



CITY of SUFFOLK, VIRGINIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR  
ENDED JUNE 30, 2019



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

**FOR THE FISCAL YEAR ENDED**  
**June 30, 2019**

**Prepared by:**  
**The Department of Finance**

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# INTRODUCTORY SECTION

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# CITY OF SUFFOLK

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

CITY MANAGER

November 19, 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, 2018 through June 30, 2019. 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, 2019. 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 1.7 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, 2019. 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 continues to boast one of the fastest growing populations in the state, and by far the fastest growing in the Virginia Beach MSA over the last decade. According to Weldon Cooper Center for Public Service, University of Virginia, 92,714 people called Suffolk home in 2018. This figure represents a robust 9.3% population percent increase since 2010, notably higher than the state average. In fact, it is projected that Suffolk will surpass 100,000 people before 2025. 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 over \$800 million of capital investments and more than 9,000 created since 2010. During calendar year 2018 both new and expanding businesses invested over \$83,000,000 in Suffolk. 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.

Emphasis on revitalizing Downtown Suffolk was reinforced with the City Council's formal adoption of the Downtown Master Plan. The initiative was created with input from city leaders, business and property owners, citizens and commercial planning professionals in order to invigorate and strengthen the Downtown corridor. Anticipated improvements such as increased pedestrian-walkable spaces, a new library square, a Festival and Market Square and the creation of a mixed-use residential and reuse development all contribute to the plan's vision.

Lipton Tea, a company with deep roots in the City of Suffolk, added an additional \$3,000,000 of inventory to their production facility. The company recently acquired the popular TAZO Tea Brand, and selected the Suffolk tea processing facility to handle the blending operations for TAZO.

Cooke Seafood USA recently joined forces with Suffolk's Wanchese Fish Company and sister company Suffolk Cold Storage. The seafood processing facility is based in Northgate Commerce Park. The addition of new companies and product lines brought the need to expand their service line. Cooke spent over \$3,000,000 to add new employees, create new administrative space and purchase and install new equipment.

The office and medical office industry in Suffolk continues to follow robust growth trends. Townebank, based in Suffolk, completed construction of a new \$9,000,000, 44,021 square foot administrative building on their campus in Harbor View. In addition, Smithfield Foods also created 170 new jobs in sales, logistics and administrative by opening a 20,000 square foot office.

Naval Medical Center Portsmouth invested approximately \$2,700,000 to open a new TRICARE Prime Clinic. Sentara Healthcare unveiled the new \$34,000,000, 92,000 square foot expansion of their BelleHarbour campus.

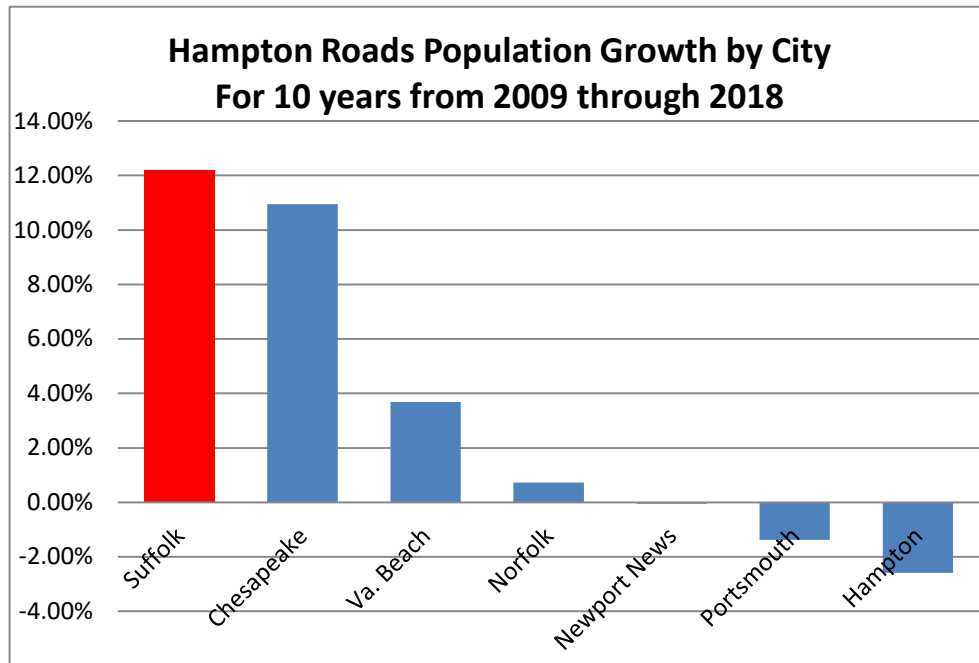
Other growth areas included Retail, Advanced Manufacturing and Warehousing and Distribution. The following charts highlight some of this activity.

**New and Expanding Business Highlights January 1 – December 31, 2018:**

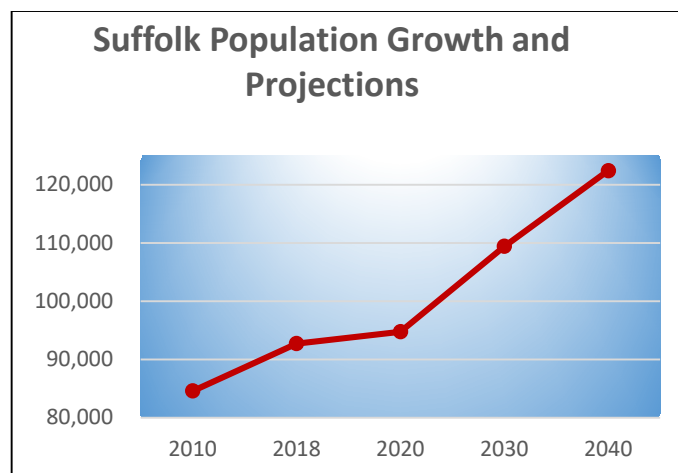
<b><u>New Business</u></b>	<b><u>Sector</u></b>	<b><u>Investment</u></b>
TRICARE Prime Suffolk	Office & Admin	\$ 2,700,000
Bridgeport by BECO	Speculative Mixed Use	\$ 10,000,000
Smithfield Foods	Office & Admin	\$ 1,800,000
Truitt House	Hospitality	\$ 1,000,000
<b><u>Expanding Business</u></b>	<b><u>Sector</u></b>	<b><u>Investment</u></b>
TowneBank	Office & Admin	\$ 9,000,000
Wanchese Fish Co – Cooke Seafood	Food & Beverage Processing	\$ 4,600,000
Blue Bell Creameries	Warehousing & Distribution	\$ 7,000,000
Lipton	Food & Beverage Processing	\$ 2,995,000
Target	Warehousing & Distribution	\$ 2,900,000

Suffolk continues to outpace the majority of its neighboring Hampton Roads cities in population growth. Over the past 10 years, the population in Suffolk has grown by 9.6%. The City has grown over 9% since the 2010 Census.

<b>Hampton Roads Population Growth by City</b>					
<b>City</b>	<b>2009</b>	<b>2010 Census</b>	<b>2018</b>	<b>Percent Change</b>	<b>Percent Change</b>
				<b>– 10 year (2009 – 2018)</b>	<b>(2010 -2018)</b>
Hampton	139,233	137,467	135,629	-2.59%	-1.3%
Portsmouth	96,282	95,535	94,953	-1.38%	-0.6%
Newport News	181,218	180,966	181,119	-0.05%	0.1%
Norfolk	243,957	242,803	245,741	0.73%	1.2%
Virginia Beach	437,275	437,994	453,410	3.69%	3.5%
Chesapeake	219,795	222,209	243,868	10.95%	9.7%
<b>Suffolk</b>	<b>82,616</b>	<b>84,585</b>	<b>92,714</b>	<b>12.22%</b>	<b>9.6%</b>



This population trend is projected to continue over the foreseeable future. By 2045, we expect to see an increase in population by 47%. Furthermore, median household income (MHI) has grown in the City by 63% from 2000 to 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

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 2020 through fiscal year 2029, totals approximately \$963.7 million. Of this amount, utilities, stormwater, fleet, and information technology projects are estimated at \$224.3 million while general government projects are estimated at \$739.4 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 increased the minimum fund balance percentage to 15% from 12%. At June 30, 2019 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 October 2019, the City received a bond ratings upgrade from Moody's investors service to that of Aaa. In addition, Fitch Rating Agency and Standard and Poor's reaffirmed the City's existing AAA. 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, 2018, representing the 34<sup>th</sup> consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.



In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

### **Citizen Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Suffolk for its Popular Annual Financial Report (PAFR) for fiscal year ended June 30, 2018. This is the fifth 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 2018 CAFR.

### **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, 2019. 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 eleventh 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.

Suffolk is known as one of Virginia's fastest growing cities, outpacing not only the majority 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, 2018**

*Christopher P. Morill*

Executive Director/CEO

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

**As of June 30, 2019**

**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. Nancy Welch.....	Health
Clint Rudy .....	Library
Diana L. Klink .....	Media and Community Relations
David Hainley .....	Planning and Community Development
L.J. Hansen – Acting Director.....	Public Works
Debbie George .....	Chief of Staff
Jean Jackson .....	City Assessor
Erika S. Dawley.....	City Clerk
Tealen Hansen .....	Finance
Michael Barakey.....	Fire and Rescue
Jessica Stallings – Acting Director.....	Human Resources
Thomas E. Bennett .....	Police
Mark Furlo.....	Parks and Recreation
Albert S. Moor, II .....	Public Utilities
Azeez Felder .....	Social Services

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

**June 30, 2019**

**SUFFOLK PUBLIC SCHOOLS – SCHOOL BOARD**

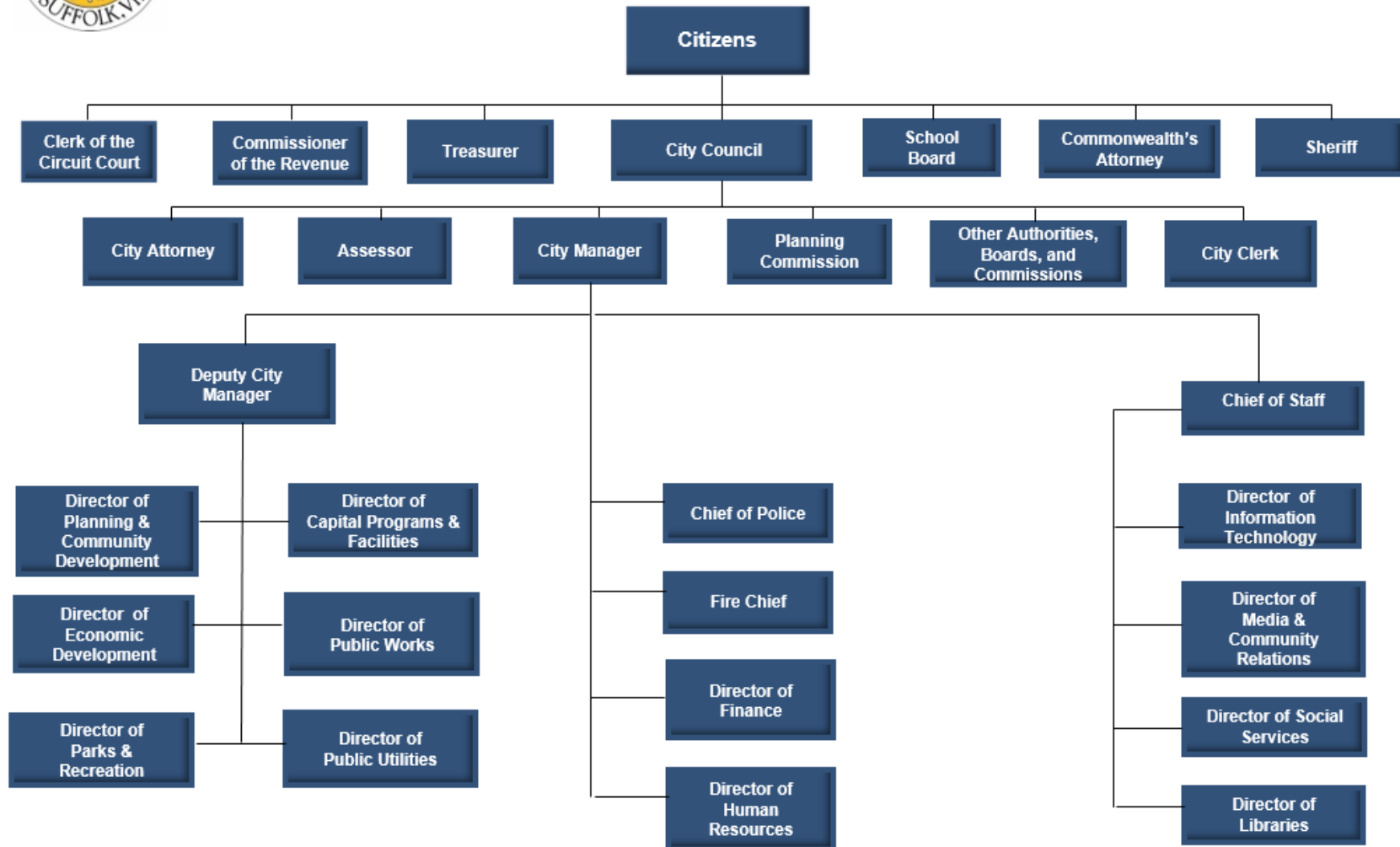
Phyllis C. Byrum.....	Chairman
Dr. Judith Brooks-Buck.....	Vice Chairman
Karen L. Jenkins.....	Board Member
Lorita W. Mayo.....	Board Member
David P. Mitnick.....	Board Member
Tyron D. Riddick.....	Board Member
Sherri D. Story.....	Board Member

**SUFFOLK PUBLIC SCHOOLS – ADMINISTRATION**

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



**City of Suffolk**  
**FY 2018-2019 Operating and Capital Budget**  
**Organizational Chart**





## FINANCIAL SECTION

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## **Report of Independent Auditor**

To the City Council  
City of Suffolk, Virginia

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Suffolk, Virginia ("City"), as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 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  
November 19, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Management of the City of Suffolk, Virginia (the "City") presents this narrative discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2019. 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 \$533 million at June 30, 2019. Of this balance, \$380 million is attributed to the governmental activities and \$153 million to the business-type activities.
- For fiscal year 2019, taxes, other general revenues net of transfers of the City's governmental activities amounted to \$150.7 million and net program expenses \$175.4 million, which resulted in a decrease from 2018 in net position for the City's governmental activities of \$24.6 million.
- Revenues of the City's business-type activities were \$69.1 million, expenses were \$68.5 million and net transfers to the General Fund were \$2.2 million, which resulted in a decrease of net position for the City's business-type activities of \$1.6 million.
- The City is rated AAA with Fitch, Standard and Poor's and 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 196.2	\$ 186.9	\$ 85.5	\$ 93.1	\$ 281.7	\$ 280.0
Capital and other non-current assets	531.7	575.2	458.2	463.4	989.9	1,038.6
Total assets	727.9	762.1	543.7	556.5	1,271.6	1,318.6
Deferred Outflows of Resources	25.4	15.9	19.7	19.3	45.1	35.2
Current and other liabilities	13.8	41.1	8.6	20.6	22.4	61.7
Long-term liabilities	346.9	317.4	400.7	399.0	747.6	716.4
Total liabilities	360.7	358.5	409.3	419.6	770.0	778.1
Deferred Inflows of Resources	12.6	14.9	1.1	1.6	13.7	16.5
Net position:						
Net investment in capital assets	301.9	336.0	104.2	108.5	406.1	444.5
Restricted	1.6	2.1	2.5	2.5	4.1	4.6
Unrestricted	76.5	66.5	46.3	43.6	122.8	110.1
Net position	\$ 380.0	\$ 404.6	\$ 153.0	\$ 154.6	\$ 533.0	\$ 559.2

The City's combined net position (which is the City's "bottom line") decreased by \$26.2 million in fiscal year 2019, of which approximately 0.77% 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 \$406.1 million comprises 76.19% 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 23.04% of net position, or \$122.8 million, as unrestricted. The unrestricted portion of net position is available to allow the City to provide services to citizens.

## Statement of Activities

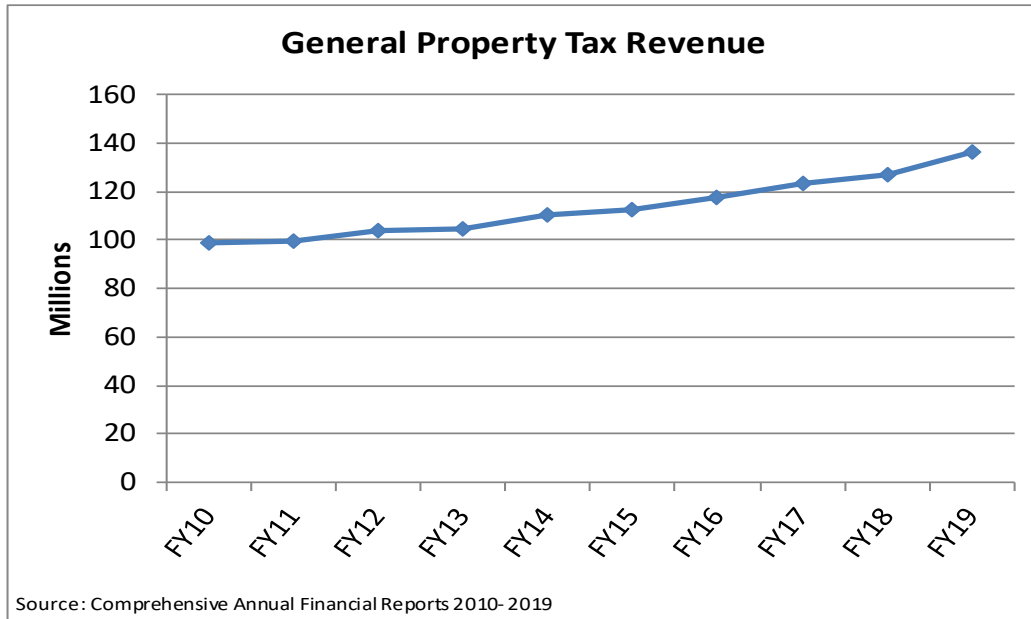
The following table summarizes the changes in net position for governmental and business-type activities:

	Change in Net Position (In Millions)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 9.9	\$ 9.1	\$ 65.7	\$ 62.7	\$ 75.6	\$ 71.8
Operating grants and contributions	41.0	37.6	-	-	41.0	37.6
Capital grants and contributions	7.6	15.6	0.5	5.5	8.1	21.1
General revenues:						
Real estate and property taxes	136.2	127.3	-	-	136.2	127.3
Other taxes	46.2	45.7	-	-	46.2	45.7
Grants and contributions, not restricted	14.0	13.8	-	-	14.0	13.8
Unrestricted investment earnings	4.5	2.9	2.0	0.9	6.5	3.8
Miscellaneous	5.5	7.2	0.9	0.7	6.4	7.9
Total revenues	264.9	259.2	69.1	69.8	334.0	329.0
Expenses:						
General government	18.6	17.3	-	-	18.6	17.3
Judicial	9.3	8.8	-	-	9.3	8.8
Public safety	63.2	63.5	-	-	63.2	63.5
Public works	39.0	37.2	-	-	39.0	37.2
Health and welfare	13.3	13.0	-	-	13.3	13.0
Transportation	1.3	1.0	-	-	1.3	1.0
Education	60.4	57.9	-	-	60.4	57.9
Parks, recreation, cultural	12.6	11.7	-	-	12.6	11.7
Community development	6.5	7.3	-	-	6.5	7.3
Interest on long-term debt	9.7	9.8	-	-	9.7	9.8
Utility	-	-	55.2	52.0	55.2	52.0
Refuse collection services	-	-	8.5	6.7	8.5	6.7
Stormwater utility	-	-	4.8	4.9	4.8	4.9
Total expenses	233.9	227.5	68.5	63.6	302.4	291.1
Excess of revenues over expenses	31.0	31.7	0.6	6.2	31.6	37.9
Capital assets contributed to schools	(57.8)	-	-	-	(57.8)	-
Transfers	2.2	0.5	(2.2)	(0.5)	-	-
Change in net position	(24.6)	32.2	(1.6)	5.7	(26.2)	37.9
Net position - beginning	404.6	372.4	154.6	148.9	559.2	521.3
Net position - ending	\$ 380.0	\$ 404.6	\$ 153.0	\$ 154.6	\$ 533.0	\$ 559.2

## **Governmental Activities**

### **Revenue Highlights:**

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$136.2 million and \$127.3 million in fiscal year 2019 and 2018, 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 a \$0.04 per \$100 of assessed value tax increase to fund education and public safety increases.



Other Local Taxes are comprised of revenue from local sales tax, meals, lodging, and utilities increased from fiscal year 2018 into fiscal year 2019. 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 \$63.2 million towards public safety efforts.

Education continues to be one of the City's highest priorities and commitments representing \$60.4 million, which is an increase over the prior year. This increase represents overall increases in operating expenses primarily due to the opening of a new middle and new elementary school 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 95% of the total revenues collected. These revenues increased from fiscal year 2018 to 2019 due to an increase in the rates for water and sewer, as well as increased usage.

### **Expense Highlights:**

Utility Fund expenses were \$55.2 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 \$4.8 million for fiscal year 2019, which is a slight decrease from fiscal year 2018. The refuse fund expenses were \$8.5 million in fiscal year 2019, which is an increase from fiscal year 2018, the increase is due to a full year of paying disposal costs for solid 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 \$149.8 million. Approximately 49% 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 \$80.5 million of which \$73.9 million represents unassigned fund balance. Fund Balance in the General Fund increased from fiscal year 2018. 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 well as a real estate tax rate increase to fund education and public safety.

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, \$4.2 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 \$493 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.

**Road Maintenance Fund:** The Road Maintenance Fund has a fund balance of \$13.7 Million. The Road Maintenance Fund accumulates resources from the Virginia Department of Transportation for the maintenance of roadways in the City. The fund balance in the increased by \$2.8 Million fund 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 \$49.3 million, \$9.4 million was committed for contracts and purchase orders in process, and the remaining balance of \$39.9 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 2019

- Nansemond Parkway / Wilroy road overpass
- Holland Road widening
- Fire Apparatus acquisition
- Shoreline stabilization project along the Nansemond River
- 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 \$153 million.

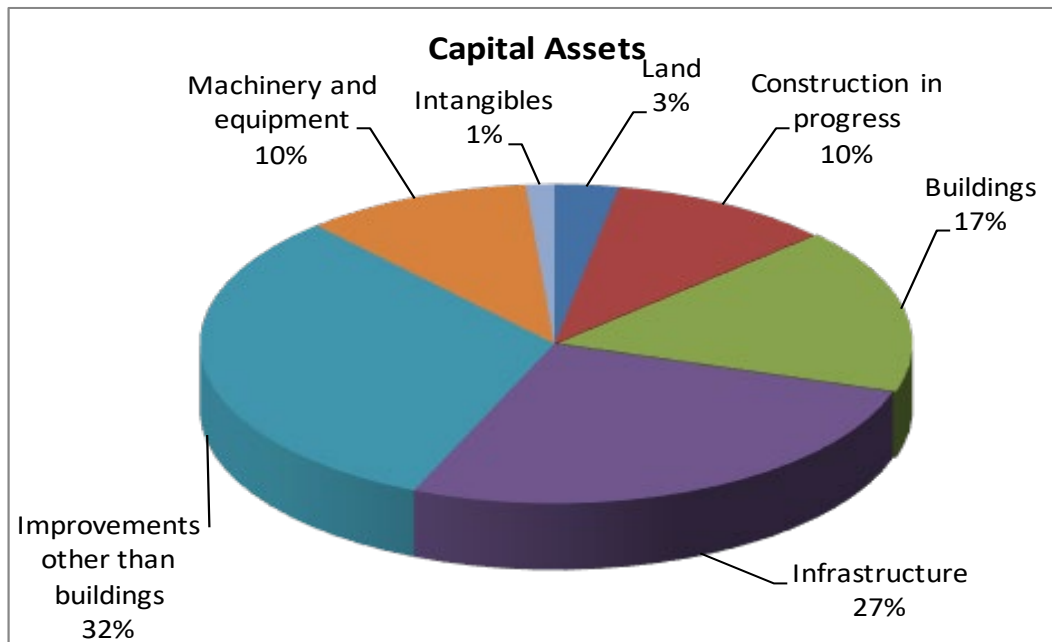
**Internal service funds:** The internal service funds are used to account for entity-wide fleet management, information technology and risk management programs. The total net position at the end of the current fiscal year was \$43.5 million.

**Trust funds:** In fiscal year 2019, the City fully funded its annual contribution to the fund as calculated by the actuaries and there is now \$37.0 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, 2019, totaled \$989.9 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 24.2	\$ 23.5	\$ 4.7	\$ 5.6	\$ 28.9	\$ 29.1
Construction in progress	75.4	112.2	25.0	25.6	100.4	137.8
Buildings	91.5	94.2	75.0	77.5	166.5	171.7
Infrastructure	263.2	265.6	-	-	263.2	265.6
Improvements other than buildings	36.7	34.3	278.1	275.4	314.8	309.7
Machinery and equipment	38.3	43.9	64.8	67.2	103.1	111.1
Intangibles	2.4	1.5	10.6	12.1	13.0	13.6
Total	\$ 531.7	\$ 575.2	\$ 458.2	\$ 463.4	\$ 989.9	\$ 1,038.6



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 \$680.6 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	
	2019	2018	2019	2018	2019	2018
Bonds payable	\$ 262.3	\$ 262.4	\$ 365.9	\$ 375.8	\$ 628.2	\$ 638.2
Bond Premiums	22.7	23.7	27.1	28.6	49.8	52.3
Capital leases	2.0	3.5	0.6	0.8	2.6	4.3
Loans and notes payable		1.7	-	-	-	1.7
<b>Total</b>	<b>\$ 287.0</b>	<b>\$ 291.3</b>	<b>\$ 393.6</b>	<b>\$ 405.2</b>	<b>\$ 680.6</b>	<b>\$ 696.5</b>

The Commonwealth of Virginia limits the amount of general obligation debt outstanding to 10% of the locality's assessed value of real property, which is \$980.2 million for 2019. The City Charter further limits this general obligation limit to 7% of the City's assessed value of real property or \$686.1 million. Of the debt shown above, only \$434.9 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 \$392.1 million to reflect its conservative use of borrowed monies. The City has met this policy limit as well. Achieving these limits represents the City's conservative debt borrowing policy.

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



## **ECONOMIC FACTORS**

- The City's economic development initiatives created over 1,395 new jobs and over \$83.6 million dollars in new and expanding capital investment in the City during the calendar year 2018.
- For fiscal year 2019, the City's tax rate was \$1.11 per \$100 and remains the third lowest tax rate in the region.
- Utility rates increased as of July 1, 2019 to \$9.71 per 100 cubic feet for water and \$7.27 per 100 cubic feet for sewer due to increasing debt service requirements.
- Population in the City increased 12.23% in the last ten years.
- The City has achieved bond ratings from Fitch Rating Agency and Standard and Poor's Ratings Services of "AAA". These ratings were reaffirmed in October 2019. In October 2019, the City received a bond rating upgrade to Aaa from Moody's Investor Service. 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

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**CITY OF SUFFOLK, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents (Note 2)	\$ 137,798,886	\$ 49,627,385	\$ 187,426,271	\$ 30,397,694	\$ 4,607,713
Cash and cash equivalents, restricted (Note 2)	44,030,670	27,234,269	71,264,939	-	1,098,902
Receivables, net (Note 3)	9,130,139	8,460,806	17,590,945	152,231	141,378
Due from other governments (Note 4)	4,595,095	-	4,595,095	4,544,406	-
Due from component units	254,573	-	254,573	-	-
Inventories	341,953	144,534	486,487	617,139	9,918,786
Prepaid items	-	-	-	95,000	3,113
Net OPEB / Pension asset (Note 12)	-	-	-	1,257,292	-
Capital assets: (Note 7)					
Land and construction in progress	99,543,203	29,663,751	129,206,954	6,387,523	1,021,162
Other capital assets, net	432,125,156	428,581,381	860,706,537	169,299,249	21,206,815
Total assets	<u>727,819,675</u>	<u>543,712,126</u>	<u>1,271,531,801</u>	<u>212,750,534</u>	<u>37,997,869</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	5,366,291	16,682,304	22,048,595	-	83,623
Deferred outflows related to pension plan (Note 11)	11,053,564	1,731,198	12,784,762	17,831,476	-
Deferred outflows related to OPEB local trust (Note 12)	6,303,334	1,188,062	7,491,396	3,009,931	-
Deferred outflows related to OPEB state plans (Note 13)	2,632,687	116,410	2,749,097	2,788,161	-
Total deferred outflows of resources	<u>25,355,876</u>	<u>19,717,974</u>	<u>45,073,850</u>	<u>23,629,568</u>	<u>83,623</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	7,651,835	3,989,233	11,641,068	3,378,474	30,179
Accrued payroll and related liabilities	572,019	31,739	603,758	20,549,243	-
Accrued interest payable	3,751,269	4,336,489	8,087,758	-	79,610
Due to Primary Government	-	-	-	15,317	239,255
Deposits and amounts held for others	-	-	-	-	15,000
Unearned revenues (Note 8)	1,868,435	193,081	2,061,516	-	32,085
Long-term liabilities: (Note 9)					
Due within one year	24,080,316	8,997,820	33,078,136	110,106	995,000
Net OPEB liability -- state plans (Note 13)	314,000	-	314,000	-	-
Due in more than one year	271,999,182	385,176,084	657,175,266	2,479,231	6,215,000
Net pension liability (Note 11)	33,634,461	5,161,735	38,796,196	111,812,000	-
Net OPEB liability -- local trust (Note 12)	3,557,710	670,562	4,228,272	-	-
Net OPEB liability -- state plans (Note 13)	13,247,883	718,117	13,966,000	18,769,000	-
Total liabilities	<u>360,677,110</u>	<u>409,274,860</u>	<u>769,951,970</u>	<u>157,113,371</u>	<u>7,606,129</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes (Note 8)	2,248,777	-	2,248,777	-	-
Deposits (Note 8)	2,669,095	-	2,669,095	-	-
Deferred inflows related to pension plan (Note 11)	4,000,665	613,965	4,614,630	16,487,600	-
Deferred inflows related to OPEB local trust (Note 12)	2,152,402	405,688	2,558,090	2,732,350	-
Deferred inflows related to OPEB state plans (Note 13)	1,495,843	66,157	1,562,000	1,261,000	-
Total deferred inflows of resources	<u>12,566,782</u>	<u>1,085,810</u>	<u>13,652,592</u>	<u>20,480,950</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	301,764,919	104,233,265	405,998,184	175,686,772	15,017,977
Restricted:					
Operating reserves		2,527,027	2,527,027	-	-
Cemetery care	1,020,166	-	1,020,166	-	-
Other governmental purposes	618,062	-	618,062	-	1,019,291
Unrestricted	<u>76,528,512</u>	<u>46,309,138</u>	<u>122,837,650</u>	<u>(116,900,991)</u>	<u>14,438,095</u>
Total net position	<u>\$ 379,931,659</u>	<u>\$ 153,069,430</u>	<u>\$ 533,001,089</u>	<u>\$ 58,785,781</u>	<u>\$ 30,475,363</u>

## CITY OF SUFFOLK, VIRGINIA

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

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	\$ 18,671,839	\$ 5,035,626	\$ 456,759	\$ 1,407,912	\$ (11,771,542)	\$ -	\$ (11,771,542)		
Judicial administration	9,323,342	274,208	3,318,391	-	(5,730,743)	-	(5,730,743)		
Public safety	63,195,836	2,199,385	1,271,752	-	(59,724,699)	-	(59,724,699)		
Public works	39,080,373	1,288,947	24,220,184	6,101,699	(7,469,543)	-	(7,469,543)		
Health and welfare	13,260,821	-	9,237,862	-	(4,022,959)	-	(4,022,959)		
Transportation	1,300,636	87,229	984,425	40,683	(188,299)	-	(188,299)		
Education	60,358,349	-	-	-	(60,358,349)	-	(60,358,349)		
Parks, recreation, and cultural	12,621,117	1,009,068	377,344	23,647	(11,211,058)	-	(11,211,058)		
Community development	6,472,008	24,742	1,116,646	-	(5,330,620)	-	(5,330,620)		
Interest on long-term debt	9,663,773	-	-	-	(9,663,773)	-	(9,663,773)		
Total governmental activities	233,948,094	9,919,205	40,983,363	7,573,941	(175,471,585)	-	(175,471,585)	-	-
Business-type activities:									
Utility	55,186,848	51,703,463	-	579,166	-	(2,904,219)	(2,904,219)		
Stormwater utility	4,830,797	6,212,821	-	-	-	1,382,024	1,382,024		
Refuse	8,458,504	7,759,239	-	-	-	(699,265)	(699,265)		
Total business-type activities	68,476,149	65,675,523	-	579,166	-	(2,221,460)	(2,221,460)	-	-
Total Primary Government	\$ 302,424,243	\$ 75,594,728	\$ 40,983,363	\$ 8,153,107	\$ (175,471,585)	\$ (2,221,460)	\$ (177,693,045)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 161,533,150	\$ 1,687,443	\$ 102,517,729	\$ 57,874,651	\$ -	\$ -	\$ -	\$ 546,673	\$ -
Economic Development Authority	1,677,918	1,854,849	45,000	-	-	-	-	-	221,931
Total component units	\$ 163,211,068	\$ 3,542,292	\$ 102,562,729	\$ 57,874,651	-	-	-	546,673	221,931
General revenues:									
					136,177,860	-	136,177,860	-	-
					10,421,185	-	10,421,185	-	-
					8,095,262	-	8,095,262	-	-
					10,996,828	-	10,996,828	-	-
					4,799,814	-	4,799,814	-	-
					3,001,565	-	3,001,565	-	-
					2,472,521	-	2,472,521	-	-
					1,955,756	-	1,955,756	-	-
					1,762,778	-	1,762,778	-	-
					1,697,180	-	1,697,180	-	-
					1,058,618	-	1,058,618	-	-
				Grants and contributions not restricted to specific programs	14,011,120	-	14,011,120	-	-
				Miscellaneous	5,524,760	857,198	6,381,958	978,570	546,776
				City of Suffolk contribution	-	-	-	59,816,884	346,738
				Unrestricted revenues from use of money and property	4,469,378	2,020,795	6,490,173	134,272	9,883
				Contributions to schools of capital assets	(57,874,651)	-	(57,874,651)	-	-
				Transfers (Note 5)	2,175,894	(2,175,894)	-	-	-
				Total general revenues and transfers	150,745,868	702,099	151,447,967	60,929,726	903,397
				Change in net position	(24,725,717)	(1,519,361)	(26,245,078)	61,476,399	1,125,328
				Net position at July 1	404,657,376	154,588,791	559,246,167	(2,690,618)	29,350,035
				Net position at June 30	\$ 379,931,659	\$ 153,069,430	\$ 533,001,089	\$ 58,785,781	\$ 30,475,363

## CITY OF SUFFOLK, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2019**

	<b>General</b>	<b>Capital Projects</b>	<b>Road Maintenance</b>	<b>Debt Service</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 77,479,100	\$ 9,343,696	\$ 15,507,025	\$ 492,720	\$ 4,730,736	\$ 107,553,277
Cash and cash equivalents, restricted (Note 2)	618,062	42,392,442	-	-	1,020,166	44,030,670
Receivables, net (Note 3)	8,967,798	29,572	5,163	-	42,027	9,044,560
Due from other governmental units (Note 4)	2,495,977	1,751,653	-	-	347,465	4,595,095
Due from component units	254,573	-	-	-	-	254,573
Inventories	64,993	-	-	-	45,654	110,647
Total assets	<u>\$ 89,880,503</u>	<u>\$ 53,517,363</u>	<u>\$ 15,512,188</u>	<u>\$ 492,720</u>	<u>\$ 6,186,048</u>	<u>\$ 165,588,822</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 1,998,004	\$ 3,989,886	\$ 847,172	\$ -	\$ 273,763	\$ 7,108,825
Accrued payroll and related liabilities	543,384	-	4,648	-	5,822	553,854
Unearned grant receipts	-	-	-	-	162,245	162,245
Total liabilities	<u>2,541,388</u>	<u>3,989,886</u>	<u>851,820</u>	<u>-</u>	<u>441,830</u>	<u>7,824,924</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues - taxes	3,072,379	-	-	-	5,948	3,078,327
Prepaid Taxes	2,248,777	-	-	-	-	2,248,777
Deposits	1,494,109	188,000	964,839	-	22,147	2,669,095
Total deferred inflows of resources	<u>6,815,265</u>	<u>188,000</u>	<u>964,839</u>	<u>-</u>	<u>28,095</u>	<u>7,996,199</u>
<b>FUND BALANCES (NOTE 18)</b>						
Nonspendable	64,993	-	-	-	45,654	110,647
Restricted	1,614,632	39,891,116	13,695,529	-	2,440,556	57,641,833
Committed	4,237,613	9,448,361	-	492,720	3,240,732	17,419,426
Assigned	748,518	-	-	-	-	748,518
Unassigned	73,858,094	-	-	-	(10,819)	73,847,275
Total fund balances	<u>80,523,850</u>	<u>49,339,477</u>	<u>13,695,529</u>	<u>492,720</u>	<u>5,716,123</u>	<u>149,767,699</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 89,880,503</u>	<u>\$ 53,517,363</u>	<u>\$ 15,512,188</u>	<u>\$ 492,720</u>	<u>\$ 6,186,048</u>	<u>\$ 165,588,822</u>

	<b>Primary Government</b>
Total fund balances - governmental funds	\$ 149,767,699
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	507,454,922
Unavailable revenues represent amounts that were not available to fund current expenditures and, therefore, are not reported in the funds.	3,078,327
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(3,662,173)
Deferred charges on refunding are not current outflows of resources and not reported in the governmental funds	5,366,291
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	(258,639,637)
Unamortized premiums and other credits on bonds	(22,238,676)
Compensated absences	(6,008,663)
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	(32,012,822)
Deferred outflows - pension plan	10,513,680
Deferred inflows - pension plan	(3,807,778)
Net OPEB liability - City trust	(3,393,173)
Deferred outflows - OPEB City trust	6,011,818
Deferred inflows - OPEB City trust	(2,052,858)
Net OPEB liability - state plans	(13,331,800)
Deferred outflows - OPEB state plans	2,595,870
Deferred inflows - OPEB state plans	(1,474,646)
Unearned revenues not recorded in the funds as it did not arise from current financial resources relating to the golf course lease agreement.	(1,706,190)
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.	43,471,468
Net position of governmental activities	<u>\$ 379,931,659</u>

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2019**

	General	Capital Projects	Road Maintenance	Debt Service	Non-major Funds	Total Governmental Funds
<b>REVENUES</b>						
Real estate and personal property taxes	\$ 133,772,448	\$ -	\$ -	\$ -	\$ 1,924,190	\$ 135,696,638
Other local taxes	46,261,507	-	-	-	-	46,261,507
Permits, privilege fees and regulatory licenses	1,324,025	-	399,933	-	-	1,723,958
Fines and forfeitures	834,973	-	344,137	-	-	1,179,110
Revenue from use of money and property	3,031,452	1	301,683	304,023	328,530	3,965,689
Charges for services	3,601,996	-	1,165,129	-	741,276	5,508,401
Miscellaneous	1,773,722	56,326	113,464	-	132,948	2,076,460
Intergovernmental:						
Revenue from the Commonwealth	21,361,817	6,289,520	24,203,458	-	642,679	52,497,474
Revenue from the Federal government	5,946,341	887,738	-	-	2,758,004	9,592,083
Total revenues	217,908,281	7,233,585	26,527,804	304,023	6,527,627	258,501,320
<b>EXPENDITURES</b>						
Current:						
General government administration	16,221,187	-	-	-	841,537	17,062,724
Judicial administration	8,762,884	-	-	-	861,825	9,624,709
Public safety	62,401,899	-	-	-	498,312	62,900,211
Public works	950,825	-	21,195,941	-	186,852	22,333,618
Health and welfare	13,634,568	-	-	-	-	13,634,568
Transportation	-	-	-	-	1,592,193	1,592,193
Education	60,353,258	-	-	-	-	60,353,258
Parks, recreation, and cultural	12,000,945	-	-	-	280,644	12,281,589
Community development	4,667,485	-	-	-	1,178,756	5,846,241
Nondepartmental	675,842	-	-	-	-	675,842
Capital outlay	-	37,532,944	-	-	-	37,532,944
Debt service:						
Principal retirement	-	-	-	17,815,620	-	17,815,620
Bond issuance costs	-	-	-	245,499	-	245,499
Interest and fiscal charges	-	-	-	10,535,818	-	10,535,818
Total expenditures	179,668,893	37,532,944	21,195,941	28,596,937	5,440,119	272,434,834
Excess (deficiency) of revenues over/(under) expenditures	38,239,388	(30,299,359)	5,331,863	(28,292,914)	1,087,508	(13,933,514)
<b>OTHER FINANCING SOURCES (USES)</b>						
Refunding bonds issued	-	-	-	575,000	-	575,000
General obligations bonds issued	-	17,370,000	-	-	-	17,370,000
Premiums on bonds issued	-	856,886	-	325,832	-	1,182,718
Payment to escrow agent	-	-	-	(600,000)	-	(600,000)
Transfers in	2,443,701	7,631,475	-	27,992,082	1,185,089	39,252,347
Transfers out	(34,135,481)	-	(2,487,801)	-	(1,892,859)	(38,516,141)
Total other financing sources (uses), net	(31,691,780)	25,858,361	(2,487,801)	28,292,914	(707,770)	19,263,924
Net change in fund balances	6,547,608	(4,440,998)	2,844,062	-	379,738	5,330,410
Fund balances at July 1	73,976,242	53,780,475	10,851,467	492,720	5,336,385	144,437,289
Fund balances at June 30	\$ 80,523,850	\$ 49,339,477	\$ 13,695,529	\$ 492,720	\$ 5,716,123	\$ 149,767,699

CITY OF SUFFOLK, VIRGINIA  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2019**

	<b>Total Governmental Funds</b>
<b>Change in fund balance - total governmental funds</b>	<b>\$ 5,330,410</b>
<b>Adjustments for the Statement of Activities:</b>	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay	39,808,562
Depreciation expense	(21,667,680)
Assets donated to the school board	(57,874,651)
Loss on disposal of assets	(648,913)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable revenues	481,222
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	18,644,260
Net change in deferred bond charges from refunding	(701,783)
Proceeds from issuance of new debt	(17,945,000)
Net change in bond premiums	813,692
Record the net flow of resources in the current year related to the Pension Plan.	2,537,546
Record the net flow of resources in the current year related to the OPEB City trust fund.	1,434,255
Record the net flow of resources in the current year related to the state OPEB plans.	(187,913)
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	(67,947)
Change in compensated absences	(350,020)
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.	5,312,243
<b>Change in net position of governmental activities</b>	<b>\$ (24,725,717)</b>

## CITY OF SUFFOLK, VIRGINIA

## STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

June 30, 2019

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 40,546,729	\$ 9,080,656	\$ 49,627,385	\$ 30,245,609
Cash and cash equivalents, restricted	27,234,269	-	27,234,269	-
Receivables, net	7,630,054	830,752	8,460,806	85,579
Inventories	144,534	-	144,534	231,306
Total current assets	75,555,586	9,911,408	85,466,994	30,562,494
Noncurrent assets:				
Land and construction in progress	29,663,751	-	29,663,751	992,543
Other capital assets, net	428,150,507	430,874	428,581,381	23,220,894
Total noncurrent assets	457,814,258	430,874	458,245,132	24,213,437
Total assets	533,369,844	10,342,282	543,712,126	54,775,931
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	16,682,304	-	16,682,304	-
Deferred outflows related to pension plan	1,010,397	720,801	1,731,198	539,884
Deferred outflows related to OPEB City trust	698,537	489,525	1,188,062	291,516
Deferred outflows related to OPEB state plans	67,529	48,881	116,410	36,817
Total deferred outflows of resources	18,458,767	1,259,207	19,717,974	868,217
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	1,158,051	378,727	1,536,778	543,010
Accounts payable from restricted resources	2,452,455	-	2,452,455	-
Accrued payroll and related liabilities	-	31,739	31,739	18,165
Unearned revenues	193,081	-	193,081	-
Claims payable	-	-	-	1,881,839
Accrued interest payable	4,324,301	12,188	4,336,489	89,096
Compensated absences	31,062	16,298	47,360	5,381
Bonds and leases payable	8,809,645	140,815	8,950,460	2,238,764
Total current liabilities	16,968,595	579,767	17,548,362	4,776,255
Noncurrent liabilities:				
Compensated absences	295,569	253,754	549,323	358,964
Net pension liability	2,968,228	2,193,507	5,161,735	1,621,639
Net OPEB liability City trust	394,266	276,296	670,562	164,537
Net OPEB liability state plans	411,725	306,392	718,117	230,083
Claims payable	-	-	-	818,782
Bonds and leases payable	384,139,314	487,447	384,626,761	3,888,792
Total noncurrent liabilities	388,209,102	3,517,396	391,726,498	7,082,797
Total liabilities	405,177,697	4,097,163	409,274,860	11,859,052
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension plan	353,057	260,908	613,965	192,887
Deferred inflows related to OPEB City trust	238,530	167,158	405,688	99,544
Deferred inflows related to OPEB state plans	37,930	28,227	66,157	21,197
Total deferred inflows of resources	629,517	456,293	1,085,810	313,628
<b>NET POSITION</b>				
Net investment in capital assets	103,802,391	430,874	104,233,265	18,085,881
Restricted:				
Operating reserves	2,527,027	-	2,527,027	-
Unrestricted	39,691,979	6,617,159	46,309,138	25,385,587
Total net position	\$ 146,021,397	\$ 7,048,033	\$ 153,069,430	\$ 43,471,468



## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2019**

	<b>Business-type Activities – Enterprise Funds</b>			<b>Governmental Activities – Internal Service Funds</b>
	<b>Utility Fund</b>	<b>Non-Major Funds</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 51,703,463	\$ 13,972,060	\$ 65,675,523	\$ 38,196,980
Other	94,485	762,713	857,198	668,099
Total operating revenues	51,797,948	14,734,773	66,532,721	38,865,079
<b>OPERATING EXPENSES</b>				
Personnel services	6,567,835	4,717,698	11,285,533	3,565,226
Self-insured claims	-	-	-	12,418,302
Contractual services	549,413	4,549,875	5,099,288	4,111,471
Administration	3,366,338	3,291,983	6,658,321	982,934
Supplies	787,696	254,279	1,041,975	72,074
Repairs and maintenance	2,445,429	16,490	2,461,919	249,380
Vehicle and power equipment – fuel	-	-	-	1,564,736
Vehicle and power equipment – supplies	-	-	-	2,365,315
Computers and equipment	-	-	-	619,798
Utilities	1,160,665	44,091	1,204,756	242,427
Insurance	-	-	-	2,147,841
Bulk-water purchases	6,272,885	-	6,272,885	-
Depreciation and amortization	16,349,114	156,404	16,505,518	5,977,473
Building and equipment rental	1,000,956	89,625	1,090,581	130,938
Other charges	1,547,506	110,265	1,657,771	230,416
Total operating expenses	40,047,837	13,230,710	53,278,547	34,678,331
Operating income	11,750,111	1,504,063	13,254,174	4,186,748
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Loss on disposal of capital assets	(881,363)	-	(881,363)	(708,751)
Interest income	1,845,427	175,368	2,020,795	503,689
Interest expense and other fiscal charges	(14,227,579)	(58,591)	(14,286,170)	(109,134)
Contribution to WTTVA infrastructure	(30,069)	-	(30,069)	-
Nonoperating revenues (expenses), net	(13,293,584)	116,777	(13,176,807)	(314,196)
(Loss) income before contributions and transfers	(1,543,473)	1,620,840	77,367	3,872,552
Capital contributions	579,166	-	579,166	-
Transfers in	856,802	-	856,802	2,000,000
Transfers out	(1,508,126)	(1,524,570)	(3,032,696)	(560,312)
Change in net position	(1,615,631)	96,270	(1,519,361)	5,312,240
Net position at July 1	147,637,028	6,951,763	154,588,791	38,159,228
Net position at June 30	\$ 146,021,397	\$ 7,048,033	\$ 153,069,430	\$ 43,471,468

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, 2019**

	<b>Business-type Activities – Enterprise Funds</b>			<b>Governmental Activities – Internal Service Funds</b>
	<b>Utility Fund</b>	<b>Non-Major Funds</b>	<b>Total</b>	
<b>OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 51,819,240	\$ 14,596,042	\$ 66,415,282	\$ 38,847,643
Payments to employees	(7,240,317)	(5,008,327)	(12,248,644)	(3,660,544)
Payments to suppliers	(16,310,773)	(8,420,369)	(24,731,142)	(25,372,835)
Net cash provided by operating activities	<u>28,268,150</u>	<u>1,167,346</u>	<u>29,435,496</u>	<u>9,814,264</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	856,802	-	856,802	2,000,000
Transfers to other funds	(1,538,195)	(1,524,570)	(3,062,765)	(560,312)
Net cash provided by (used in) noncapital financing activities	<u>(681,393)</u>	<u>(1,524,570)</u>	<u>(2,205,963)</u>	<u>1,439,688</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(11,689,686)	-	(11,689,686)	(3,525,015)
Principal paid on capital debt, net	(6,789,161)	(3,356,000)	(10,145,161)	(2,602,238)
Capital Contributions	6,500	-	6,500	-
Interest paid on capital debt	(15,053,395)	(33,101)	(15,086,496)	(290,801)
Net cash used in capital and related financing activities	<u>(33,525,742)</u>	<u>(3,389,101)</u>	<u>(36,914,843)</u>	<u>(6,418,054)</u>
<b>INVESTING ACTIVITIES</b>				
Interest received	<u>1,845,427</u>	<u>175,368</u>	<u>2,020,795</u>	<u>503,689</u>
Net cash provided by investing activities	<u>1,845,427</u>	<u>175,368</u>	<u>2,020,795</u>	<u>503,689</u>
Net increase (decrease) in cash and cash equivalents	<u>(4,093,558)</u>	<u>(3,570,957)</u>	<u>(7,664,515)</u>	<u>5,339,587</u>
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning, July 1,	<u>71,874,556</u>	<u>12,651,613</u>	<u>84,526,169</u>	<u>24,906,022</u>
Ending, June 30	<u>\$ 67,780,998</u>	<u>\$ 9,080,656</u>	<u>\$ 76,861,654</u>	<u>\$ 30,245,609</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>				
Cash and cash equivalents	\$ 40,546,729	\$ 9,080,656	\$ 49,627,385	\$ 30,245,609
Cash and cash equivalents, restricted	<u>27,234,269</u>	<u>-</u>	<u>27,234,269</u>	<u>-</u>
	<u>\$ 67,780,998</u>	<u>\$ 9,080,656</u>	<u>\$ 76,861,654</u>	<u>\$ 30,245,609</u>

(Continued)

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2019**

	<b>Business-type Activities – Enterprise Funds</b>			<b>Governmental Activities – Internal Service Funds</b>
	<b>Utility Fund</b>	<b>Non-Major Funds</b>	<b>Total</b>	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>				
<b>PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 11,750,111	\$ 1,504,063	\$ 13,254,174	\$ 4,186,748
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	16,349,114	156,404	16,505,518	5,977,473
Decrease in allowance for uncollectible accounts	56,027	59,572	115,599	-
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	67,191	(241,566)	(174,375)	(17,436)
Inventories	8,993	-	8,993	1,909
Increase (decrease) in:				
Accounts payable and accrued liabilities	811,120	(29,203)	781,917	(516,779)
Accrued payroll and related liabilities	(672,482)	(281,924)	(954,406)	(95,317)
Unearned revenues	(101,924)	-	(101,924)	-
Claims payable	-	-	-	277,666
Net cash provided by operating activities	<u>\$ 28,268,150</u>	<u>\$ 1,167,346</u>	<u>\$ 29,435,496</u>	<u>\$ 9,814,264</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital asset purchases financed by capital leases	\$ -	\$ -	\$ -	\$ -
Non-cash capital contributions	\$ 572,666	\$ -	\$ 572,666	\$ -
Capitalized interest	\$ 591,094	\$ -	\$ 591,094	\$ -

## CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2019

	<b>OPEB Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 37,036,476	\$ 735,567
Total assets	<u>\$ 37,036,476</u>	<u>\$ 735,567</u>
<b>LIABILITIES</b>		
Amounts held for others	\$ -	\$ 735,567
Total liabilities	<u>\$ -</u>	<u>\$ 735,567</u>
<b>NET POSITION</b>		
Restricted for OPEB	<u>\$ 37,036,476</u>	
Total net position	<u>\$ 37,036,476</u>	

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**OPEB TRUST FUND**  
**Year Ended June 30, 2019**

**ADDITIONS**

Gain on Investments	\$ 1,629,696
Total additions	<u>1,629,696</u>

**DEDUCTIONS**

Administrative fees	32,833
Total deductions	<u>32,833</u>

Change in net position	1,596,863
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<b>NET POSITION AT JULY 1</b>	<u>35,439,613</u>
<b>NET POSITION AT JUNE 30</b>	<u><u>\$ 37,036,476</u></u>

# NOTES TO FINANCIAL STATEMENTS

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**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019**

**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, 2019**

**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, VA 23320.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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 quarterly 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, 2019**

**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 2019 totaled \$591,094.

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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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 uncommit.

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, 2019**

**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, 2019**

**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, 2018, the City adopted the provisions of GASB Statement No. 83 *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (ARO's). Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources ARO's. This statement had no impact on the financial reporting for the City in the current year, as the City does not have any ARO's.

Effective July 1, 2018, the City adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The statement also clarifies which liabilities governments should include when disclosing information related to debt. The disclosures related to this statement have been included in Note 9.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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.

**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 net asset value of the pool shares.

**Concentration of Credit Risk**

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

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Restricted Cash**

The City has restricted cash as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Primary Government</b>
Unspent debt proceeds	\$ 42,392,442	\$ 18,317,300	\$ 60,709,742
Capital Projects	-	6,389,943	6,389,943
Cemetery	1,020,166	-	1,020,166
Escrow/bond/customer deposits	618,062	-	618,062
Other external purposes	-	2,527,026	2,527,026
Total	<u>\$ 44,030,670</u>	<u>\$ 27,234,269</u>	<u>\$ 71,264,939</u>

**Cash and Cash Equivalents**

		<b>Component Units</b>	
	<b>Primary Government</b>	<b>School Board</b>	<b>Economic Development Authority</b>
Deposits and Investments:			
SNAP	\$ 60,709,742	\$ -	\$ -
Deposits	197,981,468	30,397,694	5,706,615
Total	<u>\$ 258,691,210</u>	<u>\$ 30,397,694</u>	<u>\$ 5,706,615</u>
Statement of Net Position:			
Cash and cash equivalents	\$ 187,426,271	\$ 30,397,694	\$ 4,607,713
Cash and cash equivalents, restricted	71,264,939	-	1,098,902
Total	<u>\$ 258,691,210</u>	<u>\$ 30,397,694</u>	<u>\$ 5,706,615</u>



**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 3. Receivables**

Receivables are as follows:

	<b>Governmental Activities</b>						
					<b>Internal Service Funds</b>		
	<b>General</b>	<b>Capital Projects</b>	<b>Road Maintenance</b>	<b>Non-major Governmental Funds</b>	<b>Fleet Management</b>	<b>Risk Management</b>	<b>Total</b>
Taxes	\$ 7,767,317	\$ -	\$ -	\$ 24,878	\$ -	\$ -	\$ 7,792,195
Accounts	5,796,847	29,572	5,163	26,603	64,542	21,037	5,943,764
Subtotal	13,564,164	29,572	5,163	51,481	64,542	21,037	13,735,959
Less Allowance	(4,596,366)		-	(9,454)	-	-	(4,605,820)
Receivables, net	<u>\$ 8,967,798</u>	<u>\$ 29,572</u>	<u>\$ 5,163</u>	<u>\$ 42,027</u>	<u>\$ 64,542</u>	<u>\$ 21,037</u>	<u>\$ 9,130,139</u>

	<b>Business-type Activities</b>				
	<b>Utilities</b>	<b>Refuse</b>	<b>Stormwater</b>	<b>Total</b>	<b>Component Unit -- School Board</b>
Accounts	\$ 7,933,847	\$ 813,199	\$ 336,919	\$ 9,083,965	\$ 152,231
Less Allowance	(303,793)	(191,656)	(127,710)	(623,159)	-
Receivables, net	<u>\$ 7,630,054</u>	<u>\$ 621,543</u>	<u>\$ 209,209</u>	<u>\$ 8,460,806</u>	<u>\$ 152,231</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:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
General Fund - Taxes receivable	\$ 3,126,412	\$ -
General Fund - EMS receivable	1,469,954	-
Non-major Funds - Taxes receivable	9,454	-
Utility Fund - Accounts receivable	-	303,793
Non-major Proprietary Funds - accounts receivable	-	319,366
	<u>\$ 4,605,820</u>	<u>\$ 623,159</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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:**

	<b>General</b>	<b>Capital Projects</b>	<b>Non-major Governmental Funds</b>	<b>Total</b>
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,031,152	\$ -	\$ -	\$ 1,031,152
Communication sales tax	246,554	-	-	246,554
Non-categorical state aid	184,373	-	-	184,373
Shared expenses	244,473	-	-	244,473
Social services reimbursement	318,259	-	-	318,259
VA Department of Transportation	-	1,751,653	-	1,751,653
Various other state aid and grants	1,137	-	2,835	3,972
	<u>2,025,948</u>	<u>1,751,653</u>	<u>2,835</u>	<u>3,780,436</u>
<u>Federal Government:</u>				
Social services reimbursement	458,223	-	-	458,223
Department of Transportation	-	-	60,829	60,829
Various grants	11,806	-	283,801	295,607
	<u>470,029</u>	<u>-</u>	<u>344,630</u>	<u>814,659</u>
Total due from other governments	<u>\$ 2,495,977</u>	<u>\$ 1,751,653</u>	<u>\$ 347,465</u>	<u>\$ 4,595,095</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Component Unit – School Board:**

	<b>School Operating</b>	<b>School Grants</b>	<b>School Food Service</b>	<b>Total</b>
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,416,921	\$ -	\$ -	\$ 1,416,921
Various grants	31,142	17,071	-	48,213
	<u>1,448,063</u>	<u>17,071</u>	<u>-</u>	<u>1,465,134</u>
<u>Federal Government:</u>				
School food reimbursement	-	-	228,617	228,617
Title I	-	1,369,466	-	1,369,466
Title VI-B	-	690,078	-	690,078
Title II-A	-	236,476	-	236,476
Various grants	20,252	405,826	-	426,078
	<u>20,252</u>	<u>2,701,846</u>	<u>228,617</u>	<u>2,950,715</u>
<u>Local</u>	<u>79,288</u>	<u>48,578</u>	<u>691</u>	<u>128,557</u>
Total due from other governments	<u>\$ 1,547,603</u>	<u>\$ 2,767,495</u>	<u>\$ 229,308</u>	<u>\$ 4,544,406</u>

**Note 5. Interfund Transactions:**

	<b>Transfers to:</b>						
	<b>General Fund</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Non-major Governmental</b>	<b>Utility</b>	<b>Internal Service Fund - Fleet</b>	<b>Total</b>
<u>Transfers from:</u>							
General Fund	\$ -	\$ 4,952,475	\$ 25,997,917	\$ 1,185,089	\$ 856,802	\$ 1,143,198	\$ 34,135,481
Road Maintenance	664,438	459,000	1,364,363	-	-	-	2,487,801
Utility	651,324	-	-	-	-	856,802	1,508,126
<u>Non-major:</u>							
Governmental	63,057	1,200,000	629,802	-	-	-	1,892,859
Enterprise	504,570	1,020,000	-	-	-	-	1,524,570
Internal Service	560,312	-	-	-	-	-	560,312
	<u>\$ 2,443,701</u>	<u>\$ 7,631,475</u>	<u>\$ 27,992,082</u>	<u>\$ 1,185,089</u>	<u>\$ 856,802</u>	<u>\$ 2,000,000</u>	<u>\$ 42,109,149</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, 2019**

**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	\$ 163,981,282
Repayment of School Board debt	<u>11,012,135</u>
	<u>\$ 174,993,417</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Capital Assets**

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

	Governmental Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, non-depreciable				
Land	\$ 23,456,422	\$ 856,802	\$ 119,100	\$ 24,194,124
Construction in Progress	112,156,909	37,810,118	74,617,948	75,349,079
Total Capital assets, non-depreciable	135,613,331	38,666,920	74,737,048	99,543,203
Capital Assets, depreciable				
Buildings	128,826,755	283,376	282,818	128,827,313
Infrastructure	413,030,152	11,676,353	441,531	424,264,974
Improvements other than buildings	49,823,218	3,776,197	1,053,178	52,546,237
Machinery and equipment	105,138,285	4,245,092	5,693,717	103,689,660
Intangibles	3,346,337	1,522,658	843,240	4,025,755
Total capital assets, depreciable	700,164,747	21,503,676	8,314,484	713,353,939
Less accumulated depreciation for:				
Buildings	34,611,998	2,974,930	281,736	37,305,192
Infrastructure	147,430,608	13,768,038	194,603	161,004,043
Improvement other than buildings	15,511,247	1,385,805	1,017,664	15,879,388
Machinery and equipment	61,212,516	9,135,038	4,954,309	65,393,245
Intangibles	1,799,458	381,342	533,885	1,646,915
Total accumulated depreciation	260,565,827	27,645,153	6,982,197	281,228,783
Total capital assets, depreciable, net	439,598,920	(6,141,477)	1,332,287	432,125,156
<b>Governmental activities, capital assets, net</b>	<b>\$ 575,212,251</b>	<b>\$ 32,525,443</b>	<b>\$ 76,069,335</b>	<b>\$ 531,668,359</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

**Governmental Activities:**

General government	\$ 6,251,019
Judicial administration	8,888
Public safety	1,750,997
Public works	17,867,858
Community Development	873,066
Education	5,091
Parks, recreation, and cultural	888,234
	<u>\$ 27,645,153</u>

Government activities included depreciation of \$4,908,960 for the Fleet Maintenance fund, \$99,113 for the Risk Management fund, and \$969,400 for Information Technology fund.

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

	<b>Business-type Activities</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets, non-depreciable				
Land	\$ 5,562,762	\$ -	\$ 857,802	\$ 4,704,960
Construction in Progress	25,621,070	12,357,502	13,019,781	24,958,791
Total Capital assets, non-depreciable	<u>31,183,832</u>	<u>12,357,502</u>	<u>13,877,583</u>	<u>29,663,751</u>
Capital Assets, depreciable				
Buildings	103,319,888	-	833,971	102,485,917
Improvements other than buildings	374,157,995	10,256,813	248,673	384,166,135
Machinery and equipment	112,632,786	2,629,088	3,051,761	112,210,113
Intangibles	14,412,317	896,532	-	15,308,849
Total capital assets, depreciable	<u>604,522,986</u>	<u>13,782,433</u>	<u>4,134,405</u>	<u>614,171,014</u>
Less accumulated depreciation for:				
Buildings	25,778,758	2,422,346	735,455	27,465,649
Improvement other than buildings	98,805,834	7,434,534	237,231	106,003,137
Machinery and equipment	45,401,109	4,338,723	2,280,356	47,459,476
Intangibles	2,351,456	2,309,915	-	4,661,371
Total accumulated depreciation	<u>172,337,157</u>	<u>16,505,518</u>	<u>3,253,042</u>	<u>185,589,633</u>
Total capital assets, depreciable, net	<u>432,185,829</u>	<u>(2,723,085)</u>	<u>881,363</u>	<u>428,581,381</u>
<b>Business-type activities, capital assets, net</b>	<b><u>\$ 463,369,661</u></b>	<b><u>\$ 9,634,417</u></b>	<b><u>\$ 14,758,946</u></b>	<b><u>\$ 458,245,132</u></b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

	<b>Component Unit -- School Board</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets, non-depreciable				
Land	\$ 6,387,523	\$ -	\$ -	\$ 6,387,523
Total Capital assets, non-depreciable	6,387,523	-	-	6,387,523
Capital Assets, depreciable				
Buildings	199,374,666	52,626,887	-	252,001,553
Improvements other than buildings	16,694,754	-	-	16,694,754
Machinery and equipment	48,824,287	10,491,558	1,634,448	57,681,397
Total capital assets, depreciable	264,893,707	63,118,445	1,634,448	326,377,704
Less accumulated depreciation for:				
Buildings	100,287,474	5,348,662	-	105,636,136
Improvement other than buildings	11,951,717	431,571	-	12,383,288
Machinery and equipment	35,829,132	4,862,508	1,632,609	39,059,031
Total accumulated depreciation	148,068,323	10,642,741	1,632,609	157,078,455
Total capital assets, depreciable, net	116,825,384	52,475,704	1,839	169,299,249
<b>Component Unit - School Board, capital assets, net</b>	<b>\$ 123,212,907</b>	<b>\$ 52,475,704</b>	<b>\$ 1,839</b>	<b>\$ 175,686,772</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Unavailable and Unearned Revenues**

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

	<b>Governmental Funds' Unavailable Revenues</b>	<b>Governmental Activities' Unearned Revenues</b>
	<hr/>	<hr/>
<b>Liability:</b>		
Grant receipts -- unearned	\$ 162,245	\$ 162,245
Golf-course lease revenue -- unearned (Note 10)	-	1,706,190
Total unavailable/unearned revenues	<u>\$ 162,245</u>	<u>\$ 1,868,435</u>
 <b>Deferred inflow of resources:</b>		
Prepaid taxes and other amounts -- unearned	\$ 2,248,777	\$ 2,248,777
Developer deposits -- unearned (General)	1,494,109	1,494,109
Developer deposits -- unearned (Road Maintenance)	964,839	964,839
Hanger deposits -- unearned (Aviation)	22,147	22,147
Proffers received -- unearned	188,000	188,000
Taxes receivable, net -- unavailable	3,078,327	-
Total unavailable/unearned revenues -- governmental funds	<u>\$ 7,996,199</u>	<u>\$ 4,917,872</u>

Unearned revenue in the Utility Fund of \$193,081 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, 2019**

**Note 9. Long-Term Liabilities**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General obligation debt	\$ 253,989,192	\$ 17,945,000	\$ 16,713,618	\$ 255,220,574	\$ 18,358,620
Bonds from direct borrowing and direct placements	7,770,000	-	730,000	7,040,000	735,000
Taxable GO BAN -- direct borrowing	600,000	-	600,000	-	-
Add bond premiums and other credits	23,651,667	1,182,718	2,146,198	22,688,187	2,148,415
	286,010,859	19,127,718	20,189,816	284,948,761	21,242,035
Section 108 loan	1,722,000	-	1,722,000	-	-
Capital Lease obligations	3,537,987	-	1,480,879	2,057,108	590,226
	291,270,846	19,127,718	23,392,695	287,005,869	21,832,261
Net pension liability	29,118,472	23,317,516	18,801,527	33,634,461	-
Net OPEB liability city trust	723,605	7,491,132	4,657,027	3,557,710	-
Net OPEB liability state plans	11,786,399	4,094,287	2,318,803	13,561,883	314,000
Claims payable	2,422,955	15,633,786	15,356,120	2,700,621	1,881,839
Compensated absences	5,910,974	1,085,142	623,108	6,373,008	366,216
<b>Governmental activities, long-term liabilities</b>	<b>\$ 341,233,251</b>	<b>\$ 70,749,581</b>	<b>\$ 65,149,280</b>	<b>\$ 346,833,552</b>	<b>\$ 24,394,316</b>
<b>Business-type activities:</b>					
General obligation bonds	\$ 177,065,808	\$ 585,000	\$ 5,036,380	\$ 172,614,428	\$ 5,301,380
Taxable GO BAN -- direct borrowing	3,941,000	-	3,941,000	-	-
Revenue bonds	194,825,000	-	1,530,000	193,295,000	1,900,000
Add bond premiums and other credits	28,627,397	54,077	1,576,352	27,105,122	1,587,167
	404,459,205	639,077	12,083,732	393,014,550	8,788,547
Capital lease obligations	785,452	-	222,781	562,671	161,913
	405,244,657	639,077	12,306,513	393,577,221	8,950,460
Net pension liability	4,520,218	3,526,906	2,885,389	5,161,735	-
Net OPEB liability city trust	138,044	1,411,774	879,256	670,562	-
Net OPEB liability state plans	708,601	159,713	150,197	718,117	-
Compensated absences	710,444	43,167	156,928	596,683	47,360
<b>Business-type activities, long-term liabilities</b>	<b>\$ 411,321,964</b>	<b>\$ 5,780,637</b>	<b>\$ 16,378,283</b>	<b>\$ 400,724,318</b>	<b>\$ 8,997,820</b>

The liability for compensated absences will be liquidated out of the funds in which the employee is normally paid from. For the Governmental activities these funds include: The General Fund, Roads Maintenance Fund, 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, 2019**

**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:						
2010A Public Improvement and Refunding Bonds	04/29/10	08/01/32	3.38%	\$ 34,155,000	\$ 16,990,000	\$ -
2011 Public Improvement	07/07/11	02/01/27	2.00-5.00	84,510,000	2,220,000	4,275,000
2011 Public Improvement and Refunding Bonds	07/07/11	02/01/27	2.00-5.00	30,065,000	1,545,000	620,000
2011 VPSA Local School Bond (a)	12/15/11	06/30/31	4.97	7,500,000	5,550,000	-
2012 Public Improvement and Refunding Bonds	08/22/12	06/01/42	2.00-5.00	60,610,000	6,855,000	12,740,000
2013 Public Improvement and Refunding Bonds	07/30/13	12/01/32	3.00-5.00	64,415,000	27,900,574	24,384,428
2013B Public Improvement Bonds (a)	12/12/13	06/30/29	2.55	2,100,000	1,490,000	-
2014 Public Improvement and Refunding Bonds	07/30/15	02/01/42	2.00-5.00	124,820,000	46,490,000	70,490,000
2015 Public Improvement and Refunding Bonds	07/08/15	02/01/35	2.00-5.00	41,170,000	36,380,000	-
2016 Public Improvement and Refunding Bonds	07/14/16	02/01/36	1.50-5.00	51,085,000	48,820,000	-
2016 Refunding Bonds -- Taxable	07/14/16	02/01/35	1.10-4.00	25,745,000	22,015,000	-
2017 Public Improvement and Refunding Bonds	07/27/17	02/01/42	3.125-5.00	69,775,000	28,060,000	39,895,000
2017 Taxable Refunding Bonds	07/27/17	02/01/32	2.25-3.36	20,245,000	-	19,625,000
2018 Public Improvement Bonds	08/14/18	02/01/38	2.95 - 5.00	18,530,000	17,945,000	585,000
Total general obligation bonds					<u>\$ 262,260,574</u>	<u>\$ 172,614,428</u>

(a) Indicates the bond is a direct placement or borrowing.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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	\$ 1,695,307	\$ 562,671
\$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%	361,801	-
Total capital lease obligations	<u>\$ 2,057,108</u>	<u>\$ 562,671</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	\$ 5,325,000
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	91,355,000
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>\$ 193,295,000</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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		Bonds from direct borrowings or placements		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 18,358,620	\$ 10,048,756	\$ 735,000	\$ 356,745	\$ 590,226	\$ 3,238
2021	19,039,488	9,416,715	735,000	353,303	193,972	-
2022	17,649,488	8,603,842	740,000	349,860	179,048	-
2023	17,894,488	7,747,593	560,000	346,290	150,782	-
2024	17,459,488	6,917,586	560,000	342,593	147,038	-
2025-2029	83,559,002	22,813,318	2,870,000	1,655,077	709,868	-
2030-2034	63,430,000	8,640,068	840,000	478,125	86,174	-
2035-2038	17,830,000	1,096,631	-	-	-	-
	<u>\$255,220,574</u>	<u>\$ 75,284,509</u>	<u>\$ 7,040,000</u>	<u>\$ 3,881,993</u>	<u>\$ 2,057,108</u>	<u>\$ 3,238</u>

Year Ending June 30,	Business-type Activities					
	General Obligations Bonds		Revenue Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 5,301,380	\$ 6,677,475	\$ 1,900,000	\$ 8,191,225	\$ 161,913	\$ -
2021	6,415,512	6,450,903	4,535,000	8,062,041	103,163	-
2022	6,705,512	6,163,452	4,730,000	7,860,775	54,793	-
2023	7,020,512	5,844,895	4,970,000	7,621,475	33,769	-
2024	7,210,514	5,495,457	5,190,000	7,391,025	29,890	-
2025-2029	38,970,998	22,524,263	31,600,000	32,829,750	134,203	-
2030-2034	44,375,000	15,151,162	40,140,000	24,627,300	44,940	-
2035-2039	41,090,000	7,131,984	60,610,000	14,806,572	-	-
2040-2044	15,525,000	1,110,385	35,465,000	3,511,291	-	-
2045-2046	-	-	4,155,000	176,666	-	-
	<u>\$172,614,428</u>	<u>\$ 76,549,976</u>	<u>\$193,295,000</u>	<u>\$115,078,120</u>	<u>\$ 562,671</u>	<u>\$ -</u>

The Governmental Activities' capital lease obligations are collateralized by equipment with a book value of \$4,826,316, which is net of accumulated depreciation of \$7,500,036 at June 30, 2019.

The Business-type Activities' capital lease obligation is collateralized by equipment with a book value of \$1,891,889, which is net of accumulated depreciation of \$4,176,936 at June 30, 2019.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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 \$308,373,120 through 2046.

In accordance with the master trust indenture, the revenue covenant has been met for the pledged-revenue bonds. Net revenues are required to be no less than greater of (i) the sum of 1.5 times senior debt service and 1.0 times subordinate debt service for the fiscal year (ii) net revenues are not less than 1.0 times the funding requirements for transfers from the revenue fund to the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund, and the rate stabilization fund. This coverage ratio for the current year is 2.59, 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, 2019, the City's aggregate general obligation indebtedness is approximately \$545.3 million less than the Commonwealth's limit and \$251 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, 2019:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Component Unit - School Board</b>					
Other postemployment benefits, net	\$ 18,785,000	\$ 4,987,324	\$ 5,003,324	\$ 18,769,000	\$ -
Net pension liability	117,136,000	27,051,000	32,375,000	111,812,000	-
Compensated Absences	2,430,204	1,478,773	1,319,640	2,589,337	110,106
	<u>\$ 138,351,204</u>	<u>\$ 33,517,097</u>	<u>\$ 38,697,964</u>	<u>\$ 133,170,337</u>	<u>\$ 110,106</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Direct Borrowings or Placements:**

The City has outstanding bonds from direct borrowings and placement related to governmental activities of \$7,040,000. All of the bonds from direct borrowings are secured by the full faith and credit of the City's. A portion of the direct borrowing bonds in the amount of \$5,550,000 are bonds issued with the Virginia Public School Authority(VPSA). These VPSA bonds contain 1) a provision that if a default exists the governor of the State of Virginia may intercept other state aid to the City to pay the bonds and 2) a clause that allows the lender to require redemption in whole or part if it is necessary to maintain the bonds as qualified tax credit bonds, the lender may, with 90 days written notice require redemption if there are amendments to the applicable tax section or there is a reduction or elimination of the refundable credit received by the lender.

**Current Year Refunding of Debt**

During the fiscal year, the City issued general obligation bonds replace a portion of the short-term Bond Anticipation Note issued in 2015, with long term financing.

	<b><u>Term-out of 2015B</u></b>
	<b><u>BAN</u></b>
Type of bonds refunded	GO
Issue date of refunded bonds	Aug. 14, 2018
Total refunding bonds issued (new bonds)	\$1,160,000
Value of Refunded bonds (old bonds)	\$1,228,393
Net Proceeds of refunding (including the premiums and costs of issuance)	\$1,252,106
Bond premium received	\$92,106
Costs of issuance	\$21,161

**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 \$118,855,000.

**Bonds Authorized and Unissued:**

There was no bonded debt authorized by City Council in previous years but unissued as of June 30, 2019.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019, is \$1,706,190.

**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 \$2,813,159 and \$1,090,581 respectively.

Future minimum lease payments under these leases are as follows:

2020	\$ 1,592,442
2021	<u>1,574,226</u>
	<u>\$ 3,166,668</u>

**Note 11. Defined Benefit Pension Plan**

**Plan Description**

The City and School Board contribute to the 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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

The System issues a publically available Comprehensive Annual Financial Report (CAFR) 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/2018-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.

**Benefit Terms, and Contribution Requirements**

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid</b>
<b>Description (Employees Covered):</b> Plan 1 is a defined benefit plan. The benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of July 1, 2013.  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.	<b>Description (Employees Covered):</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010 or their membership dates is before July 1, 2010 and they were not vested as of January 1, 2013.  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.	<b>Description (Employees Covered):</b> The Hybrid Plan combines the features of a defined benefit and a defined contribution plan. Members hired on or after January 1, 2014 are on this plan, as well as any eligible Plan 1 or Plan 2 members who opted into the plan during the special election period. <ul style="list-style-type: none"> <li>• The defined benefit is based on the member's age, creditable service and average final compensation.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>
<b>Retirement Eligibility:</b> Normal: <ul style="list-style-type: none"> <li>• Non-hazardous duty members are eligible for an unreduced benefit at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit.</li> <li>• Hazardous duty members are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit, or age 50 with at least 25 years of service credit.</li> </ul>	<b>Retirement Eligibility:</b> Normal: <ul style="list-style-type: none"> <li>• Non-hazardous duty members are eligible for an unreduced benefit at their normal Social Security retirement age with at least 5 years of service credit, or when their combined age and service credit equals 90.</li> <li>• Hazardous duty members' eligibility is the same as Plan 1.</li> </ul>	<b>Retirement Eligibility:</b> Normal: <ul style="list-style-type: none"> <li>• Defined Benefit Component: members are eligible for an unreduced benefit at their normal Social Security retirement age with at least 5 years of service credit, or when their combined age and service credit equals 90.</li> <li>• Defined Contribution Component: Members are eligible to receive distributions upon leaving employment</li> </ul>



**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid</b>
<b>Retirement Eligibility (continued):</b> Early Retirement with reduced benefit: <ul style="list-style-type: none"> <li>• Non-hazardous duty members may retire early with a reduced benefit at age 55 with at least 5 years of service credit, or age 50 with at least 10 years of service credit.</li> <li>• Hazardous duty members may retire early with a reduced benefit at age 50 with at least 5 years of service credit.</li> </ul> Vesting: <ul style="list-style-type: none"> <li>• Members become vested when they have at least 5 years of creditable service</li> </ul>	<b>Retirement Eligibility(continued):</b> Early Retirement with reduced benefit: <ul style="list-style-type: none"> <li>• Non-hazardous duty members may retire early with a reduced benefit at age 60 with at least 5 years of service credit.</li> <li>• Hazardous duty members' eligibility is the same as Plan 1.</li> </ul> Vesting: <ul style="list-style-type: none"> <li>• Same as Plan 1.</li> </ul>	<b>Retirement Eligibility(continued):</b> Early Retirement with reduced benefit: <ul style="list-style-type: none"> <li>• Defined Benefit Component: Members are eligible for a reduced benefit at age 60 with at least 5 years of creditable service.</li> <li>• Defined Contribution Component: Members are eligible to receive distributions upon leaving employment</li> </ul> Vesting: <ul style="list-style-type: none"> <li>• Defined Benefit Component: Same as Plan 1.</li> <li>• Defined Contribution Component: After 2 years a member is 50% vested in employer contributions, after 3 years 75% vested in employer contributions and after 4 years 100% vested.</li> <li>• Members are 100% vested in contributions they make.</li> </ul>
<b>Types of Benefits:</b> The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's final compensation multiplied by the member's total service credit at retirement. Members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. If any option other than the basic benefit is selected a retirement reduction factor is applied.	<b>Types of Benefits:</b> Same as Plan 1.	<b>Types of Benefits:</b> 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.
<b>Elements of the Pension Formula:</b> Average Final Compensation: <ul style="list-style-type: none"> <li>• The average of the 36 consecutive months of highest compensation as a covered employee.</li> </ul>	<b>Elements of the Pension Formula:</b> Average Final Compensation: <ul style="list-style-type: none"> <li>• The average of the 60 consecutive months of highest compensation as a covered employee.</li> </ul>	<b>Elements of the Pension Formula:</b> Average Final Compensation: <ul style="list-style-type: none"> <li>• Same as Plan 2 for the Defined Benefit Component.</li> </ul>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid</b>
<b>Elements of the Pension Formula (continued):</b>	<b>Elements of the Pension Formula (continued):</b>	<b>Elements of the Pension Formula (continued):</b>
Service Retirement Multiplier:	Service Retirement Multiplier:	Service Retirement Multiplier:
<ul style="list-style-type: none"> <li>Non-hazardous duty members is 1.7%</li> <li>Sheriffs and regional jail superintendents is 1.85%</li> <li>Hazardous duty members other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</li> </ul>	<ul style="list-style-type: none"> <li>For service earned, purchased or granted prior to 1/1/13, and hazardous duty members it is the same as Plan 1.</li> <li>For service earned, purchased or granted after 1/1/13 for non-hazardous duty members it is 1.65%</li> </ul>	<ul style="list-style-type: none"> <li>Defined Benefit Component: 1.0%</li> <li>For members who opted into this plan, the retirement multiplier for their previous plan will be used for service credited in those plans.</li> </ul>
Creditable Service:	Creditable Service:	Creditable Service:
<ul style="list-style-type: none"> <li>Earned for each month employed in a covered position</li> </ul>	<ul style="list-style-type: none"> <li>Same as Plan 1</li> </ul>	<ul style="list-style-type: none"> <li>Defined Benefit Component: Same as Plan 1</li> </ul>
Cost-of-Living Adjustments:	Cost-of-Living Adjustments:	Cost-of-Living Adjustments:
<ul style="list-style-type: none"> <li>Matches the first 3% increase in the Consumer Price Index for all Urban consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum of 5%</li> <li>Eligible July 1 of the 2<sup>nd</sup> calendar year of retirement.</li> </ul>	<ul style="list-style-type: none"> <li>Matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) for a maximum of 3%.</li> </ul>	<ul style="list-style-type: none"> <li>Defined Benefit Component: Same as Plan 2</li> <li>Eligibility is the same as Plans 1 and 2.</li> <li>Defined Contribution Component: Not applicable</li> </ul>
<b>Contribution Requirements:</b>	<b>Contribution Requirements:</b>	<b>Contribution Requirements:</b>
Employees are required to contribute 5% of their compensation toward the plan, through a pre-tax salary deduction. Beginning July 1, 2012 for members in the plan, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years, the 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.		

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

<b>Number of Employees by Class:</b>		
	City	School Board – Non Teacher Plan
Retirees or beneficiaries currently receiving benefits:	654	182
Inactive Members:		
Vested inactive members	201	20
Non-vested inactive members	307	16
Inactive members active elsewhere in VRS	380	52
Total inactive members	888	178
Active Employees:	1,292	298
<b>Total</b>	<b>2,834</b>	<b>658</b>

***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 2019 were based on the actuary's valuation as of June 30, 2017. 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, 2019 was 10.71% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2017.

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, 2019 and June 30, 2018, respectively were \$7,200,075 and \$7,309,368.

The School Board's contractually required contribution rate for the Teacher Retirement Plan for the year ended June 30, 2019 was 15.33% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2017.

The School Board's (non-teacher plan) contractually required contribution rate for the year ended June 30, 2019 was 4.96% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2017.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

***Contributions (continued):***

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, 2019. Contributions to the Teacher Retirement pension plan for the years ended June 30, 2019 and June 30, 2018, respectively were \$12,543,319 and \$12,290,506. Contributions to the Non-Teacher pension plan for the years ended June 30, 2019 and June 30, 2018, respectively were \$356,136 and \$395,660.

**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, 2017. 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, 2018. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Net Pension Liability (continued)**

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.

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, 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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Net Pension Liability (continued)**

The actuarial assumptions used in the June 30, 2017 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"><li>- Update to a more current mortality table – RP2014 projected to 2020</li><li>- Lowered retirement rates at older ages and changed final retirement from 70 to 75</li><li>- Adjusted withdrawal rates to better fit experience at each year age and service through 9 year of service</li><li>- Lowered disability rates</li><li>- Increased Line of Duty disability rate from 14% to 15%</li></ul> | <ul style="list-style-type: none"><li>- Update to a more current mortality table – RP-2014 projected to 2020</li><li>- Increased age 50 retirement rates and lowered retirement rates at older ages</li><li>- Adjusted withdrawal rates to better fit experience at each year ages and service through 9 years of service</li><li>- Adjusted disability rates to better fit experience</li><li>- Decreased line of duty disability rate from 60% to 45%</li></ul> |
|---|---|

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 OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Net Pension Liability (continued)**

City and School Board Pension Plans			
Asset Class:	Target Allocation:	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Rate of Return:
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%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
	Inflation		<b>2.50%</b>
**Expected arithmetic nominal return			<b>7.30%</b>

\*\* 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%.

**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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Changes in the Net Pension Liability**

	Increase/(Decrease)		
	City Pension Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance at 7/01/2017</b>	<b>\$ 279,353,078</b>	<b>\$ 245,714,388</b>	<b>\$ 33,638,690</b>
Changes for the Year:			
Service cost	7,533,051	-	7,533,051
Interest	19,140,479	-	19,140,479
Difference between expected and actual experience	6,884,588	-	6,884,588
Contributions -- employer	-	7,172,294	(7,172,294)
Contributions -- employee	-	3,241,083	(3,241,083)
Net investment income	-	18,158,127	(18,158,127)
Benefit payments including refunds of employee contributions	(11,835,331)	(11,835,331)	-
Administrative expense	-	(154,614)	154,614
Other changes	-	(16,278)	16,278
<b>Net Changes</b>	<b>21,722,787</b>	<b>16,565,281</b>	<b>5,157,506</b>
<b>Balances at 6/30/2018</b>	<b>\$ 301,075,865</b>	<b>\$ 262,279,669</b>	<b>\$ 38,796,196</b>

	Increase/(Decrease)		
	School Board (non-teacher) Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
<b>Balance at 7/1/2017</b>	<b>\$ 25,458,899</b>	<b>\$ 25,927,918</b>	<b>\$ (469,019)</b>
Changes for the Year:			
Service cost	648,762	-	648,762
Interest	1,742,804	-	1,742,804
Difference between expected and actual experience	270,296	-	270,296
Contributions -- employer	-	395,475	(395,475)
Contributions -- employee	-	324,119	(324,119)
Net investment income	-	1,910,589	(1,910,589)
Benefit payments including refunds of employee contributions	(1,123,413)	(1,123,413)	-
Administrative expense	-	(16,379)	16,379
Other changes	-	(1,688)	1,688
<b>Net Changes</b>	<b>1,538,449</b>	<b>1,488,703</b>	<b>49,746</b>
<b>Balances at 6/30/2018</b>	<b>\$ 26,997,348</b>	<b>\$ 27,416,621</b>	<b>\$ (419,273)</b>



**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

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

	1.00% Lower 6.00%	Current Discount Rate: 7.00%	1.00% Higher 8.00%
City's Net Pension Liability	\$80,440,742	\$38,796,196	\$4,372,953
School Board's (non-teacher) Net Pension Liability (Asset)	3,068,175	(274,788)	(3,084,995)
College and Career academy at Pruden (non-teacher) Net Pension Asset	(138,000)	(144,485)	(150,000)
School Board's Teacher Retirement Plan Net Pension Liability	170,795,000	111,812,000	62,990,000

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

For the year ended June 30, 2019, the City recognized pension expense of \$3,912,604.

For the year ended June 30, 2019, the School Board (non-teacher) plan recognized pension benefit of \$(233,519).

At June 30, 2019, the School Board Teacher Retirement Plan reported a liability of \$111,812,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board Teacher Retirement Plan's proportion was 0.95078% as compared to 0.95248% at June 30, 2017.

For the year ended June 30, 2019, The School Board's Teacher Retirement plan recognized pension expense of \$5,939,000. 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

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

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

At June 30, 2019, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City Pension Plan		School Board Non-teacher Plan		School Board Teacher Retirement Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,584,687	\$ 2,081,492	\$ 186,021	\$ 262,409	\$ -	\$ 9,561,000
Change of assumptions	-	350,576		76,507	1,335,000	-
Net difference between projected and actual earnings on pension plan investments.	-	2,182,562		226,684	-	2,371,000
Change in proportion and differences between employer contributions and proportionate share of contributions	-	-		-	3,411,000	3,990,000
Contributions to the plan subsequent to the measurement date	7,200,075	-	356,136	-	12,543,319	-
<b>Total</b>	<b>\$ 12,784,762</b>	<b>\$ 4,614,630</b>	<b>\$ 542,157</b>	<b>\$ 565,600</b>	<b>\$ 17,289,319</b>	<b>\$ 15,922,000</b>

\$7,200,075, \$356,136, and \$12,543,319 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, 2020.

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
2020	\$1,265,555	\$(128,342)	\$(1,841,000)
2021	714,150	30,952	(2,277,000)
2022	(841,126)	(260,107)	(4,989,000)
2023	(168,522)	(22,082)	(1,642,000)
2024	-	-	(427,000)

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS CAFR. A copy of the VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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.

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	157	83
Active Employees:	1,167	1,781
<b>Total</b>	<b>1,324</b>	<b>1,864</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**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, 2019, the City contributed \$2,346,530 toward OPEB costs in claims paid on behalf of the retirees. The School Board contributed \$1,053,194 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, 2019**

**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:

<b>Asset Class:</b>	<b>Target Allocation</b>	<b>Expected 10-Year Geometric Real Rate of Return</b>
U.S Equity – Large Cap	26.00%	7.20%
U.S Equity – Small Cap	10.00%	8.41%
Non U.S. Equity – Developed	13.00%	8.14%
Non U.S. Equity – Emerging	5.00%	9.39%
Core Bonds	7.00%	2.62%
Core Plus	14.00%	2.89%
Real Estate	7.00%	6.79%
Liquid Absolute Return	4.00%	3.75%
Commodities	3.00%	0.00%
Long/Short Equity	6.00%	5.64%
Private Equity	5.00%	10.40%
Total	100%	

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, 2019, and June 30, 2018 the annual money-weighted rate of return on investments, net of investment expense was 4.67% and 9.52% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability for the Plan (GASB 74 Disclosures)**

The City's net OPEB Liability for each plan was based on a valuation date of June 30, 2018 and rolled forward to a measurement date of June 30, 2019. The School Board net OPEB Liability was measured as of its fiscal year end of December 31, 2018 based on a valuation date of December 31, 2017.

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

	<b>Net OPEB Liability (Asset)</b>	
	<b>City</b>	<b>School Board</b>
Total OPEB liability	\$45,530,695	\$13,912,495
Plan fiduciary net position	37,036,476	14,750,514
Net OPEB liability (asset)	8,494,219	\$(838,019)
Fiduciary net position as a percent of total OPEB liability (asset)	81.34%	106.02%

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2018 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, 2018 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, 2019**

**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 June 30, 2018 and rolled forward to a measurement date of June 30, 2019 for the City. The School Board had a valuation date of December 31, 2017 and rolled forward to a measurement date of December 31, 2018.

	<b>Net OPEB Liability analysis using discount rate:</b>		
	1% lower (6.5%)	Current Rate (7.5%)	1% higher (8.5%)
City's Plan	\$15,200,484	\$8,494,219	\$2,992,125
School Board	\$371,331	\$(838,019)	\$(1,939,255)

	<b>Net OPEB Liability using the health care cost trend rate:</b>		
	1% lower (5.80%/6.30%)	Current rate (6.80%/7.30%)	1% higher (7.80%/8.30%)
City's Plan	\$2,058,841	\$8,494,219	\$16,513,830
School Board	\$(2,202,100)	\$(838,019)	\$742,229

**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 7.00% for HMO Plan designs and 7.5% for PPO Plan designs respectively and also as calculated using rates 1% lower and 1% higher.

	<b>Net OPEB Liability (Asset) analysis using discount rate:</b>		
	1% lower (6.5%)	Current Rate (7.5%)	1% higher (8.5%)
City's Plan	\$9,811,643	\$4,228,272	\$(421,206)
School Board	\$371,331	\$(838,019)	\$(1,939,255)

	Net OPEB Liability (Asset) using the health care cost trend rate:		
	1% lower (6.00%/6.50%)	Current rate (7.00%/7.50%)	1% higher (8.00%/8.50%)
City’s Plan	\$(930,865)	\$4,228,272	\$10,546,814
	1% lower (5.8%/6.5%)	Current rate (6.8%/7.3%)	1% higher (7.8%/8.3%)
School Board	\$(2,202,100)	\$(838,019)	\$742,229

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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
<b>Balance at 7/01/2017</b>	<b>\$ 32,252,774</b>	<b>\$ 31,391,125</b>	<b>\$ 861,649</b>
Changes for the Year:			
Service cost	646,056	-	646,056
Interest	2,369,007	-	2,369,007
Difference between expected and actual experience	5,564,681	-	5,564,681
Changes in assumptions	289,822	-	289,822
Contributions -- employer	-	2,488,905	(2,488,905)
Net investment income	-	3,045,950	(3,045,950)
Benefit payments including refunds of employee contributions	(1,454,455)	(1,454,455)	-
Administrative Expenses	-	(31,912)	31,912
<b>Net Changes</b>	<b>7,415,111</b>	<b>4,048,488</b>	<b>3,366,623</b>
<b>Balances at 6/30/2018</b>	<b>\$ 39,667,885</b>	<b>\$ 35,439,613</b>	<b>\$ 4,228,272</b>

	School Board Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset
<b>Balance at 12/31/2017</b>	<b>\$ 13,625,931</b>	<b>\$ 15,465,239</b>	<b>\$ (1,839,308)</b>
Changes for the Year:			
Service cost	456,968	-	456,968
Interest	1,034,554	-	1,034,554
Difference between expected and actual experience	(651,244)	-	(651,244)
Contributions -- employer	-	588,348	(588,348)
Net investment income	-	(699,998)	699,998
Benefit payments including refunds of employee contributions	(588,348)	(588,348)	-
Administrative expense		(14,727)	14,727
Change in assumptions	34,634	-	34,634
<b>Net Changes</b>	<b>286,564</b>	<b>(714,725)</b>	<b>1,001,289</b>
<b>Balances at 12/31/2018</b>	<b>\$ 13,912,495</b>	<b>\$ 14,750,514</b>	<b>\$ (838,019)</b>



**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019, the City and School Board recognized OPEB expense in the amount of \$556,315 and \$327,317 respectively. The City and School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>City</b>		<b>School Board</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,890,174	\$ -	\$ -	\$ 2,090,868
Change of assumptions	254,692	-	993,733	-
Net difference between projected and actual earnings on plan investments.	-	2,558,090	1,487,479	641,482
Contributions to the plan subsequent to the measurement date	2,346,530	-	528,719	-
<b>Total</b>	<b>\$ 7,491,396</b>	<b>\$ 2,558,090</b>	<b>\$ 3,009,931</b>	<b>\$ 2,732,350</b>

\$2,346,530 and \$528,719 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, 2020. 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:

<b>Year Ended June 30:</b>	<b>City OPEB Plan</b>	<b>School Board OPEB Plan</b>
2020	\$(99,413)	\$(19,581)
2021	(99,413)	(19,581)
2022	(99,413)	(19,579)
2023	578,697	194,246
2024	709,637	(177,623)
Thereafter	1,596,681	(209,020)

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, 2019**

**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, 2019**

**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:

<b>Group Life Insurance</b>	<b>Line of Duty Act</b>	<b>Health Insurance Credit Program</b>	<b>Virginia Local Disability Program</b>
<p><b>Eligible Employees:</b>  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><b>Eligible Employees:</b>  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><b>Eligible Employees:</b>  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><b>Eligible Employees:</b>  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><b>Benefit Amounts:</b>  <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><b>Benefit Amounts:</b>  <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><b>Benefit Amounts:</b>  <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><b>Benefit Amounts:</b>  <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, 2019**

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

**Plan Description (continued)**

<b>Group Life Insurance</b>	<b>Line of Duty Act</b>	<b>Health Insurance Credit Program</b>	<b>Virginia Local Disability Program</b>
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.
<b>Minimum benefit and COLA:</b> 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.	<b>Minimum benefit and COLA:</b>	<b>Minimum benefit and COLA:</b>	<b>Minimum benefit and COLA:</b>
<b>Program Notes:</b>	<b>Program Notes:</b>	<b>Program Notes:</b> 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.	<b>Program Notes:</b> 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, 2019**

**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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$348,212 and \$345,599 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to GLI for the School Board were \$466,008 and \$435,835 for the years ended June 30, 2019 and June 30, 2018 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, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 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 cost \$352,885 and \$304,819 for the years ended June 30, 2019 and June 30, 2018, 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, 2019 was 0.41% 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, 2017. 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 \$88,363 and \$52,058 for the years ended June 30, 2019 and June 30, 2018, 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, 2019 was 1.20% 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, 2017. 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, 2019**

**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 \$981,928, and \$943,341 for the years ended June 30, 2019 and June 30, 2018, respectively.

**Long-Term Expected Rate of Return**

***GLI, HIC, and 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:

<b><i>GLI, HIC and VLDP Programs:</i></b>			
<b>Asset Class:</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
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>
		<i>*Expected arithmetic nominal return</i>	<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%.

***LODA:***

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89% 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 3.89% 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, 2018.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2018, NOL amounts for the four programs are as follows:

	City and School - GLI	City - LODA	School - HIC	School - VLDP
Total OPEB liability	\$3,113,508,000	\$315,395,000	\$1,381,313,000	\$1,401,000
Plan fiduciary net position	1,594,773,000	1,889,000	111,639,000	647,000
Net OPEB liability	<u>\$1,518,735,000</u>	<u>\$313,506,000</u>	<u>\$1,269,674,000</u>	<u>754,000</u>
Fiduciary net position as a percent of total OPEB liability	51.22%	0.60%	8.08%	46.18%

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, 2017, 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, 2018.

	City and School - GLI	City - LODA	School HIC and VLDP
Investment rate of return, net of investment expenses, including inflation *	7.0%	3.89%	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, 2019**

**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 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% 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, 2019**

**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, 2017 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:

	<b>General Employees</b>	<b>Teachers</b>	<b>Hazardous Duty Employees</b>
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, 2019**

**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, 2017 actuarial valuation results which were rolled forward to the measurement date of June 30, 2018. 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. When sufficient experience develops.

- 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.

**Discount Rate**

***Group Life Insurance Program:***

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, 2018, 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, 2018 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:***

The discount rate used to measure the total LODA OPEB liability was 3.89%. 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, 2018, 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, 2019**

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

**Discount Rate (continued)**

***Teacher Employee Virginia Local Disability Program:***

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, 2018, 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, 2018 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:***

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 2018 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, 2018 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.

	<b>Net OPEB Liability analysis using Discount rate:</b>		
	1% lower (6.00%)	Current Rate (7.00%)	1% higher (8.00%)
City - GLI	\$6,937,000	\$5,308,000	\$3,986,000
School - GLI	\$8,749,000	\$6,695,000	\$5,028,000
School - HIC	\$13,448,000	\$12,040,000	\$10,843,000
School VLDP	\$40,000	\$34,000	\$27,000

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

	1% lower (2.89%)	Current Rate (3.89%)	1% higher (4.89%)
City - LODA	\$10,279,000	\$8,972,000	\$7,918,000

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	\$7,644,000	\$8,972,000	\$10,625,000

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

At June 30, 2019, 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, 2018 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, 2018 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, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the City and School Board's respective proportions of the various programs as compared to the proportions for June 30, 2017 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	\$5,308,000	\$8,972,000	\$6,695,000	\$12,040,000	\$34,000
<b>TOTALS FOR CITY AND SCHOOL</b>	<b>\$14,280,000</b>		<b>\$18,769,000</b>		
6/30/18 Proportionate share of contributions	0.34952%	2.86170%	0.44079%	0.94832%	4.37837%
6/30/17 Proportionate share of contributions	0.34781%	2.76316%	0.40934%	0.95031%	4.31966%

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019, 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, 2017 and June 30, 2018 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	\$93,000	\$749,000	\$26,000	\$953,000	\$62,000

At June 30, 2019, 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	\$260,000	\$95,000	\$1,288,000	\$-
Difference between projected and actual earnings	-	173,000	-	23,000
Change in assumptions	-	221,000	-	1,033,000
Changes in proportion	248,000	-	252,000	17,000
Employer contributions subsequent to the measurement date	348,212	-	352,885	-
Total	<u>\$856,212</u>	<u>\$489,000</u>	<u>\$1,892,885</u>	<u>\$1,073,000</u>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

	<b><u>School Board - GLI</u></b>		<b><u>School Board - HIC</u></b>		<b><u>School Board - VLDP</u></b>	
	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	\$327,000	\$120,000	\$-	\$60,000	\$-	\$3,000
Net Difference between projected and actual earnings on plan investments	-	218,000	-	9,000	-	-
Change in Assumptions	-	279,000	-	105,000	2,000	-
Changes in proportion Employer contributions subsequent to the measurement date	48,000	141,000	167,000	326,000	-	-
	1,172,415	-	981,629	-	90,117	-
<b>Total</b>	<b>\$1,547,415</b>	<b>\$758,000</b>	<b>\$1,148,629</b>	<b>\$500,000</b>	<b>\$92,117</b>	<b>\$3,000</b>

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, 2020. 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:

	<b><u>City – GLI</u></b>	<b><u>City – LODA</u></b>	<b><u>School – GLI</u></b>	<b><u>School - HIC</u></b>	<b><u>School - VLDP</u></b>
FY 2020	\$(22,000)	\$55,000	\$(117,000)	\$(60,000)	\$(1,000)
FY 2021	(22,000)	55,000	(117,000)	(60,000)	-
FY 2022	(22,000)	55,000	(117,000)	(60,000)	-
FY 2023	27,000	58,000	(55,000)	(55,000)	-
FY 2024	40,000	62,000	4,000	(57,000)	-
Thereafter	18,000	182,000	19,000	(41,000)	-

**Plan Fiduciary Net Positions**

Detailed information about the various programs' Fiduciary Net Position is available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019**

**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, 2019, projects expected to be completed at various dates through 2020 had a total unexpended balance of \$13,113,643 (governmental) and \$9,692,290 (utility).

**Encumbrances:**

The City has the following encumbrances as of June 30, 2019:

General Fund	Road Maintenance Fund	Capital Projects Fund	Non-Major Governmental Funds	Utility Fund	Non-Major Enterprise Fund	Internal Service Funds
\$2,979,356	\$2,965,552	\$13,113,643	\$726,284	\$9,692,290	\$188,796	\$1,720,700

**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, 2019, lease payments and the associated repairs and maintenance commitments had a total unexpended balance of \$2,691,455.

**Litigation:**

There are various lawsuits pending against the City, one of which have a potential range of loss up to \$1,000,000. There are no significant lawsuits pending against the School Board. 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, 2019**

**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, 2019 consists of all current self-insured claims payable, including an estimate of incurred but not reportable claims amounting to \$2,700,621 the current portion of which is \$1,881,839. 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, 2019 and 2018:

		<b>Beginning Balance</b>	<b>Claims and Reserves</b>	<b>Claim Payments</b>	<b>Ending Balance</b>
<b>Workers' Compensation</b>					
2019	\$	915,725	\$ 762,442	\$ 609,386	\$ 1,068,781
2018	\$	1,381,732	\$ 29,961	\$ 495,968	\$ 915,725
<b>Property and Liability</b>					
2019	\$	351,229	\$ 647,542	\$ 812,116	\$ 186,655
2018	\$	1,304,582	\$ 360,035	\$ 1,313,388	\$ 351,229
<b>Health Insurance</b>					
2019	\$	1,156,001	\$ 14,223,802	\$ 13,934,618	\$ 1,445,185
2018	\$	1,371,221	\$ 12,071,646	\$ 12,286,866	\$ 1,156,001



**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019, \$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, 2019, the workers' compensation benefit obligation consisted of \$758,625 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, 2019 and 2018, are as follows:

		<b><u>Beginning Balance</u></b>	<b><u>Claims and Reserves</u></b>	<b><u>Claim Payments</u></b>	<b><u>Ending Balance</u></b>
Workers' Compensation					
	2019 \$	866,998	\$ 647,156	\$ 755,529	\$ 758,625
	2018 \$	958,417	\$ 677,615	\$ 769,034	\$ 866,998

**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, 2019, 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**

On October 17, 2019 City issued \$21,705,000 of authorized Tax-Exempt General Obligation bonds, with maturity dates of February 1, 2040. These bonds were issued to finance capital projects approved in the FY2020 Capital Improvements Plan. In addition, on the same date, the City issued \$52,335,000 of taxable refunding bonds, the proceeds of which are to be used to refund \$47,120,000 of existing general obligation bonds, for future debt service savings. The final maturities of the refunded bonds were not extended.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 17. Fund Balances**

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

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Road Maintenance Fund</b>	<b>Debt Service Fund</b>	<b>Non-major Governmental Funds</b>
<b>Nonspendable:</b>					
Inventories	\$ 64,993	\$ -	\$ -	\$ -	\$ 45,654
<b>Total Nonspendable</b>	<b>64,993</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,654</b>
<b>Restricted for:</b>					
Judicial Administration	-	-	-	-	830,572
Public Safety	120,524	-	-	-	23,442
Public Works	1,494,108	-	-	-	7,145
Cemetery Care	-	-	-	-	1,019,141
Health and Welfare	-	-	-	-	1,223
Community Development	-	-	-	-	559,033
Capital Outlay:	-	368,771	-	-	-
Roadway Projects	-	19,223,950	13,695,529	-	-
Schools	-	6,869,428	-	-	-
Public Facilities	-	4,686,986	-	-	-
Aviation	-	99,937	-	-	-
Recreation facilities	-	8,642,044	-	-	-
Debt Service	-	-	-	-	-
<b>Total Restricted</b>	<b>1,614,632</b>	<b>39,891,116</b>	<b>13,695,529</b>	<b>-</b>	<b>2,440,556</b>
<b>Committed to:</b>					
General Government	24,262	-	-	-	-
Judicial administration	245,168	-	-	-	-
Public Safety - Police	294,993	-	-	-	-
Public Safety - Fire	443,837	-	-	-	-
Transportation	-	-	-	-	590,173
Public Works	-	-	-	-	219,576
Aviation	-	-	-	-	514,422
Route 17 Taxing District	-	-	-	-	1,916,561
Economic Development Incentives	2,229,353	-	-	-	-
Capital Outlay	1,000,000	9,448,361	-	-	-
Debt Service	-	-	-	492,720	-
<b>Total Committed</b>	<b>4,237,613</b>	<b>9,448,361</b>	<b>-</b>	<b>492,720</b>	<b>3,240,732</b>
<b>Assigned to:</b>					
General Government Administration	14,511	-	-	-	-
Judicial Administration	30,000	-	-	-	-
Public Safety - Police	52,392	-	-	-	-
Public Safety - Fire	281,623	-	-	-	-
Public Works	63,219	-	-	-	-
Parks, Recreation and Cultural	62,340	-	-	-	-
Community Development	244,433	-	-	-	-
<b>Total Assigned</b>	<b>748,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unassigned</b>	<b>73,858,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,819)</b>
<b>Total Fund Balance</b>	<b>\$ 80,523,850</b>	<b>\$ 49,339,477</b>	<b>\$ 13,695,529</b>	<b>\$ 492,720</b>	<b>\$ 5,716,123</b>

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 18. Tax Abatement Agreements**

As of June 30, 2019, 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	\$4,171,660	\$ -
Rehabilitated Structures	\$111,675	\$3,206

**Note 19. New Accounting Standards**

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

**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.

**CITY OF SUFFOLK, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**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. 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.

**GASB Statement No. 91, *Conduit Debt Obligations***, provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. This statement is effective for the fiscal year ending June 30, 2022.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF SUFFOLK, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS**  
**GENERAL FUND**  
**Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>REVENUES</b>				
General property taxes:				
Real estate	\$ 103,634,771	\$ 103,634,771	\$ 104,046,836	\$ 412,065
Personal property	20,700,000	20,700,000	21,682,512	982,512
Public service corporations	4,300,000	4,300,000	4,605,519	305,519
Machinery and tools	-	-	2,152,883	2,152,883
Payments in Lieu of Taxes	3,000	3,000	-	(3,000)
Penalties	1,000,000	1,000,000	1,295,372	295,372
Total general property taxes	129,637,771	129,637,771	133,783,122	4,145,351
Other Local Taxes				
Sales and use	11,000,000	11,000,000	10,421,185	(578,815)
Utility tax	4,500,000	4,500,000	4,799,814	299,814
Communication taxes	3,300,000	3,300,000	3,001,565	(298,435)
Business and occupational licenses	7,000,000	7,000,000	8,095,262	1,095,262
Motor vehicle license	2,400,000	2,400,000	2,472,521	72,521
Bank stock	625,000	625,000	691,626	66,626
Recordation	1,450,000	1,450,000	1,697,180	247,180
Tobacco	1,950,000	1,950,000	1,955,756	5,756
Lodging	1,700,000	1,700,000	1,762,778	62,778
Meals	9,500,000	9,500,000	10,986,154	1,486,154
Admission	350,000	350,000	366,992	16,992
Total other local taxes	43,775,000	43,775,000	46,250,833	2,475,833
Permits, fees, and licenses				
Animal license	35,000	35,000	24,260	(10,740)
Permits and other licenses	1,255,800	1,255,800	1,299,765	43,965
Total permits, fees, and licenses	1,290,800	1,290,800	1,324,025	33,225
Fines and forfeitures	540,000	540,000	834,973	294,973
Revenue from use of money and property:				
Revenue from use of money	1,000,000	1,000,000	2,584,540	1,584,540
Revenue from use of property	348,946	348,946	446,913	97,967
Total use of money and property	1,348,946	1,348,946	3,031,453	1,682,507
Charges for services:				
Court costs	218,787	218,787	202,502	(16,285)
Commonwealth's Attorney fee	10,000	10,000	10,507	507
Police and traffic control	30,000	30,000	41,373	11,373
Charges for fire and rescue service	1,838,773	1,838,773	2,115,439	276,666
Charges for other protection	70,000	70,000	42,573	(27,427)
Charges for parks and recreation	900,000	900,000	896,118	(3,882)
Charges for library	18,000	18,000	26,919	8,919
Charges for tourism	29,400	29,400	24,720	(4,680)
Charges for planning and community development	100	100	22	(78)
Charges for other services	207,500	207,500	241,822	34,322
Total charges for services	3,322,560	3,322,560	3,601,995	279,435

(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, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>REVENUES (Continued)</b>				
Miscellaneous revenue				
Miscellaneous	\$ 1,508,694	\$ 1,511,694	\$ 1,773,722	\$ 262,028
Total revenue from local sources	181,423,771	181,426,771	190,600,123	9,173,352
Revenue from the Commonwealth:				
Noncategorical aid:				
Tax on deeds	350,000	350,000	362,634	12,634
Railroad rolling stock tax	130,000	130,000	253,256	123,256
House bill 599 funds	2,959,411	2,959,411	2,959,412	1
PPTRA	10,169,730	10,169,730	10,169,730	-
Mobile home titling tax	15,000	15,000	45,042	30,042
Vehicle rental tax	130,000	130,000	221,046	91,046
Total noncategorical aid	13,754,141	13,754,141	14,011,120	256,979
Categorical aid:				
Commonwealth's Attorney	1,026,702	1,026,702	1,057,696	30,994
Commissioner of the Revenue	166,610	166,610	181,320	14,710
Treasurer	213,431	213,431	215,111	1,680
Sheriff	933,199	933,199	954,023	20,824
Circuit Court Clerk	551,630	607,451	594,141	(13,310)
Registrar	46,977	46,977	47,586	609
Total categorical aid	2,938,549	2,994,370	3,049,877	55,507
Other categorical aid:				
Public assistance and welfare administration	3,453,756	3,453,756	3,360,908	(92,848)
Police	200,000	200,000	398,561	198,561
Fire and rescue	364,545	364,545	379,670	15,125
Library	160,438	160,438	161,681	1,243
Total other categorical aid	4,178,739	4,178,739	4,300,820	122,081
Total categorical aid	7,117,288	7,173,109	7,350,697	177,588
Total revenue from the Commonwealth	20,871,429	20,927,250	21,361,817	434,567
Revenue from the Federal government				
Categorical aid:				
Public assistance and welfare administration	4,932,923	4,932,923	5,874,233	941,310
Public Safety	-	-	49,901	49,901
Parks, recreation and cultural	20,000	20,000	22,207	2,207
Total revenue from the Federal government	4,952,923	4,952,923	5,946,341	993,418
Total revenues	207,248,123	207,306,944	217,908,281	10,601,337

(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, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>EXPENDITURES</b>				
General Government administration:				
Legislative:				
City Council	\$ 422,192	\$ 393,821	\$ 393,821	\$ -
General and financial administration:				
City Manager	1,080,358	1,042,115	1,043,115	(1,000)
Budget and strategic planning	341,185	336,771	338,020	(1,249)
City Attorney	1,060,831	1,042,937	1,045,437	(2,500)
Human resources	1,176,780	1,066,910	1,066,910	-
Commissioner of the Revenue	1,088,734	1,064,261	1,064,261	-
City Assessor	1,578,766	1,675,047	1,677,047	(2,000)
City Treasurer	1,497,880	1,520,460	1,523,710	(3,250)
Finance	1,490,469	1,440,841	1,443,175	(2,334)
Purchasing	350,934	317,356	318,606	(1,250)
Capital program management	4,178,106	4,036,810	4,036,810	-
Media and community relations	760,892	747,739	747,739	-
Local and regional organizations	1,029,970	1,032,762	1,032,762	-
Board of Elections:				
Registrar	529,628	505,639	505,639	-
Total general government administration	16,586,725	16,223,469	16,237,052	(13,583)
Judicial administration:				
Courts:				
Circuit Court	209,413	206,483	206,483	-
District Court	68,613	68,143	68,143	-
Magistrate	17,611	15,929	15,929	-
Juvenile and Domestic Relations Court	16,460	12,393	12,393	-
Juvenile and Domestic Relations Court Service Unit	973,435	729,929	728,821	1,108
Circuit Court Clerk	1,496,437	1,557,604	1,555,332	2,272
Sheriff	2,781,344	2,960,419	2,960,419	-
Commonwealth's Attorney	3,264,238	3,478,337	3,245,364	232,973
Total judicial administration	8,827,551	9,029,237	8,792,884	236,353
Public safety:				
Police	23,233,201	23,512,585	23,523,043	(10,458)
Communications	1,954,832	1,930,494	1,932,577	(2,083)
Property seizure program - Federal	-	198,063	39,829	158,234
Police E-ticketing	-	78,783	-	78,783
Confiscation program - State	-	314,722	232,283	82,439
DARE	-	2,850	-	2,850
Fire	29,992,064	31,979,995	31,584,047	395,948
Western Tidewater Regional Jail	4,424,060	4,424,060	4,424,060	-
Emergency services	20,997	10,860	10,860	-
Total public safety	59,625,154	62,452,412	61,746,699	705,713
Public works:				
Administration	953,938	1,010,189	1,012,689	(2,500)
Total public works	953,938	1,010,189	1,012,689	(2,500)

(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, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>EXPENDITURES (Continued)</b>				
Health and welfare:				
Western Tidewater Health Department	\$ 840,000	\$ 840,000	\$ 840,000	\$ -
Western Tidewater CSB	295,210	295,210	295,210	-
Social Services	11,439,425	10,976,425	10,695,479	280,946
Comprehensive Services Act	1,405,340	1,868,340	1,803,879	64,461
Total health and welfare	13,979,975	13,979,975	13,634,568	345,407
Education:				
Contributions to component unit school board	59,832,201	59,737,522	59,816,885	(79,363)
Lease rent of building	554,445	536,375	536,375	-
Total education	60,386,646	60,273,897	60,353,260	(79,363)
Parks, recreation, and cultural:				
Parks and recreation	2,839,269	2,595,393	2,598,768	(3,375)
Parks and recreation maintenance	2,945,381	3,083,175	3,084,175	(1,000)
Parks and recreation - recreation	2,250,466	2,562,754	2,563,754	(1,000)
Public libraries	3,314,119	3,130,039	3,132,289	(2,250)
Total parks, recreation, and cultural	11,349,235	11,371,361	11,378,986	(7,625)
Community Development:				
Planning and community development	4,064,993	3,884,644	3,886,644	(2,000)
Economic development	850,074	3,237,342	3,237,342	-
Tourism	735,187	685,785	685,785	-
Animal shelter and management	1,006,912	989,215	989,215	-
Cooperative extension services	69,085	17,285	17,285	-
Total community development	6,726,251	8,814,271	8,816,271	(2,000)
Nondepartmental:				
Salary, fringe benefits and insurance	456,674	618,158	618,158	-
Other Miscellaneous	60,000	65,953	57,681	8,272
Total nondepartmental	516,674	684,111	675,839	8,272
Total expenditures	178,952,149	183,838,922	182,648,248	1,190,674
Excess of revenues over expenditures	28,295,974	23,468,022	35,260,033	11,792,011
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund Balance Surplus	3,500,000	8,298,044	-	8,298,044
Transfers in	2,443,701	2,443,701	2,443,701	-
Transfers out	(34,239,675)	(34,209,767)	(34,135,482)	(74,285)
Total other financing uses, net	(28,295,974)	(23,468,022)	(31,691,781)	8,223,759
Net change in fund balances	\$ -	\$ -	\$ 3,568,252	\$ 3,568,252
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ 3,568,252	
Encumbrances			2,979,356	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 4)			\$ 6,547,608	

## 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, 2019**

	Road Maintenance			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Permits, fees and licenses	\$ 363,750	\$ 363,750	\$ 399,933	\$ 36,183
Fines and forfeitures	250,000	250,000	344,137	94,137
Revenue from use of money and property	15,000	15,000	301,683	286,683
Charges for services	1,228,988	1,228,988	1,165,129	(63,859)
Miscellaneous	26,500	106,500	113,464	6,964
Intergovernmental:				
Revenue from the Commonwealth	23,503,390	23,503,390	24,203,458	700,068
Fund balance (rollover/appropriations)	1,200,000	3,221,266	-	(3,221,266)
Total revenues	26,587,628	28,688,894	26,527,804	(2,161,090)
EXPENDITURES				
Current:				
Public Works	24,558,827	26,201,093	24,161,493	2,039,600
Total expenditures	24,558,827	26,201,093	24,161,493	2,039,600
Deficiency of revenues under expenditures	2,028,801	2,487,801	2,366,311	(121,490)
OTHER FINANCING USES				
Transfers out	(2,028,801)	(2,487,801)	(2,487,801)	-
Total other financing uses	(2,028,801)	(2,487,801)	(2,487,801)	-
Net change in fund balances	\$ -	\$ -	\$ (121,490)	\$ (121,490)
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (121,490)	
Encumbrances			2,965,552	
Total net change in fund balance per Statement of Revenues, Expenditures and changes in Fund Balance (Exhibit 4)			\$ 2,844,062	

## 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	2018
<b>Total Pension Liability</b>					
Service cost	\$ 6,994,155	\$ 7,018,182	\$ 7,104,813	\$ 7,259,255	\$ 7,533,051
Interest	15,882,027	16,812,748	17,359,071	18,400,909	19,140,479
Changes in assumptions	-	-	-	(690,942)	-
Difference between expected and actual experience	-	(5,841,034)	1,303,368	(2,868,934)	6,884,588
Benefit payments, including refunds of employee contributions	(9,322,789)	(9,837,539)	(10,533,021)	(11,234,683)	(11,835,331)
Net change in total pension liability	13,553,393	8,152,357	15,234,231	10,865,605	21,722,787
Total pension liability -- beginning	231,547,492	245,100,885	253,253,242	268,487,473	279,353,078
Total pension liability -- ending	<u>\$ 245,100,885</u>	<u>\$ 253,253,242</u>	<u>\$ 268,487,473</u>	<u>\$ 279,353,078</u>	<u>\$ 301,075,865</u>
<b>Plan fiduciary net position</b>					
Contributions -- employer	\$ 7,684,006	\$ 7,327,510	\$ 7,519,618	\$ 6,958,618	\$ 7,172,294
Contributions -- employee	2,877,613	2,851,871	2,962,118	3,248,534	3,241,083
Net investment income	28,132,949	9,496,953	3,824,803	26,854,025	18,158,127
Benefit payments, including refunds of employee contributions	(9,322,789)	(9,837,539)	(10,533,021)	(11,234,683)	(11,835,331)
Administrative expense	(149,011)	(127,715)	(132,646)	(152,890)	(154,614)
Other	1,483	(2,019)	(1,608)	(24,013)	(16,278)
Net change in plan fiduciary net position	29,224,251	9,709,061	3,639,264	25,649,591	16,565,281
Plan fiduciary net position -- beginning	177,492,218	206,716,469	216,425,533	220,064,797	245,714,388
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>	<u>\$ 262,279,669</u>
Total net pension liability -- beginning	<u>\$ 54,055,274</u>	<u>\$ 38,384,416</u>	<u>\$ 36,827,709</u>	<u>\$ 48,422,676</u>	<u>\$ 33,638,690</u>
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>	<u>\$ 38,796,196</u>
Plan fiduciary net position as a percentage of total pension liability	84.34%	85.46%	81.96%	87.96%	87.11%
Covered payroll	\$ 55,954,879	\$ 63,639,606	\$ 59,144,296	\$ 64,085,203	\$ 67,302,874
Net pension liability as a percentage of covered payroll	68.60%	57.87%	81.87%	52.49%	57.64%

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 (ASSET) AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30,**

	2014	2015	2016	2017	2018
<b>Total Pension Liability</b>					
Service cost	\$ 738,127	\$ 713,970	\$ 733,174	\$ 668,468	\$ 648,762
Interest	1,455,330	1,537,449	1,650,099	1,706,059	1,742,804
Changes of assumptions	-	-	-	(209,695)	-
Difference between expected and actual experience	-	304,251	(570,559)	(515,637)	270,296
Benefit payments, including refunds of employee contributions	(1,049,323)	(991,325)	(901,450)	(1,125,127)	(1,123,413)
Net change in total pension liability	1,144,134	1,564,345	911,264	524,068	1,538,449
Total pension liability -- beginning	21,315,088	22,459,222	24,023,567	24,934,831	25,458,899
Total pension liability -- ending	<u>\$ 22,459,222</u>	<u>\$ 24,023,567</u>	<u>\$ 24,934,831</u>	<u>\$ 25,458,899</u>	<u>\$ 26,997,348</u>
<b>Plan fiduciary net position</b>					
Contributions -- employer	\$ 587,401	\$ 477,042	\$ 663,115	\$ 393,829	\$ 395,475
Contributions -- employee	330,019	312,739	314,507	324,226	324,119
Net investment income	3,042,856	1,014,884	405,924	2,848,179	1,910,589
Benefit payments, including refunds of employee contributions	(1,049,323)	(991,325)	(901,450)	(1,125,127)	(1,123,413)
Administrative expense	(16,345)	(13,901)	(14,198)	(16,505)	(16,379)
Other	161	(215)	(171)	(2,534)	(1,688)
Net change in plan fiduciary net position	2,894,769	799,224	467,727	2,422,068	1,488,703
Plan fiduciary net position -- beginning	19,344,130	22,238,899	23,038,123	23,505,850	25,927,918
Plan fiduciary net position -- ending	<u>\$ 22,238,899</u>	<u>\$ 23,038,123</u>	<u>\$ 23,505,850</u>	<u>\$ 25,927,918</u>	<u>\$ 27,416,621</u>
Total net pension liability -- beginning	\$ 1,970,958	\$ 220,323	\$ 985,444	\$ 1,428,981	\$ (469,019)
Total net pension liability (asset) -- ending	<u>\$ 220,323</u>	<u>\$ 985,444</u>	<u>\$ 1,428,981</u>	<u>\$ (469,019)</u>	<u>\$ (419,273)</u>
Plan fiduciary net position as a percentage of total pension liability	99%	96%	94%	102%	102%
Covered payroll	\$ 6,739,997	\$ 6,271,733	\$ 7,303,711	\$ 6,556,134	\$ 6,718,706
Net pension liability (asset) as a percentage of covered payroll	3.27%	15.71%	19.57%	-7.15%	-6.24%

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,

	2014	2015	2016	2017	2018
Employer's proportion of the net pension liability	0.93031%	0.91814%	0.94584%	0.95248%	0.95078%
Employer's proportionate share of the net pension liability	\$ 112,425,000	\$ 115,560,000	\$ 132,551,000	\$ 117,136,000	\$ 111,812,000
Employer's covered payroll	89,528,345	68,193,037	71,032,824	73,624,141	76,657,195
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	125.57%	169.46%	186.61%	159.10%	145.86%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%	72.92%	70.88%

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

Schedules are intended to show information for 10 years. Since 2014 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
<b>City Pension Plan:</b>						
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%
2019	\$	7,243,547	\$ 7,200,075	\$ 43,472	\$ 67,256,705	10.71%
<b>School Board (non-teacher) Pension Plan:</b>						
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%
2019	\$	356,136	\$ 356,136	\$ -	\$ 7,179,989	4.96%
<b>School Board Teacher Retirement Plan:</b>						
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%
2019	\$	12,543,319	\$ 12,543,319	\$ -	\$ 81,801,705	15.33%

**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, 2018 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"><li>- Update to a more current mortality table – RP2014 projected to 2020.</li><li>- Lowered retirement rates at older ages and changed final retirement from 70 to 75</li><li>- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service</li><li>- Lowered disability rates</li><li>- Increased line of duty disability rate from 14% to 15%</li></ul> | <ul style="list-style-type: none"><li>- Update to a more current mortality table – RP2014 projected to 2020</li><li>- Increased retirement rates -- age 50 rates, and lowered rates at older ages</li><li>- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.</li><li>- Adjusted disability rates to better fit experience.</li><li>- Decreased line of duty disability rate from 60% to 45%</li></ul> |
|---|--|

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 - PLAN REPORTING**  
**CITY OPEB TRUST**  
**FOR THE YEAR ENDED JUNE 30,**

	2017	2018	2019
<b>Total OPEB Liability</b>			
Service cost	\$ 886,026	\$ 646,056	\$ 835,242
Interest	2,225,368	2,369,007	2,976,786
Difference between expected and actual experience	-	5,564,681	576,876
Changes of assumptions or other inputs	-	289,822	3,129,118
Benefit payments, including refunds of employee contributions	(1,060,396)	(1,454,455)	(1,655,212)
Net change in total OPEB liability	2,050,998	7,415,111	5,862,810
Total OPEB liability -- beginning	30,201,776	32,252,774	39,667,885
Total OPEB liability -- ending	<u>\$ 32,252,774</u>	<u>\$ 39,667,885</u>	<u>\$ 45,530,695</u>
<b>Plan fiduciary net position</b>			
Contributions -- employer	\$ 3,340,696	\$ 2,488,905	\$ 1,655,212
Net investment income	3,390,546	3,045,950	1,629,195
Benefit payments, including refunds of employee contributions	(1,060,396)	(1,454,455)	(1,655,212)
Administrative fees	-	(31,912)	(32,332)
Net change in plan fiduciary net position	5,670,846	4,048,488	1,596,863
Plan fiduciary net position -- beginning	25,720,279	31,391,125	35,439,613
Plan fiduciary net position -- ending	<u>\$ 31,391,125</u>	<u>\$ 35,439,613</u>	<u>\$ 37,036,476</u>
 Total net OPEB liability -- beginning	 \$ 4,481,497	 \$ 861,649	 \$ 4,228,272
Total Net OPEB liability -- ending	<u>\$ 861,649</u>	<u>\$ 4,228,272</u>	<u>\$ 8,494,219</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 97.33%	 89.34%	 81.34%
 Covered payroll	 \$ 58,111,943	 \$ 58,111,943	 \$ 67,302,874
 Net OPEB Liability as a percentage of covered payroll	 1.48%	 7.28%	 12.62%

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**  
**(ASSET) AND RELATED RATIOS**  
**SCHOOL BOARD OPEB TRUST**  
**FOR THE YEAR ENDED DECEMBER 31,**

	<b>2017</b>	<b>2018</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 518,107	\$ 456,968
Interest	1,168,697	1,034,554
Changes of benefit terms	(391,210)	-
Difference between expected and actual experience	(2,060,226)	(651,244)
Changes of assumptions or other inputs	1,303,406	34,634
Benefit payments, including refunds of employee contributions	(1,323,985)	(588,348)
Net change in total OPEB liability	(785,211)	286,564
Total OPEB liability -- beginning	14,411,142	13,625,931
Total OPEB liability -- ending	<u>\$ 13,625,931</u>	<u>\$ 13,912,495</u>
 <b>Plan fiduciary net position</b>		
Contributions -- employer	\$ 1,323,985	\$ 588,348
Net investment income	2,073,264	(699,998)
Benefit payments, including refunds of employee contributions	(1,323,985)	(588,348)
Administrative expenses	(14,546)	(14,727)
Net change in plan fiduciary net position	2,058,718	(714,725)
Plan fiduciary net position -- beginning	13,406,521	15,465,239
Plan fiduciary net position -- ending	<u>\$ 15,465,239</u>	<u>\$ 14,750,514</u>
 Total net OPEB liability -- beginning	<u>\$ 1,004,621</u>	<u>\$ (1,839,308)</u>
Total Net OPEB asset -- ending	<u>\$ (1,839,308)</u>	<u>\$ (838,019)</u>
 Plan fiduciary net position as a percentage of total OPEB liability	113.50%	106.02%
 Covered payroll	\$ 79,940,967	\$ 80,618,413
 Net OPEB Asset as a percentage of covered payroll	-2.30%	-1.04%

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 CONTRIBUTIONS -- OPEB PLAN  
LOCALLY OWNED OPEB TRUST  
FOR THE YEAR ENDED JUNE 30,**

<b>Date</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
<b>City Plan:</b>					
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	\$ 734,245	\$ 2,488,906	\$ (1,754,661)	\$ 67,302,874	3.70%
2019	\$ 1,330,615	\$ 2,346,530	\$ (1,015,915)	\$ 61,416,353	3.82%
<b>School Board</b>					
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%
2019	\$ 588,348	\$ 1,053,194	\$ (464,846)	\$ 81,801,705	1.29%

## 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,**

	<b>City OPEB Trust</b>	<b>School Board OPEB Trust</b>
2017	13.04%	15.52%
2018	9.52%	9.52%
2019	4.67%	4.67%

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:**

The following change to benefit terms have been made and included in the June 30, 2018 valuation:

- Section 66-279 of the Code of the City of Suffolk, Virginia was amended, effective July 1, 2017, by ordinance No. 17-O-039, this ordinance changed the Plan's eligibility criteria for employees hired after July 1, 2017. These employees must render at least fifteen years of continuous service with the City in order to be eligible for the Plan benefits. Additionally, the ordinance eliminated participation eligibility for employees who are hired on or after July 1, 2017, when they become eligible for Medicare.

**Changes to assumptions or other inputs**

The following changes in assumptions were made as of June 30, 2018 for the valuation date of June 30, 2018:

- As required under GAAP, the yield on 20-year tax-exempt municipal bonds rated AA/Aa or higher was updated to equal the Municipal Bond Index Rate as of the valuation date. The City selected the 3.87% Municipal Bond Index Rate as of the June 30, 2018 measurement date.
- Expected annual per capita claims costs (pre-65) and subsidies (post-65) were updated to better reflect anticipated plan experience;
- The assumed rates of mortality for healthy and disabled lives, mortality improvement, disability, termination (separation from employment), and retirement were updated to reflect the rates used in the most recent Virginia Retirement System actuarial valuation;
- Long-term health care cost trend rates were updated to better reflect the anticipated impact, as of June 30, 2018, of changes in medical inflation, utilization, leverage in the plan design, and improvements in technology on expected per capita health care claims costs, subsidies, and retiree contributions in future periods; and,
- The percentage of participating retirees who are expected to cover a spouse was updated to better reflect anticipated plan experience.

## 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>2017</u>	<u>2018</u>
Employer's proportion of the net LODA OPEB liability	2.76316%	2.86170%
Employer's proportionate share of the net LODA OPEB liability	\$ 7,261,000	\$ 8,972,000
Employer's covered payroll	\$ 23,102,737	\$ 24,288,204
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	31.43%	36.94%
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.30%	0.60%

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**  
**FOR THE YEAR ENDED JUNE 30,**

	<u>2017</u>	<u>2018</u>
Employer's proportion of the net GLI OPEB liability	0.34781%	0.34952%
Employer's proportionate share of the net GLI OPEB liability	\$ 5,234,000	\$ 5,308,000
Employer's covered payroll	\$ 64,154,851	\$ 66,461,255
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	8.16%	7.99%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%

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>2017</u>	<u>2018</u>
Employer's proportion of the net GLI OPEB liability	0.40934%	0.44079%
Employer's proportionate share of the net GLI OPEB liability	\$ 6,704,000	\$ 6,695,000
Employer's covered payroll	\$ 82,175,449	\$ 83,814,437
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	8.16%	7.99%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%

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>2017</u>	<u>2018</u>
Employer's proportion of the net HIC OPEB liability	0.95031%	0.94832%
Employer's proportionate share of the net HIC OPEB liability	\$ 12,056,000	\$ 12,040,000
Employer's covered payroll	\$ 74,998,650	\$ 76,694,389
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.07%	15.70%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	7.04%	8.08%

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>2017</u>	<u>2018</u>
Employer's proportion of the net VLDP OPEB liability	4.31966%	4.37837%
Employer's proportionate share of the net VLDP OPEB liability	\$ 25,000	\$ 34,000
Employer's covered payroll	\$ 11,799,069	\$ 15,699,589
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.21%	0.22%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	31.96%	46.18%

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,**

<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
<b>City Group Life Insurance Program (GLI)</b>					
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%
2019	\$ 348,212	\$ 348,212	\$ -	\$ 66,963,814	0.52%
<b>City Line of Duty Act Program (LODA)</b>					
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%
2019	\$ 352,885	\$ 352,885	\$ -	\$ 28,324,247	1.25%

\* 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	
<b>School Board Group Life Insurance Program (GLI)</b>						
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%
2019	\$ 466,008	\$ 466,008	\$ -	\$ 89,616,947		0.52%
<b>School Board Health Insurance Credit Program (HIC) - Teachers</b>						
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%
2019	\$ 981,928	\$ 981,928	\$ -	\$ 81,827,304		1.20%
<b>School Board Virginia Local Disability Program (VLDP)</b>						
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%
2019	\$ 88,363	\$ 88,363	\$ -	\$ 20,626,222		0.43%



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

**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**

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# OTHER SUPPLEMENTARY INFORMATION:

## NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

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

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

**CITY OF SUFFOLK, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2019**

	<b>Suffolk Taxing District</b>	<b>Downtown Business Overlay District</b>	<b>Consolidated Grants</b>	<b>Law Library</b>	<b>Route 17 Taxing District</b>	<b>Mosquito Taxing District</b>	<b>Cemetery</b>	<b>Transit</b>	<b>Aviation</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>										
Assets:										
Cash and cash equivalents	\$ -	\$ 220,127	\$ 1,222,002	\$ 224,650	\$ 1,907,045	\$ 8,383	\$ -	\$ 618,522	\$ 530,007	\$ 4,730,736
Cash and cash equivalents, restricted	-	-	-	-	-	-	1,020,166	-	-	1,020,166
Receivables, net:										
Taxes	-	734	-	-	14,690	-	-	-	-	15,424
Accounts	-	-	4,893	3,457	-	-	-	490	17,763	26,603
Due from other governmental units	-	-	285,211	-	-	-	-	60,829	1,425	347,465
Inventory	-	-	-	-	-	-	-	-	45,654	45,654
Total assets	<u>\$ -</u>	<u>\$ 220,861</u>	<u>\$ 1,512,106</u>	<u>\$ 228,107</u>	<u>\$ 1,921,735</u>	<u>\$ 8,383</u>	<u>\$ 1,020,166</u>	<u>\$ 679,841</u>	<u>\$ 594,849</u>	<u>\$ 6,186,048</u>
<b>LIABILITIES</b>										
Liabilities:										
Accounts payable and accrued liabilities	\$ 10,819	\$ 8,894	\$ 154,658	\$ 669	\$ -	\$ -	\$ 1,025	\$ 89,668	\$ 8,030	\$ 273,763
Accrued payroll and related liabilities	-	-	-	1,226	-	-	-	-	4,596	5,822
Unavailable revenues	-	-	162,245	-	-	-	-	-	-	162,245
Total liabilities	<u>10,819</u>	<u>8,894</u>	<u>316,903</u>	<u>1,895</u>	<u>-</u>	<u>-</u>	<u>1,025</u>	<u>89,668</u>	<u>12,626</u>	<u>441,830</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Unavailable revenues - taxes	-	774	-	-	5,174	-	-	-	-	5,948
Deposits	-	-	-	-	-	-	-	-	22,147	22,147
Total deferred inflows	<u>-</u>	<u>774</u>	<u>-</u>	<u>-</u>	<u>5,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,147</u>	<u>28,095</u>
<b>FUND BALANCES</b>										
Nonspendable	-	-	-	-	-	-	-	-	45,654	45,654
Restricted	-	-	1,195,203	226,212	-	-	1,019,141	-	-	2,440,556
Committed	-	211,193	-	-	1,916,561	8,383	-	590,173	514,422	3,240,732
Unassigned	(10,819)	-	-	-	-	-	-	-	-	(10,819)
Total fund balances	<u>(10,819)</u>	<u>211,193</u>	<u>1,195,203</u>	<u>226,212</u>	<u>1,916,561</u>	<u>8,383</u>	<u>1,019,141</u>	<u>590,173</u>	<u>560,076</u>	<u>5,716,123</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 220,861</u>	<u>\$ 1,512,106</u>	<u>\$ 228,107</u>	<u>\$ 1,921,735</u>	<u>\$ 8,383</u>	<u>\$ 1,020,166</u>	<u>\$ 679,841</u>	<u>\$ 594,849</u>	<u>\$ 6,186,048</u>

## CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2019

	Suffolk Taxing District	Downtown Business Overlay District	Consolidated Grants	Law Library	Route 17 Taxing District	Mosquito Taxing District	Cemetery	Transit	Aviation	Total Non-Major Governmental Funds
<b>REVENUES</b>										
Real estate taxes	\$ -	\$ 187,047	\$ -	\$ -	\$ 1,737,143	\$ -	\$ -	\$ -	\$ -	\$ 1,924,190
Revenue from use of money and property	-	3,807	-	5,003	25,907	187	18,689	14,261	260,676	328,530
Charges for services	-	-	22,445	38,754	-	-	16,568	87,229	576,280	741,276
Miscellaneous	-	-	122,867	112	-	-	-	9,969	-	132,948
Intergovernmental:										
Revenue from the Commonwealth	-	-	388,359	-	-	-	-	241,578	12,742	642,679
Revenue from the Federal government	-	-	1,974,474	-	-	-	-	783,530	-	2,758,004
Total revenues	-	190,854	2,508,145	43,869	1,763,050	187	35,257	1,136,567	849,698	6,527,627
<b>EXPENDITURES</b>										
Current:										
General government administration	-	-	-	-	-	-	-	-	841,537	841,537
Judicial administration	-	-	823,427	38,398	-	-	-	-	-	861,825
Public safety	-	-	498,312	-	-	-	-	-	-	498,312
Public works	-	167,189	19,663	-	-	-	-	-	-	186,852
Health and welfare	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	1,592,193	-	1,592,193
Parks, recreation, and cultural	-	-	192,793	-	-	-	87,851	-	-	280,644
Community development	-	-	1,178,756	-	-	-	-	-	-	1,178,756
Total expenditures	-	167,189	2,712,951	38,398	-	-	87,851	1,592,193	841,537	5,440,119
Excess (deficiency) of revenues over (under) expenditures	-	23,665	(204,806)	5,471	1,763,050	187	(52,594)	(455,626)	8,161	1,087,508
Other financing sources (uses):										
Transfers in	-	-	274,669	-	-	-	-	810,605	99,815	1,185,089
Transfers out	-	-	(284,215)	-	(1,545,587)	-	-	(1,480)	(61,577)	(1,892,859)
Total other financing sources (uses), net	-	-	(9,546)	-	(1,545,587)	-	-	809,125	38,238	(707,770)
Net changes in fund balances	-	23,665	(214,352)	5,471	217,463	187	(52,594)	353,499	46,399	379,738
Fund balances at July 1	(10,819)	187,528	1,409,555	220,741	1,699,098	8,196	1,071,735	236,674	513,677	5,336,385
Fund balances at June 30	<u>\$ (10,819)</u>	<u>\$ 211,193</u>	<u>\$ 1,195,203</u>	<u>\$ 226,212</u>	<u>\$ 1,916,561</u>	<u>\$ 8,383</u>	<u>\$ 1,019,141</u>	<u>\$ 590,173</u>	<u>\$ 560,076</u>	<u>\$ 5,716,123</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 304,023	\$ 304,023
Total revenues	-	-	304,023	304,023
<b>EXPENDITURES</b>				
Current:				
Principal	17,083,784	17,486,151	17,815,620	(329,469)
Bond issuance costs	-	245,499	245,499	-
Interest and other fiscal charges	11,337,160	11,091,661	10,535,818	555,843
Total expenditures	28,420,944	28,823,311	28,596,937	226,374
Deficiency of revenues under expenditures	(28,420,944)	(28,823,311)	(28,292,914)	530,397
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	-	575,000	575,000
Premium on bonds issued	-	-	325,832	325,832
Payment to escrow agent	-	402,367	(600,000)	(1,002,367)
Transfers in	28,420,944	28,420,944	27,992,082	(428,862)
Total other financing sources, net	28,420,944	28,823,311	28,292,914	(530,397)
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, 2019**

	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
<b>REVENUES</b>								
Real estate taxes	\$ -	\$ -	\$ -	\$ -	\$ 171,907	\$ 171,907	\$ 187,047	\$ 15,140
Revenue from use of money and property	-	-	5,003	5,003	-	-	3,807	3,807
Charges for services	35,000	35,000	38,754	3,754	-	-	-	-
Miscellaneous	-	-	112	112	-	-	-	-
Fund balance (rollover/appropriations)	4,815	4,815	-	(4,815)	-	2,341	-	(2,341)
Total revenues	39,815	39,815	43,869	4,054	171,907	174,248	190,854	16,606
<b>EXPENDITURES</b>								
Current:								
Judicial administration	39,815	39,815	38,398	1,417	-	-	-	-
Public works	-	-	-	-	171,907	174,248	168,508	5,740
Total expenditures	39,815	39,815	38,398	1,417	171,907	174,248	168,508	5,740
Excess (deficiency) of revenues over (under) expenditures	-	-	5,471	5,471	-	-	22,346	22,346
Net change in fund balances	\$ -	\$ -	\$ 5,471	\$ 5,471	\$ -	\$ -	\$ 22,346	\$ 22,346
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ 5,471				\$ 22,346	
Encumbrances			-				1,319	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 28)			\$ 5,471				\$ 23,665	

(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, 2019**

	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
<b>REVENUES</b>								
Real estate taxes	\$ 1,702,885	\$ 1,702,885	\$ 1,737,143	\$ 34,258	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	25,907	25,907	267,252	267,252	260,676	(6,576)
Charges for services	-	-	-	-	685,000	685,000	576,280	(108,720)
Intergovernmental:								
Revenue from the Commonwealth	-	-	-	-	-	21,467	12,742	(8,725)
Fund balance (rollover/appropriations)	-	-	-	-	-	286,426	-	(286,426)
Total revenues	<u>1,702,885</u>	<u>1,702,885</u>	<u>1,763,050</u>	<u>60,165</u>	<u>952,252</u>	<u>1,260,145</u>	<u>849,698</u>	<u>(410,447)</u>
<b>EXPENDITURES</b>								
Current:								
General government administration	<u>157,298</u>	<u>157,298</u>	<u>-</u>	<u>157,298</u>	<u>990,490</u>	<u>1,298,383</u>	<u>1,157,209</u>	<u>141,174</u>
Total expenditures	<u>157,298</u>	<u>157,298</u>	<u>-</u>	<u>-</u>	<u>990,490</u>	<u>1,298,383</u>	<u>1,157,209</u>	<u>141,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,545,587</u>	<u>1,545,587</u>	<u>1,763,050</u>	<u>217,463</u>	<u>(38,238)</u>	<u>(38,238)</u>	<u>(307,511)</u>	<u>(269,273)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	99,815	99,815	99,815	-
Transfers out	<u>(1,545,587)</u>	<u>(1,545,587)</u>	<u>(1,545,587)</u>	<u>-</u>	<u>(61,577)</u>	<u>(61,577)</u>	<u>(61,577)</u>	<u>-</u>
Total other financing sources (uses), net	<u>(1,545,587)</u>	<u>(1,545,587)</u>	<u>(1,545,587)</u>	<u>-</u>	<u>38,238</u>	<u>38,238</u>	<u>38,238</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,463</u>	<u>\$ 217,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (269,273)</u>	<u>\$ (269,273)</u>
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ 217,463				\$ (269,273)	
Encumbrances			<u>-</u>				<u>315,672</u>	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 28)			<u>\$ 217,463</u>				<u>\$ 46,399</u>	

(continued)



## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGETARY BASIS  
SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2019**

Transit				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 14,261	\$ 14,261
Charges for services	76,400	76,400	87,229	10,829
Miscellaneous	9,500	9,500	9,969	469
Intergovernmental:				
Revenue from the commonwealth	434,462	503,882	241,578	(262,304)
Revenue from the federal government	593,230	1,078,230	783,530	(294,700)
Fund balance (rollover/appropriations)	10,000	55,446	-	(55,446)
Total revenues	<u>1,123,592</u>	<u>1,723,458</u>	<u>1,136,567</u>	<u>(586,891)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	1,932,717	2,532,583	2,000,460	532,123
Total expenditures	<u>1,932,717</u>	<u>2,532,583</u>	<u>2,000,460</u>	<u>532,123</u>
Deficiency of revenues under expenditures	<u>(809,125)</u>	<u>(809,125)</u>	<u>(863,893)</u>	<u>(54,768)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	810,605	810,605	810,605	-
Transfers out	(1,480)	(1,480)	(1,480)	-
Total other financing sources, net	<u>809,125</u>	<u>809,125</u>	<u>809,125</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (54,768)</u>	<u>\$ (54,768)</u>

## Reconciliation to Governmental Fund Statement:

Total net change in fund balance	\$ (54,768)
Encumbrances	<u>408,267</u>
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 28)	<u>\$ 353,499</u>

## OTHER SUPPLEMENTARY INFORMATION: NON-MAJOR PROPRIETARY FUNDS

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**Enterprise Funds** are used to account for:

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

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

## CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF NET POSITION  
NON-MAJOR PROPRIETARY FUNDS

June 30, 2019

	Business-type Activities - Enterprise Funds		
	Stormwater Utility	Refuse	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,438,411	\$ 4,642,245	\$ 9,080,656
Receivables, net	209,209	621,543	830,752
Total current assets	4,647,620	5,263,788	9,911,408
Noncurrent assets:			
Capital assets, net	430,874	-	430,874
Total noncurrent assets	430,874	-	430,874
Total assets	5,078,494	5,263,788	10,342,282
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension plan	456,737	264,064	720,801
Deferred outflows related to OPEB City trust	269,513	220,012	489,525
Deferred outflows related to OPEB state plans	30,845	18,036	48,881
Total deferred outflows of resources	757,095	502,112	1,259,207
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	135,826	242,901	378,727
Accrued payroll and related liabilities	5,016	26,723	31,739
Accrued interest payable	-	12,188	12,188
Compensated absences	15,444	854	16,298
Bonds and leases payable	-	140,815	140,815
Total current liabilities	156,286	423,481	579,767
Noncurrent liabilities:			
Compensated absences	158,213	95,541	253,754
Net pension liability	1,391,864	801,643	2,193,507
Net OPEB liability City trust	152,118	124,178	276,296
Net OPEB liability state plans	192,615	113,777	306,392
Bonds and leases payable	-	487,447	487,447
Total noncurrent liabilities	1,894,810	1,622,586	3,517,396
Total liabilities	2,051,096	2,046,067	4,097,163
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension plan	165,555	95,353	260,908
Deferred inflows related to OPEB City trust	92,031	75,127	167,158
Deferred inflows related to OPEB state plans	17,745	10,482	28,227
Total deferred inflows of resources	275,331	180,962	456,293
<b>NET POSITION</b>			
Net investment in capital assets	430,874	-	430,874
Unrestricted	3,078,288	3,538,871	6,617,159
Total net position	\$ 3,509,162	\$ 3,538,871	\$ 7,048,033

## CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**NON-MAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Stormwater</b>		
	<b>Utility</b>	<b>Refuse</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,212,821	\$ 7,759,239	\$ 13,972,060
Other	51,785	710,928	762,713
Total operating revenues	6,264,606	8,470,167	14,734,773
<b>OPERATING EXPENSES</b>			
Personnel services	3,060,232	1,657,466	4,717,698
Contractual services	509,031	4,040,844	4,549,875
Administration	799,197	2,492,786	3,291,983
Supplies	130,042	124,237	254,279
Repairs and maintenance	4,327	12,163	16,490
Utilities	27,837	16,254	44,091
Depreciation	151,362	5,042	156,404
Building and equipment rental	89,625	-	89,625
Other charges	59,144	51,121	110,265
Total operating expenses	4,830,797	8,399,913	13,230,710
Operating income	1,433,809	70,254	1,504,063
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	74,033	101,335	175,368
Interest expense	-	(58,591)	(58,591)
Net nonoperating revenues	74,033	42,744	116,777
Income before transfers	1,507,842	112,998	1,620,840
Transfers out	(1,296,291)	(228,279)	(1,524,570)
Change in net position	211,551	(115,281)	96,270
Net position at July 1	3,297,611	3,654,152	6,951,763
Net position at June 30	\$ 3,509,162	\$ 3,538,871	\$ 7,048,033

## CITY OF SUFFOLK, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Stormwater</b>		
	<b>Utility</b>	<b>Refuse</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 6,256,561	\$ 8,339,481	\$ 14,596,042
Payments to employees	(3,224,784)	(1,783,543)	(5,008,327)
Payments to suppliers	(1,625,055)	(6,795,314)	(8,420,369)
Net cash provided by (used in) operating activities	1,406,722	(239,376)	1,167,346
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(1,296,291)	(228,279)	(1,524,570)
Net cash used in noncapital financing activities	(1,296,291)	(228,279)	(1,524,570)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	-	(3,356,000)	(3,356,000)
Interest paid on capital debt	-	(33,101)	(33,101)
Net cash used in capital and related financing activities	-	(3,389,101)	(3,389,101)
<b>INVESTING ACTIVITIES</b>			
Interest received	74,033	101,335	175,368
Net cash provided by investing activities	74,033	101,335	175,368
Net increase (decrease) in cash and cash equivalents	184,464	(3,755,421)	(3,570,957)
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning, July 1	4,253,947	8,397,666	12,651,613
Ending, June 30	\$ 4,438,411	\$ 4,642,245	\$ 9,080,656
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 1,433,809	\$ 70,254	\$ 1,504,063
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	151,362	5,042	156,404
Decrease in allowance for uncollectible accounts	25,630	33,942	59,572
Changes in assets and liabilities:			
Increase in:			
Receivables	(33,675)	(207,891)	(241,566)
Decrease in:			
Accounts payable and accrued liabilities	(5,851)	(23,352)	(29,203)
Accrued payroll and related liabilities	(164,553)	(117,371)	(281,924)
Net cash provided by (used in) operating activities	\$ 1,406,722	\$ (239,376)	\$ 1,167,346

# OTHER SUPPLEMENTARY INFORMATION:

## INTERNAL SERVICE FUNDS

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**Internal Service Funds** are used to account for:

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

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

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

**CITY OF SUFFOLK, VIRGINIA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2019**

	<b>Information Technology</b>	<b>Fleet Management</b>	<b>Risk Management</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 807,695	\$ 14,218,775	\$ 15,219,139	\$ 30,245,609
Receivables other, net	-	64,542	21,037	85,579
Inventories	-	231,306	-	231,306
Total current assets	807,695	14,514,623	15,240,176	30,562,494
Noncurrent assets:				
Land and construction in progress	694,543	298,000	-	992,543
Other capital assets, net	4,402,822	18,723,401	94,671	23,220,894
Total noncurrent assets	5,097,365	19,021,401	94,671	24,213,437
Total assets	5,905,060	33,536,024	15,334,847	54,775,931
<b>DEFERRED OUFLOWS OF RESOURCES</b>				
Deferred outflows related to pension plan	298,596	177,171	64,117	539,884
Deferred outflows related to OPEB City trust	143,008	115,506	33,002	291,516
Deferred outflows related to OPEB state plans	20,243	12,111	4,463	36,817
Total deferred outflows of resources	461,847	304,788	101,582	868,217
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	160,084	306,984	75,942	543,010
Accrued payroll and related liabilities	-	-	18,165	18,165
Claims payable	-	-	1,881,839	1,881,839
Accrued interest	18,120	70,976	-	89,096
Compensated absences	-	-	5,381	5,381
Capital leases -- current	-	369,639	-	369,639
Bonds payable -- current	563,055	1,306,070	-	1,869,125
Total current liabilities	741,259	2,053,669	1,981,327	4,776,255
Noncurrent liabilities:				
Compensated absences	156,325	189,983	12,656	358,964
Net pension liability	879,929	538,151	203,559	1,621,639
Net OPEB liability City trust	80,716	65,194	18,627	164,537
Net OPEB liability state plans	124,872	76,217	28,994	230,083
Claims payable	-	-	818,782	818,782
Bonds payable	617,779	3,271,013	-	3,888,792
Total noncurrent liabilities	1,859,621	4,140,558	1,082,618	7,082,797
Total liabilities	2,600,880	6,194,227	3,063,945	11,859,052
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension plan	104,664	64,011	24,212	192,887
Deferred inflows related to OPEB City trust	48,833	39,442	11,269	99,544
Deferred inflows related to OPEB state plans	11,504	7,022	2,671	21,197
Total deferred inflows of resources	165,001	110,475	38,152	313,628
<b>NET POSITION</b>				
Net investment in capital assets	3,916,531	14,074,679	94,671	18,085,881
Unrestricted	(315,505)	13,461,431	12,239,661	25,385,587
Total net position	\$ 3,601,026	\$ 27,536,110	\$ 12,334,332	\$ 43,471,468

**CITY OF SUFFOLK, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2019**

	<b>Information Technology</b>	<b>Fleet Management</b>	<b>Risk Management</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 9,393,849	\$ 10,433,582	\$ 18,369,549	\$ 38,196,980
Other	1,150	361,948	305,001	668,099
Total operating revenues	<u>9,394,999</u>	<u>10,795,530</u>	<u>18,674,550</u>	<u>38,865,079</u>
<b>OPERATING EXPENSES</b>				
Personnel services	1,902,088	1,204,729	458,409	3,565,226
Self-insured claims	-	-	12,418,302	12,418,302
Contractual services	4,040,109	3,891	67,471	4,111,471
Administration	287,573	648,522	46,839	982,934
Supplies	6,559	47,378	18,137	72,074
Repairs and maintenance	227,831	21,549	-	249,380
Vehicle and power equipment – fuel	-	1,564,736	-	1,564,736
Vehicle and power equipment – supplies	-	2,365,315	-	2,365,315
Computers and Equipment	619,798	-	-	619,798
Utilities	206,402	32,253	3,772	242,427
Insurance	-	-	2,147,841	2,147,841
Depreciation	969,400	4,908,960	99,113	5,977,473
Building and equipment rental	88,628	20,380	21,930	130,938
Other charges	131,683	29,621	69,112	230,416
Total operating expenses	<u>8,480,071</u>	<u>10,847,334</u>	<u>15,350,926</u>	<u>34,678,331</u>
Operating income (loss)	<u>914,928</u>	<u>(51,804)</u>	<u>3,323,624</u>	<u>4,186,748</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Loss on disposal of capital assets	(546,920)	(161,831)	-	(708,751)
Interest income	-	226,596	277,093	503,689
Interest expense	(14,064)	(95,070)	-	(109,134)
Total nonoperating revenues (expenses), net	<u>(560,984)</u>	<u>(30,305)</u>	<u>277,093</u>	<u>(314,196)</u>
Net income (loss) before transfers	<u>353,944</u>	<u>(82,109)</u>	<u>3,600,717</u>	<u>3,872,552</u>
Transfers in	-	2,000,000	-	2,000,000
Transfers out	<u>(220,111)</u>	<u>(291,159)</u>	<u>(49,042)</u>	<u>(560,312)</u>
Change in net position	133,833	1,626,732	3,551,675	5,312,240
Net position at July 1	<u>3,467,193</u>	<u>25,909,378</u>	<u>8,782,657</u>	<u>38,159,228</u>
Net position at June 30	<u>\$ 3,601,026</u>	<u>\$ 27,536,110</u>	<u>\$ 12,334,332</u>	<u>\$ 43,471,468</u>



**CITY OF SUFFOLK, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2019**

	<b>Information Technology</b>	<b>Fleet Management</b>	<b>Risk Management</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 9,394,999	\$ 10,786,208	\$ 18,666,436	\$ 38,847,643
Payments to employees	(1,984,780)	(1,164,767)	(510,997)	(3,660,544)
Payments to suppliers	(5,550,505)	(5,272,718)	(14,549,612)	(25,372,835)
Net cash provided by operating activities	<u>1,859,714</u>	<u>4,348,723</u>	<u>3,605,827</u>	<u>9,814,264</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	2,000,000	-	2,000,000
Transfers to other funds	(220,111)	(291,159)	(49,042)	(560,312)
Net cash provided by (used in) noncapital financing activities	<u>(220,111)</u>	<u>1,708,841</u>	<u>(49,042)</u>	<u>1,439,688</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(1,096,668)	(2,407,960)	(20,387)	(3,525,015)
Principal paid on capital debt	(495,769)	(2,106,469)	-	(2,602,238)
Interest paid on debt	(67,986)	(222,815)	-	(290,801)
Net cash used in capital and related financing activities	<u>(1,660,423)</u>	<u>(4,737,244)</u>	<u>(20,387)</u>	<u>(6,418,054)</u>
<b>INVESTING ACTIVITIES</b>				
Interest earned	-	226,596	277,093	503,689
Net cash provided by investing activities	<u>-</u>	<u>226,596</u>	<u>277,093</u>	<u>503,689</u>
Net increase (decrease) in cash and cash equivalents	(20,820)	1,546,916	3,813,491	5,339,587
Beginning, July 1	828,515	12,671,859	11,405,648	24,906,022
Ending, June 30	<u>\$ 807,695</u>	<u>\$ 14,218,775</u>	<u>\$ 15,219,139</u>	<u>\$ 30,245,609</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 914,928	\$ (51,804)	\$ 3,323,624	\$ 4,186,748
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	969,400	4,908,960	99,113	5,977,473
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	-	(9,322)	(8,114)	(17,436)
Inventories	-	1,909	-	1,909
Increase (decrease) in:				
Accounts payable and accrued liabilities	58,077	(540,982)	(33,874)	(516,779)
Accrued payroll and related liabilities	(82,691)	39,962	(52,588)	(95,317)
Claims payable	-	-	277,666	277,666
Net cash provided by operating activities	<u>\$ 1,859,714</u>	<u>\$ 4,348,723</u>	<u>\$ 3,605,827</u>	<u>\$ 9,814,264</u>

## OTHER SUPPLEMENTARY INFORMATION: FIDUCIARY FUNDS

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

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

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

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

## CITY OF SUFFOLK, VIRGINIA

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

June 30, 2019

	Special Welfare Fund	Commonwealth of Virginia Fund	Western Tidewater Water Authority	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 30,587	\$ 38,560	\$ 666,420	\$ 735,567
Total assets	<u>\$ 30,587</u>	<u>\$ 38,560</u>	<u>\$ 666,420</u>	<u>\$ 735,567</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 30,587	\$ 38,560	\$ 666,420	\$ 735,567
Total liabilities	<u>\$ 30,587</u>	<u>\$ 38,560</u>	<u>\$ 666,420</u>	<u>\$ 735,567</u>

## CITY OF SUFFOLK, VIRGINIA

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

Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Special Welfare Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,716	\$ 40,163	\$ 37,292	\$ 30,587
Total assets	<u>\$ 27,716</u>	<u>\$ 40,163</u>	<u>\$ 37,292</u>	<u>\$ 30,587</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 27,716	\$ 40,163	\$ 37,292	\$ 30,587
Total liabilities	<u>\$ 27,716</u>	<u>\$ 40,163</u>	<u>\$ 37,292</u>	<u>\$ 30,587</u>
<b>Commonwealth of Virginia Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 26,834	\$ 65,630	\$ 53,904	\$ 38,560
Total assets	<u>\$ 26,834</u>	<u>\$ 65,630</u>	<u>\$ 53,904</u>	<u>\$ 38,560</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 26,834	\$ 65,630	\$ 53,904	\$ 38,560
Total liabilities	<u>\$ 26,834</u>	<u>\$ 65,630</u>	<u>\$ 53,904</u>	<u>\$ 38,560</u>
<b>Western Tidewater Water Authority</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 623,068	\$ 7,044,271	\$ 7,000,919	\$ 666,420
Total assets	<u>\$ 623,068</u>	<u>\$ 7,044,271</u>	<u>\$ 7,000,919</u>	<u>\$ 666,420</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 623,068	\$ 7,044,271	\$ 7,000,919	\$ 666,420
Total liabilities	<u>\$ 623,068</u>	<u>\$ 7,044,271</u>	<u>\$ 7,000,919</u>	<u>\$ 666,420</u>
<b>Total All Agency Funds</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 677,618	7,150,064	7,092,115	\$ 735,567
Total assets	<u>\$ 677,618</u>	<u>\$ 7,150,064</u>	<u>\$ 7,092,115</u>	<u>\$ 735,567</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 677,618	7,150,064	7,092,115	\$ 735,567
Total liabilities	<u>\$ 677,618</u>	<u>\$ 7,150,064</u>	<u>\$ 7,092,115</u>	<u>\$ 735,567</u>

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

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

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

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

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

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

## CITY OF SUFFOLK, VIRGINIA

**COMBINING BALANCE SHEET**  
**GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**June 30, 2019**

	School Operating Fund	School Grants Fund	School Food Service Fund	Total School Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25,568,102	\$ -	\$ 4,829,592	\$ 30,397,694
Receivables, net	132,367	-	19,864	152,231
Due from other funds	1,367,420	-	-	1,367,420
Due from other governments	1,547,603	2,767,495	229,308	4,544,406
Inventories	102,037	-	515,102	617,139
Prepaid items	95,000	-	-	95,000
Total assets	<u>\$ 28,812,529</u>	<u>\$ 2,767,495</u>	<u>\$ 5,593,866</u>	<u>\$ 37,173,890</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,133,939	\$ 112,818	\$ 131,717	\$ 3,378,474
Accrued payroll and related liabilities	19,620,537	722,403	206,303	20,549,243
Due to the Primary Government	15,317	-	-	15,317
Due to other funds	-	1,367,420	-	1,367,420
Total liabilities	<u>22,769,793</u>	<u>2,202,641</u>	<u>338,020</u>	<u>25,310,454</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories and prepaids	197,037	-	515,102	712,139
Premiums held for workers' compensation claims	225,000	-	-	225,000
Premiums held for health insurance claims	285,122	-	-	285,122
Committed:				
Grant local match	-	490,778	-	490,778
Assigned:				
Special revenue	-	74,076	-	74,076
Food service	-	-	4,313,120	4,313,120
Encumbrances	5,335,577	-	427,624	5,763,201
Total fund balances	<u>6,042,736</u>	<u>564,854</u>	<u>5,255,846</u>	<u>11,863,436</u>
Total liabilities and fund balance	<u>\$ 28,812,529</u>	<u>\$ 2,767,495</u>	<u>\$ 5,593,866</u>	<u>\$ 37,173,890</u>
<b>Reconciliation to the Statement of Net Position (Exhibit 1)</b>				
<b>Total fund balance</b>				\$ 11,863,436
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
School Board				175,686,772
Long-term asset (liabilities) are not due and payable in the current period and, therefore, are not reported in the funds.				
School Board compensated absences				(2,589,337)
Net pension liability (asset) and pension and OPEB deferred inflows and outflows are not due and payable in the current period and, therefore, not reported in the governmental funds:				
Net pension asset - Schools				419,273
Net pension liability - Schools				(111,812,000)
Other postemployment benefits - School trust				838,019
Deferred outflows - pension				4,932,021
Deferred inflows - pension				(16,487,600)
Deferred outflows - employer pension contributions made subsequent to the measurement date				12,899,455
OPEB liability - State Plans				(18,769,000)
OPEB Deferred Inflows - State Plans				(1,261,000)
OPEB Deferred Outflows - State Plans				544,000
OPEB Deferred Inflows - School Trust				(2,732,350)
OPEB Deferred Outflows - School Trust				2,481,212
Deferred outflows - employer OPEB contributions made subsequent to the measurement date - State Plans				2,244,161
Deferred outflows - employer OPEB contributions made subsequent to the measurement date - School Trust				528,719
<b>Net position of governmental activities</b>				<u>\$ 58,785,781</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, 2019**

	<b>School Operating Fund</b>	<b>School Grants Fund</b>	<b>School Food Service Fund</b>	<b>Total School Board</b>
<b>REVENUES</b>				
Revenue from use of money and property	\$ 124,929	\$ 500	\$ 8,843	\$ 134,272
Charges for services	76,089	-	1,611,354	1,687,443
Miscellaneous	381,043	303,896	293,631	978,570
Intergovernmental:				-
City contribution	59,816,884	-	-	59,816,884
Revenue from the Commonwealth	86,566,593	1,238,375	216,418	88,021,386
Revenue from the Federal Government	1,043,831	7,936,522	5,515,990	14,496,343
Total revenues	<u>148,009,369</u>	<u>9,479,293</u>	<u>7,646,236</u>	<u>165,134,898</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>147,074,512</u>	<u>9,523,913</u>	<u>7,382,857</u>	<u>163,981,282</u>
Total expenditures	<u>147,074,512</u>	<u>9,523,913</u>	<u>7,382,857</u>	<u>163,981,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>934,857</u>	<u>(44,620)</u>	<u>263,379</u>	<u>1,153,616</u>
Other financing sources (uses):				
Transfers in	-	114,408	-	114,408
Transfers out	<u>(114,408)</u>	<u>-</u>	<u>-</u>	<u>(114,408)</u>
Total other financing sources (uses), net	<u>(114,408)</u>	<u>114,408</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	820,449	69,788	263,379	1,153,616
Fund balances at July 1	<u>5,222,287</u>	<u>495,066</u>	<u>4,992,467</u>	<u>10,709,820</u>
Fund balances at June 30	<u>\$ 6,042,736</u>	<u>\$ 564,854</u>	<u>\$ 5,255,846</u>	<u>\$ 11,863,436</u>

**Reconciliation to the Statement of Activities (Exhibit 2)**

**Net change in fund balance - governmental funds** \$ 1,153,616

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	(10,642,741)
Capitalized expenditures	5,243,794
Assets donated from the City	57,874,651
Loss on disposal of capital assets	(1,839)

Record the current pension expense based on the actuarial study of the Net Pension Liability	(5,702,172)
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Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date	12,899,455
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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	(159,133)
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This amount represents the current year change in those items for the School Board - OPEB	810,768
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<b>Change in net position of governmental activities (Exhibit 2)</b>	<u><u>\$ 61,476,399</u></u>
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## CITY OF SUFFOLK, VIRGINIA

**BUDGETARY RECONCILIATION SCHEDULE**  
**GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**Year Ended June 30, 2019**

	<b>School Operating Fund</b>			<b>School Grants Fund</b>			<b>School Food Service Fund</b>		
	<b>Total Exhibit 42</b>	<b>Budget Based Items</b>	<b>Total Exhibit 40</b>	<b>Total Exhibit 42</b>	<b>Budget Based Items</b>	<b>Total Exhibit 40</b>	<b>Total Exhibit 42</b>	<b>Budget Based Items</b>	<b>Total Exhibit 40</b>
Total revenues	\$ 148,009,369	\$ -	\$ 148,009,369	\$ 9,479,293	\$ -	\$ 9,479,293	\$ 7,646,236	\$ -	\$ 7,646,236
Total other financing sources	-	-	-	114,408	-	114,408	-	-	-
Total revenues	148,009,369	-	148,009,369	9,593,701	-	9,593,701	7,646,236	-	7,646,236
Total expenditures	147,936,798	862,286	147,074,512	9,523,913	-	9,523,913	7,810,481	427,624	7,382,857
Total other financing uses	114,408	-	114,408	-	-	-	-	-	-
Total expenditures	148,051,206	862,286	147,188,920	9,523,913	-	9,523,913	7,810,481	427,624	7,382,857
Net changes in fund balances	\$ (41,837)	\$ (862,286)	\$ 820,449	\$ 69,788	\$ -	\$ 69,788	\$ (164,245)	\$ (427,624)	\$ 263,379



**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, 2019**

	School Operating Fund				School Grants Fund				School Food Service Fund			
	Budgeted Amounts		Actual	Variance with Final Budget -	Budgeted Amounts		Actual	Variance with Final Budget -	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final			Original	Final			Original	Final		
<b>REVENUES</b>												
Revenue from use of money and property	\$ 70,000	\$ 70,000	\$ 124,929	\$ 54,929	\$ -	\$ -	\$ 500	\$ 500	\$ 8,000	\$ 8,000	\$ 8,843	\$ 843
Charges for services	372,000	270,000	76,089	(193,911)	-	-	-	-	2,000,000	2,000,000	1,611,354	(388,646)
Miscellaneous	505,000	505,000	381,043	(123,957)	1,000,000	1,000,000	303,896	(696,104)	1,205,434	1,205,434	293,631	(911,803)
Intergovernmental:												
Contribution from the City of Suffolk	59,832,201	59,832,201	59,816,884	(15,317)	-	-	-	-	-	-	-	-
Revenue from the Commonwealth	86,394,460	86,945,019	86,566,593	(378,426)	1,780,000	1,780,000	1,238,375	(541,625)	200,000	200,000	216,418	16,418
Revenue from the Federal Government	1,092,000	1,194,000	1,043,831	(150,169)	8,300,000	8,300,000	7,936,522	(363,478)	5,049,000	5,049,000	5,515,990	466,990
Total revenues	148,265,661	148,816,220	148,009,369	(806,851)	11,080,000	11,080,000	9,479,293	(1,600,707)	8,462,434	8,462,434	7,646,236	(816,198)
<b>EXPENDITURES</b>												
Current:												
Education	148,151,253	148,701,812	147,936,798	765,014	-	-	-	-	-	-	-	-
Grant expenditures	-	-	-	-	11,380,000	11,380,000	9,523,913	1,856,087	-	-	-	-
Food Services	-	-	-	-	-	-	-	-	8,462,434	8,462,434	7,810,481	651,953
Total expenditures	148,151,253	148,701,812	147,936,798	765,014	11,380,000	11,380,000	9,523,913	1,856,087	8,462,434	8,462,434	7,810,481	651,953
Excess (deficiency) of revenues over (under) expenditures	114,408	114,408	72,571	(41,837)	(300,000)	(300,000)	(44,620)	255,380	-	-	(164,245)	(164,245)
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	-	-	-	-	300,000	300,000	114,408	(185,592)	-	-	-	-
Transfers out	(114,408)	(114,408)	(114,408)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	(114,408)	(114,408)	(114,408)	-	300,000	300,000	114,408	(185,592)	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ (41,837)	\$ (41,837)	\$ -	\$ -	\$ 69,788	\$ 69,788	\$ -	\$ -	\$ (164,245)	\$ (164,245)

## CITY OF SUFFOLK, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**June 30, 2019**

	<b>OPEB Trust Fund</b>	<b>School Activity Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,473,610	\$ 1,269,696
Total assets	<u>16,473,610</u>	<u><u>1,269,696</u></u>
<b>LIABILITIES</b>		
Amounts held for students	<u>-</u>	<u>\$ 1,269,696</u>
Total liabilities	<u>-</u>	<u><u>\$ 1,269,696</u></u>
<b>Net Position</b>		
Held in trust for OPEB benefits	<u>16,473,610</u>	
Net position	<u><u>\$ 16,473,610</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, 2019**

	<u>School Board</u>
<b>Additions:</b>	
Employer contributions	\$ -
Gain on investments	724,880
	<u>724,880</u>
Total additions	<u>724,880</u>
<b>Deductions:</b>	
Administrative fees	<u>14,882</u>
Total deductions	<u>14,882</u>
Change in net position	709,998
Net position - beginning of year	<u>15,763,612</u>
Net position - end of year	<u><u>\$ 16,473,610</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, 2019**

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance End of Year</b>
Assets:				
Cash and cash equivalents	\$ 1,380,022	\$ 2,806,040	\$ 2,916,366	\$ 1,269,696
Total cash and cash equivalents	<u>\$ 1,380,022</u>	<u>\$ 2,806,040</u>	<u>\$ 2,916,366</u>	<u>\$ 1,269,696</u>
Liabilities:				
Amounts held for students	\$ 1,380,022	\$ 2,806,040	\$ 2,916,366	\$ 1,269,696
Total amounts held for students	<u>\$ 1,380,022</u>	<u>\$ 2,806,040</u>	<u>\$ 2,916,366</u>	<u>\$ 1,269,696</u>

# STATISTICAL SECTION

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*This section of the City’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note to financial statements, and required supplementary information says about the City’s overall financial health.*

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

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

NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 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	\$ 301,764,919
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	392,219	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	1,638,228
Unrestricted	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	76,528,512
Total Net Position										
Governmental Activities	<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>	<u>\$ 379,931,659</u>
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 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	\$ 104,233,265
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	2,527,027
Unrestricted	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	46,309,138
Total Net Position										
Business-type Activities	<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>	<u>\$ 153,069,430</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 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	\$ 405,998,184
Restricted:										
Capital Projects	-	-	-	-	1,162,771	1,270,512	1,626,277	1,934,672	618,062	-
Debt Service	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	4,165,255
Unrestricted	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	122,837,650
Total Net Position										
Primary Government	<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>	<u>\$ 533,001,089</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.

(6) Previous years not restated related to the implementation of GASB 75.

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 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	\$ 18,671,840
Judicial	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	9,323,342
Public Safety	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	63,195,836
Public Works	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	39,080,373
Health and Welfare	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	13,260,821
Transportation	-	-	-	888,933	619,876	908,293	960,983	1,005,429	997,267	1,300,636
Education	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	60,358,348
Parks, Recreation and Cultural	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	12,621,117
Community Development	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	6,472,008
Interest on Long-Term Debt	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	9,663,773
Total Governmental Activities Expenses	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	233,948,094
Business-type Activities:										
Utilities	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	55,186,848
Refuse collection	-	-	5,712,045	5,204,255	5,198,550	5,772,239	5,718,442	5,320,570	6,713,015	8,458,504
Stormwater management	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	4,830,797
Total Business-type Activities Expenses	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	68,476,149
Total Primary Government Expenses	\$ 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	\$ 302,424,243
<b>Program Revenues</b>										
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	\$ 5,035,626
Judicial Administration	736,610	932,474	374,594	361,926	275,113	286,398	304,129	272,141	313,092	274,208
Public Safety	2,931,733	2,074,431	575,653	3,130,972	-	1,864,675	1,885,914	1,948,166	1,836,661	2,199,385
Public Works	2,367,267	1,504,393	872,302	1,469,668	1,460,003	1,479,054	899,794	990,045	988,507	1,288,947
Health and Welfare	25,280	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	47,971	46,870	53,055	67,759	76,099	71,652	87,229
Parks, Recreation and Cultural	670,162	759,323	719,783	774,237	824,628	982,354	1,108,862	1,056,185	1,020,013	1,009,068
Community Development	248,816	1,470,640	35,124	100,172	287	85	70	107	16,447	24,742
Total Charges for Services	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	9,919,205
Operating Grants and Contributions:										
General Government Administration	122,185	395,505	4,620,917	467,086	1,433,125	636,628	1,503,473	1,477,767	450,386	456,759
Judicial Administration	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	3,318,391
Public Safety	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	1,271,752
Public Works	18,095,389	18,781,620	-	20,157,859	20,799,365	21,534,701	22,758,708	23,496,157	23,395,546	24,220,184
Health and Welfare	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	9,237,862
Transportation	-	-	-	116,122	142,793	152,565	141,002	188,364	186,942	984,425
Education	-	-	-	140,879	62,308	20,000	-	-	-	-
Parks, Recreation and Cultural	294,402	18,228	-	261,267	266,774	521,608	287,351	295,998	275,996	377,344
Community Development	1,808,426	-	-	1,522,630	1,153,383	1,128,636	1,032,855	2,725,076	1,209,289	1,116,646
Total Operating Grants and Contributions	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	40,983,363
Capital Grants and Contributions:										
General Government	-	-	99,389	2,299,245	506,228	973,634	3,077,758	2,548,273	4,248,322	1,407,912
Public Safety	-	-	1,958,630	-	-	-	-	-	-	-
Public Works	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	6,101,699
Transportation	-	-	-	159,005	1,561	206,665	49,422	50,259	59,508	40,683
Parks, Recreation and Cultural	-	-	-	157,231	42,882	474,341	1,028,457	1,660	414,599	23,647
Community Development	109,151	4,368,366	3,828	-	-	-	-	-	93,400	-
Total Capital Grants and Contributions	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	7,573,941
Total Governmental Activities Program Revenues	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	58,476,509

(Continued)

CHANGES IN NET POSITION  
LAST EIGHT FISCAL YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Program Revenues: (Continued)</b>										
Business-type Activities:										
Charges for Services:										
Utility	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	51,703,463
Non-major	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	13,972,060
Total Charges for Services	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	65,675,523
Operating Grants and Contributions:										
Utility	-	-	-	-	-	-	-	88,315	-	-
Total Operating Grants and Contributions	-	-	-	-	-	-	-	88,315	-	-
Capital Grants and Contributions:										
Utility	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	579,166
Total Capital Grants and Contributions	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	579,166
Total Business-type Activities Program Revenues	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	66,254,689
Total Primary Government Program Revenues	\$ 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	\$ 124,731,198
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (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)	\$ (175,471,585)
Business-type Activities	(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	(2,221,460)
Total Primary Government Net Expense	\$ (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)	\$ (177,693,045)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes	\$ 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	\$ 182,439,367
Grants and Contributions Not Restricted to Specific Programs	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	14,011,120
Revenue from use of money and property	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	5,524,760
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)	-	-	(57,874,651)
Transfers/Miscellaneous	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	6,645,272
Total Governmental Activities	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	150,745,868
Business-type Activities:										
Investment Earnings	555,814	363,684	835,126	741,640	571,581	562,699	983,001	935,690	970,727	2,020,795
Transfers/Miscellaneous	(2,063,316)	(773,394)	(1,461,650)	(1,950,430)	(338,342)	(1,609,882)	(2,687,252)	(1,024,546)	121,844	(1,318,696)
Total Business-type Activities	(1,507,502)	(409,710)	(626,524)	(1,208,790)	233,239	(1,047,183)	(1,704,251)	(88,856)	1,092,571	702,099
Total Primary Government	\$ 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	\$ 151,447,967
<b>Change in Net Position</b>										
Governmental Activities	\$ 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	\$ (24,725,717)
Business-type Activities	(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	(1,519,361)
Total Primary Government	\$ (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	\$ (26,245,078)
	(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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Non-Spendable	\$ 277,482	\$ 81,697	\$ 41,086	\$ 9,794	\$ 3,920	\$ 42,454	\$ 24,905	\$ 47,669	\$ 37,908	\$ 64,993
Restricted	-	2,106,682	2,106,682	565,969	580,948	668,506	1,162,069	1,528,879	1,552,547	1,614,632
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	4,237,613
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	748,518
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	73,858,094
Total General Fund	<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>	<u>\$ 80,523,850</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 88,383	\$ 38,309	\$ 30,776	\$ 45,654	\$ 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	56,027,201
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	9,448,361
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	3,240,732
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	492,720
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)	(10,819)
Total all other Governmental Funds	<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>	<u>\$ 69,243,849</u>
Component Unit (School Board)										
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	\$ 1,222,261
Restricted	322,418	-	-	-	-	-	-	-	-	-
Committed	1,007,606	6,324,592	818,913	357,600	504,320	477,237	417,309	433,862	420,990	490,778
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	10,150,397
Unassigned	-	(1,521,774)	(127,803)	(149,539)	-	-	154,815	-	-	-
	<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>	<u>\$ 11,863,436</u>
	(1)	(2)				(3)				

(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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
General Property Taxes	\$ 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	\$ 135,696,638
Other Local Taxes	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	46,261,507
Licenses, Permits and Fees	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	1,723,958
Fines and Forfeitures	852,307	869,701	1,024,324	1,048,276	1,067,296	1,254,627	1,042,219	983,988	1,142,491	1,179,110
Use of Money and Property	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	3,965,689
Intergovernmental	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	62,089,557
Charges for Services	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	5,508,401
Miscellaneous	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	2,076,460
Total Revenues	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	258,501,320
<b>Expenditures</b>										
General Government Administration	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	17,062,724
Judicial Administration	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	9,624,709
Public Safety	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	62,900,211
Public Works	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	22,333,618
Health and Welfare	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	13,634,568
Transportation	-	-	-	888,337	672,274	1,209,090	1,033,663	1,079,339	1,090,607	1,592,193
Education	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	60,353,258
Parks, Recreation and Cultural	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	12,281,589
Community Development	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	5,846,241
Non-Departmental	8,264,861	6,977,603	455,436	474,540	531,079	1,848,130	466,002	323,725	226,481	675,842
Capital Outlay	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	37,532,944
Debt Service:										
Other	339,170	17,787	319,789	168,343	521,661	497,736	446,658	720,840	323,069	245,499
Interest	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	10,535,818
Principal	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	17,815,620
Total Expenditures	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	272,434,834
Excess (Deficiency) of Revenues Over (Under) Expenditures	(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)	(13,933,514)
<b>Other Financing Sources (Uses)</b>										
Proceeds of Refunding Bonds	30,605,000	-	14,295,853	11,520,000	5,370,000	20,160,000	20,176,111	47,215,000	3,395,000	575,000
Proceeds of Bonds Issued	3,550,000	-	32,526,431	9,890,000	33,105,000	28,820,000	20,360,000	26,380,000	26,665,000	17,370,000
Premiums on Debt	2,102,918	-	-	3,322,503	4,248,968	6,695,020	3,955,535	7,912,562	2,313,366	1,182,718
Transfers to other governments	-	-	-	-	(304,763)	-	-	-	-	-
Transfers In	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	39,252,347
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)	(600,000)
Transfers Out	(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)	(38,516,141)
Total Other Financing Sources, net	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	19,263,924
<b>Net Change in Fund Balance</b>	<b>\$ (6,896,169) (5)</b>	<b>\$ (10,041,908) (5)</b>	<b>\$ 38,027,899</b>	<b>\$ 5,936,689</b>	<b>\$ (4,591,223)</b>	<b>\$ 6,464,495</b>	<b>\$ 17,358,539</b>	<b>\$ 2,474,738</b>	<b>\$ 1,219,785</b>	<b>\$ 5,330,410</b>
Capital outlay (1)	\$ 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	\$ 39,808,562
<b>Debt Service as a percentage of non-capital expenditures (1)</b>	<b>12.84%</b>	<b>11.81%</b>	<b>12.63%</b>	<b>13.01%</b>	<b>13.49%</b>	<b>13.10%</b>	<b>13.17%</b>	<b>11.78%</b>	<b>11.66%</b>	<b>12.19%</b>
<b>Add'l School Operating &amp; Food Service Expenditures (2)</b>	<b>\$ 89,115,227</b>	<b>\$ 81,934,663</b>	<b>\$ 85,170,286</b>	<b>\$ 86,707,523</b>	<b>\$ 80,056,924</b>	<b>\$ 82,309,125</b>	<b>\$ 88,999,257</b>	<b>\$ 88,031,891</b>	<b>\$ 90,729,115</b>	<b>\$ 96,781,541</b>
<b>Debt Service as a percentage of non-capital plus school expenditures (2)</b>	<b>8.70%</b>	<b>8.25%</b>	<b>8.71%</b>	<b>8.99%</b>	<b>9.68%</b>	<b>9.34%</b>	<b>9.22%</b>	<b>8.44%</b>	<b>8.29%</b>	<b>8.61%</b>

(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) Reclassification 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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Change 2010-2019
General Property Tax	\$ 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	\$ 135,696,638	38%
Other Local Taxes:											
Sales and Use	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	10,421,185	42%
Utility Tax	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	4,799,814	13%
Communication Taxes	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	3,001,565	-17%
Business and Occupational License	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	8,095,262	35%
Motor Vehicle License	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	2,472,521	45%
Bank Stock	641,735	498,527	493,688	486,092	505,550	529,855	564,037	629,727	675,738	691,626	8%
Recordation	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	1,697,180	68%
Tobacco	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	1,955,756	41%
Lodging	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	1,762,778	84%
Meals	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	10,996,828	95%
Admission	377,341	338,767	306,196	237,060	243,203	215,019	318,348	365,757	418,892	366,992	-3%
Public Facility Tax Rebate	-	-	140,172	83,949	100,099	-	-	-	-	-	
Total	<u>\$ 131,216,143</u>	<u>\$ 133,841,480</u>	<u>\$ 140,556,855</u>	<u>\$ 140,956,575</u>	<u>\$ 146,147,587</u>	<u>\$ 152,281,933</u>	<u>\$ 160,158,953</u>	<u>\$ 166,579,230</u>	<u>\$ 172,816,113</u>	<u>\$ 181,958,145</u>	

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		
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
2019	9,758,914,800	43,055,984	9,801,970,784	10,211,179,800	1.11	1,074,774,050	370,951,482	1,445,725,532	4.25	11,247,696,316

(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			
2010	\$ 0.91	\$ 0.26	\$ 0.13	\$ 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
2019	1.11	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	2019		2010	
		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	\$ 64,315,800	0.66%		
Target Corporation	Distribution Warehouse	60,794,100	0.62%	\$ 39,245,000	0.43%
116 Lakeview Parkway, LLC	Lessor to GSA (Office)	56,034,100	0.57%	67,963,300	0.75%
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	41,597,200	0.43%	43,843,300	0.48%
TowneBank	Financial Institution	40,749,800	0.42%		
The Pergola Group	Apartment Complex	39,628,300	0.41%	26,818,900	0.30%
AT Suffolk VA SC LLC	Retail	33,799,600	0.35%		
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%		
Sysco Food Services of Hampton Roads	Food Service Distribution			30,377,400	0.34%
Rubicon - NGP	Joint Military Training Facility			43,666,300	0.48%
Planters/Kraft Foods	Peanut Products			25,685,400	0.28%
Inland America Suffolk LV LLC	Lessor to GSA (Office)			22,969,900	0.25%
Bon Secours Hampton Rds Health Sys	Health Systems			21,969,300	0.24%
		<u>\$ 435,281,300</u>	<u>4.48%</u>	<u>\$ 349,252,900</u>	<u>3.84%</u>
(1) Total Assessed Value (does not include public service corporations)		\$ 9,758,914,800		\$ 9,055,790,400	

Source: City of Suffolk Assessor's Office

Personal Property					
Taxpayer	Type of Business	2019		2010	
		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	\$ 23,742,290	2.21%	\$ 7,991,250	0.83%
Planters/Kraft Foods	Food Processing	11,467,810	1.07%	6,525,940	0.68%
Target Corporation	Distribution Warehouse	11,313,970	1.05%	3,640,010	0.38%
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	7,269,600	0.68%	6,373,480	0.66%
BASF Corporation/CIBA	Chemical Plant	6,582,500	0.61%	9,432,130	0.98%
Massimo Zanetti Beverage USA	Beverage Company	6,582,280	0.61%	4,457,350	0.46%
Lockheed Martin Corporation	Technology Company	5,204,390	0.48%	5,021,290	0.52%
Sysco Food Services of Hampton Roads	Food Service Distribution	3,738,520	0.35%	3,231,410	0.33%
JM Smucker Company	Beverage Company	3,670,460	0.34%		
Charter Communications	Cable Products	3,419,160	0.32%	2,535,190	0.26%
Sara Lee International	Beverage Company			8,794,980	0.91%
		<u>\$ 82,990,980</u>	<u>7.72%</u>	<u>\$ 58,003,030</u>	<u>6.01%</u>
(2) Total Assessed Value (does not include public service corporations)		\$ 1,074,774,050		\$ 966,376,819	

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

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

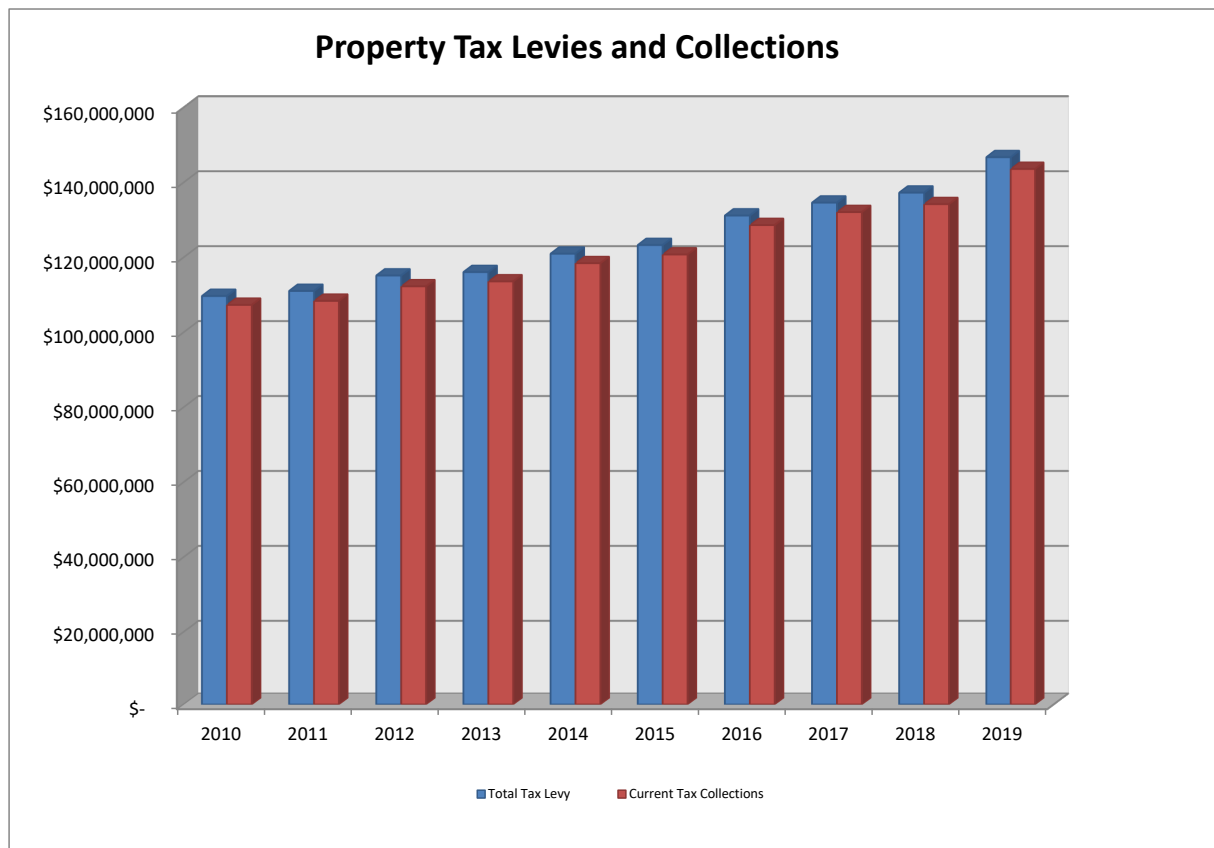
Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Tax Collections				Outstanding Delinquent Taxes At End of Fiscal Year (2)
				Delinquent		Total		
				Delinquent Tax Collections	As Percent of Outstanding Delinquent Taxes	Total Tax Collections (2)	Total Collections as a Percent of the Levy	
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
2019	146,769,909	143,637,167	97.87%	2,796,009	60.97%	146,433,176	99.77%	4,585,660

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	
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
2019	256	58,233,219	866	108,747,841	7,337,983,600	2,203,841,700	669,354,500	1,107,389,400	11,318,569,200

(1) Department of Planning and Community Development

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



PRINCIPAL COMMERCIAL/INDUSTRIAL WATER AND SEWER CONSUMERS  
YEAR ENDED JUNE 30, 2019

<b>Water Consumers</b>	<b>Type of Business</b>	<b>Annual Consumption (Hundred Cubic Feet)</b>	<b>% of Total Annual Consumption (1)</b>
Western Tidewater Water Authority	Regional Water Supply	240,843	9.83%
JM Smucker Company	Beverage Company	53,685	2.19%
Sentara/Obici Hospital	Hospital	31,328	1.28%
Suffolk Public Schools	Education	29,449	1.20%
Wanchese Fish Company	Seafood Processing	26,418	1.08%
Planters/Kraft Foods	Food Processing	25,266	1.03%
Western Tidewater Regional Jail	Jail-Regional Facility	19,707	0.80%
Harbour Breeze Apartments	Real Property Management	15,003	0.61%
Unilever/Lipton, Inc.	Beverage Company	13,030	0.53%
Bon Secours	Medical Center	9,056	0.37%
		<b>463,785</b>	<b>18.92%</b>

(1) Total annual consumption (all water customers) 2,449,154

<b>Sewer Consumers</b>	<b>Type of Business</b>	<b>Annual Consumption (Hundred Cubic Feet)</b>	<b>% of Total Annual Consumption (2)</b>
JM Smucker Company	Beverage Company	39,446	2.00%
Solenis, LLC	Chemical Plant	37,403	1.89%
Sentara/Obici Hospital	Hospital	31,328	1.59%
Suffolk Public Schools	Education	29,449	1.49%
Wanchese Fish Company	Seafood Processing	26,418	1.34%
Western Tidewater Regional Jail	Jail-Regional Facility	19,707	1.00%
Harbour Breeze Apartments	Real Property Management	15,003	0.76%
Unilever Best Foods	Beverage Company	13,690	0.69%
Bon Secours	Medical Center	9,056	0.46%
City of Suffolk Water Plant	Water Treatment Facility	9,036	0.46%
		<b>230,536</b>	<b>11.68%</b>

(2) Total annual consumption (all sewer customers) 1,975,514

*Source: Department of Public Utilities*

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

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>WATER</b>										
<b>Water Rate per 100 cubic feet</b>	\$ 4.94	\$ 5.84	\$ 6.43	\$ 7.13	\$ 7.84	\$ 8.29	\$ 8.86	\$ 9.03	\$ 9.20	\$ 9.71
Minimum Bi-monthly Charge (5 ccf)	24.70	29.20	32.15	33.65	-	-	-	-	-	-
<b>Meter Service Charge (per month)</b>										
5/8 inch meter	2.40	2.40	2.40	2.40	5.35	6.40	7.00	8.40	8.40	10.00
<b>Water Connection Charge (installed by city)</b>										
5/8 inch meter	1,100	1,100	1,100	1,100	1,100	1,100	1,100	2,000	2,000	2,000
<b>Water Connection Charge (installed by developer)</b>	50	50	50	50	50	50	50	50	50	50
<b>Water Availability Charge (residential)</b>										
Single Family	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
<b>Water Availability Charge (commercial)</b>										
5/8 inch meter	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
3/4 inch meter	8,180	8,180	8,180	8,180	8,180	5,520	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	13,250
1 ½ inch meter	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950
2 inch meter	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120
3 inch meter	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850
4 inch meter	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750
<b>WTWA Wholesale Water Rate</b>										
Water Rate (CCF)	\$ 3.99	\$ 3.76	\$ 3.84	\$ 4.13	\$ 4.36	\$ 4.46	\$ 4.67	\$ 4.56	\$ 4.55	\$ 4.76
Fixed Capacity Charge (Per Month)	\$ 160,979	\$ 190,452	\$ 220,668	\$ 193,496	\$ 204,641	\$ 210,994	\$ 204,959	\$ 222,995	\$ 202,454	\$ 197,983
<b>SEWER</b>										
<b>Sewer Collection (per 100 cubic feet)</b>	3.78	4.50	4.91	5.35	5.82	6.47	6.74	6.97	7.21	7.27
Minimum Bi-monthly period (5 ccf)	18.90	22.50	24.55	26.75	-	-	-	-	-	-
<b>Sewer Connection Charge (installed by city)</b>										
4 inch lateral size	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,800	1,800	1,800
6 inch lateral size	2,650	2,650	2,650	2,650	2,650	2,650	2,650	3,000	3,000	3,000
<b>Sewer Connection Charge (installed by developer)</b>	50	50	50	50	50	50	50	50	50	50
<b>Sewer Availability Charge (residential)</b>										
Single Family	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
<b>Sewer Availability Charge (commercial)</b>										
5/8 inch meter	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
3/4 inch meter	9,000	9,000	9,000	9,000	9,000	6,000	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
1 ½ 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)					Other Governmental Activities Debt		
	a	b	c	a+b+c+d	Percentage of Estimated Actual Taxable Value of Property (3)	e	f	
	General Obligation Bonds General Gov't (2)	General Obligation Bonds Business-type activities	Literary Bonds	Total General Bonded Debt		Per Capita (4)	Capital Leases	Section 108 Loan Payable
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%	5,205	3,537,987	1,722,000
2019	284,948,761	182,347,200	-	467,295,961	4.58%	5,040	2,057,108	-

Fiscal Year**	Business-Type Activities (1)					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			
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	16.62%	7,594
2019	562,671	210,667,350	-	287,005,869	393,577,221	680,583,090	15.73%	7,341

(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	\$ 9,801,970,784	\$ 9,801,970,784	\$ 9,801,970,784
Adopted and Legal debt limits:	\$ 392,078,831		
4% of assessed value (authorized limit adopted by City Council 2010)		\$ 686,137,955	
7% of assessed value (authorized limit imposed by City Charter)			\$ 980,197,078
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) 267,413,466	434,875,002	434,875,002
	<u>\$ 124,665,365</u>	<u>\$ 251,262,953</u>	<u>\$ 545,322,076</u>

	2010	2011	2012	2013	Fiscal Year 2014*	2015	2016	2017	2018	2019
<b>City's Legal Debt Margin</b>										
Debt Limit	\$ 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	\$ 686,137,955
Total Net Debt Applicable to Limit*	<u>244,130,650</u>	<u>232,540,874</u>	<u>323,484,000</u>	<u>351,784,115</u>	<u>299,613,810</u>	<u>452,589,444</u>	<u>456,621,633</u>	<u>413,420,487</u>	<u>442,666,000</u>	<u>434,875,002</u>
Legal Debt Margin	<u>\$ 391,637,145</u>	<u>\$ 402,523,118</u>	<u>\$ 297,969,900</u>	<u>\$ 264,585,418</u>	<u>\$ 305,273,631</u>	<u>\$ 165,537,660</u>	<u>\$ 176,398,504</u>	<u>\$ 235,617,355</u>	<u>\$ 227,996,490</u>	<u>\$ 251,262,953</u>
Total Net Debt Applicable to Limit as percentage of Debt Limit	38.4%	36.6%	52.1%	57.1%	49.5%	73.2%	72.1%	63.7%	66.0%	63.4%
<b>Commonwealth's Legal Debt Margin</b>										
Debt Limit	\$ 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	\$ 980,197,078
Total Net Debt Applicable to Limit*	<u>244,130,650</u>	<u>232,540,874</u>	<u>323,484,000</u>	<u>351,784,115</u>	<u>299,613,810</u>	<u>452,589,444</u>	<u>456,621,633</u>	<u>413,420,487</u>	<u>442,666,000</u>	<u>434,875,002</u>
Legal Debt Margin	<u>\$ 664,109,057</u>	<u>\$ 674,693,400</u>	<u>\$ 564,307,285</u>	<u>\$ 528,743,790</u>	<u>\$ 564,511,105</u>	<u>\$ 430,449,275</u>	<u>\$ 447,692,849</u>	<u>\$ 513,776,430</u>	<u>\$ 515,423,271</u>	<u>\$ 545,322,076</u>
Total Net Debt Applicable to Limit as percentage of Debt Limit	26.9%	25.6%	36.4%	40.0%	34.7%	51.3%	50.5%	44.6%	46.2%	44.4%

## 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)							
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
2019	54,500,177	25,205,851	29,294,326	2,230,000	9,061,412	11,291,412	2.59

- (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
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	4,491,916	49,779	13,760	4.1%	3.6%	4.1%
2018	92,533	not available	not available	13,630	3.1%	2.9%	3.6%
2019	92,714	not available	not available	13,543	3.2%	2.9%	3.7%

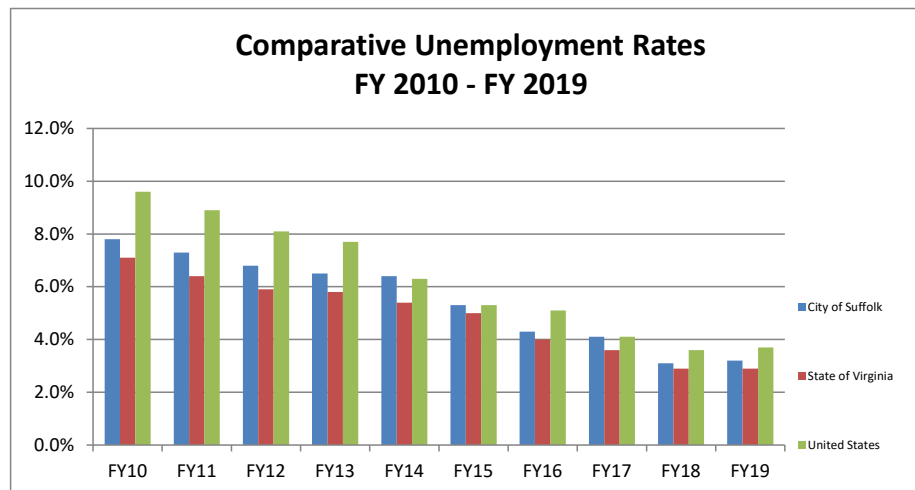
**Sources:**

(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. 2019 rate as of May 2019



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

Employer	Type of Business	2019	
		Employees	Percentage of Total City Employment
Navy Information Dominance Forces Commands (Cyber Force)	ModSim & Technology	1,500	4.68%
Sentara Health Systems	Medical	1,478	4.61%
J-7 Joint Staff	ModSim & Technology	1,200	3.75%
Target	Warehousing & Distribution	1,100	3.43%
CVN Distribution / QVC, Inc	Warehousing & Distribution	620	1.94%
Wal-Mart Stores	Retail	450	1.40%
Towne Bank	Banking	374	1.17%
Sysco Food Services of Hampton Roads	Food Service Distribution	350	1.09%
Planters/Kraft Foods	Food Processing	350	1.09%
Unilever/Lipton Inc.	Beverage Company	300	0.94%
		7,722	24.10%
Total Employment by Industry in City of Suffolk for fiscal year		32,032	
Employer	Type of Business	2010	
		Employees	Percentage of Total City Employment
U.S. Joint Forces Command	ModSim & Technology	2,220	5.78%
Obici Memorial Hospital	Healthcare	1,200	3.12%
CVN Distribution / QVC, Inc	Distribution Warehouse	900	2.34%
Wal-Mart Stores	Retail	840	2.19%
Hampton Roads BASF	Chemical Manufacturer	400	1.04%
SYSCO Food Services of Hampton Roads	Education	350	0.91%
Unilever/Lipton Inc.	Beverage Company	350	0.91%
Planters/Kraft Foods	Food Processing	340	0.88%
Target Corporation	Distribution Warehouse	300	0.78%
Towne Bank	Retail Banking	281	0.73%
		7,181	18.68%
Total Employment by Industry in City of Suffolk for fiscal year		38,422	

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Fund:</b>										
<b>General Government:</b>										
City Council	10	10	10	10	2	2	2	2	2	2
City Manager	6	6	6	7	7	7	7	7	7	7
Budget and Strategic Planning	4	4	4	3	4	4	3	3	3	3
City Attorney	8	8	9	9	9	9	9	9	9	9
Human Resources	8	9	13	10	10	10	7	7	7	7
Commissioner of the Revenue	11	12	12	12	12	12	12	12	12	12
City Assessor	15	13	14	15	16	17	17	18	17	17
Treasurer	15	15	15	15	15	15	16	16	16	16
Finance - Administration and Accounting	12	11	14	12	14	16	17	15	16	15
Finance - Purchasing	4	3	3	3	4	4	4	4	4	4
Registrar	2	2	2	2	2	2	2	3	3	3
Total	95	93	102	98	95	98	96	96	96	95
<b>Judicial:</b>										
Circuit Court	2	2	2	2	2	2	2	2	2	2
Circuit Court - Clerk's Office	14	14	14	14	14	14	14	14	14	14
Sheriff	24	22	24	24	25	25	25	25	25	25
Commonwealth's Attorney	28	23	23	24	24	24	24	24	24	25
Total	68	61	63	64	65	65	65	65	65	66
<b>Public Safety:</b>										
<b>Police</b>										
Administration and Officers	204	205	208	196	214	213	213	213	215	216
Emergency Communications	22	25	26	24	27	27	27	27	28	27
Animal Shelter and Management	7	8	9	8	10	10	10	10	10	10
<b>Fire</b>										
Fire and Rescue	213	220	240	238	253	252	252	252	255	274
Community Development (7)	24	26	27	26	26	26	26	26	26	-
Total	470	484	510	492	530	528	528	528	534	527
<b>Public Works:</b>										
<b>Public Works</b>										
Administration	3	3	2	2	2	2	2	2	2	2
Refuse Collection (1)	41	40	-	-	-	-	-	-	-	-
Maintenance Building and Grounds (5)	4	4	4	4	4	-	-	-	-	-
Capital Programs and Facilities	20	22	24	23	24	24	24	24	24	24
Aviation Facilities	3	3	-	-	-	-	-	-	-	-
Total	71	72	30	29	30	26	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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Fund:</b>										
Health and Welfare:										
Social Services	100	101	98	100	103	103	103	103	103	102
Comprehensive Services Act	1	1	1	2	2	2	2	2	2	2
Total	101	102	99	102	105	105	105	105	105	104
Parks, Recreation and Cultural:										
Parks and Recreation										
Administration	4	4	5	5	5	4	4	4	4	13
Office on Youth (6)	-	-	-	-	-	2	2	1	1	-
Support Services (6)	4	5	5	6	6	6	6	7	7	-
Parks, Gateway and Facility Maintenance	19	18	18	19	19	19	19	19	18	22
Grounds Maintenance (5) (6)	-	-	-	-	-	4	4	4	4	-
Recreation	16	15	16	16	22	21	21	21	22	22
Library	31	30	31	28	31	31	31	32	32	32
Total	74	72	75	74	83	87	87	88	88	89
Community Development:										
Planning	12	14	12	13	14	14	14	15	15	41
Geographic Information Systems	5	-	-	-	-	-	-	-	-	-
Economic Development	4	5	5	5	5	5	5	5	5	5
Tourism	3	3	2	3	3	3	3	3	3	3
Media and Community Relations	5	6	6	6	6	6	6	6	6	6
Total	29	28	25	27	28	28	28	29	29	55
Total General Fund	908	912	904	886	936	937	935	937	943	962
<b>Special Revenue Fund:</b>										
Transit	-	-	-	-	-	-	-	-	1	1
Road Maintenance										
Road Maintenance	91	88	90	84	101	99	100	101	102	102
Traffic Engineering	23	22	23	21	23	23	24	25	25	25
Aviation Facilities (4)	-	-	3	3	3	3	3	3	3	3
Total Special Revenue Fund	114	110	116	108	127	125	127	129	131	131
<b>Enterprise Fund:</b>										
Public Utilities										
Administration	9	8	9	7	8	9	9	9	8	8
Customer Service	18	18	18	18	18	18	20	22	23	23
Line Maintenance	27	26	24	25	26	27	28	28	28	29
Maintenance	20	20	22	24	26	25	25	25	25	25
Water Production	29	27	28	30	30	30	28	28	28	28
Engineering	17	14	15	15	15	15	15	14	14	14
Stormwater Utility										
Stormwater Utility	27	25	28	27	31	38	38	41	40	40
Mosquito Control	7	5	7	6	7	7	7	7	7	7
Refuse (3)	-	-	39	36	41	40	40	40	42	42
Total Enterprise Fund	154	143	190	188	202	209	210	214	215	216
<b>Internal Service Funds:</b>										
Fleet Management	21	23	18	20	21	21	21	21	21	21
Information Technology	12	20	21	22	25	25	25	26	26	26
Risk Management	1	3	5	4	4	4	6	6	6	6
Total Risk Management	34	46	44	46	50	50	52	53	53	53
Total	1,210	1,211	1,254	1,228	1,315	1,321	1,324	1,333	1,342	1,362

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

2. 2010 - 2013 actual data furnished by Human Resources. 2014 - 2019 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.

5. In 2015 The grounds maintenance function was moved out of Public Works and placed in Parks and Recreation.

6. In 2019 The divisions within Parks and Recreation were consolidated into 3 divisions.

7. In 2019 Community Development was combined with the Planning department.

OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government:										
Building permits issued	949	771	824	978	899	867	843	1,072	1,189	1,122
Value of permits issued (millions)	\$ 208.3	\$ 74.1	\$ 117.7	\$ 255.4	\$ 151.4	\$ 162.3	\$ 137.6	\$ 255.7	\$ 845.7	\$ 167.0
Number of registered voters	55,008	55,941	56,745	57,067	57,280	56,268	58,141	60,652	62,458	
Taxable retail sales (millions)	\$ 642.3	\$ 671.2	\$ 716.4	\$ 729.6	\$ 759.9	\$ 821.3	\$ 873.0	\$ 895.5	\$ 956.9	**Not Available
Taxable retail sales per capita	\$ 7,738	\$ 7,936	\$ 8,285	\$ 8,307	\$ 8,404	\$ 9,083	\$ 9,654	\$ 9,763	\$ 10,341	**Not Available
Parks, Recreation and Cultural:										
Library volumes in collection (thousands)	221.4	218.0	218.9	222.1	224.9	286.8	827.1	291.2	178.0	168.3
Circulation (thousands)	401	356	327	313	320	335	339	322	303.5	304.0
Transit (2)										
Number of Service days (not including ADA service)	n/a	n/a	128	254	252	253	257	257	252	305
Number of Routes (not including ADA service)	n/a	n/a	2	3	4	6	6	6	6	7
Vehicle Trips (not including ADA service)	n/a	n/a	3,072	7,221	8,885	13,004	13,856	13,825	13,589	18,602 (3)
Passenger Trips (not including ADA service)	n/a	n/a	24,662	57,814	64,563	77,631	101,616	113,084	110,569	128,845 (4)
Vehicle Hours (ADA Service)	n/a	n/a	363	693	757	1,081	1,271	1,450	1,025	1,565 (3)
Passenger Trips (ADA Service)	n/a	n/a	633	1,198	1,152	1,353	1,537	1,917	1,247	1,565 (4)
Enterprise Fund:										
Public Utilities										
Customers - Water	24,663	24,657	24,729	24,380	24,836	24,912	24,868	25,237	25,576	25,936
Customers - Sewer	20,911	20,892	20,921	20,692	21,010	21,486	21,770	22,160	22,506	22,851
Average daily production (mgd)	6.79	6.42	6.63	5.96	6.71	6.82	6.77	6.88	6.86	6.58
Treatment Capacity daily (mgd)	17.45	17.45	17.45	17.45	17.45	17.45	17.45	17.45	17.45	17.45
Stormwater										
Billed customers	29,793	30,342	30,289	30,508	30,791	31,395	31,470	31,752	32,126	32,866
Refuse collection										
Customers	-	-	27,573	27,675	27,982	28,046	28,311	28,618	28,895	29,409 (1)
Recycled (tons)	-	-	4,491	5,408	5,767	5,534	5,878	5,821	5,511	5,842 (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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety:										
Police Stations	5	5	5	5	5	5	5	5	5	5
Fire and Rescue Stations	9	10	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	1,581	1,581	1,600	1,600	1,626	1,626	1,596	1,621	1,632	16,650
Streetlights	7,648	7,917	7,996	8,113	8,425	8,593	8,657	8,913	8,988	9,136
Bridges	147	147	147	155	147	150	149	151	151	151
Traffic Signals	91	93	93	93	98	96	98	99	99	100
Education:										
Elementary Schools	14	14	12	12	12	12	12	11	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	1,425	1,419	1,420	1,402	1,398	1,345	1,383	1,380	1,380	1,464
Average Daily Membership	13,801	13,863	13,734	13,844	13,739	13,762	13,837	13,760	13,630	13,543
Capacity of Schools	14,577	14,577	14,192	14,352	14,352	14,590	14,590	14,205	14,205	16,005
Enterprise Fund:										
Public Utilities										
Miles of Water Main	422	436	453	454	462	467	475	482	486	487
Miles of Sanitary Sewers	315	334	316	330	334	344	352	355	361	363
Pump Stations	134	136	140	140	140	144	146	147	150	150
Storage Tanks	7	8	9	9	10	10	10	10	10	10
Stormwater Utility										
Miles of Storm Sewers	236	236	236	266	246	294	333	396	407	412
Parks, Recreation and Cultural:										
Parks and Recreation										
Number of major parks and recreation facilities (2)	40	42	42	43	43	50	50	50	52	52
Acreage of major parks and recreation facilities	1,827	1,921	1,921	1,928	1,879	2,031	2,042	2,092	2,118	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	3	3	3	3	3
Number of bookmobiles	1	1	1	1	1	1	1	1	1	1
Transit (3)										
Buses	n/a	n/a	-	4	4	6	8	9	9	10
Bus Stops with Shelters	n/a	n/a	4	4	6	8	8	8	10	11

**Sources:** Various City Departments

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

## COMPLIANCE SECTION

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**Report of Independent Auditor on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the City Council  
City of Suffolk, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Suffolk, Virginia ("City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 19, 2019.

**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. We did identify a certain deficiency in internal control, which is described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

**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 2019-002 and 2019-003.

**City of Suffolk, Virginia's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City'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  
November 19, 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 ("City") 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's major federal programs for the year ended June 30, 2019. 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, 2019.

### **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  
November 19, 2019



CITY OF SUFFOLK, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Period Ending June 30, 2019

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through To Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
<b><u>U.S. Department of Agriculture</u></b>						
Passed Through Commonwealth of Virginia:						
Department of Agriculture and Department of Education						
Child Nutrition Cluster						
59047	National School Breakfast Program	10.553			1,604,125	
	Food Distribution	10.555			543,185	
	National School Lunch Program	10.555			3,293,658	
	Summer Food Service Program for Children#59047	10.559			59,853	
	Child Nutrition Cluster Total			\$ 5,500,821		
	Child & Adult Food Program	10.558			15,169	
Department of Social Services						
	State Administrative Matching Grants for Food Stamp Program	10.561		1,315,382	1,315,382	
	Total U.S. Department of Agriculture					\$ 6,831,372
<b><u>U.S. Department of Defense</u></b>						
Direct Program:						
	JROTC Instruction	12.000			199,781	
	Total U.S. Department of Defense					\$ 199,781
<b><u>U.S. Department of Housing and Urban Development</u></b>						
Direct Program:						
B11MC510024, B12MC510024, B13MC510024, B14MC510024, B15MC510024, B16MC510024 B17MC510024	Community Development Block Grants/Entitlement Grants	14.218		611,344	611,344	
	ForKids		17,000			
	SRHA Emergency Repair		33,673			
	The Genieve Shelter		17,000			
	Western Tidewater Clinic		25,935			
	Boys & Girls Club of Southeastern VA		10,000			
M11DC510213, M12DC510213, M13DC510213, M14DC510213, M15MC510024, M16DC510216, M07DC512013, M08DC510213, M09DC510213, M10DC51010206, M17DC510216	Home Investment Partnerships Program	14.239			567,412	
	City of Franklin		67,827			
	Suffolk Home Investment		12,660			
	CHDO		15,395			
	Total U.S. Department of Housing and Urban Development					\$ 1,178,756
<b><u>U.S. Department of Interior</u></b>						
Passed Through National Park Service						
	Chesapeake Bay Gateways and Trails	15.930			4,107	
	Total U.S. Department of Interior					\$ 4,107
<b><u>U.S. Department of Justice</u></b>						
Direct Program:						
	Bullet Proof Vests Partnership Program	16.607			31,500	
Passed Through Department of Criminal Justice Services						
17-V8580VW16, 19-Y8580VW17	Crime Victim Assistance	16.575			309,432	
16-R9824VA15, 17-R9824VA16, 18-U9824VA17, 2016-DJ-BX-0413, 2017-DJ-BX-0141, 17-A6095AD13, 17-B3197AD13, 16-A3276BY11, 18-C3197AD11, 18- A4241AD11, 18-B6905AD15, 18-A4497AD12, 2018-DJ- BX-0411, 19-B4241AD15	Violence Against Women Formula Grants	16.588			74,251	
	Edward Byrne Memorial Justice Assistance Grant Program	16.738			83,239	
	Equitable Sharing Program	16.922			31,206	
	Total U.S. Department of Justice					\$ 529,629

(continued)

**CITY OF SUFFOLK, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Period Ending June 30, 2019

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through To Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
<b><u>U.S. Department of Transportation</u></b>						
Direct Program:						
3-51-0050-024-2015, 3-51-0050-022-2015, 3-51-0050-025-0216, 3-51-0050-26-2016	Airport Improvement Program	20.106			864,413	
154AL-2016-56196-6396, 154AL-2016-56425-6630, 154AL-2017-57087-6736, 154AL-2017-57146-6795, 154AL-2018-58207-8207	Highway Safety Grant - Selective Enforcement-Alcohol	20.607			183,976	
M2HVE-2017-56206-6745, M2HVE-2018-58205-8205	Highway Safety Grant - Selective Enforcement-Occupant Protection	20.616			1,121	
	Highway Safety Cluster Total			185,097		
7338-2018-1	FFY 17 Section 5307-2A Bus, Van & Capital Purchase	20.507			652,151	
7338-2018-1	FFY 17 Section 5339-1 Bus, Van & Capital Purchase	20.526			131,379	
	Capital Purchases Cluster Total			783,530		
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			133,521	
U000-133-S41	CMAQ Harbourview Signal Improvement Project UPC#100603	20.205			784,238	
0626-061-324	Shoulders Hill Road Reconstruction Project UPC#69050	20.205			348,129	
0337-133-101	Nansemond Pkwy Widening Phase II Project UPC#61407	20.205			642,161	
0017-133-350	CMAQ Bridge Road Traffic Signal Upgrades UPC #102991	20.205			68,915	
U000-133-S22	HSIP Portsmouth Boulevard Sidewalk, Phase I UPC #110998	20.205			29,959	
U000-133-S23	HSIP Portsmouth Boulevard Sidewalk, Phase II UPC #110999	20.205			31,405	
U000-133-S24	HSIP Portsmouth Boulevard Sidewalk, Phase III UPC #111000	20.205			30,799	
	Total Highway Planning and Construction Cluster			2,069,127		
Total U.S. Department of Transportation						\$ 3,902,167
<b><u>U.S. Department of Education</u></b>						
Direct Program:						
S041B-2015-5303	Impact Aid Award #S041B-2015-5303	84.041			454,192	
Passed Through Commonwealth of Virginia:						
V048A150046	Career and Technical-Basic Grants to States#V048A150046	84.048			256,753	
S367A150044	Title II-A #S367A150044	84.367			435,239	
P3345140027	Gear Up Grant #P3345140027	84.334			85,135	
	Title IV-A Grant	84.424			168,655	
	Title IV-B Grant	84.287			115,432	
Title I, Part A Cluster						
S010A150046	Title I Grants to Local Educational Agencies #S010A150046	84.010			3,308,390	
	Total I, Part A Cluster Total			3,308,390		
Special Education Cluster (IDEA)						
H027A150107	Special Education - Grants to States #H027A150107	84.027			3,428,298	
H173A150112	Special Education - Preschool Grants #H173A150112	84.173			60,297	
	Special Education Cluster Total			3,488,595		
School Improvement Grants Cluster						
	School Improvement Grants	84.377			58,811	
	School Improvement Grants Cluster Total			58,811		
Total U.S. Department of Education						\$ 8,371,202
<b><u>U.S. Department of Health and Human Services</u></b>						
Direct Payments:						
1003996083	Medical Assistance Program #1003996083	93.778			384,857	
Passed Through Commonwealth of Virginia:						
	Medical Assistance Program	93.778			1,475,801	
	Total Medical Assistance Program			1,860,658		

(continued)

CITY OF SUFFOLK, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Period Ending June 30, 2019

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through To Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
<b>U.S. Department of Health and Human Services (continued)</b>						
	Passed Through Commonwealth of Virginia:					
	Promoting Safe and Stable Families	93.556			5,678	
	Temporary Assistance for Needy Families	93.558			838,846	
	Refugee & Entrant Assistance	93.566			430	
	ILP Education & Training	93.599			785	
	Child Welfare Services	93.645			851	
	Foster Care - Title IV-E	93.658			548,482	
	Adoption Assistance	93.659			200,244	
	Social Service Block Grant	93.667			699,354	
	Foster Care Independent Living	93.674			9,903	
	Children's Health Insurance Program	93.767			32,904	
	CCDF Cluster					
	Child Care and Development Block Grant	93.575			(4,040)	
	Child Care Mandatory & Matching Funds for Child Care Dev Fund	93.596			150,363	
	CCDF Cluster Total			146,323		
	Total U.S. Department of Health and Human Services					\$ 4,344,458
<b>U.S. Social Security Administration</b>						
	Passed Through Commonwealth of Virginia:					
	Low-Income Home Energy Assistance	96.568			141,027	
	Total U.S. Social Security Administration					\$ 141,027
<b>Executive Office of the President</b>						
	Passed Through Virginia HIDA:					
	High Intensity Drug Trafficking Areas Program	95.001			24,974	
	Total Executive Office of the President					\$ 24,974
<b>U.S. Department of Homeland Security</b>						
EMW-2015-PU-00181, EMV-2016-PU-00147	Passed Through Department of Criminal Justice:					
	Port Security Grant Program	97.056			55,181	
	Passed Through Department of Emergency Services:					
2017LEMPG, 2018 Radiological Preparedness Program, VDEM LEMPG2018	VDEM Emergency Mgmt Program Grant	97.042			21,781	
2017SHSP	State Homeland Security Program	97.067			44,169	
	Total U.S. Department of Homeland Security					\$ 121,131
<b>Grand Total</b>						<b>\$ 25,648,603</b>

**Total Expenditures of Federal Awards**

- Note 1: Basis of Accounting  
This schedule was prepared on the modified accrual basis of accounting.
- Note 2: Nonmonetary Assistance:  
Nonmonetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities. At June 30, 2019, the School Board had USDA food commodities totaling \$309,839 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, 2019

**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: **Yes, Finding 2019-001**
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>
20.106	Airport Improvement Program
20.507/20.526	Federal Transit Cluster
10.553/10.555/10.559	Child Nutrition Cluster

10. Dollar threshold used to distinguish between type A and type B programs: **\$769,458**
11. City of Suffolk, Virginia (the "City") qualified as a low-risk auditee under Uniform Grant Guidance: **Yes**

**B. Findings Relating to Financial Statements Reported in Accordance with *Government Auditing Standards***  
**2019-001 – Significant Deficiency – Internal Control Over Financial Reporting – Actuarial Analysis**

**Condition:** The City utilizes an external actuarial firm to provide analysis of the City's estimated liability and related balances for the City's other postemployment benefits program. Upon review, it was determined that the City provided the actuary with an incomplete census data report, which impacted the overall analysis and calculated liability.

**Criteria:** Complete census data of all eligible participants must be provided to the actuary to allow for a valid estimation of plan liabilities and related amounts.

**Cause:** The City mistakenly omitted certain groups of eligible participants when submitting the requested data to the actuary.

**Effect:** The City's liability balance is understated.

**Recommendation:** The City should implement procedures to ensure that the report parameters used to compile the necessary actuarial data are complete.

**Management's Response:** Management will implement procedures to ensure that the data that is sent to the actuaries is complete and accurate for future actuarial calculations.

**C. Findings and Questioned Costs Relating to Federal Awards**

None reported

**CITY OF SUFFOLK, VIRGINIA**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

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

**2019-002 – Non-material Noncompliance – Property Taxes**

**Condition:** For a sample of ten (10) real estate exonerations reviewed, we noted three (3) assessments where the assessments did not tie between the City Assessor's calculations and the City Treasurer's system calculations. Also, documentation for one (1) assessment was unable to be provided to show where the assessment had been made in the City Treasurer's system.

**Criteria:** Per Auditor of Public Accounts' specifications, when property values are revised downward or when an error comes to the City's Commissioner of the Revenue's (the "Commissioner") attention, the Commissioner corrects the assessment books and completes an exoneration (abatement) form to adjust the account before forwarding an approved exoneration form to the City Treasurer who writes off the taxes.

**Cause:** City personnel were unable to ensure that the information that was processed tied to the City Assessor's information. For one instance, City personnel were unable to produce documentation to support the processing of the transactions within the City Treasurer's system.

**Effect:** Citizen's taxes paid or refunded could be over or understated depending on the differences between what the City Treasurer's records and what the City Assessor calculates.

**Recommendation:** Abatements and exonerations should be reconciled with the City Assessor's documentation prior to being corrected in the City Treasurer's system. Also, proper documentation should be maintained regarding exonerations processed on both the City Assessor's and City Treasurer's records.

**Management's Response:** Management will determine what procedures and controls should be put into place to avoid this discrepancy in the future and will determine appropriate procedures to ensure that all documentation is retained as required.

**2019-003 – Non-material Noncompliance – Highway Maintenance Planning (Repeat Finding 2018-001)**

**Condition:** Costs totaling \$144.95, which were not applicable to the maintenance, construction, or reconstruction of streets, were incurred and reported to Virginia Department of Transportation (VDOT) for reimbursement.

**Criteria:** Per Auditor of Public Accounts' 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.

**Recommendation:** Management should continue to improve policies surrounding the review of all relevant documentation and eligibility rules to ensure that expenditures are authorized and appropriate for VDOT reimbursement.

**Management Response:** As a result of finding 2018-001, Public Works put forth efforts in the winter and spring of 2019 to review activities that should be classified as NON-VDOT eligible. A procedure, including a list of applicable items, was put in place for reporting these type of activities in the future. Due to the timing of the submission of the annual report to VDOT, our new procedure was not in place until after the submission of the report tested during the current year audit.

**CITY OF SUFFOLK, VIRGINIA**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

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

**2018-001 Highway Maintenance Planning** – Finding repeated (2019-003)

**2018-002 Suffolk Public Schools' Annual School Report** – Finding not repeated





City of Suffolk  
Department of Finance  
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