

**FINANCIAL REPORT  
JUNE 30, 2020  
ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA**



**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2020**

**Prepared by: City of Suffolk Finance Department**

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

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## **INTRODUCTORY SECTION**

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**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**Directory of Principal Officials  
June 30, 2020**

**BOARD MEMBERS**

Wesley S. King, Chairman  
Cypress Borough Representative

John C. Harrell Jr., Vice Chairman  
Suffolk Borough Representative

Stacy T. Lewis, Secretary-Treasurer  
Holy Neck Borough Representative

Kevin Hughes, Deputy Secretary-Treasurer  
Suffolk Economic Development Director

Michael Milteer  
Whaleyville Borough Representative

Margie Wiley  
Chuckatuck Representative

Maria Herbert  
Nansemond Borough Representative

Raymond G. Wittersheim  
Sleepy Hole Borough Representative

Branch Lawson  
At-Large Representative

**CITY COUNCIL LIAISON**

Michael D. Duman  
Chuckatuck Borough Representative

**CHIEF LEGAL COUNCIL**

Helivi L. Holland  
Suffolk City Attorney



P.O. Box 1858  
Suffolk, Virginia 23439  
*Telephone* 757-514-4040  
*Facsimile* 757-514-4054  
[www.YesSuffolk.com](http://www.YesSuffolk.com)

Board Members  
Economic Development Authority of the City of Suffolk

Dear Board Members,

The economic development initiatives for the City of Suffolk's fiscal year July 1, 2019 through June 30, 2020 were supported by the EDA's contributions. Some of the highlights and actions taken by the EDA included:

- Completed Amendments to the Northgate Property Owners Association Covenants and Restrictions, deeded property to the Northgate Property Owners Association, and made successful variance requests to the Suffolk City Council in support of the Amazon Robotics Fulfillment Center project.
- Amended the Obici Place Covenants and Restrictions in support of a future movie theater and additional retail users.
- Approved EDIP funds for Massimo Zanetti Beverage USA's new 350,000 sq. ft. distribution facility.
- The EDA completed an RFP for legal services and finalized an agreement for representation by Crenshaw, Ware and Martin.
- Provided façade grant funds specific to the 05/11/2019 Tornado Storm Damage for the following properties: 542 E. Constance Road (Harbour Veterinary Clinic), 546 E. Constance Road (Washland), 900 Portsmouth Blvd (Suffolk Auto Body) and 418 E. Washington Street (Suffolk Iron Works).
- Approved Façade grants for commercial improvements at 3464 Pruden Boulevard and 100 Bosley Road.
- Approved Downtown Business Development Program grants for: the General Public, the Plaid Turnip, and High Tide Restaurant.
- Recaptured incentive funds from Peet's Coffee.
- Approved an EDIP and Commonwealth Opportunity Fund Agreement for Acesur's first United States manufacturing facility.

- Established the Suffolk EDA COVID19 Small Business Grant Program and Policy Guidelines.
- Closed on Phase I consisting of 33 acres at the Point at Harbour View with Gee's Partners.
- Continued to fund the Hampton Roads Small Business Development Center.

The work of the EDA continues to be instrumental in advancing economic development efforts throughout the City of Suffolk. Thank you for your commitment, support and contributions to the City of Suffolk.

Sincerely,



Kevin Hughes  
Deputy Secretary/Treasurer  
Suffolk Economic Development Authority



Tealen Hansen  
Director of Finance  
City of Suffolk

## **FINANCIAL SECTION**

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**Financial Section contains the  
Basic Financial Statements.**



## Report of Independent Auditor

To the Board of Directors  
Economic Development Authority  
City of Suffolk, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the Economic Development Authority of the City of Suffolk, Virginia (the "Authority"), a component unit of the City of Suffolk, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion 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 Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Economic Development Authority of the City of Suffolk, Virginia, as of June 30, 2020, and the changes in its financial position and its cash flows 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 13 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, 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section and Other Information, 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 Other Information on pages 21 and 22 is the responsibility of management and was derived from and relates 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 Information on pages 21 and 22 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Other Information on page 23 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.



Virginia Beach, Virginia  
December 4, 2020

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

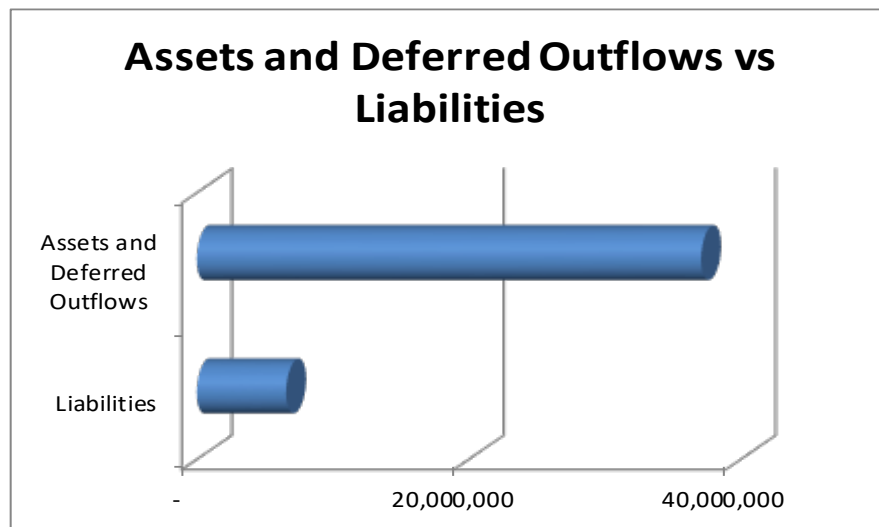
**Management's Discussion and Analysis**

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This section of the Economic Development Authority of the City of Suffolk, Virginia's (the Authority) annual financial report presents a discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the Authority's Letter of Transmittal in the Introductory Section and the financial statements following this section.

**Financial Highlights**

- At the close of the fiscal year, the assets and deferred outflows of resources of the Authority exceeded its liabilities by \$30,523,083. Of this amount, \$13,359,185 represents unrestricted net position, which may be used to meet the Authority's ongoing obligations.



- Net position increased from fiscal year 2019 to fiscal year 2020 by \$47,720 or 0.16%. The current year results are comparable to the prior year.
- The Operating income for fiscal year 2020 was \$208,581.
- At June 30, 2020 the Authority does not have any construction in progress.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements.

The *Statement of Net Position* presents information on all Authority assets, deferred outflows of resources, if any, liabilities, and deferred inflows of resources, if any, with the difference between those reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

## **Overview of the Financial Statements (Continued)**

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing 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, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The *Statement of Cash Flows* discloses net cash provided by or used for operating activities, capital and related financing activities and investing activities.

*Notes to the financial statements* are an integral part of the statements and provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes should be read in conjunction with the financial statements and the Management's Discussion and Analysis.

## **Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. At the close of the most recent fiscal year, the Authority's assets and deferred outflows exceeded liabilities by \$30,523,083. The table below provides a summary of the Authority's net position as of June 30, 2020 and June 30, 2019.

<b>Statement of Net Position</b>		
<b>(in millions)</b>		
	2020	2019
Current assets	\$ 13.6	\$ 14.7
Non current assets	23.4	23.3
Total assets	37.0	38.0
Deferred outflows of resources	0.1	0.1
Total assets and deferred outflows of resources	37.1	38.1
Current liabilities	1.4	1.4
Long-term liabilities	5.2	6.2
Total liabilities	6.6	7.6
Net Position:		
Net investment in capital assets	15.2	15.0
Restricted	2.0	1.0
Unrestricted	13.3	14.5
Total net position	\$ 30.5	\$ 30.5

A large portion of the Authority's net position (43.77%) represents unrestricted net position of \$13,359,185, which may be used to meet the Authority's ongoing obligations. Current assets decreased due to the sale of some of the land held for sale.

### **Financial Analysis (Continued)**

The Authority's capital assets represent land and facility development. The Authority is leasing the majority of these capital assets to the City of Suffolk, Virginia's ("City") Division of Social Services and the Virginia Department of Health for an office building and to a hotel management company to operate and maintain the Hilton Garden Inn and Suffolk Conference Center.

The table below provides a summary of the changes in net position for the years ended June 30, 2020 and June 30, 2019.

#### **Statement of Revenues, Expenses and Changes in Net Position (in millions)**

	2020	2019
Operating Revenues	\$ 3.5	\$ 2.8
Operating Expenses	3.3	1.4
Operating income	0.2	1.4
Nonoperating expenses	(0.2)	(0.2)
Change in Net Position	-	1.2
Net Position beginning of year	30.5	29.3
Net Position end of year	<u>\$ 30.5</u>	<u>\$ 30.5</u>

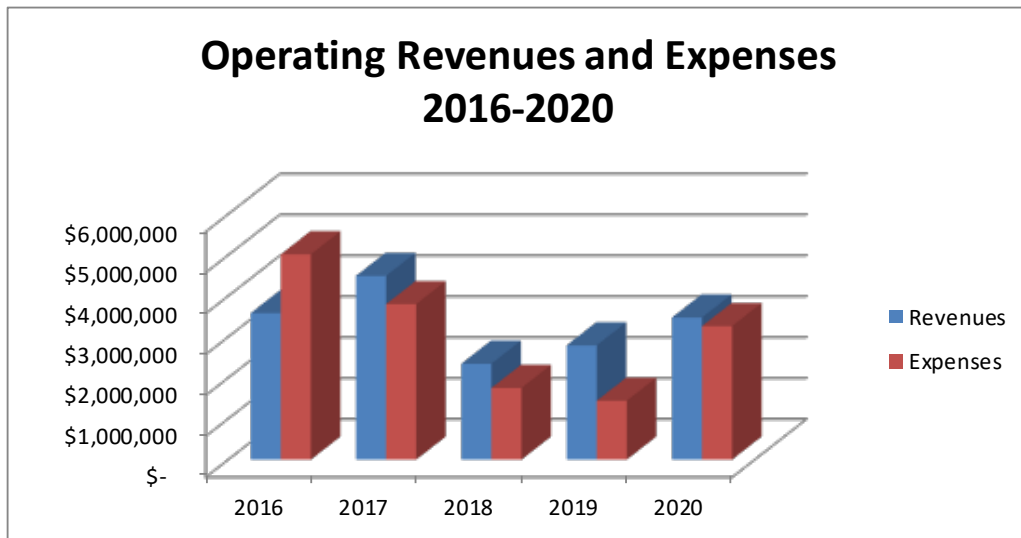
A main component of operating expenses for the Authority are payments to various businesses under the Economic Development Investment Fund Program, which accounted for 47.85% of the total operating expenses. This program provides incentives to businesses that qualify for the program with the intent of fostering the Authority's mission of economic development within the City.

The other main component of operating expenses for the Authority is the recognition of depreciation expense on the Authority's buildings, which totaled \$808,442 or 24.77% of total operating expenses in 2020.

Included within the calculation of the total net non-operating expenses is the interest paid on the debt related to the Health and Human Services building during fiscal year 2020. Interest expense decreased slightly from the prior year for a total of \$212,449. This decrease in interest is expected as the bonds mature the overall debt service decreases.

Both the operating revenues and expenses increased during fiscal year 2020 as compared to fiscal year 2019. This is related to the Economic Development Investment program as the incentives paid during the current fiscal year were smaller by comparison to some very large projects in the prior year.

### Financial Analysis (Continued)

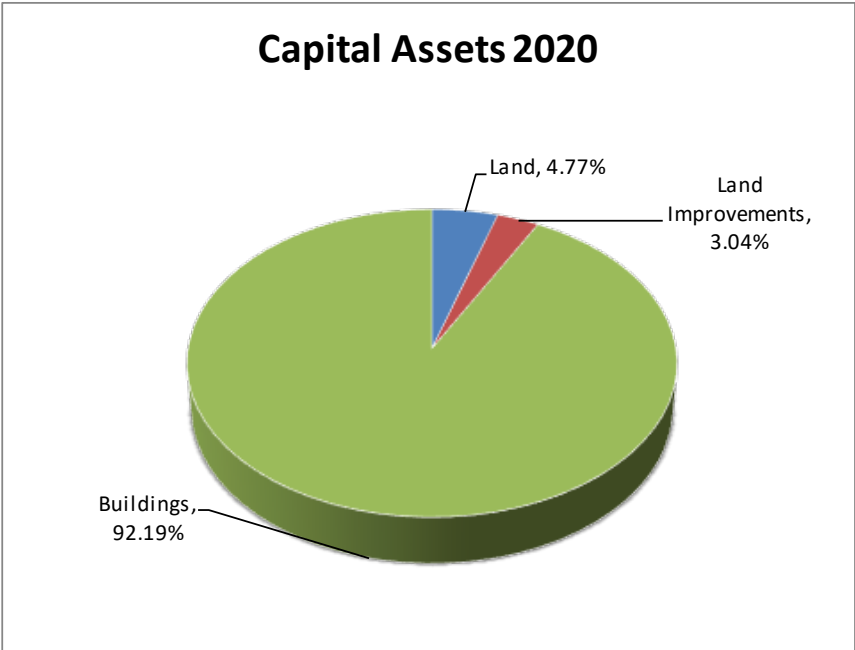


### Capital Assets and Debt Administration

The Authority's investment in capital assets totals \$21,419,536 net of accumulated depreciation. This investment in capital assets includes the Hilton Garden Inn and Suffolk Conference Center and the Health and Human Services building.

Capital Assets (Net of Depreciation)		
	2020	2019
Land	\$ 1,021,162	\$ 1,021,162
Land Improvements	651,406	727,864
Buildings	19,746,968	20,478,952
Total	\$ 21,419,536	\$ 22,227,978

**Capital Assets and Debt Administration (Continued)**



Additional information on the Authority’s capital assets can be found in Note 4.

At the end of the current year, the Authority had outstanding debt in the amount of \$6,215,000.

	Outstanding Debt	
	2020	2019
Lease Revenue Bonds	\$6,215,000	\$7,210,000

Additional information on the Authority’s debt can be found in Note 6.

**Economic Factors**

The Authority’s purpose is to promote and foster economic activity in the City. Factors that affect the Authority’s ability to do so include interest rates, unemployment, and continued contributions from the City. Over the last several years, the Authority has seen positive trends in these areas effecting economic conditions.

In response to the COVID-19 pandemic the Authority is assisting local business through the development of a small business grant program and policy guidelines. There have been no other significant impacts to the operations of the Authority.

The Authority had a positive year promoting economic activity in the City. Through the use of the Local Economic Development Investment Fund Program, the Authority assisted two companies in expanding and locating within the City, thereby creating investment in the City and employment.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority’s finances. Questions concerning this report or requests for additional information should be directed to the Authority’s Deputy Secretary/Treasurer, Post Office Box 1858, Suffolk, Virginia 23439.

## **Basic Financial Statements**

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**EXHIBIT 1**

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
A Component Unit of the City of Suffolk, Virginia  
Statement of Net Position  
June 30, 2020**

**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 6,131,120
Accounts receivable	396,818
Land and improvements held for sale (Note 3)	<u>7,064,150</u>
Total current assets	<u>13,592,088</u>

## Noncurrent assets:

Cash and cash equivalents - restricted (Note 2 and 8)	2,027,987
Capital assets (Note 4)	
Nondepreciable	1,021,162
Depreciable, net of accumulated depreciation	<u>20,398,374</u>
Total noncurrent assets	<u>23,447,523</u>
Total assets	<u>37,039,611</u>

## Deferred outflows of resources

Deferred charge on refunding	<u>51,253</u>
Total deferred outflows	<u>51,253</u>

**LIABILITIES**

## Current liabilities:

Accounts payable	25,557
Deposits	2,500
Due to the Primary Government (Note 5)	239,255
Current portion of unearned revenues	15,240
Current portion of long-term liabilities (Note 6)	1,025,000
Accrued interest payable	<u>68,624</u>
Total current liabilities	<u>1,376,176</u>

## Noncurrent liabilities:

Long-term liabilities (Note 6)	5,190,000
Unearned revenues	<u>1,605</u>
Total noncurrent liabilities	<u>5,191,605</u>
Total liabilities	<u>6,567,781</u>

**NET POSITION**

Net investment in capital assets	15,255,789
Restricted	1,959,363
Unrestricted	<u>13,307,931</u>
Total net position	<u>\$ 30,523,083</u>

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

**EXHIBIT 2**

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2020**

**OPERATING REVENUES**

Bond maintenance fees	\$ 142,961
Lease revenues	1,672,267
Contributions from the City	1,576,250
Public facilities tax rebates	80,210
Miscellaneous	696
	<hr/>
Total operating revenues	3,472,384

**OPERATING EXPENSES**

Economic development incentives	1,561,738
Small Business CDL program	30,000
Small Business COVID assistance	190,500
Façade program	40,077
Advertising and special events	31,965
Property maintenance	574,004
Professional fees	21,604
Depreciation	808,442
Miscellaneous	5,473
	<hr/>
Total operating expenses	3,263,803
	<hr/>
Operating income	208,581

**NONOPERATING REVENUES (EXPENSES)**

Interest income	13,444
Unrealized gain on land available for sale	537,764
Loss on sale of land	(499,620)
Interest expense	(212,449)
	<hr/>
Total nonoperating expenses, net	(160,861)
	<hr/>
Change in net position	47,720

<b>Net position beginning at July 1</b>	<hr/> 30,475,363
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<b>Net position ending at June 30</b>	<hr/> <hr/> \$ 30,523,083
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The Notes to Financial Statements are an integral part of this statement.

**EXHIBIT 3**

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
A Component Unit of the City of Suffolk, Virginia  
Statement of Cash Flows  
For the Year Ended June 30, 2020**

**OPERATING ACTIVITIES**

Receipts from lessees	\$ 1,740,884
Bond maintenance fees	12,561
City contribution	1,380,000
Other operating receipts	70,759
Economic incentive payments	(1,822,315)
Payments to suppliers for goods and services	<u>(634,557)</u>
Net cash provided by operating activities	<u>747,332</u>

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Interest expense	(191,064)
Principal paid on debt	<u>(995,000)</u>
Net cash used in capital and related financing activities	<u>(1,186,064)</u>

**INVESTING ACTIVITIES**

Interest income	13,444
Proceeds from sale of land held for sale	<u>2,877,780</u>
Net cash provided by investing activities	<u>2,891,224</u>
Net increase in cash and cash equivalents	2,452,492

**CASH AND CASH EQUIVALENTS**

Beginning July 1	<u>5,706,615</u>
Ending June 30	<u><u>\$ 8,159,107</u></u>

**RECONCILIATION TO STATEMENT OF NET POSITION**

Cash and cash equivalents	\$ 6,131,120
Cash and cash equivalents, restricted	<u>2,027,987</u>
	<u><u>\$ 8,159,107</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 208,581
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	808,442
Changes in assets and liabilities:	
(Increase) decrease in:	
Other receivables	(255,440)
Prepaid expenses	3,113
Increase (decrease) in:	
Accounts payable and accrued liabilities	(4,624)
Unearned revenues	(15,240)
Deposits	<u>2,500</u>
Net cash provided by operating activities	<u><u>\$ 747,332</u></u>

**NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES**

Unrealized gain on land available for Sale	\$ 537,764
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The Notes to Financial Statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements  
June 30, 2020**

**Note 1. Summary of Significant Accounting Policies**

Reporting entity:

The Economic Development Authority of The City of Suffolk, Virginia (“Authority”) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City of Suffolk, Virginia (“City”) in 1969, pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (Chapter 33, Section 15.1-1373 *et seq.*, of the *Code of Virginia* (1950) as amended). The Authority is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in within the City.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for which facilities are constructed. The revenue bonds are not deemed to constitute a debt or pledge of faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of facilities constructed and may be secured by a deed of trust on those facilities. Collection of revenues pledged to liquidate the bonds are typically assigned to the bond trustee.

For financial reporting purposes, the Authority is a discretely presented component unit of the City mainly because its members are appointed by the City Council and the City provides significant funding to the Authority; thus, the City is financially accountable for the Authority.

Measurement focus and basis of accounting:

The accompanying financial statement report the financial position and results of operations of the Authority in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Because the Authority is a political subdivision of the Commonwealth of Virginia, the preparation of these financial statements is governed by the pronouncements of the Governmental Accounting Standards Board (“GASB”). The Authority’s financial statements are prepared on an enterprise fund basis and present operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the general public on a continuing basis are financed or recovered primarily through user charges.

The Authority’s operations are accounted for on an economic resources measurement focus wherein all assets and liabilities, whether current or noncurrent, are included in its Statement of Net Position. Enterprise fund operating statement presents increases (revenues) and decreases (expenses) in fund equity (net position) utilizing the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements  
June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Measurement focus and basis of accounting (continued):

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are sale of property held for resale, bond maintenance fees, receipts for pass-through grants to industries, economic development incentive payments received from the primary government and lease revenue. Operating expenses include contributions to industries, administrative expenses, return of hotel proceeds to the City, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and cash equivalents:

The Authority's cash and cash equivalents (including restricted cash) are considered to be cash on hand, demand deposits, and short-term investments with original maturities three months or less from the date of acquisition.

Accounts receivable:

The balance in the accounts receivable represents rents receivable from the Department of Social Services for rent of the office building, as well as amounts receivable related to conduit bond maintenance fees. The receivable balance also includes amounts related to a reimbursement of pandemic related expenses.

Land and improvements held for sale:

The cost of land (including acquisition costs) is allocated to subdivided areas for the purpose of accumulating costs to match with sales revenues. Improvement and amenity costs, if not attributable to a specific lot, are allocated based on acreage. Land or improvements donated to the Authority are recorded at acquisition value on the date of donation. Items held for sale are valued at the lower of cost or market.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements  
June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Capital assets:

Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land improvements	20 years
Equipment	10 years

Economic development incentives payable:

Performance grant payables are recorded when, in management's opinion, it is unlikely that the grantee will fail to meet the performance criteria. Refunds of performance grants are reflected as revenues when collection is determined to be likely.

Net position:

Net position is the difference between assets and deferred outflows of resources, if any, and liabilities and deferred inflows of resources, if any. Net investment in capital assets represents capital assets, less accumulated depreciation, and any outstanding debt related to the acquisition, construction or improvement of said assets. Restricted net position represents funds reserved for repair and replacement of, as well as funds accumulated for the repayment of bonds issued for construction of the health and human services building.

Estimates:

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

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements  
June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Deferred Outflows of Resources:

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will be recognized as an expense or expenditure until then. The Authority's deferred outflow of resources consists of the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt. The deferred outflow is being amortized over the remaining life of the refunded debt.

Change in Accounting Principle

Effective upon issuance, the Authority 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 Authority in the current year as there were no new standards implemented.

**Note 2. Cash and Cash Equivalents**

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The following is a summary of restricted cash as of June 30, 2020:

Health and Human Services – repair and replacement reserve:	\$ 2,027,987
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These amounts, offset by the related amounts payable from restricted cash, are also included in restricted net position. This amount is restricted for debt service and eligible maintenance projects, as defined by the related debt and lease agreements.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements  
June 30, 2020**

**Note 3. Land and Improvements Held for Sale**

Land and improvements held for sale consists of the following:

	<u>Acreage</u>	<u>Carrying Value</u>
Wilroy Industrial Park	5.48	\$ 38,370
Suburban Drive	29.4	240,006
Suffolk Industrial Park	74.77	1,083,500
TCC Site	21.65	2,703,364
Northgate Commerce Park	37.37	1,868,500
1900 North Main (former Obici site)	3.77	1,130,410
	<u>172.44</u>	<u>\$ 7,064,150</u>

Certain proceeds from the sale of these assets are required to be paid to the City (see Note 5).

**Note 4. Capital Assets**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 1,021,162	\$ -	\$ -	\$ 1,021,162
Capital Assets, depreciated				
Land Improvements	1,734,061	-	-	1,734,061
Conference Center and Hotel	14,337,217	-	-	14,337,217
HHS Building	14,942,123	-	-	14,942,123
Equipment	265,390	-	-	265,390
Total Capital Assets, Depreciated	31,278,791	-	-	31,278,791
Less Accumulated Depreciation for:				
Land Improvements	1,006,197	76,458	-	1,082,655
Conference Center and Hotel	5,188,041	358,430	-	5,546,471
HHS Building	3,612,347	373,553	-	3,985,900
Equipment	265,390	-	-	265,390
Total Accumulated Depreciation	10,071,975	808,442	-	10,880,417
Total Capital Assets, Depreciated, net	21,206,816	(808,442)	-	20,398,374
<b>Total Capital Assets, net</b>	<b>\$ 22,227,978</b>	<b>\$ (808,442)</b>	<b>\$ -</b>	<b>\$ 21,419,536</b>



**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements  
June 30, 2020**

**Note 5. Due To Primary Government and Related Party Transactions**

Due to Primary Government consists of \$239,255 borrowed from the City through a long-term advance. These amounts will be repaid upon the sale of the Suburban Drive property.

The City provides personnel and office space to the Authority at no charge.

**Note 6. Long-Term Liabilities**

The following is a summary of changes in long-term debt for the year:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within one year
Lease Revenue Bond	\$ 7,210,000	\$ -	\$ 995,000	\$ 6,215,000	\$ 1,025,000
	<u>\$ 7,210,000</u>	<u>\$ -</u>	<u>\$ 995,000</u>	<u>\$ 6,215,000</u>	<u>\$ 1,025,000</u>

The annual requirements to amortize long-term debt and related interest are as follows:

Fiscal Year	Lease Revenue Bond	
	Principal	Interest
2021	\$ 1,025,000	\$ 164,698
2022	1,050,000	137,535
2023	1,080,000	109,710
2024	1,105,000	81,090
2025	1,135,000	51,808
2026	820,000	21,730
	<u>\$ 6,215,000</u>	<u>\$ 566,571</u>

A \$15,750,000 lease revenue bond was issued on May 1, 2008 for the construction of the Health and Human Services building. The 2008 lease revenue bond was refunded by the issuance on December 18, 2014 of an \$11,860,000 refunding lease revenue bond. The 2014 bond has a maturity date of February 1, 2026 with interest payable semi-annually of 2.65%. The difference in the carrying value of the old bonds and the value of the new debt is shown as a deferred charge on refunding and will be amortized over the life of the old debt.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements  
June 30, 2020**

**Note 7. Conduit Debt Transactions**

One key activity of the Authority represents “pass-through” leases wherein lease agreements provide for periodic rental payments in amounts equal to the principal and interest due on the related bonds. The Authority assigns all rights to the rental payments to the trustees of the bondholders and the lessees assume responsibility for all operating costs (i.e., utilities, repairs, and property taxes) of the leased properties. Therefore, in such cases, the Authority neither receives the rental income nor disburses funds for debt service or operating expenses. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the Commonwealth, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Furthermore, in the event of default by the lessee, the holders of the bonds have no recourse against the Authority, but must look to the property and lessee for indemnity. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The Authority charges a bond maintenance fee for administering this program. As of June 30, 2020, the aggregate principal amount payable of these conduit revenue bonds outstanding was \$137,688,207.

**Note 8. Leases**

Lessor:

On August 28, 2003, the Authority entered into a fifty-year lease agreement with a private company to lease the Suffolk Hilton Garden Inn hotel and the Suffolk Conference Center with annual rent payments of \$5,000 each. The lessee shall have the right and option to extend the term for four consecutive periods of ten years each followed by one period of nine years. The lease calls for additional rental payments based on the hotel’s balance of net cash flows. The net carrying value of the conference center and hotel for the Authority is \$8,790,746 based on a total cost of \$14,337,217 less accumulated depreciation of \$5,546,471.

On May 1, 2009, the Authority entered into a lease agreement with the Commonwealth of Virginia, Department of General Services for use of the Health and Human Service Building. The lease calls for monthly payments of \$34,379. The lease term is scheduled to expire after 18 years, on April 30, 2027. Additional rental terms include additional rent for the tenant’s pro rata share of annual operating expenses. The agreement also includes a settle-up between the Authority and the lessee for any shortfalls in annual periodic operating expense reimbursements, when compared to actual costs.

On June 1, 2009, the Authority amended the original lease agreement dated September 1, 2008 between the City and the Virginia Department of Social Services for the Health and Human Services building. The amended lease calls for annual lease payments of \$891,456 from the Virginia Department of Social Services and \$412,548 from the City. This is a 20-year lease with a termination date of May 31, 2029. Additional rental terms include \$50,000 a year for a repair and replacement reserve fund until the fund reaches \$500,000 and additional rent for the tenant’s pro rata share of annual operating expenses. The repair and replacement reserve is included in restricted cash and cash equivalents and restricted net position. The agreement also includes a settle-up between the Authority

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements  
June 30, 2020**

**Note 8. Leases (Continued)**

and the lessees for any shortfalls in annual periodic operating expense reimbursements, when compared to actual costs. The net carrying value of the health and human services building for the Authority is \$10,956,222 based on a total cost of \$14,942,123 less accumulated depreciation of \$3,985,901.

A 5-year schedule of future rents is shown below:

Fiscal Year	Department of Social Services	Health Department	Hotel and Conference Center
2021	\$74,288	\$34,379	\$5,000
2022	74,288	34,379	5,000
2023	74,288	34,379	5,000
2024	74,288	34,379	5,000
2025	74,288	34,379	5,000
Total	<u>\$371,440</u>	<u>\$171,895</u>	<u>\$25,000</u>

**Note 9. Commitments and Contingencies**

As of June 30, 2020, five Economic Development Investment Fund program agreements remain in place with outstanding commitments for future company investment and corresponding payment responsibilities from the Authority approximating \$1,345,293.

**Note 10. 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 of all state and local governments. This statement was originally 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. 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.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements  
June 30, 2020**

**Note 10. New Accounting Standards (continued)**

**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.

**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.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements  
June 30, 2020**

**Note 10. New Accounting Standards (continued)**

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, and Implementation Guide No. 2019-3 effective FY2022.

Management has not yet evaluated the effects, if any, of adopting these standards and implementation guides, but does not expect them to have a material impact on the financial statements.

**Note 11. Litigation**

At any point in time various claims and lawsuits are pending against the Authority. In the opinion of legal counsel, resolution of these cases would not involve a material liability.

**Note 12. Subsequent Events**

On November 5, 2020 the Authority issued \$6,289,000 of authorized Lease Revenue refunding bonds with maturity dates through 02/01/2026. These bonds were issued to refund \$6,215,000 of existing Lease Revenue refunding bonds, for future debt service savings. The final maturities of the refunded bonds were not extended. The total amount of future debt service savings is \$267,295 over the remaining life of the bonds.

**Note 13. 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. As there is still a significant level of uncertainty associated with the pandemic, the Authority continues to actively monitor developments and will take steps to respond accordingly.

## OTHER INFORMATION

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Table 1

## ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF SUFFOLK, VIRGINIA

## DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Last Ten Fiscal Years									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Operating Revenues</b>										
Hotel Revenues										
Hotel Lease Revenues	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Public Facility Tax Rebate	-	140,172	83,949	100,099	100,321	100,113	126,972	98,376	93,011	80,210
HHSB Revenues										
Health and Human Services Lease	1,609,200	1,649,938	1,558,192	1,565,390	1,581,343	1,608,481	1,609,310	1,586,087	1,602,749	1,661,167
Other Lease Revenues										
NCP Lease Revenues	-	3,600	4,800	1,100	-	1,100	1,100	1,100	1,100	1,100
55 Acre Site Lease	-	-	-	-	-	-	-	4,000	-	-
Obici Site Lease	-	-	800	800	-	-	-	9,000	241,000	-
Other Revenues										
Bond Maintenance Fees	201,346	99,477	149,043	145,019	146,394	143,909	144,767	148,744	146,654	142,961
Façade Program	-	-	45,740	-	-	-	-	-	-	-
Gain on Sale of Land and Easements	24,859	914,595	-	-	47,886	-	-	-	-	-
Contributions from Municipality (EDIP)	943,488	418,363	880,750	1,306,061	2,665,400	1,717,079	1,600,000	486,808	346,738	1,576,250
Contributions from the State	-	-	-	-	200,000	-	1,000,000	-	45,000	-
Miscellaneous	31,336	35,573	30,772	46,641	45,254	650	441	-	307,111	696
Total Operating Revenues	2,820,229	3,271,718	2,764,046	3,175,110	4,796,598	3,581,332	4,492,590	2,344,115	2,793,363	3,472,384
<b>Operating Expenses</b>										
Hotel Expenses										
Payment to Municipality	10,000	150,172	93,949	110,099	-	-	-	-	-	-
Property Maintenance	-	-	-	-	-	-	-	-	-	118,315
Depreciation Expense	414,400	414,400	414,399	414,399	414,400	414,399	414,399	414,399	414,399	414,399
HHSB Expenses										
Property Maintenance	339,757	419,167	237,368	259,328	248,441	293,778	269,342	295,881	308,814	355,402
Depreciation Expense	372,907	405,718	400,092	400,092	400,093	400,092	394,042	394,042	394,043	394,042
Other Expenses										
Economic Development Incentives	1,248,851	191,750	802,000	1,301,100	2,865,400	1,706,750	2,600,000	486,808	165,000	1,561,738
Technology Zone Grant	-	-	-	4,961	-	10,329	-	-	-	-
Small Business CDL	-	-	-	-	-	-	-	-	14,846	30,000
Small Business COVID assistance	-	-	-	-	-	-	-	-	-	190,500
Façade Program	30,000	74,603	12,234	-	118,458	27,111	30,000	26,420	20,000	40,077
Advertising and special events	30,597	50,564	26,937	83,565	30,915	33,095	13,281	13,115	21,828	24,965
Contribution to Local Organizations	-	5,000	-	-	-	7,000	7,000	7,000	-	7,000
Contribution to City	-	-	-	-	-	-	6,932	-	-	-
Professional Fees	21,042	33,260	13,950	20,928	150,663	10,121	650	33,487	56,921	21,604
Property Maintenance	-	-	26,156	75,836	272,907	125,978	32,053	40,819	21,655	100,288
Depreciation Expense	20,489	20,489	20,489	20,489	20,489	20,490	26,539	26,539	15,481	-
Miscellaneous	3,938	5,598	4,732	4,271	4,619	7,180	7,048	13,682	6,502	5,473
Total Operating Expenses	2,491,981	1,770,721	2,052,306	2,695,069	4,526,385	3,056,323	3,801,286	1,752,192	1,439,489	3,263,803
Operating income	328,248	1,500,997	711,740	480,041	270,213	525,009	691,304	591,923	1,353,874	208,581
<b>Non-Operating Revenues (Expenses)</b>										
Interest Income	8,246	4,469	3,550	5,322	11,189	7,876	1,671	8,940	9,883	13,444
Capital Contributions from Municipality	5,600,000	-	4,528,560	-	-	-	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-	-	-	(32,370)	(32,370)	(32,370)	(32,370)
Interest Expenses	(846,127)	(544,996)	(516,552)	(476,246)	(321,361)	(312,398)	(256,034)	(231,378)	(206,059)	(180,079)
Loss on sale of land held for resale	-	-	-	-	-	(1,962,169)	-	-	-	(499,620)
Unrealized loss on Land held for Sale	-	-	-	(515,111)	-	(537,765)	(1,174,383)	-	-	-
Unrealized gain on Land held for Sale	-	-	-	-	-	-	-	-	-	537,764
Land Held for Sale Impairment	(3,117,190)	-	-	-	-	-	-	-	-	-
Total Non-Operating Revenues (Expenses), net	1,644,929	(540,527)	4,015,558	(986,035)	(310,172)	(2,804,456)	(1,461,116)	(254,808)	(228,546)	(160,861)
<b>Change in Net Position</b>	\$ 1,973,177	\$ 960,470	\$ 4,727,298	\$ (505,994)	\$ (39,959)	\$ (2,279,447)	\$ (769,812)	\$ 337,115	\$ 1,125,328	\$ 47,720

Source: EDA Financial statement for respective year

Table 2

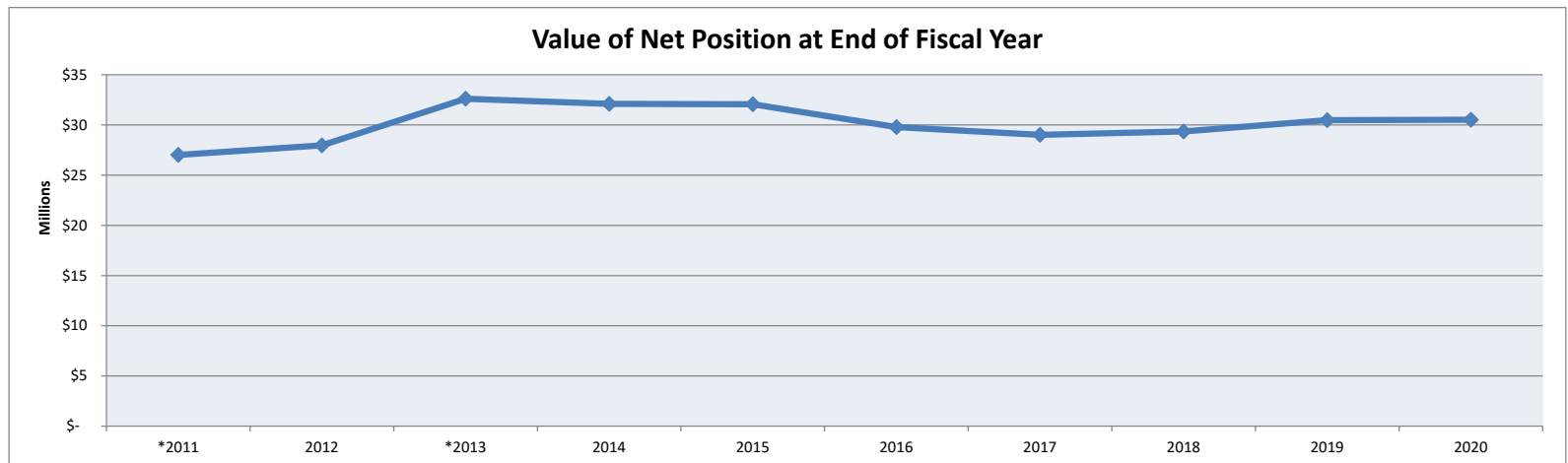
## ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF SUFFOLK, VIRGINIA

NET POSITION BY COMPONENT  
Last Ten Fiscal Years

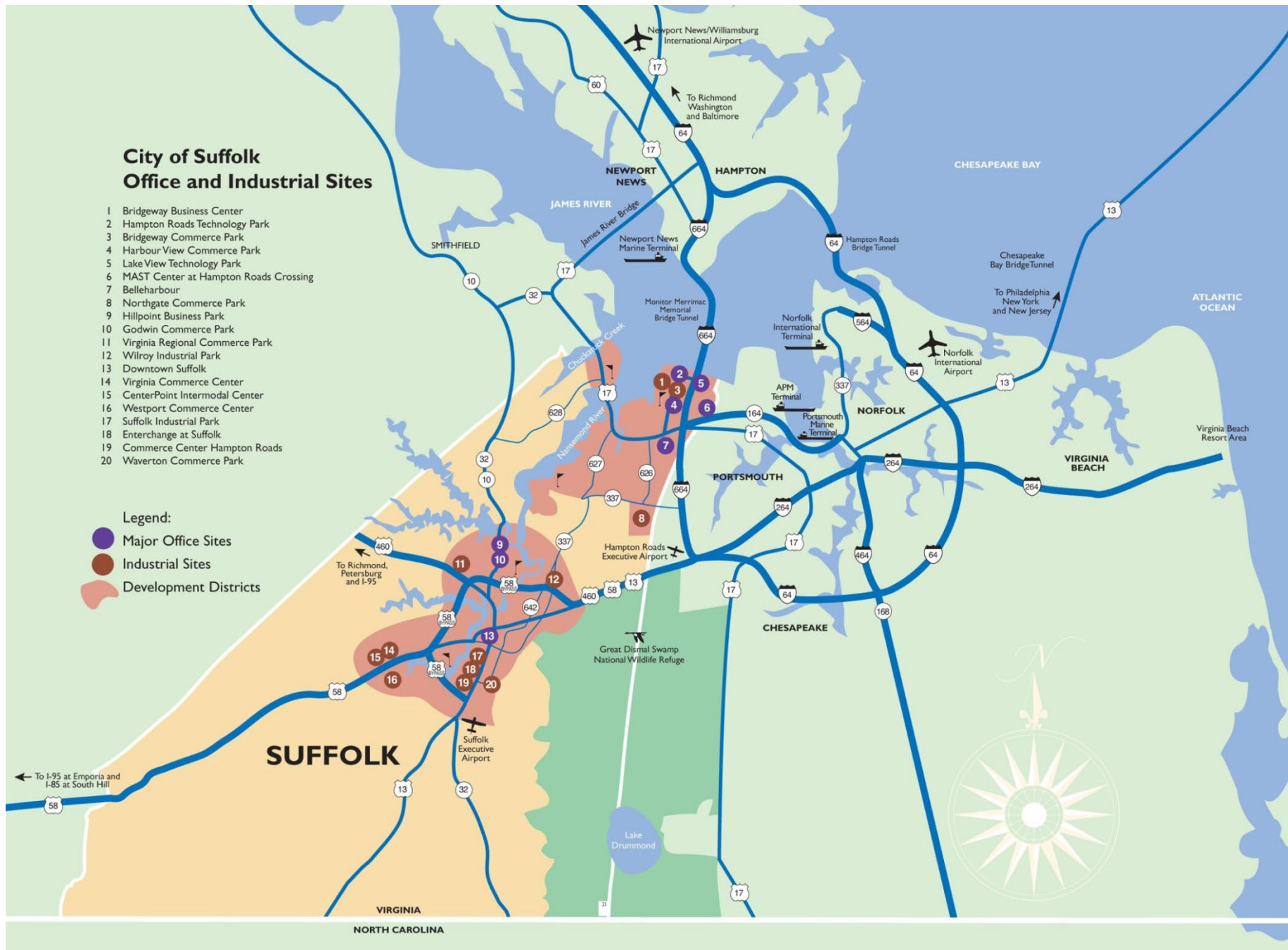
	*2011	2012	*2013	2014	2015	2016	2017	2018	2019	2020
Net investment in capital assets	\$ 15,661,210	\$ 14,872,986	\$ 14,795,543	\$ 14,748,100	\$ 14,521,744	\$ 14,608,302	\$ 14,719,860	\$ 14,856,419	\$ 15,017,977	\$ 15,255,788
Restricted	416,182	1,093,380	1,149,011	1,102,675	1,363,251	1,364,363	1,628,459	1,454,359	1,019,291	1,959,363
Unrestricted	10,937,613	12,009,112	16,663,577	16,251,361	16,177,184	13,810,067	12,664,601	13,039,257	14,438,095	13,307,932
Total net position	\$ 27,015,005	\$ 27,975,478	\$ 32,608,131	\$ 32,102,136	\$ 32,062,179	\$ 29,782,732	\$ 29,012,920	\$ 29,350,035	\$ 30,475,363	\$ 30,523,083

\* As restated

Source: EDA financial statements for respective year







## **COMPLIANCE SECTION**

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

To the Board of Directors  
Economic Development Authority  
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 Authorities, Boards, and Commissions* issued by the auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic Development Authority of the City of Suffolk, Virginia (the "Authority"), a component unit of the City of Suffolk, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 4, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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**

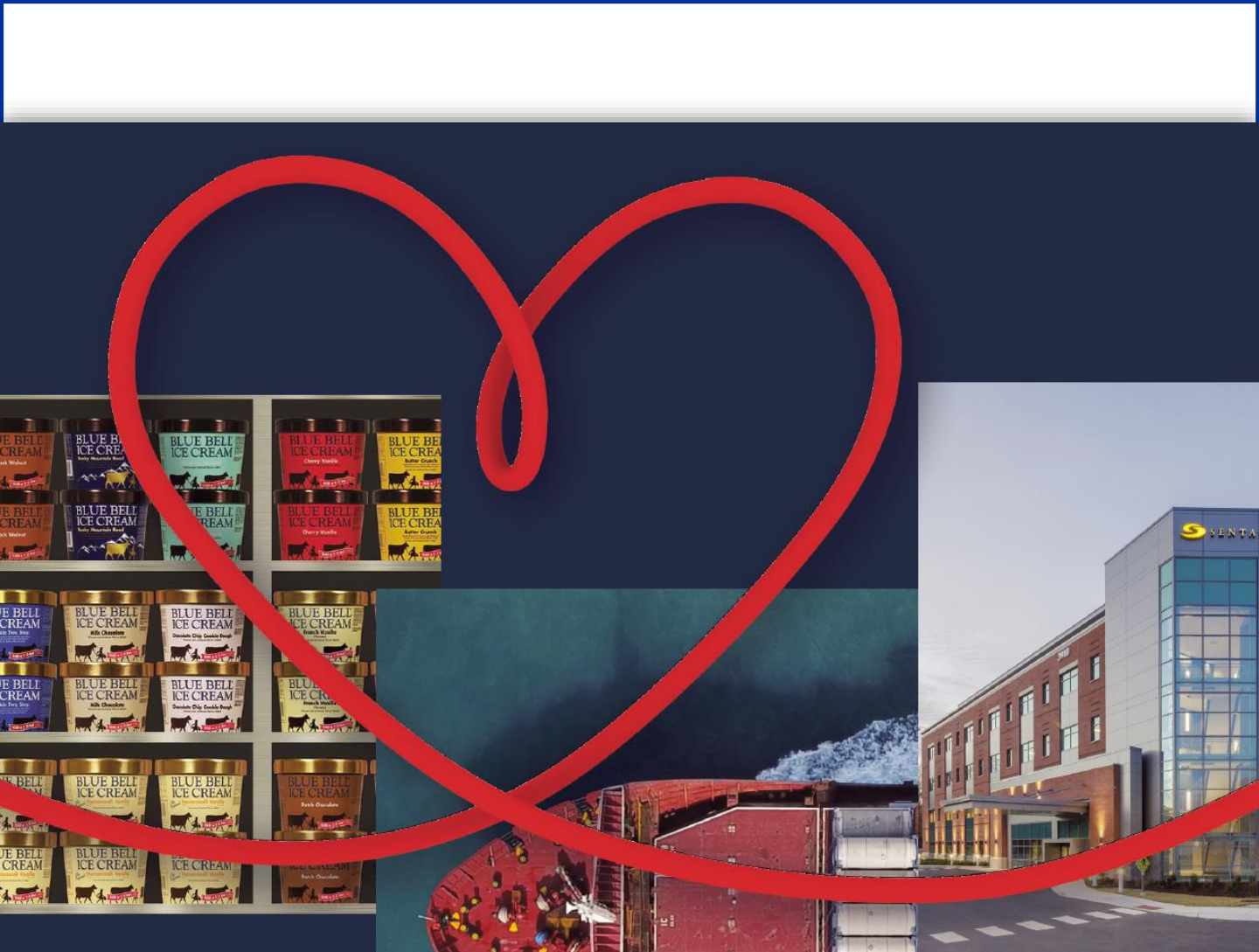
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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* or the *Specifications for Audits of Authorities, Boards, and Commissions*.

**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Richmond, Virginia  
December 4, 2020



**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
442 West Washington Street  
Suffolk, VA 23434  
757-514-4040**