which is an increase over the prior year. This increase represents overall increases in operating expenses as well as pay increases for employees of the School.

Business-type Activities

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

Revenue Highlights:

Charges for services, including water and sewer fees, stormwater utility fees and refuse collection fees represent 88.6% of the total revenues collected. These revenues increased from fiscal year 2017 to 2018 due to an increase in the rates for water and sewer, as well as increased usage.

Expense Highlights:

Utility Fund expenses were \$52 million of which 29.6% is depreciation and amortization expenses. The increase is due to increases in the bulk water purchases that are programmed into the contract for water as well as increases in depreciation with new projects being complete. Stormwater expenses were \$4.9 million for fiscal year 2018, which is a slight increase from fiscal year 2017. The refuse fund expenses were \$6.7 million in fiscal year 2018, which is an increase from fiscal year 2017. In January 2018, the City, due to the expiration of the previous use and support agreements with the Southeastern Public Service Authority, was required to start paying for the disposal of municipal waste.

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 \$144.4 million. Approximately 45.2% 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 \$74.0 million of which \$65.3 million represents unassigned fund balance. Fund Balance in the General Fund increased from fiscal year 2017. This increase was attributable to the increase in real estate and personal property taxes as well as other local taxes, such as sales and meals taxes. This increase in the local tax revenue is attributable to growth and development throughout the City.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total budgeted expenditures. The City has a financial policy goal that unassigned fund balance should be greater than 12%. The restricted portion of fund balance, \$1.6 million reflects restricted cash for unspent grant funds and developer deposits. The committed portion, \$6.6 million, is comprised of funds committed for by the City Council for economic development incentives and cash funded capital.

Debt Service Fund: The Debt Service Fund has a fund balance of \$500 thousand. The General Fund routinely transfers monies to this fund to meet debt service requirements. The fund balance in the Debt Service fund remained the same from the prior year.

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 \$53.8 million, \$10.9 million was committed for contracts and purchase orders in process, and the remaining balance of \$42.9 million is restricted, as it consists of unspent bond proceeds and cash proffers for subsequent years' projects. The overall fund balance decreased in the current year, as there are several large projects that are spending down the accumulated funding on the projects.

Five of the City's significant capital projects are the following in fiscal year 2018

- Nansemond Parkway road widening
- Holland Road widening
- New Northern Elementary School
- New Northern Middle School
- Airport Runway 4-22 rehabilitation

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 \$154.6 million.

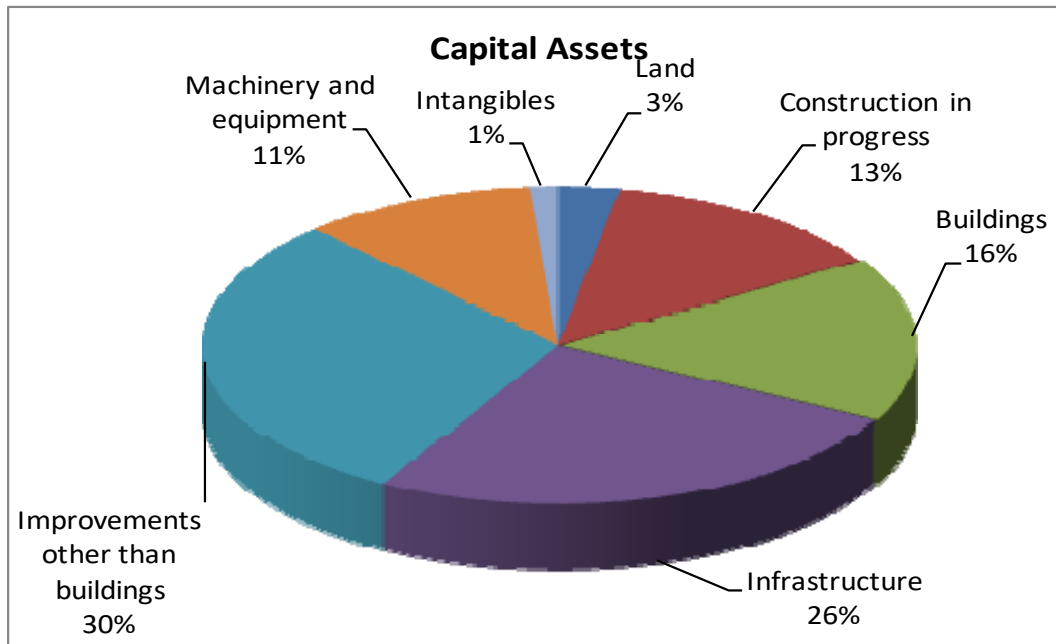
Internal service funds: The internal service funds are used to account for entity-wide fleet management, information technology and risk management programs. The total net position at the end of the current fiscal year was \$38.2 million.

Trust funds: The City funded \$1.0 million in other postemployment benefits in the OPEB Trust Fund. The City participates in the Virginia Pooled OPEB Trust Fund. In fiscal year 2018, the City fully funded its annual contribution to the fund as calculated by the actuaries and there is now \$35.4 million of cash and cash equivalents in the OPEB Trust Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The City's capital assets for its governmental and business-type activities as of June 30, 2018, totaled \$1,038.6 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 23.5	\$ 23.0	\$ 5.6	\$ 5.6	\$ 29.1	\$ 28.6
Construction in progress	112.2	70.1	25.6	34.3	137.8	104.4
Buildings	94.2	96.8	77.5	75.9	171.7	172.7
Infrastructure	265.6	271.2	-	-	265.6	271.2
Improvements other than buildings	34.3	34.9	275.4	271.2	309.7	306.1
Machinery and equipment	43.9	46.2	67.2	57.0	111.1	103.2
Intangibles	1.5	1.6	12.1	13.4	13.6	15.0
Total	\$ 575.2	\$ 543.8	\$ 463.4	\$ 457.4	\$ 1,038.6	\$ 1,001.2



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 \$696.5 million. Claims payable, compensated absences and pension and OPEB liabilities are not included in these figures.

Outstanding Debt (in millions)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds payable	\$ 262.4	\$ 252.6	\$ 375.8	\$ 365.0	\$ 638.2	\$ 617.6
Bond Premiums	23.7	23.5	28.6	28.7	52.3	52.2
Capital leases	3.5	6.2	0.8	1.0	4.3	7.2
Loans and notes payable	1.7	1.9	-	-	1.7	1.9
Total	\$ 291.3	\$ 284.2	\$ 405.2	\$ 394.7	\$ 696.5	\$ 678.9

The Commonwealth of Virginia limits the amount of general obligation debt outstanding to 10% of the locality's assessed value of real property, which is \$958.1 million for 2018. The City Charter further limits this general obligation limit to 7% of the City's assessed value of real property or \$670.7 million. Of the debt shown above, only \$442.7 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 \$383.2 million to reflect its conservative use of borrowed monies. The City has met this policy limit as well. Achieving these limits represents the City's conservative debt borrowing policy.

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

ECONOMIC FACTORS

- The City's economic development initiatives created over 712 new jobs and over \$114million dollars in new and expanding capital investment in the City during the calendar year 2017.
- For fiscal year 2018, 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, 2018 to \$9.20 per 100 cubic feet for water and \$7.21 per 100 cubic feet for sewer due to increasing debt service requirements.
- Population in the City increased 12.79% in the last ten years.
- The City has achieved bond ratings from Fitch Rating Agency and Standard and Poor's Ratings Services of "AAA" and from Moody's Investors Service of "Aa1". These ratings were reaffirmed in July 2017. These ratings reflect the City's continued commitment to strong financial management.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 121,084,670	\$ 48,615,639	\$ 169,700,309	\$ 24,519,608	\$ 3,232,190
Cash and cash equivalents, restricted (Note 2)	46,322,861	35,910,530	82,233,391	-	1,544,680
Receivables, net (Note 3)	8,471,421	8,402,033	16,873,454	410,004	102,506
Due from other governments (Note 4)	10,468,954	-	10,468,954	5,192,855	-
Due from component units	286,594	-	286,594	-	-
Inventories	316,777	153,527	470,304	512,919	9,918,786
Prepaid items	-	-	-	95,000	5,600
Net OPEB/Pension asset (Notes 11 & 12)	-	-	-	2,308,327	-
Capital assets: (Note 7)					
Land and construction in progress	135,613,331	31,183,832	166,797,163	6,387,523	1,021,162
Other capital assets, net	439,598,920	432,185,829	871,784,749	116,825,384	22,030,738
Total assets	762,163,528	556,451,390	1,318,614,918	156,251,620	37,855,662
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	6,068,074	17,704,820	23,772,894	-	115,994
Deferred outflows related to pension plan (Note 11)	6,940,815	1,078,129	8,018,944	16,899,349	-
Deferred outflows related to OPEB local trust (Note 12)	2,090,161	398,745	2,488,906	1,650,576	-
Deferred outflows related to OPEB state plans (Note 13)	836,935	84,349	921,284	2,100,037	-
Total deferred outflows of resources	15,935,985	19,266,043	35,202,028	20,649,962	115,994
LIABILITIES					
Accounts payable and accrued liabilities	10,941,636	3,216,021	14,157,657	1,734,423	29,239
Accrued payroll and related liabilities	516,847	49,044	565,891	18,238,804	-
Accrued interest payable	3,715,204	4,637,056	8,352,260	-	90,321
Due to Primary Government	-	-	-	47,339	239,255
Deposits and amounts held for others	-	-	-	-	20,000
Unearned revenues (Note 8)	2,069,704	295,007	2,364,711	-	47,325
Long-term liabilities: (Note 9)					
Due within one year	23,837,992	12,328,114	36,166,106	111,094	985,481
Due in more than one year	275,766,783	393,626,987	669,393,770	2,319,110	7,210,000
Net pension liability (Note 11)	29,118,472	4,520,218	33,638,690	117,136,000	-
Net OPEB liability -- local trust (Note 13)	723,605	138,044	861,649	-	-
Net OPEB liability -- state plans (Note 13)	11,786,399	708,601	12,495,000	18,785,000	-
Total liabilities	358,476,642	419,519,092	777,995,734	158,371,770	8,621,621
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes (Note 8)	1,859,058	-	1,859,058	-	-
Deposits (Note 8)	2,482,829	-	2,482,829	-	-
Deferred inflows related to pension plan (Note 11)	7,121,833	1,034,884	8,156,717	17,478,502	-
Deferred inflows related to OPEB local trust (Note 12)	2,216,703	495,736	2,712,439	2,646,928	-
Deferred inflows related to OPEB state plans (Note 13)	1,285,072	78,930	1,364,002	1,095,000	-
Total deferred inflows of resources	14,965,495	1,609,550	16,575,045	21,220,430	-
NET POSITION					
Net investment in capital assets	335,967,276	108,549,474	444,516,750	123,212,907	14,856,418
Restricted:					
Debt service	397,267	-	397,267	-	-
Repair and maintenance	-	-	-	-	1,454,359
Operating reserves	-	2,501,238	2,501,238	-	-
Cemetery care	1,071,735	-	1,071,735	-	-
Other governmental purposes	618,062	-	618,062	-	-
Unrestricted	66,603,036	43,538,079	110,141,115	(125,903,525)	13,039,258
Total net position	\$ 404,657,376	\$ 154,588,791	\$ 559,246,167	\$ (2,690,618)	\$ 29,350,035

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

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	\$ 17,264,292	\$ 4,880,782	\$ 450,386	\$ 4,248,322	\$ (7,684,802)	\$ -	\$ (7,684,802)		
Judicial administration	8,806,323	313,092	3,410,191	-	(5,083,040)	-	(5,083,040)		
Public safety	63,472,949	1,836,661	1,145,864	-	(60,490,424)	-	(60,490,424)		
Public works	37,224,174	988,507	23,395,546	10,824,821	(2,015,300)	-	(2,015,300)		
Health and welfare	13,044,274	-	7,452,411	-	(5,591,863)	-	(5,591,863)		
Transportation	997,267	71,652	186,942	59,508	(679,165)	-	(679,165)		
Education	57,818,350	-	-	-	(57,818,350)	-	(57,818,350)		
Parks, recreation, and cultural	11,737,262	1,020,013	275,996	414,599	(10,026,654)	-	(10,026,654)		
Community development	7,323,375	16,447	1,209,289	93,400	(6,004,239)	-	(6,004,239)		
Interest on long-term debt	9,765,103	-	-	-	(9,765,103)	-	(9,765,103)		
Total governmental activities	227,453,369	9,127,154	37,526,625	15,640,650	(165,158,940)	-	(165,158,940)	-	-
Business-type activities:									
Utility	52,035,621	48,999,436	-	5,483,390	-	2,447,205	2,447,205		
Stormwater utility	4,912,097	6,337,588	-	-	-	1,425,491	1,425,491		
Refuse	6,713,015	7,427,436	-	-	-	714,421	714,421		
Total business-type activities	63,660,733	62,764,460	-	5,483,390	-	4,587,117	4,587,117	-	-
Total Primary Government	\$ 291,114,102	\$ 71,891,614	\$ 37,526,625	\$ 21,124,040	\$ (165,158,940)	\$ 4,587,117	\$ (160,571,823)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 155,705,796	\$ 2,675,122	\$ 97,960,644	\$ -	\$ -	\$ -	\$ -	\$ (55,070,030)	\$ -
Economic Development Authority	2,015,941	1,758,932	-	-	-	-	-	-	(257,009)
Total component units	\$ 157,721,737	\$ 4,434,054	\$ 97,960,644	\$ -	-	-	-	(55,070,030)	(257,009)
General revenues:									
Property taxes					127,278,154	-	127,278,154	-	-
Sales and use taxes					10,977,388	-	10,977,388	-	-
Business license taxes					7,552,220	-	7,552,220	-	-
Meals taxes					10,111,438	-	10,111,438	-	-
Utility taxes					4,839,131	-	4,839,131	-	-
Communication taxes					3,212,841	-	3,212,841	-	-
Motor vehicle license taxes					2,354,440	-	2,354,440	-	-
Tobacco taxes					1,971,283	-	1,971,283	-	-
Lodging taxes					1,787,927	-	1,787,927	-	-
Recordation taxes					1,866,957	-	1,866,957	-	-
Other local taxes					1,063,319	-	1,063,319	-	-
Grants and contributions not restricted to specific programs					13,726,367	-	13,726,367	-	-
Miscellaneous					7,211,508	652,629	7,864,137	-	98,376
City of Suffolk contribution					-	-	-	55,917,071	486,808
Unrestricted revenues from use of money and property					2,892,413	970,727	3,863,140	-	8,940
Transfers (Note 5)					530,785	(530,785)	-	-	-
Total general revenues and transfers					197,376,171	1,092,571	198,468,742	55,917,071	594,124
Change in net position					32,217,231	5,679,688	37,896,919	847,041	337,115
Net position at July 1, as restated (Note 17)					372,440,145	148,909,103	521,349,248	(3,537,659)	29,012,920
Net position at June 30					\$ 404,657,376	\$ 154,588,791	\$ 559,246,167	\$ (2,690,618)	\$ 29,350,035

CITY OF SUFFOLK, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 70,122,388	\$ 9,846,537	\$ 12,294,774	\$ 95,453	\$ 4,250,352	\$ 96,609,504
Cash and cash equivalents, restricted (Note 2)	618,062	43,804,941	-	397,267	1,071,735	45,892,005
Receivables, net (Note 3)	8,120,168	7,828	244,140	-	31,142	8,403,278
Due from other governmental units (Note 4)	2,609,602	7,332,702	246,734	-	279,916	10,468,954
Due from component units	286,594	-	-	-	-	286,594
Inventories	37,908	-	-	-	45,654	83,562
Total assets	<u>\$ 81,794,722</u>	<u>\$ 60,992,008</u>	<u>\$ 12,785,648</u>	<u>\$ 492,720</u>	<u>\$ 5,678,799</u>	<u>\$ 161,743,897</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 1,462,395	\$ 7,211,533	\$ 912,155	\$ -	\$ 295,765	\$ 9,881,848
Accrued payroll and related liabilities	439,237	-	32,405	-	6,612	478,254
Unearned grant receipts	-	-	-	-	7,514	7,514
Total liabilities	<u>1,901,632</u>	<u>7,211,533</u>	<u>944,560</u>	<u>-</u>	<u>309,891</u>	<u>10,367,616</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - taxes	2,584,026	-	-	-	13,079	2,597,105
Prepaid Taxes	1,859,058	-	-	-	-	1,859,058
Deposits	1,473,764	-	989,621	-	19,444	2,482,829
Total deferred inflows of resources	<u>5,916,848</u>	<u>-</u>	<u>989,621</u>	<u>-</u>	<u>32,523</u>	<u>6,938,992</u>
FUND BALANCES (NOTE 18)						
Nonspendable	37,908	-	-	-	45,654	83,562
Restricted	1,552,547	42,890,335	10,851,467	397,267	2,702,031	58,393,647
Committed	6,633,215	10,890,140	-	95,453	2,599,519	20,218,327
Assigned	426,564	-	-	-	-	426,564
Unassigned	65,326,008	-	-	-	(10,819)	65,315,189
Total fund balances	<u>73,976,242</u>	<u>53,780,475</u>	<u>10,851,467</u>	<u>492,720</u>	<u>5,336,385</u>	<u>144,437,289</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 81,794,722</u>	<u>\$ 60,992,008</u>	<u>\$ 12,785,648</u>	<u>\$ 492,720</u>	<u>\$ 5,678,799</u>	<u>\$ 161,743,897</u>

	Primary Government
Total fund balances - governmental funds	\$ 144,437,289
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.	547,837,605
Unavailable revenues represent amounts that were not available to fund current expenditures and, therefore, are not reported in the funds.	2,597,105
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(3,594,226)
Deferred charges on refunding are not current outflows of resources and not reported in the governmental funds	6,068,074
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	(259,338,899)
Unamortized premiums and other credits on bonds	(23,052,368)
Compensated absences	(5,658,642)
Net pension and OPEB liabilities 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	(27,719,716)
Deferred outflows - pension plan	6,596,731
Deferred inflows - pension plan	(6,782,661)
Net OPEB liability - City trust	(689,576)
Deferred outflows - OPEB City trust	1,991,866
Deferred inflows - OPEB City trust	(2,109,580)
Net OPEB liability - state plans	(11,572,045)
Deferred outflows - OPEB state plans	810,576
Deferred inflows - OPEB state plans	(1,261,195)
Unearned revenues not recorded in the funds as it did not arise from current financial resources relating to the golf course lease agreement.	(2,062,190)
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, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in the governmental activities in the Statement of Net Position.	38,159,228
Net position of governmental activities	<u>\$ 404,657,376</u>

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General	Capital Projects	Road Maintenance	Debt Service	Non-major Funds	Total Governmental Funds
REVENUES						
Real estate and personal property taxes	\$ 125,207,480	\$ -	\$ -	\$ -	\$ 1,840,378	\$ 127,047,858
Other local taxes	45,736,944	-	-	-	-	45,736,944
Permits, privilege fees and regulatory licenses	1,470,087	-	386,952	-	-	1,857,039
Fines and forfeitures	884,308	-	258,183	-	-	1,142,491
Revenue from use of money and property	2,030,053	756	91,907	301,628	284,632	2,708,976
Charges for services	3,275,161	-	861,952	-	633,721	4,770,834
Miscellaneous	1,544,422	1,653,190	255,790	-	340,679	3,794,081
Intergovernmental:						
Revenue from the Commonwealth	20,291,781	12,006,363	23,369,848	-	700,828	56,368,820
Revenue from the Federal government	4,919,215	3,218,779	-	-	1,700,140	9,838,134
Total revenues	205,359,451	16,879,088	25,224,632	301,628	5,500,378	253,265,177
EXPENDITURES						
Current:						
General government administration	16,340,628	-	-	-	733,446	17,074,074
Judicial administration	8,184,710	-	-	-	866,540	9,051,250
Public safety	59,655,319	-	-	-	610,421	60,265,740
Public works	925,633	-	22,902,785	-	169,681	23,998,099
Health and welfare	13,316,914	-	-	-	2,956	13,319,870
Transportation	-	-	-	-	1,090,607	1,090,607
Education	56,467,515	-	-	-	-	56,467,515
Parks, recreation, and cultural	10,945,371	-	-	-	202,263	11,147,634
Community development	5,864,384	-	-	-	821,817	6,686,201
Nondepartmental	226,481	-	-	-	-	226,481
Capital outlay	-	56,107,239	-	-	-	56,107,239
Debt service:						
Principal retirement	-	-	-	15,767,400	-	15,767,400
Bond issuance costs	-	-	-	323,069	-	323,069
Interest and fiscal charges	-	-	-	10,319,538	-	10,319,538
Total expenditures	171,926,955	56,107,239	22,902,785	26,410,007	4,497,731	281,844,717
Excess (deficiency) of revenues over/(under) expenditures	33,432,496	(39,228,151)	2,321,847	(26,108,379)	1,002,647	(28,579,540)
OTHER FINANCING SOURCES (USES)						
Refunding bonds issued	-	-	-	3,395,000	-	3,395,000
General obligations bonds issued	-	26,065,000	-	-	-	26,065,000
Bond principal transferred from Refuse Fund	-	600,000	-	-	-	600,000
Premiums on bonds issued	-	1,661,304	-	652,062	-	2,313,366
Payment to escrow agent	-	-	-	(3,734,892)	-	(3,734,892)
Transfers in	2,350,066	8,054,741	-	25,796,209	1,224,605	37,425,621
Transfers out	(30,305,592)	(219,927)	(2,931,552)	-	(2,807,699)	(36,264,770)
Total other financing sources (uses), net	(27,955,526)	36,161,118	(2,931,552)	26,108,379	(1,583,094)	29,799,325
Net change in fund balances	5,476,970	(3,067,033)	(609,705)	-	(580,447)	1,219,785
Fund balances at July 1	68,499,272	56,847,508	11,461,172	492,720	5,916,832	143,217,504
Fund balances at June 30	\$ 73,976,242	\$ 53,780,475	\$ 10,851,467	\$ 492,720	\$ 5,336,385	\$ 144,437,289

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Total Governmental Funds
Change in fund balance - total governmental funds	\$ 1,219,785
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	58,064,363
Depreciation expense	(24,794,865)
Loss on disposal of assets	(157,950)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable revenues	230,296
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	19,742,064
Net change in deferred bond charges from refunding	(687,546)
Proceeds from issuance of new debt	(30,060,000)
Net change in bond premiums	(314,112)
Record the net flow of resources in the current year related to the Pension Plan.	3,177,906
Record the net flow of resources in the current year related to the OPEB City trust fund.	105,691
Record the net flow of resources in the current year related to the state OPEB plans.	(141,534)
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	(261,458)
Change in compensated absences	(411,193)
Change in landfill liability	1,722,600
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.	
Change in net position of governmental activities	<u>4,427,184</u>
	<u>\$ 32,217,231</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 39,236,434	\$ 9,379,205	\$ 48,615,639	\$ 24,475,166
Cash and cash equivalents, restricted	32,638,122	3,272,408	35,910,530	430,856
Receivables, net	7,753,275	648,758	8,402,033	68,143
Inventories	153,527	-	153,527	233,215
Total current assets	79,781,358	13,300,371	93,081,729	25,207,380
Noncurrent assets:				
Land and construction in progress	31,183,832	-	31,183,832	1,350,304
Other capital assets, net	431,598,551	587,278	432,185,829	26,024,342
Total noncurrent assets	462,782,383	587,278	463,369,661	27,374,646
Total assets	542,563,741	13,887,649	556,451,390	52,582,026
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	17,704,820	-	17,704,820	-
Deferred outflows related to pension plan	620,463	457,666	1,078,129	344,084
Deferred outflows related to OPEB City trust	233,683	165,062	398,745	98,295
Deferred outflows related to OPEB state plans	48,562	35,787	84,349	26,359
Total deferred outflows of resources	18,607,528	658,515	19,266,043	468,738
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,441,151	416,636	1,857,787	1,059,788
Accounts payable from restricted resources	1,358,234	-	1,358,234	-
Accrued payroll and related liabilities	47,209	1,835	49,044	38,593
Unearned revenues	295,007	-	295,007	-
Claims payable	-	-	-	1,757,229
Accrued interest payable	4,607,097	29,959	4,637,056	120,978
Compensated absences	51,508	11,142	62,650	1,670
Bonds and leases payable	8,324,464	3,941,000	12,265,464	2,752,023
Total current liabilities	16,124,670	4,400,572	20,525,242	5,730,281
Noncurrent liabilities:				
Compensated absences	412,898	234,896	647,794	250,662
Net pension liability	2,596,525	1,923,693	4,520,218	1,398,756
Net OPEB liability City trust	80,900	57,144	138,044	34,029
Net OPEB liability state plans	410,099	298,502	708,601	214,354
Claims payable	-	-	-	665,726
Bonds and leases payable	392,979,193	-	392,979,193	6,127,556
Total noncurrent liabilities	396,479,615	2,514,235	398,993,850	8,691,083
Total liabilities	412,604,285	6,914,807	419,519,092	14,421,364
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension plan	568,426	466,458	1,034,884	339,172
Deferred inflows related to OPEB City trust	315,850	179,886	495,736	107,123
Deferred inflows related to OPEB state plans	45,680	33,250	78,930	23,877
Total deferred inflows of resources	929,956	679,594	1,609,550	470,172
NET POSITION				
Net investment in capital assets	107,962,196	587,278	108,549,474	18,925,924
Restricted:				
Operating reserves	2,501,238	-	2,501,238	-
Unrestricted	37,173,594	6,364,485	43,538,079	19,233,304
Total net position	\$ 147,637,028	\$ 6,951,763	\$ 154,588,791	\$ 38,159,228

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
OPERATING REVENUES				
Charges for services	\$ 48,999,436	\$ 13,765,024	\$ 62,764,460	\$ 37,031,070
Other	392,642	259,987	652,629	748,583
Total operating revenues	49,392,078	14,025,011	63,417,089	37,779,653
OPERATING EXPENSES				
Personnel services	6,449,509	4,846,701	11,296,210	3,372,797
Self-insured claims	-	-	-	11,553,085
Contractual services	524,960	2,959,132	3,484,092	3,651,686
Administration	3,457,388	3,057,335	6,514,723	1,051,560
Supplies	784,226	266,888	1,051,114	85,098
Repairs and maintenance	1,785,373	19,942	1,805,315	168,175
Vehicle and power equipment – fuel	-	-	-	1,477,099
Vehicle and power equipment – supplies	-	-	-	2,196,576
Computers and equipment	-	-	-	397,338
Utilities	1,182,913	55,337	1,238,250	224,071
Insurance	-	-	-	2,037,548
Bulk-water purchases	6,137,998	-	6,137,998	-
Depreciation and amortization	15,406,925	148,303	15,555,228	6,112,652
Building and equipment rental	971,325	74,628	1,045,953	117,095
Other charges	621,688	128,870	750,558	184,808
Total operating expenses	37,322,305	11,557,136	48,879,441	32,629,588
Operating income	12,069,773	2,467,875	14,537,648	5,150,065
NONOPERATING REVENUES (EXPENSES)				
Loss on disposal of capital assets	(160,867)	-	(160,867)	(103,506)
Interest income	803,835	166,892	970,727	183,437
Interest expense and other fiscal charges	(14,205,483)	(67,976)	(14,273,459)	(172,746)
Costs of issuance	(302,722)	-	(302,722)	-
Contribution to WTW infrastructure	(44,244)	-	(44,244)	-
Nonoperating revenues (expenses), net	(13,909,481)	98,916	(13,810,565)	(92,815)
(Loss) income before contributions and transfers	(1,839,708)	2,566,791	727,083	5,057,250
Capital contributions	5,483,390	-	5,483,390	-
Transfers in	-	808,600	808,600	-
Transfers out	(644,822)	(694,563)	(1,339,385)	(630,066)
Change in net position	2,998,860	2,680,828	5,679,688	4,427,184
Net position at July 1, as restated (Note 17)	144,638,168	4,270,935	148,909,103	33,732,044
Net position at June 30	\$ 147,637,028	\$ 6,951,763	\$ 154,588,791	\$ 38,159,228

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

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
OPERATING ACTIVITIES				
Receipts from customers	\$ 48,672,164	\$ 13,801,520	\$ 62,473,684	\$ 37,799,266
Payments to employees	(6,982,914)	(4,896,772)	(11,879,686)	(3,705,041)
Payments to suppliers	(15,161,094)	(6,316,826)	(21,477,920)	(24,581,697)
Net cash provided by operating activities	<u>26,528,156</u>	<u>2,587,922</u>	<u>29,116,078</u>	<u>9,512,528</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	88,315	808,600	896,915	-
Transfers to other funds	(689,066)	(694,563)	(1,383,629)	(630,066)
Net cash provided by (used in) noncapital financing activities	<u>(600,751)</u>	<u>114,037</u>	<u>(486,714)</u>	<u>(630,066)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(15,920,939)	(120,417)	(16,041,356)	(4,505,264)
Proceeds from premiums on debt issuance	4,322,306	-	4,322,306	-
Proceeds from issuance of debt	74,915,000	-	74,915,000	-
Principal paid on capital debt	(6,301,764)	-	(6,301,764)	(3,415,436)
Principal on capital debt transferred to other funds	-	(600,000)	(600,000)	-
Refunding proceeds placed in escrow	(63,090,986)	-	(63,090,986)	-
Bond issuance costs	(614,174)	-	(614,174)	-
Interest paid on capital debt	(13,902,766)	(72,452)	(13,975,218)	(343,998)
Net cash used in in capital and related financing activities	<u>(20,593,323)</u>	<u>(792,869)</u>	<u>(21,386,192)</u>	<u>(8,264,698)</u>
INVESTING ACTIVITIES				
Interest received	803,835	166,892	970,727	183,437
Net cash provided by investing activities	<u>803,835</u>	<u>166,892</u>	<u>970,727</u>	<u>183,437</u>
Net increase in cash and cash equivalents	6,137,917	2,075,982	8,213,899	801,201
CASH AND CASH EQUIVALENTS				
Beginning, July 1,	65,736,639	10,575,631	76,312,270	24,104,821
Ending, June 30	<u>\$ 71,874,556</u>	<u>\$ 12,651,613</u>	<u>\$ 84,526,169</u>	<u>\$ 24,906,022</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ 39,236,434	\$ 9,379,205	\$ 48,615,639	\$ 24,475,166
Cash and cash equivalents, restricted	32,638,122	3,272,408	35,910,530	430,856
	<u>\$ 71,874,556</u>	<u>\$ 12,651,613</u>	<u>\$ 84,526,169</u>	<u>\$ 24,906,022</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
RECONCILIATION OF OPERATING INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 12,069,773	\$ 2,467,875	\$ 14,537,648	\$ 5,150,065
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	15,406,925	148,303	15,555,228	6,112,652
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(965,766)	(223,491)	(1,189,257)	19,614
Inventories	2,815	-	2,815	(2,272)
Increase (decrease) in:				
Accounts payable and accrued liabilities	301,961	334,153	636,114	199,293
Accrued payroll and related liabilities	(533,404)	(138,918)	(672,322)	(332,244)
Unearned revenues	245,852	-	245,852	-
Claims payable	-	-	-	(1,634,580)
Net cash provided by operating activities	<u>\$ 26,528,156</u>	<u>\$ 2,587,922</u>	<u>\$ 29,116,078</u>	<u>\$ 9,512,528</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases financed by capital leases	\$ 128,876	\$ -	\$ 128,876	\$ -
Non-cash capital contributions	\$ 5,483,390	\$ -	\$ 5,483,390	\$ -
Capitalized interest	\$ 1,024,335	\$ -	\$ 1,024,335	\$ -

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2018

	OPEB Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 35,439,613	\$ 677,618
Total assets	<u>\$ 35,439,613</u>	<u>\$ 677,618</u>
LIABILITIES		
Amounts held for others	\$ -	\$ 677,618
Total liabilities	<u>-</u>	<u>\$ 677,618</u>
NET POSITION		
Held in trust for OPEB benefits	<u>35,439,613</u>	
Total net position	<u>\$ 35,439,613</u>	

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OPEB TRUST FUND
Year Ended June 30, 2018

ADDITIONS

Employer contributions	\$ 1,034,450
Gain on Investments	3,045,950
Total additions	<u>4,080,400</u>

DEDUCTIONS

Administrative fees	<u>31,912</u>
Total deductions	<u>31,912</u>

Change in net position	4,048,488
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NET POSITION AT JULY 1	<u>31,391,125</u>
NET POSITION AT JUNE 30	<u><u>\$ 35,439,613</u></u>

NOTES TO FINANCIAL STATEMENTS

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 (the “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 Mayor and 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, transit, recreational activities, 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. On July 1, 2017 the School Board became wholly responsible for the former Pruden Center which previously had been governed jointly with Isle of Wight County. The renamed College and Career Academy at Pruden is now a department of the School Board. 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, 2018

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, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Jointly Governed Organization: (Continued)

Western Tidewater Regional Jail Authority

The Western Tidewater Regional Jail Authority (the “Jail Authority”) was created as a political subdivision of the Commonwealth of Virginia jointly through an agreement dated November 1, 1989, among the Cities of Suffolk and Franklin, and the County of Isle of Wight (the member jurisdictions) under the Jail Authority Act, Code of the Commonwealth of Virginia. The member jurisdictions are responsible for a percentage of the annual operating costs of the jail based on the jail population. The Jail Authority has the responsibility to finance the acquisition, construction, equipping, and maintenance of a regional jail facility to operate for the benefit of the member jurisdictions.

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

Southeastern Public Service Authority of Virginia

The Southeastern Public Service Authority of Virginia (the “PSA”) is a special purpose government entity engaged in business-type activities with no component units and was created for solid waste disposal. The members of the PSA are the Cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk, and Virginia Beach and the Counties of Isle of Wight and Southampton.

In fiscal year 2018 each member jurisdiction signed a new use and support agreement with the PSA and have agreed to deliver; or cause to be delivered, 100% of all municipal solid waste collected by the municipality, excluding certain classifications of waste such as recyclables, yard waste and storm debris. The City has also signed a host agreement that details the amount that the City will receive in host fees related to the waste delivered to the landfill located within the City limits from the PSA. Separate audited financial statements can be obtained by contacting the Chief Financial Officer at 723 Woodlake Drive, Chesapeake, VA23320.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Types:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current period.

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

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 program revenues.

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.

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 the 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.

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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. The City’s mosquito control activities are also 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 assets 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.

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 holds a public hearing 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.

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

D. Stewardship, Compliance, and Accountability (Continued)

Budgeting Information (Continued)

prepared on the accrual basis of accounting. The General, Special Revenue, and Debt Service Funds' and School Board General, Grants, Food Service fund 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 fund balance in the General Fund will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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 EDA 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 capitalization 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 2018 totaled \$1,024,335.

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.

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets (continued)

Maintenance, repairs, and minor equipment less than \$5,000 are expended/expensed when incurred. Costs that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is recorded.

J. Unavailable/Unearned Revenues

Unavailable revenues in the governmental funds consists of monies that are measurable but not available for use during the current period. Property taxes receivable at June 30 but not collected within 45 days after that date, are reported as unavailable revenues in the governmental funds' financial statements. Unavailable revenues arise when assets are recognized before revenue recognition criteria can be satisfied and also when assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period. Grants and entitlements received before the eligibility requirements are met have been recorded as unearned revenues. Unearned revenues 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 and OPEB related activities result from changes in actuarial assumptions, differences between expected and actual experience, pension investment returns that exceed projected earnings, changes in proportionate share and contributions made subsequent to the measurement date. Changes in actuarial assumptions other than investment related 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. Contributions made subsequent to the measurement date are expensed in the following year.

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 funds' financial statements, receivables that will not be collected within the available period have also been reported as unavailable revenues. Deferred inflows for pensions and OPEB related activities result from changes in actuarial assumptions, differences between the expected and actual experience, investment results and changes in proportionate share. Changes in actuarial assumptions not related to investment activity are deferred and amortized over the remaining service life of all participants and investment experience results are deferred and amortized over a closed five-year period.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

L. Compensated Absences

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

For governmental fund types, the amount of accumulated unpaid vacation leave 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 funds' 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 funds' financial statements, bond premiums, discounts, and 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 (the "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.

O. VRS Sponsored OPEB Programs

Group Life Insurance (GLI)

The VRS GLI Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

O. VRS Sponsored OPEB Programs (continued)

Group Life Insurance (GLI) (continued)

The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Line of Duty Act Program (LODA)

The LODA is a multiple-employer, cost-sharing plan. The LODA Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA Program OPEB, and LODA Program OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Virginia Local Disability Program (VLDP)

The VRS VLDP is a multiple-employer, cost-sharing plan. For purposes of measuring the VLDP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB, and the Teacher Employee VLDP OPEB expense, information about the fiduciary net position of the VRS VLDP and the additions to/deductions from the VLDP net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments 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, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

O. VRS Sponsored OPEB Programs (continued)

Teacher Employee Health Insurance Credit Program (HIC)

The VRS HIC Program is a multiple-employer, cost-sharing plan. The Teacher Employee HIC Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee HIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC Program OPEB, and the Teacher Employee HIC Program OPEB expense, information about the fiduciary net position of the VRS HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. 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 for the subsequent year, 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

P. Fund Balance (continued)

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 general fund unassigned 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 general fund unassigned fund balance, the greater the City’s ability to cope with financial emergencies and fluctuations in revenue cycles. The City has established a target rate of 12% at the close of each fiscal year as computed on the upcoming budget year.

Once the general fund unassigned 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.

Q. 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 of resources, net of related liabilities and deferred inflows of resources, 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

R. Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

S. 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. During the construction of the School Board assets, they are reflected in the City's construction in progress balance.

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.

T. Change in Accounting Principle

Effective July 1, 2017, the City adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which improves financial reporting for local governments for postemployment benefits other than pensions. This statement requires governments providing OPEB to recognize the long-term obligation for the net OPEB liability for the first time. The most significant effect of the implementation is the restatement of the net position related to the effect of recording the beginning OPEB liability. See notes 12, 13 and 17 for further discussion.

Effective July 1, 2017, the City adopted the provisions of GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which provides recognition and measurement guidance for situations in which a government is a beneficiary of such an agreement. This statement had no impact on the financial reporting for the City in the current fiscal year.

Effective July 1, 2017, the City adopted the provisions of GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements. Specifically, relevant to the City are the OPEB reporting issues. These changes have been implemented in the notes and RSI of the financial statements in fiscal year 2018.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

T. Change in Accounting Principle (continued)

Effective July 1, 2017, the City adopted the provisions of GASB Statement No. 86, *Certain Debt Extinguishment Issues*, this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing for guidance for transactions in which cash or other monetary assets acquired with existing resources are placed in an irrevocable trust for the purpose of extinguishing debt. The provisions of the statement are not applicable for transactions during fiscal year 2018.

Note 2. Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (the “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 (the “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 (the “LGIP”), and the State Non-Arbitrage Program (the “SNAP”). The City’s policy emphasizes the use of securities of high credit quality and marketability, and follows statute, but does not specify minimum credit ratings.

Interest Rate Risk

The City Treasurer’s policy states that the investment portfolio shall be designed to attain a market rate of return, taking into account investment risk constraints and liquidity needs. The portfolio shall be structured so that securities mature concurrent with estimated cash needs and remain sufficiently liquid to meet anticipated operating requirements. Investment of current operating funds shall have maturities of no longer than 24 months.

Interest rate risk does not apply to the SNAP pooled investments.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 2. Deposits and Investments (Continued)

External Investment Pool

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

Concentration of Credit Risk

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

Restricted Cash

The City has restricted cash as follows:

	Governmental Activities	Business-type Activities	Primary Government
Unspent debt proceeds	\$ 44,235,797	\$ 32,107,183	\$ 76,342,980
Debt service	397,267	-	397,267
Cemetery	1,071,735	-	1,071,735
Escrow/bond/customer deposits	618,062	-	618,062
Other external purposes	-	3,803,347	3,803,347
Total	<u>\$ 46,322,861</u>	<u>\$ 35,910,530</u>	<u>\$ 82,233,391</u>

Cash and Cash Equivalents

	Primary Government	Component Units School Board	Economic Development Authority
Deposits and Investments:			
SNAP	\$ 76,342,980	\$ -	\$ -
Deposits	175,590,720	24,519,608	4,776,870
Total	<u>\$ 251,933,700</u>	<u>\$ 24,519,608</u>	<u>\$ 4,776,870</u>
Statement of Net Position:			
Cash and cash equivalents	\$ 169,700,309	\$ 24,519,608	\$ 3,232,190
Cash and cash equivalents, restricted	82,233,391	-	1,544,680
Total	<u>\$ 251,933,700</u>	<u>\$ 24,519,608</u>	<u>\$ 4,776,870</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3. Receivables

Receivables are as follows:

	Governmental Activities						
				Non-major	Internal Service Funds		
	General	Capital Projects	Road Maintenance	Governmental Funds	Fleet Management	Risk Management	Total
Taxes	\$ 7,339,537	\$ -	\$ -	\$ 35,339	\$ -	\$ -	\$ 7,374,876
Accounts	5,850,650	7,828	244,140	12,059	55,220	12,923	6,182,820
Subtotal	13,190,187	7,828	244,140	47,398	55,220	12,923	13,557,696
Less Allowance	(5,070,019)	-	-	(16,256)	-	-	(5,086,275)
Receivables, net	<u>\$ 8,120,168</u>	<u>\$ 7,828</u>	<u>\$ 244,140</u>	<u>\$ 31,142</u>	<u>\$ 55,220</u>	<u>\$ 12,923</u>	<u>\$ 8,471,421</u>
	Business-type Activities				Component Unit -- School Board		
	Utilities	Refuse	Stormwater	Total			
Accounts	8,113,095	673,192	354,504	9,140,791	410,004		
Less Allowance	(359,820)	(225,598)	(153,340)	(738,758)	-		
Receivables, net	<u>\$ 7,753,275</u>	<u>\$ 447,594</u>	<u>\$ 201,164</u>	<u>\$ 8,402,033</u>	<u>\$ 410,004</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	\$ 3,521,302	\$ -
General Fund - EMS receivable	1,548,717	-
Non-major Funds - Taxes receivable	16,256	-
Utility Fund - Accounts receivable	-	359,820
Non-major Proprietary Funds - accounts receivable	-	378,938
	<u>\$ 5,086,275</u>	<u>\$ 738,758</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 revenues 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	Road Maintenance	Non-major Governmental Funds	Total
<u>Commonwealth of Virginia:</u>					
State sales tax	\$ 1,941,770	\$ -	\$ -	\$ -	\$ 1,941,770
Communication sales tax	256,191	-	-	-	256,191
Shared expenses	241,350	-	-	-	241,350
VA Department of Transportation	-	5,727,014	-	-	5,727,014
VDEM Reimbursement	-	-	95,672	-	95,672
Various other state aid and grants	170,291	301,854	-	279,916	752,061
	<u>2,609,602</u>	<u>6,028,868</u>	<u>95,672</u>	<u>279,916</u>	<u>9,014,058</u>
<u>Federal Government:</u>					
FEMA Reimbursement	-	-	151,062	-	151,062
Various grants	-	1,303,834	-	-	1,303,834
	<u>-</u>	<u>1,303,834</u>	<u>151,062</u>	<u>-</u>	<u>1,454,896</u>
Total due from other governments	<u>\$ 2,609,602</u>	<u>\$ 7,332,702</u>	<u>\$ 246,734</u>	<u>\$ 279,916</u>	<u>\$ 10,468,954</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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	\$ 1,398,939	\$ -	\$ -	\$ 1,398,939
Various grants	37,299	81,610	-	118,909
	<u>1,436,238</u>	<u>81,610</u>	<u>-</u>	<u>1,517,848</u>
<u>Federal Government:</u>				
School food reimbursement	-	-	248,666	248,666
Title I	-	1,670,651	-	1,670,651
Title VI-B	-	1,208,085	-	1,208,085
Title II-A	-	216,905	-	216,905
Various grants	30,521	236,448	-	266,969
	<u>30,521</u>	<u>3,332,089</u>	<u>248,666</u>	<u>3,611,276</u>
<u>Local</u>	<u>705</u>	<u>62,234</u>	<u>792</u>	<u>63,731</u>
Total due from other governments	<u>\$ 1,467,464</u>	<u>\$ 3,475,933</u>	<u>\$ 249,458</u>	<u>\$ 5,192,855</u>

Note 5. Interfund Transactions:

	Transfers to:					Total
	General Fund	Capital Projects	Debt Service	Non-major Governmental	Non-major Enterprise	
Transfers from:						
General Fund	\$ -	\$ 5,303,494	\$ 23,777,493	\$ 1,224,605	\$ -	\$ 30,305,592
Road Maintenance	571,885	990,904	1,368,763	-	-	2,931,552
Capital Projects	-	-	219,927	-	-	219,927
Utility	644,822	-	-	-	-	644,822
Non-major:						
Governmental	69,073	1,500,000	430,026	-	808,600	2,807,699
Enterprise	519,563	175,000	-	-	-	694,563
Internal Service	544,723	85,343	-	-	-	630,066
	<u>\$ 2,350,066</u>	<u>\$ 8,054,741</u>	<u>\$ 25,796,209</u>	<u>\$ 1,224,605</u>	<u>\$ 808,600</u>	<u>\$ 38,234,221</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, 2018

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	\$ 155,084,363
Repayment of School Board debt	<u>10,438,255</u>
	<u>\$ 165,522,618</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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	\$ 23,037,222	\$ 419,200	\$ -	\$ 23,456,422
Construction in Progress	70,073,177	54,764,863	12,681,131	112,156,909
Total Capital assets, non-depreciable	93,110,399	55,184,063	12,681,131	135,613,331
Capital Assets, depreciable				
Buildings	125,277,697	3,549,058	-	128,826,755
Infrastructure	405,175,689	7,854,463	-	413,030,152
Improvements other than buildings	49,087,209	736,009	-	49,823,218
Machinery and equipment	101,367,933	7,536,914	3,766,562	105,138,285
Intangibles	2,956,088	390,249	-	3,346,337
Total capital assets, depreciable	683,864,616	20,066,693	3,766,562	700,164,747
Less accumulated depreciation for:				
Buildings	28,451,603	6,160,395	-	34,611,998
Infrastructure	133,931,193	13,499,415	-	147,430,608
Improvement other than buildings	14,200,209	1,311,038	-	15,511,247
Machinery and equipment	55,200,662	9,516,960	3,505,106	61,212,516
Intangibles	1,379,749	419,709	-	1,799,458
Total accumulated depreciation	233,163,416	30,907,517	3,505,106	260,565,827
Total capital assets, depreciable, net	450,701,200	(10,840,824)	261,456	439,598,920
Governmental activities, capital assets, net	\$ 543,811,599	\$ 44,343,239	\$ 12,942,587	\$ 575,212,251

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Capital Assets (Continued)

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

Governmental Activities:

General government	\$ 6,870,828
Judicial administration	8,888
Public safety	4,867,048
Public works	17,565,254
Community Development	758,806
Education	5,091
Parks, recreation, and cultural	831,602
	<u>\$ 30,907,517</u>

Government activities included depreciation of \$4,953,827 for the Fleet Maintenance fund, \$122,395 for the Risk Management fund, and \$1,036,430 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	\$ 5,572,762	\$ -	\$ 10,000	\$ 5,562,762
Construction in Progress	34,267,247	15,921,689	24,567,866	25,621,070
Total Capital assets, non-depreciable	<u>39,840,009</u>	<u>15,921,689</u>	<u>24,577,866</u>	<u>31,183,832</u>
Capital Assets, depreciable				
Buildings	99,350,016	3,969,872	-	103,319,888
Improvements other than buildings	362,873,377	11,284,618	-	374,157,995
Machinery and equipment	98,656,764	14,172,466	196,444	112,632,786
Intangibles	13,529,474	882,843	-	14,412,317
Total capital assets, depreciable	<u>574,409,631</u>	<u>30,309,799</u>	<u>196,444</u>	<u>604,522,986</u>
Less accumulated depreciation for:				
Buildings	23,392,242	2,386,516	-	25,778,758
Improvement other than buildings	91,694,741	7,111,093	-	98,805,834
Machinery and equipment	41,649,428	3,787,258	35,577	45,401,109
Intangibles	81,095	2,270,361	-	2,351,456
Total accumulated depreciation	<u>156,817,506</u>	<u>15,555,228</u>	<u>35,577</u>	<u>172,337,157</u>
Total capital assets, depreciable, net	<u>417,592,125</u>	<u>14,754,571</u>	<u>160,867</u>	<u>432,185,829</u>
Business-type activities, capital assets, net	<u>\$ 457,432,134</u>	<u>\$ 30,676,260</u>	<u>\$ 24,738,733</u>	<u>\$ 463,369,661</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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	199,296,397	78,269	-	199,374,666
Improvements other than buildings	16,694,754	-	-	16,694,754
Machinery and equipment	47,007,488	2,262,357	445,558	48,824,287
Total capital assets, depreciable	262,998,639	2,340,626	445,558	264,893,707
Less accumulated depreciation for:				
Buildings	95,840,908	4,446,566	-	100,287,474
Improvement other than buildings	11,511,720	439,997	-	11,951,717
Machinery and equipment	32,276,591	3,995,331	442,790	35,829,132
Total accumulated depreciation	139,629,219	8,881,894	442,790	148,068,323
Total capital assets, depreciable, net	123,369,420	(6,541,268)	2,768	116,825,384
Component Unit - School Board, capital assets, net	\$ 129,756,943	\$ (6,541,268)	\$ 2,768	\$ 123,212,907

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Unavailable and Unearned Revenues

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

	Governmental Funds Unavailable Revenues	Governmental Activities Unearned Revenues
Liability:		
Grant receipts -- unearned	\$ 7,514	\$ 7,514
Golf-course lease revenue -- unearned (Note 10)	-	2,062,190
Total unavailable/unearned revenues	<u>\$ 7,514</u>	<u>\$ 2,069,704</u>
Deferred inflow of resources:		
Prepaid taxes and other amounts -- unearned	\$ 1,859,058	\$ 1,859,058
Developer deposits -- unearned (General)	1,473,764	1,473,764
Developer deposits -- unearned (Road Maintenance)	989,621	989,621
Hanger deposits -- unearned (Aviation)	19,444	19,444
Taxes receivable, net -- unavailable	<u>2,597,105</u>	<u>-</u>
Total unavailable/unearned revenues -- governmental funds	<u>\$ 6,938,992</u>	<u>\$ 4,341,887</u>

Unearned revenue in the Utility Fund of \$295,007 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, 2018

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	\$ 252,622,203	\$ 29,460,000	\$ 20,323,011	\$ 261,759,192	\$ 17,443,620
Taxable GO BAN	-	600,000	-	600,000	600,000
Add bond premiums and other credits	23,487,341	2,313,366	2,149,040	23,651,667	2,087,061
	276,109,544	32,373,366	22,472,051	286,010,859	20,130,681
Section 108 loan	1,915,000	-	193,000	1,722,000	193,000
Capital Lease obligations	6,163,199	-	2,625,212	3,537,987	1,480,879
	284,187,743	32,373,366	25,290,263	291,270,846	21,804,560
Net pension liability	41,912,429	22,368,618	35,162,575	29,118,472	-
Net OPEB liability city trust	3,763,522	2,612,922	5,652,839	723,605	-
Net OPEB liability state plans	12,691,323	967,877	1,872,801	11,786,399	-
Claims payable	4,057,536	12,461,642	14,096,223	2,422,955	1,757,229
Compensated absences	5,503,521	560,885	153,432	5,910,974	276,203
Landfill liability	1,722,600	-	1,722,600	-	-
Governmental activities, long-term liabilities	\$ 353,838,674	\$ 71,345,310	\$ 83,950,733	\$ 341,233,251	\$ 23,837,992
<u>Business-type activities:</u>					
General obligation bonds	\$ 178,823,797	\$ 60,560,000	\$ 62,317,989	\$ 177,065,808	\$ 5,036,380
Taxable GO BAN	4,541,000	-	600,000	3,941,000	3,941,000
Revenue bonds	181,610,000	14,355,000	1,140,000	194,825,000	1,530,000
Add bond premiums and other credits	28,700,048	4,322,306	4,394,957	28,627,397	1,535,303
	393,674,845	79,237,306	68,452,946	404,459,205	12,042,683
Capital lease obligations	987,740	128,876	331,164	785,452	222,781
	394,662,585	79,366,182	68,784,110	405,244,657	12,265,464
Net pension liability	6,510,247	3,468,449	5,458,478	4,520,218	-
Net OPEB liability city trust	717,975	498,472	1,078,403	138,044	-
Net OPEB liability state plans	779,677	52,123	123,199	708,601	-
Compensated absences	663,078	121,649	74,283	710,444	62,650
Business-type activities, long-term liabilities	\$ 403,333,562	\$ 83,506,875	\$ 75,518,473	\$ 411,321,964	\$ 12,328,114

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, and Fleet, Risk Management and Information Technology internal service funds. 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, 2018

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:						
2008 Public Improvement Bonds	10/28/08	02/01/29	4.00-5.00 %	\$ 16,600,000	\$ 830,000	\$ -
2009 Series (Taxable - Build America Bonds	11/10/09	02/01/40	3.87	27,000,000	-	700,000
2010A Public Improvement and Refunding Bonds	04/29/10	08/01/32	3.38	34,155,000	20,460,000	-
2011 Public Improvement	07/07/11	02/01/27	2.00-5.00	84,510,000	3,255,000	4,275,000
2011 Public Improvement and Refunding Bonds	07/07/11	02/01/27	2.00-5.00	30,065,000	3,305,000	1,205,000
2011 VPSA Local School Bond	12/15/11	06/30/31	4.97	7,500,000	6,150,000	-
2012 Public Improvement and Refunding Bonds	08/22/12	06/01/42	2.00-5.00	60,610,000	7,745,000	13,800,000
2013 Public Improvement and Refunding Bonds	07/30/13	12/01/32	3.00-5.00	64,415,000	29,939,192	25,785,808
2013B Public Improvement Bonds	12/12/13	06/30/29	2.55	2,100,000	1,620,000	-
2014 Public Improvement and Refunding Bonds	07/30/15	02/01/42	2.00-5.00	124,820,000	47,745,000	71,590,000
2015 Public Improvement and Refunding Bonds	07/08/15	02/01/35	2.00-5.00	41,170,000	38,415,000	-
2015B Taxable GO BAN	12/17/15	08/01/18	1.82	4,541,000	600,000	3,941,000
2016 Public Improvement and Refunding Bonds	07/14/16	02/01/36	1.50-5.00	51,085,000	49,850,000	-
2016 Refunding Bonds -- Taxable	07/14/16	02/01/35	1.10-4.00	25,745,000	23,725,000	-
2017 Public Improvement and Refunding Bonds	07/27/17	02/01/42	3.125-5.00	69,775,000	28,720,000	39,935,000
2017 Taxable Refunding Bonds	07/27/17	02/01/32	2.25-3.36	20,245,000	-	19,775,000
Total general obligation bonds					<u>262,359,192</u>	<u>181,006,808</u>
Other Notes:						
Section 108 Loan Payable	09/14/06	08/01/26	4.96-5.77 #	3,845,000	<u>1,722,000</u>	<u>-</u>
Total bonds and loan payable					<u>\$ 264,081,192</u>	<u>\$ 181,006,808</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 2032	\$ 1,945,394	\$ 785,452
\$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%	516,790	-
\$3,476,950 issued August 30, 2014 for the purchase of various vehicles and equipment; payable in semi-annual installments of \$365,039 through August 30, 2019; interest at 1.79%	1,075,803	-
Total capital lease obligations	<u>\$ 3,537,987</u>	<u>\$ 785,452</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):					
2009 Series Water and Sewer Revenue Bond - VRA	06/17/09	10/01/25	1.13-4.86 %	\$ 10,200,000	\$ 5,955,000
2015B VRA Revenue and Refunding Bonds	11/18/15	10/01/45	3.12-5.12	81,125,000	81,125,000
2015B VRA Taxable Refunding Bonds	11/18/15	10/01/20	2.34	1,135,000	1,135,000
2016C VRA Revenue and Refunding bonds	11/16/16	10/21/43	2.12-5.12	92,795,000	92,255,000
2017C VRA Revenue bonds	11/01/17	10/01/42	3.012-5.125	14,355,000	14,355,000
Total pledged revenue bonds					<u>\$ 194,825,000</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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		Taxable GO BAN		Section 108 Loan Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 17,443,620	\$ 10,393,819	\$ 600,000	\$ 5,372	\$ 193,000	\$ 91,215	\$ 1,480,879	\$ 19,101
2020	19,073,619	9,695,573	-	-	193,000	80,764	590,226	3,238
2021	19,104,488	9,061,091	-	-	193,000	70,187	193,972	-
2022	17,689,488	8,278,275	-	-	193,000	59,495	179,048	-
2023	17,714,488	7,453,455	-	-	193,000	48,697	150,782	-
2024-2028	85,398,489	25,742,095	-	-	757,000	85,606	714,933	-
2029-2033	63,710,000	10,033,930	-	-	-	-	228,147	-
2034-2037	21,625,000	1,355,913	-	-	-	-	-	-
	<u>\$261,759,192</u>	<u>\$ 82,014,151</u>	<u>\$ 600,000</u>	<u>\$ 5,372</u>	<u>\$ 1,722,000</u>	<u>\$ 435,964</u>	<u>\$ 3,537,987</u>	<u>\$ 22,339</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
2019	\$ 5,036,380	\$ 7,358,193	\$ 3,941,000	\$ 35,951	\$ 1,530,000	\$ 8,272,319	\$ 222,781	\$ -
2020	5,171,380	6,648,225	-	-	1,900,000	8,191,225	161,912	-
2021	6,270,513	6,428,153	-	-	4,535,000	8,062,041	103,162	-
2022	6,555,512	6,147,952	-	-	4,730,000	7,860,775	54,797	-
2023	6,860,513	5,836,895	-	-	4,970,000	7,621,475	33,768	-
2024-2028	38,146,510	24,138,779	-	-	29,570,000	34,285,431	140,041	-
2029-2033	42,945,000	16,598,358	-	-	38,700,000	26,346,044	68,991	-
2034-2038	44,850,000	8,790,361	-	-	53,030,000	17,082,438	-	-
2039-2043	21,230,000	1,885,752	-	-	48,270,000	5,186,397	-	-
2044-2048	-	-	-	-	7,590,000	442,294	-	-
	<u>\$177,065,808</u>	<u>\$ 83,832,668</u>	<u>\$ 3,941,000</u>	<u>\$ 35,951</u>	<u>\$194,825,000</u>	<u>\$123,350,439</u>	<u>\$ 785,452</u>	<u>\$ -</u>

The Governmental Activities' capital lease obligations are collateralized by equipment with a book value of \$6,497,671, which is net of accumulated depreciation of \$6,154,611 at June 30, 2018.

The Business-type Activities' capital lease obligation is collateralized by equipment with a book value of \$1,671,024, which is net of accumulated depreciation of \$3,918,660 at June 30, 2018.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9. Long-Term Liabilities (Continued)

Pledge-Revenue Bond Restrictions:

The City's Utility fund has outstanding obligations with 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 \$318,175,439 through 2048.

In accordance with the master trust indenture, the revenue covenant has been met for the pledged-revenue bonds. Net revenues are required to be no less than greater of (i) the sum of 1.5 times senior debt service and 1.0 times subordinate debt service for the fiscal year (ii) net revenues are not less than 1.0 times the funding requirements for transfers from the revenue fund to the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund, and the rate stabilization fund. This coverage ratio for the current year is 2.77, 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 Utility Fund, from which repayment is anticipated, should the Utility 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, 2018, the City's aggregate general obligation indebtedness is approximately \$515.4 million less than the Commonwealth's limit and \$228.0 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, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Component Unit - School Board</u>					
Other postemployment benefits, net	\$ 21,098,621	\$ 1,642,910	\$ 3,956,531	\$ 18,785,000	\$ -
Net pension liability	136,670,981	10,053,737	29,588,718	117,136,000	-
Compensated Absences	2,217,352	1,662,481	1,449,629	2,430,204	111,094
	<u>\$ 159,986,954</u>	<u>\$ 13,359,128</u>	<u>\$ 34,994,878</u>	<u>\$ 138,351,204</u>	<u>\$ 111,094</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9. Long-Term Liabilities (Continued)

Current Year Refunding of Debt

During the fiscal year, the City issued general obligation 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, 2018 and will be paid from the escrow accounts set up with the 2017 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.

	<u>July 2017 GO tax exempt refunding</u>	<u>July 2017 GO taxable refunding</u>
Type of bonds refunded	GO	GO
Issue date of refunded bonds	July 27, 2017	July 27, 2017
Total refunding bonds issued (new bonds)	\$43,710,000	\$20,245,000
Value of Refunded bonds (old bonds)	\$43,601,000	\$17,605,000
Net Proceeds of refunding (including the premiums and costs of issuance)	\$46,614,329	\$20,003,295
Bond premium received	\$3,356,271	\$33,025
Costs of issuance	\$451,942	\$274,730
Deferred charge on refunding	\$1,968,654	\$1,326,235
Amount in escrow at June 30, 2018 still outstanding	\$39,880,000	\$17,605,000
Overall debt service savings	\$5,734,894	\$1,995,908
Net present value of savings or economic gain	\$3,964,465	\$1,325,586

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, 2018, the balance of these defeased bonds was \$190,255,000.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018.

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. In September 2017, the Virginia Department of Environmental Quality (DEQ) notified the City that post-closure care monitoring and maintenance may be discontinued. The City has been released from the requirements of demonstrating annual financial assurance for the landfill.

Note 10. Leases

Lessor:

On October 27, 2009, the City entered into an operating lease whereby the City leased the Sleepy Hole Golf Course to a private operator. The lease was amended on May 1, 2010 and the term of the lease ends April 30, 2030. The agreement requires annual lease payments to the City of \$356,000. This amount is reduced by certified annual capital costs made by the operator to enhance the integrity of the golf course facility. The remaining amount of unearned lease revenue, in the form of capital improvements exceeding the annual lease payments at June 30, 2018, is \$2,062,190.

Lessee:

The City also leases various equipment and facilities through operating leases, which are subject to appropriation annually. Rent expense for governmental and business-type activities was \$1,581,843 and \$122,262 respectively.

Future minimum lease payments under these leases are as follows:

2019	\$	1,592,295
2020		<u>1,592,442</u>
	\$	<u>3,184,737</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 VRS.

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/2017-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, 2018

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, 2018

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, 2018

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 employer 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:	617	165
Inactive Members:		
Vested inactive members	201	21
Non-vested inactive members	317	111
Inactive members active elsewhere in VRS	366	53
Total inactive members	884	185
Active Employees:	1,272	286
Total	2,773	636

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 2018 were based on the actuary's valuation as of June 30, 2015. In addition, the actuary computed a separate contribution requirement for the School Board for the teacher cost-sharing pool using the same valuation date.

The City's contractually required contribution rate for the year ended June 30, 2018 was 11.03% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for the years ended June 30, 2018 and June 30, 2017, respectively were \$7,309,368 and \$7,030,967.

The School Board's contractually required contribution rate for the Teacher Retirement Plan for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-2012 biennium.

The School Board's (non-teacher plan) contractually required contribution rate for the year ended June 30, 2018 was 5.89% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 100% of the actuarial rate for the year ended June 30, 2018. Contributions to the Teacher Retirement pension plan for the years ended June 30, 2018 and June 30, 2017, respectively were \$12,290,506 and \$11,760,656. Contributions to the Non-Teacher pension plan for the years ended June 30, 2018 and June 30, 2017, respectively were \$395,660 and \$586,121.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2016. 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, 2017. The total pension liability in the June 30, 2016 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% - 5.35%
Mortality Rates (% of deaths assumed to be service related)	15%	45%	N/A

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of the pension liabilities.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Public Safety Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Net Pension Liability (continued)

Post-Retirement:

RP2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post – Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

School Board Teacher Retirement Plan employees:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post – Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016.

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

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

- | | |
|---|---|
| <ul style="list-style-type: none">- Update to a more current mortality table – RP2014 projected to 2020- Lowered retirement rates at older ages and changed final retirement from 70 to 75- Adjusted withdrawal rates to better fit experience at each year age and service through 9 year of service- Lowered disability rates- Increased Line of Duty disability rate from 14% to 15% | <ul style="list-style-type: none">- Update to a more current mortality table – RP-2014 projected to 2020- Increased age 50 retirement rates and lowered retirement rates at older ages- Adjusted withdrawal rates to better fit experience at each year ages and service through 9 years of service- Adjusted disability rates to better fit experience- Decreased line of duty disability rate from 60% to 45% |
|---|---|

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Net Pension Liability (continued)

School Board Teacher Retirement Plan Employees:

- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience

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 weighting 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 and School Board Pension Plans			
Asset Class:	Target Allocation:	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Rate of Return:
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
**Expected arithmetic nominal return			<u>7.30%</u>

- ** The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

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, 2019, 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, 2019 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.

Changes in the Net Pension Liability

	City Pension Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 7/01/2016	\$ 268,487,473	\$ 220,064,797	\$ 48,422,676
Changes for the Year:			
Service cost	7,259,255	-	7,259,255
Interest	18,400,909	-	18,400,909
Change of assumptions	(690,942)	-	(690,942)
Difference between expected and actual experience	(2,868,934)	-	(2,868,934)
Contributions -- employer	-	6,958,618	(6,958,618)
Contributions -- employee	-	3,248,534	(3,248,534)
Net investment income	-	26,854,025	(26,854,025)
Benefit payments including refunds of employee contributions	(11,234,683)	(11,234,683)	-
Administrative expense	-	(152,890)	152,890
Other changes	-	(24,013)	24,013
Net Changes	10,865,605	25,649,591	(14,783,986)
Balances at 6/30/2017	\$ 279,353,078	\$ 245,714,388	\$ 33,638,690

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Changes in the Net Pension Liability (Continued)

	Increase/(Decrease)		
	School Board (non-teacher) Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 7/1/2016	\$ 24,934,831	\$ 23,505,850	\$ 1,428,981
Changes for the Year:			
Service cost	668,468	-	668,468
Interest	1,706,059	-	1,706,059
Change of assumptions	(209,695)	-	(209,695)
Difference between expected and actual experience	(515,637)	-	(515,637)
Contributions -- employer	-	393,829	(393,829)
Contributions -- employee	-	324,226	(324,226)
Net investment income	-	2,848,179	(2,848,179)
Benefit payments including refunds of employee contributions	(1,125,127)	(1,125,127)	-
Administrative expense	-	(16,505)	16,505
Other changes	-	(2,534)	2,534
Net Changes	524,068	2,422,068	(1,898,000)
Balances at 6/30/2017	\$ 25,458,899	\$ 25,927,918	\$ (469,019)

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	\$72,244,371	\$33,638,690	\$1,725,751
School Board's (non-teacher) Net Pension Liability (Asset)	\$2,896,296	\$(335,887)	\$(3,047,404)
College and Career academy at Pruden (non-teacher) Net Pension Liability (Asset)	(127,000)	(133,132)	(138,000)
School Board's Teacher Retirement Plan Net Pension Liability	68,101,000	115,052,000	171,81,000
College and Career Academy at Pruden Teacher Retirement Plan Net Pension Liability	1,234,000	2,084,000	3,111,000

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2018, the City recognized pension expense of \$3,169,862.

For the year ended June 30, 2018, the School Board (non-teacher) plan recognized pension benefit of \$(117,077).

At June 30, 2018, the School Board Teacher Retirement Plan reported a liability of \$117,136,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The School Board's proportion of the Net Pension Liability was based on the School Board Teacher Retirement Plan's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board Teacher Retirement Plan's proportion was 0.95248% as compared to 0.94584% at June 30, 2016.

For the year ended June 30, 2018, The School Board's Teacher Retirement plan recognized pension expense of \$7,660,000. Since for the School Board's Teacher Retirement Plan, there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>City Pension Plan</u>		<u>School Board Non-teacher Plan</u>		<u>School Board Teacher Retirement Plan</u>	
	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	\$ 709,576	\$ 4,091,928	\$ 54,183	\$ 596,169	\$ -	\$ 8,294,000
Change of assumptions	-	520,759	-	143,101	1,709,000	-
Net difference between projected and actual earnings on pension plan investments.	-	3,544,030	-	373,232	-	4,256,000
Change in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-	2,450,000	3,816,000
Contributions to the plan subsequent to the measurement date	7,309,368	-	395,660	-	12,290,506	-
Total	\$ 8,018,944	\$ 8,156,717	\$ 449,843	\$ 1,112,502	\$ 16,449,506	\$ 16,366,000

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

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

\$7,309,368, \$395,660, and \$12,290,506 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, 2019.

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
2019	\$(4,056,288)	\$(585,039)	\$(5,584,000)
2020	(244,255)	(193,714)	(807,000)
2021	(795,660)	(35,420)	(1,245,000)
2022	(2,350,938)	(244,146)	(3,962,000)
2023	-	-	(609,000)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS Comprehensive Annual Financial Report (CAFR). A copy of the VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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 – Local Trust

Plan Description

The City has established an irrevocable trust pursuant to Section 15.21544 of the *Code of Virginia*, as amended for the purpose of accumulated and investing assets to 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. 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.

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Other Postemployment Benefits Program – Local Trust (Continued)

Plan Description (continued)

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, 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.

Plan Membership

Number of Employees by Class:		
	City	School Board
Inactive members and beneficiaries currently receiving benefits	154	88
Active Employees:	1,204	1,781
Total	1,358	1,869

Contribution Requirements

The City and School Board establish 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.

The annual cost of OPEB is the Actuarially Determined Contribution (ADC). The City and School Board elected to pre-fund OPEB liabilities. The City and School Board are contributing the ADC, an amount actuarially determined in accordance with GAAP. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over open amortization period not to exceed thirty years.

For the fiscal year ended June 30, 2018, the City contributed \$2,488,906 toward OPEB costs including \$1,034,450 contributed to the trust fund and \$1,454,455 in claims paid on behalf of the retirees. The School Board contributed \$1,063,180 toward OPEB costs representing claims paid on behalf of retirees.

Plan Investments

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Other Postemployment Benefits Program – Local Trust (Continued)

Plan Investments (continued)

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized below:

Asset Class:	Target Allocation	Expected 10-Year Geometric Real Rate of Return
U.S Equity – Large Cap	26.00%	7.79%
U.S Equity – Small Cap	10.00%	9.08%
Non U.S. Equity – Developed	13.00%	8.79%
Non U.S. Equity – Emerging	5.00%	10.14%
Core Bonds	7.00%	2.80%
Core Plus	14.00%	3.07%
Real Estate	7.00%	5.84%
Hedge Funds	10.00%	6.32%
Commodities	3.00%	3.90%
Private Equity	5.00%	10.43%
Total	100.00%	

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

For the year ended June 30, 2018, and June 30, 2017 the annual money-weighted rate of return on investments, net of investment expense was 9.52% and 13.04% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The City's net OPEB Liability for each plan was based on a valuation date of July 1, 2016 and rolled forward to a measurement date of June 30, 2018. The School Board net OPEB Liability was measured as of its fiscal year end of December 31, 2017 based on a valuation date of December 31, 2017.

The components of the Plans' net OPEB Liability were as follows:

	Net OPEB Liability	
	City	School Board
Total OPEB liability	\$34,069,522	\$13,625,931
Plan fiduciary net position	35,439,613	15,465,239
Net OPEB asset	\$(1,370,091)	\$(1,839,308)
Fiduciary net position as a percent of total OPEB liability	104.02%	113.5%

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Other Postemployment Benefits Program – Local Trust (Continued)

Actuarial Methods and Assumptions

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 total OPEB liability for the City as part of the actuarial valuation performed as of June 30, 2016 for the City and December 31, 2017 for the School Board, using the following actuarial assumptions:

	City	School Board
Investment rate of return	7.5%	7.5%
Actuarial Cost Method	Entry Age Normal, level percentage of pay.	Entry Age Normal, level percentage of pay.
Inflation Rate	2.5%	2.50%
Projected salary increases	3.5% - 5.35%	3.50 – 5.95%
Real Wage Growth Rate	1.00%	1.00%
Health care cost trend rate:		
Initial	7.75%	7.00%
Ultimate (year of ultimate Trend rate)	5.00% (2022)	4.75% (2022)

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate was performed in accordance with GAAP. The projection's basis was an actuarial valuation performed as of June 30, 2016 for the City and December 31, 2017 for the School Board. The fiduciary net position projections are based upon the Plan's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GAAP. The long-term expected rate of return on plan investments is 7.5%. The long-term expected rate of return was applied to the periods of projected benefit payments and it is not anticipated that the plan's assets will be exhausted. The expected municipal bond rate was not applied to determine the discount rate.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Other Postemployment Benefits Program – Local Trust (Continued)

Sensitivity of the Net OPEB Liability –for the Plan (GASB 74 disclosures)

The net OPEB liability is shown below as calculated at the current discount rate and current health care cost trend rate as indicated and also calculated using rates 1% lower and 1% higher. The City's net OPEB Liability for the plan was based on a valuation date of July 1, 2016 and rolled forward to a measurement date of June 30, 2018.

	Net OPEB Liability (Asset) analysis using discount rate:		
	1% lower (6.5%)	Current Rate (7.5%)	1% higher (8.5%)
City's Plan	\$3,612,688	\$(1,370,091)	\$(5,482,020)

	Net OPEB Liability (Asset) using the health care cost trend rate:		
	1% lower (6.75%)	Current rate (7.75%)	1% higher (8.75%)
City's Plan	\$(5,845,263)	\$(1,370,091)	\$4,130,590

Sensitivity of the Net OPEB Liability – for the Employer (GASB 75 disclosures)

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

	Net OPEB Liability (Asset) analysis using discount rate:		
	1% lower (6.5%)	Current Rate (7.5%)	1% higher (8.5%)
City's Plan	\$5,752,903	\$861,649	\$(3,158,978)
School Board	\$(738,421)	\$(1,839,308)	\$(2,845,760)

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

	1% lower (6.00%)	Current rate (7.00%)	1% higher (8.00%)
School Board	\$(3,149,886)	\$(1,839,308)	\$(321,700)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Other Postemployment Benefits Program – Local Trust (Continued)

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	City Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at 7/01/2016	\$ 30,201,776	\$ 25,720,279	\$ 4,481,497
Changes for the Year:			
Service cost	886,026	-	886,026
Interest	2,225,368	-	2,225,368
Contributions -- employer	-	3,340,696	(3,340,696)
Net investment income	-	3,390,546	(3,390,546)
Benefit payments including refunds of employee contributions	(1,060,396)	(1,060,396)	-
Net Changes	2,050,998	5,670,846	(3,619,848)
Balances at 6/30/2017	\$ 32,252,774	\$ 31,391,125	\$ 861,649

	Increase/(Decrease)		
	School Board Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset
Balance at 12/31/2016	\$ 14,411,142	\$ 13,406,521	\$ 1,004,621
Changes for the Year:			
Service cost	518,107	-	518,107
Interest	1,168,697	-	1,168,697
Difference between expected and actual experience	(2,060,226)	-	(2,060,226)
Difference between expected and actual earnings on plan investments	-	1,069,138	(1,069,138)
Contributions -- employer	-	1,323,985	(1,323,985)
Net investment income	-	1,004,126	(1,004,126)
Benefit payments including refunds of employee contributions	(1,323,985)	(1,323,985)	-
Administrative expense	-	(14,546)	14,546
Change in assumptions	1,303,406	-	1,303,406
Change in benefit terms during current period	(391,210)		(391,210)
Net Changes	(785,211)	2,058,718	(2,843,929)
Balances at 12/31/2017	\$ 13,625,931	\$ 15,465,239	\$ (1,839,308)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Other Postemployment Benefits Program – Local Trust (Continued)

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the City and School Board recognized OPEB expense in the amount of \$2,433,285 and \$6,486 respectively. The City and School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	City		School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ 1,791,618
Change of assumptions	-	-	1,133,470	-
Net difference between projected and actual earnings on pension plan investments.	-	2,712,439	-	855,310
Contributions to the plan subsequent to the measurement date	2,488,906	-	517,106	-
Total	\$ 2,488,906	\$ 2,712,439	\$ 1,650,576	\$ 2,646,928

\$2,488,906 and \$517,106 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in the future fiscal years and noted below:

Year Ended June 30:	City OPEB Plan	School Board OPEB Plan
2019	\$678,109	\$(312,500)
2020	\$678,109	\$(312,500)
2021	\$678,109	\$(312,500)
2022	\$678,112	\$(312,498)
2023	\$ -	\$(98,672)
Thereafter	\$ -	\$(164,788)

Additional information on changes in net OPEB Liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans

Plan Description

Group Life Insurance Program (GLI):

All full-time, salaried permanent employees of the City and School Board, including the teachers are automatically covered by the VRS GLI Program upon employment. This plan is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. In addition to the basic group life insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the optional group life insurance program. Since this is a separate and fully insured program, it is not included as part of the GLI.

Line of Duty Act Program (LODA):

All paid employees and volunteers in hazardous duty position in the City and hazardous duty employees who are covered under the VRS, the State Police Officer's retirement system (SPORS), or the Virginia Law Officers Retirement System (VaLORS) are automatically covered by LODA. VRS is responsible for managing the assets of the program as required by statute. Participating employers made contributions to the program beginning in FY2012. The employer contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

Employee Virginia Local Disability Program (VLDP):

All full-time, salaried permanent (professional) employees of the School Board who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt of the VRS-sponsored program are automatically covered by the VLDP. This plan is administered by VRS, along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. School divisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their hybrid employees either through a local plan or through the VLDP.

Teacher Employee Health Insurance Credit Program (HIC)

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This plan is administered by the System, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

Plan Description (continued)

The specific information for each of the plans, including eligibility, coverage and benefits are set out in the table below:

Group Life Insurance	Line of Duty Act	Health Insurance Credit Program	Virginia Local Disability Program
<p>Eligible Employees: GLI was established July 1, 1960, for state employees, teachers and employees of political subdivision that elect the program.</p> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employee who leave their position before retirement eligibility or who take a refund of their contributions and interest.</p>	<p>Eligible Employees: Paid employees and volunteers in hazardous duty position in the City and hazardous duty employees who are covered under the VRS, the State Police Officer's retirement system (SPORS), or the Virginia Law Officers Retirement System (VaLORS) are automatically covered by LODA.</p>	<p>Eligible Employees: Retired teacher employees who retire with at least 15 years of service credit. Enrolled automatically upon employment if they are full-time permanent professional salaried employees covered under VRS</p>	<p>Eligible Employees: Eligible employees are enrolled automatically upon employment. Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.</p>
<p>Benefit Amounts: <i>Natural Death Benefit:</i> equal to the employees' covered compensation rounded to the next highest thousand then doubled. <i>Accidental Death Benefit:</i> double the natural death benefit <i>Other Benefit Provisions:</i> other benefits provided under specific circumstances, including, accidental dismemberment, safety belt benefit, repatriation benefit, felonious assault and accelerated death benefit option.</p>	<p>Benefit Amounts: <i>Death:</i> A one-time payment made to the beneficiary of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as a direct or proximate result of performing duty as of 1/1/06 or after, or \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than 5 years after retirement. An additional \$20,000 benefit is payable when certain members of the National Guard and U.S Military reserves are killed in action after 10/7/01.</p>	<p>Benefit Amounts: <i>At retirement:</i> Monthly benefit is \$4.00 per year of servers per month with no cap on the benefit amount. <i>Disability retirement:</i> If retire on disability or go on long-term disability under VLDP the benefit is either: (a) \$4.00 per month, multiplied by twice the amount of service credit, or (b) \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</p>	<p>Benefit Amounts: <i>Short-Term Disability:</i> Beginning after a 7 calendar-day waiting period from the first day of disability. Employees are eligible for non-work related coverage after one year of continuous participation with their current employer. During the first 5 years of continuous participation employees are eligible for 60% of their pre-disability income. Once the eligibility period is satisfied employees are eligible for higher income replacement levels.</p>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

Plan Description (continued)

Group Life Insurance	Line of Duty Act	Health Insurance Credit Program	Virginia Local Disability Program
The benefit amounts are subject to a reduction factor. The amount reduced by 25% on January 1 following one calendar year of separation, and an additional 25% reduction on each January 1 until it reached 25% of its original value.	<i>Health Insurance:</i> beginning July 1, 2017 the health insurance benefits are managed through the Virginia department of human resource management and modeled after the state employee plans.		<i>Long-Term Disability:</i> Begins after 125 workdays of short-term disability. Eligible if member is unable to work at all or less than 20 hours per week. Members will receive 60% of their pre-disability income and will be offset by any worker's compensation benefit.
Minimum benefit and COLA: For members with at least 30 years of creditable service there is a minimum benefit set and is increased annually based on the VRS Plan 2 cost of living adjustment.	Minimum benefit and COLA:	Minimum benefit and COLA:	Minimum benefit and COLA:
Program Notes:	Program Notes:	Program Notes: The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for HIC as a retiree.	Program Notes: If the member is aged 60 or older will be eligible for the benefit provided they remain medically eligible.

Contribution Requirements

Group Life Insurance Program (GLI):

The contribution requirements for GLI are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%).

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

Contribution Requirements (continued)

Group Life Insurance Program (GLI) (continued):

Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to GLI from the City were \$345,599 and \$333,605 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to GLI for the School Board were \$435,835 and \$427,312 for the years ended June 30, 2018 and June 30, 2017 respectively.

Line of Duty Act Program (LODA):

The contribution requirements for LODA are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for LODA for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to LODA from the City were \$304,819 and \$298,011 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Virginia Local Disability Program (VLDP):

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 0.31% of covered employee compensation for employees in the VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the school board to the VLDP were \$52,058 and \$38,690 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program (HIC):

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

Contribution Requirements (continued)

Teacher Employee Health Insurance Credit Program (HIC) (continued):

Contributions from the school division to the VRS Teacher Employee HIC Program were \$943,341 \$832,485 for the years ended June 30, 2018 and June 30, 2017, respectively.

Long-Term Expected Rate of Return

Group Life Insurance Program (GLI), Teacher Health Insurance Credit Program (HIC) and Teacher Employee Virginia Local Disability Program (VLDP):

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's 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 weighting 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 below:

<i>GLI, HIC and VLDP Programs:</i>			
Asset Class:	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
*Expected arithmetic nominal return			7.30%

- * The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Line of Duty Act Program (LODA):

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

Net OPEB Liability

The net OPEB liability (NOL) for the GLI, HIC, LODA and VLDP represents the programs' total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the four programs are as follows:

	City and School - GLI	City - LODA	School - HIC	School - VLDP
Total OPEB liability	\$2,942,426,000	\$266,252,000	\$1,364,702	\$1,787,000
Plan fiduciary net position	1,437,586,000	3,461,000	96,091	630,000
Net OPEB liability	<u>\$1,504,840,000</u>	<u>\$262,791,000</u>	<u>\$1,268,611</u>	<u>\$1,157,000</u>
Fiduciary net position as a percent of total OPEB liability	48.86%	1.30%	7.04%	0.52%

The total OPEB liabilities are calculated by the System's actuary and the plan's fiduciary net position is reported in the System's financial statements. The net OPEB liabilities are disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

Actuarial Methods and Assumptions

The total GLI, HIC, LODA and VLDP, OPEB liabilities were based on actuarial valuations as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

	City and School - GLI	City - LODA	School HIC and VLDP
Investment rate of return, net of investment expenses, including inflation *	7.0%	3.56%	7.0%
Health Care cost trend rate:			
Under age 65	n/a	7.75%-5.0%	n/a
Age 65 and older	n/a	5.75% - 5.0%	n/a
Inflation Rate	2.5%	2.5%	2.5%
Projected salary increases:			
Locality – general	3.5% - 5.35%	n/a	3.5% - 5.35%
Locality – hazardous duty	3.5% - 4.75%	3.5% - 4.75%	3.5% - 4.75%
Teachers	3.5% - 5.95%	n/a	3.5% - 5.95%

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

Actuarial Methods and Assumptions (continued)

- * **GLI, HIC and VLDP:** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.
- * **LODA:** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Mortality Rates are as follows for all plans:

Mortality Rates – Teachers:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

Mortality rates – Non-Largest Ten Locality Employers - General Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

Actuarial Methods and Assumptions (continued)

Mortality rates – Non-Largest Ten Locality Employers - General Employees (continued):

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

	General Employees	Teachers	Hazardous Duty Employees
Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020	Updated to a more current mortality table – RP-2014 projected to 2020	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.	Lowered rates at older ages and changed final retirement from 70 to 75	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year	Adjusted rates to better fit experience at each year age and service through 9 years of service	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates	Adjusted rates to better match experience	Adjusted rates to better match experience
Salary Scale	No change	No change	No change
Line of Duty Disability	Increased rate from 14 to 15%	n/a	Decreased rate from 60% to 45%

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

Actuarial Methods and Assumptions (continued)

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017):

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

Discount Rate (continued)

Group Life Insurance Program (GLI):

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Line of Duty Act Program (LODA):

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

Discount Rate (continued)

Teacher Employee Virginia Local Disability Program (VLDP):

The discount rate used to measure the total School Board Employee VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

Teacher Employee Health Insurance Credit Program (HIC):

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

Sensitivity of the Net OPEB Liability

The following present the employer's proportionate share of the Net OPEB liabilities using the discount rate for each plan (the current rate shown below) as well as what the NOL would be using a discount rate that is one percentage point lower or one percentage point higher.

	Net OPEB Liability analysis using Discount rate:		
	1% lower (6.00%)	Current Rate (7.00%)	1% higher (8.00%)
City - GLI	\$6,770,000	\$5,234,000	\$3,989,000
School - GLI	\$8,511,000	\$6,704,000	\$5,110,000
School - HIC	\$13,455,000	\$12,056,000	\$10,866,000
School VLDP	\$30,000	\$25,000	\$22,000

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

Sensitivity of the Net OPEB Liability (continued)

	1% lower (2.56%)	Current Rate (3.56%)	1% higher (4.56%)
City - LODA	\$8,233,000	\$7,261,000	\$6,448,000

Because the LODA Program contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	1% lower (6.75% decreasing to 4.0%)	Current rate (7.75% decreasing to 5.0%)	1% higher (8.75% decreasing to 6.0%)
City - LODA	\$6,161,000	\$7,261,000	8,624,000

OPEB Liabilities, Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the City and School Board reported liabilities for the four various OPEB plans in the amount shown in the table below for their proportionate share of the OPEB plans. The OPEB Liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the Net OPEB Liabilities were determined by an actuarial valuation as of that date. The City and School Board's GLI, HIC and VLDP OPEB liabilities were based on the covered employer's actuarially determined employer contributions to the plans for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. The City's proportion of the Net LODA OPEB liability was based on the City's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the City and School Board's respective proportions of the various programs as compared to the proportions for June 30, 2016 are shown below.

	<u>City – GLI</u>	<u>City – LODA</u>	<u>School – GLI</u>	<u>School – HIC</u>	<u>School – VLDP</u>
Net OPEB Liability	\$5,234,000	\$7,261,000	\$6,704,000	\$12,056,000	\$25,000
TOTALS FOR CITY AND SCHOOL	12,495,000			\$18,785,000	
6/30/17 Proportionate share of contributions	0.34781%	2.76316%	0.40209%	0.93336%	3.83486%
6/30/16 Proportionate share of contributions	0.32919%	2.77054%	0.40934%	0.95031%	4.31966%

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

OPEB Liabilities, Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

For the year ended June 30, 2018, the City and School Board OPEB expense for the various plans as shown below. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS Teacher Employee VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

	<u>City – GLI</u>	<u>City – LODA</u>	<u>School – GLI</u>	<u>School - HIC</u>	<u>School - VLDP</u>
OPEB Expense	\$110,000	\$635,000	\$62,000	\$955,000	\$30,000

At June 30, 2018, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to the OPEB plans from the following sources:

	<u>City – GLI</u>		<u>City - LODA</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$-	\$116,000	\$-	\$-
Difference between projected and actual earnings	-	197,000	-	12,002
Change in assumptions	-	270,000	-	750,000
Changes in proportion	275,000	-	-	19,000
Employer contributions subsequent to the measurement date	348,273	-	298,011	-
Total	<u>\$623,273</u>	<u>\$583,000</u>	<u>\$298,011</u>	<u>\$781,002</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Program – VRS Plans (Continued)

OPEB Liabilities, Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources
(continued)

	<u>School Board - GLI</u>		<u>School Board - HIC</u>		<u>School Board - VLDP</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences						
Between expected						
and actual						
experience	\$-	\$147,000	\$-	\$-	\$-	\$-
Net Difference						
between projected						
and actual earnings						
on plan investments	-	253,000	-	21,000	-	-
Change in						
Assumptions	-	346,000	-	125,000	2,000	-
Changes in						
proportion	6,000	41,000	-	162,000	-	-
Employer						
contributions						
subsequent to the						
measurement date	1,097,184	-	942,795	-	52,058	-
Total	<u>\$1,103,184</u>	<u>\$787,000</u>	<u>\$942,795</u>	<u>\$308,000</u>	<u>\$54,058</u>	<u>\$-</u>

The amounts shown in the tables above reported as deferred outflows of resources related to the OPEB from the City and School Boards contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in the OPEB expense in future reporting periods as follows:

	<u>City – GLI</u>	<u>City – LODA</u>	<u>School – GLI</u>	<u>School - HIC</u>	<u>School - VLDP</u>
FY 2019	(\$69,000)	(\$98,000)	(\$160,000)	(\$49,000)	\$2,000
FY 2020	(69,000)	(98,000)	(160,000)	(49,000)	-
FY 2021	(69,000)	(98,000)	(160,000)	(49,000)	-
FY 2022	(69,000)	(98,000)	(160,000)	(49,000)	-
FY 2023	(20,000)	(95,000)	(101,000)	(43,000)	-
Thereafter	(12,000)	(294,002)	(40,000)	(69,000)	-

Plan Fiduciary Net Positions

Detailed information about the various programs' Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 14. Commitments and Contingencies

Federally assisted grant programs:

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

Construction Commitments:

The City has authorized expenditures for capital additions and construction of various governmental and utility capital projects. At June 30, 2018, projects expected to be completed at various dates through 2019 had a total unexpended balance of \$21,225,688 (governmental) and \$7,271,031 (utility).

Encumbrances:

The City has the following encumbrances as of June 30, 2018:

General Fund	Road Maintenance Fund	Capital Projects Fund	Non-Major Governmental Funds	Utility Fund	Non-Major Enterprise Fund	Internal Service Funds
\$2,306,177	\$1,780,726	\$21,225,688	\$662,663	\$7,799,922	\$240,047	\$2,301,409

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, 2018, lease payments and the associated repairs and maintenance commitments had a total unexpended balance of \$3,266,488.

Litigation:

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 15. Risk Management

The City and School Board are exposed to various risks of loss related to the following: torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City and School Board participate with other localities in a public entity risk pool, the Virginia Municipal League, for their coverage of property damage. The City and School Board pay an annual premium to the pools for its general insurance coverage. The agreement for the formation of the pools provides that the pools will be self-sustaining through member premiums. The City and School Board continue to carry commercial insurance for all other risks of loss.

There have been no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Self-Insurance – City:

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

Claims payable reported in the Risk Management Fund at June 30, 2018 consists of all current self-insured claims payable, including an estimate of incurred but not reportable claims amounting to \$2,422,955 the current portion of which is \$1,757,229. 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, 2018 and 2017:

		Beginning Balance	Claims and Reserves	Claim Payments	Ending Balance
Workers' Compensation					
2018	\$	1,381,732	\$ 29,961	\$ 495,968	\$ 915,725
2017	\$	1,534,322	\$ 928,457	\$ 1,081,047	\$ 1,381,732
Property and Liability					
2018	\$	1,304,582	\$ 360,035	\$ 1,313,388	\$ 351,229
2017	\$	401,949	\$ 2,666,442	\$ 1,763,809	\$ 1,304,582
Health Insurance					
2018	\$	1,371,221	\$ 12,071,646	\$ 12,286,866	\$ 1,156,001
2017	\$	1,373,786	\$ 14,988,101	\$ 14,990,666	\$ 1,371,221

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 15. Risk Management (Continued)

Self-Insurance – School Board:

The School Board is self-insured for workers' compensation benefits. Charges are made to the School Operating, Grants, and Food Service Funds as approved by City Council in the annual operating budgets. Any excess charges are reflected as nonspendable balance for workers' compensation claims in the School Operating Fund. At June 30, 2018, \$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 of June 30, 2018, the workers' compensation benefit obligation consisted of \$866,998 in reported unpaid claims and estimated incurred but not reported claims.

Workers' Compensation Self-Insurance Coverage – School Board

Changes in the balance of claims liabilities during the years ended June 30, 2018 and 2017, are as follows:

		<u>Beginning</u>	<u>Claims and</u>	<u>Claim</u>	<u>Ending</u>
		<u>Balance</u>	<u>Reserves</u>	<u>Payments</u>	<u>Balance</u>
Workers' Compensation					
2018	\$	958,417	\$ 677,615	\$ 769,034	\$ 866,998
2017	\$	702,497	\$ 970,693	\$ 714,773	\$ 958,417

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, 2018, School Operating Fund prepaids of \$95,000 were held for purposes of funding the School Board's future claims liabilities. As a result, \$285,122 of the School Operating Fund balance is allocated for payment of future claims liabilities.

Note 16. Subsequent Events

The City issued \$18,530,000 of authorized General Obligation, with maturity dates of February 1, 2038. These bonds were issued to finance capital projects approved in the FY2019 Capital Improvements Plan.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 17. Prior Period Adjustment

The implementation of GASB Statement No.'s 74 and 75 required the reporting of a net OPEB liability and related flows of resources on the financial statements of the full accrual basis statements. The implementation of these standards required the restatement of net position for the beginning balance of the net OPEB liability as actuarially determined as well as the beginning balance of the deferred outflows of resources for the contributions subsequent to the initial measurement date. The restatement also included the elimination of the balance of the OPEB asset as reported under previous guidance.

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

	Primary Government				
	Governmental Activities (excluding ISF)	Fleet Management Fund	Information Technology Fund	Risk Management Fund	Total Governmental Activities
Net Position					
June 30, 2017, as previously stated	\$ 354,655,802	\$ 26,421,055	\$ 2,883,220	\$ 4,856,808	\$ 388,816,885
Restatement for:					
Implementation of GASB 75 for OPEB plans, City trust and VRS	(15,947,701)	(172,717)	(209,832)	(46,490)	(16,376,740)
Net Position/Fund Balance					
June 30, 2017, as restated	\$ 338,708,101	\$ 26,248,338	\$ 2,673,388	\$ 4,810,318	\$ 372,440,145

	Primary Government				Component Unit
	Utility Fund	Stormwater Fund	Refuse Fund	Total Business- type Activities	School Board
Net Position					
June 30, 2017, as previously stated	\$ 145,567,672	\$ 1,802,739	\$ 2,958,989	\$ 150,329,400	\$ 14,854,182
Restatement for:					
Implementation of GASB 75 for OPEB plans, City trust and VRS	(929,504)	(343,393)	(147,400)	(1,420,297)	(18,391,841)
Net Position/Fund Balance					
June 30, 2017, as restated	\$ 144,638,168	\$ 1,459,346	\$ 2,811,589	\$ 148,909,103	\$ (3,537,659)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 18. 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	\$ 37,908	\$ -	\$ -	\$ -	\$ 45,654
Total Nonspendable	37,908	-	-	-	45,654
Restricted for:					
Judicial Administration	78,783	-	-	-	680,304
Public Safety	-	-	-	-	30,129
Public Works	1,473,764	-	-	-	16,664
Cemetery Care	-	-	-	-	1,071,735
Community Development	-	-	-	-	903,199
Capital Outlay:	-	409,729	-	-	-
Roadway Projects	-	20,101,134	10,851,467	-	-
Schools	-	13,254,896	-	-	-
Public Facilities	-	3,750,612	-	-	-
Aviation	-	71,207	-	-	-
Recreation facilities	-	5,302,757	-	-	-
Debt Service	-	-	-	397,267	-
Total Restricted	1,552,547	42,890,335	10,851,467	397,267	2,702,031
Committed to:					
General Government	53,683	-	-	-	187,528
Judicial administration	232,960	-	-	-	-
Public Safety - Police	508,341	-	-	-	-
Public Safety - Fire	458,619	-	-	-	-
Transportation	-	-	-	-	236,674
Public Works	-	-	-	-	8,196
Aviation	-	-	-	-	468,023
Route 17 Taxing District	-	-	-	-	1,699,098
Economic Development Incentives	1,879,612	-	-	-	-
Capital Outlay	3,500,000	10,890,140	-	-	-
Debt Service	-	-	-	95,453	-
Total Committed	6,633,215	10,890,140	-	95,453	2,599,519
Assigned to:					
General Government Administration	43,789	-	-	-	-
Judicial Administration	26,179	-	-	-	-
Public Safety - Police	56,326	-	-	-	-
Public Safety - Fire	84,978	-	-	-	-
Public Works	70,247	-	-	-	-
Parks, Recreation and Cultural	41,078	-	-	-	-
Community Development	103,967	-	-	-	-
Total Assigned	426,564	-	-	-	-
Unassigned	65,326,008	-	-	-	(10,819)
Total Fund Balance	\$ 73,976,242	\$ 53,780,475	\$ 10,851,467	\$ 492,720	\$ 5,336,385

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 19. Tax Abatement Agreements

As of June 30, 2018, the City provides tax abatement through two programs -- the land use program and the rehabilitated structures program.

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

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

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

Tax Abatement Program	<u>Amount of Taxes Abated</u>	
	City Wide Real Estate	Downtown Business Overlay District
Land Use program	\$4,116,701	\$ -
Rehabilitated Structures	\$114,706	\$9,930

Note 20. New Accounting Standards

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 20. New Accounting Standards (Continued)

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This statement is effective for fiscal year ending June 30, 2020.

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in the notes related to debt, including direct borrowings and direct placements. This statement is effective for the fiscal year ending June 30, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement is effective for the fiscal year ending June 30, 2021.

GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*, improves the consistency and comparability of reporting a government's majority equity interests in a legally separate organization and to improve the relevance of financial information for certain component units. This statement is effective for the fiscal year ending June 30, 2020.

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
General property taxes:				
Real estate	\$ 96,871,160	\$ 96,871,160	\$ 97,643,722	\$ 772,562
Personal property	19,500,000	19,500,000	20,051,786	551,786
Public service corporations	4,000,000	4,000,000	4,344,058	344,058
Machinery and tools	-	-	1,956,808	1,956,808
Payments in Lieu of Taxes	3,000	3,000	-	(3,000)
Penalties	1,000,000	1,000,000	1,211,106	211,106
Total general property taxes	121,374,160	121,374,160	125,207,480	3,833,320
Other Local Taxes				
Sales and use	10,500,000	10,500,000	10,977,388	477,388
Utility tax	4,400,000	4,400,000	4,839,131	439,131
Communication taxes	3,300,000	3,300,000	3,212,841	(87,159)
Business and occupational licenses	7,500,000	7,500,000	7,552,220	52,220
Motor vehicle license	2,400,000	2,400,000	2,354,440	(45,560)
Bank stock	575,000	575,000	675,738	100,738
Recordation	1,450,000	1,450,000	1,866,957	416,957
Tobacco	1,950,000	1,950,000	1,971,283	21,283
Lodging	1,500,000	1,500,000	1,787,927	287,927
Meals	9,000,000	9,000,000	10,111,438	1,111,438
Admission	300,000	300,000	387,581	87,581
Total other local taxes	42,875,000	42,875,000	45,736,944	2,861,944
Permits, fees, and licenses				
Animal license	35,000	35,000	31,311	(3,689)
Permits and other licenses	1,025,800	1,025,800	1,438,776	412,976
Total permits, fees, and licenses	1,060,800	1,060,800	1,470,087	409,287
Fines and forfeitures	540,000	540,000	884,308	344,308
Revenue from use of money and property:				
Revenue from use of money	350,000	350,000	1,643,794	1,293,794
Revenue from use of property	338,946	338,946	386,259	47,313
Total use of money and property	688,946	688,946	2,030,053	1,341,107
Charges for services:				
Court costs	203,787	203,787	236,470	32,683
Commonwealth's attorney fee	9,000	9,000	11,556	2,556
Police and traffic control	30,000	30,000	39,612	9,612
Charges for fire and rescue service	1,863,519	1,863,519	1,745,082	(118,437)
Charges for other protection	70,000	70,000	51,965	(18,035)
Charges for parks and recreation	900,000	900,000	927,991	27,991
Charges for library	18,000	18,000	19,284	1,284
Charges for tourism	45,500	45,500	16,442	(29,058)
Charges for planning and community development	100	100	5	(95)
Charges for other services	337,458	337,458	226,752	(110,706)
Total charges for services	3,477,364	3,477,364	3,275,159	(202,205)

(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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES (Continued)				
Miscellaneous revenue				
Miscellaneous	\$ 1,200,180	\$ 1,227,390	\$ 1,544,422	\$ 317,032
Total revenue from local sources	171,216,450	171,243,660	180,148,453	8,904,793
Revenue from the Commonwealth:				
Noncategorical aid:				
Tax on deeds	350,000	350,000	369,677	19,677
Railroad rolling stock tax	130,000	130,000	128,377	(1,623)
House bill 599 funds	2,853,819	2,853,819	2,853,820	1
PPTRA	10,169,730	10,169,730	10,169,730	-
Mobile home titling tax	15,000	15,000	21,641	6,641
Vehicle rental tax	130,000	130,000	183,121	53,121
Total noncategorical aid	13,648,549	13,648,549	13,726,366	77,817
Categorical aid:				
Commonwealth's Attorney	1,026,702	1,026,702	1,060,807	34,105
Commissioner of Revenue	166,610	166,610	176,773	10,163
Treasurer	213,431	213,431	215,777	2,346
Sheriff	933,199	933,199	947,533	14,334
Circuit Court Clerk	551,630	666,426	666,465	39
Registrar	46,399	46,399	47,458	1,059
Total categorical aid	2,937,971	3,052,767	3,114,813	62,046
Other categorical aid:				
Public assistance and welfare administration	3,599,728	3,599,728	2,581,744	(1,017,984)
Police	200,000	200,000	285,732	85,732
Fire and rescue	355,152	355,152	363,443	8,291
Library	159,605	159,605	159,683	78
Other categorical aid	-	60,000	60,000	-
Total other categorical aid	4,314,485	4,374,485	3,450,602	(923,883)
Total categorical aid	7,252,456	7,427,252	6,565,415	(861,837)
Total revenue from the Commonwealth	20,901,005	21,075,801	20,291,781	(784,020)
Revenue from the Federal government				
Categorical aid:				
Public assistance and welfare administration	5,180,507	5,180,507	4,870,413	(310,094)
Other Categorical Aid	-	-	29,311	29,311
Parks, recreation and cultural	20,000	20,000	19,493	(507)
Total revenue from the Federal government	5,200,507	5,200,507	4,919,217	(281,290)
Total revenues	197,317,962	197,519,968	205,359,451	7,839,483

(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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES				
General Government administration:				
Legislative:				
City Council	\$ 394,306	\$ 357,203	\$ 357,203	\$ -
General and financial administration:				
City Manager	1,063,871	1,048,200	1,048,200	-
Budget and strategic planning	333,848	329,251	330,681	(1,430)
City Attorney	1,044,867	1,043,052	1,045,912	(2,860)
Human resources	1,138,291	1,094,045	1,094,225	(180)
Commissioner of the Revenue	1,164,030	1,153,618	1,153,618	-
City Assessor	1,677,130	1,674,250	1,674,250	-
City Treasurer	1,590,695	1,585,251	1,585,431	(180)
Finance	1,686,316	1,509,389	1,509,389	-
Purchasing	341,617	337,931	339,181	(1,250)
Capital program management	3,990,454	4,057,136	4,057,136	-
Media and community relations	712,505	725,301	725,301	-
Local and regional organizations	980,916	982,096	982,096	-
Board of Elections:				
Registrar	483,627	483,085	483,085	-
Total general government administration	16,602,473	16,379,808	16,385,708	(5,900)
Judicial administration:				
Courts:				
Circuit Court	206,448	202,660	202,660	-
District Court	62,618	57,600	57,600	-
Magistrate	17,355	16,061	16,061	-
Juvenile and Domestic Relations Court	15,854	11,976	11,976	-
Juvenile and Domestic Relations Court Service Unit	973,435	543,995	543,995	-
Circuit Court Clerk	1,460,532	1,564,578	1,561,540	3,038
Sheriff	2,644,434	2,741,880	2,741,880	-
Commonwealth's Attorney	3,132,736	3,286,698	3,075,177	211,521
Total judicial administration	8,513,412	8,425,448	8,210,889	214,559
Public safety:				
Police	22,989,757	23,285,509	23,294,135	(8,626)
Communications	1,964,927	1,966,240	1,966,240	-
Property seizure program - Federal	-	201,113	10,446	190,667
Police E-ticketing	-	135,667	114,535	21,132
Confiscation program - State	-	270,277	5,589	264,688
DARE	-	2,850	-	2,850
Fire	26,485,504	29,471,974	29,072,031	399,943
Western Tidewater Regional Jail	4,364,052	4,364,052	4,364,052	-
Community development NDS	2,505,934	2,497,272	2,497,272	-
Emergency services	39,727	28,365	28,365	-
Total public safety	58,349,901	62,223,319	61,352,665	870,654
Public works:				
Administration	1,031,120	994,587	994,587	-
Total public works	1,031,120	994,587	994,587	-

(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, 2018

	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	295,210	295,210	295,210	-
Social Services	12,245,979	12,416,974	10,779,465	1,637,509
Comprehensive Services Act	1,401,538	1,438,038	1,402,240	35,798
Total health and welfare	<u>14,782,727</u>	<u>14,990,222</u>	<u>13,316,915</u>	<u>1,673,307</u>
Education:				
Contributions to component unit school board	55,832,201	55,964,411	55,917,072	47,339
Lease rent of building	551,517	550,443	550,443	-
Total education	<u>56,383,718</u>	<u>56,514,854</u>	<u>56,467,515</u>	<u>47,339</u>
Parks, recreation, and cultural:				
Parks and recreation	1,773,349	1,764,049	1,764,049	-
Parks and recreation -- Office on Youth	103,754	91,855	91,855	-
Parks and recreation maintenance	2,229,748	2,317,602	2,319,644	(2,042)
Parks and recreation ground maintenance	553,192	569,684	569,685	(1)
Parks and recreation support services	670,859	584,532	584,532	-
Parks and recreation - recreation	2,308,799	2,593,681	2,594,181	(500)
Public libraries	3,113,800	3,058,982	3,062,504	(3,522)
Total parks, recreation, and cultural	<u>10,753,501</u>	<u>10,980,385</u>	<u>10,986,450</u>	<u>(6,065)</u>
Community Development:				
Planning and community development	1,547,194	1,549,125	1,550,569	(1,444)
Economic development	840,993	3,382,508	3,094,446	288,062
Tourism	716,579	665,941	665,941	-
Animal shelter and management	984,525	941,230	941,230	-
Cooperative extension services	68,530	39,735	39,735	-
Total community development	<u>4,157,821</u>	<u>6,578,539</u>	<u>6,291,921</u>	<u>286,618</u>
Nondepartmental:				
Salary, fringe benefits and insurance	549,994	298,679	214,217	84,462
Other Miscellaneous	60,000	47,459	12,263	35,196
Total nondepartmental	<u>609,994</u>	<u>346,138</u>	<u>226,480</u>	<u>119,658</u>
Total expenditures	<u>171,184,667</u>	<u>177,433,300</u>	<u>174,233,130</u>	<u>3,200,170</u>
Excess of revenues over expenditures	<u>26,133,295</u>	<u>20,086,668</u>	<u>31,126,321</u>	<u>11,039,653</u>
OTHER FINANCING SOURCES (USES)				
Fund Balance Surplus - Assigned	2,500,000	7,868,860	-	7,868,860
Transfers in	2,350,066	2,350,066	2,350,066	-
Transfers out	(30,983,361)	(30,305,592)	(30,305,592)	-
Total other financing uses, net	<u>(26,133,295)</u>	<u>(20,086,666)</u>	<u>(27,955,526)</u>	<u>7,868,860</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 3,170,795</u>	<u>\$ 3,170,793</u>
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ 3,170,795	
Encumbrances			2,306,176	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 4)			<u>\$ 5,476,971</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, 2018**

Road Maintenance				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Permits, fees and licenses	\$ 363,750	\$ 363,750	\$ 386,952	\$ 23,202
Fines and forfeitures	250,000	250,000	258,183	8,183
Revenue from use of money and property	15,000	15,000	91,907	76,907
Charges for services	1,199,500	1,199,500	861,952	(337,548)
Miscellaneous	26,500	26,500	255,790	229,290
Intergovernmental:				
Revenue from the Commonwealth	23,431,495	23,431,495	23,369,848	(61,647)
Fund balance (rollover/appropriations)	900,000	3,823,202	-	(3,823,202)
Total revenues	<u>26,186,245</u>	<u>29,109,447</u>	<u>25,224,632</u>	<u>(3,884,815)</u>
EXPENDITURES				
Current:				
Public Works	<u>26,186,245</u>	<u>29,109,447</u>	<u>27,615,062</u>	<u>1,494,385</u>
Total expenditures	<u>26,186,245</u>	<u>29,109,447</u>	<u>27,615,062</u>	<u>1,494,385</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(2,390,430)</u>	<u>(2,390,430)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,390,430)</u>	<u>\$ (2,390,430)</u>
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (2,390,430)	
Encumbrances			1,780,725	
Total net change in fund balance per Statement of Revenues, Expenditures and changes in Fund Balance (Exhibit 4)			<u>\$ (609,705)</u>	

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	2016	2017
Total Pension Liability				
Service cost	\$ 6,994,155	\$ 7,018,182	\$ 7,104,813	\$ 7,259,255
Interest	15,882,027	16,812,748	17,359,071	18,400,909
Changes in assumptions	-	-	-	(690,942)
Difference between expected and actual experience	-	(5,841,034)	1,303,368	(2,868,934)
Benefit payments, including refunds of employee contributions	(9,322,789)	(9,837,539)	(10,533,021)	(11,234,683)
Net change in total pension liability	13,553,393	8,152,357	15,234,231	10,865,605
Total pension liability -- beginning	231,547,492	245,100,885	253,253,242	268,487,473
Total pension liability -- ending	<u>\$ 245,100,885</u>	<u>\$ 253,253,242</u>	<u>\$ 268,487,473</u>	<u>\$ 279,353,078</u>
Plan fiduciary net position				
Contributions -- employer	\$ 7,684,006	\$ 7,327,510	\$ 7,519,618	\$ 6,958,618
Contributions -- employee	2,877,613	2,851,871	2,962,118	3,248,534
Net investment income	28,132,949	9,496,953	3,824,803	26,854,025
Benefit payments, including refunds of employee contributions	(9,322,789)	(9,837,539)	(10,533,021)	(11,234,683)
Administrative expense	(149,011)	(127,715)	(132,646)	(152,890)
Other	1,483	(2,019)	(1,608)	(24,013)
Net change in plan fiduciary net position	29,224,251	9,709,061	3,639,264	25,649,591
Plan fiduciary net position -- beginning	177,492,218	206,716,469	216,425,533	220,064,797
Plan fiduciary net position -- ending	<u>\$ 206,716,469</u>	<u>\$ 216,425,530</u>	<u>\$ 220,064,797</u>	<u>\$ 245,714,388</u>
 Total net pension liability -- beginning	 \$ 54,055,274	 \$ 38,384,416	 \$ 36,827,709	 \$ 48,422,676
Total net pension liability -- ending	<u>\$ 38,384,416</u>	<u>\$ 36,827,712</u>	<u>\$ 48,422,676</u>	<u>\$ 33,638,690</u>
 Plan fiduciary net position as a percentage of total pension liability	 84.34%	 85.46%	 81.96%	 87.96%
 Covered payroll	 \$ 55,954,879	 \$ 63,639,606	 \$ 59,144,296	 \$ 64,085,203
 Net pension liability as a percentage of covered payroll	 68.60%	 57.87%	 81.87%	 52.49%

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

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

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

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

	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 738,127	\$ 713,970	\$ 733,174	\$ 668,468
Interest	1,455,330	1,537,449	1,650,099	1,706,059
Changes of assumptions	-	-	-	(209,695)
Difference between expected and actual experience	-	304,251	(570,559)	(515,637)
Benefit payments, including refunds of employee contributions	(1,049,323)	(991,325)	(901,450)	(1,125,127)
Net change in total pension liability	1,144,134	1,564,345	911,264	524,068
Total pension liability -- beginning	21,315,088	22,459,222	24,023,567	24,934,831
Total pension liability -- ending	\$ 22,459,222	\$ 24,023,567	\$ 24,934,831	\$ 25,458,899
Plan fiduciary net position				
Contributions -- employer	\$ 587,401	\$ 477,042	\$ 663,115	\$ 393,829
Contributions -- employee	330,019	312,739	314,507	324,226
Net investment income	3,042,856	1,014,884	405,924	2,848,179
Benefit payments, including refunds of employee contributions	(1,049,323)	(991,325)	(901,450)	(1,125,127)
Administrative expense	(16,345)	(13,901)	(14,198)	(16,505)
Other	161	(215)	(171)	(2,534)
Net change in plan fiduciary net position	2,894,769	799,224	467,727	2,422,068
Plan fiduciary net position -- beginning	19,344,130	22,238,899	23,038,123	23,505,850
Plan fiduciary net position -- ending	\$ 22,238,899	\$ 23,038,123	\$ 23,505,850	\$ 25,927,918
Total net pension liability -- beginning	\$ 1,970,958	\$ 220,323	\$ 985,444	\$ 1,428,981
Total net pension liability (asset) -- ending	\$ 220,323	\$ 985,444	\$ 1,428,981	\$ (469,019)
Plan fiduciary net position as a percentage of total pension liability	99%	96%	94%	102%
Covered payroll	\$ 6,739,997	\$ 6,271,733	\$ 7,303,711	\$ 6,556,134
Net Pension Liability as a percentage of covered payroll	3.27%	15.71%	19.57%	-7.15%

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

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

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015	2016	2017	2018
Employer's proportion of the net pension liability	0.93031%	0.91814%	0.94584%	0.95248%
Employer's proportionate share of the net pension liability	\$ 112,425,000	\$ 115,560,000	\$ 132,551,000	\$ 117,136,000
Employer's covered payroll	89,528,345	68,193,037	71,032,824	73,624,141
Employer proportionate share of the net pension liability as a percentage of its covered payroll	125.57%	169.46%	186.61%	159.10%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%	72.92%

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 Payroll	Contributions as a % of Covered Payroll
City Pension Plan:					
2009 \$	4,634,166	\$ 4,730,739	\$ (96,573)	\$ 50,262,100	9.41%
2010 \$	4,837,015	\$ 4,817,023	\$ 19,992	\$ 52,462,203	9.18%
2011 \$	8,372,697	\$ 8,407,146	\$ (34,449)	\$ 52,101,413	16.14%
2012 \$	8,483,177	\$ 8,526,249	\$ (43,072)	\$ 52,788,904	16.15%
2013 \$	10,018,672	\$ 10,197,688	\$ (179,016)	\$ 53,979,914	18.89%
2014 \$	10,385,226	\$ 10,526,564	\$ (141,338)	\$ 55,954,879	18.81%
2015 \$	8,171,325	\$ 8,321,012	\$ (149,687)	\$ 63,639,606	13.08%
2016 \$	6,772,022	\$ 8,035,838	\$ (1,263,816)	\$ 59,144,296	13.59%
2017 \$	7,068,598	\$ 7,030,967	\$ 37,631	\$ 64,085,203	10.97%
2018 \$	7,423,507	\$ 7,309,368	\$ 114,139	\$ 67,302,874	10.86%
School Board (non-teacher) Pension Plan:					
2009 \$	818,655	\$ 837,098	\$ (18,443)	\$ 6,776,948	12.35%
2010 \$	510,614	\$ 871,508	\$ (360,894)	\$ 7,212,065	12.08%
2011 \$	643,329	\$ 820,689	\$ (177,360)	\$ 7,204,137	11.39%
2012 \$	628,539	\$ 787,554	\$ (159,015)	\$ 7,038,507	11.19%
2013 \$	950,684	\$ 938,800	\$ 11,884	\$ 6,839,451	13.73%
2014 \$	936,860	\$ 820,701	\$ 116,159	\$ 6,739,997	12.18%
2015 \$	747,583	\$ 747,583	\$ -	\$ 6,271,733	11.92%
2016 \$	701,325	\$ 701,325	\$ -	\$ 7,303,711	9.60%
2017 \$	586,121	\$ 586,121	\$ -	\$ 6,556,134	8.94%
2018 \$	395,660	\$ 395,660	\$ -	\$ 6,718,706	5.89%
School Board Teacher Retirement Plan:					
2009 \$	-	\$ 10,175,482	\$ (10,175,482)	\$ 73,681,984	13.81%
2010 \$	-	\$ 8,229,751	\$ (8,229,751)	\$ 93,413,746	8.81%
2011 \$	-	\$ 6,327,523	\$ (6,327,523)	\$ 40,405,639	15.66%
2012 \$	-	\$ 7,895,331	\$ (7,895,331)	\$ 58,745,022	13.44%
2013 \$	-	\$ 11,648,391	\$ (11,648,391)	\$ 74,383,084	15.66%
2014 \$	-	\$ 10,439,005	\$ (10,439,005)	\$ 89,528,345	11.66%
2015 \$	11,594,588	\$ 11,594,588	\$ -	\$ 68,193,037	17.00%
2016 \$	11,533,874	\$ 11,533,874	\$ -	\$ 71,032,824	16.24%
2017 \$	11,760,656	\$ 11,760,656	\$ -	\$ 73,624,141	15.97%
2018 \$	12,290,506	\$ 12,290,506	\$ -	\$ 76,657,195	16.03%

CITY OF SUFFOLK, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Notes to the Required Supplementary Information related to Pensions

Changes in Benefit terms

The City, School Board (non-teacher) pension plan and School Board Teacher Retirement plans have had no significant changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation included 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 newest 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, 2017 is not material.

Changes of assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four year period ending June 30, 2016:

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

- | | |
|---|--|
| <ul style="list-style-type: none">- Update to a more current mortality table – RP2014 projected to 2020.- Lowered retirement rates at older ages and changed final retirement from 70 to 75- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service- Lowered disability rates- Increased line of duty disability rate from 14% to 15% | <ul style="list-style-type: none">- Update to a more current mortality table – RP2014 projected to 2020- Increased retirement rates -- age 50 rates, and lowered rates at older ages- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service- Adjusted disability rates to better fit experience- Decreased line of duty disability rate from 60% to 45% |
|---|--|

School Board Teacher Retirement Plan Employees:

- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience

CITY OF SUFFOLK, VIRGINIA

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

	2017	2018
Total OPEB Liability		
Service cost	\$ 886,026	\$ 646,056
Interest	2,225,368	2,369,007
Difference between expected and actual experience	-	(33,682)
Changes of assumptions or other inputs	-	289,822
Benefit payments, including refunds of employee contributions	(1,060,396)	(1,454,455)
Net change in total OPEB liability	2,050,998	1,816,748
Total OPEB liability -- beginning	30,201,776	32,252,774
Total OPEB liability -- ending	<u>\$ 32,252,774</u>	<u>\$ 34,069,522</u>
Plan fiduciary net position		
Contributions -- employer	\$ 3,340,696	\$ 1,034,450
Net investment income	3,390,546	3,045,950
Benefit payments, including refunds of employee contributions	(1,060,396)	-
Administrative fees	-	(31,912)
Net change in plan fiduciary net position	5,670,846	4,048,488
Plan fiduciary net position -- beginning	25,720,279	31,391,125
Plan fiduciary net position -- ending	<u>\$ 31,391,125</u>	<u>\$ 35,439,613</u>
 Total net OPEB liability -- beginning	 \$ 4,481,497	 \$ 861,649
Total Net OPEB liability (asset) -- ending	<u>\$ 861,649</u>	<u>\$ (1,370,091)</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 97.33%	 104.02%
 Covered payroll	 \$ 58,111,943	 \$ 67,302,874
 Net OPEB Liability as a percentage of covered payroll	 1.48%	 -2.04%

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

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

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE SCHOOL BOARD'S NET OPEB LIABILITY AND
SCHOOL BOARD OPEB TRUST
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 518,107
Interest	1,168,697
Changes of benefit terms	(391,210)
Difference between expected and actual experience	(2,060,226)
Changes of assumptions or other inputs	1,303,406
Benefit payments, including refunds of employee contributions	<u>(1,323,985)</u>
Net change in total OPEB liability	(785,211)
Total OPEB liability -- beginning	<u>14,411,142</u>
Total OPEB liability -- ending	<u><u>\$ 13,625,931</u></u>
 Plan fiduciary net position	
Contributions -- employer	\$ 1,323,985
Net investment income	2,073,264
Benefit payments, including refunds of employee contributions	(1,323,985)
Administrative expenses	<u>(14,546)</u>
Net change in plan fiduciary net position	2,058,718
Plan fiduciary net position -- beginning	13,406,521
Plan fiduciary net position -- ending	<u><u>\$ 15,465,239</u></u>
 Total net OPEB liability -- beginning	\$ 1,004,621
Total Net OPEB asset -- ending	<u><u>\$ (1,839,308)</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	 113.50%
 Covered payroll	 \$ 80,618,413
 Net OPEB Liability as a percentage of covered payroll	 -2.28%

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

CITY OF SUFFOLK, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -- OPEB PLAN
LOCALLY OWNED OPEB TRUST
FOR THE YEAR ENDED JUNE 30,**

Date	Actuarially Determined Contribution	Contributions in Relation to Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
City Plan:					
2009 \$	2,323,275	\$ 2,865,267	\$ (541,992)	\$ 58,766,577	4.88%
2010 \$	3,014,322	\$ 3,372,436	\$ (358,114)	\$ 58,766,577	5.74%
2011 \$	3,014,322	\$ 3,345,515	\$ (331,193)	\$ 52,047,300	6.43%
2012 \$	2,109,900	\$ 2,063,513	\$ 46,387	\$ 55,725,400	3.70%
2013 \$	2,999,000	\$ 3,250,647	\$ (251,647)	\$ 55,725,400	5.83%
2014 \$	2,999,000	\$ 2,621,943	\$ 377,057	\$ 53,941,000	4.86%
2015 \$	3,077,600	\$ 3,503,479	\$ (425,879)	\$ 53,941,000	6.50%
2016 \$	3,182,500	\$ 3,501,603	\$ (319,103)	\$ 58,111,943	6.03%
2017 \$	1,083,859	\$ 3,340,696	\$ (2,256,837)	\$ 58,111,943	5.75%
2018 \$	1,083,859	\$ 2,488,906	\$ (1,405,047)	\$ 67,302,874	3.70%
School Board					
2009 \$	2,214,000	\$ 1,269,000	\$ 945,000	\$ 59,353,222	2.14%
2010 \$	2,229,232	\$ 1,411,000	\$ 818,232	\$ 59,353,222	2.38%
2011 \$	2,229,232	\$ 1,309,000	\$ 920,232	\$ 58,739,000	2.23%
2012 \$	2,328,700	\$ 1,883,643	\$ 445,057	\$ 58,739,000	3.21%
2013 \$	2,439,200	\$ 1,467,100	\$ 972,100	\$ 58,391,400	2.51%
2014 \$	1,285,500	\$ 1,312,268	\$ (26,768)	\$ 58,391,400	2.25%
2015 \$	1,339,100	\$ 1,631,285	\$ (292,185)	\$ 55,537,800	2.94%
2016 \$	112,200	\$ 1,578,887	\$ (1,466,687)	\$ 55,537,800	2.84%
2017 \$	613,629	\$ 1,822,143	\$ (1,208,514)	\$ 79,940,967	2.28%
2018 \$	613,629	\$ 1,063,180	\$ (449,551)	\$ 80,618,413	1.32%

CITY OF SUFFOLK, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY WEIGHTED RATE OF RETURN ON OPEB PLAN INVESTMENTS
LOCALLY OWNED OPEB TRUST
FOR THE YEAR ENDED JUNE 30,**

	City OPEB Trust	School Board OPEB Trust
	Annual money- weighted rate of return	
2017	13.04%	15.52%
2018	9.52%	9.52%

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Notes to the Required Supplementary Information related to Other Postemployment Benefit Plans
City Trust

Changes in Benefit Terms:

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

Changes to assumptions or other inputs

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

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

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET OPEB LIABILITY LINE OF DUTY ACT PROGRAM (LODA) FOR THE CITY
FOR THE YEAR ENDED JUNE 30,

	<u>2018</u>
Employer's proportion of the net LODA OPEB liability	2.76316%
Employer's proportionate share of the net LODA OPEB liability	\$ 7,261,000
Employer's covered payroll	\$ 23,102,737
Employer proportionate share of the net pension liability as a percentage of its covered payroll	31.43%
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.30%

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

Schedules are intended to show information for 10 years. Since 2018 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 OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM (GLI) FOR THE CITY
FOR THE YEAR ENDED JUNE 30,

	<u>2018</u>
Employer's proportion of the net GLI OPEB liability	0.34781%
Employer's proportionate share of the net GLI OPEB liability	\$ 5,234,000
Employer's covered payroll	\$ 64,154,851
Employer proportionate share of the net pension liability as a percentage of its covered payroll	8.16%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%

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

Schedules are intended to show information for 10 years. Since 2018 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 OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM (GLI) FOR THE
SCHOOL BOARD
FOR THE YEAR ENDED JUNE 30,

	<u>2018</u>
Employer's proportion of the net GLI OPEB liability	0.40934%
Employer's proportionate share of the net GLI OPEB liability	\$ 6,704,000
Employer's covered payroll	\$ 82,175,449
Employer proportionate share of the net OPEB liability as a percentage of its covered payroll	8.16%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%

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

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET OPEB LIABILITY HEALTH INSURANCE CREDIT PLANS (HIC) FOR THE
SCHOOL BOARD -- TEACHERS
FOR THE YEAR ENDED JUNE 30,

	<u>2018</u>
Employer's proportion of the net HIC OPEB liability	0.95031%
Employer's proportionate share of the net HIC OPEB liability	\$ 12,056,000
Employer's covered payroll	\$ 74,998,650
Employer proportionate share of the net OPEB liability as a percentage of its covered payroll	16.07%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	7.04%

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

Schedules are intended to show information for 10 years. Since 2018 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 OPEB LIABILITY VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) -
SCHOOL BOARD TEACHERS
FOR THE YEAR ENDED JUNE 30,

	<u>2018</u>
Employer's proportion of the net VLDP OPEB liability	4.31966%
Employer's proportionate share of the net VLDP OPEB liability	\$ 25,000
Employer's covered payroll	\$ 11,799,069
Employer proportionate share of the net OPEB liability as a percentage of its covered payroll	0.21%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	31.96%

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

Schedules are intended to show information for 10 years. Since 2018 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB CITY STATE VRS PLANS
FOR THE YEAR ENDED JUNE 30,

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
City Group Life Insurance Program (GLI)					
2009	\$ 139,184	\$ 139,184	\$ -	\$ 51,549,812	0.27%
2010	\$ 106,108	\$ 106,108	\$ -	\$ 52,324,596	0.27%
2011	\$ 146,927	\$ 146,927	\$ -	\$ 52,473,948	0.28%
2012	\$ 149,073	\$ 149,073	\$ -	\$ 53,240,458	0.28%
2013	\$ 264,481	\$ 264,481	\$ -	\$ 55,100,255	0.48%
2014	\$ 271,524	\$ 271,524	\$ -	\$ 56,567,440	0.48%
2015	\$ 275,235	\$ 275,235	\$ -	\$ 57,340,704	0.48%
2016	\$ 283,950	\$ 283,950	\$ -	\$ 59,156,221	0.48%
2017	\$ 333,605	\$ 333,605	\$ -	\$ 64,154,851	0.52%
2018	\$ 345,599	\$ 345,599	\$ -	\$ 66,461,255	0.52%
City Line of Duty Act Program (LODA)					
2009	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
2012	\$ 155,536	\$ 155,536	\$ -	\$ 21,148,864	0.74%
2013	\$ 246,435	\$ 246,435	\$ -	\$ 21,550,008	1.14%
2014	\$ 283,038	\$ 283,038	\$ -	\$ 21,413,893	1.32%
2015	\$ 274,077	\$ 274,077	\$ -	\$ 21,823,152	1.26%
2016	\$ 270,316	\$ 270,316	\$ -	\$ 21,832,593	1.24%
2017	\$ 298,011	\$ 298,011	\$ -	\$ 23,102,737	1.29%
2018	\$ 304,819	\$ 304,819	\$ -	\$ 24,288,204	1.26%

* Note 2011 was the first year for the LODA; however, there were no contributions

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB SCHOOL BOARD STATE VRS PLANS
FOR THE YEAR ENDED JUNE 30,

Date	Contributions in Relation to				Contributions as a % of	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Covered Payroll	
School Board Group Life Insurance Program (GLI)						
2009	\$ 221,935	\$ 221,935	\$ -	\$ 82,198,086		0.27%
2010	\$ 156,922	\$ 156,922	\$ -	\$ 81,624,309		0.27%
2011	\$ 222,238	\$ 222,238	\$ -	\$ 79,370,846		0.28%
2012	\$ 218,349	\$ 218,349	\$ -	\$ 77,981,783		0.28%
2013	\$ 375,924	\$ 375,924	\$ -	\$ 78,317,242		0.48%
2014	\$ 366,756	\$ 366,756	\$ -	\$ 76,407,583		0.48%
2015	\$ 366,410	\$ 366,410	\$ -	\$ 76,335,421		0.48%
2016	\$ 386,299	\$ 386,299	\$ -	\$ 80,479,145		0.48%
2017	\$ 427,312	\$ 427,312	\$ -	\$ 82,175,449		0.52%
2018	\$ 435,835	\$ 435,835	\$ -	\$ 83,814,437		0.52%
School Board Health Insurance Credit Program (HIC) - Teachers						
2009	\$ 808,907	\$ 808,907	\$ -	\$ 74,898,798		1.08%
2010	\$ 549,677	\$ 549,677	\$ -	\$ 74,393,622		1.04%
2011	\$ 433,144	\$ 433,144	\$ -	\$ 72,190,588		0.60%
2012	\$ 427,382	\$ 427,382	\$ -	\$ 71,230,268		0.60%
2013	\$ 790,230	\$ 790,230	\$ -	\$ 71,191,867		1.11%
2014	\$ 769,958	\$ 769,958	\$ -	\$ 69,365,599		1.11%
2015	\$ 737,927	\$ 737,927	\$ -	\$ 69,615,713		1.06%
2016	\$ 779,951	\$ 779,951	\$ -	\$ 73,580,311		1.06%
2017	\$ 832,485	\$ 832,485	\$ -	\$ 74,998,650		1.11%
2018	\$ 943,341	\$ 943,341	\$ -	\$ 76,694,389		1.23%
School Board Virginia Local Disability Program (VLDP)						
2009	\$ -	\$ -	\$ -	\$ -	n/a	
2010	\$ -	\$ -	\$ -	\$ -	n/a	
2011	\$ -	\$ -	\$ -	\$ -	n/a	
2012	\$ -	\$ -	\$ -	\$ -	n/a	
2013	\$ -	\$ -	\$ -	\$ -	n/a	
2014	\$ 401	\$ 401	\$ -	\$ 133,150		0.30%
2015	\$ 13,200	\$ 13,200	\$ -	\$ 4,464,403		0.30%
2016	\$ 23,681	\$ 23,681	\$ -	\$ 7,814,391		0.30%
2017	\$ 38,690	\$ 38,690	\$ -	\$ 11,799,069		0.33%
2018	\$ 52,058	\$ 52,058	\$ -	\$ 15,699,589		0.33%

CITY OF SUFFOLK, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Notes to the Required Supplementary Information related to Other Postemployment Benefit Plans – City and School Board State VRS Plans.

Changes in Benefit Terms:

There have been no actuarially material changes to the benefit provisions since the prior actuarial valuation.

Changes to assumptions or other inputs

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study for the four –year period ending June 30, 2016:

General City and School Board GLI plan employees	Public Safety Employees GLI and LODA plans
<ul style="list-style-type: none">- Update to a more current mortality table – RP2014 projected to 2020.- Lowered retirement rates at older ages and changed final retirement from 70 to 75- Adjusted termination rates to better fit experience at each year age and service year.- Lowered disability rates- Increased line of duty disability rate from 14% to 15%	<ul style="list-style-type: none">- Update to a more current mortality table – RP2014 projected to 2020- Increased retirement rates -- age 50 rates, and lowered rates at older ages- Adjusted termination rates to better fit experience at each year age and service year.- Adjusted disability rates to better fit experience- Decreased line of duty disability rate from 60% to 45%

School Board Teacher GLI, HIC and VLDP:

- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience

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, 2018

	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	\$ -	\$ 192,752	\$ 1,272,845	\$ 220,376	\$ 1,693,721	\$ 8,196	\$ -	\$ 313,961	\$ 548,501	\$ 4,250,352
Cash and cash equivalents, restricted	-	-	-	-	-	-	1,071,735	-	-	1,071,735
Receivables, net:										
Taxes	-	1,005	-	-	18,078	-	-	-	-	19,083
Accounts	-	-	-	2,947	-	-	-	710	8,402	12,059
Due from other governmental units	-	-	273,030	-	-	-	-	-	6,886	279,916
Inventory	-	-	-	-	-	-	-	-	45,654	45,654
Total assets	<u>\$ -</u>	<u>\$ 193,757</u>	<u>\$ 1,545,875</u>	<u>\$ 223,323</u>	<u>\$ 1,711,799</u>	<u>\$ 8,196</u>	<u>\$ 1,071,735</u>	<u>\$ 314,671</u>	<u>\$ 609,443</u>	<u>\$ 5,678,799</u>
LIABILITIES										
Liabilities:										
Accounts payable and accrued liabilities	\$ 10,819	\$ 5,851	\$ 127,810	\$ 1,366	\$ -	\$ -	\$ -	\$ 77,997	\$ 71,922	\$ 295,765
Accrued payroll and related liabilities	-	-	996	1,216	-	-	-	-	4,400	6,612
Unavailable revenues	-	-	7,514	-	-	-	-	-	-	7,514
Total liabilities	<u>10,819</u>	<u>5,851</u>	<u>136,320</u>	<u>2,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,997</u>	<u>76,322</u>	<u>309,891</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenues - taxes	-	378	-	-	12,701	-	-	-	-	13,079
Deposits	-	-	-	-	-	-	-	-	19,444	19,444
Total deferred inflows	<u>-</u>	<u>378</u>	<u>-</u>	<u>-</u>	<u>12,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,444</u>	<u>32,523</u>
FUND BALANCES										
Nonspendable	-	-	-	-	-	-	-	-	45,654	45,654
Restricted	-	-	1,409,555	220,741	-	-	1,071,735	-	-	2,702,031
Committed	-	187,528	-	-	1,699,098	8,196	-	236,674	468,023	2,599,519
Unassigned	(10,819)	-	-	-	-	-	-	-	-	(10,819)
Total fund balances	<u>(10,819)</u>	<u>187,528</u>	<u>1,409,555</u>	<u>220,741</u>	<u>1,699,098</u>	<u>8,196</u>	<u>1,071,735</u>	<u>236,674</u>	<u>513,677</u>	<u>5,336,385</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 193,757</u>	<u>\$ 1,545,875</u>	<u>\$ 223,323</u>	<u>\$ 1,711,799</u>	<u>\$ 8,196</u>	<u>\$ 1,071,735</u>	<u>\$ 314,671</u>	<u>\$ 609,443</u>	<u>\$ 5,678,799</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	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	\$ -	\$ 181,934	\$ -	\$ -	\$ 1,658,293	\$ 151	\$ -	\$ -	\$ -	\$ 1,840,378
Revenue from use of money and property	-	1,541	-	2,182	20,557	5,370	11,615	6,741	236,626	284,632
Charges for services	-	-	28,636	36,429	-	-	21,334	71,652	475,670	633,721
Miscellaneous	-	-	330,688	49	-	-	-	9,942	-	340,679
Intergovernmental:										
Revenue from the Commonwealth	-	-	444,000	-	-	-	-	246,450	10,378	700,828
Revenue from the Federal government	-	-	1,700,140	-	-	-	-	-	-	1,700,140
Total revenues	-	183,475	2,503,464	38,660	1,678,850	5,521	32,949	334,785	722,674	5,500,378
EXPENDITURES										
Current:										
General government administration	-	-	-	-	-	-	-	-	733,446	733,446
Judicial administration	-	-	827,748	38,792	-	-	-	-	-	866,540
Public safety	-	-	610,421	-	-	-	-	-	-	610,421
Public works	-	153,983	15,698	-	-	-	-	-	-	169,681
Health and welfare	-	-	2,956	-	-	-	-	-	-	2,956
Transportation	-	-	-	-	-	-	-	1,090,607	-	1,090,607
Parks, recreation, and cultural	-	-	98,318	-	-	-	103,945	-	-	202,263
Community development	-	-	821,817	-	-	-	-	-	-	821,817
Total expenditures	-	153,983	2,376,958	38,792	-	-	103,945	1,090,607	733,446	4,497,731
Excess (deficiency) of revenues over (under) expenditures	-	29,492	126,506	(132)	1,678,850	5,521	(70,996)	(755,822)	(10,772)	1,002,647
Other financing sources (uses):										
Transfers in	-	-	337,394	-	-	-	-	811,511	75,700	1,224,605
Transfers out	-	-	(74,594)	-	(1,855,432)	(808,600)	-	(18,027)	(51,046)	(2,807,699)
Total other financing sources (uses), net	-	-	262,800	-	(1,855,432)	(808,600)	-	793,484	24,654	(1,583,094)
Net changes in fund balances	-	29,492	389,306	(132)	(176,582)	(803,079)	(70,996)	37,662	13,882	(580,447)
Fund balances at July 1	(10,819)	158,036	1,020,249	220,873	1,875,680	811,275	1,142,731	199,012	499,795	5,916,832
Fund balances at June 30	<u>\$ (10,819)</u>	<u>\$ 187,528</u>	<u>\$ 1,409,555</u>	<u>\$ 220,741</u>	<u>\$ 1,699,098</u>	<u>\$ 8,196</u>	<u>\$ 1,071,735</u>	<u>\$ 236,674</u>	<u>\$ 513,677</u>	<u>\$ 5,336,385</u>

CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL - BUDGETARY BASIS
DEBT SERVICE FUND
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 301,628	\$ 301,628
Total revenues	-	-	301,628	301,628
EXPENDITURES				
Current:				
Principal	15,979,080	15,979,080	15,767,400	211,680
Bond issuance costs	-	332,000	323,069	8,931
Interest and other fiscal charges	11,200,649	10,868,649	10,319,538	549,111
Total expenditures	27,179,729	27,179,729	26,410,007	769,722
Deficiency of revenues under expenditures	(27,179,729)	(27,179,729)	(26,108,379)	1,071,350
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	3,395,000	3,395,000
Premium on bonds issued	-	-	652,062	652,062
Payment to escrow agent	-	-	(3,734,892)	(3,734,892)
Transfers in	27,179,729	27,179,729	25,796,209	(1,383,520)
Total other financing sources, net	27,179,729	27,179,729	26,108,379	(1,071,350)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -

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, 2018

	Law Library				Downtown Business Overlay District			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES								
Real estate taxes	\$ -			\$ -	\$ 176,222	\$ 176,222	\$ 181,934	\$ 5,712
Revenue from use of money and property	-	-	2,182	2,182	-	-	1,541	1,541
Charges for services	41,561	41,561	36,429	(5,132)	-	-	-	-
Miscellaneous	-	-	49	49	-	-	-	-
Fund balance (rollover/appropriations)	-	-	-	-	-	1,319	-	(1,319)
Total revenues	41,561	41,561	38,660	(2,901)	176,222	177,541	183,475	5,934
EXPENDITURES								
Current:								
Judicial administration	41,561	41,561	38,792	2,769	-	-	-	-
Public works				-	176,222	177,541	156,324	21,217
Total expenditures	41,561	41,561	38,792	2,769	176,222	177,541	156,324	21,217
Excess (deficiency) of revenues over (under) expenditures	-	-	(132)	(132)	-	-	27,151	27,151
Net change in fund balances	\$ -	\$ -	\$ (132)	\$ (132)	\$ -	\$ -	\$ 27,151	\$ 27,151
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ (132)				\$ 27,151	
Encumbrances			-				2,341	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 28)			\$ (132)				\$ 29,492	

(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, 2018

	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	\$ 1,627,352	\$ 1,627,352	\$ 1,658,293	\$ 30,941	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	20,557	20,557	266,172	266,172	236,626	(29,546)
Charges for services	-	-	-	-	685,000	685,000	475,670	(209,330)
Intergovernmental:								
Revenue from the Commonwealth	-	-	-	-	-	16,901	10,378	(6,523)
Fund balance (rollover/appropriations)	228,080	228,080	-	(228,080)	-	174,200	-	(174,200)
Total revenues	1,855,432	1,855,432	1,678,850	(176,582)	951,172	1,142,273	722,674	(419,599)
EXPENDITURES								
Current:								
General government administration	-	-	-	-	975,826	1,166,927	1,019,872	147,055
Total expenditures	-	-	-	-	975,826	1,166,927	1,019,872	147,055
Excess (deficiency) of revenues over (under) expenditures	1,855,432	1,855,432	1,678,850	(176,582)	(24,654)	(24,654)	(297,198)	(272,544)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	75,700	75,700	75,700	-
Transfers out	(1,855,432)	(1,855,432)	(1,855,432)	-	(51,046)	(51,046)	(51,046)	-
Total other financing sources (uses), net	(1,855,432)	(1,855,432)	(1,855,432)	-	24,654	24,654	24,654	-
Net change in fund balances	\$ -	\$ -	\$ (176,582)	\$ (176,582)	\$ -	\$ -	\$ (272,544)	\$ (272,544)
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ (176,582)				\$ (272,544)	
Encumbrances			-				286,426	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 28)			\$ (176,582)				\$ 13,882	

(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, 2018**

Transit				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 6,741	\$ 6,741
Charges for services	66,750	6,750	71,652	64,902
Miscellaneous	8,500	8,500	9,942	1,442
Intergovernmental:				
Revenue from the commonwealth	252,627	252,627	246,450	(6,177)
Revenue from the federal government	485,000	485,000	-	(485,000)
Fund balance (rollover/appropriations)	-	80,595	-	(80,595)
Total revenues	812,877	833,472	334,785	(498,687)
EXPENDITURES				
Current:				
Transportation	1,624,388	1,704,973	1,408,228	296,745
Total expenditures	1,624,388	1,704,973	1,408,228	296,745
Deficiency of revenues under expenditures	(811,511)	(871,501)	(1,073,443)	(201,942)
OTHER FINANCING SOURCES				
Transfers in	811,511	811,511	811,511	-
Total other financing sources	811,511	811,511	811,511	-
Net change in fund balances	\$ -	\$ (59,990)	\$ (261,932)	\$ (201,942)
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (261,932)	
Encumbrances			299,594	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 28)			\$ 37,662	

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, 2018

	Business-type Activities - Enterprise Funds		
	Stormwater Utility	Refuse	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,253,947	\$ 5,125,258	\$ 9,379,205
Cash and cash equivalents, restricted	-	3,272,408	3,272,408
Receivables, net	201,164	447,594	648,758
Total current assets	4,455,111	8,845,260	13,300,371
Noncurrent assets:			
Capital assets, net	582,236	5,042	587,278
Total noncurrent assets	582,236	5,042	587,278
Total assets	5,037,347	8,850,302	13,887,649
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	288,476	169,190	457,666
Deferred outflows related to OPEB City trust	90,877	74,185	165,062
Deferred outflows related to OPEB state plans	22,581	13,206	35,787
Total deferred outflows of resources	401,934	256,581	658,515
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	141,677	274,959	416,636
Accrued payroll and related liabilities	1,469	366	1,835
Accrued interest payable	-	29,959	29,959
Compensated absences	11,142	-	11,142
Bonds and leases payable	-	3,941,000	3,941,000
Total current liabilities	154,288	4,246,284	4,400,572
Noncurrent liabilities:			
Compensated absences	142,498	92,398	234,896
Net pension liability	1,210,536	713,157	1,923,693
Net OPEB liability City trust	31,461	25,683	57,144
Net OPEB liability state plans	189,239	109,263	298,502
Total noncurrent liabilities	1,573,734	940,501	2,514,235
Total liabilities	1,728,022	5,186,785	6,914,807
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	293,531	172,927	466,458
Deferred inflows related to OPEB City trust	99,038	80,848	179,886
Deferred inflows related to OPEB state plans	21,079	12,171	33,250
Total deferred inflows of resources	413,648	265,946	679,594
NET POSITION			
Net investment in capital assets	582,236	5,042	587,278
Unrestricted	2,715,375	3,649,110	6,364,485
Total net position	\$ 3,297,611	\$ 3,654,152	\$ 6,951,763

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
OPERATING REVENUES			
Charges for services	\$ 6,337,588	\$ 7,427,436	\$ 13,765,024
Other	37,224	222,763	259,987
Total operating revenues	6,374,812	7,650,199	14,025,011
OPERATING EXPENSES			
Personnel services	3,022,468	1,824,233	4,846,701
Contractual services	557,109	2,402,023	2,959,132
Administration	837,369	2,219,966	3,057,335
Supplies	171,368	95,520	266,888
Repairs and maintenance	2,686	17,256	19,942
Utilities	28,143	27,194	55,337
Depreciation	144,941	3,362	148,303
Building and equipment rental	74,628	-	74,628
Other charges	73,385	55,485	128,870
Total operating expenses	4,912,097	6,645,039	11,557,136
Operating income	1,462,715	1,005,160	2,467,875
NONOPERATING REVENUES (EXPENSES)			
Interest income	26,477	140,415	166,892
Interest expense	-	(67,976)	(67,976)
Net nonoperating expenses	26,477	72,439	98,916
Income before transfers	1,489,192	1,077,599	2,566,791
Transfers in	808,600	-	808,600
Transfers out	(459,527)	(235,036)	(694,563)
Change in net position	1,838,265	842,563	2,680,828
Net position at July 1 (as restated)	1,459,346	2,811,589	4,270,935
Net position at June 30	\$ 3,297,611	\$ 3,654,152	\$ 6,951,763

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 6,324,121	\$ 7,477,399	\$ 13,801,520
Payments to employees	(3,013,589)	(1,883,183)	(4,896,772)
Payments to suppliers	(1,747,903)	(4,568,923)	(6,316,826)
Net cash provided by operating activities	1,562,629	1,025,293	2,587,922
NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	808,600	-	808,600
Transfers to other funds	(459,527)	(235,036)	(694,563)
Net cash provided by (used in) noncapital financing activities	349,073	(235,036)	114,037
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(120,417)	-	(120,417)
Principal on capital debt transferred to governmental funds	-	(600,000)	(600,000)
Interest paid on capital debt	-	(72,452)	(72,452)
Net cash used in capital and related financing activities	(120,417)	(672,452)	(792,869)
INVESTING ACTIVITIES			
Interest received	26,477	140,415	166,892
Net cash provided by investing activities	26,477	140,415	166,892
Net increase in cash and cash equivalents	1,817,762	258,220	2,075,982
CASH AND CASH EQUIVALENTS			
Beginning, July 1	2,436,185	8,139,446	10,575,631
Ending, June 30	\$ 4,253,947	\$ 8,397,666	\$ 12,651,613
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,462,715	\$ 1,005,160	\$ 2,467,875
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	144,941	3,362	148,303
Changes in assets and liabilities:			
Increase in:			
Receivables, net	(50,691)	(172,800)	(223,491)
Increase (decrease) in:			
Accounts payable and accrued liabilities	85,631	248,522	334,153
Accrued payroll and related liabilities	(79,967)	(58,951)	(138,918)
Net cash provided by operating activities	\$ 1,562,629	\$ 1,025,293	\$ 2,587,922

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, 2018

	Information Technology	Fleet Management	Risk Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 828,515	\$ 12,241,003	\$ 11,405,648	\$ 24,475,166
Cash and cash equivalents, restricted	-	430,856	-	430,856
Receivables other, net	-	55,220	12,923	68,143
Inventories	-	233,215	-	233,215
Total current assets	828,515	12,960,294	11,418,571	25,207,380
Noncurrent assets:				
Land and construction in progress	1,052,304	298,000	-	1,350,304
Other capital assets, net	4,464,713	21,386,232	173,397	26,024,342
Total noncurrent assets	5,517,017	21,684,232	173,397	27,374,646
Total assets	6,345,532	34,644,526	11,591,968	52,582,026
DEFERRED OUFLOWS OF RESOURCES				
Deferred outflows related to pension plan	184,967	113,714	45,403	344,084
Deferred outflows related to OPEB City trust	48,220	38,947	11,128	98,295
Deferred outflows related to OPEB state plans	14,142	8,753	3,464	26,359
Total deferred outflows of resources	247,329	161,414	59,995	468,738
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	102,005	847,967	109,816	1,059,788
Accrued payroll and related liabilities	8,091	2,816	27,686	38,593
Claims payable	-	-	1,757,229	1,757,229
Accrued interest	28,328	92,650	-	120,978
Compensated absences	818	650	202	1,670
Capital leases -- current	5,769	1,246,468	-	1,252,237
Bonds payable -- current	533,716	966,070	-	1,499,786
Total current liabilities	678,727	3,156,621	1,894,933	5,730,281
Noncurrent liabilities:				
Compensated absences	149,074	91,635	9,953	250,662
Net pension liability	742,032	455,780	200,944	1,398,756
Net OPEB liability City trust	16,694	13,483	3,852	34,029
Net OPEB Liability state plans	113,218	71,403	29,733	214,354
Claims payable	-	-	665,726	665,726
Capital leases	43,403	369,639	-	413,042
Bonds payable	1,137,430	4,577,084	-	5,714,514
Total noncurrent liabilities	2,201,851	5,579,024	910,208	8,691,083
Total liabilities	2,880,578	8,735,645	2,805,141	14,421,364
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension plan	179,928	110,518	48,726	339,172
Deferred inflows related to OPEB City trust	52,551	42,445	12,127	107,123
Deferred inflows related to OPEB state plans	12,611	7,954	3,312	23,877
Total deferred inflows of resources	245,090	160,917	64,165	470,172
NET POSITION				
Net investment in capital assets	3,796,700	14,955,827	173,397	18,925,924
Unrestricted	(329,507)	10,953,551	8,609,260	19,233,304
Total net position	\$ 3,467,193	\$ 25,909,378	\$ 8,782,657	\$ 38,159,228

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2018

	Information Technology	Fleet Management	Risk Management	Total
OPERATING REVENUES				
Charges for services	\$ 8,564,112	\$ 10,273,867	\$ 18,193,091	\$ 37,031,070
Other	163	435,479	312,941	748,583
Total operating revenues	<u>8,564,275</u>	<u>10,709,346</u>	<u>18,506,032</u>	<u>37,779,653</u>
OPERATING EXPENSES				
Personnel services	1,759,879	1,128,504	484,414	3,372,797
Self-insured claims	-	-	11,553,085	11,553,085
Contractual services	3,572,049	11,299	68,338	3,651,686
Administration	294,392	640,127	117,041	1,051,560
Supplies	6,343	69,756	8,999	85,098
Repairs and maintenance	148,205	19,970	-	168,175
Vehicle and power equipment – fuel	-	1,477,099	-	1,477,099
Vehicle and power equipment – supplies	-	2,196,576	-	2,196,576
Computers and Equipment	397,338	-	-	397,338
Utilities	188,834	32,358	2,879	224,071
Insurance	-	-	2,037,548	2,037,548
Depreciation	1,036,430	4,953,827	122,395	6,112,652
Building and equipment rental	77,337	17,828	21,930	117,095
Other charges	79,110	31,025	74,673	184,808
Total operating expenses	<u>7,559,917</u>	<u>10,578,369</u>	<u>14,491,302</u>	<u>32,629,588</u>
Operating income	<u>1,004,358</u>	<u>130,977</u>	<u>4,014,730</u>	<u>5,150,065</u>
NONOPERATING REVENUES (EXPENSES)				
Loss on disposal of capital assets	-	(103,506)	-	(103,506)
Interest income	1,948	88,095	93,394	183,437
Interest expense	(29,872)	(142,874)	-	(172,746)
Total nonoperating revenues (expenses), net	<u>(27,924)</u>	<u>(158,285)</u>	<u>93,394</u>	<u>(92,815)</u>
Net income (loss) before transfers	<u>976,434</u>	<u>(27,308)</u>	<u>4,108,124</u>	<u>5,057,250</u>
Transfers out	<u>(182,629)</u>	<u>(311,652)</u>	<u>(135,785)</u>	<u>(630,066)</u>
Change in net position	793,805	(338,960)	3,972,339	4,427,184
Net position at July 1 (as restated)	<u>2,673,388</u>	<u>26,248,338</u>	<u>4,810,318</u>	<u>33,732,044</u>
Net position at June 30	<u>\$ 3,467,193</u>	<u>\$ 25,909,378</u>	<u>\$ 8,782,657</u>	<u>\$ 38,159,228</u>

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2018

	Information Technology	Fleet Management	Risk Management	Total
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 8,569,275	\$ 10,724,131	\$ 18,505,860	\$ 37,799,266
Payments to employees	(1,946,148)	(1,211,158)	(547,735)	(3,705,041)
Payments to suppliers	(4,925,619)	(4,010,482)	(15,645,596)	(24,581,697)
Net cash provided by operating activities	<u>1,697,508</u>	<u>5,502,491</u>	<u>2,312,529</u>	<u>9,512,528</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(182,629)	(311,652)	(135,785)	(630,066)
Net cash used in noncapital financing activities	<u>(182,629)</u>	<u>(311,652)</u>	<u>(135,785)</u>	<u>(630,066)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(940,660)	(3,564,604)	-	(4,505,264)
Principal paid on capital debt	(1,006,371)	(2,409,065)	-	(3,415,436)
Interest paid on debt	(77,590)	(266,408)	-	(343,998)
Net cash used in capital and related financing activities	<u>(2,024,621)</u>	<u>(6,240,077)</u>	<u>-</u>	<u>(8,264,698)</u>
INVESTING ACTIVITIES				
Interest earned	<u>1,948</u>	<u>88,095</u>	<u>93,394</u>	<u>183,437</u>
Net cash provided by investing activities	<u>1,948</u>	<u>88,095</u>	<u>93,394</u>	<u>183,437</u>
Net increase (decrease) in cash and cash equivalents	(507,794)	(961,143)	2,270,138	801,201
Beginning, July 1	<u>1,336,309</u>	<u>13,633,002</u>	<u>9,135,510</u>	<u>24,104,821</u>
Ending, June 30	<u>\$ 828,515</u>	<u>\$ 12,671,859</u>	<u>\$ 11,405,648</u>	<u>\$ 24,906,022</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ 828,515	\$ 12,241,003	\$ 11,405,648	\$ 24,475,166
Cash and cash equivalents, restricted	-	430,856	-	430,856
	<u>\$ 828,515</u>	<u>\$ 12,671,859</u>	<u>\$ 11,405,648</u>	<u>\$ 24,906,022</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,004,358	\$ 130,977	\$ 4,014,730	\$ 5,150,065
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,036,430	4,953,827	122,395	6,112,652
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	5,000	14,785	(171)	19,614
Inventories	-	(2,272)	-	(2,272)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(162,011)	487,828	(126,524)	199,293
Accrued payroll and related liabilities	(186,269)	(82,654)	(63,321)	(332,244)
Claims payable	-	-	(1,634,580)	(1,634,580)
Net cash provided by operating activities	<u>\$ 1,697,508</u>	<u>\$ 5,502,491</u>	<u>\$ 2,312,529</u>	<u>\$ 9,512,528</u>

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, 2018

	Special Welfare Fund	Commonwealth of Virginia Fund	Western Tidewater Water Authority	Total
ASSETS				
Cash and cash equivalents	\$ 27,716	\$ 26,834	\$ 623,068	\$ 677,618
Total assets	<u>\$ 27,716</u>	<u>\$ 26,834</u>	<u>\$ 623,068</u>	<u>\$ 677,618</u>
LIABILITIES				
Amounts held for others	\$ 27,716	\$ 26,834	\$ 623,068	\$ 677,618
Total liabilities	<u>\$ 27,716</u>	<u>\$ 26,834</u>	<u>\$ 623,068</u>	<u>\$ 677,618</u>

CITY OF SUFFOLK, VIRGINIA

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

Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 29,690	\$ 35,110	\$ 37,084	\$ 27,716
Total assets	<u>\$ 29,690</u>	<u>\$ 35,110</u>	<u>\$ 37,084</u>	<u>\$ 27,716</u>
LIABILITIES				
Amounts held for others	\$ 29,690	\$ 35,110	\$ 37,084	\$ 27,716
Total liabilities	<u>\$ 29,690</u>	<u>\$ 35,110</u>	<u>\$ 37,084</u>	<u>\$ 27,716</u>
Commonwealth of Virginia Fund				
ASSETS				
Cash and cash equivalents	\$ 31,651	\$ 81,691	\$ 86,508	\$ 26,834
Total assets	<u>\$ 31,651</u>	<u>\$ 81,691</u>	<u>\$ 86,508</u>	<u>\$ 26,834</u>
LIABILITIES				
Amounts held for others	\$ 31,651	\$ 81,691	\$ 86,508	\$ 26,834
Total liabilities	<u>\$ 31,651</u>	<u>\$ 81,691</u>	<u>\$ 86,508</u>	<u>\$ 26,834</u>
Western Tidewater Water Authority				
ASSETS				
Cash and cash equivalents	\$ 615,132	\$ 6,555,465	\$ 6,547,529	\$ 623,068
Total assets	<u>\$ 615,132</u>	<u>\$ 6,555,465</u>	<u>\$ 6,547,529</u>	<u>\$ 623,068</u>
LIABILITIES				
Amounts held for others	\$ 615,132	\$ 6,555,465	\$ 6,547,529	\$ 623,068
Total liabilities	<u>\$ 615,132</u>	<u>\$ 6,555,465</u>	<u>\$ 6,547,529</u>	<u>\$ 623,068</u>
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 676,473	6,672,266	6,671,121	\$ 677,618
Total assets	<u>\$ 676,473</u>	<u>\$ 6,672,266</u>	<u>\$ 6,671,121</u>	<u>\$ 677,618</u>
LIABILITIES				
Amounts held for others	\$ 676,473	6,672,266	6,671,121	\$ 677,618
Total liabilities	<u>\$ 676,473</u>	<u>\$ 6,672,266</u>	<u>\$ 6,671,121</u>	<u>\$ 677,618</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.

CITY OF SUFFOLK, VIRGINIA

COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
June 30, 2018

	School Operating Fund	School Grants Fund	School Food Service Fund	Total School Board
ASSETS				
Cash and cash equivalents	\$ 19,696,799	\$ -	\$ 4,822,809	\$ 24,519,608
Receivables, net	382,543	-	27,461	410,004
Due from other funds	2,311,251	-	-	2,311,251
Due from other governments	1,467,464	3,475,933	249,458	5,192,855
Inventories	143,874	-	369,045	512,919
Prepaid items	95,000	-	-	95,000
Total assets	<u>\$ 24,096,931</u>	<u>\$ 3,475,933</u>	<u>\$ 5,468,773</u>	<u>\$ 33,041,637</u>
LIABILITIES				
Accounts payable	\$ 1,429,703	\$ 19,956	\$ 284,764	\$ 1,734,423
Accrued payroll and related liabilities	17,397,602	649,660	191,542	18,238,804
Due to the Primary Government	47,339	-	-	47,339
Due to other governments	-	-	-	-
Due to other funds	-	2,311,251	-	2,311,251
Total liabilities	<u>18,874,644</u>	<u>2,980,867</u>	<u>476,306</u>	<u>22,331,817</u>
FUND BALANCES				
Nonspendable:				
Inventories and prepaids	238,874	-	369,045	607,919
Premiums held for workers' compensation claims	225,000	-	-	225,000
Premiums held for health insurance claims	285,122	-	-	285,122
Committed:				
Grant local match	-	420,990	-	420,990
Assigned:				
Special revenue	-	74,076	-	74,076
Food service	-	-	4,623,422	4,623,422
Encumbrances	4,473,291	-	-	4,473,291
Total fund balances	<u>5,222,287</u>	<u>495,066</u>	<u>4,992,467</u>	<u>10,709,820</u>
Total liabilities and fund balance	<u>\$ 24,096,931</u>	<u>\$ 3,475,933</u>	<u>\$ 5,468,773</u>	<u>\$ 33,041,637</u>
Reconciliation to the Statement of Net Position (Exhibit 1)				
Total fund balance				\$ 10,709,820
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
School Board				123,212,907
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
Other postemployment benefits - School trust				1,839,308
School Board compensated absences				(2,430,204)
Net pension liability and pension and OPEB 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				(116,666,981)
Deferred outflows - difference between projected and actual earnings on pension investments				935,235
Deferred outflows - difference between projected and actual earnings on pension investments - Pruden				7,141
Deferred inflows - difference between projected and actual earnings on pension investments				(5,485,163)
Deferred inflows - difference between projected and actual earnings on pension investments - Pruden				(86,445)
Deferred inflows - difference between expected and actual experience				(8,732,755)
Deferred outflows - difference between expected and actual experience				54,183
Deferred inflows - difference between expected and actual experience -- Pruden				(157,414)
Deferred Outflows- Change in assumptions				1,679,000
Deferred Outflows- Change in assumptions- Pruden				30,000
Deferred Inflows- Change in Assumptions				(142,267)
Deferred Inflows- Change in Assumptions- Pruden				(834)
Deferred Inflows - difference in proportion and difference between employer contributions and proportionate share of contributions				(3,533,000)
Deferred outflows - difference in proportion and difference between employer contributions and proportionate share of contributions - Pruden				2,364,000
Deferred Inflows - difference in proportion and difference between employer contributions and proportionate share of contributions				(283,000)
Deferred Inflows - difference in proportion and difference between employer contributions and proportionate share of contributions - Pruden				86,000
Deferred outflows - employer pension contributions made subsequent to the measurement date				12,686,166
OPEB liability - State Plans				(18,785,000)
OPEB Deferred Inflows - State Plans				(1,095,000)
OPEB Deferred Outflows - State Plans				8,000
OPEB Deferred Inflows - School Trust				(2,646,928)
OPEB Deferred Outflows - School Trust				1,133,470
Deferred outflows - employer OPEB contributions made subsequent to the measurement date- State Plans				2,092,037
Deferred outflows - employer OPEB contributions made subsequent to the measurement date- School Trust				517,106
Net position of governmental activities				<u><u>\$ (2,690,618)</u></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, 2018

	School Operating Fund	School Grants Fund	School Food Service Fund	The College and Career Academy at Pruden	Total School Board
REVENUES					
Revenue from use of money and property	\$ 77,403	\$ -	\$ 7,735	\$ -	\$ 85,138
Charges for services	67,688	-	1,619,525	-	1,687,213
Miscellaneous	371,476	265,762	265,533	-	902,771
Intergovernmental:					-
City contribution	55,917,071	-	-	-	55,917,071
Revenue from the Commonwealth	83,534,045	644,698	212,195	-	84,390,938
Revenue from the Federal Government	836,605	7,386,553	5,346,548	-	13,569,706
Total revenues	<u>140,804,288</u>	<u>8,297,013</u>	<u>7,451,536</u>	<u>-</u>	<u>156,552,837</u>
EXPENDITURES					
Current:					
Education	<u>139,349,689</u>	<u>8,437,693</u>	<u>7,296,498</u>	<u>483</u>	<u>155,084,363</u>
Total expenditures	<u>139,349,689</u>	<u>8,437,693</u>	<u>7,296,498</u>	<u>483</u>	<u>155,084,363</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,454,599</u>	<u>(140,680)</u>	<u>155,038</u>	<u>(483)</u>	<u>1,468,474</u>
Other financing sources (uses):					
Transfers in	-	128,289	-	-	128,289
Transfers out	<u>(128,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(128,289)</u>
Total other financing sources (uses), net	<u>(128,289)</u>	<u>128,289</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	1,326,310	(12,391)	155,038	(483)	1,468,474
Fund balances at July 1	<u>3,895,977</u>	<u>507,457</u>	<u>4,837,429</u>	<u>483</u>	<u>9,241,346</u>
Fund balances at June 30	<u>\$ 5,222,287</u>	<u>\$ 495,066</u>	<u>\$ 4,992,467</u>	<u>\$ -</u>	<u>\$ 10,709,820</u>

Reconciliation to the Statement of Activities (Exhibit 2)

Net change in fund balance - governmental funds	\$ 1,468,474
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	(8,881,894)
Capitalized expenditures	2,340,626
Loss on disposal of capital assets	(2,768)
Record the current pension expense based on the actuarial study of the Net Pension Liability	(8,658,414)
Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date	12,686,166
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	(212,852)
This amount represents the current year change in those items for the School Board - OPEB	2,107,703
Change in net position of governmental activities (Exhibit 2)	<u><u>\$ 847,041</u></u>

CITY OF SUFFOLK, VIRGINIA

BUDGETARY RECONCILIATION SCHEDULE
GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2018

	School Operating Fund			School Grants Fund			School Food Service Fund		
	Budget Based			Budget Based			Budget Based		
	Total Exhibit 42	Items	Total Exhibit 40	Total Exhibit 42	Items	Total Exhibit 40	Total Exhibit 42	Items	Total Exhibit 40
Total revenues	\$ 140,804,288	\$ -	\$ 140,804,288	\$ 8,297,013	\$ -	\$ 8,297,013	\$ 7,451,536	\$ -	\$ 7,451,536
Total other financing sources	-	-	-	128,289	-	128,289	-	-	-
Total revenues	140,804,288	-	140,804,288	8,425,302	-	8,425,302	7,451,536	-	7,451,536
Total expenditures	140,673,788	1,324,099	139,349,689	8,277,313	(160,380)	8,437,693	7,292,863	(3,635)	7,296,498
Total other financing uses	128,289	-	128,289	-	-	-	-	-	-
Total expenditures	140,802,077	1,324,099	139,477,978	8,277,313	(160,380)	8,437,693	7,292,863	(3,635)	7,296,498
Net changes in fund balances	\$ 2,211	\$ (1,324,099)	\$ 1,326,310	\$ 147,989	\$ 160,380	\$ (12,391)	\$ 158,673	\$ 3,635	\$ 155,038

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, 2018

	School Operating Fund				School Grants Fund				School Food Service Fund			
	Budgeted Amounts				Budgeted Amounts				Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget -	Original	Final	Actual	Variance with Final Budget -	Original	Final	Actual	Variance with Final Budget -
REVENUES												
Revenue from use of money and property	\$ 70,000	\$ 70,000	\$ 77,403	\$ 7,403	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 7,735	\$ 2,735
Charges for services	372,000	372,000	67,688	(304,312)	-	-	-	-	2,430,000	2,430,000	1,619,525	(810,475)
Miscellaneous	505,000	505,000	371,476	(133,524)	1,000,000	1,000,000	265,762	(734,238)	628,120	628,120	265,533	(362,587)
Intergovernmental:												
Contribution from the City of Suffolk	55,832,201	55,964,411	55,917,071	(47,340)	-	-	-	-	-	-	-	-
Revenue from the Commonwealth	83,462,099	83,462,099	83,534,045	71,946	1,780,000	1,780,000	644,698	(1,135,302)	170,000	170,000	212,195	42,195
Revenue from the Federal Government	1,092,000	1,092,000	836,605	(255,395)	8,300,000	8,300,000	7,386,553	(913,447)	5,039,000	5,039,000	5,346,548	307,548
Total revenues	141,333,300	141,465,510	140,804,288	(661,222)	11,080,000	11,080,000	8,297,013	(2,782,987)	8,272,120	8,272,120	7,451,536	(820,584)
EXPENDITURES												
Current:												
Education	141,150,741	141,282,951	140,673,788	609,163	-	-	-	-	-	-	-	-
Grant expenditures	-	-	-	-	11,380,000	11,380,000	8,277,313	3,102,687	-	-	-	-
Food Services	-	-	-	-	-	-	-	-	8,272,120	8,272,120	7,292,863	979,257
Total expenditures	141,150,741	141,282,951	140,673,788	609,163	11,380,000	11,380,000	8,277,313	3,102,687	8,272,120	8,272,120	7,292,863	979,257
Excess (deficiency) of revenues over (under) expenditures	182,559	182,559	130,500	(52,059)	(300,000)	(300,000)	19,700	319,700	-	-	158,673	158,673
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	300,000	300,000	128,289	(171,711)	-	-	-	-
Transfers out	(182,559)	(182,559)	(128,289)	54,270	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	(182,559)	(182,559)	(128,289)	54,270	300,000	300,000	128,289	(171,711)	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ 2,211	\$ 2,211	\$ -	\$ -	\$ 147,989	\$ 147,989	\$ -	\$ -	\$ 158,673	\$ 158,673

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2018

	OPEB Trust Fund	School Activity Funds
ASSETS		
Cash and cash equivalents	\$ 15,763,612	\$ 1,379,806
Total assets	<u>15,763,612</u>	<u><u>1,379,806</u></u>
LIABILITIES		
Amounts held for students	<u>-</u>	<u>\$ 1,379,806</u>
Total liabilities	<u>-</u>	<u><u>\$ 1,379,806</u></u>
Net Position		
Held in trust for OPEB benefits	<u>15,763,612</u>	
Net position	<u><u>\$ 15,763,612</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, 2018

	<u>School Board</u>
Additions:	
Employer contributions	\$ -
Gain on investments	<u>1,378,532</u>
Total additions	<u>1,378,532</u>
Deductions:	
Administrative fees	<u>14,801</u>
Total deductions	<u>14,801</u>
Change in net position	1,363,731
Net position - beginning of year	<u>14,399,881</u>
Net position - end of year	<u><u>\$ 15,763,612</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, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets:				
Cash and cash equivalents	\$ 1,080,356	\$ 2,897,864	\$ 2,598,414	\$ 1,379,806
College and Career Academy at Pruden cash	82,278	-	82,278	-
Total cash and cash equivalents	<u>\$ 1,162,634</u>	<u>\$ 2,897,864</u>	<u>\$ 2,680,692</u>	<u>\$ 1,379,806</u>
Liabilities:				
Amounts held for students	\$ 1,080,356	\$ 2,897,864	\$ 2,598,414	\$ 1,379,806
College and Career Academy at Pruden amounts held for students	82,278	-	82,278	-
Total amounts held for students	<u>\$ 1,162,634</u>	<u>\$ 2,897,864</u>	<u>\$ 2,680,692</u>	<u>\$ 1,379,806</u>

Note: the College and Career Academy at Pruden was combined with the Suffolk Schools effective July 1, 2017.
The activity funds were not previously included in the City's CAFR for The College and Career Academy at Pruden

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 129,638,603	\$ 105,871,501	\$ 329,191,210	\$ 335,377,003	\$ 287,319,247	\$ 290,323,371	\$ 294,142,955	\$ 323,431,229	\$ 318,746,466	\$ 335,967,276
Restricted:										
Capital Projects	-	-	-	-		1,162,771	1,270,512	1,626,277	1,934,672	618,062
Debt Service	392,169	392,169	392,169	392,169	392,219	392,259	392,299	392,424	393,352	397,267
Other Purposes	-	8,269,446	18,217,244	5,757,526	6,658,293	8,023,744	3,374,719	2,514,171	6,554,243	1,071,735
Unrestricted	60,941,946	80,954,531	(21,155,533)	26,476,856	87,103,333	46,588,610	46,662,695	41,928,355	61,188,152	66,603,036
Total Net Position										
Governmental Activities	<u>\$ 190,972,718</u>	<u>\$ 195,487,647</u>	<u>\$ 326,645,090</u>	<u>\$ 368,003,554</u>	<u>\$ 381,473,092</u>	<u>\$ 346,490,755</u>	<u>\$ 345,843,180</u>	<u>\$ 369,892,456</u>	<u>\$ 388,816,885</u>	<u>\$ 404,657,376</u>
Business-type Activities										
Net investment in capital assets	\$ 171,309,403	\$ 159,253,886	\$ 158,621,254	\$ 157,084,814	\$ 153,147,421	\$ 145,111,492	\$ 125,468,343	\$ 116,807,623	\$ 108,816,928	\$ 108,549,474
Restricted:										
Debt Service	-	1,525,006	1,887,575	1,978,028	-	-	-	-	-	-
Other Purposes	-	-	32,827	-	2,079,370	2,144,619	2,195,062	2,299,048	2,911,089	2,501,238
Unrestricted	2,935,424	5,499,380	6,370,895	6,593,945	8,888,398	7,422,809	20,915,542	28,611,789	38,601,383	43,538,079
Total Net Position										
Business-type Activities	<u>\$ 174,244,827</u>	<u>\$ 166,278,272</u>	<u>\$ 166,912,551</u>	<u>\$ 165,656,787</u>	<u>\$ 164,115,189</u>	<u>\$ 154,678,920</u>	<u>\$ 148,578,947</u>	<u>\$ 147,718,460</u>	<u>\$ 150,329,400</u>	<u>\$ 154,588,791</u>
Primary Government										
Net investment in capital assets	\$ 300,948,006	\$ 265,125,387	\$ 487,812,464	\$ 492,461,817	\$ 440,466,668	\$ 435,434,863	\$ 419,611,298	\$ 440,238,852	\$ 427,563,394	\$ 444,516,750
Restricted:										
Capital Projects	-	-	-	-	-	1,162,771	1,270,512	1,626,277	1,934,672	618,062
Debt Service	392,169	1,917,175	2,279,744	2,370,197	392,219	392,259	392,299	392,424	393,352	397,267
Other Purposes	-	8,269,446	18,250,071	5,757,526	8,737,663	10,168,363	5,569,781	4,813,219	9,465,332	3,572,973
Unrestricted	63,877,370	86,453,911	(14,784,638)	33,070,801	95,991,731	54,011,419	67,578,237	70,540,144	99,789,535	110,141,115
Total Net Position										
Primary Government	<u>\$ 365,217,545</u>	<u>\$ 361,765,919</u>	<u>\$ 493,557,641</u>	<u>\$ 533,660,341</u>	<u>\$ 545,588,281</u>	<u>\$ 501,169,675</u>	<u>\$ 494,422,127</u>	<u>\$ 517,610,916</u>	<u>\$ 539,146,285</u>	<u>\$ 559,246,167</u>
		(1)	(2)		(3)	(4)	(5)		(6)	

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

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

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

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

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

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General Government	\$ 8,493,992	\$ 9,422,635	\$ 11,784,825	\$ 12,554,225	\$ 17,558,767	\$ 18,904,150	\$ 18,757,768	\$ 22,013,103	\$ 23,932,608	\$ 17,264,292
Judicial	7,159,993	7,393,681	7,221,482	7,622,124	8,138,225	7,994,313	8,031,886	8,153,863	8,867,642	8,806,323
Public Safety	36,372,402	42,448,954	43,635,617	48,587,624	49,413,603	52,439,287	48,708,228	49,908,535	58,213,081	63,472,949
Public Works	32,530,396	34,682,047	30,775,346	37,156,299	32,943,383	35,491,175	36,760,229	38,037,370	40,501,580	37,224,174
Health and Welfare	12,187,513	13,569,286	13,796,431	12,616,178	12,972,806	12,941,699	12,536,910	11,901,139	13,162,760	13,044,274
Transportation	-	-	-	-	888,933	619,876	908,293	960,983	1,005,429	997,267
Education	77,678,641	53,624,148	56,504,857	44,206,593	49,386,060	49,180,560	51,093,179	53,440,550	54,983,835	57,818,350
Parks, Recreation and Cultural	8,301,660	8,309,722	7,818,362	7,888,484	8,456,643	8,817,413	9,750,157	10,318,851	12,111,876	11,737,262
Community Development	7,742,440	9,329,455	13,789,850	5,951,888	8,099,788	8,665,119	9,933,559	8,621,160	10,563,461	7,323,375
Interest on Long-Term Debt	9,896,678	9,293,250	8,525,637	11,832,809	8,998,878	9,858,244	10,065,468	9,419,498	8,849,091	9,765,103
Total Governmental Activities Expenses	200,363,715	188,073,178	193,852,407	188,416,224	196,857,086	204,911,837	206,545,676	212,775,052	232,191,363	227,453,369
Business-type Activities:										
Utilities	29,133,054	38,634,542	34,149,870	35,912,782	40,101,617	45,108,820	49,334,155	51,423,536	49,295,373	52,035,621
Golf course	1,689,229	-	-	-	-	-	-	-	-	-
Refuse collection	-	-	-	5,712,045	5,204,255	5,198,550	5,772,239	5,718,442	5,320,570	6,713,015
Stormwater management	2,924,270	3,001,245	2,955,327	3,072,703	3,249,640	3,413,963	3,734,024	4,450,559	4,749,518	4,912,097
Total Business-type Activities Expenses	33,746,553	41,635,787	37,105,197	44,697,530	48,555,512	53,721,333	58,840,418	61,592,537	59,365,461	63,660,733
Total Primary Government Expenses	\$ 234,110,268	\$ 229,708,965	\$ 230,957,604	\$ 233,113,754	\$ 245,412,598	\$ 258,633,169	\$ 265,386,094	\$ 274,367,589	\$ 291,556,824	\$ 291,114,102
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	\$ 4,659,243	\$ 4,880,782
Judicial Administration	753,969	736,610	932,474	374,594	361,926	275,113	286,398	304,129	272,141	313,092
Public Safety	2,587,982	2,931,733	2,074,431	575,653	3,130,972	-	1,864,675	1,885,914	1,948,166	1,836,661
Public Works	2,195,198	2,367,267	1,504,393	872,302	1,469,668	1,460,003	1,479,054	899,794	990,045	988,507
Health and Welfare	7,388	25,280	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	47,971	46,870	53,055	67,759	76,099	71,652
Parks, Recreation and Cultural	628,393	670,162	759,323	719,783	774,237	824,628	982,354	1,108,862	1,056,185	1,020,013
Community Development	302,134	248,816	1,470,640	35,124	100,172	287	85	70	107	16,447
Total Charges for Services	6,475,064	6,986,167	6,741,261	5,864,706	10,685,705	7,583,905	9,710,365	9,153,960	9,001,986	9,127,154
Operating Grants and Contributions:										
General Government Administration	170,905	122,185	395,505	4,620,917	467,086	1,433,125	636,628	1,503,473	1,477,767	450,386
Judicial Administration	1,829,318	1,766,209	2,377,742	1,451,567	2,826,315	2,102,897	3,017,272	2,047,647	2,170,053	3,410,191
Public Safety	2,136,678	2,705,501	3,256,578	892,671	3,414,088	1,563,382	818,251	1,057,389	1,347,604	1,145,864
Public Works	18,491,121	18,095,389	18,781,620	-	20,157,859	20,799,365	21,534,701	22,758,708	23,496,157	23,395,546
Health and Welfare	8,848,554	9,511,711	8,540,671	7,731,229	8,198,767	7,682,494	7,557,634	7,598,958	8,088,860	7,452,411
Transportation	-	-	-	-	116,122	142,793	152,565	141,002	188,364	186,942
Education	-	-	-	-	140,879	62,308	20,000	-	-	-
Parks, Recreation and Cultural	305,120	294,402	18,228	-	261,267	266,774	521,608	287,351	295,998	275,996
Community Development	575,172	1,808,426	-	-	1,522,630	1,153,383	1,128,636	1,032,855	2,725,076	1,209,289
Total Operating Grants and Contributions	32,356,868	34,303,823	33,370,344	14,696,384	37,105,013	35,206,521	35,387,295	36,427,383	39,789,879	37,526,625
Capital Grants and Contributions:										
General Government	-	-	-	99,389	2,299,245	506,228	973,634	3,077,758	2,548,273	4,248,322
Public Safety	70,500	-	-	1,958,630	-	-	-	-	-	-
Public Works	587,602	1,802,779	3,384,540	46,194,289	4,080,584	1,321,424	2,869,669	5,006,683	6,800,136	10,824,821
Transportation	-	-	-	-	159,005	1,561	206,665	49,422	50,259	59,508
Parks, Recreation and Cultural	-	-	-	-	157,231	42,882	474,341	1,028,457	1,660	414,599
Community Development	966,594	109,151	4,368,366	3,828	-	-	-	-	-	93,400
Total Capital Grants and Contributions	1,624,696	1,911,930	7,752,906	48,256,136	6,696,065	1,872,095	4,524,309	9,162,320	9,400,328	15,640,650
Total Governmental Activities Program Revenues	40,456,628	43,201,920	47,864,511	68,817,226	54,486,783	44,662,521	49,621,969	54,743,663	58,192,193	62,294,429

(Continued)

CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues: (Continued)										
Business-type Activities:										
Charges for Services:										
Utility	24,813,989	29,044,958	29,818,675	32,934,240	37,884,451	39,013,878	41,209,347	46,876,297	47,818,262	48,999,436
Non-major	5,152,294	3,861,010	3,861,677	10,055,670	10,765,864	10,570,683	12,012,686	11,877,376	12,288,034	13,765,024
Total Charges for Services	29,966,283	32,905,968	33,680,352	42,989,910	48,650,315	49,584,561	53,222,033	58,753,673	60,106,296	62,764,460
Operating Grants and Contributions:										
Utility	542,287	-	-	-	-	-	-	-	88,315	-
Total Operating Grants and Contributions	542,287	-	-	-	-	-	-	-	88,315	-
Capital Grants and Contributions:										
Utility	3,785,842	1,504,233	4,468,834	1,078,380	2,363,664	456,001	565,595	3,682,628	1,870,646	5,483,390
Total Capital Grants and Contributions	3,785,842	1,504,233	4,468,834	1,078,380	2,363,664	456,001	565,595	3,682,628	1,870,646	5,483,390
Total Business-type Activities Program Revenues	34,294,412	34,410,201	38,149,186	44,068,290	51,013,979	50,040,562	53,787,628	62,436,301	62,065,257	68,247,850
Total Primary Government Program Revenues	\$ 74,751,040	\$ 77,612,121	\$ 86,013,697	\$ 112,885,516	\$ 105,500,762	\$ 94,703,083	\$ 103,409,597	\$ 117,179,964	\$ 120,257,450	\$ 130,542,279
Net (Expense)/Revenue										
Governmental Activities	\$ (159,907,087)	\$ (144,871,258)	\$ (145,987,896)	\$ (119,598,998)	\$ (142,370,304)	\$ (160,249,316)	\$ (156,923,707)	\$ (158,031,389)	\$ (173,999,170)	\$ (165,158,940)
Business-type Activities	547,859	(7,225,586)	1,043,989	(629,240)	2,458,467	(3,680,771)	(5,052,790)	843,764	2,699,796	4,587,117
Total Primary Government Net Expense	\$ (159,359,228)	\$ (152,096,844)	\$ (144,943,907)	\$ (120,228,238)	\$ (139,911,837)	\$ (163,930,086)	\$ (161,976,497)	\$ (157,187,625)	\$ (171,299,374)	\$ (160,571,823)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes	\$ 132,560,748	\$ 131,748,747	\$ 133,841,481	\$ 140,556,855	\$ 141,004,777	\$ 146,247,763	\$ 152,576,375	\$ 160,158,953	\$ 166,579,230	\$ 173,015,098
Grants and Contributions Not Restricted to Specific Programs	14,405,688	13,938,495	12,591,336	13,143,469	13,624,485	13,609,376	13,385,064	13,545,057	13,589,564	13,726,367
Revenue from use of money and property	1,845,378	1,136,704	1,142,359	1,091,549	1,257,594	1,230,251	1,167,212	1,374,395	1,837,341	2,892,413
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	2,692,356	3,968,437	129,570,163	6,165,589	6,460,944	4,562,119	7,139,716	9,092,746	10,917,464	7,742,293
Total Governmental Activities	151,504,170	150,792,383	277,145,339	160,957,462	157,819,240	165,649,509	156,276,134	182,080,665	192,923,599	197,376,171
Business-type Activities:										
Investment Earnings	640,041	555,814	363,684	835,126	741,640	571,581	562,699	983,001	935,690	970,727
Transfers/Miscellaneous	(598,264)	(2,063,316)	(773,394)	(1,461,650)	(1,950,430)	(338,342)	(1,609,882)	(2,687,252)	(1,024,546)	121,844
Total Business-type Activities	41,777	(1,507,502)	(409,710)	(626,524)	(1,208,790)	233,239	(1,047,183)	(1,704,251)	(88,856)	1,092,571
Total Primary Government	\$ 151,545,947	\$ 149,284,881	\$ 276,735,629	\$ 160,330,938	\$ 156,610,450	\$ 165,882,748	\$ 155,228,951	\$ 180,376,414	\$ 192,834,743	\$ 198,468,742
Change in Net Position										
Governmental Activities	\$ (8,402,917)	\$ 5,921,125	\$ 131,157,443	\$ 41,358,464	\$ 15,448,936	\$ 5,400,193	\$ (647,573)	\$ 24,049,276	\$ 18,924,429	\$ 32,217,231
Business-type Activities	589,636	(8,733,088)	634,279	(1,255,764)	1,249,677	(3,447,532)	(6,099,973)	(860,487)	2,610,940	5,679,688
Total Primary Government	\$ (7,813,281)	\$ (2,811,963)	\$ 131,791,722	\$ 40,102,700	\$ 16,698,613	\$ 1,952,662	\$ (6,747,546)	\$ 23,188,789	\$ 21,535,369	\$ 37,896,919
		(1)	(2)				(3)			

(1) 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.

(2) 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.

(3) 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

	2009	A	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund											
Reserved	\$ 670,027		-	-	-	-	-	-	-	-	-
Unreserved	50,540,042		-	-	-	-	-	-	-	-	-
Non-Spendable	-	\$ 277,482	\$ 81,697	\$ 41,086	\$ 9,794	\$ 3,920	\$ 42,454	\$ 24,905	\$ 47,669	\$ 37,908	
Restricted	-	-	2,106,682	2,106,682	565,969	580,948	668,506	1,162,069	1,528,879	1,552,547	
Committed	-	585,475	8,200,533	7,746,520	9,909,530	8,792,595	6,285,381	4,472,517	5,920,555	6,633,215	
Assigned	-	9,515,153	1,520,457	7,676,544	1,646,157	2,348,576	701,393	425,008	2,609,232	426,564	
Unassigned	-	43,222,091	35,569,058	36,881,374	43,938,132	45,575,368	48,647,116	56,491,224	58,392,937	65,326,008	
Total General Fund	<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>	<u>\$ 68,499,272</u>	<u>\$ 73,976,242</u>
All Other Governmental Funds											
Reserved	\$ 12,318,937	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:											
Capital Projects Funds	19,353,128	-	-	-	-	-	-	-	-	-	-
Debt Service Funds	679,706	-	-	-	-	-	-	-	-	-	-
Permanent	-	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	8,214,906	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	88,383	38,309	30,776	45,654	45,654	
Restricted	-	392,169	17,195,832	14,227,163	14,353,521	35,666,062	60,045,985	67,568,640	63,765,980	56,841,100	
Committed, reported in:											
Capital Projects Funds	-	12,986,435	2,057,504	31,842,530	34,504,114	6,469,155	1,972,667	5,914,066	7,319,905	10,890,140	
Nonmajor Governmental Funds	-	5,889,037	2,899,128	3,293,204	2,839,333	2,125,879	2,170,497	2,516,047	3,498,144	2,599,519	
Other Governmental Funds	-	286,150	7,115,186	10,809,261	10,890,830	13,337,889	2,822,872	2,148,460	99,368	95,453	
Assigned, reported in:											
Other Governmental Funds	-	6,868,143	-	-	-	-	-	-	-	-	-
Special Revenue Funds	-	5,468,839	872,002	949,904	2,864,515	1,941,868	-	-	-	-	-
Debt Service Funds	-	600,859	-	-	-	-	-	-	-	-	-
Unassigned	-	(69,801)	(71,710)	-	(10,938)	(10,909)	(10,951)	(10,945)	(10,818)	(10,819)	
Total all other Governmental Funds	<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>	<u>\$ 74,718,233</u>	<u>\$ 70,461,047</u>
Component Unit (School Board)											
Reserved	\$ 10,459,827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,404,236	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	451,829	1,387,121	5,055,925	1,397,417	1,549,179	1,563,699	1,134,919	1,125,204	1,118,041	
Restricted	-	322,418	-	-	-	-	-	-	-	-	-
Committed	-	1,007,606	6,324,592	818,913	357,600	504,320	477,237	417,309	433,862	420,990	
Assigned	-	7,928,595	9,833,477	6,625,214	5,558,243	7,016,812	9,091,818	7,125,361	7,682,280	9,170,789	
Unassigned	-	-	(1,521,774)	(127,803)	(149,539)	-	-	154,815	-	-	-
	<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>	<u>\$ 9,241,346</u>	<u>\$ 10,709,820</u>
		(1)	(2)				(3)				

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 restatement in several funds as per Note 17 in the financial statements. GAAP caused the fund balance terminology to change.

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

(3) 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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
General Property Taxes	\$ 99,044,697	\$ 98,299,291	\$ 98,760,972	\$ 103,782,797	\$ 104,577,439	\$ 110,069,867	\$ 112,558,761	\$ 118,076,619	\$ 123,457,208	\$ 127,047,858
Other Local Taxes	33,090,604	32,916,852	34,520,691	36,916,761	36,379,136	36,077,720	39,723,172	42,544,952	43,202,375	45,768,255
Licenses, Permits and Fees	1,182,302	1,394,842	1,182,746	1,267,377	1,284,823	1,282,637	1,436,613	1,589,474	1,678,881	1,825,728
Fines and Forfeitures	521,771	852,307	869,701	1,024,324	1,048,276	1,067,296	1,254,627	1,042,219	983,988	1,142,491
Use of Money and Property	1,845,378	1,136,704	786,359	817,326	1,199,549	1,180,391	1,118,245	1,289,414	1,775,226	2,708,976
Intergovernmental	49,182,612	50,154,248	52,221,486	53,256,359	55,743,813	50,170,399	52,623,910	58,698,660	62,362,464	66,206,954
Charges for Services	4,770,991	4,739,019	4,711,730	5,379,984	6,999,252	5,354,741	5,344,154	5,018,523	4,827,273	4,770,834
Miscellaneous	1,784,155	1,674,116	1,445,202	1,900,247	2,229,766	1,385,847	1,981,761	2,482,439	1,983,706	3,794,081
Total Revenues	191,422,510	191,167,379	194,498,887	204,345,175	209,462,054	206,588,898	216,041,243	230,742,300	240,271,121	253,265,177
Expenditures										
General Government Administration	8,075,932	8,113,416	11,008,630	(4) 13,563,676	15,171,035	15,045,173	15,717,849	15,511,299	16,302,909	17,074,074
Judicial Administration	6,815,601	6,812,528	6,743,740	7,731,218	8,086,574	7,978,377	8,308,093	8,467,689	8,896,483	9,051,250
Public Safety	34,676,356	37,802,601	40,185,432	48,947,127	48,435,845	48,997,652	49,275,180	50,488,261	57,115,046	60,265,740
Public Works	26,204,343	26,784,701	22,330,517	(4) 19,019,321	19,465,040	21,231,887	22,352,347	23,038,899	25,102,596	23,998,099
Health and Welfare	11,597,910	12,718,523	13,156,330	12,802,756	12,920,565	12,933,567	12,813,152	12,219,597	13,256,252	13,319,870
Transportation	-	-	-	-	888,337	672,274	1,209,090	1,033,663	1,079,339	1,090,607
Education	48,472,908	44,725,754	46,746,091	44,206,593	49,386,060	49,170,847	51,134,708	53,435,459	54,900,377	56,467,515
Parks, Recreation and Cultural	6,680,503	6,972,187	6,453,131	7,567,516	7,650,996	7,857,639	9,382,259	9,835,503	10,576,486	11,147,634
Community Development	8,032,334	8,783,239	13,644,310	(3) 6,005,460	8,062,809	8,238,220	9,355,031	7,948,520	9,844,679	6,686,201
Non-Departmental	8,753,753	8,264,861	6,977,603	455,436	474,540	531,079	1,848,130	466,002	323,725	226,481
Capital Outlay	20,582,782	20,789,098	16,235,879	15,988,154	20,951,351	46,949,925	32,536,679	28,950,011	46,189,812	56,107,239
Debt Service:										
Other	288,914	339,170	17,787	319,789	168,343	521,661	497,736	446,658	720,840	323,069
Interest	9,645,646	9,755,820	8,825,336	9,034,916	9,702,110	10,206,705	10,334,731	10,346,003	9,388,267	10,319,538
Principal	13,667,737	14,315,646	13,571,169	14,862,418	15,512,377	17,233,990	16,435,462	17,015,462	16,781,132	15,767,400
Total Expenditures	203,494,719	206,177,544	205,895,955	200,504,380	216,875,982	247,568,997	241,200,447	239,203,026	270,477,943	281,844,717
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,072,209)	(15,010,165)	(11,397,068)	3,840,795	(7,413,928)	(40,980,099)	(25,159,204)	(8,460,726)	(30,206,822)	(28,579,540)
Other Financing Sources (Uses)										
Proceeds of Refunding Bonds	-	30,605,000	-	14,295,853	11,520,000	5,370,000	20,160,000	20,176,111	47,215,000	3,395,000
Proceeds of Bonds Issued	16,600,000	3,550,000	-	32,526,431	9,890,000	33,105,000	28,820,000	20,360,000	26,380,000	26,665,000
Premiums on Debt	-	2,102,918	-	-	3,322,503	4,248,968	6,695,020	3,955,535	7,912,562	2,313,366
Transfers to other governments	-	-	-	-	-	(304,763)	-	-	-	-
Transfers In	30,481,200	31,222,564	31,070,025	32,840,198	35,363,768	34,821,649	38,022,629	37,593,204	36,594,695	37,425,621
Payment to Refunded Bonds Escrow Agent	-	(32,350,000)	-	(14,096,458)	(13,568,249)	(4,844,006)	(23,830,555)	(22,362,261)	(51,298,280)	(3,734,892)
Transfers Out	(29,306,840)	(27,016,486)	(29,714,865)	(31,378,920)	(33,177,405)	(36,007,972)	(38,243,395)	(33,903,324)	(34,122,417)	(36,264,770)
Total Other Financing Sources, net	17,774,360	8,113,996	1,355,160	34,187,104	13,350,617	36,388,876	31,623,699	25,819,265	32,681,560	29,799,325
Net Change in Fund Balance	(5) \$ 5,702,151	\$ (6,896,169)	(5) \$ (10,041,908)	(5) \$ 38,027,899	\$ 5,936,689	\$ (4,591,223)	\$ 6,464,495	\$ 17,358,539	\$ 2,474,738	\$ 1,219,785
Capital outlay (1)	\$ 20,582,782	\$ 18,694,339	\$ 16,206,989	\$ 11,253,052	\$ 23,029,711	\$ 44,465,715	\$ 36,911,941	\$ 31,474,338	\$ 48,309,227	\$ 58,064,359
Debt Service as a percentage of non-capital expenditures (1)	12.75%	12.84%	11.81%	12.63%	13.01%	13.49%	13.10%	13.17%	11.78%	11.66%
Add'l School Operating & Food Service Expenditures (2)	\$ 91,340,694	\$ 89,115,227	\$ 81,934,663	\$ 85,170,286	\$ 86,707,523	\$ 80,056,924	\$ 82,309,125	\$ 88,999,257	\$ 88,031,891	\$ 90,729,115
Debt Service as a percentage of non-capital plus school expenditures (2)	8.50%	8.70%	8.25%	8.71%	8.99%	9.68%	9.34%	9.22%	8.44%	8.29%

(1) Calculated as the Principal plus Interest shown above divided by the Total Expenditures less Capital Outlay as shown in the Exhibit 4 reconciliation schedule, as defined by GFOA. This ratio may have changed from previous years' presentations.

(2) Additional School expenditures are found in the Component Unit section of the CAFR (School Operating and School Food Service Fund expenditures less Contribution revenue from the City). The related ratio is part of bond continuing disclosure requirements.

(3) Contribution to IDA/EDA for Hilton Garden Inn/Suffolk Conference Center EDA Revenue Bonds: 2004, \$2.4 M for the IDA's Secondary Debt Service Reserve Fund to support the \$18.3 M Revenue Bonds; 2007, \$18.5 M to refund the Revenue Bonds; 2011, \$5.6 M to make final payment on the Revenue Bonds.

(4) Reclassificatio due to GFOA comments or management decisions.

(5) Restatements made in the subsequent year are not reflected here.

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Change 2009-2018
General Property Tax	\$ 99,044,697	\$ 98,299,291	\$ 99,497,154	\$ 103,640,094	\$ 104,577,439	\$ 110,069,867	\$ 112,558,761	\$ 117,651,210	\$ 123,411,724	\$ 127,047,858	28%
Other Local Taxes:											
Sales and Use	7,323,289	7,355,338	7,534,722	8,378,591	8,050,485	8,473,872	9,397,170	9,904,693	10,399,254	10,977,388	50%
Utility Tax	4,279,814	4,238,079	4,388,706	3,580,799	4,390,438	4,430,346	4,509,480	4,478,378	4,447,778	4,839,131	13%
Communication Taxes	3,733,667	3,614,856	3,649,188	3,826,015	3,602,321	3,535,356	3,492,721	3,115,672	3,311,375	3,212,841	-14%
Business and Occupational License	6,261,676	5,985,479	6,668,905	7,536,501	6,277,297	5,158,825	6,928,327	7,680,254	6,891,756	7,552,220	21%
Motor Vehicle License	1,713,998	1,711,012	1,695,869	2,104,948	2,247,870	2,240,157	2,301,259	2,449,544	2,436,079	2,354,440	37%
Bank Stock	306,405	641,735	498,527	493,688	486,092	505,550	529,855	564,037	629,727	675,738	121%
Recordation	1,186,018	1,009,592	830,076	922,372	1,165,979	1,269,043	1,456,395	1,466,044	1,477,475	1,866,957	57%
Tobacco	1,408,348	1,382,361	1,383,896	1,352,797	1,313,533	1,354,757	1,391,263	2,050,259	2,069,356	1,971,283	40%
Lodging	778,559	957,654	924,901	1,198,551	1,071,900	1,119,678	1,172,193	1,484,031	1,706,709	1,787,927	130%
Meals	5,683,139	5,643,405	6,430,769	7,076,131	7,452,212	7,646,834	8,329,490	8,996,483	9,432,240	10,111,438	78%
Admission	376,024	377,341	338,767	306,196	237,060	243,203	215,019	318,348	365,757	418,892	11%
Public Facility Tax Rebate	39,667	-	-	140,172	83,949	100,099	-	-	-	-	-100%
Total	\$ 132,135,301	\$ 131,216,143	\$ 133,841,480	\$ 140,556,855	\$ 140,956,575	\$ 146,147,587	\$ 152,281,933	\$ 160,158,953	\$ 166,579,230	\$ 172,816,113	

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		
2009	\$ 9,095,186,800	\$ 23,662,692	\$ 9,118,849,492	\$ 9,723,630,800	\$ 0.91	\$ 804,367,320	\$ 217,629,411	\$ 1,021,996,731	\$ 4.25	\$ 10,140,846,223
2010	9,055,790,400	26,606,668	9,082,397,068	9,705,046,100	0.91	721,104,740	245,272,079	966,376,819	4.25	10,048,773,887
2011	9,045,325,900	27,016,838	9,072,342,738	9,687,791,300	0.91	773,957,620	253,653,952	1,027,611,572	4.25	10,099,954,310
2012	8,848,672,100	29,240,750	8,877,912,850	9,472,557,700	0.97	793,373,032	271,085,304	1,064,458,336	4.25	9,942,371,186
2013	8,776,025,000	29,254,047	8,805,279,047	9,371,181,700	0.97	839,643,073	299,930,734	1,139,573,807	4.25	9,944,852,854
2014	8,612,541,300	28,707,851	8,641,249,151	9,132,641,100	1.03	864,971,340	297,602,714	1,162,574,054	4.25	9,803,823,205
2015	8,802,263,400	28,123,794	8,830,387,194	9,266,762,600	1.03	885,552,076	308,852,863	1,194,404,939	4.25	10,024,792,133
2016	9,012,246,300	30,898,516	9,043,144,816	9,423,596,600	1.07	941,845,500	329,961,909	1,271,807,409	4.25	10,314,952,225
2017	9,234,719,500	37,249,670	9,271,969,170	9,591,955,500	1.07	985,809,155	346,169,603	1,331,978,758	4.25	10,603,947,928
2018	9,536,521,300	44,371,412	9,580,892,712	9,874,324,100	1.07	1,002,785,230	360,467,216	1,363,252,446	4.25	10,944,145,158

(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)
	City Wide	Route 17 Taxing District	Downtown Business Overlay District			
2009	\$ 0.91	\$ 0.26	\$ 0.13	\$ 4.25	\$ 3.15	\$ 5.16
2010	0.91	0.26	0.125	4.25	3.15	5.16
2011	0.91	0.26	0.125	4.25	3.15	5.16
2012	0.97	0.26	0.125	4.25	3.15	5.22
2013	0.97	0.25	0.115	4.25	3.15	5.22
2014	1.03	0.25	0.105	4.25	3.15	5.28
2015	1.03	0.24	0.105	4.25	3.15	5.28
2016	1.07	0.24	0.105	4.25	3.15	5.28
2017	1.07	0.24	0.105	4.25	3.15	5.28
2018	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.

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Real Property

Taxpayer	Type of Business	2018		2009	
		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)
Centerpoint Properties Trust	Real Property Management	\$ 64,517,200	0.68%		
Target Corporation	Distribution Warehouse	60,794,100	0.64%	\$ 39,245,000	0.43%
116 Lakeview Parkway, LLC	Lessor to GSA (Office)	56,034,100	0.59%		
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	41,597,200	0.44%	43,843,300	0.48%
TowneBank	Financial Institution	40,749,800	0.43%		
The Pergola Group	Apartment Complex	39,628,300	0.42%	28,308,900	0.31%
Lake Prince Center, Inc.	Retirement Community	33,778,800	0.35%	26,714,100	0.29%
Boyd Suffolk GSA LLC	Military	32,846,700	0.34%		
Hampton Roads Crossing, LLC	Housing	31,736,900	0.33%		
Meridian Harbourview LLC	Apartment Complex	31,621,700	0.33%		
Sysco Food Services of Hampton Roads	Food Service Distribution			30,377,400	0.33%
Rubicon - NGP	Joint Military Training Facility			39,757,900	0.44%
Planters/Kraft Foods	Peanut Products			25,685,400	0.28%
Inland America Suffolk LV LLC	Lessor to GSA (Office)			20,184,500	0.22%
Bon Secours Hampton Rds Health Sys	Health Systems			21,969,300	0.24%
Allied Colloids, Inc	Chemical Plant			23,556,300	0.26%
		<u>\$ 368,787,600</u>	<u>3.87%</u>	<u>\$ 299,642,100</u>	<u>3.29%</u>

(1) Total Assessed Value (does not include public service corporations)

\$ 9,536,521,300

\$ 9,095,186,800

(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	2018		2009	
		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	\$ 22,405,960	2.23%	\$ 7,460,050	0.93%
Target Corporation	Distribution Warehouse	11,275,530	1.12%	3,589,240	0.45%
Planters/Kraft Foods	Food Processing	10,733,190	1.07%	6,764,720	0.84%
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	7,531,830	0.75%	6,154,830	0.77%
Massimo Zanetti Beverage USA	Beverage Company	6,431,190	0.64%	4,467,220	0.56%
BASF Corporation/CIBA	Chemical Plant	5,805,170	0.58%	8,546,060	1.06%
Lockheed Martin Corporation	Technology Company	5,056,560	0.50%	3,549,590	0.44%
Sysco Food Services of Hampton Roads	Food Service Distribution	3,728,910	0.37%	2,412,495	0.30%
JM Smucker Company	Beverage Company	3,617,430	0.36%		
Charter Communications	Cable Products	3,239,470	0.32%	2,504,030	0.31%
Sara Lee International	Beverage Company			8,271,610	1.03%
		<u>\$ 79,825,240</u>	<u>7.96%</u>	<u>\$ 53,719,845</u>	<u>6.68%</u>

(2) Total Assessed Value (does not include public service corporations)

\$ 1,002,785,230

\$ 804,367,320

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

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

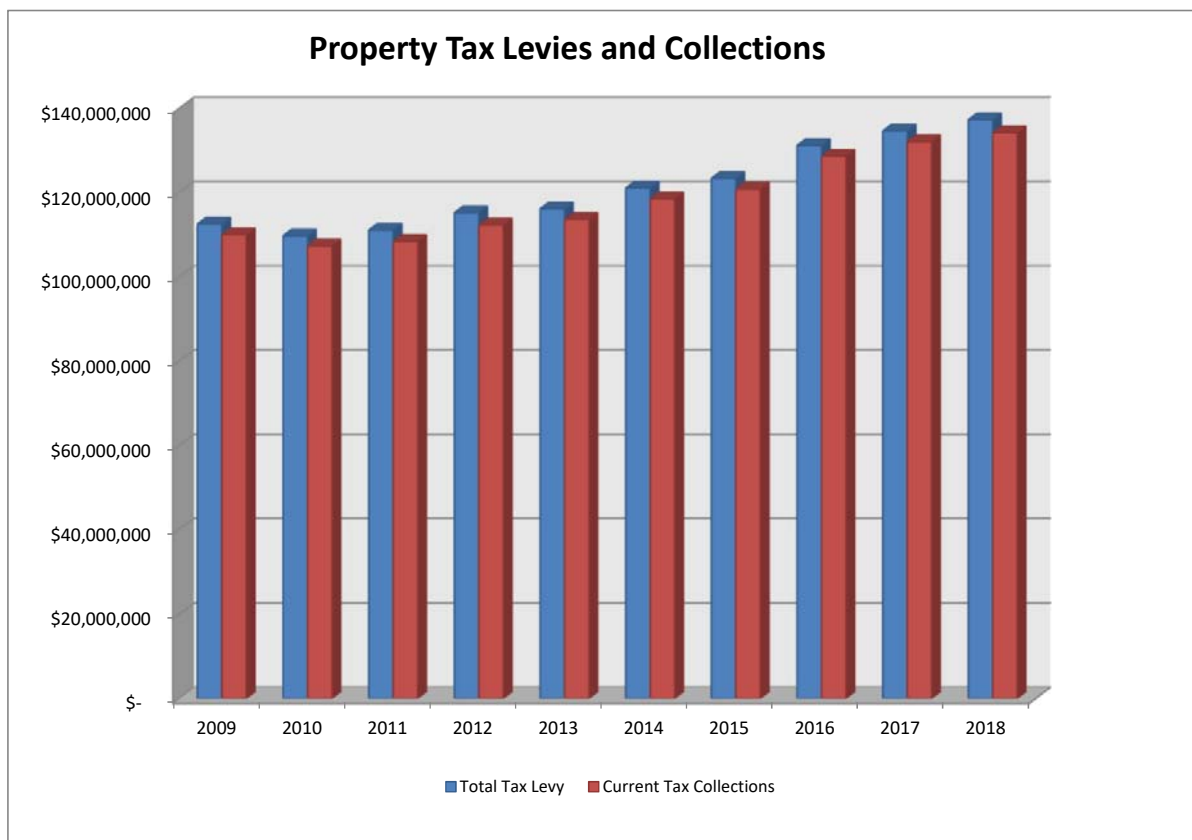
Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Tax Collections				Outstanding Delinquent Taxes At End of Fiscal Year (2)
				Delinquent		Total		
				Delinquent Tax Collections	As Percent of Outstanding Delinquent Taxes	Total Tax Collections (2)	Total Collections as a Percent of the Levy	
2009	\$ 112,502,640	\$ 110,007,171	97.78%	\$ 1,475,446	40.49%	\$ 111,482,617	99.09%	\$ 3,643,790
2010	109,732,744	107,359,137	97.84%	1,585,519	38.92%	108,944,656	99.28%	4,073,288
2011	111,072,859	108,430,361	97.62%	2,711,843	65.92%	111,142,204	100.06%	4,113,644
2012	115,190,689	112,303,915	97.49%	1,970,995	43.95%	114,274,910	99.20%	4,484,190
2013	116,106,208	113,620,442	97.86%	2,307,092	55.20%	115,927,534	99.85%	4,179,156
2014	121,016,827	118,482,416	97.91%	1,818,928	42.55%	120,301,344	99.41%	4,275,281
2015	123,326,675	120,807,937	97.96%	1,919,984	45.51%	122,727,921	99.51%	4,218,636
2016	131,208,221	128,655,899	98.05%	1,880,684	44.26%	130,536,583	99.49%	4,249,557
2017	134,647,214	132,124,360	98.13%	1,856,687	43.57%	133,981,047	99.51%	4,261,779
2018	137,308,853	134,243,292	97.77%	1,639,344	32.58%	135,882,636	98.96%	5,032,040

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	
2009	151	\$ 79,953,808	337	\$ 54,363,185	\$ 7,114,848,900	\$ 1,779,310,900	\$ 829,471,000	\$ 1,000,191,500	\$ 10,723,822,300
2010	168	40,876,496	781	67,393,951	7,115,582,200	1,747,470,100	841,993,800	1,021,152,900	10,726,199,000
2011	133	28,621,709	638	45,448,453	6,945,973,900	1,875,936,500	865,880,900	974,049,400	10,661,840,700
2012	177	64,189,699	647	53,549,031	6,887,276,900	1,762,876,100	822,404,700	1,005,501,100	10,478,058,800
2013	146	75,601,465	832	179,774,238	6,813,160,700	1,760,322,100	797,698,900	990,739,800	10,361,921,500
2014	149	66,694,893	750	84,679,157	6,685,327,800	1,726,979,800	720,333,500	1,022,171,600	10,154,812,700
2015	173	75,494,303	694	86,837,291	6,649,577,300	1,938,055,900	679,129,400	1,016,443,600	10,283,206,200
2016	152	58,345,994	691	79,256,973	6,739,083,100	2,023,675,300	660,838,200	1,026,465,000	10,450,061,600
2017	158	160,651,157	914	95,043,903	6,868,962,400	2,065,945,200	657,047,900	1,077,730,700	10,669,686,200
2018	295	739,050,509	894	106,647,685	7,067,095,400	2,158,117,900	667,451,000	1,106,232,700	10,998,897,000

(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, 2018

Water Consumers	Type of Business	Annual Consumption (Hundred Cubic Feet)	% of Total Annual Consumption (1)
Western Tidewater Water Authority	Regional Water Supply	234,554	9.52%
JM Smucker Company	Beverage Company	51,750	2.10%
Sentara/Obici Hospital	Hospital	30,864	1.25%
Suffolk Public Schools	Education	28,669	1.16%
Wanchese Fish Company	Seafood Processing	27,433	1.11%
Planters/Kraft Foods	Food Processing	20,366	0.83%
Western Tidewater Regional Jail	Jail-Regional Facility	19,207	0.78%
Harbour Breeze Apartments	Real Property Management	15,566	0.63%
Unilvever/Lipton, Inc.	Beverage Company	13,126	0.53%
GGT Hampton Roads	Real Property Management	12,795	0.52%
		<u>454,330</u>	<u>18.44%</u>

(1) Total annual consumption (all water customers) 2,464,209

Sewer Consumers	Type of Business	Annual Consumption (Hundred Cubic Feet)	% of Total Annual Consumption (2)
JM Smucker Company	Beverage Company	38,934	1.96%
Sentara/Obici Hospital	Hospital	30,864	1.55%
Suffolk Public Schools	Education	28,669	1.44%
BASF Corporation	Chemical Plant	27,975	1.41%
Wanchese Fish Company	Seafood Processing	27,433	1.38%
Southeastern Public Service Authority	Waste Management	19,217	0.97%
Western Tidewater Regional Jail	Jail-Regional Facility	19,207	0.97%
Harbour Breeze Apartments	Real Property Management	15,566	0.78%
GGT Hampton Roads	Real Property Management	12,795	0.64%
Unilever Best Foods	Beverage Company	12,276	0.62%
		<u>232,936</u>	<u>11.72%</u>

(2) Total annual consumption (all sewer customers) 1,988,009

Source: Department of Public Utilities

WATER AND SEWER RATE SCHEDULE
LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
WATER										
Water Rate per 100 cubic feet	\$ 3.92	\$ 4.94	\$ 5.84	\$ 6.43	\$ 7.13	\$ 7.84	\$ 8.29	\$ 8.86	\$ 9.03	\$ 9.20
Minimum Bi-monthly Charge (5 ccf)	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	5.35	6.40	7.00	8.40	8.40
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	2,000	2,000
Water Connection Charge (installed by developer)	50	50	50	50	50	50	50	50	50	50
Water Availability Charge (residential)										
Single Family	5,520	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	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
3/4 inch meter	8,180	8,180	8,180	8,180	8,180	8,180	5,520	5,520	5,520	5,520
1 inch meter	13,520	13,520	13,520	13,520	13,520	13,520	13,520	13,520	13,520	13,520
1½ inch meter	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950
2 inch meter	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120
3 inch meter	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850
4 inch meter	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750
WTWA Wholesale Water Rate										
Water Rate (CCF)	\$ 3.53	\$ 3.99	\$ 3.76	\$ 3.84	\$ 4.13	\$ 4.36	\$ 4.46	\$ 4.67	\$ 4.56	\$ 4.55
Fixed Capacity Charge (Per Month)	\$ 147,242	\$ 160,979	\$ 190,452	\$ 220,668	\$ 193,496	\$ 204,641	\$ 210,994	\$ 204,959	\$ 222,995	\$ 202,454
SEWER										
Sewer Collection (per 100 cubic feet)	2.88	3.78	4.50	4.91	5.35	5.82	6.47	6.74	6.97	7.21
Minimum Bi-monthly period (5 ccf)	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	1,800	1,800
6 inch lateral size	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	3,000	3,000
Sewer Connection Charge (installed by developer)	50	50	50	50	50	50	50	50	50	50
Sewer Availability Charge (residential)										
Single Family	6,000	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	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
3/4 inch meter	9,000	9,000	9,000	9,000	9,000	9,000	6,000	6,000	6,000	6,000
1 inch meter	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800
1½ inch meter	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500
2 inch meter	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100
3 inch meter	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100
4 inch meter	146,800	146,800	146,800	146,800	146,800	146,800	146,800	146,800	146,800	146,800

Source: Department of Public Utilities

RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS*

Fiscal Year **	General Bonded Debt (1)					Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)	Other Governmental Activities Debt	
	a	b	c	d	a+b+c+d			e	f
	General Obligation Bonds General Gov't (2)	General Obligation Bonds Business-type activities	Literary Bonds	Notes Payable	Total General Bonded Debt			Capital Leases	Section 108 Loan Payable
2009	\$ 215,824,433	\$ 3,874,661	\$ 5,750,000	\$ 240,000	\$ 225,689,094	2.32%	\$ 2,751	\$ 8,786,426	\$ 3,459,000
2010	208,487,019	30,393,631	5,250,000	-	244,130,650	2.52%	2,955	6,394,321	3,266,000
2011	195,594,667	28,937,715	4,750,000	-	229,282,382	2.37%	2,711	4,549,616	3,073,000
2012	214,567,471	109,776,348	4,250,000	-	328,593,819	3.47%	3,835	4,390,193	2,880,000
2013	214,236,652	152,015,340	-	-	366,251,992	3.91%	4,236	5,388,859	2,687,000
2014	234,108,838	182,234,124	-	-	416,342,962	4.56%	4,740	10,738,856	2,494,000
2015	249,478,100	259,509,734	-	-	508,987,834	5.49%	5,795	11,537,472	2,301,000
2016	259,928,278	253,567,653	-	-	513,495,931	5.45%	5,679	9,183,208	2,108,000
2017	276,109,544	194,329,673	-	-	470,439,217	4.90%	5,129	6,163,199	1,915,000
2018	286,010,859	191,436,465	-	-	477,447,324	4.84%	5,160	3,537,987	1,722,000

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			
2009	-	\$ 188,938,920	-	\$ 234,059,859	\$ 192,813,581	\$ 426,873,440	13.98%	\$ 5,203
2010	-	185,823,411	\$ 27,000,000	223,397,340	216,217,042	439,614,382	14.06%	5,321
2011	-	179,922,539	27,000,000	207,967,283	208,860,254	416,827,537	12.50%	4,928
2012	\$ 2,718,563	161,624,546	27,000,000	226,087,664	274,119,458	500,207,122	14.20%	5,837
2013	2,337,275	151,375,536	26,395,000	222,312,511	305,728,151	528,040,662	14.75%	6,162
2014	1,767,419	141,572,222	25,780,000	247,341,694	325,573,765	572,915,459	16.01%	6,523
2015	1,432,958	81,143,931	25,150,000	263,316,572	342,086,622	605,403,195	16.92%	6,893
2016	1,166,659	117,709,923	24,505,000	271,219,486	372,444,235	643,663,721	16.34%	7,118
2017	987,740	199,345,172	23,840,000	284,187,743	394,662,585	678,850,327	16.20%	7,401
2018	785,452	213,022,740	700,000	291,270,846	405,244,657	696,515,503	16.10%	7,527

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

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

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

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

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

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

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

LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation		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	\$	9,580,892,712	\$	9,580,892,712	\$	9,580,892,712
Adopted and Legal debt limits:	\$	383,235,708				
4% of assessed value (authorized limit adopted by City Council 2010)			\$	670,662,490		
7% of assessed value (authorized limit imposed by City Charter)					\$	958,089,271
10% of assessed value (authorized by the Commonwealth for all cities)						
Deduct amount of debt applicable to debt limit:						
Gross general bonded debt (includes bonds and notes payable)	(4)	274,083,172		442,666,000		442,666,000
Guarantee of Southeast Public Service Authority Bonds				-		-
	\$	109,152,536	\$	227,996,490	\$	515,423,271

	2009	2010	2011	2012	Fiscal Year		2013	2014*	2015	2016	2017	2018
City's Legal Debt Margin												
Debt Limit	\$ 638,194,643	\$ 635,767,795	\$ 635,063,992	\$ 621,453,900	\$ 616,369,533	\$ 604,887,441	\$ 618,127,104	\$ 633,020,137	\$ 649,037,842	\$ 670,662,490		
Total Net Debt Applicable to Limit*	225,689,094	244,130,650	232,540,874 **	323,484,000 **	351,784,115 **	299,613,810	452,589,444	456,621,633	413,420,487	442,666,000		
Legal Debt Margin	\$ 412,505,549	\$ 391,637,145	\$ 402,523,118	\$ 297,969,900	\$ 264,585,418	\$ 305,273,631	\$ 165,537,660	\$ 176,398,504	\$ 235,617,355	\$ 227,996,490		
Total Net Debt Applicable to Limit as percentage of Debt Limit	35.4%	38.4%	36.6%	52.1%	57.1%	49.5%	73.2%	72.1%	63.7%	66.0%		
Commonwealth's Legal Debt Margin												
Debt Limit	\$ 911,884,949	\$ 908,239,707	\$ 907,234,274	\$ 887,791,285	\$ 880,527,905	\$ 864,124,915	\$ 883,038,719	\$ 904,314,482	\$ 927,196,917	\$ 958,089,271		
Total Net Debt Applicable to Limit*	225,689,094	244,130,650	232,540,874 **	323,484,000 **	351,784,115 **	299,613,810 **	452,589,444 **	456,621,633 **	413,420,487 **	442,666,000		
Legal Debt Margin	\$ 686,195,855	\$ 664,109,057	\$ 674,693,400	\$ 564,307,285	\$ 528,743,790	\$ 564,511,105	\$ 430,449,275	\$ 447,692,849	\$ 513,776,430	\$ 515,423,271		
Total Net Debt Applicable to Limit as percentage of Debt Limit	24.7%	26.9%	25.6%	36.4%	40.0%	34.7%	51.3%	50.5%	44.6%	46.2%		

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)							
2009	\$ 29,758,790	\$ 16,601,440	\$ 13,157,350	\$ 2,290,000	\$ 4,258,888	\$ 6,548,888	2.01
2010	29,579,413	15,710,773	13,868,640	3,155,000	6,441,335	9,596,335	1.45
2011	30,342,116	15,009,702	15,332,414	4,040,000	8,929,768	12,969,768	1.18
2012	34,213,151	16,600,935	17,612,216	2,640,000	9,316,190	11,956,190	1.47
2013	38,796,061	18,491,436	20,304,625	2,010,000	8,814,174	10,824,174	1.88
2014	39,711,399	19,718,299	19,993,100	2,070,000	8,317,701	10,387,701	1.92
2015	41,928,618	19,255,373	22,673,245	2,135,000	5,385,232	7,520,232	3.01
2016	48,200,503	23,090,668	25,109,835	1,135,000	5,158,290	6,293,290	3.99
2017	49,516,030	21,945,068	27,570,962	1,240,000	6,226,515	7,466,515	3.69
2018	50,195,913	21,952,124	28,243,789	1,820,000	8,398,014	10,218,014	2.76

- (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
2009	82,039	\$ 3,053,030	\$ 36,494	13,568	7.0%	6.9%	9.3%
2010	82,616	3,125,659	36,828	13,801	7.8%	7.1%	9.6%
2011	84,585	3,335,932	39,279	13,863	7.3%	6.4%	8.9%
2012	85,692	3,521,692	41,344	13,734	6.8%	5.9%	8.1%
2013	86,463	3,579,047	41,749	13,844	6.5%	5.8%	7.7%
2014	87,831	3,940,083	45,390	13,739	6.4%	5.4%	6.3%
2015	89,586	4,190,597	47,533	13,762	5.3%	5.0%	5.3%
2016	90,426	4,326,809	48,467	13,837	4.3%	4.0%	5.1%
2017	91,722	not available	not available	13,760	4.1%	3.6%	4.1%
2018	92,533	not available	not available	13,630	3.1%	2.9%	3.6%

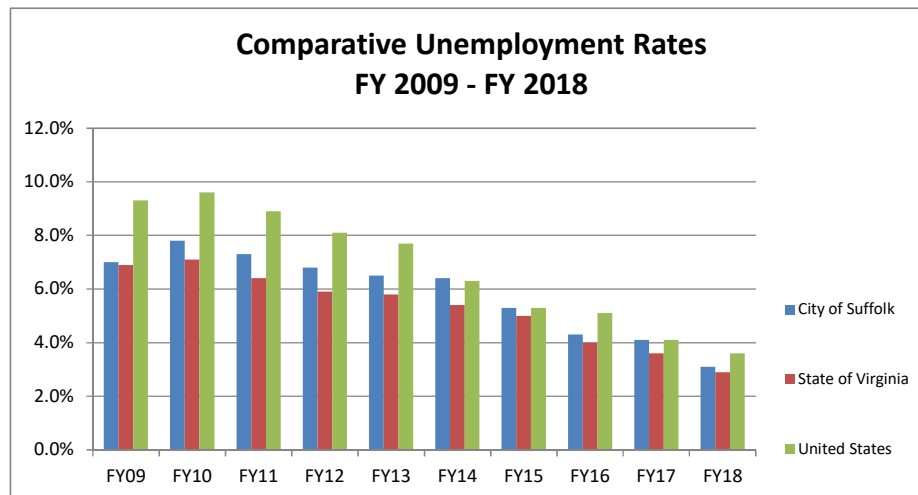
Sources:

(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. 2018 rate as of May 2018



PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	Type of Business	2018	
		Employees	Percentage of Total City Employment
Navy Information Dominance Forces Commands (Cyber Force)	ModSim & Technology	1,500	4.78%
J-7 Joint Staff	ModSim & Techololgy	1,200	3.83%
Sentara Health Systems	Medical	1,200	3.83%
Target	Warehousing & Distribution	1,100	3.51%
CVN Distribution / QVC, Inc	Warehousing & Distribution	620	1.98%
Wal-Mart Stores	Retail	450	1.43%
Towne Bank	Banking	369	1.18%
Sysco Food Services of Hampton Roads	Food Service Distribution	350	1.12%
Planters/Kraft Foods	Food Processing	350	1.12%
Unilever/Lipton Inc.	Beverage Company	300	0.96%
		7,439	23.72%
Total Employment by Industry in City of Suffolk for fiscal year		31,361	
Employer	Type of Business	2009	
		Employees	Percentage of Total City Employment
U.S. Joint Forces Command	ModSim & Technology	2,220	5.75%
Obici Memorial Hospital	Healthcare	1,200	3.11%
CVN Distribution / QVC, Inc	Distribution Warehouse	900	2.33%
Wal-Mart Stores	Retail	900	2.33%
SYSCO Food Services of Hampton Roads	Education	500	1.29%
Hampton Roads BASF	Chemical Manufacturer	400	1.04%
Unilever/Lipton Inc.	Beverage Company	350	0.91%
Planters/Kraft Foods	Food Processing	340	0.88%
Target Corporation	Distribution Warehouse	300	0.78%
Lakeview Medical Center	Health Care	270	0.70%
		7,380	19.10%
Total Employment by Industry in City of Suffolk for fiscal year		38,641	

The Suffolk Public Schools (2,021 employees) and the City of Suffolk (1,315 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 (2)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
General Government:										
City Council	10	10	10	10	10	2	2	2	2	2
City Manager	6	6	6	6	7	7	7	7	7	7
Budget and Strategic Planning	4	4	4	4	3	4	4	3	3	3
City Attorney	9	8	8	9	9	9	9	9	9	9
Human Resources	8	8	9	13	10	10	10	7	7	7
Commissioner of Revenue	12	11	12	12	12	12	12	12	12	12
City Assessor	14	15	13	14	15	16	17	17	18	17
Treasurer	15	15	15	15	15	15	15	16	16	16
Finance - Administration and Accounting	10	12	11	14	12	14	16	17	15	16
Finance - Purchasing	4	4	3	3	3	4	4	4	4	4
Registrar	2	2	2	2	2	2	2	2	3	3
Total	94	95	93	102	98	95	98	96	96	96
Judicial:										
Circuit Court	2	2	2	2	2	2	2	2	2	2
Circuit Court - Clerk's Office	13	14	14	14	14	14	14	14	14	14
Sheriff	25	24	22	24	24	25	25	25	25	25
Commonwealth's Attorney	29	28	23	23	24	24	24	24	24	24
Total	69	68	61	63	64	65	65	65	65	65
Public Safety:										
Police										
Administration and Officers	194	204	205	208	196	214	213	213	213	215
Emergency Communications	26	22	25	26	24	27	27	27	27	28
Animal Shelter and Management	8	7	8	9	8	10	10	10	10	10
Fire										
Fire and Rescue	216	213	220	240	238	253	252	252	252	255
Fire Prevention	5	-	-	-	-	-	-	-	-	-
Community Development	26	24	26	27	26	26	26	26	26	26
Total	475	470	484	510	492	530	528	528	528	534
Public Works:										
Public Works										
Administration	5	3	3	2	2	2	2	2	2	2
Refuse Collection (1)	40	41	40	-	-	-	-	-	-	-
Maintenance Building and Grounds (5)	15	4	4	4	4	4	-	-	-	-
Capital Programs and Facilities	6	20	22	24	23	24	24	24	24	24
Aviation Facilities	3	3	3	-	-	-	-	-	-	-
Total	69	71	72	30	29	30	26	26	26	26

(continued)

CITY OF SUFFOLK, VIRGINIA

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

Table 18 (continued)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017
General Fund:										
Health and Welfare:										
Social Services	101	100	101	98	100	103	103	103	103	103
Comprehensive Services Act	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	102	101	102	99	102	105	105	105	105	105
Parks, Recreation and Cultural:										
Parks and Recreation										
Administration	4	4	4	5	5	5	4	4	4	4
Office on Youth	-	-	-	-	-	-	2	2	1	1
Support Services	4	4	5	5	6	6	6	6	7	7
Parks, Gateway and Facility Maintenance	20	19	18	18	19	19	19	19	19	18
Grounds Maintenance (5)	-	-	-	-	-	-	4	4	4	4
Recreation	14	16	15	16	16	22	21	21	21	22
Library	<u>31</u>	<u>31</u>	<u>30</u>	<u>31</u>	<u>28</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>32</u>	<u>32</u>
Total	73	74	72	75	74	83	87	87	88	88
Community Development:										
Planning	14	12	14	12	13	14	14	14	15	15
Geographic Information Systems	5	5	-	-	-	-	-	-	-	-
Economic Development	5	4	5	5	5	5	5	5	5	5
Tourism	3	3	3	2	3	3	3	3	3	3
Media and Community Relations	<u>5</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
Total	32	29	28	25	27	28	28	28	29	29
Total General Fund	914	908	912	904	886	936	937	935	937	943
Special Revenue Fund:										
Transit	-	-	-	-	-	-	-	-	-	1
Road Maintenance										
Road Maintenance	86	91	88	90	84	101	99	100	101	102
Traffic Engineering	22	23	22	23	21	23	23	24	25	25
Aviation Facilities (4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total Special Revenue Fund	108	114	110	116	108	127	125	127	129	131
Enterprise Fund:										
Public Utilities										
Administration	6	9	8	9	7	8	9	9	9	8
Customer Service	18	18	18	18	18	18	18	20	22	23
Line Maintenance	24	27	26	24	25	26	27	28	28	28
Maintenance	19	20	20	22	24	26	25	25	25	25
Water Production	28	29	27	28	30	30	30	28	28	28
Engineering	15	17	14	15	15	15	15	15	14	14
Stormwater Utility										
Stormwater Utility	26	27	25	28	27	31	38	38	41	40
Mosquito Control	6	7	5	7	6	7	7	7	7	7
Refuse (3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>36</u>	<u>41</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>42</u>
Total Enterprise Fund	142	154	143	190	188	202	209	210	214	215
Internal Service Funds:										
Fleet Management	23	21	23	18	20	21	21	21	21	21
Information Technology	13	12	20	21	22	25	25	25	26	26
Risk Management	<u>2</u>	<u>1</u>	<u>3</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>6</u>	<u>6</u>	<u>6</u>
Total Risk Management	38	34	46	44	46	50	50	52	53	53
Total	<u>1,202</u>	<u>1,210</u>	<u>1,211</u>	<u>1,254</u>	<u>1,228</u>	<u>1,315</u>	<u>1,321</u>	<u>1,324</u>	<u>1,333</u>	<u>1,342</u>

1. Change in methodology of calculating full time employees in this department.

2. 2009 - 2013 actual data furnished by Human Resources. 2014 - 2017 provided by Budget Office.

3. The City established a Refuse Fund in FY 2011-2012. The employees for this Fund were transferred from the General Fund.

4. 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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government:										
Building permits issued	488	949	771	824	978	899	867	843	1,072	1,189
Value of permits issued (millions)	\$ 134.3	\$ 208.3	\$ 74.1	\$ 117.7	\$ 255.4	\$ 151.4	\$ 162.3	\$ 137.6	\$ 255.7	\$ 845.7
Number of registered voters	55,578	55,008	55,941	56,745	57,067	57,280	56,268	58,141	60,652	62,458
Taxable retail sales (millions)	\$ 632.9	\$ 642.3	\$ 671.2	\$ 716.4	\$ 729.6	\$ 759.9	\$ 821.3	\$ 873.0	\$ 895.5	**Not Available
Taxable retail sales per capita	\$ 7,727	\$ 7,738	\$ 7,936	\$ 8,285	\$ 8,307	\$ 8,404	\$ 9,083	\$ 9,654	\$ 9,763	**Not Available
Parks, Recreation and Cultural:										
Library volumes in collection (thousands)	228.4	221.4	218.0	218.9	222.1	224.9	286.8	827.1	291.2	178.0
Circulation (thousands)	401	401	356	327	313	320	335	339	322	303.5
Transit (2)										
Number of Service days (not including ADA service)	n/a	n/a	n/a	128	254	252	253	257	257	252
Number of Routes (not including ADA service)	n/a	n/a	n/a	2	3	4	6	6	6	6
Vehicle Trips (not including ADA service)	n/a	n/a	n/a	3,072	7,221	8,885	13,004	13,856	13,825	13,589 (3)
Passenger Trips (not including ADA service)	n/a	n/a	n/a	24,662	57,814	64,563	77,631	101,616	113,084	110,569 (4)
Vehicle Hours (ADA Service)	n/a	n/a	n/a	363	693	757	1,081	1,271	1,450	1,025 (3)
Passenger Trips (ADA Service)	n/a	n/a	n/a	633	1,198	1,152	1,353	1,537	1,917	1,247 (4)
Enterprise Fund:										
Public Utilities										
Customers - Water	24,576	24,663	24,657	24,729	24,380	24,836	24,912	24,868	25,237	25,576
Customers - Sewer	20,708	20,911	20,892	20,921	20,692	21,010	21,486	21,770	22,160	22,506
Average daily production (mgd)	6.89	6.79	6.42	6.63	5.96	6.71	6.82	6.77	6.88	6.86
Treatment Capacity daily (mgd)	11.20	17.45	17.45	17.45	17.45	17.45	17.45	17.45	17.45	17.45
Stormwater										
Billed customers	29,587	29,793	30,342	30,289	30,508	30,791	31,395	31,470	31,752	32,126
Refuse collection										
Customers	-	-	-	27,573	27,675	27,982	28,046	28,311	28,618	28,895 (1)
Recycled (tons)	-	-	-	4,491	5,408	5,767	5,534	5,878	5,821	5,511 (1)

Sources: Various City Departments

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

(1) Data is not available for the Refuse fund prior to FY2012, the refuse fund was newly created in FY2012.

(2) The City started the Transit fund in FY2012

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

(4) 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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety:										
Police Stations	4	5	5	5	5	5	5	5	5	5
Fire and Rescue Stations	9	9	10	10	10	10	10	10	10	10
Public Works: (1)										
State maintained road miles	18	18	18	18	18	18	18	18	18	18
City maintained road miles	1,531	1,581	1,581	1,600	1,600	1,626	1,626	1,596	1,621	1,632
Streetlights	7,139	7,648	7,917	7,996	8,113	8,425	8,593	8,657	8,913	8,988
Bridges	147	147	147	147	155	147	150	149	151	151
Traffic Signals	91	91	93	93	93	98	96	98	99	99
Education:										
Elementary Schools	14	14	14	12	12	12	12	12	11	11
Middle Schools	4	4	4	4	4	4	4	4	4	4
High Schools	3	3	3	3	3	3	3	3	3	3
Alternative Schools	1	1	1	1	1	1	1	1	1	1
Number of Teachers, Principals, and Assistants	1,448	1,425	1,419	1,420	1,402	1,398	1,345	1,383	1,380	1,380
Average Daily Membership	13,568	13,801	13,863	13,734	13,844	13,739	13,762	13,837	13,760	13,630
Capacity of Schools	14,632	14,577	14,577	14,192	14,352	14,352	14,590	14,590	14,205	14,205
Enterprise Fund:										
Public Utilities										
Miles of Water Main	420	422	436	453	454	462	467	475	482	486
Miles of Sanitary Sewers	313	315	334	316	330	334	344	352	355	361
Pump Stations	131	134	136	140	140	140	144	146	147	150
Storage Tanks	7	7	8	9	9	10	10	10	10	10
Stormwater Utility										
Miles of Storm Sewers	236	236	236	236	266	246	294	333	396	407
Parks, Recreation and Cultural:										
Parks and Recreation										
Number of major parks and recreation facilities (2)	40	40	42	42	43	43	50	50	50	52
Acreage of major parks and recreation facilities	1,827	1,827	1,921	1,921	1,928	1,879	2,031	2,042	2,092	2,118
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Number of branch libraries	2	2	2	2	2	2	3	3	3	3
Number of bookmobiles	1	1	1	1	1	1	1	1	1	1
Transit (3)										
Buses	n/a	n/a	n/a	-	4	4	6	8	9	9
Bus Stops with Shelters	n/a	n/a	n/a	4	4	6	8	8	8	10

Sources: Various City Departments

- July 1, 2006, Virginia Department of Transportation turned over the highway system within the City to the City of Suffolk, except for Interstate I-664 and Route 164
- In 2009, the American Legion Building was sold and in 2011, the East Suffolk Recreation Center and the first segment of the Suffolk Seaboard Coastline Trail were added. The former Robertson Elementary School was added in 2013 and is being renovated into the Whaleyville Community Center.
- In 2012, The City started its own transit system. In Fiscal year 2015 The City added a route serving the northern end of the City and one that connects the north and south routes, as well as to HRT in Chesapeake.

COMPLIANCE SECTION

**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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 14, 2019. That report recognizes that the City implemented a new accounting standard effective July 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and 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 2018-001 and 2018-002.

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
January 14, 2019

Report of Independent Auditor on Compliance for Each Major Federal 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, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 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, 2018.

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
January 14, 2019

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Period Ending June 30, 2018

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through To Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
	<u>U.S. Department of Agriculture</u>					
	Passed Through Commonwealth of Virginia:					
	Department of Agriculture and Department of Education					
	Child Nutrition Cluster					
	National School Breakfast Program	10.553			\$ 1,545,110	
	National School Lunch Program	10.555			3,741,719	
59047	Summer Food Service Program for Children#59047	10.559			59,719	
	Child Nutrition Cluster Total			\$ 5,346,548		
	Department of Social Services					
	State Administrative Matching Grants for Food Stamp Program	10.561		1,321,413	1,321,413	
	USDA FNS SNAP E&T Pilot	10.596			20,681	
	Total U.S. Department of Agriculture					\$ 6,688,642
	<u>U.S. Department of Defense</u>					
	Direct Program:					
	JROTC Instruction	12.000			185,423	
	Total U.S. Department of Defense					\$ 185,423
	<u>U.S. Department of Housing and Urban Development</u>					
	Direct Program:					
B11MC510024, B12MC510024, B13MC510024, B14MC510024, B15MC510024, B16MC510024 B17MC510024	Community Development Block Grants/Entitlement Grants	14.218	\$ 14,700	379,429	379,429	
	ForKids		45,000			
	SRHA Emergency Repair		14,700			
	The Genieve Shelter		25,043			
	Western Tidewater Clinic		9,700			
	Boys & Girls Club of Southeastern VA		109,143			
	Total passed through to sub-recipients					
M11DC510213, M12DC510213, M13DC510213, M14DC510213, M15MC510024, M16DC510216, M07DC512013, M08DC510213, M09DC510213, M10DC51010206, M17DC510216	Home Investment Partnerships Program	14.239	49,086		442,388	
	City of Franklin		4,577			
	Southampton County		38,839			
	CHDO		92,502			
	Total passed through to sub-recipients					
	Economic Development Initiative-The Great Dismal Swamp	14.251			94,388	
	Total U.S. Department of Housing and Urban Development					\$ 916,205
	<u>U.S. Department of Interior</u>					
	Passed Through National Park Service					
	Chesapeake Bay Gateways and Trails	15.930			19,540	
	Total U.S. Department of Interior					\$ 19,540
	<u>U.S. Department of Justice</u>					
	Direct Program:					
	Bullet Proof Vests Partnership Program	16.607			9,950	
	Passed Through Department of Criminal Justice Services					
	Crime Victim Assistance	16.575			308,645	
	Violence Against Women Formula Grants	16.588			76,879	
17-V8580VW16 16-R9824VA15, 17-R9824VA16, 18-U9824VA17 2013-DJ-BX-0836, 2014-DJ-BX-0417, 2015-DJ-BX-0555, 2016-DJ-BX-0413, 17-A6095AD13, 17-B3197AD13, 16- A3276BY11, 18-C3197AD11, 18-A4241AD11	Edward Byrne Memorial Justice Assistance Grant Program	16.738			71,646	
	Equitable Sharing Program	16.922			1,683	
	Total U.S. Department of Justice					\$ 468,803

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Period Ending June 30, 2018

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through To Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
<u>U.S. Department of Transportation</u>						
Direct Program:						
3-51-0050-024-2015, 3-51-0050-022-2015, 3-51-0050-025-0216, 3-51-0050-26-2016	Airport Improvement Program	20.106			\$ 3,078,407	
154AL-2016-56196-6396, 154AL-2016-56425-6630, 15AL-2017-57087-6736, 15AL-2017-57146-6795, 154AL-2018-58207-8207	Highway Safety Grant -Selective Enforcement-Alcohol	20.607			148,988	
M2HVE-2017-56206-6745, M2HVE-2018-58205-8205	Highway Safety Grant- Selective Enforcement-Occupant Protection	20.616			2,309	
	Highway Safety Cluster Total			151,297		
	Highway Planning and Construction Cluster					
Passed Through Commonwealth of Virginia:						
Highway Planning and Construction						
U000-133-338	CMAQ Route 58/Godwin Blvd. Park & Ride Lot Project UPC#98815	20.205			599,507	
U000-133-S44	CMAQ Portsmouth Blvd. Park & Ride Project UPC#100607	20.205			481	
U000-133-S41	CMAQ Harbourview Signal Improvement Project UPC#100603	20.205			243,805	
0626-061-324	Shoulders Hill Road Reconstruction Project UPC#69050	20.205			558,778	
0337-133-101	Nansemond Pkwy Widening Phase II Project UPC#61407	20.205			3,870,248	
EN01-133-104	Greenways, Blueways & Trails Project UPC#59771	20.205			114	
U000-133-S00	HSIP City of Suffolk Systemic Flashing Yellow Arrow, UPC #108793	20.205			318,695	
0058-133-353	ITS Suffolk Bypass Improvements UPC #102994	20.205			8,016	
U000-133-S22	HSIP Portsmouth Boulevard Sidewalk, Phase I UPC #110998	20.205			15,624	
U000-133-S23	HSIP Portsmouth Boulevard Sidewalk, Phase II UPC #110999	20.205			16,964	
U000-133-S24	HSIP Portsmouth Boulevard Sidewalk, Phase III UPC #111000	20.205			15,179	
	Highway Planning and Construction Cluster Total			5,647,411		
	Total U.S. Department of Transportation					\$ 8,877,115
<u>U.S. Department of Education</u>						
Direct Program:						
S041B-2015-5303	Impact Aid Award #S041B-2015-5303	84.041			295,457	
Passed Through Commonwealth of Virginia:						
V048A150046	Career and Technical-Basic Grants to States#V048A150046	84.048			285,664	
S367A150044	Safe and Drug Free Schools and Communities - State Grants	84.186			33,988	
P3345140027	Title II-A #S367A150044	84.367			501,259	
	Gear Up Grant #P3345140027	84.334			78,009	
Title I, Part A Cluster						
S010A150046	Title I Grants to Local Educational Agencies #S010A150046	84.010			3,295,123	
	Title I, Part A Cluster Total			3,295,123		
Special Education Cluster (IDEA)						
H027A150107	Special Education - Grants to States #H027A150107	84.027			3,111,161	
H173A150112	Special Education - Preschool Grants #H173A150112	84.173			60,455	
	Special Education Cluster Total			3,171,616		
	Total U.S. Department of Education					\$ 7,661,116
<u>U.S. Department of Health and Human Services</u>						
Direct Payments:						
1003996083	Medical Assistance Program #1003996083	93.778			345,652	
Passed Through Commonwealth of Virginia:						
Medical Assistance Program						
	Total Medical Assistance Program	93.778		1,721,086	1,375,434	
Passed Through Commonwealth of Virginia:						
Promoting Safe and Stable Families						
	Promoting Safe and Stable Families	93.556			3,394	
	Temporary Assistance for Needy Families	93.558		849,707	849,707	
	Refugee & Entrant Assistance	93.566			1,272	
	ILP Education & Training	93.599			575	
	Child Welfare Services	93.645			2,641	
	Foster Care - Title IV-E	93.658			556,752	
	Adoption Assistance	93.659			207,332	
	Social Service Block Grant	93.667			666,845	
	Foster Care Independent Living	93.674			5,327	
	Children's Health Insurance Program	93.767			54,515	
CCDF Cluster						
	Child Care and Development Block Grant	93.575			(2,434)	
	Child Care Mandatory & Matching Funds for Child Care Dev Fund	93.596			134,805	
	CCDF Cluster Total			132,371		
	Total U.S. Department of Health and Human Services					\$ 4,201,817

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Period Ending June 30, 2018

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through To Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
	<u>U.S. Social Security Administration</u>					
	Passed Through Commonwealth of Virginia: Low-Income Home Energy Assistance	96.568			112,537	
	Total U.S. Social Security Administration					<u>\$ 112,537</u>
	<u>Executive Office of the President</u>					
	Passed Through Virginia HIDTA: High Intensity Drug Trafficking Areas Program	95.001			23,333	
	Total Executive Office of the President					<u>\$ 23,333</u>
	<u>U.S. Department of Homeland Security</u>					
EMW-2015-PU-00181, EMV-2016-PU-00147	Passed Through Department of Criminal Justice: Port Security Grant Program	97.056			95,999	
	Passed Through Department of Emergency Services: VDEM Emergency Mgmt Program Grant	97.042			47,062	
	State Homeland Security Program	97.067			5,897	
	Total U.S. Department of Homeland Security					<u>\$ 148,958</u>
	Grand Total					<u>\$ 29,303,489</u>

Total Expenditures of Federal Awards

Note 1: Basis of Accounting

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

Note 2: Nonmonetary Assistance:

Nonmonetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities. At June 30, 2018, the School Board had USDA food commodities totaling \$467,095 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, 2018

A. Summary of Auditor's Results

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster
14.218	Community Development Block Grants/Entitlement Grants Cluster
16.575	Crime Victim Assistance Grant
10.553/10.555/10.559	Child Nutrition Cluster
84.027/84.173	Special Education Cluster (IDEA)

10. Dollar threshold used to distinguish between type A and type B programs: **\$879,105**
11. City of Suffolk qualified as a low-risk auditee under Uniform Grant Guidance: **No**

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

None reported.

C. Findings and Questioned Costs Relating to Federal Awards:

None reported.

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

2018-001 – Non-material Noncompliance – Highway Maintenance Planning

Condition: Of forty (40) expenditures selected for testing, one (1) expense incurred and requested for Virginia Department of Transportation ("VDOT") reimbursement was not applicable to the maintenance, construction, or reconstruction of streets.

Criteria: Per VDOT specifications, costs should be incurred for the maintenance, construction, or reconstruction of the street(s) as defined by the *Urban Manual*.

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

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

Questioned Costs: \$36.94.

Recommendation: Management should establish a policy to review all documentation and ensure that expenditures are authorized and appropriate for VDOT reimbursement.

Management's Response: Management concurs and procedures will be reviewed to ensure adequate review of expenses submitted to VDOT for reimbursement are authorized.

CITY OF SUFFOLK, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

2018-002 – Non-material Noncompliance – Suffolk Public Schools’ Annual School Report

Condition: The Suffolk Public Schools’ Annual School Report was submitted on October 2, 2018 and approved by the Suffolk Schools’ Superintendent on October 3, 2018, which was outside of the approved September 30, 2018 extended filing deadline.

Criteria: The Annual School Report Financial Section (ASRFIN) must be submitted to the Virginia Department of Education (“VDOE”) by September 15, 2018, as required by Section 22.1-81, *Code of Virginia*. School divisions and regional programs that wish to file for an extension (until September 30, 2018), for their 2017-2018 ASRFIN per Section 22.1-81, *Code of Virginia*, must submit a written request signed by the division superintendent or designee. The *Code of Virginia* does not allow additional extensions past the September 30, 2018 extended deadline.

Cause: School personnel did not file the Annual School Report by the extended deadline in accordance with the *Code of Virginia*. There were mandatory school closings in response to declared State of Emergency for a hurricane during the extension period resulting in delayed submission of the report.

Effect: Non-compliance may result in action by the VDOE.

Questioned Costs: Non-financial finding.

Recommendation: Management must ensure submission by the September 15 deadline, or if a 15-day extension is approved, then submit by the September 30 deadline.

Management Response: The 2018 ASRFIN report was submitted to the Department of Education one day after the report deadline. The report was delayed due to final closing of the fiscal year and unplanned office closures during Hurricane Florence. The department's goal is timely submission each year. We will continue to strive to submit the report by the deadline.

E. Status of Prior Year Findings:

2017-001 Social Services Information Security Awareness Training – Finding not repeated

2017-002 Social Services Annual Review of Access – Finding not repeated

2017-003 Social Services Business Contingency Plan – Finding not repeated



City of Suffolk

Department of Finance

442 W. Washington St. | Suffolk, Virginia 23434 | (757) 514-7500

www.suffolkva.us