

| CITY of SUFFOLK, VIRGINIA |

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2020



CITY OF SUFFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
June 30, 2020

Prepared by:
The Department of Finance

CITY OF SUFFOLK, VIRGINIA

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal.....	i
Certificate of Achievement for Excellence in Financial Reporting.....	ix
Directory of Principal Officials	x
Organizational Chart	xii

FINANCIAL SECTION

Report of Independent Auditor.....	1
Management's Discussion and Analysis	3

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
Exhibit 1: Statement of Net Position	13
Exhibit 2: Statement of Activities	14
Fund Financial Statements	
Exhibit 3: Balance Sheet – Governmental Funds.....	15
Exhibit 4: Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Exhibit 5: Statement of Net Position – Proprietary Funds	18
Exhibit 6: Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	19
Exhibit 7: Statement of Cash Flow – Proprietary Funds	20
Exhibit 8: Statement of Fiduciary Net Position – Fiduciary Funds.....	22
Exhibit 9: Statement of Changes in Fiduciary Net Position – OPEB Trust Fund	23
Notes to Financial Statements	24

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 10: Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – General Fund	97
Exhibit 11: Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Road Maintenance Fund.....	101
Exhibit 12: Schedule of Changes in the City's Net Pension Liability and Related Ratios	102
Exhibit 13: Schedule of Changes in the School Board's (non-teacher) Net Pension Liability and Related Ratios.....	103
Exhibit 14: Schedule of Employer's Proportionate Share of Net Pension Liability – School Board Teacher Retirement Plan	104

CITY OF SUFFOLK, VIRGINIA

TABLE OF CONTENTS

(continued)

FINANCIAL SECTION (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Exhibit 15: Schedule of Contributions, City and School Board Pension Plans.....	105
Notes to Required Supplementary Information Pension Plans.....	106
Exhibit 16: Schedule of Changes in the City's Net OPEB Liability and Related Ratios – City Trust	107
Exhibit 17: Schedule of Changes in the School Board's Net OPEB Liability (Asset) and Related Ratios – School OPEB Trust	108
Exhibit 18: Schedule of Contributions – OPEB Plan – City and School Trust	109
Exhibit 19: Schedule of Annual Money Weighted Rate of Return on OPEB Plan Investments – City and School Trust.....	109
Notes to Required Supplementary Information Plan City and School OPEB Trust	110
Exhibit 20: Schedule of Employer's Proportionate Share of Net OPEB Liability – Line of Duty Act Program (LODA) for the City	111
Exhibit 21: Schedule of Employer's Proportionate Share of Net OPEB Liability – Group Life Insurance (GLI) for the City	111
Exhibit 22: Schedule of Employer's Proportionate Share of Net OPEB Liability – Group Life Insurance (GLI) for the School Board	112
Exhibit 23: Schedule of Employer's Proportionate Share of Net OPEB Liability – Health Insurance Credit Plan (HIC) – School Board Teachers	112
Exhibit 24: Schedule of Employer's Proportionate Share of Net OPEB Liability – Virginia Local Disability Program (VLDP) – School Board Teachers	113
Exhibit 25: Schedule of Contributions OPEB – City State VRS Plans.....	114
Exhibit 26: Schedule of Contributions OPEB – School Board State VRS Plans.....	115
Notes to Required Supplementary Information OPEB City and School Board State VRS Plans.....	116

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Exhibit 27: Combining Balance Sheet – Non Major Governmental Funds	117
Exhibit 28: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental funds	118
Exhibit 29: Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Debt Service Fund	119
Exhibit 30: Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Special Revenue Funds.....	120

CITY OF SUFFOLK, VIRGINIA

TABLE OF CONTENTS (continued)

FINANCIAL SECTION (CONTINUED)

OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

NON-MAJOR PROPRIETARY FUNDS

Exhibit 31: Combining Statement of Net Position	123
Exhibit 32: Combining Statement of Revenues, Expenses and Changes in Fund Net Position	124
Exhibit 33: Combining Statement of Cash Flows	125

INTERNAL SERVICE FUNDS

Exhibit 34: Combining Statement of Net Position	126
Exhibit 35: Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	127
Exhibit 36: Combining Statement of Cash Flows	128

FIDUCIARY NET POSITION

Exhibit 37: Combining Statement of Fiduciary Assets and Liabilities	129
Exhibit 38: Combining Statement of Changes in Fiduciary Assets and Liabilities.....	130

DISCRETELY PRESENTED COMPONENT UNIT – CITY OF SUFFOLK SCHOOL BOARD

Exhibit 39: Combining Balance Sheet.....	131
Exhibit 40: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	132
Exhibit 41: Budgetary Reconciliation Schedule – Governmental Funds	133
Exhibit 42: Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis)	134
Exhibit 43: Statement of Fiduciary Net Position – Fiduciary Funds.....	135
Exhibit 44: Statement of Changes in Fiduciary Net Position – OPEB Trust Fund	136
Exhibit 45: Statement of Changes in Assets and Liabilities – School Activity Funds	137

STATISTICAL SECTION

Table 1	Net Position by Component.....	138
Table 2	Changes in Net Position	139
Table 3	Fund Balances – Governmental Funds.....	141
Table 4	Changes in Fund Balances – Governmental Funds	142
Table 5	Tax Revenues by Source – Governmental Funds.....	143
Table 6	Assessed Value and Estimated Actual Value of Taxable Property	144
Table 7	Direct Property Tax Rates	145
Table 8	Principal Property Tax Payers.....	146
Table 9	Property Tax Levies and Collections.....	147
Table 10	Property Value and Construction	148

CITY OF SUFFOLK, VIRGINIA

TABLE OF CONTENTS

(continued)

STATISTICAL SECTION (CONTINUED)

Table 11	Principal Commercial/Industrial Water and Sewer Consumers	149
Table 12	Water and Sewer Rate Schedule.....	150
Table 13	Outstanding Debt by Type.....	151
Table 14	Legal Debt Margin	152
Table 15	Pledge-Revenue Coverage.....	153
Table 16	Demographic and Economic Statistics.....	154
Table 17	Principal Employers	155
Table 18	Full-Time Equivalent City Government Employees by Function/Program	156
Table 19	Operating Indicators by Function/Program	158
Table 20	Capital Asset Statistics by Function/Program	159

COMPLIANCE SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	160
Report of Independent Auditor on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	162
Schedule of Expenditures of Federal Awards	164
Schedule of Findings and Questioned Costs	167

INTRODUCTORY SECTION



CITY OF SUFFOLK

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

CITY MANAGER

December 14, 2020

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, 2019 through June 30, 2020. 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, 2020. 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, 2020. 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, 93,825 people called Suffolk home in 2019. This figure represents a robust 11% 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. During calendar year 2019 both new and expanding businesses invested over \$300 million 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 a new library square, public entertainment green space, more pedestrian-friendly walkable sidewalks and outdoor dining all contribute to the plan's vision.

The world's largest e-commerce company, Amazon, plans to build their newest robotics fulfillment center in Suffolk. The massive building, at 3.8 million square feet and over 90 feet tall, will serve as an important distribution center in Amazon's much-touted supply-chain network. They plan to employ 1,700 workers and invest \$200 million in the project. With the Amazon announcement came other substantial investments in the distribution sector. In 2019 over \$205 million of capital investment was injected into the city in warehousing alone. Further industrial warehousing and distribution interest in sites such as Virginia Port Logistics Park is expected to bring substantial investment in speculative build-to-suit construction and corporate expansions.

Northgate Commerce Park is also now the home for Bridgeman Civil, who expanded their operations and constructed two buildings to house their civil engineering headquarters. The \$4-million investment created 50 jobs and will occupy 29,000 square feet. Nearby, Hampton Roads Moving & Storage invested over \$1 million to increase their distribution footprint.

Suffolk has a rich history with the food and beverage processing market. In 2019 a Spanish olive oil company named Acesur selected Suffolk for their first U.S. operations location. They set up in an 88,000 square foot facility in Suffolk Industrial Park, creating 29 jobs and bringing over \$11 million in

investment. The olive oil bottling facility is expected to be operational by the end of 2020. In 2019, capital investment in the food and beverage industry totaled close to \$13 million.

Medical development remains a crucial target development sector in Suffolk. In 2019 alone medical companies invested over \$62 million into the healthcare industry in Suffolk. The Lake View Medical Center, announced by Bayview Physicians Group and Sports Medicine and Orthopedic Center, began construction in 2019. The 42,000 square foot health center is a three-story Class – A medical building. Harbour Breeze Medical Center, developed by BECO Asset Management, is a new \$6 million, 25,000 square foot two-story medical center. Sentara Obici Hospital saw a \$13 million investment in the complete renovation of their Emergency department. Bon Secours Hospital received state approval to create overnight beds and an expanded hospital facility at their Suffolk medical campus and has invested altogether \$77 million toward their medical suite of services and growing their acute care beds.

Retail and mixed-use developments saw strategic growth in 2019. Over \$32 million was invested into the retail market in Suffolk during the year. BECO's Bridgeport mixed – use development opened 3800 Aqua, the residential portion of the project, along with the first commercial tenants, with announcements such as Fin & Tonic, the chef-owned expansion of popular peninsula-based Fin Seafood and Orange Theory Fitness, along with other well-known brands. Overall Bridgeport will house over 700 apartments and 150,000 square feet of retail and office space.

Reputable and much-loved retailers who opened or are in the process of opening in Suffolk include Decent People Taproom, Aldi, Lidl, Kickback Jack's, Domoishi, La Parilla and Panera Bread. They join national retailers established in Suffolk such as Kroger Marketplace, Walmart, Lowe's, Dick's Sporting Goods, T.J. Maxx, PetSmart and Kohl's.

Suffolk's EDA-owned The Point at Harbour View continued to be the focus of early stages of development, with the establishment of a developer of choice and initial site plan approval. The 55-acre mixed-use development is located in Harbour View, a major development area of the city, with much emphasis on the quality and sustainability of the project.

Other industry sectors such as Office & Administration and hospitality rounded out a strong year in Suffolk. With over 2,500 jobs created and 4,517,000 square feet impacted in 2019, it is clear that Suffolk is a strong contender when competing for new projects. The health and well-being of the citizens and business community are poised to remain robust, with a keen eye on thoughtful growth.

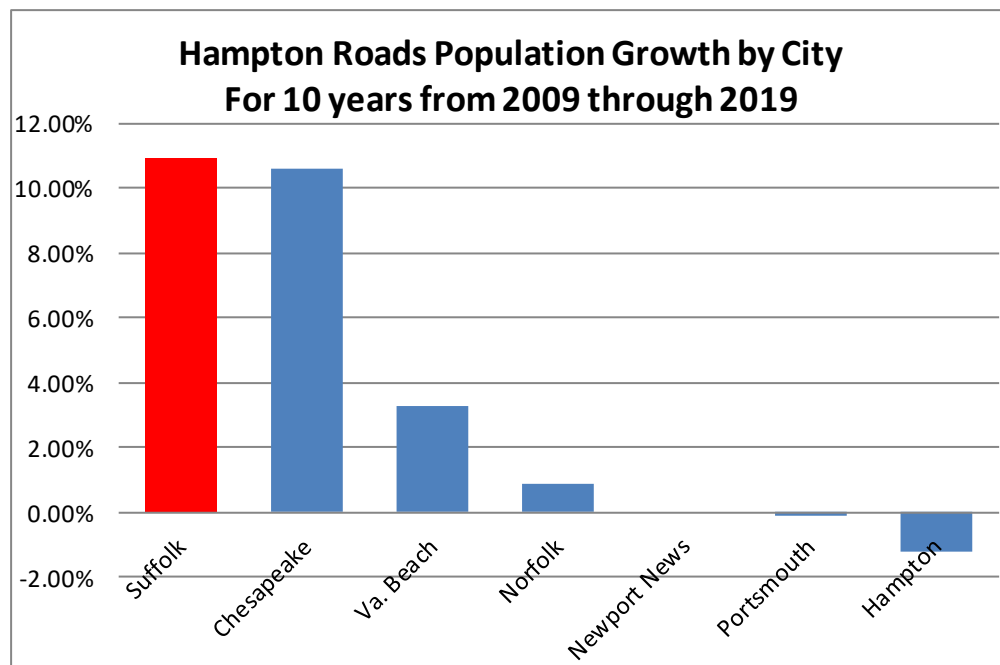
New and Expanding Business Highlights January 1 – December 31, 2019:

<u>New Business</u>	<u>Sector</u>	<u>Investment</u>
Amazon	Warehousing & Distribution	\$200,000,000
Add'l Bridgeport Buildings	Speculative Mixed Use	\$ 13,320,000
Acesur	Food & Beverage	\$ 11,000,000
Harbour Breeze Medical Center	Medical	\$ 6,250,000
Bridgeman Civil	Industrial Contracting	\$ 4,000,000
<u>Expanding Business</u>	<u>Sector</u>	<u>Investment</u>
Bayview Physicians	Medical	\$ 42,000,000
Bon Secours	Medical	\$ 8,000,000
Harbour View Place Phase II	Retail	\$ 5,500,000
Sentara Healthcare	Medical	\$ 2,100,000

Suffolk continues to see population growth. The City has grown almost 11% since the 2010 Census.

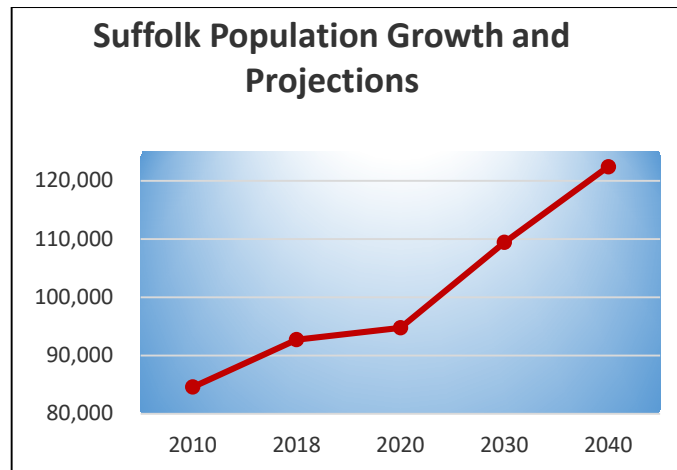
Hampton Roads Population Growth by City

City	2009	2010 Census	2019	Percent Change (2010 -2019)
Hampton	139,233	137,467	135,753	-1.2%
Portsmouth	96,282	95,535	94,581	-1.0%
Newport News	181,218	180,966	181,000	0.0%
Norfolk	243,957	242,803	245,054	0.9%
Virginia Beach	437,275	437,994	452,643	3.3%
Chesapeake	219,795	222,209	245,745	10.6%
Suffolk	82,616	84,585	93,825	10.9%



This

population trend is projected to continue over the foreseeable future. By 2040, we expect to see an increase in population by 30%. The City of Suffolk has the third highest MHI in the region (\$70,664) which is almost equal to the state (\$71,564) and higher than the national MHI (\$60,293).



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 2021 through fiscal year 2030, totals approximately \$883 million. Of this amount, utilities, stormwater, fleet, and information technology projects are estimated at \$225 million while general government projects are estimated at \$656.8 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 set the minimum fund balance percentage at 15%. At June 30, 2020 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 2020, the City's bond ratings were reaffirmed by all three rating agencies: Moody's (Aaa), Fitch Rating Agency (AAA), and Standard and Poor's (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, 2019, representing the 35th 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, 2019. 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 2019 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, 2020. 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.

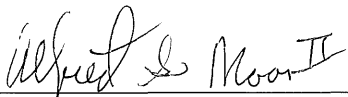
Suffolk is known as one of Virginia's fastest growing cities, outpacing not only the majority of the region, but also the state and much of the nation. Businesses and people alike are saying "Yes, Suffolk!"

Acknowledgments

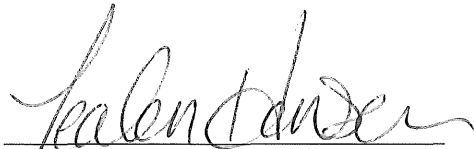
During the year, the staff of the Finance department rendered professional and knowledgeable services to the City. We are most appreciative of these efforts and take this opportunity to recognize these outstanding public servants.

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,



Albert Moor II, P.E.
Interim 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, 2019

Christopher P. Morill

Executive Director/CEO

CITY OF SUFFOLK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

As of June 30, 2020

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. Todd Wagner	Health
Clint Rudy	Library
Diana L. Klink	Media and Community Relations
David Hainley	Planning and Community Development
L.J. Hansen	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, 2020

SUFFOLK PUBLIC SCHOOLS – SCHOOL BOARD

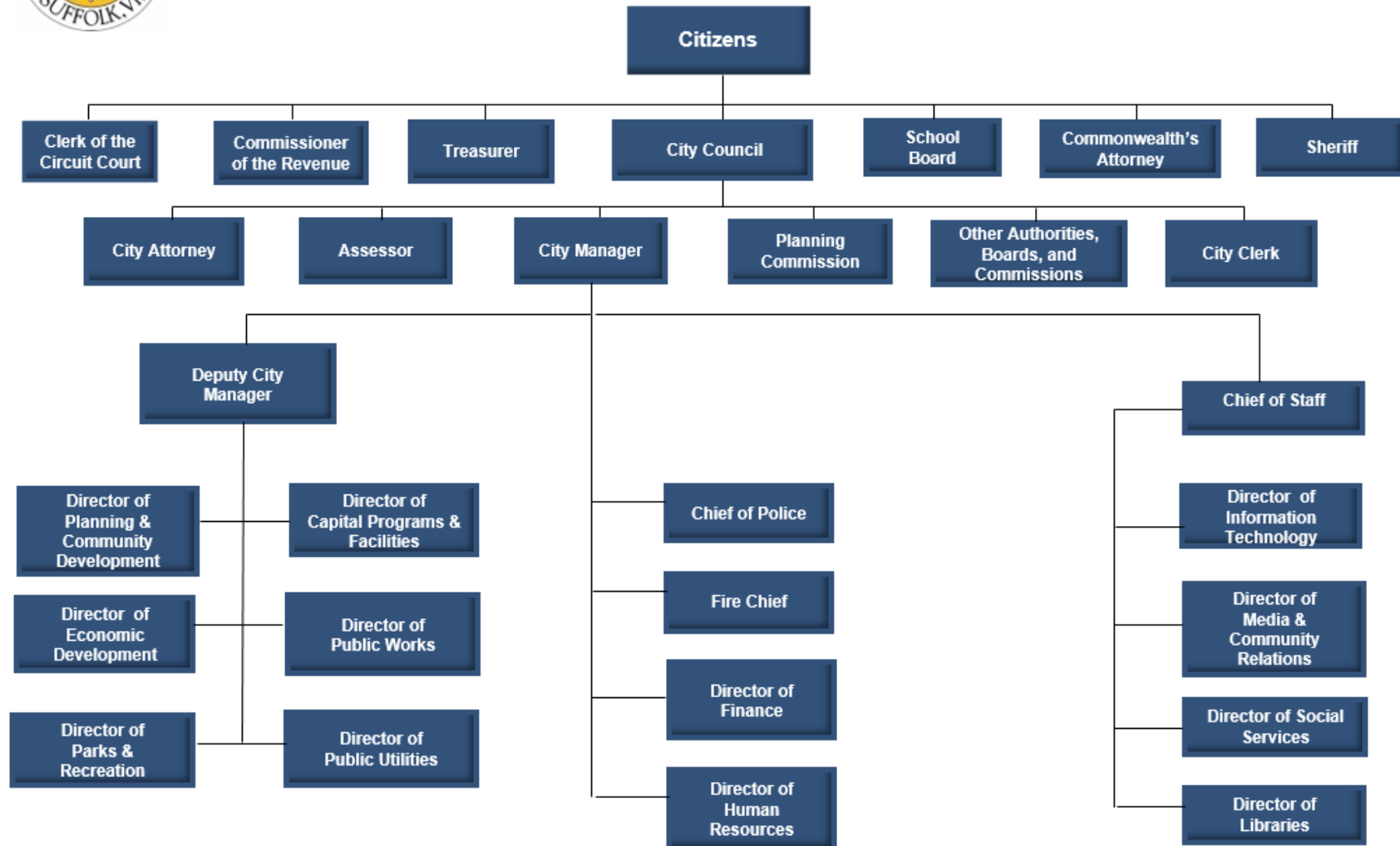
Phyllis C. Byrum.....	Chairman
Dr. Judith Brooks-Buck.....	Vice Chairman
Karen L. Jenkins.....	Board Member
Lorita W. Mayo.....	Board Member
David P. Mitnick	Board Member
Tyron D. Riddick.....	Board Member
Sherri D. Story.....	Board Member

SUFFOLK PUBLIC SCHOOLS – ADMINISTRATION

Dr. John B. Gordon III.....	School Superintendent
Wendy Forsman.....	Executive Director of Finance



City of Suffolk FY 2019-2020 Operating and Capital Budget Organizational Chart



FINANCIAL SECTION

Report of Independent Auditor

To the City Council
City of Suffolk, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Suffolk, Virginia (the "City"), as of and for the year ended June 30, 2020, 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 of 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, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, in March 2020, the World Health Organization declared COVID-19 a global pandemic. Given the uncertainty of the situation and the duration of any business disruption, the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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 express no opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, 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
December 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the City of Suffolk, Virginia (the "City") presents this narrative discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2020. 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 \$560.9 million at June 30, 2020. Of this balance, \$405.8 million is attributed to the governmental activities and \$155.1 million to the business-type activities.
- For fiscal year 2020, taxes, other general revenues net of transfers of the City's governmental activities amounted to \$214.5 million and net program expenses \$188.6 million, which resulted in an increase from 2019 in net position for the City's governmental activities of \$25.9 million.
- Revenues of the City's business-type activities were \$74.4 million, expenses were \$70.7 million and net transfers to the General Fund were \$1.7 million, which resulted in an increase of net position for the City's business-type activities of \$2.0 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 governmental 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 232.5	\$ 196.2	\$ 74.3	\$ 85.5	\$ 306.8	\$ 281.7
Capital and other non-current assets	537.9	531.7	464.2	458.2	1,002.1	989.9
Total assets	770.4	727.9	538.5	543.7	1,308.9	1,271.6
Deferred Outflows of Resources	35.3	25.4	21.5	19.7	56.8	45.1
Current and other liabilities	25.1	13.8	7.9	8.6	33.0	22.4
Long-term liabilities	362.9	346.9	395.8	400.7	758.7	747.6
Total liabilities	388.0	360.7	403.7	409.3	791.7	770.0
Deferred Inflows of Resources	11.9	12.6	1.2	1.1	13.1	13.7
Net position:						
Net investment in capital assets	312.9	301.9	107.0	104.2	419.9	406.1
Restricted	9.5	1.6	2.6	2.5	12.1	4.1
Unrestricted	83.4	76.5	45.6	46.3	129.0	122.8
Net position	\$ 405.8	\$ 380.0	\$ 155.1	\$ 153.0	\$ 560.9	\$ 533.0

The City's combined net position (which is the City's "bottom line") increased by \$28.0 million in fiscal year 2020 of which approximately 2.16% 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 \$419.9 million comprises 74.84% 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 23.0% of net position, or \$129.0 million, as unrestricted. The unrestricted portion of net position is available to allow the City to provide services to citizens.

Statement of Activities

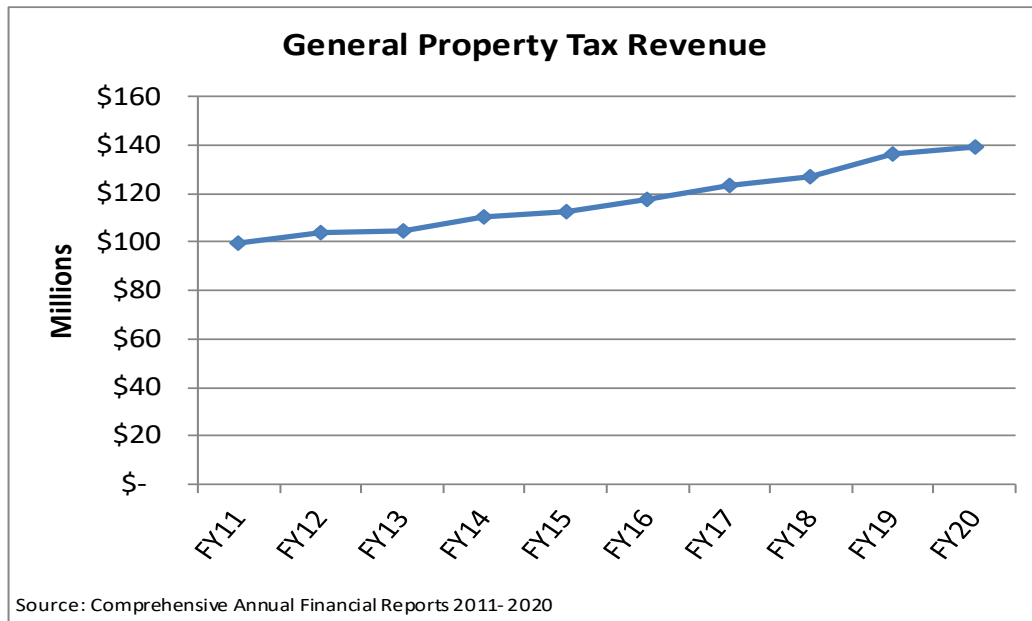
The following table summarizes the changes in net position for governmental and business-type activities:

	Change in Net Position (In Millions)					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 9.1	\$ 9.9	\$ 66.5	\$ 65.7	\$ 75.6	\$ 75.6
Operating grants and contributions	41.8	41.0	-	-	41.8	41.0
Capital grants and contributions	9.2	7.6	5.0	0.5	14.2	8.1
General revenues:						
Real estate and property taxes	139.1	136.2	-	-	139.1	136.2
Other taxes	48.7	46.2	-	-	48.7	46.2
Grants and contributions, not restricted	14.1	14.0	-	-	14.1	14.0
Unrestricted investment earnings	4.1	4.5	1.1	2.0	5.2	6.5
Miscellaneous	6.9	5.6	2.0	0.9	8.9	6.5
Total revenues	273.0	265.0	74.6	69.1	347.6	334.1
Expenses:						
General government	24.1	18.6	-	-	24.1	18.6
Judicial	10.4	9.3	-	-	10.4	9.3
Public safety	66.9	63.2	-	-	66.9	63.2
Public works	42.2	39.0	-	-	42.2	39.0
Health and welfare	15.2	13.3	-	-	15.2	13.3
Transportation	1.5	1.3	-	-	1.5	1.3
Education	58.5	60.4	-	-	58.5	60.4
Parks, recreation, cultural	12.3	12.6	-	-	12.3	12.6
Community development	8.5	6.5	-	-	8.5	6.5
Interest on long-term debt	9.1	9.7	-	-	9.1	9.7
Utility	-	-	56.7	55.2	56.7	55.2
Refuse collection services	-	-	9.2	8.5	9.2	8.5
Stormwater utility	-	-	5.0	4.8	5.0	4.8
Total expenses	248.7	233.9	70.9	68.5	319.6	302.4
Excess of revenues over expenses	24.3	31.1	3.7	0.6	28.0	31.7
Capital assets contributed to schools	-	(57.8)	-	-	-	(57.8)
Transfers	1.6	2.2	(1.6)	(2.2)	-	-
Change in net position	25.9	(24.5)	2.1	(1.6)	28.0	(26.1)
Net position - beginning	379.9	404.5	153.0	154.6	532.9	559.1
Net position - ending	\$ 405.8	\$ 380.0	\$ 155.1	\$ 153.0	\$ 560.9	\$ 533.0

Governmental Activities

Revenue Highlights:

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$139.1 million and \$136.2 million in fiscal year 2020 and 2019, 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 over time is due to increase in assessed value of the real and personal property as well as tax increases in FY's 2012, 2016, 2017, and 2019. These tax increases were added to fund increases in education as well as public safety.



Other Local Taxes are comprised of revenue from local sales tax, meals, lodging, and utilities increased from fiscal year 2019 into fiscal year 2020. This increase is due to increased sales and meals taxes, while the City did lose revenue due to the worldwide pandemic, there was little effect on sales taxes and the effect on the meals taxes was not as large as originally estimated.

Expense Highlights:

The City is committed to ensuring the highest level of safety for its citizens and has expended \$66.9 million towards public safety efforts.

Education continues to be one of the City's highest priorities and commitments representing \$58.5 million, this amount is a decrease from fiscal year 2019. The amount that was budgeted to go to the schools increased in fiscal year 20, however the decrease in actual expenditures is due to the worldwide pandemic, the School division as received funding from the Commonwealth of Virginia to help with pandemic related expenditures, in addition the School Board experienced savings which the City Council has re-appropriated into the FY21 School Board budget.

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 89.4% of the total revenues collected. These revenues increased from fiscal year 2019 to 2020 due to increased usage.

Expense Highlights:

Utility Fund expenses were \$56.7 million of which 29.89% 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 and general increases in operation expenses. Stormwater expenses were \$5.0 million for fiscal year 2020, which is a slight increase from fiscal year 2019. The refuse fund expenses were \$9.2 million in fiscal year 2020, which is an increase from fiscal year 2019, the increase is due to increased 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 \$174.6 million. Approximately 49.3% 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 \$97.4 million of which \$86.3 million represents unassigned fund balance. Fund Balance in the General Fund increased from fiscal year 2019. This increase is attributable to better than anticipated collections of real estate taxes and other local taxes such as sales tax and business license taxes.

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 15%. The restricted portion of fund balance, \$1.5 million reflects restricted cash for unspent grant funds and developer deposits. The committed portion, \$9.0 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 \$492.7 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 \$14.3 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 \$628 thousand 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 \$54.4 million, \$6.8 million was committed for contracts and purchase orders in process, and the remaining balance of \$47.6 million is restricted, as it consists of unspent bond proceeds and cash proffers for subsequent years' projects. The overall fund balance increased in the current year, as there are several large projects that are getting started that have funds accumulated.

Five of the City's significant capital projects are the following in fiscal year 2020

- Schools Operations Facility
- Shoulders Hill Intersection Improvements
- Fire Apparatus acquisition
- New Central Library
- Bennetts Creek Recreation Center

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 \$155.1 million.

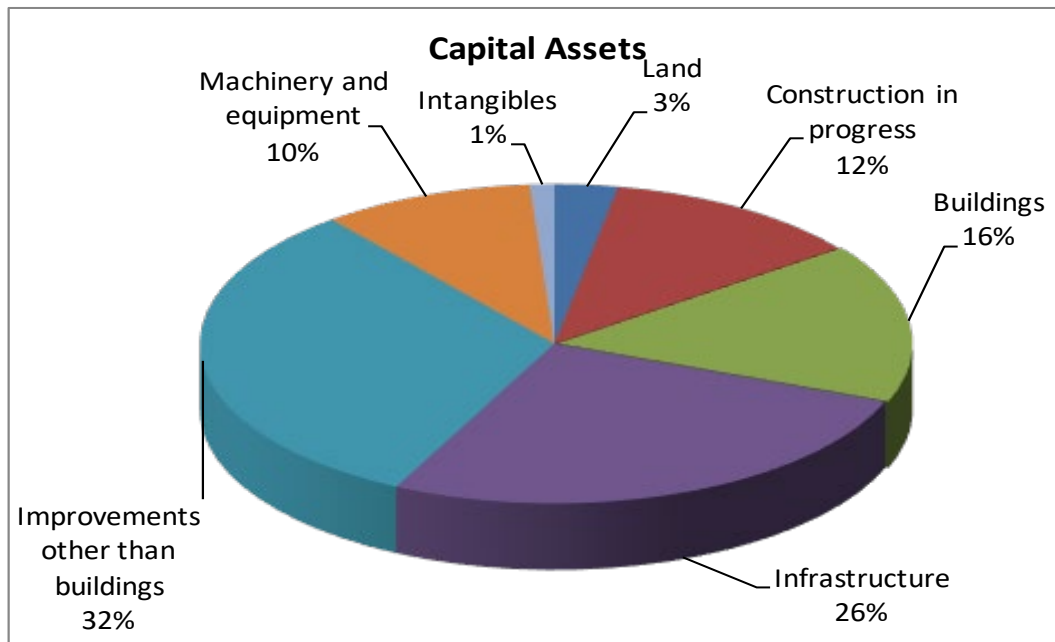
Internal service funds: The internal service funds are used to account for entity-wide fleet management, information technology and risk management programs. The total net position at the end of the current fiscal year was \$43.8 million.

Trust funds: In fiscal year 2020, the City fully funded its annual contribution to the fund as calculated by the actuaries and there is now \$38.1 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, 2020, totaled \$1,002.1 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, machinery and equipment and construction in progress.

Capital Assets (net of depreciation) (in Millions)						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 24.2	\$ 24.2	\$ 4.7	\$ 4.7	\$ 28.9	\$ 28.9
Construction in progress	85.3	75.4	33.9	25.0	119.2	100.4
Buildings	88.6	91.5	73.0	75.0	161.6	166.5
Infrastructure	265.1	263.2	-	-	265.1	263.2
Improvements other than buildings	37.4	36.7	281.5	278.1	318.9	314.8
Machinery and equipment	35.1	38.3	62.0	64.8	97.1	103.1
Intangibles	2.2	2.4	9.1	10.6	11.3	13.0
Total	\$ 537.9	\$ 531.7	\$ 464.2	\$ 458.2	\$ 1,002.1	\$ 989.9



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 \$674.6 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	
	2020	2019	2020	2019	2020	2019
Bonds payable	\$ 266.6	\$ 262.3	\$ 360.9	\$ 365.9	\$ 627.5	\$ 628.2
Bond Premiums	20.5	22.7	24.6	27.1	45.1	49.8
Capital leases	1.5	2.0	0.5	0.6	2.0	2.6
Total	\$ 288.6	\$ 287.0	\$ 386.0	\$ 393.6	\$ 674.6	\$ 680.6

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 \$1.008 billion for 2020. The City Charter further limits this general obligation limit to 7% of the City's assessed value of real property or \$706.0 million. Of the debt shown above, only \$436.1 million is general obligation debt that is applicable to the legal debt limits. The City has met both of the legal debt limits.

The City has a financial policy that further restricted the debt ratio of general government debt, not pledged by other revenue sources, to 4% or \$403.4 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 2,500 new jobs and over \$300 million dollars in new and expanding capital investment in the City during the calendar year 2019.
- For fiscal year 2020, the City's tax rate was \$1.11 per \$100 and remains the third lowest tax rate in the region.
- Population in the City increased 11% in the last ten years.
- The City has achieved bond ratings from Moody's Investor Service of Aaa, and from Fitch Rating Agency and Standard and Poor's Ratings Services of "AAA". These ratings reflect the City's continued commitment to strong financial management.
- In March of 2020 the World Health Organization declared a global pandemic as a result of the outbreak and spread of a novel strain of coronavirus ("COVID-19"). The City saw a slight decline in meals tax revenue during the spring and early summer, since then the meals tax revenue has rebounded. The City experienced strong revenue collections during the fiscal year, this combined with conservative spending has put the City in a strong financial position as of June 30. The full effects of the pandemic are still uncertain, but the City continues to monitor any developments.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 157,729,555	\$ 50,931,368	\$ 208,660,923	\$ 29,938,442	\$ 6,131,120
Cash and cash equivalents, restricted (Note 2)	58,866,223	14,667,209	73,533,432	-	2,027,987
Receivables, net (Note 3)	7,550,063	8,567,526	16,117,589	86,515	396,818
Due from other governments (Note 4)	4,574,370	-	4,574,370	5,062,627	-
Due from component units	3,499,496	-	3,499,496	-	-
Inventories	334,657	145,600	480,257	601,017	7,064,150
Prepaid items	5,224	-	5,224	95,000	-
Net OPEB / Pension asset (Note 12)	-	-	-	2,902,564	-
Capital assets: (Note 7)					
Land and construction in progress	109,537,141	38,636,889	148,174,030	6,387,523	1,021,162
Other capital assets, net	428,378,186	425,578,454	853,956,640	161,321,867	20,398,373
Total assets	<u>770,474,915</u>	<u>538,527,046</u>	<u>1,309,001,961</u>	<u>206,395,555</u>	<u>37,039,610</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	4,578,898	16,857,804	21,436,702	-	51,253
Deferred outflows related to pension plan (Note 11)	18,841,627	2,966,995	21,808,622	32,099,291	-
Deferred outflows related to OPEB local trust (Note 12)	8,325,327	1,535,671	9,860,998	1,425,891	-
Deferred outflows related to OPEB state plans (Note 13)	3,507,412	173,411	3,680,823	4,256,186	-
Total deferred outflows of resources	<u>35,253,264</u>	<u>21,533,881</u>	<u>56,787,145</u>	<u>37,781,368</u>	<u>51,253</u>
LIABILITIES					
Accounts payable and accrued liabilities	11,009,680	3,207,277	14,216,957	1,949,884	25,556
Accrued payroll and related liabilities	1,593,697	165,413	1,759,110	18,667,209	-
Accrued interest payable	3,929,585	4,363,476	8,293,061	-	68,624
Due to Primary Government	-	-	-	3,260,241	239,255
Deposits and amounts held for others	-	-	-	-	2,500
Unearned revenues (Note 8)	8,582,129	189,615	8,771,744	-	16,845
Long-term liabilities: (Note 9)					
Due within one year	25,772,791	12,748,801	38,521,592	165,901	1,025,000
Net OPEB liability -- state plans (Note 13)	245,904	-	245,904	-	-
Due in more than one year	272,537,487	374,107,052	646,644,539	2,749,170	5,190,000
Net pension liability (Note 11)	43,173,612	6,870,484	50,044,096	129,350,403	-
Net OPEB liability -- local trust (Note 12)	7,171,400	1,322,820	8,494,220	-	-
Net OPEB liability -- state plans (Note 13)	13,985,069	761,170	14,746,239	20,244,868	-
Total liabilities	<u>388,001,355</u>	<u>403,736,108</u>	<u>791,737,463</u>	<u>176,387,676</u>	<u>6,567,780</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes (Note 8)	917,238	-	917,238	-	-
Deposits (Note 8)	2,327,275	-	2,327,275	-	-
Deferred inflows related to pension plan (Note 11)	5,292,220	842,185	6,134,405	14,090,642	-
Deferred inflows related to OPEB local trust (Note 12)	1,476,659	272,381	1,749,040	2,424,990	-
Deferred inflows related to OPEB state plans (Note 13)	1,878,620	62,948	1,941,568	1,024,549	-
Total deferred inflows of resources	<u>11,892,012</u>	<u>1,177,514</u>	<u>13,069,526</u>	<u>17,540,181</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	312,862,208	107,008,077	419,870,285	21,419,535	15,204,535
Restricted:					
Operating reserves	-	2,583,899	2,583,899	-	-
Cemetery care	1,006,582	-	1,006,582	-	-
Other governmental purposes	8,543,217	-	8,543,217	-	1,959,363
Unrestricted	83,422,805	45,555,329	128,978,134	28,829,531	13,359,185
Total net position	<u>\$ 405,834,812</u>	<u>\$ 155,147,305</u>	<u>\$ 560,982,117</u>	<u>\$ 50,249,066</u>	<u>\$ 30,523,083</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

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	\$ 24,148,299	\$ 4,478,205	\$ 2,355,721	\$ 376,848	\$ (16,937,525)	\$ -	\$ (16,937,525)		
Judicial administration	10,446,204	288,709	2,209,983	-	(7,947,512)	-	(7,947,512)		
Public safety	66,848,213	2,272,912	1,218,376	-	(63,356,925)	-	(63,356,925)		
Public works	42,200,323	1,243,877	24,434,363	8,725,657	(7,796,426)	-	(7,796,426)		
Health and welfare	15,192,043	-	8,984,117	-	(6,207,926)	-	(6,207,926)		
Transportation	1,511,098	68,430	1,571,026	62,052	190,410	-	190,410		
Education	58,464,243	-	3,724	-	(58,460,519)	-	(58,460,519)		
Parks, recreation, and cultural	12,333,012	727,136	310,848	-	(11,295,028)	-	(11,295,028)		
Community development	8,481,703	40,069	719,004	-	(7,722,630)	-	(7,722,630)		
Interest on long-term debt	9,095,957	-	-	-	(9,095,957)	-	(9,095,957)		
Total governmental activities	248,721,095	9,119,338	41,807,162	9,164,557	(188,630,038)	-	(188,630,038)	-	-
Business-type activities:									
Utility	56,508,083	51,378,596	-	4,990,101	-	(139,386)	(139,386)		
Stormwater utility	4,989,456	6,723,695	-	-	-	1,734,239	1,734,239		
Refuse	9,194,200	8,434,012	-	-	-	(760,188)	(760,188)		
Total business-type activities	70,691,739	66,536,303	-	4,990,101	-	834,665	834,665	-	-
Total Primary Government	\$ 319,412,834	\$ 75,655,641	\$ 41,807,162	\$ 14,154,658	\$ (188,630,038)	\$ 834,665	\$ (187,795,373)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 173,176,552	\$ 1,206,577	\$ 104,790,170	\$ -	\$ -	\$ -	\$ -	\$ (67,179,805)	\$ -
Economic Development Authority	3,975,872	1,895,438	-	-	-	-	-	-	(2,080,434)
Total component units	\$ 177,152,424	\$ 3,102,015	\$ 104,790,170	\$ -	-	-	-	(67,179,805)	(2,080,434)
General revenues:									
Property taxes					139,071,096	-	139,071,096	-	-
Sales and use taxes					12,626,601	-	12,626,601	-	-
Business license taxes					8,412,262	-	8,412,262	-	-
Meals taxes					10,749,762	-	10,749,762	-	-
Utility taxes					4,755,918	-	4,755,918	-	-
Communication taxes					2,890,793	-	2,890,793	-	-
Motor vehicle license taxes					2,624,213	-	2,624,213	-	-
Tobacco taxes					1,920,427	-	1,920,427	-	-
Lodging taxes					1,470,419	-	1,470,419	-	-
Recordation taxes					2,513,189	-	2,513,189	-	-
Other local taxes					773,706	-	773,706	-	-
Grants and contributions not restricted to specific programs					14,094,789	-	14,094,789	-	-
Miscellaneous					6,903,253	1,774,305	8,677,558	996,065	696
Unrealized gain on land held for sale					-	-	-	-	537,764
City of Suffolk contribution					-	-	-	57,571,960	1,576,250
Unrestricted revenues from use of money and property					4,067,125	1,128,543	5,195,668	75,065	13,444
Transfers (Note 5)					1,659,638	(1,659,638)	-	-	-
Total general revenues and transfers					214,533,191	1,243,210	215,776,401	58,643,090	2,128,154
Change in net position					25,903,153	2,077,875	27,981,028	(8,536,715)	47,720
Net position at July 1					379,931,659	153,069,430	533,001,089	58,785,781	30,475,363
Net position at June 30					\$ 405,834,812	\$ 155,147,305	\$ 560,982,117	\$ 50,249,066	\$ 30,523,083

CITY OF SUFFOLK, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Capital Projects	Road Maintenance	Debt Service	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 89,543,224	\$ 9,663,107	\$ 16,870,713	\$ 492,720	\$ 5,989,446	\$ 122,559,210
Cash and cash equivalents, restricted (Note 2)	1,300,624	49,316,424	-	-	8,249,175	58,866,223
Receivables, net (Note 3)	7,345,497	40,361	31,179	-	56,642	7,473,679
Due from other governmental units (Note 4)	2,404,238	771,812	-	-	1,398,320	4,574,370
Due from component units	3,499,496	-	-	-	-	3,499,496
Inventories	68,149	-	-	-	45,654	113,803
Prepays	5,224	-	-	-	-	5,224
Total assets	<u>\$ 104,166,452</u>	<u>\$ 59,791,704</u>	<u>\$ 16,901,892</u>	<u>\$ 492,720</u>	<u>\$ 15,739,237</u>	<u>\$ 197,092,005</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 2,940,190	\$ 5,432,915	\$ 1,476,102	\$ -	\$ 486,791	\$ 10,335,998
Accrued payroll and related liabilities	1,396,005	-	99,425	-	19,610	1,515,040
Unearned grant receipts	-	-	-	-	7,231,939	7,231,939
Total liabilities	<u>4,336,195</u>	<u>5,432,915</u>	<u>1,575,527</u>	<u>-</u>	<u>7,738,340</u>	<u>19,082,977</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - taxes	189,989	-	-	-	375	190,364
Prepaid Taxes	917,238	-	-	-	-	917,238
Deposits	1,300,624	-	1,002,920	-	23,731	2,327,275
Total deferred inflows of resources	<u>2,407,851</u>	<u>-</u>	<u>1,002,920</u>	<u>-</u>	<u>24,106</u>	<u>3,434,877</u>
FUND BALANCES (NOTE 17)						
Nonspendable	73,373	-	-	-	45,654	119,027
Restricted	1,455,994	47,581,036	14,323,445	-	3,505,302	66,865,777
Committed	9,022,280	6,777,753	-	492,720	4,436,654	20,729,407
Assigned	526,269	-	-	-	-	526,269
Unassigned	86,344,490	-	-	-	(10,819)	86,333,671
Total fund balances	<u>97,422,406</u>	<u>54,358,789</u>	<u>14,323,445</u>	<u>492,720</u>	<u>7,976,791</u>	<u>174,574,151</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 104,166,452</u>	<u>\$ 59,791,704</u>	<u>\$ 16,901,892</u>	<u>\$ 492,720</u>	<u>\$ 15,739,237</u>	<u>\$ 197,092,005</u>

	Primary Government
Total fund balances - governmental funds	\$ 174,574,151
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	516,615,136
Unavailable revenues represent amounts that were not available to fund current expenditures and, therefore, are not reported in the funds.	190,364
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(3,812,898)
Deferred charges on refunding are not current outflows of resources and not reported in the governmental funds	4,578,898
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	(262,160,424)
Unamortized premiums and other credits on bonds	(19,897,687)
Compensated absences	(5,838,619)
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	(40,985,495)
Deferred outflows - pension plan	17,895,673
Deferred inflows - pension plan	(5,024,001)
Net OPEB liability - City trust	(6,840,694)
Deferred outflows - OPEB City trust	7,941,409
Deferred inflows - OPEB City trust	(1,408,564)
Net OPEB liability - state plans	(13,994,772)
Deferred outflows - OPEB state plans	3,453,119
Deferred inflows - OPEB state plans	(1,859,085)
Unearned revenues not recorded in the funds as it did not arise from current financial resources relating to the golf course lease agreement.	(1,350,190)
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.	43,758,491
Net position of governmental activities	<u>\$ 405,834,812</u>

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	General	Capital Projects	Road Maintenance	Debt Service	Non-major Funds	Total Governmental Funds
REVENUES						
Real estate and personal property taxes	\$ 139,955,458	\$ -	\$ -	\$ -	\$ 2,003,601	\$ 141,959,059
Other local taxes	48,737,290	-	-	-	-	48,737,290
Permits, privilege fees and regulatory licenses	1,788,722	-	352,605	-	-	2,141,327
Fines and forfeitures	780,306	-	231,798	-	-	1,012,104
Revenue from use of money and property	2,707,027	-	277,626	149,972	381,508	3,516,133
Charges for services	3,439,025	-	1,123,718	-	541,448	5,104,191
Miscellaneous	3,008,849	42,128	52,316	-	228,563	3,331,856
Intergovernmental:						
Revenue from the Commonwealth	21,639,609	8,729,491	24,390,615	-	762,946	55,522,661
Revenue from the Federal government	5,434,916	17,014	-	-	3,542,174	8,994,104
Total revenues	227,491,202	8,788,633	26,428,678	149,972	7,460,240	270,318,725
EXPENDITURES						
Current:						
General government administration	16,592,630	-	-	-	1,607,712	18,200,342
Judicial administration	9,238,588	-	-	-	894,480	10,133,068
Public safety	63,495,435	-	-	-	387,999	63,883,434
Public works	905,883	-	23,313,713	-	201,521	24,421,117
Health and welfare	14,670,632	-	-	-	-	14,670,632
Transportation	-	-	-	-	1,898,154	1,898,154
Education	58,106,679	-	-	-	-	58,106,679
Parks, recreation, and cultural	11,136,438	-	-	-	195,107	11,331,545
Community development	6,408,290	-	-	-	896,846	7,305,136
Nondepartmental	594,989	-	-	-	-	594,989
Capital outlay	-	30,648,655	-	-	-	30,648,655
Debt service:						
Principal retirement	-	-	-	18,118,620	-	18,118,620
Bond issuance costs	-	-	-	582,569	-	582,569
Interest and fiscal charges	-	-	-	9,579,925	-	9,579,925
Total expenditures	181,149,564	30,648,655	23,313,713	28,281,114	6,081,819	269,474,865
Excess (deficiency) of revenues over/(under) expenditures	46,341,638	(21,860,022)	3,114,965	(28,131,142)	1,378,421	843,860
OTHER FINANCING SOURCES (USES)						
Refunding bonds issued	-	-	-	31,345,000	-	31,345,000
General obligations bonds issued	-	18,965,000	-	-	-	18,965,000
Premiums on bonds issued	-	2,125,510	-	198,292	-	2,323,802
Payment to escrow agent	-	-	-	(31,033,899)	-	(31,033,899)
Transfers in	2,695,930	6,120,183	-	27,621,749	1,266,165	37,704,027
Transfers out	(32,139,012)	(331,359)	(2,487,049)	-	(383,918)	(35,341,338)
Total other financing sources (uses), net	(29,443,082)	26,879,334	(2,487,049)	28,131,142	882,247	23,962,592
Net change in fund balances	16,898,556	5,019,312	627,916	-	2,260,668	24,806,452
Fund balances at July 1	80,523,850	49,339,477	13,695,529	492,720	5,716,123	149,767,699
Fund balances at June 30	\$ 97,422,406	\$ 54,358,789	\$ 14,323,445	\$ 492,720	\$ 7,976,791	\$ 174,574,151

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	Total Governmental Funds
Change in fund balance - total governmental funds	\$ 24,806,452
Adjustments for the Statement of Activities:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay	32,231,862
Depreciation expense	(23,050,158)
Loss on disposal of assets	(21,495)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable revenues	(2,887,963)
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	49,379,094
Net change in deferred bond charges from refunding	(907,430)
Proceeds from issuance of new debt	(50,340,980)
Net change in bond premiums	(97,872)
Record the net flow of resources in the current year related to the Pension Plan.	(2,806,902)
Record the net flow of resources in the current year related to the OPEB City trust fund.	(873,636)
Record the net flow of resources in the current year related to the state OPEB plans.	(190,161)
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	(150,725)
Change in compensated absences	170,044
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.	287,023
Change in net position of governmental activities	\$ 25,903,153

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 40,008,259	\$ 10,923,109	\$ 50,931,368	\$ 35,170,345
Cash and cash equivalents, restricted	14,667,209	-	14,667,209	-
Receivables, net	7,911,017	656,509	8,567,526	76,384
Inventories	145,600	-	145,600	220,854
Total current assets	62,732,085	11,579,618	74,311,703	35,467,583
Noncurrent assets:				
Land and construction in progress	38,636,889	-	38,636,889	992,543
Other capital assets, net	425,284,766	293,688	425,578,454	20,307,648
Total noncurrent assets	463,921,655	293,688	464,215,343	21,300,191
Total assets	526,653,740	11,873,306	538,527,046	56,767,774
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	16,857,804	-	16,857,804	-
Deferred outflows related to pension plan	1,752,483	1,214,512	2,966,995	945,954
Deferred outflows related to OPEB City trust	910,027	625,644	1,535,671	383,918
Deferred outflows related to OPEB state plans	102,364	71,047	173,411	54,293
Total deferred outflows of resources	19,622,678	1,911,203	21,533,881	1,384,165
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,760,005	429,109	2,189,114	673,682
Accounts payable from restricted resources	1,018,162	-	1,018,162	-
Accrued payroll and related liabilities	104,716	60,697	165,413	78,657
Unearned revenues	189,615	-	189,615	-
Claims payable	-	-	-	2,008,317
Accrued interest payable	4,348,221	15,255	4,363,476	116,687
Compensated absences	13,660	15,926	29,586	5,476
Bonds and leases payable	12,561,313	157,902	12,719,215	2,316,566
Total current liabilities	19,995,692	678,889	20,674,581	5,199,385
Noncurrent liabilities:				
Compensated absences	518,631	288,224	806,855	296,000
Net pension liability	4,049,434	2,821,050	6,870,484	2,188,117
Net OPEB liability City trust	783,893	538,927	1,322,820	330,706
Net OPEB liability state plans	448,961	312,209	761,170	236,201
Claims payable	-	-	-	1,550,318
Bonds and leases payable	372,568,906	731,292	373,300,198	4,236,872
Total noncurrent liabilities	378,369,825	4,691,702	383,061,527	8,838,214
Total liabilities	398,365,517	5,370,591	403,736,108	14,037,599
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension plan	496,380	345,805	842,185	268,219
Deferred inflows related to OPEB City trust	161,411	110,970	272,381	68,095
Deferred inflows related to OPEB state plans	37,129	25,819	62,948	19,535
Total deferred inflows of resources	694,920	482,594	1,177,514	355,849
NET POSITION				
Net investment in capital assets	106,714,389	293,688	107,008,077	14,746,752
Restricted:				
Operating reserves	2,583,899	-	2,583,899	-
Unrestricted	37,917,693	7,637,636	45,555,329	29,011,739
Total net position	\$ 147,215,981	\$ 7,931,324	\$ 155,147,305	\$ 43,758,491

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2020

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
OPERATING REVENUES				
Charges for services	\$ 51,378,596	\$ 15,157,707	\$ 66,536,303	\$ 39,072,395
Other	127,960	842,591	970,551	611,714
Total operating revenues	<u>51,506,556</u>	<u>16,000,298</u>	<u>67,506,854</u>	<u>39,684,109</u>
OPERATING EXPENSES				
Personnel services	7,966,491	5,107,815	13,074,306	3,953,514
Self-insured claims	-	-	-	13,263,976
Contractual services	609,389	4,918,870	5,528,259	5,025,386
Administration	3,492,872	3,427,221	6,920,093	997,200
Supplies	876,699	158,471	1,035,170	82,667
Repairs and maintenance	2,683,077	10,682	2,693,759	275,698
Vehicle and power equipment – fuel	-	-	-	1,249,147
Vehicle and power equipment – supplies	-	-	-	2,241,126
Computers and equipment	-	-	-	3,569,931
Utilities	1,210,185	49,273	1,259,458	227,511
Insurance	-	-	-	2,233,747
Bulk-water purchases	7,066,468	-	7,066,468	-
Depreciation and amortization	16,893,028	137,186	17,030,214	5,590,468
Building and equipment rental	988,505	89,628	1,078,133	131,207
Other charges	771,816	236,266	1,008,082	302,211
Total operating expenses	<u>42,558,530</u>	<u>14,135,412</u>	<u>56,693,942</u>	<u>39,143,789</u>
Operating income	<u>8,948,026</u>	<u>1,864,886</u>	<u>10,812,912</u>	<u>540,320</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	946,395	182,147	1,128,542	550,991
Interest expense and other fiscal charges	(14,121,422)	(25,521)	(14,146,943)	(101,237)
Costs of issuance	201,143	(22,723)	178,420	-
Recovered Costs	803,754	-	803,754	-
Contribution to WTTA infrastructure	(29,274)	-	(29,274)	-
Nonoperating revenues (expenses), net	<u>(12,199,404)</u>	<u>133,903</u>	<u>(12,065,501)</u>	<u>449,754</u>
(Loss) income before contributions and transfers	<u>(3,251,378)</u>	<u>1,998,789</u>	<u>(1,252,589)</u>	<u>990,074</u>
Capital contributions	4,990,101	-	4,990,101	-
Transfers out	<u>(544,139)</u>	<u>(1,115,498)</u>	<u>(1,659,637)</u>	<u>(703,051)</u>
Change in net position	1,194,584	883,291	2,077,875	287,023
Net position at July 1	<u>146,021,397</u>	<u>7,048,033</u>	<u>153,069,430</u>	<u>43,471,468</u>
Net position at June 30	<u><u>\$ 147,215,981</u></u>	<u><u>\$ 7,931,324</u></u>	<u><u>\$ 155,147,305</u></u>	<u><u>\$ 43,758,491</u></u>

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, 2020

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
OPERATING ACTIVITIES				
Receipts from customers	\$ 51,222,126	\$ 16,174,540	\$ 67,396,666	\$ 39,693,306
Payments to employees	(7,071,055)	(4,747,740)	(11,818,795)	(3,690,850)
Payments to suppliers	(18,532,413)	(8,866,752)	(27,399,165)	(28,600,673)
Net cash provided by operating activities	<u>25,618,658</u>	<u>2,560,048</u>	<u>28,178,706</u>	<u>7,401,783</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(573,413)	(1,115,498)	(1,688,911)	(703,051)
Net cash used in noncapital financing activities	<u>(573,413)</u>	<u>(1,115,498)</u>	<u>(1,688,911)</u>	<u>(703,051)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(18,010,324)	-	(18,010,324)	(2,677,222)
Proceeds from issuance of debt	25,844,000	403,836	26,247,836	2,712,088
Principal paid on capital debt, net	(7,835,144)	(130,000)	(7,965,144)	(2,088,980)
Capital Contributions	803,754	-	803,754	-
Refunding proceeds placed in escrow	(26,629,104)	-	(26,629,104)	-
Bond issuance costs	827,150	(24,811)	802,339	(24,608)
Interest paid on capital debt	(14,097,502)	(33,269)	(14,130,771)	(246,265)
Net cash provided by (used in) capital and related financing activities	<u>(39,097,170)</u>	<u>215,756</u>	<u>(38,881,414)</u>	<u>(2,324,987)</u>
INVESTING ACTIVITIES				
Interest received	946,395	182,147	1,128,542	550,991
Net cash provided by investing activities	<u>946,395</u>	<u>182,147</u>	<u>1,128,542</u>	<u>550,991</u>
Net increase (decrease) in cash and cash equivalents	(13,105,530)	1,842,453	(11,263,077)	4,924,736
CASH AND CASH EQUIVALENTS				
Beginning, July 1,	67,780,998	9,080,656	76,861,654	30,245,609
Ending, June 30	<u>\$ 54,675,468</u>	<u>\$ 10,923,109</u>	<u>\$ 65,598,577</u>	<u>\$ 35,170,345</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ 40,008,259	\$ 10,923,109	\$ 50,931,368	\$ 35,170,345
Cash and cash equivalents, restricted	14,667,209	-	14,667,209	-
	<u>\$ 54,675,468</u>	<u>\$ 10,923,109</u>	<u>\$ 65,598,577</u>	<u>\$ 35,170,345</u>

(Continued)

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2020

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
RECONCILIATION OF OPERATING INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 8,948,026	\$ 1,864,886	\$ 10,812,912	\$ 540,320
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	16,893,028	137,186	17,030,214	5,590,468
Decrease in allowance for uncollectible accounts		(8,566)	(8,566)	-
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(280,963)	182,808	(98,155)	9,195
Inventories	(1,066)	-	(1,066)	474,201
Increase (decrease) in:				
Accounts payable and accrued liabilities	(832,337)	23,659	(808,678)	130,673
Accrued payroll and related liabilities	895,436	360,075	1,255,511	(201,087)
Unearned revenues	(3,466)	-	(3,466)	-
Claims payable		-	-	858,013
Net cash provided by operating activities	<u>\$ 25,618,658</u>	<u>\$ 2,560,048</u>	<u>\$ 28,178,706</u>	<u>\$ 7,401,783</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases financed by capital leases	\$ 60,166	\$ -	\$ 60,166	\$ -
Non-cash capital contributions	\$ 4,990,101	\$ -	\$ 4,990,101	\$ -

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2020

	OPEB Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 38,134,625	\$ 1,375,120
Total assets	<u>\$ 38,134,625</u>	<u>\$ 1,375,120</u>
LIABILITIES		
Amounts held for others	\$ -	\$ 1,375,120
Total liabilities	<u>\$ -</u>	<u>\$ 1,375,120</u>
NET POSITION		
Restricted for OPEB	<u>\$ 38,134,625</u>	
Total net position	<u>\$ 38,134,625</u>	

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OPEB TRUST FUND
Year Ended June 30, 2020

ADDITIONS

Gain on Investments	\$ 1,132,326
Total additions	<u>1,132,326</u>

DEDUCTIONS

Administrative fees	34,177
Total deductions	<u>34,177</u>

Change in net position	1,098,149
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NET POSITION AT JULY 1	<u>37,036,476</u>
NET POSITION AT JUNE 30	<u><u>\$ 38,134,625</u></u>

NOTES TO FINANCIAL STATEMENTS

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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.

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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 upon issuance, the City adopted the provisions of GASB Statement No. 95, *Postponement of the effective Dates of Certain Authoritative Guidance*, which provided temporary relief to organizations in light of the COVID-19 Pandemic. This Statement postpones the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement had no impact on the financial reporting for the City in the current year as there were no new standards implemented.

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 2. Deposits and Investments (continued)

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, 2020

Note 2. Deposits and Investments (Continued)

Restricted Cash

The City has restricted cash as follows:

	Governmental Activities	Business-type Activities	Primary Government
Unspent debt proceeds	\$ 49,316,424	\$ 3,968,085	\$ 53,284,509
Capital Projects	-	8,115,225	8,115,225
Cemetery	1,006,582	-	1,006,582
Escrow/bond/customer deposits	1,300,624	-	1,300,624
Other external purposes	7,242,593	2,583,899	9,826,492
Total	<u>\$ 58,866,223</u>	<u>\$ 14,667,209</u>	<u>\$ 73,533,432</u>

Cash and Cash Equivalents

	Primary Government	School Board	Economic Development Authority
Deposits and Investments:			
SNAP	\$ 53,284,509	\$ -	\$ -
Deposits	228,909,846	29,938,442	8,159,107
Total	<u>\$ 282,194,355</u>	<u>\$ 29,938,442</u>	<u>\$ 8,159,107</u>
Statement of Net Position:			
Cash and cash equivalents	\$ 208,660,923	\$ 29,938,442	\$ 6,131,120
Cash and cash equivalents, restricted	73,533,432	-	2,027,987
Total	<u>\$ 282,194,355</u>	<u>\$ 29,938,442</u>	<u>\$ 8,159,107</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 3. Receivables

Receivables are as follows:

Governmental Activities								
	General	Capital Projects	Road Maintenance	Non-major Governmental Funds	Internal Service Funds			Total
					Fleet Management	Information Technology	Risk Management	
Taxes	\$ 8,499,768	\$ -	\$ -	\$ 20,676	\$ -	\$ -	\$ -	\$ 8,520,444
Accounts	5,930,060	40,361	31,179	43,512	56,369	1,575	18,440	6,121,496
Subtotal	14,429,828	40,361	31,179	64,188	56,369	1,575	18,440	14,641,940
Less Allowance	(7,084,331)	-	-	(7,546)	-	-	-	(7,091,877)
Receivables, net	<u>\$ 7,345,497</u>	<u>\$ 40,361</u>	<u>\$ 31,179</u>	<u>\$ 56,642</u>	<u>\$ 56,369</u>	<u>\$ 1,575</u>	<u>\$ 18,440</u>	<u>\$ 7,550,063</u>

Business-type Activities					
	Utilities	Refuse	Stormwater	Total	Component Unit -- School Board
Accounts	\$ 8,347,892	\$ 654,510	\$ 274,386	\$ 9,276,788	\$ 86,515
Less Allowance	(436,875)	(172,449)	(99,938)	(709,262)	-
Receivables, net	<u>\$ 7,911,017</u>	<u>\$ 482,061</u>	<u>\$ 174,448</u>	<u>\$ 8,567,526</u>	<u>\$ 86,515</u>

Allowances for Uncollectible Accounts

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

	Governmental Activities	Business-type Activities
General Fund - Taxes receivable	\$ 5,787,415	\$ -
General Fund - EMS receivable	1,296,916	-
Non-major Funds - Taxes receivable	7,546	-
Utility Fund - Accounts receivable	-	436,875
Non-major Proprietary Funds - accounts receivable	-	272,387
	<u>\$ 7,091,877</u>	<u>\$ 709,262</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 3. Receivables (Continued)

Property Taxes – Property taxes are levied as of January 1 for personal property for the current calendar year and as of July 1 for real estate for the current year, based on the assessed value the related property as of the date. The City’s legal right to collect property taxes attaches each year when the rates are approved and the taxes are assessed. Real estate taxes are collectible twice a year, on December 5 and June 5. Personal property taxes are due on December 5. Amounts not collected within 45 days after the end of the fiscal year are reflected as unearned revenues in the General Fund. A lien is created when the real estate taxes are levied and, after three years, it becomes enforceable by judicial sale of the property.

Note 4. Due from Other Governments

Due from other governments in the fund statements are as follows:

Primary Government:

	General	Capital Projects	Non-major Governmental Funds	Total
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,232,123	\$ -	\$ -	\$ 1,232,123
Communication sales tax	236,122	-	-	236,122
Non-categorical state aid	227,453	-	-	227,453
Shared expenses	2,236	-	-	2,236
Social services reimbursement	189,184	-	-	189,184
VA Department of Transportation	-	771,812	-	771,812
Various other state aid and grants	122,484	-	51,841	174,325
	<u>2,009,602</u>	<u>771,812</u>	<u>51,841</u>	<u>2,833,255</u>
<u>Federal Government:</u>				
Social services reimbursement	391,015	-	-	391,015
Department of Transportation	-	-	-	-
Various grants	3,621	-	1,346,479	1,350,100
	<u>394,636</u>	<u>-</u>	<u>1,346,479</u>	<u>1,741,115</u>
Total due from other governments	<u>\$ 2,404,238</u>	<u>\$ 771,812</u>	<u>\$ 1,398,320</u>	<u>\$ 4,574,370</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 4. Due from Other Governments (Continued)

Component Unit – School Board:

	School Operating	School Grants	School Food Service	Total
<u>Commonwealth of Virginia:</u>				
State sales tax	\$ 1,346,858	\$ -	\$ -	\$ 1,346,858
Various grants	29,821	24,976	-	54,797
	<u>1,376,679</u>	<u>24,976</u>	<u>-</u>	<u>1,401,655</u>
<u>Federal Government:</u>				
School food reimbursement	-	-	883,450	883,450
Title I	-	1,361,809	-	1,361,809
Title VI-B	-	915,543	-	915,543
Title II-A	-	138,787	-	138,787
Various grants	14,890	316,732	-	331,622
	<u>14,890</u>	<u>2,732,871</u>	<u>883,450</u>	<u>3,631,211</u>
<u>Local</u>	<u>-</u>	<u>28,468</u>	<u>1,293</u>	<u>29,761</u>
Total due from other governments	<u>\$ 1,391,569</u>	<u>\$ 2,786,315</u>	<u>\$ 884,743</u>	<u>\$ 5,062,627</u>

Note 5. Interfund Transactions:

	Transfers to:				
	General Fund	Capital Projects	Debt Service	Non-major Governmental	Total
Transfers from:					
General Fund	\$ -	\$ 5,275,390	\$ 25,597,457	\$ 1,266,165	\$ 32,139,012
Road Maintenance	802,494	319,792	1,364,763	-	2,487,049
Capital Projects	-	-	331,359	-	331,359
Utility	544,139	-	-	-	544,139
Non-major:					
Governmental	55,748	-	328,170	-	383,918
Enterprise	715,498	400,000	-	-	1,115,498
Internal Service	578,051	125,000	-	-	703,051
	<u>\$ 2,695,930</u>	<u>\$ 6,120,183</u>	<u>\$ 27,621,749</u>	<u>\$ 1,266,165</u>	<u>\$ 37,704,027</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, 2020

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	\$ 164,597,006
Repayment of School Board debt	<u>11,528,156</u>
	<u>\$ 176,125,162</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 7. Capital Assets

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

	Governmental Activities			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, non-depreciable				
Land	\$ 24,194,124	\$ -	\$ -	\$ 24,194,124
Construction in Progress	75,349,079	30,184,891	20,190,953	85,343,017
Total Capital assets, non-depreciable	99,543,203	30,184,891	20,190,953	109,537,141
Capital Assets, depreciable				
Buildings	128,827,313	13,980	-	128,841,293
Infrastructure	424,264,974	16,134,606	-	440,399,580
Improvements other than buildings	52,546,237	2,333,562	-	54,879,799
Machinery and equipment	103,689,660	6,143,973	536,457	109,297,176
Intangibles	4,025,755	289,030	-	4,314,785
Total capital assets, depreciable	713,353,939	24,915,151	536,457	737,732,633
Less accumulated depreciation for:				
Buildings	37,305,192	2,975,180	-	40,280,372
Infrastructure	161,004,043	14,309,215	-	175,313,258
Improvement other than buildings	15,879,388	1,603,820	-	17,483,208
Machinery and equipment	65,393,245	9,271,989	514,962	74,150,272
Intangibles	1,646,915	480,422	-	2,127,337
Total accumulated depreciation	281,228,783	28,640,626	514,962	309,354,447
Total capital assets, depreciable, net	432,125,156	(3,725,475)	21,495	428,378,186
Governmental activities, capital assets, net	\$ 531,668,359	\$ 26,459,416	\$ 20,212,448	\$ 537,915,327

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 7. Capital Assets (Continued)

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

Governmental Activities:

General government	\$ 6,527,516
Judicial administration	9,745
Public safety	1,717,077
Public works	18,355,225
Community Development	1,195,043
Education	5,091
Parks, recreation, and cultural	830,929
	<u>\$ 28,640,626</u>

Government activities included depreciation of \$4,526,804 for the Fleet Maintenance fund, \$33,449 for the Risk Management fund, and \$1,030,215 for Information Technology fund.

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

	Business-type Activities			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, non-depreciable				
Land	\$ 4,704,960	\$ -	\$ -	\$ 4,704,960
Construction in Progress	24,958,791	17,878,547	8,905,409	33,931,929
Total Capital assets, non-depreciable	<u>29,663,751</u>	<u>17,878,547</u>	<u>8,905,409</u>	<u>38,636,889</u>
Capital Assets, depreciable				
Buildings	102,485,917	503,600	-	102,989,517
Improvements other than buildings	384,166,135	10,941,604	-	395,107,739
Machinery and equipment	112,210,113	1,750,567	24,192	113,936,488
Intangibles	15,308,849	831,516	-	16,140,365
Total capital assets, depreciable	<u>614,171,014</u>	<u>14,027,287</u>	<u>24,192</u>	<u>628,174,109</u>
Less accumulated depreciation for:				
Buildings	27,465,649	2,495,896	-	29,961,545
Improvement other than buildings	106,003,137	7,721,676	-	113,724,813
Machinery and equipment	47,459,476	4,471,668	24,192	51,906,952
Intangibles	4,661,371	2,340,974	-	7,002,345
Total accumulated depreciation	<u>185,589,633</u>	<u>17,030,214</u>	<u>24,192</u>	<u>202,595,655</u>
Total capital assets, depreciable, net	<u>428,581,381</u>	<u>(3,002,927)</u>	<u>-</u>	<u>425,578,454</u>
Business-type activities, capital assets, net	<u>\$ 458,245,132</u>	<u>\$ 14,875,620</u>	<u>\$ 8,905,409</u>	<u>\$ 464,215,343</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 7. Capital Assets (Continued)

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

	Component Unit -- School Board			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, non-depreciable				
Land	\$ 6,387,523	\$ -	\$ -	\$ 6,387,523
Total Capital assets, non-depreciable	6,387,523	-	-	6,387,523
Capital Assets, depreciable				
Buildings	252,001,553	-	1,525,460	250,476,093
Improvements other than buildings	16,694,754	-	44,700	16,650,054
Machinery and equipment	57,681,397	3,450,797	552,821	60,579,373
Total capital assets, depreciable	326,377,704	3,450,797	2,122,981	327,705,520
Less accumulated depreciation for:				
Buildings	105,636,136	5,174,639	1,233,908	109,576,867
Improvement other than buildings	12,383,288	481,514	44,700	12,820,102
Machinery and equipment	39,059,031	5,479,140	551,487	43,986,684
Total accumulated depreciation	157,078,455	11,135,293	1,830,095	166,383,653
Total capital assets, depreciable, net	169,299,249	(7,684,496)	292,886	161,321,867
Component Unit - School Board, capital assets, net	\$ 175,686,772	\$ (7,684,496)	\$ 292,886	\$ 167,709,390

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Unavailable and Unearned Revenues

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

	Governmental Funds' Unavailable Revenues	Governmental Activities' Unearned Revenues
Liability:		
Grant receipts -- unearned	\$ 7,231,939	\$ 7,231,939
Golf-course lease revenue -- unearned (Note 10)	-	1,350,190
Total unavailable/unearned revenues	<u>\$ 7,231,939</u>	<u>\$ 8,582,129</u>
Deferred inflows of resources:		
Prepaid taxes and other amounts -- unearned	\$ 917,238	\$ 917,238
Developer deposits -- unearned (General)	1,300,624	1,300,624
Developer deposits -- unearned (Road Maintenance)	1,002,920	1,002,920
Hanger deposits -- unearned (Aviation)	23,731	23,731
Proffers received -- unearned	-	-
Taxes receivable, net -- unavailable	190,364	-
Total unavailable/unearned revenues -- governmental funds	<u>\$ 3,434,877</u>	<u>\$ 3,244,513</u>

Unearned revenue in the Utility Fund of \$189,615 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, 2020

Note 9. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General obligation debt	\$ 255,220,574	\$ 52,690,000	\$ 47,573,621	\$ 260,336,953	\$ 19,819,488
Bonds from direct borrowing and direct placements	7,040,000	-	735,000	6,305,000	735,000
Add bond premiums and other credits	22,688,187	2,655,890	4,862,016	20,482,061	2,423,155
	284,948,761	55,345,890	53,170,637	287,124,014	22,977,643
Capital lease obligations	2,057,108	30,980	600,554	1,487,534	204,299
	287,005,869	55,376,870	53,771,191	288,611,548	23,181,942
Net pension liability	33,634,461	24,304,676	14,765,525	43,173,612	-
Net OPEB liability City trust	3,557,710	6,386,715	2,773,025	7,171,400	-
Net OPEB liability state plans	13,561,883	5,179,430	4,510,340	14,230,973	245,904
Claims payable	2,700,621	15,139,461	14,281,447	3,558,635	2,158,316
Compensated absences	6,373,008	263,101	496,014	6,140,095	432,533
Governmental activities, long-term liabilities	\$ 346,833,552	\$ 106,650,253	\$ 90,597,542	\$ 362,886,263	\$ 26,018,695
<u>Business-type activities:</u>					
General obligation bonds	\$ 172,614,428	\$ 21,350,000	\$ 24,501,380	\$ 169,463,048	\$ 6,610,512
Revenue bonds	193,295,000	-	6,560,000	186,735,000	3,840,000
Bonds from direct borrowing and direct placements	-	4,854,000	101,000	4,753,000	757,000
Add bond premiums and other credits	27,105,122	43,836	2,535,500	24,613,458	1,402,523
	393,014,550	26,247,836	33,697,880	385,564,506	12,610,035
Capital lease obligations	562,671	60,166	167,929	454,908	109,180
	393,577,221	26,308,002	33,865,809	386,019,414	12,719,215
Net pension liability	5,161,735	4,058,477	2,349,728	6,870,484	-
Net OPEB liability City trust	670,562	1,163,640	511,382	1,322,820	-
Net OPEB liability state plans	718,117	222,410	179,357	761,170	-
Compensated absences	596,683	254,564	14,808	836,439	29,586
Business-type activities, long-term liabilities	\$ 400,724,318	\$ 32,007,093	\$ 36,921,084	\$ 395,810,327	\$ 12,748,801

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, 2020

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	\$ 2,405,000	\$ -
2011 Public Improvement	07/07/11	02/01/27	2.00-5.00	84,510,000	1,130,000	1,610,000
2011 Public Improvement and Refunding Bonds	07/07/11	02/01/27	2.00-5.00	30,065,000	795,000	-
2011 VPSA Local School Bond (a)	12/15/11	06/30/31	4.97	7,500,000	4,950,000	-
2012 Public Improvement and Refunding Bonds	08/22/12	06/01/42	2.00-5.00	60,610,000	2,325,000	10,215,000
2013 Public Improvement and Refunding Bonds	07/30/13	12/01/32	3.00-5.00	64,415,000	11,091,953	8,378,048
2013B Public Improvement Bonds (a)	12/12/13	06/30/29	2.55	2,100,000	1,355,000	-
2014 Public Improvement and Refunding Bonds	07/30/15	02/01/42	2.00-5.00	124,820,000	45,210,000	69,370,000
2015 Public Improvement and Refunding Bonds	07/08/15	02/01/35	2.00-5.00	41,170,000	33,165,000	-
2016 Public Improvement and Refunding Bonds	07/14/16	02/01/36	1.50-5.00	51,085,000	50,120,000	-
2016 Refunding Bonds -- Taxable	07/14/16	02/01/35	1.10-4.00	25,745,000	19,940,000	-
2017 Public Improvement and Refunding Bonds	07/27/17	02/01/42	3.125-5.00	69,775,000	25,320,000	39,170,000
2017 Taxable Refunding Bonds	07/27/17	02/01/32	2.25-3.36	20,245,000	1,340,000	19,470,000
2018 Public Improvement Bonds	08/14/18	02/01/38	2.95 - 5.00	18,530,000	17,925,000	455,000
2019 Public Improvement Bonds	09/26/19	02/01/40	2.5 - 5.00	21,705,000	18,965,000	360,000
2019 Taxable Refunding Bonds	09/26/19	02/01/33	1.87 - 2.76	52,335,000	30,605,000	20,435,000
Total general obligation bonds					<u>\$ 266,641,953</u>	<u>\$ 169,463,048</u>

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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	\$ 1,487,534	\$ 454,908
Total capital lease obligations	<u>\$ 1,487,534</u>	<u>\$ 454,908</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):					
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	90,420,000
2017C VRA Revenue bonds	11/01/17	10/01/42	3.012-5.125	14,355,000	14,055,000
2019 VRA Refunding Bonds (a)	01/19/00	10/01/25	1.88	4,854,000	4,753,000
Total pledged revenue bonds					<u>\$ 191,488,000</u>

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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
2021	\$ 19,819,488	\$ 9,698,877	\$ 735,000	\$ 353,302	\$ 204,299	\$ -
2022	19,069,488	8,889,958	740,000	349,860	189,375	-
2023	19,294,488	8,048,751	560,000	346,290	150,782	-
2024	18,879,488	7,207,361	560,000	342,593	147,038	-
2028	18,724,496	6,376,870	565,000	338,895	141,974	-
2026-2030	85,454,505	20,588,565	2,725,000	1,634,932	624,509	-
2031-2035	62,915,000	7,926,050	420,000	159,375	29,557	-
2036-2040	16,180,000	1,046,306	-	-	-	-
	<u>\$260,336,953</u>	<u>\$ 69,782,738</u>	<u>\$ 6,305,000</u>	<u>\$ 3,525,247</u>	<u>\$ 1,487,534</u>	<u>\$ -</u>

Year Ending June 30,	Business-type Activities							
	General Obligations Bonds		Revenue Bonds		Revenue Bonds from Direct Placement		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 6,610,512	\$ 6,191,234	\$ 3,840,000	\$ 7,865,250	\$ 757,000	\$ 82,241	\$ 109,180	\$ -
2022	6,915,513	5,900,134	4,000,000	7,695,187	775,000	67,840	60,810	-
2023	7,230,513	5,587,172	4,215,000	7,485,878	785,000	53,176	39,785	-
2024	7,390,512	5,269,503	4,400,000	7,290,069	800,000	38,277	35,907	-
2025	7,690,504	4,973,113	4,615,000	7,082,810	811,000	23,133	34,716	-
2026-2030	40,470,494	20,093,370	32,830,000	31,270,238	825,000	7,755	153,622	-
2031-2035	45,590,000	13,127,187	42,280,000	22,870,791	-	-	20,888	-
2036-2040	38,065,000	5,298,293	62,705,000	12,354,516	-	-	-	-
2041-2045	9,500,000	520,617	26,170,000	2,249,850	-	-	-	-
2046-2047	-	-	1,680,000	40,375	-	-	-	-
	\$169,463,048	\$ 66,960,623	\$186,735,000	\$106,204,964	\$ 4,753,000	\$ 272,422	\$ 454,908	\$ -

The Governmental Activities' capital lease obligations are collateralized by equipment with a book value of \$3,649,705, which is net of accumulated depreciation of \$8,676,647 at June 30, 2020.

The Business-type Activities' capital lease obligation is collateralized by equipment with a book value of \$1,614,451, which is net of accumulated depreciation of \$4,990,135 at June 30, 2020.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 \$292,939,964 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 2.75, 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, 2020 the City's aggregate general obligation indebtedness is approximately \$572.4 million less than the Commonwealth's limit and \$269.9 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, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit - School Board					
Other postemployment benefits, net	\$ 18,769,000	\$ 1,892,724	\$ 416,856	\$ 20,244,868	\$ -
Net pension liability	111,812,000	48,332,219	30,793,816	129,350,403	-
Compensated Absences	2,589,337	1,463,842	1,138,108	2,915,071	165,901
	<u>\$ 133,170,337</u>	<u>\$ 51,688,785</u>	<u>\$ 32,348,780</u>	<u>\$ 152,510,342</u>	<u>\$ 165,901</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 9. Long-Term Liabilities (Continued)

Direct Borrowings or Placements:

The City has outstanding bonds from direct borrowings and placement related to governmental activities and Business-type activities of \$6,305,000 and \$4,753,000 respectively. 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 \$4,950,000 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 to refund previously issued General Obligation bonds that were originally issued for both the Governmental Activities and the Business Type Activities. The City also issued revenue bonds through the VRA to refund a previously issued revenue bond through the VRA.

	<u>General</u>	<u>Utilities</u>	<u>Utilities</u>
Type of bonds refunded	Taxable GO	Taxable GO	VRA Revenue Bonds
	2010, 2012, &	2011, 2012, &	
Issue date of refunded bonds	2013	2013	2009
Total refunding bonds issued (new bonds)	\$31,345,000	\$20,990,000	\$4,854,000
Value of Refunded bonds (old bonds)	\$28,475,000	\$18,645,000	\$4,660,000
Net Proceeds of refunding (including the premiums and costs of issuance)	\$31,036,660	\$20,785,538	\$4,764,000
Bond premium received	\$-	\$-	\$-
Costs of issuance	\$307,120	\$205,682	\$90,000
Aggregate difference in debt service -- savings	\$1,784,546	\$1,324,304	\$363,367
Economic loss	\$1,099,456	\$717,774	\$46,401

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, 2020, the balance of these defeased bonds was \$163,415,000.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 9. Long-Term Liabilities (Continued)

Bonds Authorized and Unissued:

There was no bonded debt authorized by City Council in previous years but unissued as of June 30, 2020.

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, 2020, is \$1,350,190.

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 \$2,356,422 and \$810,246 respectively.

Future minimum lease payments under these leases are \$1,574,226 and \$1,484,639 for fiscal years 2021 and 2022 respectively, for a total of \$3,058,865.

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, 2020

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/2019-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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Benefit Terms, and Contribution Requirements (continued)

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Benefit Terms, and Contribution Requirements (continued)

Plan 1	Plan 2	Hybrid
Elements of the Pension Formula (continued):	Elements of the Pension Formula (continued):	Elements of the Pension Formula (continued):
Service Retirement Multiplier:	Service Retirement Multiplier:	Service Retirement Multiplier:
<ul style="list-style-type: none"> Non-hazardous duty members is 1.7% Sheriffs and regional jail superintendents is 1.85% Hazardous duty members other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer. 	<ul style="list-style-type: none"> For service earned, purchased or granted prior to 1/1/13, and hazardous duty members it is the same as Plan 1. For service earned, purchased or granted after 1/1/13 for non-hazardous duty members it is 1.65% 	<ul style="list-style-type: none"> Defined Benefit Component: 1.0% For members who opted into this plan, the retirement multiplier for their previous plan will be used for service credited in those plans.
Creditable Service:	Creditable Service:	Creditable Service:
<ul style="list-style-type: none"> Earned for each month employed in a covered position 	<ul style="list-style-type: none"> Same as Plan 1 	<ul style="list-style-type: none"> Defined Benefit Component: Same as Plan 1
Cost-of-Living Adjustments:	Cost-of-Living Adjustments:	Cost-of-Living Adjustments:
<ul style="list-style-type: none"> Matches the first 3% increase in the Consumer Price Index for all Urban consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum of 5% Eligible July 1 of the 2nd calendar year of retirement. 	<ul style="list-style-type: none"> Matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) for a maximum of 3%. 	<ul style="list-style-type: none"> Defined Benefit Component: Same as Plan 2 Eligibility is the same as Plans 1 and 2. Defined Contribution Component: Not applicable
Contribution Requirements:	Contribution Requirements:	Contribution Requirements:
Employees are required to contribute 5% of their compensation toward the plan, through a pre-tax salary deduction. Beginning July 1, 2012 for members in the plan, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years, the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. All employees will be paying the full 5 % by July 1, 2016.	Same as Plan 1.	A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan and the employer is required to match those voluntary contributions according to specified percentages.
The employer makes a separate actuarially determined contribution to VRS for all covered employees.		

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Number of Employees by Class:		
	City	School Board – Non Teacher Plan
Retirees or beneficiaries currently receiving benefits:	695	190
Inactive Members:		
Vested inactive members	207	25
Non-vested inactive members	326	113
Inactive members active elsewhere in VRS	397	51
Total inactive members	930	189
Active Employees:	1,279	298
Total	2,904	677

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 2020 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, 2020 was 10.77% 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, 2020 and June 30, 2019, respectively were \$7,462,406 and \$7,200,075.

The School Board's contractually required contribution rate for the Teacher Retirement Plan for the year ended June 30, 2020 was 15.68% 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, 2020 was 5.28% 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, 2020

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, 2020. Contributions to the Teacher Retirement pension plan for the years ended June 30, 2020 and June 30, 2019, respectively were \$12,616,285 and \$12,543,319. Contributions to the Non-Teacher pension plan for the years ended June 30, 2020 and June 30, 2019, respectively were \$350,347 and \$356,136.

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, 2018. 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, 2019. The total pension liability in the June 30, 2018 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 *	6.75%	6.75%	6.75%
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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the pension liabilities.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Net Pension Liability (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016.

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

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

- | | |
|---|---|
| <ul style="list-style-type: none">- Update to a more current mortality table – RP2014 projected to 2020- Lowered retirement rates at older ages and changed final retirement from 70 to 75- Adjusted withdrawal rates to better fit experience at each year age and service through 9 year of service- Lowered disability rates- Increased Line of Duty disability rate from 14% to 15%- Decreased discount rate from 7.00% to 6.75% | <ul style="list-style-type: none">- Update to a more current mortality table – RP-2014 projected to 2020- Increased age 50 retirement rates and lowered retirement rates at older ages- Adjusted withdrawal rates to better fit experience at each year ages and service through 9 years of service- Adjusted disability rates to better fit experience- Decreased line of duty disability rate from 60% to 45%- Decreased discount rate from 7.00% to 6.75% |
|---|---|

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
- Decreased discount rate from 7.00% to 6.75%

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, 2020

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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS – Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP – Private Investment Partnership	3.00%	6.29%	0.19%
Total	100%		5.13%
	Inflation		2.5%
**Expected arithmetic nominal return			7.63%

** 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 6.75%. 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, 2019, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 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, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Changes in the Net Pension Liability

	Increase/(Decrease)		
	City Pension Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 7/01/2018	\$ 301,075,865	\$ 262,279,669	\$ 38,796,196
Changes for the Year:			
Service cost	7,567,281	-	7,567,281
Interest	20,613,324	-	20,613,324
Change of assumptions	9,986,163	-	9,986,163
Difference between expected and actual experience	651,344	-	651,344
Contributions -- employer	-	7,031,636	(7,031,636)
Contributions -- employee	-	3,260,682	(3,260,682)
Net investment income	-	17,460,442	(17,460,442)
Benefit payments including refunds of employee contributions	(13,199,609)	(13,199,609)	-
Administrative expense	-	(171,506)	171,506
Other changes	-	(11,042)	11,042
Net Changes	25,618,503	14,370,603	11,247,900
Balances at 6/30/2019	\$ 326,694,368	\$ 276,650,272	\$ 50,044,096

	Increase/(Decrease)		
	School Board (non-teacher) Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balance at 7/1/2018	\$ 26,997,348	\$ 27,416,621	\$ (419,273)
Changes for the Year:			
Service cost	642,823	-	642,823
Interest	1,849,648	-	1,849,648
Change of assumptions	801,043	-	801,043
Difference between expected and actual experience	(42,381)	-	(42,381)
Contributions -- employer	-	356,625	(356,625)
Contributions -- employee	-	341,637	(341,637)
Net investment income	-	1,823,319	(1,823,319)
Benefit payments including refunds of employee contributions	(1,147,613)	(1,147,613)	-
Administrative expense	-	(18,028)	18,028
Other changes	-	(1,148)	1,148
Net Changes	2,103,520	1,354,792	748,728
Balances at 6/30/2019	\$ 29,100,868	\$ 28,771,413	\$ 329,455

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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 6.75%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 5.75%	Current Discount Rate: 6.75%	1.00% Higher 7.75%
City's Net Pension Liability	\$95,223,238	\$50,044,096	\$14,118,042
School Board's (non-teacher) Net Pension Liability (Asset)	\$3,785,387	\$270,635	\$(2,560,640)
College and Career Academy at Pruden (non-teacher) Net Pension Asset	\$62,546	\$58,820	\$55,779
School Board's Teacher Retirement Plan Net Pension Liability	\$194,232,577	\$129,020,948	\$75,103,008

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

For the year ended June 30, 2020, the City recognized pension expense of \$11,037,780.

For the year ended June 30, 2020, the School Board (non-teacher) plan recognized pension expense of \$403,514.

At June 30, 2020, the School Board Teacher Retirement Plan reported a liability of \$129,020,948 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School Board Teacher Retirement Plan's proportion was 0.98036% as compared to 0.95078% at June 30, 2018.

For the year ended June 30, 2020, The School Board's Teacher Retirement plan recognized pension expense of \$13,871,134. 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, 2020

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, 2020, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City Pension Plan		School Board Non-teacher Plan		School Board Teacher Retirement Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,057,372	\$ 749,032	\$ 95,719	\$ 37,439	\$ -	\$ 8,261,757
Change of assumptions	7,392,354	180,393	521,395	9,927	12,776,099	-
Net difference between projected and actual earnings on pension plan investments.	2,896,490	5,204,980	305,915	553,403	-	2,832,994
Change in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-	5,433,531	2,395,122
Contributions to the plan subsequent to the measurement date	7,462,406	-	350,347	-	12,616,285	-
Total	\$ 21,808,622	\$ 6,134,405	\$ 1,273,376	\$ 600,769	\$ 30,825,915	\$ 13,489,873

\$7,462,406, \$350,347, and \$12,616,285 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, 2021.

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
2021	\$3,635,337	\$319,563	\$895,639
2022	2,080,061	\$(6,973)	\$(1,888,877)
2023	2,338,216	\$(6,221)	\$1,567,074
2024	158,197	15,891	\$2,808,794
2025	-	-	\$1,337,127

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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/2019-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	164	75
Active Employees:	1,047	1,781
Total	1,211	1,856

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020, the City contributed \$1,349,107 toward OPEB costs in claims paid on behalf of the retirees, net of premiums paid by retirees. The School Board contributed \$621,810 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, 2020

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

Plan Investments (continued)

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

Asset Class:	Target Allocation	Expected 20-Year Arithmetic Real Rate of Return
U.S Equity – Large Cap	26.00%	6.05%
U.S Equity – Small Cap	10.00%	7.23%
Non U.S. Equity – Developed	13.00%	7.01%
Non U.S. Equity – Emerging	5.00%	9.38%
US Corporate Bonds – Core	21.00%	2.17%
US Corporate Bonds – Long Duration		2.68%
US Corporate Bonds – High Yield		4.09%
Non-US Debt – Developed		1.52%
Non-US Debt – Emerging		4.47%
US Treasuries (Cash Equivalents)		0.78%
TIPS (Inflation-Protected)		1.40%
Real Estate	7.00%	5.65%
Hedge Funds	10.00%	4.32%
Commodities	3.00%	4.00%
Infrastructure		6.17%
Private Equity	5.00%	10.53%
Private debt		6.28%
Total	100%	5.61%

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, 2020, and June 30, 2019 the annual money-weighted rate of return on investments, net of investment expense was 4.88% and 4.67% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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, 2020. The School Board net OPEB Liability was measured as of its fiscal year end of December 31, 2019 based on a valuation date of December 31, 2017. The components of the Plans' net OPEB Liability were as follows:

	Net OPEB Liability (Asset)	
	City	School Board
Total OPEB liability	\$47,210,856	\$14,656,104
Plan fiduciary net position	38,134,625	17,558,668
Net OPEB liability (asset)	\$9,076,231	\$(2,902,564)
Fiduciary net position as a percent of total OPEB liability (asset)	80.78%	119.80%

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		7.00%
Pre-Medicare HMO/POS plan designs	6.80%	
PPO Plan designs	7.30%	
Medicare eligible Member Subsidy	5.70%	
Ultimate (year of ultimate trend rate)		
Pre-Medicare HMO/POS plan designs	4.75% (2028)	4.75% (2022)
PPO Plan designs	4.75% (2028)	
Medicare eligible Member Subsidy	4.75% (2025)	

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50%. 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, 2019 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 7.50%. The long-term expected rate of return was applied to the periods of projected benefit payments and it is not anticipated that the plan's assets will be exhausted. The expected municipal bond rate was not applied to determine the discount rate.

Sensitivity of the Net OPEB Liability –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, 2019 and rolled forward to a measurement date of June 30, 2020 for the City. The School Board had a valuation date of December 31, 2017 and rolled forward to a measurement date of December 31, 2019.

Net OPEB Liability analysis using discount rate:			
	1% lower (6.5%)	Current Rate (7.5%)	1% higher (8.5%)
City's Plan	\$15,593,536	\$9,076,231	\$3,664,962
School Board	\$(1,645,261)	\$(2,902,564)	\$(4,049,089)

Net OPEB Liability using the health care cost trend rate:			
	1% lower (5.80%/6.30%)	Current rate (6.80%/7.30%)	1% higher (7.80%/8.30%)
City's Plan	\$3,062,473	\$9,076,231	\$16,455,739
School Board	\$(4,439,159)	\$(2,902,564)	\$(1,115,112)

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 7.50% and 6.80% for HMO Plan designs and 7.30% for PPO Plan designs respectively and also as calculated using rates 1% lower and 1% higher.

Net OPEB Liability (Asset) analysis using discount rate:			
	1% lower (6.5%)	Current Rate (7.5%)	1% higher (8.5%)
City's Plan	\$15,200,484	\$8,494,220	\$2,992,125
School Board	\$(1,645,261)	\$(2,902,564)	\$(4,049,089)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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

	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	\$2,058,841	\$8,494,220	\$16,513,830
	1% lower (5.8%/6.5%)	Current rate (6.8%/7.3%)	1% higher (7.8%/8.3%)
School Board	\$(4,439,159)	\$(2,902,564)	\$(1,115,112)

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	City Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at 7/01/2018	\$ 39,667,885	\$ 35,439,613	\$ 4,228,272
Changes for the Year:			
Service cost	835,242	-	835,242
Interest	2,976,786	-	2,976,786
Difference between expected and actual experience	576,876	-	576,876
Changes in assumptions	3,129,118	-	3,129,118
Contributions -- employer	(1,655,212)	1,655,212	-
Net investment income	-	1,629,195	(1,629,195)
Benefit payments including refunds of employee contributions	-	(1,655,212)	(1,655,212)
Administrative Expenses	-	(32,333)	32,333
Net Changes	5,862,811	1,596,862	4,265,948
Balances at 6/30/2019	\$ 45,530,696	\$ 37,036,475	\$ 8,494,220

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Changes in the Net OPEB Liability (continued)

	School Board Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset
Balance at 12/31/2018	\$ 13,912,495	\$ 14,750,514	\$ (838,019)
Changes for the Year:			
Service cost	458,381	-	458,381
Interest	1,024,964	-	1,024,964
Difference between expected and actual experience	695,593	-	695,593
Contributions -- employer	-	1,435,329	(1,435,329)
Net investment income	-	2,823,320	(2,823,320)
Benefit payments including refunds of employee contributions	(1,435,329)	(1,435,329)	-
Administrative expense	-	(15,166)	15,166
Change in assumptions	-	-	-
Net Changes	743,609	2,808,154	(2,064,545)
Balances at 12/31/2019	\$ 14,656,104	\$ 17,558,668	\$ (2,902,564)

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

For the year ended June 30, 2020, the City and School Board recognized OPEB expense in the amount of \$1,745,084 and \$118,745 respectively.

The aggregate amount of OPEB Expense for the City and School Board plans, including the local trust and Virginia Retirement System (VRS) plans are as follows:

	<u>City OPEB Expense</u>	<u>School OPEB Expense</u>
<u>OPEB Plan:</u>		
Local Trust	\$1,745,084	\$118,745
VRS Plans: (note 13)		
GLI	163,649	194,776
LODA	730,408	-
HIC	-	1,069,839
VLDP	-	83,084
TOTAL:	\$2,639,141	\$1,466,444

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The City and School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	City		School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,722,278	\$ -	\$ 606,529	\$ 1,738,874
Change of assumptions	2,967,545	-	819,362	-
Net difference between projected and actual earnings on plan investments.	822,068	1,749,040	-	686,116
Contributions to the plan subsequent to the measurement date	1,349,107	-	-	-
Total	\$ 9,860,998	\$ 1,749,040	\$ 1,425,891	\$ 2,424,990

Deferred outflows in the amount of \$1,349,107, related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in the future fiscal years and noted below:

Year Ended June 30:	City OPEB Plan	School Board OPEB Plan
2021	\$557,504	\$(274,035)
2022	\$557,504	\$(274,033)
2023	\$1,235,614	\$(60,208)
2024	\$1,366,554	\$(432,076)
2025	\$1,161,037	\$(56,003)
Thereafter	\$1,884,638	\$97,256

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, 2020

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, 2020

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

Plan Description (continued)

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

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Plan Description (continued)

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

Contribution Requirements

Group Life Insurance Program (GLI):

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020 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 \$432,439 and \$348,212 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions to GLI for the School Board were \$470,273 and \$466,008 for the years ended June 30, 2020 and June 30, 2019 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, 2020 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 costs and related expenses of benefits payable during the year. Contributions to the LODA program from the City were \$373,881 and \$352,885 for the years ended June 30, 2020 and June 30, 2019, respectively.

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, 2020 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 \$101,154 and \$88,363 for the years ended June 30, 2020 and June 30, 2019, 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, 2020 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, 2020

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 \$993,676, and \$981,928 for the years ended June 30, 2020 and June 30, 2019, 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:

<i>GLI, HIC and VLDP Programs:</i>			
Asset Class:	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS – Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP – Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
Inflation			<u>2.50%</u>
		<i>*Expected arithmetic nominal return</i>	<u>7.63%</u>

- * The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Long-Term Expected Rate of Return (continued)

LODA:

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% 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 as of the measurement date of June 30, 2019.

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, 2019, NOL amounts for the four programs are as follows:

	City and School - GLI	City - LODA	School - HIC	School - VLDP
Total OPEB liability	\$3,390,238,000	\$361,626,000	\$1,438,114,000	\$6,230,000
Plan fiduciary net position	1,762,972	2,839,000	129,016,000	3,623,000
Net OPEB liability	\$1,627,266,000	\$358,787,000	\$1,309,098,000	\$2,607,000
Fiduciary net position as a percent of total OPEB liability	52.00%	0.79%	8.97%	74.12%

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, 2018, 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, 2019.

	City and School - GLI	City - LODA	School HIC and VLDP
Investment rate of return, net of investment expenses, including inflation *	6.75%	3.50%	6.75%
Health Care cost trend rate:			
Under age 65	n/a	7.25%-4.75%	n/a
Age 65 and older	n/a	5.50% - 4.75%	n/a
Inflation Rate	2.5%	2.5%	2.5%

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Actuarial Methods and Assumptions (continued)

	City and School - GLI	City - LODA	School HIC and VLDP
Projected salary increases:			
Locality – general	3.5% - 5.35%	n/a	3.5% - 5.35%
Locality – hazardous duty	3.5% - 4.75%	n/a	3.5% - 4.75%
Teachers	3.5% - 5.95%	n/a	3.5% - 5.95%

- * **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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Actuarial Methods and Assumptions (continued)

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.

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 with Hazardous Duty and Public Safety 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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

	General Employees	Teachers	Hazardous Duty Employees
Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020	Updated to a more current mortality table – RP-2014 projected to 2020	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.	Lowered rates at older ages and changed final retirement from 70 to 75	Increased age 50 rates and lowered rates at older ages

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Actuarial Methods and Assumptions (continued)

	General Employees	Teachers	Hazardous Duty Employees
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%
Discount Rate	Decrease rate from 7.005 to 6.75%	Decrease rate from 7.00% to 6.75%	Decrease rate from 7.005 to 6.75%

LODA:	Public Safety Employees
Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Discount Rate

Group Life Insurance Program:

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019 the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Discount Rate (continued)

Line of Duty Act Program:

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Virginia Local Disability Program:

The discount rate used to measure the total School Board Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 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 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the BRS Board of Trustees. Through the fiscal year ending June 30, 2019 the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the Net OPEB Liability

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Sensitivity of the Net OPEB Liability (continued)

Net OPEB Liability analysis using Discount rate:			
	1% lower (5.75%)	Current Rate (6.75%)	1% higher (7.75%)
City - GLI	\$7,302,433	\$5,558,578	\$4,144,361
School - GLI	\$9,772,850	\$7,439,047	\$5,546,400
School - HIC	\$14,293,100	\$12,771,160	\$11,478,275
School VLDP	\$47,138	\$34,661	\$23,865
	1% lower (2.50%)	Current Rate (3.50%)	1% higher (4.50%)
City - LODA	\$10,943,607	\$9,433,565	\$8,239,217

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 4.75%, 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 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

Net OPEB Liability using the health care cost trend rate:			
	1% lower (6.75% decreasing to 3.75%)	Current rate (7.75% decreasing to 4.75%)	1% higher (8.75% decreasing to 5.75%)
City - LODA	\$7,975,986	\$9,433,565	\$11,271,722

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

At June 30, 2020, 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, 2019 and the total OPEB liabilities used to calculate the Net OPEB Liabilities were determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019, 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, 2019 relative to the total of the actuarially determined pay-as-you go employer contributions for all participating employers.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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

At June 30, 2019, the City and School Board's respective proportions of the various programs as compared to the proportions for June 30, 2018 are shown in the table below.

	<u>City – GLI</u>	<u>City – LODA</u>	<u>School – GLI</u>	<u>School – HIC</u>	<u>School – VLDP</u>
Net OPEB Liability	\$5,558,578	\$9,433,565	\$7,439,047	\$12,771,160	\$34,661
TOTALS FOR CITY AND SCHOOL	\$14,992,143			\$20,244,868	
6/30/19 Proportionate share of contributions	0.34159%	2.62930%	0.45715%	0.97557%	4.50925%
6/30/18 Proportionate share of contributions	0.34952%	2.86170%	0.44079%	0.94832%	4.37837%

For the year ended June 30, 2020, 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	\$163,649	\$730,408	\$194,776	\$1,069,839	\$83,084

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	\$369,677	\$72,101	\$1,371,160	\$-
Investment Experience	-	114,178	-	18,675
Change in assumptions	350,936	167,616	442,631	817,782
Changes in proportion	193,202	105,795	218,174	645,421
Employer contributions subsequent to the measurement date	361,162	-	373,881	-
Total	\$1,274,977	459,690	\$2,405,846	\$1,481,878

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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

	<u>School Board - GLI</u>		<u>School Board - HIC</u>		<u>School Board - VLDP</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between expected and actual experience	\$494,741	\$96,491	\$-	\$72,337	\$5,942	\$3,120
Investment Experience	-	152,804	806	-	129	-
Change in Assumptions	469,658	224,320	297,244	88,742	4,235	453
Changes in proportion	257,144	113,471	445,784	272,811	985	-
Employer contributions subsequent to the measurement date	1,184,761	-	993,664	-	101,093	-
Total	\$2,406,304	\$587,086	\$1,737,498	\$433,890	\$112,384	\$3,573

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in the OPEB expense in future reporting periods as follows:

	<u>City – GLI</u>	<u>City – LODA</u>	<u>School – GLI</u>	<u>School - HIC</u>	<u>School - VLDP</u>
FY 2021	\$54,862	\$71,629	\$49,187	\$30,858	\$1,432
FY 2022	\$54,867	\$71,664	\$49,193	\$30,845	\$1,424
FY 2023	\$103,225	\$74,552	\$113,911	\$36,442	\$1,359
FY 2024	\$119,675	\$77,628	\$176,561	\$34,569	\$1,332
FY 2025	\$96,219	\$78,537	\$189,489	\$49,541	\$1,301
Thereafter	\$25,277	\$176,077	\$56,116	\$127,689	\$870

Plan Fiduciary Net Positions

Detailed information about the various programs' Fiduciary Net Position is available in the separately issued VRS 2019 CAFR. A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020

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, 2020, projects expected to be completed at various dates through 2021 had a total unexpended balance of \$13,258,528 (governmental) and \$6,964,796 (utility).

Encumbrances:

The City has the following encumbrances as of June 30, 2020:

General Fund	Road Maintenance Fund	Capital Projects Fund	Non-Major Governmental Funds	Utility Fund	Non-Major Enterprise Fund	Internal Service Funds
\$2,763,612	\$3,907,836	\$13,258,528	\$1,125,258	\$7,246,668	\$240,050	\$2,040,685

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, 2020, lease payments and the associated repairs and maintenance commitments had a total unexpended balance of \$416,410.

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, 2020

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, 2020 consists of all current self-insured claims payable, including an estimate of incurred but not reportable claims amounting to \$3,558,635 the current portion of which is \$2,158,315. 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, 2020 and 2019:

		Beginning Balance	Claims and Reserves	Claim Payments	Ending Balance
Workers' Compensation					
2020	\$	1,068,781	\$ 1,294,705	\$ 563,168	\$ 1,800,318
2019	\$	915,725	\$ 762,442	\$ 609,386	\$ 1,068,781
Property and Liability					
2020	\$	186,655	\$ 1,305,185	\$ 765,570	\$ 726,270
2019	\$	351,229	\$ 647,542	\$ 812,116	\$ 186,655
Health Insurance					
2020	\$	1,445,185	\$ 12,539,571	\$ 12,952,709	\$ 1,032,047
2019	\$	1,156,001	\$ 14,223,802	\$ 13,934,618	\$ 1,445,185

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020, \$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, 2020, the workers' compensation benefit obligation consisted of \$802,509 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, 2020 and 2019, are as follows:

		<u>Beginning Balance</u>	<u>Claims and Reserves</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
Workers' Compensation					
	2020	\$ 758,625	\$ 675,100	\$ 631,216	\$ 802,509
	2019	\$ 866,998	\$ 647,156	\$ 755,529	\$ 758,625

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, 2020, 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 16. Subsequent Events

On July 22, 2020, the City issued \$14,020,000 of authorized revenue bonds through the Virginia Resources Authority, with maturity dates of October 1, 2046. These bonds were issued to finance capital projects approved in the FY2021 Capital Improvements Plan for the Utility Fund.

On September 15, 2020, the City issued \$26,770,000 of authorized Tax-Exempt General Obligation and Refunding bonds, with maturity dates of February 1, 2041. These bonds were issued to finance capital projects approved in the FY2021 Capital Improvements Plan and refund \$1,355,000 of existing general obligation bonds for future debt service savings. In addition, on the same date, the City issued \$115,800,000 of taxable refunding bonds, the proceeds of which are to be used to refund \$102,315,000 of existing general obligation bonds, for future debt service savings. The final maturities of the refunded bonds both tax-exempt and taxable were not extended.

On November 18, 2020, the City issued \$41,585,000 of authorized Revenue Refunding bonds through the Virginia Resources Authority, with maturity dates through October 2045. These bonds were issued to refund \$33,745,000 of existing revenue bonds, for future debt service savings. The final maturities of the refunded bonds both tax-exempt and taxable were not extended. The total amount of future debt service savings is \$3,076,798 over the remaining life of the bonds.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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:

	General Fund	Capital Projects Fund	Road Maintenance Fund	Debt Service Fund	Non-major Governmental Funds
Nonspendable:					
Prepays	\$ 5,224	\$ -	\$ -	\$ -	\$ -
Inventories	68,149	-	-	-	45,654
Total Nonspendable	73,373	-	-	-	45,654
Restricted for:					
Judicial Administration	-	-	-	-	994,302
Public Safety	155,370	-	-	-	161,829
Public Works	1,300,624	-	-	-	7,145
Cemetery Care	-	-	-	-	995,618
Health and Welfare	-	-	-	-	1,233
Community Development	-	-	-	-	381,191
Transportation	-	-	-	-	963,984
Capital Outlay:	-	368,773	-	-	-
Roadway Projects	-	26,629,162	14,323,445	-	-
Schools	-	2,266,506	-	-	-
Public Facilities	-	6,248,541	-	-	-
Aviation	-	81,831	-	-	-
Recreation facilities	-	11,986,223	-	-	-
Debt Service	-	-	-	-	-
Total Restricted	1,455,994	47,581,036	14,323,445	-	3,505,302
Committed to:					
General Government	28,607	-	-	-	-
Judicial administration	262,397	-	-	-	-
Public Safety - Police	304,624	-	-	-	-
Public Safety - Fire	596,065	-	-	-	-
Transportation	-	-	-	-	197,484
Education	3,260,241	-	-	-	-
Public Works	-	-	-	-	257,213
Aviation	-	-	-	-	535,673
Route 17 Taxing District	-	-	-	-	3,446,284
Economic Development Incentives	3,570,346	-	-	-	-
Capital Outlay	1,000,000	6,777,753	-	-	-
Debt Service	-	-	-	492,720	-
Total Committed	9,022,280	6,777,753	-	492,720	4,436,654
Assigned to:					
General Government Administration	18,792	-	-	-	-
Judicial Administration	25,991	-	-	-	-
Public Safety - Police	21,310	-	-	-	-
Public Safety - Fire	307,397	-	-	-	-
Public Works	23,010	-	-	-	-
Parks, Recreation and Cultural	22,610	-	-	-	-
Community Development	107,159	-	-	-	-
Total Assigned	526,269	-	-	-	-
Unassigned	86,344,490	-	-	-	(10,819)
Total Fund Balance	\$ 97,422,406	\$ 54,358,789	\$ 14,323,445	\$ 492,720	\$ 7,976,791

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 18. Tax Abatement Agreements

As of June 30, 2020, 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	\$4,407,304	\$-
Rehabilitated Structures	\$33,420	\$122,239

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; however, with the implementation of Statement No. 95, this has been delayed to fiscal year ending June 30, 2021.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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; however, with the implementation of Statement No. 95, this has been delayed to fiscal year ending June 30, 2022.

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; however, with the implementation of Statement No. 95, this has been delayed to fiscal year ending June 30, 2022.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, improves the consistency and comparability of reporting a government's majority equity interest 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; however, with the implementation of Statement No. 95, this has been delayed to fiscal year ending June 30, 2021.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issue and eliminates diversity in practice. This statement is effective for the fiscal year ending June 30, 2022; however, with the implementation of Statement No. 95, this has been delayed to fiscal year ending June 30, 2023.

GASB Statement No. 92, *Omnibus 2020*, the objective of which is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement is effective for the fiscal year ending June 30, 2021; however, with the implementation of GASB Statement No. 95, this has been delayed to fiscal year ending June 30, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses the accounting and financial reporting implications that result from the replacement of an IBOR (interbank offered rate). Portions of this statement are effective for the fiscal year ending June 30, 2021 and other portions are effective for the fiscal year ending June 30, 2022. With the implementation of GASB Statement No. 95, the implementation dates have been moved to FY2022 and FY2023 respectively.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, the primary objective of which is to improve financial reporting by addressing issues related to the Public-private and Public-public partnership arrangements. This statement is effective for the fiscal year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscriptions-based information technology arrangements for government end users. This statement is effective for the fiscal year ending June 30, 2023.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 19. New Accounting Standards (Continued)

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, and Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32, the objective of which are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board, (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units, and (3) enhance the relevance, consistency and comparability of the account and financial reporting for the Internal Revenue Code Section 457 deferred compensation plans. This statement is effective for the fiscal year ending June 30, 2022.

The GASB has issued the following implementation guides that will be effective for the fiscal years shown, Implementation Guide No. 2019-1, effective FY2021, Implementation Guide No. 2019-2, effective FY2021, Implementation Guide No. 2019-3, effective FY2022.

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

Note 20. Uncertainties

On March 11, 2020 the World Health Organization declared a global pandemic as a result of the outbreak and spread of a novel strain of coronavirus (“COVID-19”). Following this, guidelines at the Commonwealth level continue to be released regarding the impact of the pandemic on social type gatherings including dining out, and public entertainment events. As there is still a significant level of uncertainty associated with the pandemic, the City continues to actively monitor developments and will take steps to respond accordingly.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUFFOLK, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
General property taxes:				
Real estate	\$ 105,992,278	\$ 105,992,278	\$ 107,935,979	\$ 1,943,701
Personal property	22,000,000	22,000,000	23,981,308	1,981,308
Public service corporations	4,600,000	4,600,000	4,598,789	(1,211)
Machinery and tools	-	-	2,037,227	2,037,227
Payments in Lieu of Taxes	3,000	3,000	-	(3,000)
Penalties	1,200,000	1,200,000	1,428,885	228,885
Total general property taxes	133,795,278	133,795,278	139,982,189	6,186,911
Other Local Taxes				
Sales and use	11,300,000	11,300,000	12,626,601	1,326,601
Utility tax	4,700,000	4,700,000	4,755,918	55,918
Communication taxes	3,000,000	3,000,000	2,890,793	(109,207)
Business and occupational licenses	7,500,000	7,500,000	8,412,262	912,262
Motor vehicle license	2,400,000	2,400,000	2,624,213	224,213
Bank stock	650,000	650,000	582,250	(67,750)
Recordation	1,800,000	1,800,000	2,513,189	713,189
Tobacco	1,900,000	1,900,000	1,920,427	20,427
Lodging	1,750,000	1,750,000	1,470,419	(279,581)
Meals	10,500,000	10,500,000	10,723,032	223,032
Admission	350,000	350,000	191,456	(158,544)
Total other local taxes	45,850,000	45,850,000	48,710,560	2,860,560
Permits, fees, and licenses				
Animal license	35,000	35,000	27,713	(7,287)
Permits and other licenses	1,311,475	1,311,475	1,761,009	449,534
Total permits, fees, and licenses	1,346,475	1,346,475	1,788,722	442,247
Fines and forfeitures	790,000	790,000	780,306	(9,694)
Revenue from use of money and property:				
Revenue from use of money	1,900,000	1,900,000	2,367,263	467,263
Revenue from use of property	370,946	370,946	339,764	(31,182)
Total use of money and property	2,270,946	2,270,946	2,707,027	436,081
Charges for services:				
Court costs	228,787	228,787	231,216	2,429
Commonwealth's Attorney fee	10,000	10,000	9,385	(615)
Police and traffic control	45,000	45,000	32,895	(12,105)
Charges for fire and rescue service	1,975,594	1,975,594	2,240,017	264,423
Charges for other protection	50,000	50,000	39,995	(10,005)
Charges for parks and recreation	900,000	900,000	614,444	(285,556)
Charges for library	18,000	18,000	17,446	(554)
Charges for tourism	27,400	27,400	14,196	(13,204)
Charges for planning and community development	100	100	74	(26)
Charges for other services	187,500	187,500	239,357	51,857
Total charges for services	3,442,381	3,442,381	3,439,025	(3,356)

(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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES (Continued)				
Miscellaneous revenues				
Miscellaneous	\$ 1,664,217	\$ 3,123,455	\$ 3,008,849	\$ (114,606)
Total revenue from local sources	189,159,297	190,618,535	200,416,677	9,798,142
Revenue from the Commonwealth:				
Noncategorical aid:				
Tax on deeds	350,000	350,000	515,958	165,958
Railroad rolling stock tax	130,000	130,000	125,561	(4,439)
House bill 599 funds	2,959,411	2,959,411	3,074,828	115,417
PPTRA	10,169,730	10,169,730	10,169,730	(0)
Mobile home titling tax	25,000	25,000	22,364	(2,636)
Vehicle rental tax	150,000	150,000	186,349	36,349
Total noncategorical aid	13,784,141	13,784,141	14,094,789	310,648
Categorical aid:				
Commonwealth's Attorney	1,065,744	1,065,744	999,435	(66,309)
Commissioner of the Revenue	188,983	188,983	172,010	(16,973)
Treasurer	219,529	219,529	198,441	(21,088)
Sheriff	980,485	980,485	902,739	(77,746)
Circuit Court Clerk	567,089	614,308	556,952	(57,356)
Registrar	47,458	47,458	114,417	66,959
Total categorical aid	3,069,288	3,116,507	2,943,994	(172,513)
Other categorical aid:				
Public assistance and welfare administration	3,615,737	3,615,737	3,598,723	(17,014)
Police	200,000	200,000	435,764	235,764
Fire and rescue	373,820	373,820	396,645	22,825
Library	164,565	164,565	169,694	5,129
Total other categorical aid	4,354,122	4,354,122	4,600,826	246,704
Total categorical aid	7,423,410	7,470,629	7,544,820	74,191
Total revenue from the Commonwealth	21,207,551	21,254,770	21,639,609	384,839
Revenue from the Federal government				
Categorical aid:				
Public assistance and welfare administration	4,958,215	4,958,215	5,385,394	427,179
Public Safety	-	-	30,149	30,149
Parks, recreation and cultural	20,000	20,000	19,373	(627)
Total revenue from the Federal government	4,978,215	4,978,215	5,434,916	456,701
Total revenues	215,345,063	216,851,520	227,491,202	10,639,682

(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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES				
General Government administration:				
Legislative:				
City Council	\$ 434,206	\$ 435,417	\$ 416,591	\$ 18,825
General and financial administration:				
City Manager	1,107,572	1,079,677	1,045,939	33,738
Budget and strategic planning	354,634	354,132	350,677	3,455
City Attorney	1,090,672	1,134,942	1,130,275	4,667
Human resources	1,030,037	940,407	915,738	24,669
Commissioner of the Revenue	1,135,083	1,120,956	1,096,734	24,222
City Assessor	1,745,106	1,744,677	1,717,395	27,283
City Treasurer	1,636,999	1,638,529	1,615,492	23,037
Finance	1,555,021	1,540,976	1,501,931	39,046
Purchasing	331,860	326,633	320,148	6,485
Capital program management	4,334,775	4,201,105	4,107,761	93,344
Media and community relations	771,321	768,081	755,247	12,834
Local and regional organizations	1,091,412	1,091,557	1,068,747	22,810
Board of Elections:				
Registrar	640,040	644,383	568,747	75,636
Total general government administration	17,258,738	17,021,471	16,611,423	410,048
Judicial administration:				
Courts:				
Circuit Court	213,733	213,855	210,355	3,500
District Court	68,631	68,631	60,369	8,262
Magistrate	18,129	18,129	14,775	3,354
Juvenile and Domestic Relations Court	17,028	17,028	10,852	6,176
Juvenile and Domestic Relations Court Service Unit	973,435	973,435	965,119	8,316
Circuit Court Clerk	1,589,049	1,685,088	1,646,647	38,440
Sheriff	2,891,770	2,979,494	2,965,715	13,779
Commonwealth's Attorney	3,499,562	3,659,373	3,390,747	268,626
Total judicial administration	9,271,337	9,615,034	9,264,581	350,453
Public safety:				
Police	25,010,613	24,443,833	23,929,343	514,490
Communications	2,057,197	1,871,440	1,825,246	46,194
Property seizure program - Federal	-	187,745	5,648	182,097
Police E-ticketing	-	120,524	-	120,524
Confiscation program - State	-	107,248	36,179	71,069
DARE	-	2,850	-	2,850
Fire	31,717,884	34,545,398	33,723,099	822,299
Western Tidewater Regional Jail	4,297,658	4,297,658	4,297,658	-
Emergency services	17,047	16,404	6,969	9,435
Total public safety	63,100,399	65,593,098	63,824,142	1,768,957
Public works:				
Administration	946,862	1,037,714	928,893	108,821
Total public works	946,862	1,037,714	928,893	108,821

(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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES (Continued)				
Health and welfare:				
Western Tidewater Health Department	\$ 895,655	\$ 895,655	\$ 895,655	\$ -
Western Tidewater CSB	307,330	307,330	307,330	-
Social Services	11,844,086	11,844,086	11,115,294	728,792
Comprehensive Services Act	1,460,580	1,460,580	2,352,353	(891,773)
Total health and welfare	14,507,651	14,507,651	14,670,632	(162,981)
Education:				
Contributions to component unit school board	60,832,201	60,832,201	57,571,960	3,260,241
Lease rent of building	534,719	534,719	534,719	-
Total education	61,366,920	61,366,920	58,106,679	3,260,241
Parks, recreation, and cultural:				
Parks and recreation	2,889,796	2,779,908	2,675,289	104,619
Parks and recreation maintenance	2,916,186	3,075,371	2,951,996	123,375
Parks and recreation - recreation	2,294,325	2,437,271	2,221,889	215,382
Public libraries	3,358,918	3,312,067	3,309,874	2,193
Total parks, recreation, and cultural	11,459,225	11,604,617	11,159,048	445,569
Community Development:				
Planning and community development	4,387,276	4,293,837	4,014,480	279,357
Economic development	986,960	4,577,361	3,163,411	1,413,949
Tourism	746,704	709,699	647,376	62,323
Animal shelter and management	983,004	988,201	891,313	96,887
Cooperative extension services	69,444	69,444	36,211	33,233
Total community development	7,173,388	10,638,541	8,752,792	1,885,749
Nondepartmental:				
Salary, fringe benefits and insurance	580,000	633,788	572,496	61,292
Other Miscellaneous	60,000	84,117	22,491	61,627
Total nondepartmental	640,000	717,905	594,987	122,918
Total expenditures	185,724,520	192,102,952	183,913,176	8,189,776
Excess of revenues over expenditures	29,620,543	24,748,568	43,578,026	18,829,459
OTHER FINANCING SOURCES (USES)				
Fund Balance Surplus	1,000,000	6,271,975	-	6,271,975
Transfers in	2,695,930	2,695,930	2,695,930	-
Transfers out	(33,316,473)	(33,716,473)	(32,139,012)	(1,577,461)
Total other financing uses, net	(29,620,543)	(24,748,568)	(29,443,082)	4,694,515
Net change in fund balances	\$ -	\$ 0	\$ 14,134,944	\$ 14,134,944
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ 14,134,944	
Encumbrances			2,763,612	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 4)			\$ 16,898,556	

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, 2020**

Road Maintenance				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Permits, fees and licenses	\$ 370,000	\$ 370,000	\$ 352,605	\$ (17,395)
Fines and forfeitures	250,000	250,000	231,798	(18,202)
Revenue from use of money and property	15,000	15,000	277,626	262,626
Charges for services	1,214,504	1,214,504	1,123,718	(90,786)
Miscellaneous	26,500	26,500	52,316	25,816
Intergovernmental:				
Revenue from the Commonwealth	24,205,890	24,205,890	24,390,615	184,725
Fund balance (rollover/appropriations)	1,874,439	4,839,991	-	(4,839,991)
Total revenues	<u>27,956,333</u>	<u>30,921,885</u>	<u>26,428,678</u>	<u>(4,493,207)</u>
EXPENDITURES				
Current:				
Public Works	<u>25,789,076</u>	<u>28,434,836</u>	<u>27,221,549</u>	<u>1,213,287</u>
Total expenditures	<u>25,789,076</u>	<u>28,434,836</u>	<u>27,221,549</u>	<u>1,213,287</u>
Deficiency of revenues under expenditures	<u>2,167,257</u>	<u>2,487,049</u>	<u>(792,871)</u>	<u>(3,279,920)</u>
OTHER FINANCING USES				
Transfers out	<u>(2,167,257)</u>	<u>(2,487,049)</u>	<u>(2,487,049)</u>	<u>-</u>
Total other financing uses	<u>(2,167,257)</u>	<u>(2,487,049)</u>	<u>(2,487,049)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,279,920)</u>	<u>\$ (3,279,920)</u>
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (3,279,920)	
Encumbrances			3,907,836	
Total net change in fund balance per Statement of Revenues, Expenditures and changes in Fund Balance (Exhibit 4)			<u>\$ 627,916</u>	

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

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

	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service cost	\$ 6,994,155	\$ 7,018,182	\$ 7,104,813	\$ 7,259,255	\$ 7,533,051	\$ 7,567,281
Interest	15,882,027	16,812,748	17,359,071	18,400,909	19,140,479	20,613,324
Changes in assumptions	-	-	-	(690,942)	-	9,986,163
Difference between expected and actual experience	-	(5,841,034)	1,303,368	(2,868,934)	6,884,588	651,344
Benefit payments, including refunds of employee contributions	(9,322,789)	(9,837,539)	(10,533,021)	(11,234,683)	(11,835,331)	(13,199,609)
Net change in total pension liability	13,553,393	8,152,357	15,234,231	10,865,605	21,722,787	25,618,503
Total pension liability -- beginning	231,547,492	245,100,885	253,253,242	268,487,473	279,353,078	301,075,865
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>	<u>\$326,694,368</u>
Plan fiduciary net position						
Contributions -- employer	\$ 7,684,006	\$ 7,327,510	\$ 7,519,618	\$ 6,958,618	\$ 7,172,294	\$ 7,031,636
Contributions -- employee	2,877,613	2,851,871	2,962,118	3,248,534	3,241,083	3,260,682
Net investment income	28,132,949	9,496,953	3,824,803	26,854,025	18,158,127	17,460,442
Benefit payments, including refunds of employee contributions	(9,322,789)	(9,837,539)	(10,533,021)	(11,234,683)	(11,835,331)	(13,199,609)
Administrative expense	(149,011)	(127,715)	(132,646)	(152,890)	(154,614)	(171,506)
Other	1,483	(2,019)	(1,608)	(24,013)	(16,278)	(11,042)
Net change in plan fiduciary net position	29,224,251	9,709,061	3,639,264	25,649,591	16,565,281	14,370,603
Plan fiduciary net position -- beginning	177,492,218	206,716,469	216,425,533	220,064,797	245,714,388	262,279,669
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>	<u>\$276,650,272</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>	<u>\$ 38,796,196</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>	<u>\$ 50,044,096</u>
Plan fiduciary net position as a percentage of total pension liability	84.34%	85.46%	81.96%	87.96%	87.11%	84.68%
Covered payroll	\$ 55,954,879	\$ 63,639,606	\$ 59,144,296	\$ 64,085,203	\$ 67,302,874	\$ 67,256,705
Net pension liability as a percentage of covered payroll	68.60%	57.87%	81.87%	52.49%	57.64%	74.41%

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	2019
Total Pension Liability						
Service cost	\$ 738,127	\$ 713,970	\$ 733,174	\$ 668,468	\$ 648,762	\$ 642,823
Interest	1,455,330	1,537,449	1,650,099	1,706,059	1,742,804	1,849,648
Changes of assumptions	-	-	-	(209,695)	-	801,043
Difference between expected and actual experience	-	304,251	(570,559)	(515,637)	270,296	(42,381)
Benefit payments, including refunds of employee contributions	(1,049,323)	(991,325)	(901,450)	(1,125,127)	(1,123,413)	(1,147,613)
Net change in total pension liability	1,144,134	1,564,345	911,264	524,068	1,538,449	2,103,520
Total pension liability -- beginning	21,315,088	22,459,222	24,023,567	24,934,831	25,458,899	26,997,348
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>	<u>\$ 29,100,868</u>
Plan fiduciary net position						
Contributions -- employer	\$ 587,401	\$ 477,042	\$ 663,115	\$ 393,829	\$ 395,475	\$ 356,625
Contributions -- employee	330,019	312,739	314,507	324,226	324,119	341,637
Net investment income	3,042,856	1,014,884	405,924	2,848,179	1,910,589	1,823,319
Benefit payments, including refunds of employee contributions	(1,049,323)	(991,325)	(901,450)	(1,125,127)	(1,123,413)	(1,147,613)
Administrative expense	(16,345)	(13,901)	(14,198)	(16,505)	(16,379)	(18,028)
Other	161	(215)	(171)	(2,534)	(1,688)	(1,148)
Net change in plan fiduciary net position	2,894,769	799,224	467,727	2,422,068	1,488,703	1,354,792
Plan fiduciary net position -- beginning	19,344,130	22,238,899	23,038,123	23,505,850	25,927,918	27,416,621
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>	<u>\$ 28,771,413</u>
Total net pension liability -- beginning	<u>\$ 1,970,958</u>	<u>\$ 220,323</u>	<u>\$ 985,444</u>	<u>\$ 1,428,981</u>	<u>\$ (469,019)</u>	<u>\$ (419,273)</u>
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>	<u>\$ 329,455</u>
Plan fiduciary net position as a percentage of total pension liability	99%	96%	94%	102%	102%	99%
Covered payroll	\$ 6,739,997	\$ 6,271,733	\$ 7,303,711	\$ 6,556,134	\$ 6,718,706	\$ 7,179,989
Net pension liability (asset) as a percentage of covered payroll	3.27%	15.71%	19.57%	-7.15%	-6.24%	4.59%

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	2019
Employer's proportion of the net pension liability	0.93031%	0.91814%	0.94584%	0.95248%	0.95078%	0.98036%
Employer's proportionate share of the net pension liability	\$ 112,425,000	\$ 115,560,000	\$ 132,551,000	\$ 117,136,000	\$ 111,812,000	\$ 129,020,948
Employer's covered payroll	89,528,345	68,193,037	71,032,824	73,624,141	76,657,195	81,801,705
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%	157.72%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%	72.92%	70.88%	73.51%

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	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
City Pension Plan:					
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%
2020	\$ 7,505,863	\$ 7,462,406	\$ 43,457	\$ 69,692,322	10.71%
School Board (non-teacher) Pension Plan:					
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%
2020	\$ 350,347	\$ 350,347	\$ -	\$ 7,214,135	4.86%
School Board Teacher Retirement Plan:					
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%
2020	\$ 12,616,285	\$ 12,616,285	\$ -	\$ 82,805,159	15.24%

CITY OF SUFFOLK, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Notes to the Required Supplementary Information related to Pensions

Changes in Benefit terms

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

Changes of assumptions

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Change to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

- | | |
|---|--|
| <ul style="list-style-type: none">- Update to a more current mortality table – RP2014 projected to 2020.- Lowered retirement rates at older ages and changed final retirement from 70 to 75- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service- Lowered disability rates- Increased line of duty disability rate from 14% to 15%- Decreased discount rate from 7.00% to 6.75% | <ul style="list-style-type: none">- Update to a more current mortality table – RP2014 projected to 2020- Increased retirement rates -- age 50 rates, and lowered rates at older ages- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.- Adjusted disability rates to better fit experience.- Decreased line of duty disability rate from 60% to 45%- Decreased discount rate from 7.00% to 6.75% |
|---|--|

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	2020
Total OPEB Liability				
Service cost	\$ 886,026	\$ 646,056	\$ 835,242	\$ 936,260
Interest	2,225,368	2,369,007	2,976,786	3,435,345
Difference between expected and actual experience	-	5,564,681	576,876	(479,096)
Changes of assumptions or other inputs	-	289,822	3,129,118	(863,241)
Benefit payments, including refunds of employee contributions	(1,060,396)	(1,454,455)	(1,655,212)	(1,349,107)
Net change in total OPEB liability	2,050,998	7,415,111	5,862,810	1,680,161
Total OPEB liability -- beginning	30,201,776	32,252,774	39,667,885	45,530,695
Total OPEB liability -- ending	<u>\$ 32,252,774</u>	<u>\$ 39,667,885</u>	<u>\$ 45,530,695</u>	<u>\$ 47,210,856</u>
Plan fiduciary net position				
Contributions -- employer	\$ 3,340,696	\$ 2,488,905	\$ 1,655,212	\$ 1,349,107
Net investment income	3,390,546	3,045,950	1,629,195	1,131,826
Benefit payments, including refunds of employee contributions	(1,060,396)	(1,454,455)	(1,655,212)	(1,349,107)
Administrative fees	-	(31,912)	(32,333)	(33,677)
Net change in plan fiduciary net position	5,670,846	4,048,488	1,596,862	1,098,149
Plan fiduciary net position -- beginning	25,720,279	31,391,125	35,439,613	37,036,475
Plan fiduciary net position -- ending	<u>\$ 31,391,125</u>	<u>\$ 35,439,613</u>	<u>\$ 37,036,475</u>	<u>\$ 38,134,624</u>
Total net OPEB liability -- beginning	\$ 4,481,497	\$ 861,649	\$ 4,228,272	\$ 8,494,220
Total Net OPEB liability -- ending	<u>\$ 861,649</u>	<u>\$ 4,228,272</u>	<u>\$ 8,494,220</u>	<u>\$ 9,076,232</u>
Plan fiduciary net position as a percentage of total OPEB liability	97.33%	89.34%	81.34%	80.78%
Covered payroll	\$ 58,111,943	\$ 67,302,874	\$ 61,416,353	\$ 69,886,884
Net OPEB Liability as a percentage of covered payroll	1.48%	6.28%	13.83%	12.99%

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,

	2017	2018	2019
Total OPEB Liability			
Service cost	\$ 518,107	\$ 456,968	\$ 458,381
Interest	1,168,697	1,034,554	1,024,964
Changes of benefit terms	(391,210)	-	-
Difference between expected and actual experience	(2,060,226)	(651,244)	695,593
Changes of assumptions or other inputs	1,303,406	34,634	-
Benefit payments, including refunds of employee contributions	(1,323,985)	(588,348)	(1,435,329)
Net change in total OPEB liability	(785,211)	286,564	743,609
Total OPEB liability -- beginning	14,411,142	13,625,931	13,912,495
Total OPEB liability -- ending	<u>\$ 13,625,931</u>	<u>\$ 13,912,495</u>	<u>\$ 14,656,104</u>
Plan fiduciary net position			
Contributions -- employer	\$ 1,323,985	\$ 588,348	\$ 1,435,329
Net investment income	2,073,264	(699,998)	2,823,320
Benefit payments, including refunds of employee contributions	(1,323,985)	(588,348)	(1,435,329)
Administrative expenses	(14,546)	(14,727)	(15,166)
Net change in plan fiduciary net position	2,058,718	(714,725)	2,808,154
Plan fiduciary net position -- beginning	13,406,521	15,465,239	14,750,514
Plan fiduciary net position -- ending	<u>\$ 15,465,239</u>	<u>\$ 14,750,514</u>	<u>\$ 17,558,668</u>
Total net OPEB liability (asset) -- beginning	<u>\$ 1,004,621</u>	<u>\$ (1,839,308)</u>	<u>\$ (838,019)</u>
Total Net OPEB asset -- ending	<u>\$ (1,839,308)</u>	<u>\$ (838,019)</u>	<u>\$ (2,902,564)</u>
Plan fiduciary net position as a percentage of total OPEB liability	113.50%	106.02%	119.80%
Covered payroll	\$ 79,940,967	\$ 80,618,413	\$ 81,801,705
Net OPEB Asset as a percentage of covered payroll	-2.30%	-1.04%	-3.55%

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,**

Date		Actuarially Determined Contribution		Contributions in Relation to Required Contribution		Contribution Deficiency (Excess)		Employer's Covered Payroll		Contributions as a % of Covered Payroll
City Plan:										
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	\$	1,655,212	\$	(324,597)	\$	61,416,353		2.70%
2020	\$	1,330,615	\$	1,349,107	\$	(18,492)	\$	69,886,884		1.93%
School Board										
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%
2020	\$	1,435,329	\$	621,810	\$	813,519	\$	84,334,164		0.74%

CITY OF SUFFOLK, VIRGINIA

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

	City OPEB Trust	School Board OPEB Trust
2017	13.04%	15.52%
2018	9.52%	9.52%
2019	4.67%	4.67%
2020	4.88%	4.88%

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, 2020

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

Changes in Benefit Terms:

There were no changes in the Plan's benefit provisions during the measurement period ending on June 30, 2020.

Changes to assumptions or other inputs

The following changes in assumptions were made as of June 30, 2020 for the valuation date of June 30, 2019:

- The City selected the 2.21% Municipal Bond Index Rate as of the Measurement Dates based on the 20-Bond average General Obligation 20-year Municipal Bond Rate published at the end of the last week during the month of June by the Bond Buyer and prescribed it for use in determining the Plan's discount rate under GASB accounting rules as of the Measurement Date;
- The long-term Health Care Cost Trend Rates were updated to reflect better 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>	<u>2019</u>
Employer's proportion of the net LODA OPEB liability	2.76316%	2.86170%	2.62930%
Employer's proportionate share of the net LODA OPEB liability	\$ 7,261,000	\$ 8,972,000	\$ 9,433,565
Employer's covered payroll	\$ 23,102,737	\$ 24,288,204	\$ 28,324,247
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	31.43%	36.94%	33.31%
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.30%	0.60%	0.79%

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>	<u>2019</u>
Employer's proportion of the net GLI OPEB liability	0.34781%	0.34952%	0.34159%
Employer's proportionate share of the net GLI OPEB liability	\$ 5,234,000	\$ 5,308,000	\$ 5,558,578
Employer's covered payroll	\$ 64,154,851	\$ 66,461,255	\$ 66,963,814
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	8.16%	7.99%	8.30%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%

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>	<u>2019</u>
Employer's proportion of the net GLI OPEB liability	0.40934%	0.44079%	0.45715%
Employer's proportionate share of the net GLI OPEB liability	\$ 6,704,000	\$ 6,695,000	\$ 7,439,047
Employer's covered payroll	\$ 82,175,449	\$ 83,814,437	\$ 89,616,947
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	8.16%	7.99%	8.30%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%

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>	<u>2019</u>
Employer's proportion of the net HIC OPEB liability	0.95031%	0.94832%	0.97557%
Employer's proportionate share of the net HIC OPEB liability	\$ 12,056,000	\$ 12,040,000	\$ 12,771,160
Employer's covered payroll	\$ 74,998,650	\$ 76,694,389	\$ 81,827,304
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.07%	15.70%	15.61%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	7.04%	8.08%	8.97%

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>	<u>2019</u>
Employer's proportion of the net VLDP OPEB liability	4.31966%	4.37837%	4.50925%
Employer's proportionate share of the net VLDP OPEB liability	\$ 25,000	\$ 34,000	\$ 34,661
Employer's covered payroll	\$ 11,799,069	\$ 15,699,589	\$ 20,626,222
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.21%	0.22%	0.17%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	31.96%	46.18%	74.12%

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

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

CITY OF SUFFOLK, VIRGINIA

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

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
City Group Life Insurance Program (GLI)					
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%
2020	\$ 432,439	\$ 432,439	\$ -	\$ 69,692,322	0.62%
City Line of Duty Act Program (LODA)					
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%
2020	\$ 373,881	\$ 373,881	\$ -	\$ 29,370,754	1.27%

* 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	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
School Board Group Life Insurance Program (GLI)					
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%
2020	\$ 470,273	\$ 470,273	\$ -	\$ 90,437,143	0.52%
School Board Health Insurance Credit Program (HIC) - Teachers					
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%
2020	\$ 993,676	\$ 993,676	\$ -	\$ 82,806,334	1.20%
School Board Virginia Local Disability Program (VLDP)					
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%
2020	\$ 101,154	\$ 101,154	\$ -	\$ 23,040,664	0.44%

CITY OF SUFFOLK, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016. Except for the change in the discount rate for the GLI, VLDP and HIC plans, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General City and School Board GLI plan employees	Public Safety Employees GLI and LODA plans
<ul style="list-style-type: none">- Update to a more current mortality table – RP2014 projected to 2020.- Lowered retirement rates at older ages and changed final retirement from 70 to 75- Adjusted termination rates to better fit experience at each year age and service year through 9 years of service- Adjusted rates to better match experience- Increased line of duty disability rate from 14% to 25%- Decreased the discount rate from 7.00% to 6.75%	<ul style="list-style-type: none">- Update to a more current mortality table – RP2014 projected to 2020- Increased retirement rates -- age 50 rates, and lowered rates at older ages- Adjusted termination rates to better fit experience at each year age and service year.- Adjusted disability rates to better fit experience- Decreased line of duty disability rate from 60% to 45%

School Board Teacher GLI, HIC and VLDP:

- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience
- Decrease the discount rate from 7.00% to 6.75%

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION:

NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

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

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

CITY OF SUFFOLK, VIRGINIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Suffolk Taxing District	Downtown Business Overlay District	Consolidated Grants	Law Library	Route 17 Taxing District	Mosquito Taxing District	Cemetery	Transit	Aviation	Total Non-Major Governmental Funds
ASSETS										
Assets:										
Cash and cash equivalents	\$ -	\$ 248,800	\$ 1,255,885	\$ 225,336	\$ 3,433,691	\$ 8,383	\$ -	\$ 309,231	\$ 508,120	\$ 5,989,446
Cash and cash equivalents, restricted	-	-	7,242,593	-	-	-	1,006,582	-	-	8,249,175
Receivables, net:										
Taxes	-	537	-	-	12,593	-	-	-	-	13,130
Accounts	-	-	580	2,358	-	-	-	490	40,084	43,512
Due from other governmental units	-	-	413,910	-	-	-	-	963,984	20,426	1,398,320
Inventory	-	-	-	-	-	-	-	-	45,654	45,654
Total assets	<u>\$ -</u>	<u>\$ 249,337</u>	<u>\$ 8,912,968</u>	<u>\$ 227,694</u>	<u>\$ 3,446,284</u>	<u>\$ 8,383</u>	<u>\$ 1,006,582</u>	<u>\$ 1,273,705</u>	<u>\$ 614,284</u>	<u>\$ 15,739,237</u>
LIABILITIES										
Liabilities:										
Accounts payable and accrued liabilities	\$ 10,819	\$ 132	\$ 346,026	\$ 3,481	\$ -	\$ -	\$ 10,964	\$ 111,576	\$ 3,793	\$ 486,791
Accrued payroll and related liabilities	-	-	12,369	1,147	-	-	-	661	5,433	19,610
Unavailable revenues	-	-	7,231,939	-	-	-	-	-	-	7,231,939
Total liabilities	<u>10,819</u>	<u>132</u>	<u>7,590,334</u>	<u>4,628</u>	<u>-</u>	<u>-</u>	<u>10,964</u>	<u>112,237</u>	<u>9,226</u>	<u>7,738,340</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenues - taxes	-	375	-	-	-	-	-	-	-	375
Deposits	-	-	-	-	-	-	-	-	23,731	23,731
Total deferred inflows	<u>-</u>	<u>375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,731</u>	<u>24,106</u>
FUND BALANCES										
Nonspendable	-	-	-	-	-	-	-	-	45,654	45,654
Restricted	-	-	1,322,634	223,066	-	-	995,618	963,984	-	3,505,302
Committed	-	248,830	-	-	3,446,284	8,383	-	197,484	535,673	4,436,654
Unassigned	(10,819)	-	-	-	-	-	-	-	-	(10,819)
Total fund balances	<u>(10,819)</u>	<u>248,830</u>	<u>1,322,634</u>	<u>223,066</u>	<u>3,446,284</u>	<u>8,383</u>	<u>995,618</u>	<u>1,161,468</u>	<u>581,327</u>	<u>7,976,791</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 249,337</u>	<u>\$ 8,912,968</u>	<u>\$ 227,694</u>	<u>\$ 3,446,284</u>	<u>\$ 8,383</u>	<u>\$ 1,006,582</u>	<u>\$ 1,273,705</u>	<u>\$ 614,284</u>	<u>\$ 15,739,237</u>

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2020

	Suffolk Taxing District	Downtown Business Overlay District	Consolidated Grants	Law Library	Route 17 Taxing District	Mosquito Taxing District	Cemetery	Transit	Aviation	Total Non-Major Governmental Funds
REVENUES										
Real estate taxes	\$ -	\$ 192,138	\$ -	\$ -	\$ 1,811,463	\$ -	\$ -	\$ -	\$ -	\$ 2,003,601
Revenue from use of money and property	-	3,753	2,361	4,515	46,430	-	25,367	14,501	284,581	381,508
Charges for services	-	-	16,220	31,887	-	-	-	68,430	424,911	541,448
Miscellaneous	-	-	193,163	127	-	-	24,535	10,738	-	228,563
Intergovernmental:										
Revenue from the Commonwealth	-	-	387,481	-	-	-	-	329,406	46,059	762,946
Revenue from the Federal government	-	-	2,238,502	-	-	-	-	1,303,672	-	3,542,174
Total revenues	-	195,891	2,837,727	36,529	1,857,893	-	49,902	1,726,747	755,551	7,460,240
EXPENDITURES										
Current:										
General government administration	-	-	831,435	-	-	-	-	-	776,277	1,607,712
Judicial administration	-	-	854,805	39,675	-	-	-	-	-	894,480
Public safety	-	-	387,999	-	-	-	-	-	-	387,999
Public works	-	158,254	43,267	-	-	-	-	-	-	201,521
Health and welfare	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	1,898,154	-	1,898,154
Parks, recreation, and cultural	-	-	121,682	-	-	-	73,425	-	-	195,107
Community development	-	-	896,846	-	-	-	-	-	-	896,846
Total expenditures	-	158,254	3,136,034	39,675	-	-	73,425	1,898,154	776,277	6,081,819
Excess (deficiency) of revenues over (under) expenditures	-	37,637	(298,307)	(3,146)	1,857,893	-	(23,523)	(171,407)	(20,726)	1,378,421
Other financing sources (uses):										
Transfers in	-	-	425,738	-	-	-	-	748,896	91,531	1,266,165
Transfers out	-	-	-	-	(328,170)	-	-	(6,194)	(49,554)	(383,918)
Total other financing sources (uses), net	-	-	425,738	-	(328,170)	-	-	742,702	41,977	882,247
Net changes in fund balances	-	37,637	127,431	(3,146)	1,529,723	-	(23,523)	571,295	21,251	2,260,668
Fund balances at July 1	(10,819)	211,193	1,195,203	226,212	1,916,561	8,383	1,019,141	590,173	560,076	5,716,123
Fund balances at June 30	<u>\$ (10,819)</u>	<u>\$ 248,830</u>	<u>\$ 1,322,634</u>	<u>\$ 223,066</u>	<u>\$ 3,446,284</u>	<u>\$ 8,383</u>	<u>\$ 995,618</u>	<u>\$ 1,161,468</u>	<u>\$ 581,327</u>	<u>\$ 7,976,791</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 149,972	\$ 149,972
Total revenues	-	-	149,972	149,972
EXPENDITURES				
Current:				
Principal	17,567,274	17,567,274	18,118,619	(551,345)
Bond issuance costs	-	750,000	582,569	167,431
Interest and other fiscal charges	11,397,544	10,647,544	9,579,926	1,067,618
Total expenditures	28,964,818	28,964,818	28,281,114	683,704
Deficiency of revenues under expenditures	(28,964,818)	(28,964,818)	(28,131,142)	833,676
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	31,345,000	31,345,000
Premium on bonds issued	-	-	198,292	198,292
Payment to escrow agent	-	-	(31,033,899)	(31,033,899)
Transfers in	28,964,818	28,964,818	27,621,749	(1,343,069)
Total other financing sources, net	28,964,818	28,964,818	28,131,142	(833,676)
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, 2020

	<u>Law Library</u>				<u>Downtown Business Overlay District</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
REVENUES								
Real estate taxes	\$ -	\$ -	\$ -	\$ -	\$ 171,749	\$ 171,749	\$ 192,138	\$ 20,389
Revenue from use of money and property	-	-	4,515	4,515	-	-	3,753	3,753
Charges for services	35,000	35,000	31,887	(3,113)	-	-	-	-
Miscellaneous	-	-	127	127	-	-	-	-
Fund balance (rollover/appropriations)	6,580	6,580	-	(6,580)	-	1,319	-	(1,319)
Total revenues	41,580	41,580	36,529	(5,051)	171,749	173,068	195,891	22,823
EXPENDITURES								
Current:								
Judicial administration	41,580	41,580	39,675	1,905	-	-	-	-
Public works	-	-	-	-	171,749	173,068	158,254	14,814
Total expenditures	41,580	41,580	39,675	1,905	171,749	173,068	158,254	14,814
Excess (deficiency) of revenues over (under) expenditures	-	-	(3,146)	(3,146)	-	-	37,637	37,637
Net change in fund balances	\$ -	\$ -	\$ (3,146)	\$ (3,146)	\$ -	\$ -	\$ 37,637	\$ 37,637
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ (3,146)				\$ 37,637	
Encumbrances			-				-	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 28)			<u>\$ (3,146)</u>				<u>\$ 37,637</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, 2020

	Route 17 Taxing District				Aviation			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES								
Real estate taxes	\$ 1,715,017	\$ 1,715,017	\$ 1,811,463	\$ 96,446	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	46,430	46,430	269,052	269,052	284,581	15,529
Charges for services	-	-	-	-	695,000	695,000	424,911	(270,089)
Intergovernmental:								
Revenue from the Commonwealth	-	-	-	-	-	29,900	46,059	16,159
Fund balance (rollover/appropriations)	-	-	-	-	-	316,122	-	(316,122)
Total revenues	<u>1,715,017</u>	<u>1,715,017</u>	<u>1,857,893</u>	<u>142,876</u>	<u>964,052</u>	<u>1,310,074</u>	<u>755,551</u>	<u>(554,523)</u>
EXPENDITURES								
Current:								
General government administration	<u>1,386,847</u>	<u>1,386,847</u>	<u>-</u>	<u>1,386,847</u>	<u>1,006,029</u>	<u>1,352,051</u>	<u>1,207,834</u>	<u>144,217</u>
Total expenditures	<u>1,386,847</u>	<u>1,386,847</u>	<u>-</u>	<u>-</u>	<u>1,006,029</u>	<u>1,352,051</u>	<u>1,207,834</u>	<u>144,217</u>
Excess (deficiency) of revenues over (under) expenditures	<u>328,170</u>	<u>328,170</u>	<u>1,857,893</u>	<u>1,529,723</u>	<u>(41,977)</u>	<u>(41,977)</u>	<u>(452,283)</u>	<u>(410,306)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	91,531	91,531	91,531	-
Transfers out	<u>(328,170)</u>	<u>(328,170)</u>	<u>(328,170)</u>	<u>-</u>	<u>(49,554)</u>	<u>(49,554)</u>	<u>(49,554)</u>	<u>-</u>
Total other financing sources (uses), net	<u>(328,170)</u>	<u>(328,170)</u>	<u>(328,170)</u>	<u>-</u>	<u>41,977</u>	<u>41,977</u>	<u>41,977</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,529,723</u>	<u>\$ 1,529,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (410,306)</u>	<u>\$ (410,306)</u>
Reconciliation to Governmental Fund Statement:								
Total net change in fund balance			\$ 1,529,723				\$ (410,306)	
Encumbrances			<u>-</u>				<u>431,557</u>	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 28)			<u>\$ 1,529,723</u>				<u>\$ 21,251</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, 2020**

Transit				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 14,501	\$ 14,501
Charges for services	81,350	81,350	68,430	(12,920)
Miscellaneous	8,500	8,500	10,738	2,238
Intergovernmental:				
Revenue from the commonwealth	860,398	615,879	329,406	(286,473)
Revenue from the federal government	-	3,151,686	1,303,672	(1,848,014)
Fund balance (rollover/appropriations)	-	28,183	-	(28,183)
Total revenues	950,248	3,885,598	1,726,747	(2,158,852)
EXPENDITURES				
Current:				
Transportation	1,692,950	4,628,300	1,940,068	2,688,232
Total expenditures	1,692,950	4,628,300	1,940,068	2,688,232
Deficiency of revenues under expenditures	(742,702)	(742,702)	(213,321)	529,381
OTHER FINANCING SOURCES (USES)				
Transfers in	748,896	748,896	748,896	-
Transfers out	(6,194)	(6,194)	(6,194)	-
Total other financing sources, net	742,702	742,702	742,702	-
Net change in fund balances	\$ -	\$ -	\$ 529,381	\$ 529,381

Reconciliation to Governmental Fund Statement:

Total net change in fund balance	\$ 529,381
Encumbrances	41,914
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 28)	<u>\$ 571,295</u>

OTHER SUPPLEMENTARY INFORMATION: NON-MAJOR PROPRIETARY FUNDS

Enterprise Funds are used to account for:

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

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

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS

June 30, 2020

	Business-type Activities - Enterprise Funds		
	Stormwater Utility	Refuse	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,349,926	\$ 4,573,183	\$ 10,923,109
Receivables, net	174,448	482,061	656,509
Total current assets	6,524,374	5,055,244	11,579,618
Noncurrent assets:			
Capital assets, net	293,688	-	293,688
Total noncurrent assets	293,688	-	293,688
Total assets	6,818,062	5,055,244	11,873,306
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	766,884	447,628	1,214,512
Deferred outflows related to OPEB City trust	341,260	284,384	625,644
Deferred outflows related to OPEB state plans	44,745	26,302	71,047
Total deferred outflows of resources	1,152,889	758,314	1,911,203
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	124,019	305,090	429,109
Accrued payroll and related liabilities	37,692	23,005	60,697
Accrued interest payable	5,776	9,479	15,255
Compensated absences	14,886	1,040	15,926
Bonds and leases payable	2,087	155,815	157,902
Total current liabilities	184,460	494,429	678,889
Noncurrent liabilities:			
Compensated absences	189,438	98,786	288,224
Net pension liability	1,798,014	1,023,036	2,821,050
Net OPEB liability City trust	293,960	244,967	538,927
Net OPEB liability state plans	198,114	114,095	312,209
Bonds and leases payable	399,661	331,631	731,292
Total noncurrent liabilities	2,879,187	1,812,515	4,691,702
Total liabilities	3,063,647	2,306,944	5,370,591
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	220,400	125,405	345,805
Deferred inflows related to OPEB City trust	60,529	50,441	110,970
Deferred inflows related to OPEB state plans	16,384	9,435	25,819
Total deferred inflows of resources	297,313	185,281	482,594
NET POSITION			
Net investment in capital assets	293,688	-	293,688
Unrestricted	4,316,303	3,321,333	7,637,636
Total net position	\$ 4,609,991	\$ 3,321,333	\$ 7,931,324

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
OPERATING REVENUES			
Charges for services	\$ 6,723,695	\$ 8,434,012	\$ 15,157,707
Other	85,634	756,957	842,591
Total operating revenues	6,809,329	9,190,969	16,000,298
OPERATING EXPENSES			
Personnel services	3,199,446	1,908,369	5,107,815
Contractual services	483,433	4,435,437	4,918,870
Administration	869,814	2,557,407	3,427,221
Supplies	87,651	70,820	158,471
Repairs and maintenance	300	10,382	10,682
Utilities	29,616	19,657	49,273
Depreciation	137,186	-	137,186
Building and equipment rental	89,628	-	89,628
Other charges	59,864	176,402	236,266
Total operating expenses	4,956,938	9,178,474	14,135,412
Operating income	1,852,391	12,495	1,864,886
NONOPERATING REVENUES (EXPENSES)			
Interest income	102,915	79,232	182,147
Interest expense	(9,795)	(15,726)	(25,521)
Cost of issuance	(22,723)	-	(22,723)
Net nonoperating revenues	70,397	63,506	133,903
Income before transfers	1,922,788	76,001	1,998,789
Transfers out	(821,959)	(293,539)	(1,115,498)
Change in net position	1,100,829	(217,538)	883,291
Net position at July 1	3,509,162	3,538,871	7,048,033
Net position at June 30	\$ 4,609,991	\$ 3,321,333	\$ 7,931,324

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		
	Stormwater		
	Utility	Refuse	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 6,844,090	\$ 9,330,450	\$ 16,174,540
Payments to employees	(2,956,424)	(1,791,316)	(4,747,740)
Payments to suppliers	(1,632,113)	(7,234,639)	(8,866,752)
Net cash provided by operating activities	<u>2,255,553</u>	<u>304,495</u>	<u>2,560,048</u>
NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(821,959)	(293,539)	(1,115,498)
Net cash used in noncapital financing activities	<u>(821,959)</u>	<u>(293,539)</u>	<u>(1,115,498)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of debt	403,836	-	403,836
Bond issuance costs	(24,811)	-	(24,811)
Principal paid on capital debt	-	(130,000)	(130,000)
Interest paid on capital debt	(4,019)	(29,250)	(33,269)
Net cash provided by (used in) capital and related financing activities	<u>375,006</u>	<u>(159,250)</u>	<u>215,756</u>
INVESTING ACTIVITIES			
Interest received	102,915	79,232	182,147
Net cash provided by investing activities	<u>102,915</u>	<u>79,232</u>	<u>182,147</u>
Net increase (decrease) in cash and cash equivalents	1,911,515	(69,062)	1,842,453
CASH AND CASH EQUIVALENTS			
Beginning, July 1	4,438,411	4,642,245	9,080,656
Ending, June 30	<u>\$ 6,349,926</u>	<u>\$ 4,573,183</u>	<u>\$ 10,923,109</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,852,391	\$ 12,495	\$ 1,864,886
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	137,186	-	137,186
Increase (Decrease) in allowance for uncollectible accounts	(27,772)	19,206	(8,566)
Changes in assets and liabilities:			
Decrease in:			
Receivables	62,532	120,276	182,808
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(11,806)	35,465	23,659
Accrued payroll and related liabilities	243,022	117,053	360,075
Net cash provided by operating activities	<u>\$ 2,255,553</u>	<u>\$ 304,495</u>	<u>\$ 2,560,048</u>

OTHER SUPPLEMENTARY INFORMATION:

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for:

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

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

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

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2020

	Information Technology	Fleet Management	Risk Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,432,980	\$ 14,176,819	\$ 19,560,546	\$ 35,170,345
Receivables other, net	1,575	56,369	18,440	76,384
Inventories	-	220,854	-	220,854
Total current assets	<u>1,434,555</u>	<u>14,454,042</u>	<u>19,578,986</u>	<u>35,467,583</u>
Noncurrent assets:				
Land and construction in progress	694,543	298,000	-	992,543
Other capital assets, net	3,650,652	16,567,125	89,871	20,307,648
Total noncurrent assets	<u>4,345,195</u>	<u>16,865,125</u>	<u>89,871</u>	<u>21,300,191</u>
Total assets	<u>5,779,750</u>	<u>31,319,167</u>	<u>19,668,857</u>	<u>56,767,774</u>
DEFERRED OUFLOWS OF RESOURCES				
Deferred outflows related to pension plan	524,382	309,954	111,618	945,954
Deferred outflows related to OPEB City trust	191,959	149,301	42,658	383,918
Deferred outflows related to OPEB state plans	30,154	17,983	6,156	54,293
Total deferred outflows of resources	<u>746,495</u>	<u>477,238</u>	<u>160,432</u>	<u>1,384,165</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	499,369	168,272	6,041	673,682
Accrued payroll and related liabilities	22,956	14,206	41,495	78,657
Claims payable	-	-	2,008,317	2,008,317
Accrued interest	60,729	55,958	-	116,687
Compensated absences	-	-	5,476	5,476
Capital leases -- current	4,340	-	-	4,340
Bonds payable -- current	976,156	1,336,070	-	2,312,226
Total current liabilities	<u>1,563,550</u>	<u>1,574,506</u>	<u>2,061,329</u>	<u>5,199,385</u>
Noncurrent liabilities:				
Compensated absences	182,103	99,901	13,996	296,000
Net pension liability	1,221,791	703,179	263,147	2,188,117
Net OPEB liability City trust	165,353	128,608	36,745	330,706
Net OPEB liability state plans	132,363	76,889	26,949	236,201
Claims payable	-	-	1,550,318	1,550,318
Bonds payable	2,301,929	1,934,943	-	4,236,872
Total noncurrent liabilities	<u>4,003,539</u>	<u>2,943,520</u>	<u>1,891,155</u>	<u>8,838,214</u>
Total liabilities	<u>5,567,089</u>	<u>4,518,026</u>	<u>3,952,484</u>	<u>14,037,599</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension plan	149,767	86,195	32,257	268,219
Deferred inflows related to OPEB City trust	34,048	26,481	7,566	68,095
Deferred inflows related to OPEB state plans	10,946	6,360	2,229	19,535
Total deferred inflows of resources	<u>194,761</u>	<u>119,036</u>	<u>42,052</u>	<u>355,849</u>
NET POSITION				
Net investment in capital assets	1,062,769	13,594,112	89,871	14,746,752
Unrestricted	(298,374)	13,565,231	15,744,882	29,011,739
Total net position	<u>\$ 764,395</u>	<u>\$ 27,159,343</u>	<u>\$ 15,834,753</u>	<u>\$ 43,758,491</u>

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2020

	Information Technology	Fleet Management	Risk Management	Total
OPERATING REVENUES				
Charges for services	\$ 10,024,977	\$ 9,893,982	\$ 19,153,436	\$ 39,072,395
Other	4,201	118,186	489,327	611,714
Total operating revenues	<u>10,029,178</u>	<u>10,012,168</u>	<u>19,642,763</u>	<u>39,684,109</u>
OPERATING EXPENSES				
Personnel services	2,191,705	1,193,971	567,838	3,953,514
Self-insured claims	-	-	13,263,976	13,263,976
Contractual services	4,965,610	2,354	57,422	5,025,386
Administration	284,381	668,484	44,335	997,200
Supplies	5,423	57,855	19,389	82,667
Repairs and maintenance	223,472	52,226	-	275,698
Vehicle and power equipment – fuel	-	1,249,147	-	1,249,147
Vehicle and power equipment – supplies	-	2,241,126	-	2,241,126
Computers and Equipment	3,569,931	-	-	3,569,931
Utilities	192,826	31,350	3,335	227,511
Insurance	-	-	2,233,747	2,233,747
Depreciation	1,030,215	4,526,804	33,449	5,590,468
Building and equipment rental	75,989	33,288	21,930	131,207
Other charges	92,013	31,537	178,661	302,211
Total operating expenses	<u>12,631,565</u>	<u>10,088,142</u>	<u>16,424,082</u>	<u>39,143,789</u>
Operating income (loss)	<u>(2,602,387)</u>	<u>(75,974)</u>	<u>3,218,681</u>	<u>540,320</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	24,157	200,755	326,079	550,991
Interest expense	(53,925)	(47,312)	-	(101,237)
Total nonoperating revenues (expenses), net	<u>(29,768)</u>	<u>153,443</u>	<u>326,079</u>	<u>449,754</u>
Net income (loss) before transfers	<u>(2,632,155)</u>	<u>77,469</u>	<u>3,544,760</u>	<u>990,074</u>
Transfers out	<u>(204,476)</u>	<u>(454,236)</u>	<u>(44,339)</u>	<u>(703,051)</u>
Change in net position	(2,836,631)	(376,767)	3,500,421	287,023
Net position at July 1	<u>3,601,026</u>	<u>27,536,110</u>	<u>12,334,332</u>	<u>43,471,468</u>
Net position at June 30	<u><u>\$ 764,395</u></u>	<u><u>\$ 27,159,343</u></u>	<u><u>\$ 15,834,753</u></u>	<u><u>\$ 43,758,491</u></u>

CITY OF SUFFOLK, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2020

	Information Technology	Fleet Management	Risk Management	Total
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 10,027,604	\$ 10,020,342	\$ 19,645,360	\$ 39,693,306
Payments to employees	(1,963,868)	(1,204,621)	(522,361)	(3,690,850)
Payments to suppliers	(9,070,362)	(4,495,627)	(15,034,684)	(28,600,673)
Net cash provided by (used in) operating activities	(1,006,626)	4,320,094	4,088,315	7,401,783
NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(204,476)	(454,236)	(44,339)	(703,051)
Net cash used in noncapital financing activities	(204,476)	(454,236)	(44,339)	(703,051)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(278,045)	(2,370,529)	(28,648)	(2,677,222)
Proceeds from issuance of debt	2,712,088	-	-	2,712,088
Principal paid on capital debt	(519,340)	(1,569,640)	-	(2,088,980)
Bond issuance costs	(24,608)	-	-	(24,608)
Interest paid on debt	(77,865)	(168,400)	-	(246,265)
Net cash provided by (used in) capital and related financing activities	1,812,230	(4,108,569)	(28,648)	(2,324,987)
INVESTING ACTIVITIES				
Interest earned	24,157	200,755	326,079	550,991
Net cash provided by investing activities	24,157	200,755	326,079	550,991
Net increase (decrease) in cash and cash equivalents	625,285	(41,956)	4,341,407	4,924,736
Beginning, July 1	807,695	14,218,775	15,219,139	30,245,609
Ending, June 30	<u>\$ 1,432,980</u>	<u>\$ 14,176,819</u>	<u>\$ 19,560,546</u>	<u>\$ 35,170,345</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (2,602,387)	\$ (75,974)	\$ 3,218,681	\$ 540,320
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	1,030,215	4,526,804	33,449	5,590,468
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(1,575)	8,173	2,597	9,195
Inventories	463,749	10,452	-	474,201
Increase (decrease) in:				
Accounts payable and accrued liabilities	339,285	(138,710)	(69,902)	130,673
Accrued payroll and related liabilities	(235,913)	(10,651)	45,477	(201,087)
Claims payable	-	-	858,013	858,013
Net cash provided by (used in) operating activities	<u>\$ (1,006,626)</u>	<u>\$ 4,320,094</u>	<u>\$ 4,088,315</u>	<u>\$ 7,401,783</u>

OTHER SUPPLEMENTARY INFORMATION: FIDUCIARY FUNDS

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

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

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

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

CITY OF SUFFOLK, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -- AGENCY FUNDS

June 30, 2020

	Special Welfare Fund	Commonwealth of Virginia Fund	Western Tidewater Water Authority	Total
ASSETS				
Cash and cash equivalents	\$ 37,810	\$ 35,527	\$ 1,301,783	\$ 1,375,120
Total assets	<u>\$ 37,810</u>	<u>\$ 35,527</u>	<u>\$ 1,301,783</u>	<u>\$ 1,375,120</u>
LIABILITIES				
Amounts held for others	\$ 37,810	\$ 35,527	\$ 1,301,783	\$ 1,375,120
Total liabilities	<u>\$ 37,810</u>	<u>\$ 35,527</u>	<u>\$ 1,301,783</u>	<u>\$ 1,375,120</u>

CITY OF SUFFOLK, VIRGINIA

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

Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 30,587	\$ 56,827	\$ 49,604	\$ 37,810
Total assets	<u>\$ 30,587</u>	<u>\$ 56,827</u>	<u>\$ 49,604</u>	<u>\$ 37,810</u>
LIABILITIES				
Amounts held for others	\$ 30,587	\$ 56,827	\$ 49,604	\$ 37,810
Total liabilities	<u>\$ 30,587</u>	<u>\$ 56,827</u>	<u>\$ 49,604</u>	<u>\$ 37,810</u>
Commonwealth of Virginia Fund				
ASSETS				
Cash and cash equivalents	\$ 38,560	\$ 28,139	\$ 31,172	\$ 35,527
Total assets	<u>\$ 38,560</u>	<u>\$ 28,139</u>	<u>\$ 31,172</u>	<u>\$ 35,527</u>
LIABILITIES				
Amounts held for others	\$ 38,560	\$ 28,139	\$ 31,172	\$ 35,527
Total liabilities	<u>\$ 38,560</u>	<u>\$ 28,139</u>	<u>\$ 31,172</u>	<u>\$ 35,527</u>
Western Tidewater Water Authority				
ASSETS				
Cash and cash equivalents	\$ 666,420	\$ 7,526,157	\$ 6,890,794	\$ 1,301,783
Total assets	<u>\$ 666,420</u>	<u>\$ 7,526,157</u>	<u>\$ 6,890,794</u>	<u>\$ 1,301,783</u>
LIABILITIES				
Amounts held for others	\$ 666,420	\$ 7,526,157	\$ 6,890,794	\$ 1,301,783
Total liabilities	<u>\$ 666,420</u>	<u>\$ 7,526,157</u>	<u>\$ 6,890,794</u>	<u>\$ 1,301,783</u>
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 735,567	7,611,123	6,971,570	\$ 1,375,120
Total assets	<u>\$ 735,567</u>	<u>\$ 7,611,123</u>	<u>\$ 6,971,570</u>	<u>\$ 1,375,120</u>
LIABILITIES				
Amounts held for others	\$ 735,567	7,611,123	6,971,570	\$ 1,375,120
Total liabilities	<u>\$ 735,567</u>	<u>\$ 7,611,123</u>	<u>\$ 6,971,570</u>	<u>\$ 1,375,120</u>

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

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

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

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

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

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

CITY OF SUFFOLK, VIRGINIA

COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS - DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
June 30, 2020

	School Operating Fund	School Grants Fund	School Food Service Fund	Total School Board
ASSETS				
Cash and cash equivalents	\$ 26,077,766	\$ -	\$ 3,860,676	\$ 29,938,442
Receivables, net	50,376	3,852	32,287	86,515
Due from other funds	1,179,405	-	-	1,179,405
Due from other governments	1,391,569	2,786,315	884,743	5,062,627
Inventories	104,548	-	496,469	601,017
Prepaid items	95,000	-	-	95,000
Total assets	<u>\$ 28,898,664</u>	<u>\$ 2,790,167</u>	<u>\$ 5,274,175</u>	<u>\$ 36,963,006</u>
LIABILITIES				
Accounts payable	\$ 1,552,106	\$ 117,187	\$ 280,591	\$ 1,949,884
Accrued payroll and related liabilities	17,726,455	697,870	242,884	18,667,209
Due to the Primary Government	3,260,241	-	-	3,260,241
Due to other funds	-	1,179,405	-	1,179,405
Total liabilities	<u>22,538,802</u>	<u>1,994,462</u>	<u>523,475</u>	<u>25,056,739</u>
FUND BALANCES				
Nonspendable:				
Inventories and prepaids	199,548	-	496,469	696,017
Premiums held for workers' compensation claims	225,000	-	-	225,000
Premiums held for health insurance claims	285,122	-	-	285,122
Committed:				
Grant local match	-	721,628	-	721,628
Assigned:				
Special revenue	-	74,077	-	74,077
Food service	-	-	4,254,231	4,254,231
Encumbrances	5,650,192	-	-	5,650,192
Total fund balances	<u>6,359,862</u>	<u>795,705</u>	<u>4,750,700</u>	<u>11,906,267</u>
Total liabilities and fund balance	<u>\$ 28,898,664</u>	<u>\$ 2,790,167</u>	<u>\$ 5,274,175</u>	<u>\$ 36,963,006</u>
Reconciliation to the Statement of Net Position (Exhibit 1)				
Total fund balance				\$ 11,906,267
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
School Board				167,709,390
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				(2,915,071)
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 liability - Schools				(129,350,403)
Other postemployment benefits - School trust				2,902,564
Deferred outflows - pension				19,132,659
Deferred inflows - pension				(14,090,642)
Deferred outflows - employer pension contributions made subsequent to the measurement date				12,966,632
OPEB liability - State Plans				(20,244,868)
OPEB Deferred Inflows - State Plans				(1,024,549)
OPEB Deferred Outflows - State Plans				1,976,668
OPEB Deferred Inflows - School Trust				(2,424,990)
OPEB Deferred Outflows - School Trust				1,425,891
Deferred outflows - employer OPEB contributions made subsequent to the measurement date - State Plans				2,279,518
Net position of governmental activities				<u>\$ 50,249,066</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, 2020**

	School Operating Fund	School Grants Fund	School Food Service Fund	Total School Board
REVENUES				
Revenue from use of money and property	\$ 64,266	\$ 2,601	\$ 8,198	\$ 75,065
Charges for services	77,492	-	1,129,085	1,206,577
Miscellaneous	294,862	455,478	245,725	996,065
Intergovernmental:				
City contribution	57,571,960	-	-	57,571,960
Revenue from the Commonwealth	89,676,614	1,281,309	215,238	91,173,161
Revenue from the Federal Government	879,423	7,401,714	5,335,872	13,617,009
Total revenues	<u>148,564,617</u>	<u>9,141,102</u>	<u>6,934,118</u>	<u>164,639,837</u>
EXPENDITURES				
Current:				
Education	<u>148,086,106</u>	<u>9,071,636</u>	<u>7,439,264</u>	<u>164,597,006</u>
Total expenditures	<u>148,086,106</u>	<u>9,071,636</u>	<u>7,439,264</u>	<u>164,597,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>478,511</u>	<u>69,466</u>	<u>(505,146)</u>	<u>42,831</u>
Other financing sources (uses):				
Transfers in	-	161,385	-	161,385
Transfers out	<u>(161,385)</u>	<u>-</u>	<u>-</u>	<u>(161,385)</u>
Total other financing sources (uses), net	<u>(161,385)</u>	<u>161,385</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	317,126	230,851	(505,146)	42,831
Fund balances at July 1	<u>6,042,736</u>	<u>564,854</u>	<u>5,255,846</u>	<u>11,863,436</u>
Fund balances at June 30	<u>\$ 6,359,862</u>	<u>\$ 795,705</u>	<u>\$ 4,750,700</u>	<u>\$ 11,906,267</u>

Reconciliation to the Statement of Activities (Exhibit 2)

Net change in fund balance - governmental funds	\$ 42,831
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	(11,135,293)
Capitalized expenditures	3,450,797
Loss on disposal of capital assets	(292,886)
Record the current pension expense based on the actuarial study of the Net Pension Liability	(14,259,535)
Reclassify the contributions made to the Pension plan in the current year, as they are subsequent to the measurement date	12,966,632
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	(325,734)
This amount represents the current year change in those items for the School Board - OPEB	1,016,473
Change in net position of governmental activities (Exhibit 2)	<u>\$ (8,536,715)</u>

CITY OF SUFFOLK, VIRGINIA

BUDGETARY RECONCILIATION SCHEDULE
GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2020

	School Operating Fund			School Grants Fund			School Food Service Fund		
	Total Exhibit 42	Budget Based Items	Total Exhibit 40	Total Exhibit 42	Budget Based Items	Total Exhibit 40	Total Exhibit 42	Budget Based Items	Total Exhibit 40
Total revenues	\$ 148,564,617	\$ -	\$ 148,564,617	\$ 9,141,102	\$ -	\$ 9,141,102	\$ 6,934,118	\$ -	\$ 6,934,118
Total other financing sources	-	-	-	161,385	-	161,385	-	-	-
Total revenues	148,564,617	-	148,564,617	9,302,487	-	9,302,487	6,934,118	-	6,934,118
Total expenditures	148,086,106	10,985,769	148,086,106	9,071,636	-	9,071,636	7,439,264	-	7,439,264
Total other financing uses	161,385	-	161,385	-	-	-	-	-	-
Total expenditures	148,247,491	10,985,769	148,247,491	9,071,636	-	9,071,636	7,439,264	-	7,439,264
Net changes in fund balances	\$ 317,126	\$ (10,985,769)	\$ 317,126	\$ 230,851	\$ -	\$ 230,851	\$ (505,146)	\$ -	\$ (505,146)

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, 2020

	School Operating Fund				School Grants Fund				School Food Service Fund			
	Budgeted Amounts		Actual	Variance with Final Budget -	Budgeted Amounts		Actual	Variance with Final Budget -	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final			Original	Final			Original	Final		
REVENUES												
Revenue from use of money and property	\$ 70,000	\$ 70,000	\$ 64,266	\$ (5,734)	\$ -	\$ -	\$ 2,601	\$ 2,601	\$ 8,150	\$ 8,150	\$ 8,198	\$ 48
Charges for services	270,000	270,000	77,492	(192,508)	-	-	-	-	1,625,500	1,625,500	1,129,085	(496,415)
Miscellaneous	506,880	506,880	294,862	(212,018)	420,218	420,218	455,478	35,260	1,450,212	1,450,212	245,725	(1,204,487)
Intergovernmental:												
Contribution from the City of Suffolk	60,832,201	60,832,201	57,571,960	(3,260,241)	-	-	-	-	-	-	-	-
Revenue from the Commonwealth	90,095,839	90,095,839	89,676,614	(419,225)	1,864,233	1,864,233	1,281,309	(582,924)	208,000	208,000	215,238	7,238
Revenue from the Federal Government	1,194,000	1,194,000	879,423	(314,577)	9,095,549	9,095,549	7,401,714	(1,693,835)	5,349,000	5,349,000	5,335,872	(13,128)
Total revenues	152,968,920	152,968,920	148,564,617	(4,404,303)	11,380,000	11,380,000	9,141,102	(2,238,898)	8,640,862	8,640,862	6,934,118	(1,706,744)
EXPENDITURES												
Current:												
Education	152,802,270	152,802,270	148,086,106	4,716,164	-	-	-	-	-	-	-	-
Grant expenditures	-	-	-	-	11,680,000	11,680,000	9,071,636	2,608,364	-	-	-	-
Food Services	-	-	-	-	-	-	-	-	8,640,862	8,640,862	7,439,264	1,201,598
Total expenditures	152,802,270	152,802,270	148,086,106	4,716,164	11,680,000	11,680,000	9,071,636	2,608,364	8,640,862	8,640,862	7,439,264	1,201,598
Excess (deficiency) of revenues over (under) expenditures	166,650	166,650	478,511	311,861	(300,000)	(300,000)	69,466	369,466	-	-	(505,146)	(505,146)
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	300,000	300,000	161,385	(138,615)	-	-	-	-
Transfers out	(166,650)	(166,650)	(161,385)	5,265	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	(166,650)	(166,650)	(161,385)	5,265	300,000	300,000	161,385	(138,615)	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ 317,126	\$ 317,126	\$ -	\$ -	\$ 230,851	\$ 230,851	\$ -	\$ -	\$ (505,146)	\$ (505,146)

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2020

	OPEB Trust Fund	School Activity Funds
ASSETS		
Cash and cash equivalents	\$ 16,961,779	\$ 1,336,409
Total assets	<u>16,961,779</u>	<u><u>1,336,409</u></u>
LIABILITIES		
Amounts held for students	<u>-</u>	<u>\$ 1,336,409</u>
Total liabilities	<u>-</u>	<u><u>\$ 1,336,409</u></u>
Net Position		
Held in trust for OPEB benefits	<u>16,961,779</u>	
Net position	<u><u>\$ 16,961,779</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, 2020

	<u>School Board</u>
Additions:	
Employer contributions	\$ -
Gain on investments	<u>503,647</u>
Total additions	<u>503,647</u>
Deductions:	
Administrative fees	<u>15,478</u>
Total deductions	<u>15,478</u>
Change in net position	488,169
Net position - beginning of year	<u>16,473,610</u>
Net position - end of year	<u><u>\$ 16,961,779</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, 2020

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets:				
Cash and cash equivalents	\$ 1,269,696	\$ 2,081,641	\$ 2,014,928	\$ 1,336,409
Total cash and cash equivalents	<u>\$ 1,269,696</u>	<u>\$ 2,081,641</u>	<u>\$ 2,014,928</u>	<u>\$ 1,336,409</u>
Liabilities:				
Amounts held for students	\$ 1,269,696	\$ 2,081,641	\$ 2,014,928	\$ 1,336,409
Total amounts held for students	<u>\$ 1,269,696</u>	<u>\$ 2,081,641</u>	<u>\$ 2,014,928</u>	<u>\$ 1,336,409</u>

STATISTICAL SECTION

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

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

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

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 312,862,208
Restricted:										
Capital Projects	-	-	-	1,162,771	1,270,512	1,626,277	1,934,672	618,062	-	-
Debt Service	392,169	392,169	392,219	392,259	392,299	392,424	393,352	397,267	-	-
Other Purposes	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	9,549,799
Unrestricted	(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	83,422,805
Total Net Position										
Governmental Activities	<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>	<u>\$ 405,834,812</u>
Business-type Activities										
Net investment in capital assets	\$ 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	\$ 107,008,077
Restricted:										
Debt Service	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	2,583,899
Unrestricted	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	45,555,329
Total Net Position										
Business-type Activities	<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>	<u>\$ 155,147,305</u>
Primary Government										
Net investment in capital assets	\$ 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	\$ 419,870,285
Restricted:										
Capital Projects	-	-	-	1,162,771	1,270,512	1,626,277	1,934,672	618,062	-	-
Debt Service	2,279,744	2,370,197	392,219	392,259	392,299	392,424	393,352	397,267	-	-
Other Purposes	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	12,133,698
Unrestricted	(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	128,978,134
Total Net Position										
Primary Government	<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>	<u>\$ 560,982,117</u>
	(1)		(2)	(3)	(4)		(5)			

(1) 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 position.

(2) 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

(3) 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

(4) 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.

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

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities:										
General Government	\$ 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	\$ 24,148,299
Judicial	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	10,446,204
Public Safety	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	66,848,213
Public Works	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	42,200,323
Health and Welfare	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	15,192,043
Transportation	-	-	888,933	619,876	908,293	960,983	1,005,429	997,267	1,300,636	1,511,098
Education	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	58,464,243
Parks, Recreation and Cultural	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	12,333,012
Community Development	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	8,481,703
Interest on Long-Term Debt	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	9,095,957
Total Governmental Activities Expenses	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	248,721,095
Business-type Activities:										
Utilities	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	56,508,083
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	9,194,200
Stormwater management	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	4,989,456
Total Business-type Activities Expenses	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	70,691,739
Total Primary Government Expenses	\$ 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	\$ 319,412,834
Program Revenues										
Governmental activities:										
Charges for Services:										
General Government Administration	\$ -	\$ 3,287,250	\$ 4,800,759	\$ 4,977,004	\$ 5,044,744	\$ 4,887,432	\$ 4,659,243	\$ 4,880,782	\$ 5,035,626	\$ 4,478,205
Judicial Administration	932,474	374,594	361,926	275,113	286,398	304,129	272,141	313,092	274,208	288,709
Public Safety	2,074,431	575,653	3,130,972	-	1,864,675	1,885,914	1,948,166	1,836,661	2,199,385	2,272,912
Public Works	1,504,393	872,302	1,469,668	1,460,003	1,479,054	899,794	990,045	988,507	1,288,947	1,243,877
Transportation	-	-	47,971	46,870	53,055	67,759	76,099	71,652	87,229	68,430
Parks, Recreation and Cultural	759,323	719,783	774,237	824,628	982,354	1,108,862	1,056,185	1,020,013	1,009,068	727,136
Community Development	1,470,640	35,124	100,172	287	85	70	107	16,447	24,742	40,069
Total Charges for Services	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	9,119,338
Operating Grants and Contributions:										
General Government Administration	395,505	4,620,917	467,086	1,433,125	636,628	1,503,473	1,477,767	450,386	456,759	2,355,721
Judicial Administration	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	2,209,983
Public Safety	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	1,218,376
Public Works	18,781,620	-	20,157,859	20,799,365	21,534,701	22,758,708	23,496,157	23,395,546	24,220,184	24,434,363
Health and Welfare	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	8,984,117
Transportation	-	-	116,122	142,793	152,565	141,002	188,364	186,942	984,425	1,571,026
Education	-	-	140,879	62,308	20,000	-	-	-	-	3,724
Parks, Recreation and Cultural	18,228	-	261,267	266,774	521,608	287,351	295,998	275,996	377,344	310,848
Community Development	-	-	1,522,630	1,153,383	1,128,636	1,032,855	2,725,076	1,209,289	1,116,646	719,004
Total Operating Grants and Contributions	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	41,807,162
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	376,848
Public Safety	-	1,958,630	-	-	-	-	-	-	-	-
Public Works	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	8,725,657
Transportation	-	-	159,005	1,561	206,665	49,422	50,259	59,508	40,683	62,052
Parks, Recreation and Cultural	-	-	157,231	42,882	474,341	1,028,457	1,260	414,599	23,647	-
Community Development	4,368,366	3,828	-	-	-	-	-	93,400	-	-
Total Capital Grants and Contributions	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	9,164,557
Total Governmental Activities Program Revenues	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	60,091,057

(Continued)

CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenues: (Continued)										
Business-type Activities:										
Charges for Services:										
Utility	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	51,378,596
Non-major	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	15,157,707
Total Charges for Services	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	66,536,303
Operating Grants and Contributions:										
Utility	-	-	-	-	-	-	88,315	-	-	-
Total Operating Grants and Contributions	-	-	-	-	-	-	88,315	-	-	-
Capital Grants and Contributions:										
Utility	4,468,834	1,078,380	2,363,664	456,001	565,595	3,682,628	1,870,646	5,483,390	579,166	4,990,101
Total Capital Grants and Contributions	4,468,834	1,078,380	2,363,664	456,001	565,595	3,682,628	1,870,646	5,483,390	579,166	4,990,101
Total Business-type Activities Program Revenues	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	71,526,404
Total Primary Government Program Revenues	\$ 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	\$ 131,617,461
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (188,630,038)
Business-type Activities	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)	834,665
Total Primary Government Net Expense	\$ (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)	\$ (187,795,373)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes	\$ 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	\$ 187,808,386
Grants and Contributions Not Restricted to Specific Programs	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	14,094,789
Revenue from use of money and property	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	4,067,125
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	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	8,562,891
Total Governmental Activities	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	214,533,191
Business-type Activities:										
Investment Earnings	363,684	835,126	741,640	571,581	562,699	983,001	935,690	970,727	2,020,795	1,128,542
Transfers/Miscellaneous	(773,394)	(1,461,650)	(1,950,430)	(338,342)	(1,609,882)	(2,687,252)	(1,024,546)	121,844	(1,318,696)	114,668
Total Business-type Activities	(409,710)	(626,524)	(1,208,790)	233,239	(1,047,183)	(1,704,251)	(88,856)	1,092,571	702,099	1,243,210
Total Primary Government	\$ 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	\$ 215,776,401
Change in Net Position										
Governmental Activities	\$ 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)	\$ 25,903,153
Business-type Activities	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)	2,077,875
Total Primary Government	\$ 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)	\$ 27,981,028
	(1)				(2)					

(1) 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.

(2) 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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Non-Spendable	\$ 81,697	\$ 41,086	\$ 9,794	\$ 3,920	\$ 42,454	\$ 24,905	\$ 47,669	\$ 37,908	\$ 64,993	\$ 73,373
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	1,455,994
Committed	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	9,022,280
Assigned	1,520,457	7,676,544	1,646,157	2,348,576	701,393	425,008	2,609,232	426,564	748,518	526,269
Unassigned	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	86,344,490
Total General Fund	<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>	<u>\$ 97,422,406</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ 88,383	\$ 38,309	\$ 30,776	\$ 45,654	\$ 45,654	\$ 45,654	\$ 45,654
Restricted	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	65,409,783
Committed, reported in:										
Capital Projects Funds	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	6,777,753
Nonmajor Governmental Funds	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	4,436,654
Other Governmental Funds	7,115,186	10,809,261	10,890,830	13,337,889	2,822,872	2,148,460	99,368	95,453	492,720	492,720
Assigned, reported in:										
Special Revenue Funds	872,002	949,904	2,864,515	1,941,868	-	-	-	-	-	-
Unassigned	(71,710)	-	(10,938)	(10,909)	(10,951)	(10,945)	(10,818)	(10,819)	(10,819)	(10,819)
Total all other Governmental Funds	<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>	<u>\$ 77,151,745</u>
Component Unit (School Board)										
Nonspendable	\$ 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	\$ 1,206,139
Committed	6,324,592	818,913	357,600	504,320	477,237	417,309	433,862	420,990	490,778	721,628
Assigned	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	9,978,500
Unassigned	(1,521,774)	(127,803)	(149,539)	-	-	154,815	-	-	-	-
	<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>	<u>\$ 11,906,267</u>
	(1)				(2)					

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

(2) 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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
General Property Taxes	\$ 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	\$ 141,959,059
Other Local Taxes	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	48,737,290
Licenses, Permits and Fees	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	2,141,327
Fines and Forfeitures	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	1,012,104
Use of Money and Property	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	3,516,133
Intergovernmental	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	64,516,765
Charges for Services	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	5,104,191
Miscellaneous	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	3,331,856
Total Revenues	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	270,318,725
Expenditures										
General Government Administration	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	18,200,342
Judicial Administration	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	10,133,068
Public Safety	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	63,883,434
Public Works	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	24,421,117
Health and Welfare	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	14,670,632
Transportation	-	-	888,337	672,274	1,209,090	1,033,663	1,079,339	1,090,607	1,592,193	1,898,154
Education	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	58,106,679
Parks, Recreation and Cultural	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	11,331,545
Community Development	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	7,305,136
Non-Departmental	6,977,603	455,436	474,540	531,079	1,848,130	466,002	323,725	226,481	675,842	594,989
Capital Outlay	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	30,648,655
Debt Service:										
Other	17,787	319,789	168,343	521,661	497,736	446,658	720,840	323,069	245,499	582,569
Interest	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	9,579,925
Principal	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	18,118,620
Total Expenditures	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	269,474,865
Excess (Deficiency) of Revenues Over (Under) Expenditures	(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)	843,860
Other Financing Sources (Uses)										
Proceeds of Refunding Bonds	-	14,295,853	11,520,000	5,370,000	20,160,000	20,176,111	47,215,000	3,395,000	575,000	31,345,000
Proceeds of Bonds Issued	-	32,526,431	9,890,000	33,105,000	28,820,000	20,360,000	26,380,000	26,665,000	17,370,000	18,965,000
Premiums on Debt	-	-	3,322,503	4,248,968	6,695,020	3,955,535	7,912,562	2,313,366	1,182,718	2,323,802
Transfers to other governments	-	-	-	(304,763)	-	-	-	-	-	-
Transfers In	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	37,704,027
Payment to Refunded Bonds Escrow Agent	-	(14,096,458)	(13,568,249)	(4,844,006)	(23,830,555)	(22,362,261)	(51,298,280)	(3,734,892)	(600,000)	(31,033,899)
Transfers Out	(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)	(35,341,338)
Total Other Financing Sources, net	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	23,962,592
Net Change in Fund Balance	(5) \$ (10,041,908)	(5) \$ 38,027,899	\$ 5,936,689	\$ (4,591,223)	\$ 6,464,495	\$ 17,358,539	\$ 2,474,738	\$ 1,219,785	\$ 5,330,410	\$ 24,806,452
Capital outlay (1)	\$ 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	\$ 32,231,862
Debt Service as a percentage of non-capital expenditures (1)	11.81%	12.63%	13.01%	13.49%	13.10%	13.17%	11.78%	11.66%	12.19%	11.68%
Add'l School Operating & Food Service Expenditures (2)	\$ 81,934,663	\$ 85,170,286	\$ 86,707,523	\$ 80,056,924	\$ 82,309,125	\$ 88,999,257	\$ 88,031,891	\$ 90,729,115	\$ 96,781,541	\$ 99,580,517
Debt Service as a percentage of non-capital plus school expenditures (2)	8.25%	8.71%	8.99%	9.68%	9.34%	9.22%	8.44%	8.29%	8.61%	8.22%

(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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Change 2011-2020
General Property Tax	\$ 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	\$ 141,959,059	43%
Other Local Taxes:											
Sales and Use	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	12,626,601	68%
Utility Tax	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	4,755,918	8%
Communication Taxes	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	2,890,793	-21%
Business and Occupational License	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	8,412,262	26%
Motor Vehicle License	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	2,624,213	55%
Bank Stock	498,527	493,688	486,092	505,550	529,855	564,037	629,727	675,738	691,626	582,250	17%
Recordation	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	2,513,189	203%
Tobacco	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	1,920,427	39%
Lodging	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	1,470,419	59%
Meals	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	10,749,762	67%
Admission	338,767	306,196	237,060	243,203	215,019	318,348	365,757	418,892	366,992	191,456	-43%
Public Facility Tax Rebate	-	140,172	83,949	100,099	-	-	-	-	-	-	
Total	<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>	<u>\$ 190,696,349</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		
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
2020	10,041,879,300	43,414,519	10,085,293,819	10,513,127,400	1.11	1,178,762,000	370,348,948	1,549,110,948	4.25	11,634,404,767

(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			
2011	\$ 0.91	\$ 0.26	\$ 0.13	\$ 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
2020	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	2020		2011	
		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	\$ 64,234,300	0.64%		
Target Corporation	Distribution Warehouse	60,794,100	0.61%	\$ 39,245,000	0.43%
116 Lakeview Parkway, LLC	Lessor to GSA (Office)	56,034,100	0.56%	53,520,300	0.59%
TowneBank	Financial Institution	40,994,600	0.41%		
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	40,778,500	0.41%	43,843,300	0.48%
The Pergola Group	Apartment Complex	39,628,300	0.39%		
GGT Hampton Roads VA Venture	Apartment Complex	38,050,000	0.38%		
AT Suffolk VA SC LLC	Retail	33,799,600	0.34%		
Lake Prince Center, Inc.	Retirement Community	33,776,300	0.34%	30,253,500	0.33%
Boyd Suffolk GSA LLC	Military	32,852,800	0.33%		
Sysco Food Services of Hampton Roads	Food Service Distribution			42,381,300	0.47%
Bon Secours Hampton Rds Health Sys	Health Systems			42,153,800	0.47%
Ashley Bridgeway, LLC	Shipbuilding			66,763,000	0.74%
City of Norfolk	Municipal Water System			46,478,800	0.51%
Liberty Property Ltd Partnership	Office/Distribution Warehouse			35,023,600	0.39%
Walmart	Retail Merchandise			31,648,200	0.35%
		<u>\$ 440,942,600</u>	<u>4.48%</u>	<u>\$ 431,310,800</u>	<u>4.77%</u>
(1) Total Assessed Value (does not include public service corporations)		\$ 10,041,879,300		\$ 9,045,325,900	

Source: City of Suffolk Assessor's Office

Personal Property					
Taxpayer	Type of Business	2020		2011	
		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	\$ 21,526,510	1.83%	\$ 8,274,200	1.07%
Target Corporation	Distribution Warehouse	11,357,860	0.96%	3,627,560	0.47%
Planters/Kraft Foods	Food Processing	11,291,130	0.96%	7,636,620	0.99%
QVC of Suffolk Inc. / CVN Distribution	Distribution Warehouse	7,677,550	0.65%	6,473,270	0.84%
BASF Corporation/CIBA	Chemical Plant	6,648,330	0.56%	10,172,090	1.31%
Massimo Zanetti Beverage USA	Beverage Company	6,616,980	0.56%	5,245,690	0.68%
Lockheed Martin Corporation	Technology Company	5,385,700	0.46%	3,824,680	0.49%
JM Smucker Company	Beverage Company	3,637,100	0.31%		
Sysco Food Services of Hampton Roads	Food Service Distribution	3,634,090	0.31%	3,031,590	0.39%
Charter Communications	Cable Products	3,359,640	0.29%	2,584,960	0.33%
Sara Lee International	Beverage Company			4,424,250	0.57%
		<u>\$ 81,134,890</u>	<u>6.88%</u>	<u>\$ 55,294,910</u>	<u>7.14%</u>
(2) Total Assessed Value (does not include public service corporations)		\$ 1,178,762,000		\$ 773,957,620	

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

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

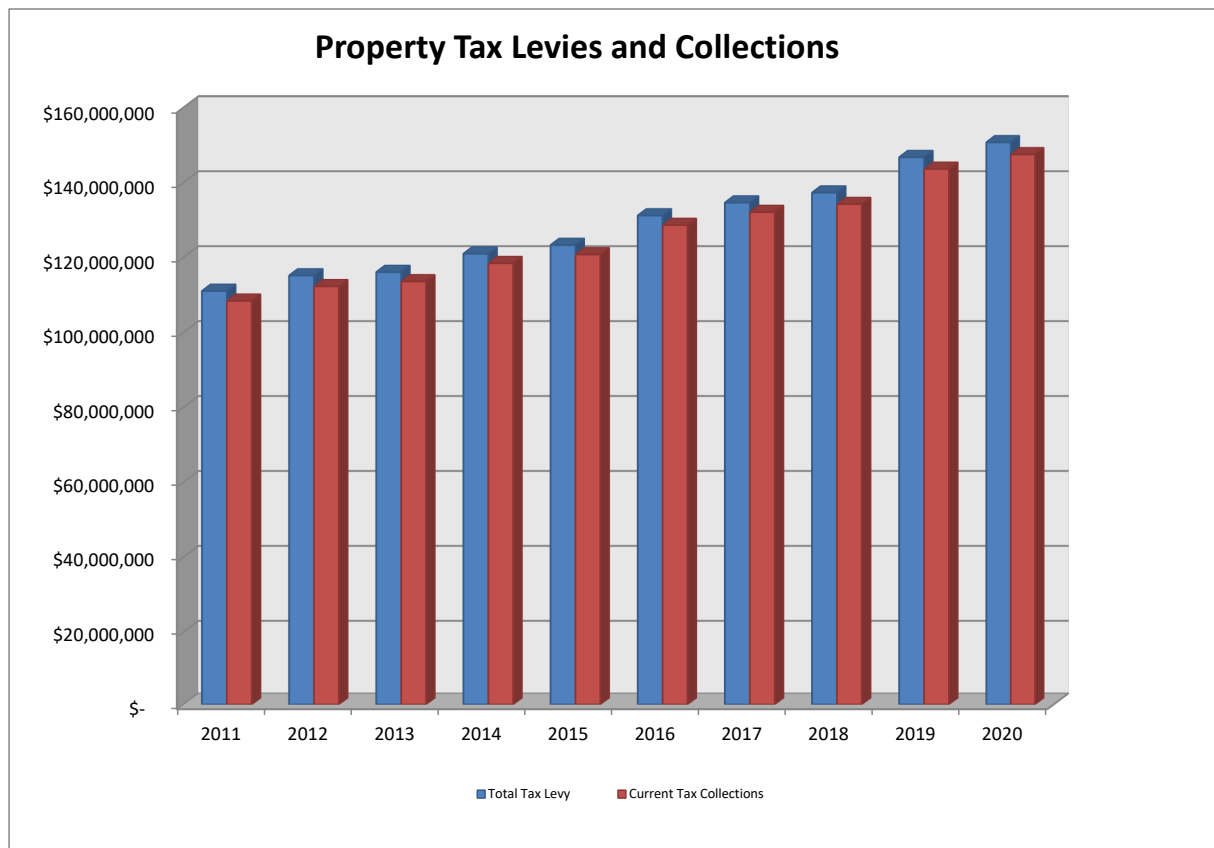
Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Tax Collections				Outstanding Delinquent Taxes At End of Fiscal Year (2)
				Delinquent		Total		
				Delinquent Tax Collections	As Percent of Outstanding Delinquent Taxes	Total Tax Collections (2)	Total Collections as a Percent of the Levy	
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
2020	150,738,427	147,518,704	97.86%	1,920,465	41.88%	149,439,169	99.14%	4,612,663

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	
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
2020	192	318,398,197	1,067	119,255,504	7,537,092,200	2,239,871,900	736,163,300	1,117,665,100	11,630,792,500

(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, 2020

Water Consumers	Type of Business	Annual Consumption (Hundred Cubic Feet)	% of Total Annual Consumption (1)
Western Tidewater Water Authority	Regional Water Supply	253,126	10.02%
JM Smucker Company	Beverage Company	52,358	2.07%
Sentara/Obici Hospital	Hospital	30,562	1.21%
Suffolk Public Schools	Education	26,574	1.05%
Wanchese Fish Company	Seafood Processing	23,796	0.94%
Western Tidewater Regional Jail	Jail-Regional Facility	21,226	0.84%
Planters/Kraft Foods	Food Processing	18,689	0.74%
Harbour Breeze Apartments	Real Property Management	15,796	0.63%
Unilever/Lipton, Inc.	Beverage Company	14,100	0.56%
Bon Secours	Medical Center	10,753	0.43%
		<u>466,980</u>	<u>18.48%</u>

(1) Total annual consumption (all water customers) 2,526,703

Sewer Consumers	Type of Business	Annual Consumption (Hundred Cubic Feet)	% of Total Annual Consumption (2)
JM Smucker Company	Beverage Company	38,222	1.88%
Sentara/Obici Hospital	Hospital	30,562	1.51%
Solenis, LLC	Chemical Plant	23,896	1.18%
Suffolk Public Schools	Education	26,574	1.31%
Wanchese Fish Company	Seafood Processing	23,796	1.17%
Western Tidewater Regional Jail	Jail-Regional Facility	21,226	1.05%
Harbour Breeze Apartments	Real Property Management	15,555	0.77%
Southeastern Public Service Authority	Regional Waste Management	12,955	0.64%
Unilever Best Foods	Beverage Company	12,682	0.62%
Bon Secours	Medical Center	10,753	0.53%
		<u>216,221</u>	<u>10.65%</u>

(2) Total annual consumption (all sewer customers) 2,030,469

Source: Department of Public Utilities

WATER AND SEWER RATE SCHEDULE
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
WATER										
Water Rate per 100 cubic feet	\$ 5.84	\$ 6.43	\$ 7.13	\$ 7.84	\$ 8.29	\$ 8.86	\$ 9.03	\$ 9.20	\$ 9.71	\$ 9.71
Minimum Bi-monthly Charge (5 ccf)	29.20	32.15	33.65	-	-	-	-	-	-	-
Meter Service Charge (per month)										
5/8 inch meter	2.40	2.40	2.40	5.35	6.40	7.00	8.40	8.40	10.00	11.25
Water Connection Charge (installed by city)										
5/8 inch meter	1,100	1,100	1,100	1,100	1,100	1,100	2,000	2,000	2,000	2,000
Water Connection Charge (installed by developer)	50	50	50	50	50	50	50	50	50	50
Water Availability Charge (residential)										
Single Family	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
Water Availability Charge (commercial)										
5/8 inch meter	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
3/4 inch meter	8,180	8,180	8,180	8,180	5,520	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	13,250	13,250
1½ inch meter	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950	26,950
2 inch meter	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120	43,120
3 inch meter	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850	80,850
4 inch meter	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750	134,750
WTWA Wholesale Water Rate										
Water Rate (CCF)	\$ 3.76	\$ 3.84	\$ 4.13	\$ 4.36	\$ 4.46	\$ 4.67	\$ 4.56	\$ 4.55	\$ 4.76	\$ 4.84
Fixed Capacity Charge (Per Month)	\$ 190,452	\$ 220,668	\$ 193,496	\$ 204,641	\$ 210,994	\$ 204,959	\$ 222,995	\$ 202,454	\$ 197,983	\$ 199,026
SEWER										
Sewer Collection (per 100 cubic feet)	4.50	4.91	5.35	5.82	6.47	6.74	6.97	7.21	7.27	7.27
Minimum Bi-monthly period (5 ccf)	22.50	24.55	26.75	-	-	-	-	-	-	-
Sewer Connection Charge (installed by city)										
4 inch lateral size	1,450	1,450	1,450	1,450	1,450	1,450	1,800	1,800	1,800	1,800
6 inch lateral size	2,650	2,650	2,650	2,650	2,650	2,650	3,000	3,000	3,000	3,000
Sewer Connection Charge (installed by developer)	50	50	50	50	50	50	50	50	50	50
Sewer Availability Charge (residential)										
Single Family	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Sewer Availability Charge (commercial)										
5/8 inch meter	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
3/4 inch meter	9,000	9,000	9,000	9,000	6,000	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
1½ inch meter	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500
2 inch meter	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100
3 inch meter	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100	88,100
4 inch meter	146,800	146,800	146,800	146,800	146,800	146,800	146,800	146,800	146,800	146,800

Source: Department of Public Utilities

RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS*

Fiscal Year **	General Bonded Debt (1)					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
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%	5,050	2,057,108	-
2020	287,124,014	177,851,721	-	464,975,735	4.42%	4,956	1,487,534	-

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		
2011	\$ -	\$ 179,922,539	\$ 27,000,000	\$ 207,967,283	\$ 208,860,254	12.50%	\$ 4,928
2012	2,718,563	161,624,546	27,000,000	226,087,664	274,119,458	14.20%	5,837
2013	2,337,275	151,375,536	26,395,000	222,312,511	305,728,151	14.75%	6,162
2014	1,767,419	141,572,222	25,780,000	247,341,694	325,573,765	16.01%	6,523
2015	1,432,958	81,143,931	25,150,000	263,316,572	342,086,622	16.92%	6,893
2016	1,166,659	117,709,923	24,505,000	271,219,486	372,444,235	16.34%	7,118
2017	987,740	199,345,172	23,840,000	284,187,743	394,662,585	16.20%	7,401
2018	785,452	213,022,740	700,000	291,270,846	405,244,657	16.62%	7,594
2019	562,671	210,667,350	-	287,005,869	393,577,221	15.15%	7,355
2020	454,908	207,712,784	-	288,611,548	386,019,413	15.59%	7,190

(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 (1)
Assessed value (as of July 1) - taxable real property, including public service corporations (2)	\$ 10,085,293,819	\$ 10,085,293,819	\$ 10,085,293,819
Adopted and Legal debt limits:			
4% of assessed value (authorized limit adopted by City Council 2010)	\$ 403,411,753		
7% of assessed value (authorized limit imposed by City Charter)		\$ 705,970,567	
10% of assessed value (authorized by the Commonwealth for all cities)			\$ 1,008,529,382
Deduct amount of debt applicable to debt limit:			
Gross general bonded debt (includes bonds and notes payable)	(4) 275,159,487	436,105,000	436,105,000
	\$ 128,252,266	\$ 269,865,567	\$ 572,424,382

				Fiscal Year						
	2011	2012	2013	2014*	2015	2016	2017	2018	2019	2020
City's Legal Debt Margin										
Debt Limit	\$ 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	\$ 705,970,567
Total Net Debt Applicable to Limit*	232,540,874 **	323,484,000 **	351,784,115 **	299,613,810	452,589,444	456,621,633	413,420,487	442,666,000	434,875,002	436,105,000
Legal Debt Margin	\$ 402,523,118	\$ 297,969,900	\$ 264,585,418	\$ 305,273,631	\$ 165,537,660	\$ 176,398,504	\$ 235,617,355	\$ 227,996,490	\$ 251,262,953	\$ 269,865,567
Total Net Debt Applicable to Limit as percentage of Debt Limit	36.6%	52.1%	57.1%	49.5%	73.2%	72.1%	63.7%	66.0%	63.4%	61.8%
Commonwealth's Legal Debt Margin										
Debt Limit	\$ 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	\$ 1,008,529,382
Total Net Debt Applicable to Limit*	232,540,874 **	323,484,000 **	351,784,115 **	299,613,810 **	452,589,444 **	456,621,633 **	413,420,487 **	442,666,000 **	434,875,002 **	436,105,000
Legal Debt Margin	\$ 674,693,400	\$ 564,307,285	\$ 528,743,790	\$ 564,511,105	\$ 430,449,275	\$ 447,692,849	\$ 513,776,430	\$ 515,423,271	\$ 545,322,076	\$ 572,424,382
Total Net Debt Applicable to Limit as percentage of Debt Limit	25.6%	36.4%	40.0%	34.7%	51.3%	50.5%	44.6%	46.2%	44.4%	43.2%

Notes:

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

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

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

(4) The debt applicable to the City's financial policy limit is only the General Obligation bonds and leases that are payable with general government funds, Stormwater and Refuse funds (excluding Utility 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)								
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	
2020	53,256,705	25,665,502	27,591,203	2,001,000	8,043,368	10,044,368	2.75	

(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
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	4,723,202	51,798	13,630	3.1%	2.9%	3.6%
2019	92,714	not available	not available	13,543	3.2%	2.9%	3.7%
2020	93,825	not available	not available	13,308	8.8%	8.5%	11.2%

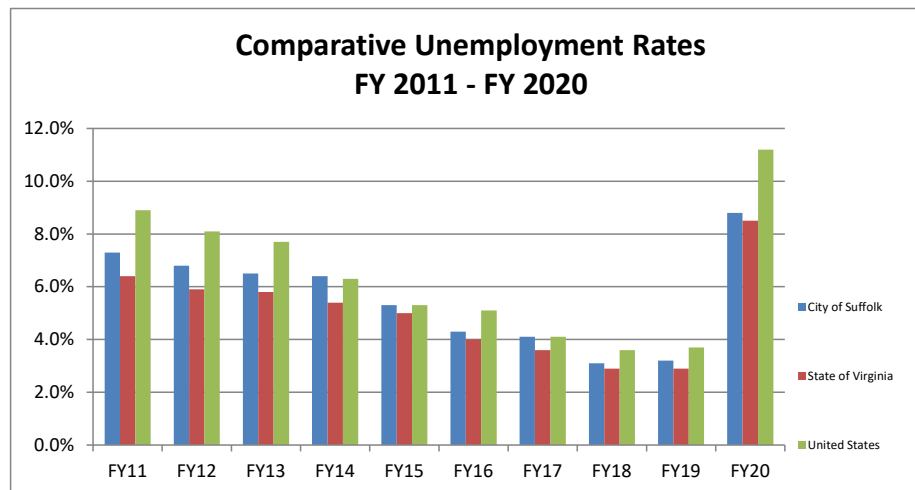
Sources:

(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. 2020 rate as of June 2020



PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	Type of Business	2020	
		Employees	Percentage of Total City Employment
Navy Information Dominance Forces Commands (Cyber Force)	ModSim & Technology	1,500	4.54%
Sentara Health Systems	Medical	1,300	3.93%
J-7 Joint Staff	ModSim & Technology	1,200	3.63%
Target	Warehousing & Distribution	1,500	4.54%
CVN Distribution / QVC, Inc	Warehousing & Distribution	620	1.87%
Wal-Mart Stores	Retail	450	1.36%
Towne Bank	Banking	374	1.13%
Sysco Food Services of Hampton Roads	Food Service Distribution	350	1.06%
Planters/Kraft Foods	Food Processing	350	1.06%
Unilever/Lipton Inc.	Beverage Company	300	0.91%
		<u>7,944</u>	<u>24.10%</u>
Total Employment by Industry in City of Suffolk for fiscal year		33,076	
Employer	Type of Business	2011	
		Employees	Percentage of Total City Employment
Obici Memorial Hospital	Healthcare	1,200	3.11%
U.S. Joint Forces Command	ModSim & Technology	1,000	2.59%
CVN Distribution / QVC, Inc	Distribution Warehouse	900	2.33%
Wal-Mart Stores	Retail	840	2.18%
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%
Hampton Roads BASF	Chemical Manufacturer	320	0.83%
Target Corporation	Distribution Warehouse	300	0.78%
Towne Bank	Retail Banking	281	0.73%
		<u>5,881</u>	<u>18.68%</u>
Total Employment by Industry in City of Suffolk for fiscal year		38,586	

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
General Government:										
City Council	10	10	10	2	2	2	2	2	2	2
City Manager	6	6	7	7	7	7	7	7	7	7
Budget and Strategic Planning	4	4	3	4	4	3	3	3	3	3
City Attorney	8	9	9	9	9	9	9	9	9	9
Human Resources	9	13	10	10	10	7	7	7	7	7
Commissioner of the Revenue	12	12	12	12	12	12	12	12	12	12
City Assessor	13	14	15	16	17	17	18	17	17	19
Treasurer	15	15	15	15	15	16	16	16	16	17
Finance - Administration and Accounting	11	14	12	14	16	17	15	16	15	15
Finance - Purchasing	3	3	3	4	4	4	4	4	4	4
Registrar	2	2	2	2	2	2	3	3	3	3
Total	93	102	98	95	98	96	96	96	95	98
Judicial:										
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	15
Sheriff	22	24	24	25	25	25	25	25	25	25
Commonwealth's Attorney	23	23	24	24	24	24	24	24	25	26
Total	61	63	64	65	65	65	65	65	66	68
Public Safety:										
Police										
Administration and Officers	205	208	196	214	213	213	213	215	216	227
Emergency Communications	25	26	24	27	27	27	27	28	27	29
Animal Shelter and Management	8	9	8	10	10	10	10	10	10	10
Fire										
Fire and Rescue	220	240	238	253	252	252	252	255	274	274
Community Development (7)	26	27	26	26	26	26	26	26	-	-
Total	484	510	492	530	528	528	528	534	527	540
Public Works:										
Public Works										
Administration	3	2	2	2	2	2	2	2	2	3
Refuse Collection (1)	40	-	-	-	-	-	-	-	-	-
Maintenance Building and Grounds (5)	4	4	4	4	-	-	-	-	-	-
Capital Programs and Facilities	22	24	23	24	24	24	24	24	24	25
Aviation Facilities	3	-	-	-	-	-	-	-	-	-
Total	72	30	29	30	26	26	26	26	26	28

(continued)

CITY OF SUFFOLK, VIRGINIA

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

Table 18 (continued)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Health and Welfare:										
Social Services	101	98	100	103	103	103	103	103	102	102
Comprehensive Services Act	1	1	2	2	2	2	2	2	2	2
Total	102	99	102	105	105	105	105	105	104	104
Parks, Recreation and Cultural:										
Parks and Recreation										
Administration	4	5	5	5	4	4	4	4	13	13
Office on Youth (6)	-	-	-	-	2	2	1	1	-	-
Support Services (6)	5	5	6	6	6	6	7	7	-	-
Parks, Gateway and Facility Maintenance	18	18	19	19	19	19	19	18	22	22
Grounds Maintenance (5) (6)	-	-	-	-	4	4	4	4	-	-
Recreation	15	16	16	22	21	21	21	22	22	22
Library	30	31	28	31	31	31	32	32	32	32
Total	72	75	74	83	87	87	88	88	89	89
Community Development:										
Planning	14	12	13	14	14	14	15	15	41	44
Geographic Information Systems	-	-	-	-	-	-	-	-	-	-
Economic Development	5	5	5	5	5	5	5	5	5	6
Tourism	3	2	3	3	3	3	3	3	3	3
Media and Community Relations	6	6	6	6	6	6	6	6	6	6
Total	28	25	27	28	28	28	29	29	55	59
Total General Fund	912	904	886	936	937	935	937	943	962	986
Special Revenue Fund:										
Transit	-	-	-	-	-	-	-	1	1	1
Road Maintenance										
Road Maintenance	88	90	84	101	99	100	101	102	102	102
Traffic Engineering	22	23	21	23	23	24	25	25	25	25
Aviation Facilities (4)	-	3	3	3	3	3	3	3	3	3
Total Special Revenue Fund	110	116	108	127	125	127	129	131	131	131
Enterprise Fund:										
Public Utilities										
Administration	8	9	7	8	9	9	9	8	8	8
Customer Service	18	18	18	18	18	20	22	23	23	23
Line Maintenance	26	24	25	26	27	28	28	28	29	29
Maintenance	20	22	24	26	25	25	25	25	25	26
Water Production	27	28	30	30	30	28	28	28	28	28
Engineering	14	15	15	15	15	15	14	14	14	14
Stormwater Utility										
Stormwater Utility	25	28	27	31	38	38	41	40	40	41
Mosquito Control	5	7	6	7	7	7	7	7	7	7
Refuse (3)	-	39	36	41	40	40	40	42	42	40
Total Enterprise Fund	143	190	188	202	209	210	214	215	216	216
Internal Service Funds:										
Fleet Management	23	18	20	21	21	21	21	21	21	21
Information Technology	20	21	22	25	25	25	26	26	26	27
Risk Management	3	5	4	4	4	6	6	6	6	6
Total Risk Management	46	44	46	50	50	52	53	53	53	54
Total	1,211	1,254	1,228	1,315	1,321	1,324	1,333	1,342	1,362	1,387

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:										
Building permits issued	771	824	978	899	867	843	1,072	1,189	1,122	1,259
Value of permits issued (millions)	\$ 74.1	\$ 117.7	\$ 255.4	\$ 151.4	\$ 162.3	\$ 137.6	\$ 255.7	\$ 845.7	\$ 167.0	\$ 437.7
Number of registered voters	55,941	56,745	57,067	57,280	56,268	58,141	60,652	62,458	62,334	64,780
Taxable retail sales (millions)	\$ 671.2	\$ 716.4	\$ 729.6	\$ 759.9	\$ 821.3	\$ 873.0	\$ 895.5	\$ 956.9	\$ 976.1	**Not Available
Taxable retail sales per capita	\$ 7,936	\$ 8,285	\$ 8,307	\$ 8,404	\$ 9,083	\$ 9,654	\$ 9,763	\$ 10,341	\$ 10,404	**Not Available
Parks, Recreation and Cultural:										
Library volumes in collection (thousands)	218.0	218.9	222.1	224.9	286.8	827.1	291.2	178.0	168.3	133.2
Circulation (thousands)	356	327	313	320	335	339	322	303.5	304.0	223.0
Transit (2)										
Number of Service days (not including ADA service)	n/a	128	254	252	253	257	257	252	305	308
Number of Routes (not including ADA service)	n/a	2	3	4	6	6	6	6	7	7
Vehicle Trips (not including ADA service)	n/a	3,072	7,221	8,885	13,004	13,856	13,825	13,589	18,602	18,791 (3)
Passenger Trips (not including ADA service)	n/a	24,662	57,814	64,563	77,631	101,616	113,084	110,569	128,845	111,114 (4)
Vehicle Trips (ADA Service)	n/a	363	693	757	1,081	1,271	1,450	1,025	1,565	1,919 (3)
Passenger Trips (ADA Service)	n/a	633	1,198	1,152	1,353	1,537	1,917	1,247	1,565	1,919 (4)
Enterprise Fund:										
Public Utilities										
Customers - Water	24,657	24,729	24,380	24,836	24,912	24,868	25,237	25,576	25,936	25,952
Customers - Sewer	20,892	20,921	20,692	21,010	21,486	21,770	22,160	22,506	22,851	23,272
Average daily production (mgd)	6.42	6.63	5.96	6.71	6.82	6.77	6.88	6.86	6.58	6.84
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	30,342	30,289	30,508	30,791	31,395	31,470	31,752	32,126	32,866	33,179
Refuse collection										
Customers	-	27,573	27,675	27,982	28,046	28,311	28,618	28,895	29,409	29,720 (1)
Recycled (tons)	-	4,491	5,408	5,767	5,534	5,878	5,821	5,511	5,842	6,075 (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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety:										
Police Stations	5	5	5	5	5	5	5	5	5	5
Fire and Rescue Stations	10	10	10	10	10	10	10	10	10	10
Public Works:										
State maintained road miles	18	18	18	18	18	18	18	18	18	18
City maintained road miles	1,581	1,600	1,600	1,626	1,626	1,596	1,621	1,632	1,650	1,660
Streetlights	7,917	7,996	8,113	8,425	8,593	8,657	8,913	8,988	9,136	9,217
Bridges and Culverts	147	147	155	147	150	149	151	151	151	152
Traffic Signals	93	93	93	98	96	98	99	99	100	100
Education:										
Elementary Schools	14	12	12	12	12	12	11	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	1,419	1,420	1,402	1,398	1,345	1,383	1,380	1,380	1,464	1,410
Average Daily Membership	13,863	13,734	13,844	13,739	13,762	13,837	13,760	13,630	13,543	13,308
Capacity of Schools	14,577	14,192	14,352	14,352	14,590	14,590	14,205	14,205	16,005	16,005
Enterprise Fund:										
Public Utilities										
Miles of Water Main	436	453	454	462	467	475	482	486	487	490
Miles of Sanitary Sewers	334	316	330	334	344	352	355	361	363	367
Pump Stations	136	140	140	140	144	146	147	150	150	152
Storage Tanks	8	9	9	10	10	10	10	10	10	11
Stormwater Utility										
Miles of Storm Sewers	236	236	266	246	294	333	396	407	412	420
Parks, Recreation and Cultural:										
Parks and Recreation										
Number of major parks and recreation facilities (2)	42	42	43	43	50	50	50	52	52	52
Acreage of major parks and recreation facilities	1,921	1,921	1,928	1,879	2,031	2,042	2,092	2,118	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	3	3	3	3	3	3
Number of bookmobiles	1	1	1	1	1	1	1	1	1	1
Transit (3)										
Buses	n/a	-	4	4	6	8	9	9	10	14
Bus Stops with Shelters	n/a	4	4	6	8	8	8	10	11	11

Sources: Various City Departments

- In 2011 the East Suffolk Recreation Center and the first segment of the Suffolk Seaboard Coastline Trail was added. The former Robertson Elementary School was added in 2013 and is being renovated into the Whaleyville Community Center.
- In 2012, The City started its own transit system. In Fiscal year 2015 The City added a route serving the northern end of the City and one that connects the north and south routes, as well as to HRT in Chesapeake.

COMPLIANCE SECTION

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

To the City Council
City of Suffolk, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Suffolk, Virginia (the “City”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 14, 2020.

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”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 one instance of noncompliance that is required to be reported under the *Specifications for Audits of Counties, Cities, and Towns*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001.

City of Suffolk, Virginia's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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".

Richmond, Virginia
December 14, 2020

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 (the "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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City 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, 2020.

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 CPA". The signature is written in a cursive, flowing style.

Richmond, Virginia
December 14, 2020

CITY OF SUFFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Period Ending June 30, 2020

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through To Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
<u>U.S. Department of Agriculture</u>						
Passed Through Commonwealth of Virginia:						
Department of Agriculture and Department of Education						
Child Nutrition Cluster						
59047	National School Breakfast Program	10.553			\$ 1,149,854	
	National School Lunch Program	10.555			2,919,097	
	Summer Food Service Program for Children#59047	10.559			<u>1,003,825</u>	
	Child Nutrition Cluster Total			<u>\$ 5,072,776</u>		
	Child & Adult Food Program	10.558			350,887	
Department of Social Services						
	State Administrative Matching Grants for Food Stamp Program	10.561			1,326,865	
Total U.S. Department of Agriculture						<u>\$ 6,750,528</u>
<u>U.S. Department of Defense</u>						
Direct Program:						
	JROTC Instruction	12.000			\$ 154,126	
Total U.S. Department of Defense						<u>\$ 154,126</u>
<u>U.S. Department of Housing and Urban Development</u>						
Direct Program:						
B11MC510024, B12MC510024, B13MC510024, B14MC510024, B15MC510024, B16MC510024 B17MC510024	<u>Community Development Block Grants/Entitlement Grants</u>	14.218		<u>537,827</u>	\$ 537,827	
	ForKids		\$ 16,500			
	SRHA Emergency Repair		750			
	The Genieve Shelter		16,500			
	Western Tidewater Clinic		25,908			
	Boys & Girls Club of Southeastern VA		10,000			
M11DC510213, M12DC510213, M13DC510213, M14DC510213, M15MC510024, M16DC510216, M07DC512013, M08DC510213, M09DC510213, M10DC51010206, M17DC510216	<u>Home Investment Partnerships Program</u>	14.239			359,020	
	City of Franklin		7,762			
	Isle of Wight County		101,521			
	Southampton County		39,777			
	CHDO		91,019			
Total U.S. Department of Housing and Urban Development						<u>\$ 896,847</u>
<u>U.S. Department of Justice</u>						
Direct Program:						
	Bullet Proof Vests Partnership Program	16.607			\$ 32,726	
Passed Through Department of Criminal Justice Services						
17-V8580VW16, 19-Y8580VW17	Crime Victim Assistance	16.575			314,657	
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, 20-DJ-BX-0482, 20-A4932AD16 20-A4953JJ16	Violence Against Women Formula Grants	16.588			76,295	
	Edward Byrne Memorial Justice Assistance Grant Program	16.738			168,014	
	Edward Byrne Memorial Justice Assistance Grant Program	16.540			8,000	
	Equitable Sharing Program	16.922			3,982	
COVID19 Emergency Supplemental Funding Program	2020 COVID19 Emergency Supplemental Funding Program Solicitation	16.034			10,813	
Total U.S. Department of Justice						<u>\$ 614,487</u>

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through To Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
<u>U.S. Department of Transportation</u>						
Direct Program:						
3-51-0050-024-2015, 3-51-0050-022-2015, 3-51-0050-025-0216, 3-51-0050-26-2016	Airport Improvement Program	20.106			\$ 17,014	
154AL-2016-56196-6396, 154AL-2016-56425-6630, 15AL-2017-57087-6736, 15AL-2017-57146-6795, 154AL-2018-58207-8207	Highway Safety Grant -Selective Enforcement-Alcohol	20.607			44,262	
M2HVE-2017-56206-6745, M2HVE-2018-58205-8205	Highway Safety Grant- Selective Enforcement-Occupant Protection	20.616			1,652	
	Highway Safety Cluster Total			<u>1,652</u>		
7338-2018-1, VA-2019-013-00	FFY 20 Section 5307-2A Bus, Van & Capital Purchase	20.507			692,981	
7338-2018-1	FFY 20 Section 5339-1 Bus, Van & Capital Purchase	20.526			66,756	
	FFY 20 Section 5303 Transit Funding	20.505			9,000	
	FFY 20 Section 5307-6 Transit Funding	20.507			534,935	
	Transit Cluster Total			<u>1,303,672</u>		
Highway Planning and Construction Cluster						
Passed Through Commonwealth of Virginia:						
Highway Planning and Construction						
U000-133-S41	CMAQ Harbourview Signal Improvement Project UPC#100603	20.205			135,601	
0626-061-324	Shoulders Hill Road Reconstruction Project UPC#69050	20.205			2,382,668	
0337-133-101	Nansemond Pkwy Widening Phase II Project UPC#61407	20.205			13,611	
U000-133-S00	HSIP City of Suffolk Systemic Flashing Yellow Arrow, UPC #108793	20.205			197,753	
0017-133-350	CMAQ Bridge Road Traffic Signal Upgrades UPC #102991	20.205			50,960	
U000-133-S22	HSIP Portsmouth Boulevard Sidewalk, Phase I UPC #110998	20.205			30,459	
U000-133-S23	HSIP Portsmouth Boulevard Sidewalk, Phase II UPC #110999	20.205			37,710	
U000-133-S24	HSIP Portsmouth Boulevard Sidewalk, Phase III UPC #111000	20.205			34,191	
U000-133-351	CMAQ Nansemond Pkwy Traffic Singal Upgrades #102990	20.205			80,494	
U000-133-427	CMAQ Emergency Vehicle Preemption Deployment #113826	20.205			17,673	
	CMAQ Nansemond Pkwy/Wilroy Road Overpass UPC #110634	20.205			139,275	
	Total Highway Planning and Construction Cluster			<u>3,120,395</u>		
Total U.S. Department of Transportation						<u>\$ 4,486,995</u>
<u>U.S. Department of Education</u>						
Direct Program:						
S041B-2015-5303	Impact Aid Award #S041B-2015-5303	84.041			\$ 366,146	
Passed Through Commonwealth of Virginia:						
V048A150046	Career and Technical-Basic Grants to States#V048A150046	84.048			166,005	
S367A150044	Title II-A #S367A150044	84.367			350,797	
P3345140027	Gear Up Grant #P3345140027	84.334			52,033	
	Title IV-A Grant	84.424			196,101	
	Title IV-B Grant	84.287			180,670	
Title I, Part A Cluster						
S010A150046	Title I Grants to Local Educational Agencies #S010A150046	84.010			<u>3,338,061</u>	
Special Education Cluster (IDEA)						
H027A150107	Special Education - Grants to States #H027A150107	84.027			3,039,262	
H173A150112	Special Education - Preschool Grants #H173A150112	84.173			41,235	
	Special Education Cluser Total			<u>3,080,497</u>		
School Improvement Grants Cluster						
	School Improvement Grants	84.377			<u>18,047</u>	
Total U.S. Department of Education						<u>\$ 7,748,357</u>
<u>U.S. Department of Health and Human Services</u>						
Direct Payments:						
1003996083	Medical Assistance Program #1003996083	93.778			\$ 354,150	
Passed Through Commonwealth of Virginia:						
	Medical Assistance Program	93.778			1,411,486	
	Medical Assistance Program Cluster Total			<u>1,765,636</u>		

Grant Numbers	Federal Grantor/Pass-Through Grantor/Grant Program	Federal Catalog Number	Passed Through To Sub-Recipients	Cluster Total	Federal Expenditures	Department Totals
	<u>U.S. Department of Health and Human Services (continued)</u>					
	Passed Through Commonwealth of Virginia (continued):					
	Promoting Safe and Stable Families	93.556			8,873 *	
	Temporary Assistance for Needy Families	93.558			776,145	
	Refugee & Entrant Assistance	93.566			1,457	
	Low-Income Home Energy Assistance	93.568			159,924	
	Child Welfare Services	93.645			1,718	
	Foster Care - Title IV-E	93.658			710,716	
	Adoption Assistance	93.659			203,979	
	Social Service Block Grant	93.667			674,208	
	Foster Care Independent Living	93.674			9,451	
	Children's Health Insurance Program	93.767			23,194	
	CCDF Cluster					
	Child Care and Development Block Grant	93.575			(4,803)	
	Child Care Mandatory & Matching Funds for Child Care Dev Fund	93.596			149,389	
	CCDF Cluster Total			144,586		
	Total U.S. Department of Health and Human Services					\$ 4,479,887
	<u>U.S. Department of Treasury</u>					
SLT0022	Passed Through Virginia Department of Accounts CARES Act	21.019			827,721	
	Total U.S. Department of Treasury					\$ 827,721
	<u>Executive Office of the President</u>					
	Passed Through Virginia HIDTA:					
	High Intensity Drug Trafficking Areas Program	95.001			\$ 26,168	
	Total Executive Office of the President					\$ 26,168
	<u>U.S. Department of Homeland Security</u>					
EMW-2015-PU-00181, EMV-2016-PU-00147	Passed Through Department of Criminal Justice: Port Security Grant Program	97.056			\$ 22,224	
	Total U.S. Department of Homeland Security					\$ 22,224
	Grand Total					\$ 26,007,340

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. CFDA 10.555
At June 30, 2020, the School Board had USDA food commodities totaling \$573,615 in inventory.
- Note 3: Reporting Entity:
The Schedule of Expenditures of Federal Awards reports the expenditures for the City of Suffolk, Virginia
and it's 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, 2020

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified**
2. Significant deficiencies in internal control over financial reporting: **None reported**
3. Material weaknesses in internal control over financial reporting: **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**
8. Any audit findings which are required to be reported under Uniform Grant Guidance: **No**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.561	Supplemental Nutrition Assistance Program (SNAP)
93.558	Temporary Assistance to Needy Families (TANF)
93.778	Medical Assistance Program (Medicaid)
21.019	CARES Act Coronavirus Relief Fund
84.010	Title I Grants to Local Education Agencies

10. Dollar threshold used to distinguish between type A and type B programs: **\$780,220**
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*

None reported

C. Findings and Questioned Costs Relating to Federal Awards

None reported

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

2020-001 – Nonmaterial Noncompliance – Property Taxes (Repeat Finding 2019-002)

Condition: For a sample of twenty-five (25) real estate exonerations reviewed, we noted seventeen (17) assessments where the assessments did not tie exactly between the City Assessor's calculations and the City Treasurer's system calculations.

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 the information that was processed tied to the City Assessor's information.

CITY OF SUFFOLK, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

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.

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 all documentation is retained as required.

E. Status of Prior Year Findings:

2019-001 Actuarial Analysis – Finding not repeated

2019-002 Property Taxes – Finding repeated (2020-001)

2019-003 Highway Maintenance Planning – Finding not repeated



City of Suffolk

Department of Finance

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

www.suffolkva.us

