

**NEW ISSUE
BOOK ENTRY ONLY**

RATINGS:

**MOODY'S: Aaa
S&P: AAA
FITCH: AAA
(SEE "RATINGS" HEREIN)**

*In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants and the accuracy of certain representations and certifications made by the City described herein, interest on the 2023 (i) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is not treated as a preference item in calculating the federal alternative minimum tax on individuals. However, for taxable years beginning after December 31, 2022, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. Bond Counsel is also of the opinion that interest on the 2023 Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See "**LEGAL OPINION AND TAX EXEMPTION**" herein regarding certain other tax considerations.*

**\$28,955,000
CITY OF SUFFOLK, VIRGINIA
General Obligation Bonds,
Series 2023**

Dated: Date of Delivery

Due: February 1, as shown on the inside cover page

The \$28,955,000 General Obligation Bonds, Series 2023 (the "2023 Bonds") are general obligations of the City of Suffolk, Virginia (the "City"), to the payment of which its full faith and credit and unlimited taxing power are irrevocably pledged. The City is authorized and required by law to levy *ad valorem* taxes without limitation as to rate or amount upon all taxable property within the City for the payment of the 2023 Bonds unless other funds are lawfully available and appropriated for such purpose.

The 2023 Bonds are being issued to (i) finance various public improvement capital projects and (ii) pay the issuance costs of the 2023 Bonds.

This cover page contains certain information for quick reference only. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2023 Bonds are issuable as fully registered bonds in denominations of \$5,000 and integral multiples thereof. The 2023 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2023 Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive certificates representing their interest in 2023 Bonds purchased. Payments of principal of and interest on the 2023 Bonds will be made by U.S. Bank Trust Company, National Association, as paying agent ("Paying Agent"), by wire transfer to DTC or its nominee Cede & Co., for disbursement, as described in **Appendix E – Book-Entry-Only System**.

For a description of the redemption provisions applicable to the 2023 Bonds, see the Section entitled "**DESCRIPTION OF THE 2023 BONDS – Redemption Provisions.**"

The 2023 Bonds are offered for delivery when, as and if issued, subject to approval of their validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, as described herein. Certain legal matters will be passed upon for the City by the City Attorney, William E. Hutchings, Jr., Esquire. The 2023 Bonds will be available for delivery through DTC on or about October 17, 2023.

Dated: October 3, 2023

\$28,955,000
City of Suffolk, Virginia,
General Obligation Bonds, Series 2023
(Base CUSIP Number[†] 86481A)

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES

Year (February 1)	Amount	Interest Rate	Yield	Price	CUSIP[†]
2026	\$955,000	5.000%	3.610%	103.022%	EA8
2027	1,000,000	5.000	3.470	104.711	EB6
2028	1,055,000	5.000	3.450	106.125	EC4
2029	1,105,000	5.000	3.450	107.429	ED2
2030	1,165,000	5.000	3.450	108.690	EE0
2031	1,215,000	5.000	3.480	109.706	EF7
2032	1,280,000	5.000	3.510	110.630	EG5
2033	1,345,000	5.000	3.510	110.630*	EH3
2034	1,410,000	5.000	3.540	110.403*	EJ9
2035	1,480,000	5.000	3.640	109.650*	EK6
2036	1,560,000	5.000	3.790	108.532*	EL4
2037	1,635,000	5.000	3.950	107.354*	EM2
2038	1,715,000	4.375	4.400	99.731	EN0
2039	1,790,000	4.375	4.460	99.059	EP5
2040	1,870,000	4.500	4.520	99.765	EQ3
2041	1,955,000	4.500	4.580	99.045	ER1
2042	2,040,000	4.625	4.630	99.932	ES9
2043	2,135,000	5.000	4.300	104.831*	ET7
2044	2,245,000	5.000	4.330	104.618*	EU4

* Priced to first optional redemption date of February 1, 2032

Optional Redemption. The 2023 Bonds maturing on or before February 1, 2032, are not subject to redemption before their maturity. The 2023 Bonds maturing on or after February 1, 2033, will be subject to redemption before maturity at the option of the City on or after February 1, 2032, from moneys available for such purposes, in whole or in part (in installments of \$5,000) at any time or from time to time, at a redemption price equal to 100% of the principal amount of the 2023 Bonds redeemed, plus accrued interest to the date fixed for redemption.

[†] See the last paragraph on page i regarding the use of CUSIP numbers in this Official Statement.

CITY OF SUFFOLK, VIRGINIA

CITY COUNCIL

Michael D. Duman, *Mayor*
Lue R. Ward, Jr., *Vice Mayor*
Leroy Bennett
LeOtis Williams
Shelley Butler Barlow
Roger W. Fawcett
John Rector
Timothy J. Johnson

CONSTITUTIONAL OFFICER

Ronald H. Williams, *City Treasurer*

CERTAIN CITY STAFF

Albert S. Moor II, *City Manager*
William E. Hutchings, Jr., *City Attorney*
Tealen Hansen, CPA, *Director of Finance*
Kevin Hughes, *Deputy City Manager*
Nic Langford, *Director of Economic Development*
Paul Retel, *Director of Public Utilities*

FINANCIAL ADVISOR

Davenport & Company LLC
Richmond, Virginia

BOND COUNSEL

McGuireWoods LLP
Richmond, Virginia

The 2023 Bonds are being issued under exemptions from any registration requirements under the Securities Act of 1933, as amended, and any registration requirements under the securities laws of the Commonwealth.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2023 Bonds by any person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the 2023 Bonds. This Official Statement speaks as of its date except where indicated otherwise, and the information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in affairs of the City or in any other matters described herein since the date hereof or, as in the case of certain information incorporated herein by reference to certain publicly available documents, since the date of such documents.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by any of such sources as to information provided by any other source. All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words, "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions identify forward-looking statements. A number of factors affecting the City and its financial results could cause actual results to differ materially from those stated in the forward-looking statements.

The winning bidder may engage in transactions that stabilize, maintain or otherwise affect the price of the 2023 Bonds, including transactions to (a) over-allot in arranging the sales of the 2023 Bonds and (b) make purchases in sales of 2023 Bonds, for long or short accounts, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the winning bidder may determine. Such stabilization, if commenced, may be discontinued at any time.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and which has the same meaning as "final official statement" in, SEC rule 15c2-12.

CUSIP is a registered trademark of the American Bankers Association ("ABA"), used by S&P Global Market Intelligence in its operation of CUSIP Global Services for the ABA. The CUSIP (Committee on Uniform Securities Identification Procedures) numbers referenced herein have been assigned by an organization not affiliated with the City, and the City is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders, and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

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OFFICIAL STATEMENT

\$28,955,000
CITY OF SUFFOLK, VIRGINIA
General Obligation Bonds,
Series 2023

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices, is to furnish information in connection with the sale by the City of Suffolk, Virginia ("Suffolk" or the "City") of its \$28,955,000 General Obligation Bonds, Series 2023 (the "2023 Bonds") dated the date of their delivery. The 2023 Bonds are general obligations of the City, to the payment of which the full faith and credit and unlimited taxing power of the City are irrevocably pledged.

The security for the 2023 Bonds is more fully described under the caption **"SECURITY FOR AND SOURCES OF PAYMENT OF THE 2023 BONDS."**

This Official Statement has been approved and authorized by the City Council of the City (the "City Council") for use in connection with the sale of the 2023 Bonds. Financial and other information contained in this Official Statement has been prepared by the City from its records (except where other sources are noted). The information is not intended to indicate future or continuing trends in the economic or financial condition of the City.

AUTHORIZATION AND PURPOSE

In accordance with the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended, the City Council authorized the issuance and sale of the 2023 Bonds by adoption of an ordinance on September 6, 2023 (the "Ordinance").

DESCRIPTION OF THE 2023 BONDS

General

The 2023 Bonds will be dated the date of their delivery and will mature on the dates and in the amounts as set forth on the inside cover page. Interest on the 2023 Bonds will be payable on each February 1 and August 1, commencing February 1, 2024, until maturity. The 2023 Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof. Principal of and interest on the 2023 Bonds will be paid by U.S. Bank Trust Company, National Association, Richmond, Virginia, as Paying Agent and Bond Registrar (the "Paying Agent"), by wire transfer to DTC, as hereinafter defined, or its nominee, Cede & Co., for disbursement to Direct Participants, as hereinafter defined, and ultimately to the Beneficial Owners, as hereinafter defined, of the 2023 Bonds as described below. The full faith and credit and unlimited taxing power of the City are irrevocably pledged to the payment of principal of and interest on the 2023 Bonds (see **"SECURITY FOR AND SOURCES OF PAYMENT OF THE 2023 Bonds"**). All interest payments will be made to the registered owners of the 2023 Bonds as such owners appear on the registration books kept by the Paying Agent on January 15 and July 15 preceding the next applicable interest payment date (the "Record Date"). Interest will be computed on the basis of a 360-day year comprised of 12 months of 30 days each.

Book-Entry-Only System

The Depository Trust Company ("DTC"), will act as securities depository for the 2023 Bonds. The 2023 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2023 Bonds and will be deposited with DTC. For more information regarding DTC's Book-Entry-Only System, see **Appendix E – BOOK-ENTRY-ONLY SYSTEM**.

Redemption Provisions

Optional Redemption. The 2023 Bonds maturing on or before February 1, 2032, are not subject to redemption before their maturity. The 2023 Bonds maturing on or after February 1, 2033, will be subject to redemption before maturity at the option of the City on or after February 1, 2032, from moneys available for such purposes, in whole or in part (in installments of \$5,000) at any time or from time to time, at a redemption price equal to 100% of the principal amount of the 2023 Bonds redeemed, plus accrued interest to the date fixed for redemption.

Manner of Redemption. If less than all of the 2023 Bonds are called for redemption, the 2023 Bonds to be redeemed shall be selected by the City. If less than all of the 2023 Bonds of any maturity are called for redemption, 2023 Bonds or portions thereof to be redeemed within a maturity shall be selected by lot, with each portion of \$5,000 principal amount being counted as one 2023 Bond for such purpose.

If any of the 2023 Bonds or portions thereof are called for redemption, the Paying Agent shall send notice of the call for redemption identifying the 2023 Bonds by serial or CUSIP numbers, and in the case of partial redemption, identifying the principal amount to be redeemed, and identifying the date fixed for redemption and price and the place where the 2023 Bonds are to be surrendered for payment, by first class mail not less than 30 nor more than 60 days before the date fixed for redemption to the registered owner of each 2023 Bond to be redeemed at such owner's address as it appears on the registration books maintained by the Paying Agent, but failure to mail such notice shall not affect the validity of the proceedings for redemption. Provided funds for their redemption are on deposit at the place of payment on the date fixed for redemption, all of the 2023 Bonds or portions thereof so called for redemption shall cease to bear interest on such date and shall not be deemed to be outstanding. If a portion of a 2023 Bond shall be called for redemption, a new 2023 Bond in principal amount equal to the unredeemed portion thereof will be issued to the registered owner upon the surrender of such redeemed 2023 Bond.

If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the Paying Agent moneys sufficient to redeem all of the 2023 Bonds called for redemption, the notice may state that it is conditional on the deposit of redemption moneys with the Paying Agent not later than the opening of business on the date fixed for redemption.

Plan of Finance

The proceeds of the sale of the 2023 Bonds will be used for the payment of the costs of public improvement capital projects and the costs of issuing the 2023 Bonds. The City anticipates that the majority of such portion will be used to fund certain capital improvement projects listed in the City's capital improvement plan, as amended from time to time. (See "**Appendix A - DEBT MANAGEMENT – Capital Improvement Program**").

Sources and Uses of Funds

The following table sets forth the application of the proceeds of the 2023 Bonds:

	<u>2023 Bonds</u>
Sources of Funds	
Par Amount of Bonds	\$28,955,000.00
Plus: Net Original Issue Premium	<u>1,424,629.35</u>
Total Sources	<u>\$30,379,629.35</u>
Uses of Funds	
Project Fund	\$30,000,000.00
Costs of Issuance *	<u>379,629.35</u>
Total Uses	<u>\$30,379,629.35</u>

* Includes Underwriter's discount, and estimated costs of issuance, which include rating agency and legal fees, printing expenses and other fees and expenses.

SECURITY FOR AND SOURCES OF PAYMENT OF THE 2023 BONDS

General

The 2023 Bonds are general obligations of the City to the payment of which the City's full faith and credit and unlimited taxing power are irrevocably pledged. While the 2023 Bonds remain outstanding and unpaid, the City is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, *ad valorem* taxes without limitation as to rate or amount upon all taxable property within the City sufficient to pay when due the principal of and interest on the 2023 Bonds, unless other funds of the City are lawfully available and appropriated for such purpose.

Bondholders' Remedies In Event Of Default

Section 15.2-2659 of the Code of Virginia of 1950, as amended (the "Intercept Provision"), provides that upon affidavit of any owner, or any paying agent therefor, of a general obligation bond in default as to payment of principal or interest, the Governor shall conduct a summary investigation and if such default is established to the Governor's satisfaction, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth of Virginia (the "Commonwealth") to the political subdivision so in default and apply the amount so withheld towards payment of the defaulted amounts. Under the Intercept Provision, neither the State Comptroller nor the Commonwealth has any legal obligation to make any payment on behalf of the City other than from the funds appropriated and payable to the City. Commonwealth aid that is payable to the City and that is subject to interception is derived primarily from the Commonwealth's General Fund, with the remaining aid being payable from the Highway Maintenance and Construction Fund of the Virginia Department of Transportation and certain other funds. The primary sources of revenue for the Commonwealth's General Fund are individual and corporate income tax revenues, sales and use tax revenues, other tax revenues, interest dividends and rents. To date, no order to withhold funds pursuant to the Intercept Provision, or its predecessor provisions 15.1-227.61 and 15.1-225, has ever been issued with respect to the City. Although the Intercept Provision, and its predecessor provisions 15.1-227.61 and 15.1-225, have not been considered by a Virginia court, the Attorney General of the Commonwealth has issued an opinion that appropriated funds may be withheld by the Commonwealth pursuant to one of the predecessor provisions. In Fiscal Year 2022, the Commonwealth appropriated a total of \$1,173,999,333 to the City, including the appropriations to the School Board.

Neither the 2023 Bonds nor the proceedings with respect thereto specifically provide any remedies to owners of the 2023 Bonds if the City defaults in the payment of principal of or interest thereon, nor do they contain any provision for the appointment of a trustee to enforce the interests of such owners upon the occurrence of such default.

Upon any default in the payment of principal or interest, the owner of a 2023 Bond could, among other things, seek from an appropriate court a writ of mandamus requiring the City Council to observe the covenants contained in the 2023 Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the 2023 Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") permits a municipality such as the City, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts provided that such municipality is "specifically authorized, in its capacity as a municipality or by name, to be a debtor..." Bankruptcy Code, § 109(c)(2). Current Commonwealth statutes do not expressly authorize the City or municipalities generally to file for bankruptcy under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the City.

Although Commonwealth law currently does not authorize such action, future legislation may enable the City to file a petition for relief under the Bankruptcy Code if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the City could have adverse effects on the owners of the 2023 Bonds, including (i) delay in the enforcement of their remedies, (ii) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings, and to the administrative expenses of bankruptcy proceedings, or (iii) imposition without their consent of a reorganization plan reducing or delaying payment of the 2023 Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the owners of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent." The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

LEGAL OPINION AND TAX EXEMPTION

Opinion of Bond Counsel – Federal Income Tax Status of Interest

Bond Counsel's opinion regarding the 2023 Bonds will state that, under current law and assuming the compliance with the Covenants, as hereinafter defined, by the City and certain other persons and entities, interest on the 2023 Bonds (including any accrued "original issue discount" properly allocable to the owners of the 2023 Bonds) (i) is excludable from the gross income of the owners of the 2023 Bonds for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, for taxable years beginning after December 31, 2022, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. See Appendix D for the form of the Bond Counsel opinion letter for the 2023 Bonds.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2023 Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the 2023 Bonds for federal income tax purposes. Bond Counsel's opinion letter does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service. The City has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

As to questions of fact materials to its opinion, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of the City, public officials and certain other third parties, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the City and certain other persons and entities. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2023 Bonds in order for interest on the 2023 Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2023 Bonds and the use of the property financed or refinanced by the 2023 Bonds, limitations on the source of the payment of and the security for the 2023 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2023 Bonds to the Treasury. Prior to the issuance of the 2023 Bonds, the tax certificate and related documents for the 2023 Bonds (the "Tax Certificates") that contains covenants, regarding such requirements (the "Covenants") under which the City has agreed to comply with such requirements. A failure to comply with the Covenants could cause interest on the 2023 Bonds to become includible in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2023 Bonds from becoming includible in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2023 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the 2023 Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2023 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such 2023 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2023 Bonds.

Prospective purchasers of the 2023 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the 2023 Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made to any 2023 Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2023 Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any 2023 Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such 2023 Bond. The "issue price" of a 2023 Bond is the initial offering price to the public at which price a substantial amount of such 2023 Bonds of the same maturity was sold. The issue price for each maturity of the 2023 Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement (or, in the case of the 2023 Bonds sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. OID on the 2023 Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of such Premium Bond.

Effects of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2023 Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the 2023 Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the 2023 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the 2023 Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes. The Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the 2023 Bonds, regulatory interpretation of the Code or actions by a court involving either the 2023 Bonds or other tax-exempt obligations will not have an adverse effect on the 2023 Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the 2023 Bonds.

Prospective purchasers of the 2023 Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel's opinion letter also will state that, under current law, interest on the 2023 Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the 2023 Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2023 Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2023 Bonds should consult their own tax advisors regarding the tax status of interest on the 2023 Bonds in a particular state or local jurisdiction other than the Commonwealth.

RATINGS

The 2023 Bonds have been rated "Aaa" by Moody's Investors Service, Inc., "AAA" by S&P Global Ratings and "AAA" by Fitch Inc., respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same.

The City has furnished certain information to the rating agencies including information not included in this Official Statement. Generally, a rating agency bases its rating on the information and materials provided to it and on investigations, studies, and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2023 Bonds.

LITIGATION

There are miscellaneous claims against the City including claims in litigation. In the opinion of the City Attorney and the City's management, none of these claims would materially affect the City's financial position. The City Attorney is of the opinion that there is no litigation pending or, to the best of his knowledge after due investigation,

threatened in the courts of the Commonwealth or the federal courts which would in any way affect the validity of the 2023 Bonds or the right of the City to levy and collect ad valorem taxes, without limitation as to rate or amount, for payment of principal of and interest on the 2023 Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and validity of the 2023 Bonds are subject to the approval of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, whose opinion with respect to the 2023 Bonds will be furnished at the expense of the City upon delivery of the 2023 Bonds. Certain legal matters will be passed upon for the City by the City Attorney, William E. Hutchings, Jr., Esquire.

Bond Counsel's opinions will be limited to matters relating to authorization and validity of the 2023 Bonds, to the tax status of interest on the 2023 Bonds as described in the section "**LEGAL OPINION AND TAX EXEMPTION**" herein. Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the 2023 Bonds, and Bond Counsel's opinion letter will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase the 2023 Bonds. See **Appendix D – FORM OF BOND COUNSEL OPINION LETTER**.

SALE AT COMPETITIVE BIDDING

The 2023 Bonds were offered for sale at electronic competitive bidding held via BiDCOMP/PARITY on October 3, 2023, and were awarded to Jefferies LLC (the "2023 Winning Bidder"). The 2023 Winning Bidder supplied the information as to the initial offering prices of the 2023 Bonds as set forth on the inside cover of this Official Statement. The 2023 Winning Bidder will be purchasing the 2023 Bonds at a purchase price equal to the aggregate original principal amount of the 2023 Bonds of \$ 28,955,000.00, less a discount of \$35,566.30, plus net original issue premium of \$1,424,629.35, resulting in a purchase price of \$30,344,063.05.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the 2023 Bonds, officials who signed the 2023 Bonds will certify that, to the best of their knowledge, the final Official Statement did not as of its date, and does not as of the date of delivery of the 2023 Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the final Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. Such certificate will also state, however, that such officials did not independently verify the information in the final Official Statement from sources other than the City, but that they have no reason to believe that such information contains any untrue statement of a material fact or omits to state a material fact which should be included therein for the purpose for which the final Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE

The City has undertaken in the Ordinance to enter into a continuing disclosure agreement (the "Continuing Disclosure Agreement"), pursuant to which the City covenants to make the disclosures specified in the Rule by providing certain annual financial and operating data and notice of the events listed in the Rule to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). The City's Continuing Disclosure Agreement requires the City to provide only limited information at specified times, and the information provided may not be all the information necessary to value the 2023 Bonds at any particular time. The City may from time to time disclose certain information and data in addition to that required by its Continuing Disclosure Agreement. If the City chooses to provide any additional information, the City shall have no obligation to continue to update such information or to include it in any future disclosure filing. The City may amend the Continuing Disclosure Agreement, without the consent of the 2023 Bondholders, provided that the Continuing Disclosure Agreement as so modified

complies with the Rule as it exists at the time of modification. The City shall within a reasonable time file with EMMA a description of such modification(s). See **Appendix B – Form of Continuing Disclosure Agreement**.

Failure by the City to comply with the Continuing Disclosure Agreement is not an event of default under the 2023 Bonds or the Ordinance. The sole remedy for a default under the Continuing Disclosure Agreement is to bring an action for specific performance of the City's covenants thereunder, and no assurance can be provided as to the outcome of any such proceeding.

FINANCIAL STATEMENTS

The City's fiscal year begins on July 1 each year and ends on June 30 the following year. Any reference herein to the "Fiscal Year" of the City shall mean the fiscal year ended June 30 of the applicable year.

The City's financial statements have been audited by independent public accountants for each Fiscal Year through Fiscal Year 2022. See **Appendix C – ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2022**. Such general purpose financial statements, along with the related notes to financial statements, are intended to provide a broad overview of the financial position and operating results of the City's various funds and account groups. The City's auditors have neither reviewed, nor participated in the preparation of, this Official Statement.

The Annual Comprehensive Financial Report of the City for Fiscal Year 2022 is available for inspection in the Finance Department, 442 West Washington Street, Room 2108, Suffolk, Virginia 23434, on the City's website, or on EMMA.

FINANCIAL ADVISOR

Davenport & Company LLC ("Davenport") is employed as a financial advisor to the City in connection with the issuance of the 2023 Bonds. The financial advisor's fee for services rendered with respect to the sale of the 2023 Bonds is contingent upon the issuance and delivery of the 2023 Bonds. Davenport, in its capacity as financial advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents provided, agreed to or made by others with respect to the federal income tax status of the 2023 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Davenport, as the financial advisor to the City, has provided the following sentence for inclusion in this Official Statement. Although Davenport has assisted in the preparation of this Official Statement, Davenport is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

RELATIONSHIP OF PARTIES

McGuireWoods LLP, Bond Counsel, represents the Financial Advisor and the Paying Agent, from time to time in matters unrelated to the 2023 Bonds.

MISCELLANEOUS

Additional information may be obtained, upon request, from the Finance Department, 442 West Washington Street, Room 2108, Suffolk, Virginia 23434.

So far as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the estimates or projections described in such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the 2023 Bonds.

The purpose of this Official Statement is to supply information to prospective buyers of the 2023 Bonds. All quotations from and summaries and explanations of laws contained in this Official Statement do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

APPROVAL OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement has been duly authorized by the City Council.

The City has deemed this Official Statement final as of its date within the meaning of the Rule.

CITY OF SUFFOLK, VIRGINIA

By: /s/ Albert S. Moor II
City Manager

APPENDIX A: CERTAIN INFORMATION REGARDING THE CITY OF SUFFOLK

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APPENDIX A

CERTAIN INFORMATION REGARDING THE CITY OF SUFFOLK

The City was formed January 1, 1974, from the consolidation of the City of Suffolk and Nansemond County. The City is Virginia's largest city by land area and one of the top ten in land area in the nation. 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 Southampton and Isle of Wight Counties to the west. Suffolk is one of the seven major cities that form the Norfolk – Virginia Beach – Newport News metropolitan statistical area which includes 1.7 million people.

The City's government is organized under the Council-Manager form of government. The governing body, the City Council, is composed of eight members, consisting of the Mayor and representatives of the City's seven boroughs. City Council makes policies for the administration of the City. The Mayor is elected at large by the voters and the Vice-Mayor is appointed from the City Council by majority vote of all members of the City Council. The City Council appoints a City Manager to act as administrative head of the City. The City Manager serves at the pleasure of the City Council, carries out its policies, directs business procedures, and appoints and has the power to remove the directors of all departments and all employees of those departments under his or her control.

The School Board is elected by borough. Under Virginia law all operations of the School Board are independent of the City Council and the City Administration. The City Council is required to make an annual appropriation to the School Board based upon an approved budget.

The City Treasurer, Commissioner of the Revenue, the Clerk of the Circuit Court, the Sheriff and the Commonwealth Attorney, all constitutional officers, are elected at large by the voters.

Elected Officials – Members of City Council

Michael D. Duman, Mayor, Mayor Michael D. "Mike" Duman was first elected to the Suffolk City Council in November 2010, as the representative for the Chuckatuck Borough. He was reelected in November 2014 and November 2018. He was elected Mayor in November 2020. Mayor Duman graduated from Old Dominion University and served as a commissioned officer in the United States Army Reserve. Prior to his election, Mayor Duman served on the Economic Development Authority. He currently serves on the Western Tidewater Regional Jail Board, Hampton Roads Transportation Accountability Commission, Hampton Roads Planning Organization and the Education Committee. In the past, Mayor Duman has served on the Western Tidewater Water Authority, the City School Advisory Committee on Collaborative Fiscal Concerns, Public Safety Committee and was the City Council liaison to the Economic Development Authority. Mayor Duman began his business career while attending college. He established his first auto dealership in 1980 and became the youngest Ford-Mercury Dealer in the country. He currently operates Mike Duman Auto Sales in the City and was selected the Virginia State Independent Quality Dealer of the Year in 2000. Mayor Duman was recognized by Virginia House Joint Resolution Number 332 for his business acumen and contributions to the community. Mayor Duman currently serves on the Board of Directors of the Suffolk Humane Society and is a member of the Suffolk Ruritan Club, Suffolk Rotary and Elks Lodge #687. He previously served on the Board of Directors of the American Red Cross (Suffolk Chapter) and the Virginia Sports Hall of Fame. Mayor Duman is active in the community donating time and resources to many worthwhile causes.

Lue R. Ward, Jr., Vice Mayor was first elected to the City Council in November 2012 as the representative of the Nansemond Borough. Council Member Ward has been a resident of Suffolk for more than 30 years. He is the founder and publisher of two community newspapers and a magazine. (Suffolk Happenings, Hampton Roads Happenings and Having Church Magazine). He currently serves on the Western Tidewater Regional Jail Board.

Leroy Bennett, the representative from the Cypress Borough, previously served on the City Council from 1996 to 2012 and served as Vice Mayor from 2002 to 2006. He was reelected to City Council in November 2014. Vice Mayor Bennett served as Chairperson of the Economic Development Authority of the City of Suffolk from 1987 to 1994, and as a member of the Suffolk Redevelopment and Housing Authority board of commissioners from 1994 to 1996. He is the City's member on the Hampton Roads Transportation Planning Organization and Hampton Roads Planning District Commission. Vice Mayor Bennett was a General Foreman at Newport News Shipbuilding and Drydock Corporation. He also served in the United States Navy.

LeOtis Williams, the representative from the Whaleyville Borough, was elected to the City Council in November 2020. Council Member Williams is a self-made entrepreneur as the owner of businesses in the City. He is a former member of the Suffolk Redevelopment and Housing Authority Board of Commissioners, where he served as Vice Chairman. He is also a former member of the Suffolk Substance Abuse and Youth Council and is a current Board Member of the Suffolk Salvation Army. He is known for his Annual Thanksgiving Turkey Giveaway. He is an Eagle Scout and Vigil Honor Member of the Order of the Arrow. He is a member of the Chanco Lodge #483 where he served as the Eastern District Chief and Chief of Chanco Lodge. He was awarded the Grand United Order of Odd Fellow Lodge #1495 Community Service Award, the NAACP Trailblazer Award, the Delta Sigma Theta Male Community Service Award, the "I Have a Dream Award" by the Suffolk City Dr. Martin Luther King, Jr. Celebration Committee, 2010 Kappa Alpha Psi Fraternity, Incorporated Community Service Award and the 2011 Carol Diggs Humanity Award by the Suffolk Ministers Wives and Widows.

Shelley Butler Barlow, the representative from the Chucatuck Borough, was appointed by City Council and sworn in during February 2021, to fill an unexpired term left vacant after election of the current mayor. A twenty-five year resident of the City, Council Member Butler Barlow farms with her husband Joseph Barlow, Jr., her father-in-law and their son at Cotton Plains Farm, located in Chuckatuck. She graduated from Western Branch High School in 1978 and received a Bachelor of Science degree in Agriculture from Virginia Tech in 1982. Council Member Butler Barlow has worked in many different segments of agriculture for nearly 40 years. In addition to her role as a member of the City Council, Council Member Butler Barlow serves as President of the Board of Directors for the Virginia Department of Agriculture and Consumer Services and is a member of the Virginia Tech Board of Visitors. She is a 2016 fellow of Virginia Agriculture Leaders Obtaining Results (VALOR) and represents Virginia agriculture nationally with the Cotton Board Research and Promotion Program. In the community, Council Member Butler Barlow is a member of Wesley Chapel United Methodist Church, Possum Hollow Ruritan Club, Nansemond Farm Bureau Agriculture Education Committee, Suffolk Meals on Wheels Board of Directors, and serves on the Suffolk Farm Services Agency Committee. She is also the Director of Healthy Food Initiatives for Healthy Suffolk, advising local school and community garden projects.

Roger W. Fawcett was first elected to the City Council in November 2012 as the representative of the Sleepy Hole Borough. He served in the United States Navy from 1969-1973 and received an honorable discharge upon his completion of his service. Council Member Fawcett then began his career as a firefighter at the Norfolk Naval Shipyard, working his way through the ranks to become the Fire Chief/Site Manager of Norfolk Naval Station. He is currently affiliated with Davey Tree Experts in Suffolk and retired from the Virginia State Police. He is active in various community and civic organizations.

Timothy J. Johnson was first elected to the City Council in November 2014 as the representative of the Holy Neck Borough. Council Member Johnson is a graduate of Virginia Polytechnic Institute, where he earned his Bachelor of Science in ornamental horticulture. He also owns Johnson's Gardens Inc.

John C. Rector was first elected to the City Council in November of 2021 as a representative of the Suffolk Borough. A resident of the City for over 35 years, Council Member Rector is currently a Realtor with Chorey and Associates Realty, LTD. Previously, he served as Vice President of Berkley Machine Works and Foundry, Company Incorporated in Norfolk and later Berkley Machine LLC, when the business moved to the City in 2008. He graduated from Norfolk Academy in 1977 and received a Bachelor's Degree in Finance from

Virginia Polytechnic Institute in 1981. As vice president of Berkley Machine, Council Member Rector served the manufacturing needs of many heavy industries with a focus on the Pulp and Paper industry, providing repair and replacement services to mills all along the Eastern Seaboard. Council Member Rector previously served the City as a long-time member of the Planning Commission, leaving the commission in December 2022 as the Vice Chair. He also served as Chairman of the Planning Commission's Committee on Ordinances and is currently a member of the 2045 Comprehensive Plan Steering Committee. Council member Rector is a longstanding member of Saint Paul's Episcopal Church, is head of its Endowment Committee, and Vice President of Saint Paul's Incorporated. As a Realtor and a member of the Hampton Roads Realtors Association, Rector serves on its Government Affairs Committee.

Elected Officials – Certain Constitutional Officer

Ronald H. Williams was first elected Treasurer of the City in November 1981 and assumed office in January 1982. Mr. Williams has been re-elected to seven successive four year terms as Treasurer of the City without opposition since 1985. He received a Bachelor of Arts degree in Political Science with an emphasis on state and local government from Old Dominion University ("ODU"), and is certified as a Master Governmental Treasurer by the University of Virginia, Weldon Cooper Center for Public Service. Prior to his election as Treasurer, Mr. Williams served as a banking executive for 11 years. As a banker, Mr. Williams attended executive development programs at the University of Virginia and the University of Connecticut. Mr. Williams is a member and Past President of the Treasurer's Association of Virginia and has received multiple awards for his leadership including Virginia's Treasurer of the Year in 1997. He is a member of the Virginia Association of Local Executive Constitutional Officers, the Virginia Government Finance Officers Association and the Government Finance Officers Association of the United States and Canada. He serves on the State Non-Arbitrage Program Advisory Council which is responsible for managing and investing bond proceeds for the state, its agencies, and local governments. Mr. Williams is an active and past member of many community and civic organizations and has served in many leadership roles.

Certain City Staff Members

Albert S. Moor II, was appointed City Manager in May 2021 after having served as Interim City Manager since October 2020. He was previously named the Interim Deputy City Manager effective July 1, 2020, following the retirement of Scott Mills. Mr. Moor was the Director of Public Utilities prior to becoming Interim City Manager and had served in that capacity since 1995. He has over thirty-seven years of municipal government experience and holds a Bachelor of Science Degree in Engineering Technology from Old Dominion University. He completed the Senior Executive Institute: UVA Weldon Cooper Center for Public Service, the LEAD Program: UVA Weldon Cooper Center for Public Service, and AWWA Water Utility Institute sponsored by Virginia Tech.

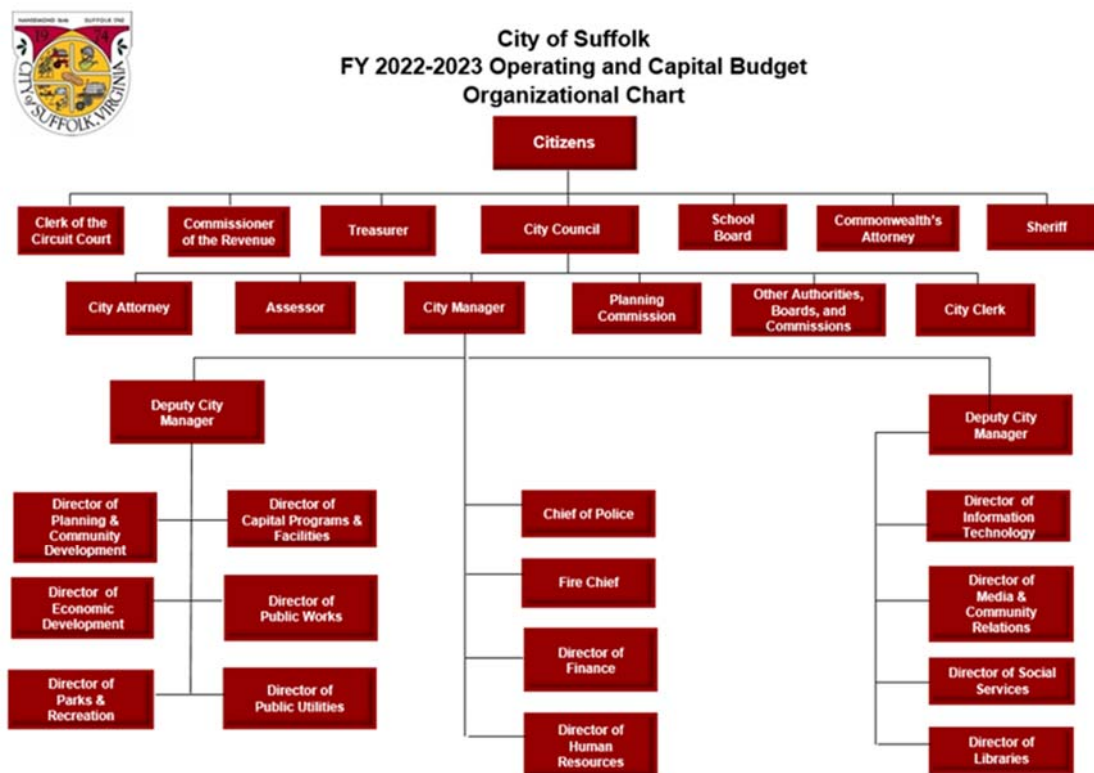
William E. Hutchings, Jr., joined the City in 2006 as an Assistant City Attorney, and was appointed Deputy City Attorney in 2010 and City Attorney effective July 1, 2021. He received a Bachelor of Science in Political Science from Old Dominion University in 1995, and Juris Doctor degree from the George Washington Law School in 2002. Prior to joining the City, he was in private practice and represented clients in Fairfax County and Washington, D.C.

Tealen Hansen, CPA was named the Director of Finance in October 2015. Ms. Hansen previously served as the Interim Comptroller and the Financial Reporting and Compliance Manager for the City. Ms. Hansen oversees the divisions of budget, purchasing and financial accounting and reporting. She is a graduate of Montana State University, and is a CPA in the Commonwealth of Virginia. Ms. Hansen is a member of the Government Finance Officers Association, the Association of Government Accountants and the Virginia Government Finance Officers Association. She has earned a Virginia Government Finance Officers Certification.

Kevin Hughes was named the Director of the Suffolk Department of Economic Development in February 2010, and the Deputy City Manager in August 2021. Mr. Hughes first joined the City government in 2005 as a Senior Business Development Manager, and has managed more than 120 new and expanding business projects totaling approximately \$403 million in capital investment and an estimated 3,250 new jobs for the City. Mr. Hughes' responsibilities also entail the supervision of the City's Division of Tourism, the Suffolk Executive Airport and service as the primary staff support for the Suffolk Economic Development Authority. In January 2013, Mr. Hughes was recognized by the Development Counselors International (DCI) as a National winner in the economic development profession's "40 Under 40" awards, the first-ever awards program recognizing young talent across the nation in the economic development profession. Mr. Hughes' previous experience includes political fundraising, where he managed the direct marketing fundraising efforts for major national clients; as well as four years as a Business Development Manager with the Hampton Roads Economic Development Alliance. Kevin received his Bachelor of Arts Degree from James Madison University, and is a graduate of the Economic Development Institute at the University of Oklahoma. He serves on a number of boards including: The Pruden Center for Industry and Technology Advisory Board, Paul D. Camp Community College Workforce Development Advisory Board, and the Suffolk Public Schools Career and Technical Education Advisory Board. Kevin is also a member of the Downtown Suffolk Rotary Club.

Paul J. Retel, P.E. was appointed Director of Public Utilities in November 2021. Prior to his appointment to that position, Mr. Retel served as Assistant Director of Public Utilities for the City. He has over thirty years of experience with the operation, design, and construction of water and wastewater utility systems. Mr. Retel received a Bachelor of Science Degree from the University of Illinois – Chicago, and is a Registered Professional Engineer in the Commonwealth of Virginia. He is an active member of the American Water Works Association.

City Organization



Local Government Services

In Virginia, cities and counties are not overlapping units of government. Each city or county is a distinct political entity providing services for the population within its respective jurisdiction. There are no combined city-county governmental services unless provided for by contract. The City is, therefore, responsible for providing all local governmental services to its residents.

Public Safety. The City's public safety services are provided by a Police Department and a Fire and Rescue Department. As of June 30, 2023, the City's police force was estimated to include 233 sworn officers and administrative staff, 29 emergency communications personnel and 11 animal shelter personnel. The Police Department contains three primary divisions. The Administrative Support Division encompasses property and evidence, central records, public information, recruiting and training, E911 emergency communications, and animal control. The Investigations Division provides investigative services for major crimes, as well as proactive investigation of vice and narcotics related crime. The Patrol Division provides for the first responder to citizen calls for assistance, and specialty resources such as Marine Patrol, Dive Team, Search and Rescue and SWAT. The Police Department operates from two precincts, a headquarters facility, an E911 Emergency Communications Center and an animal shelter.

The City's Fire and Rescue Department, as of June 30, 2023, was estimated to consist of an allocated strength of 316 career personnel and administrative staff, with nine career fire stations, one combination career/volunteer fire station, and one volunteer rescue squad station. An additional fire station is currently planned for in the Capital Plan, and design work is underway. The Department provides the following services 24 hours per day, seven days per week: Fire/EMS, hazmat response, fire prevention and code enforcement, public safety education, fire investigation, emergency management and planning, and search and rescue.

Courts. The City's Judiciary System consists of three courts administered by the Commonwealth: Circuit Court, General District Court, and Juvenile and Domestic Relations Court. Each court has a Clerk of Court whose duties pertain to that specific court and include preparing court dockets.

The Juvenile and Domestic Relations Court has jurisdiction over cases involving dependent, neglected or delinquent children under the age of 18 and living in the City. The Court has extended jurisdiction over offenses committed against children, a family member, or any other situation in which the welfare of a child is at stake. The Juvenile and Domestic Relations Court holds its proceedings in private and the general public is excluded from all Court proceedings. In criminal cases, if the judge believes it is in the public interest to do so, the name of the offender, the offender's parents and the nature of the offense may be made public. Judges of the Juvenile and Domestic Relations Court are elected by the General Assembly of Virginia.

The General District Court has both civil and criminal jurisdiction and is primarily designed to hear and determine misdemeanors, civil cases involving amounts less than \$25,000 and preliminary hearings for felonies. Judges of the General District Court are appointed by the General Assembly of Virginia.

The Circuit Court has original jurisdiction in criminal and civil cases, appellate jurisdiction in cases appealed from the General District Court or the Juvenile and Domestic Relations District Court and original jurisdiction in divorce proceedings. The duties of the Circuit Court also include the keeping of records of all mortgages, deeds, and licenses, which are filed and maintained by the Clerk of Court. Additional duties include the issuance of marriage, hunting and fishing licenses.

Western Tidewater Regional Jail Authority. The City is an organizing member of the Western Tidewater Regional Jail Authority (the "WTRJ Authority") formed in 1990 with two neighboring jurisdictions in Virginia, the City of Franklin and Isle of Wight County. The WTRJ Authority completed a 145,000 square foot prison facility in 1991 with initial capacity to hold approximately 372 inmates. Inmates are accepted first from the member jurisdictions and afterward, if space is available, from other jurisdictions. In 2000, the facility completed an expansion providing for additional capacity for up to 180 inmates, bringing the total inmate

capacity to 552. The City estimates that as of June 30, 2023, the City's share of the WTRJ Authority's debt was approximately \$3,234,700 (or 70%), which is payable from annual appropriations by the City Council for such purposes. See **"DEBT MANAGEMENT – Subject-to-Annual Appropriation/Moral Obligations."**

Education. The City's school system is under the jurisdiction of the School Board whose members are elected by citizens of the City. The curriculum includes college preparatory instruction, vocational/technical preparatory education, special education programs for students with disabilities and gifted and talented programs. Guidance services, health services and psychological services are also offered.

The City has 11 elementary schools, 5 middle schools, 3 high schools, as well as 2 program locations at Turlington Woods and The College & Career Academy at Pruden. Paul D. Camp Community College is located in the City. A regional program for severely emotionally disturbed students is also located in the City. The City is centrally located in the Hampton Roads area with access to several institutions of higher education. The degree awarding colleges and universities in the Hampton Roads area include Old Dominion University, the College of William & Mary, Virginia Wesleyan College, Christopher Newport University, Norfolk State University, Eastern Virginia Medical School, Hampton University, Regent University, Tidewater Community College, Thomas Nelson Community College, Paul D. Camp Community College and Rappahannock Community College.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Number of Schools	19	19	19	19	19
Number of Teachers & Assistants, Principals & Assistants	1,464	1,410	1,422	1,443	1,456
Average Daily Attendance	13,543	13,308	13,357	12,934	13,330
Capacity of Schools	16,005	16,005	16,005	16,005	16,005

Source: School Board, City of Suffolk, Virginia.

Public Works. The City is responsible for maintaining the City's entire roadway system. The City's Road Maintenance Division has responsibility for the operation and maintenance of more than 1,660 lane miles of roadways, 94 bridges, 57 culverts, approximately 102 traffic signals, approximately 9,571 street lights, traffic signs, markers and other roadway appurtenances. The related revenue from the Commonwealth and corresponding expenditures for these activities are maintained in a special revenue fund and are no longer a part of the General Fund.

The stormwater utility meets state and federal mandates for improved storm water quality as well as stormwater quantity concerns. The utility also provides a dedicated funding source to maintain best management practices, construct capital improvements to the stormwater system, provide enhanced reporting, mapping, street sweeping, storm water ditch and culvert maintenance as well as city-wide mosquito control. The stormwater utility program has approximately 68,656 equivalent residential units ("ERUs") for billing purposes. The stormwater utility rate was increased to \$7.50 per month per ERU as part of the Fiscal Year 2022 operating budget. The Fiscal Year 2024 operating budget includes estimates that approximately \$6.1 million in revenue from stormwater utility fees will be collected. These funds along with the corresponding expenditures are maintained in an enterprise fund and are not part of the General Fund. This program improves not only the quality of stormwater runoff within the City but also provides a dedicated funding source for maintenance of the City's stormwater system.

The City's refuse utility program funds weekly refuse and curbside recycling collection. As of 2022, that program has approximately 30,493 collection points. The refuse fee was increased in the Fiscal Year 2021 budget to \$25.25 per month per collection point starting January 1, 2021, and remains static through Fiscal Year 2024. The Fiscal Year 2024 budget estimates that approximately \$9.7 million will be collected from a semi-annual refuse collection fee. Such funds along with the corresponding expenditures are maintained in an enterprise fund and are not part of the General Fund.

The Public Works functions that still remain a part of the General Fund are overseen by public works administration. Public Works oversees the Transit Services Special Revenue Fund to account for the City's bus service, which now includes six routes and ADA service. The City currently contracts with the Virginia Regional Transit (VRT) to provide bus and paratransit service.

The Fleet Management function is also a part of the Public Works portfolio. Fleet Management is organized as a separate internal service fund to account for the City's fleet services that are provided to City departments, the Western Tidewater Regional Jail, and the Western Tidewater Health District – Suffolk Health Department.

Public Utilities. The City's Department of Public Utilities is responsible for the comprehensive planning and expansion of the City's water and sanitary sewer systems in accordance with all Federal, State, and City regulations. Revenues and expenditures associated with the operations of the water and sewer systems are segregated in a separate enterprise fund (the "Utility Fund"), and the City's charter requires that the Utility Fund be operated as a self-sustaining enterprise.

The City's water system serves approximately 28,000 accounts with an annual average daily water plant production demand in Fiscal Year 2022 of approximately 7.3 million gallons per day ("mgd"). An additional annual growth of approximately 550 new customers is anticipated for Fiscal Year 2024. The water system consists of over 500 miles of water transmission and distribution mains, and eleven storage tanks consisting of 14.8 million gallons of capacity. Potable water is treated at the City's G. Robert House Water Treatment Facility, located in the Chuckatuck area of the City, with a treatment plant capacity of 17.63 mgd. The treatment plant consists of two treatment processes, a surface water plant and a groundwater plant. Source water is supplied from the City-owned surface water reservoirs (Lone Star Lakes and Crumps Mill Pond) and three ground water wells. The City also operates a separate community well system in the village of Whaleyville.

In addition to the City's water sources, the City has a long-term contract with the City of Portsmouth for the purchase of an additional 2.54 mgd. To meet the City's long-term demands, the City, as a member of the Western Tidewater Water Authority, has entered into a 40 year raw water sales contract with the City of Norfolk. See "**Local Government Services – Western Tidewater Water Authority.**"

As part of the City's sanitary sewer system, the City operates and maintains 156 sewer pump stations and 380 miles of sanitary sewer mains that serves approximately 24,000 accounts. The Department of Environmental Quality executed a consent order with 13 jurisdictions and the Hampton Roads region regarding sanitary sewer overflows in September 2007. The City has met all of the order's established milestones. In early 2014, the regional jurisdictions and the Hampton Roads Sanitation District ("HRSD") entered into a Memorandum of Agreement which re-established the responsibilities of the parties. In December 2014, the re-established responsibilities were included within a new Consent Order and an amendment to HRSD's Federal Decree. HRSD agreed to be responsible for the development and implementation of a Regional Wet Weather Management Plan, which is currently under review by the EPA and DOJ. This plan is inclusive of providing additional capacity within HRSD's facilities and HRSD performing rehabilitation to portions of the jurisdictions' sewer systems to eliminate wet weather flows entering the systems. The result of this arrangement will reduce the amount of rehabilitation projects each jurisdiction would implement as part of their long-term capital program. This approach is expected to reduce the projected costs to the region by \$1 billion.

Western Tidewater Water Authority. The City and neighboring Isle of Wight County created the Western Tidewater Water Authority (the "WTWA") in 1998 to foster opportunities for economic savings, joint development of water sources, and comprehensive management of existing sources. In 2017, the WTWA received a groundwater permit to meet the jurisdictions' demands through 2027. In 2009, the City completed the G. Robert House Water Treatment Plant Expansion Project, northern well and pipeline which provided for the full activation of the groundwater permit. In addition, in 2009 the WTWA and its member jurisdictions entered into a raw water sales agreement with the City of Norfolk, providing up to 15 mgd of additional raw water. This agreement is expected to meet the City's projected future demand through 2048. In January 2016, the City and the WTWA completed construction and placed into service the transmission mains required to deliver the Norfolk water supply to the City's G. Robert House Jr. Water Treatment Plant.

Transportation. Thirty-six interstate carriers are authorized to operate in Suffolk, providing service and connections to all parts of the nation. U.S. Routes 13, 58, 17, 460 and Interstate 664 with State Highways 10, 32 and 337, furnish arterial passage for vehicular traffic throughout the City and Virginia. The U.S. Route 58 Bypass has enhanced efforts to attract business and commerce throughout the City by providing a more direct truck route to Suffolk Industrial Park as well as linking the ports and commerce centers to the North with destinations in Southwest Virginia, North Carolina and states to our South.

The City is currently administering the design, right of way acquisition and construction of a major roadway project and several intersection improvements within the City. The roadway project - the Route 58 (Holland Road) Improvement Project - is a locally administered project by the City. The project is located along the Route 58 corridor extending approximately 3.1 miles from the end of the Route 58 bypass to approximately .7 miles west of Manning Bridge Road. The primary purpose of this project is to increase travel capacity along the Route 58 corridor and improve driver safety for the traveling public. With increased traffic volumes, increased truck traffic based on industrial development, and changing traffic patterns, improvements are required to enhance operational safety along the corridor. Improvements include converting the existing four-lane rural principal arterial facility with a depressed median, into a six-lane urban principal with a raised median, curb and gutter, pedestrian improvements, drainage improvements and traffic signal improvements. The project design cost is approximately \$3.5 million and is being funded through private proffers. Right of Way acquisition is estimated at approximately \$34 million and is currently underway. Construction costs are currently estimated at approximately \$40 million. The project is currently fully funded through a combination of local, state and federal funding.

The Hampton Roads Transportation Accountability Commission ("HRTAC") was created to improve transportation in the Hampton Roads region. HRTAC's purposes include assessment and prioritization of regional transportation projects to be funded with, among other potential sources of funds, the Hampton Roads Transportation Fund ("HRTF"). HRTF is a fund generated by the assessment and collection of fuel and sales tax in the Hampton Roads region by the Commonwealth. HRTAC is comprised of 23 members, which include locally elected officials and ex-officio members from several state agencies. The Mayor of the City, as the City's chief elected officer, is a member of HRTAC. HRTAC is expected to consider multiple transportation projects for funding and to issue bonds to finance the costs of such transportation projects, in addition to bonds previously issued by HRTAC for such purpose. Repayment of any bonds issued by HRTAC will be made from sources described in the enabling legislation, including without limitation the HRTF. Bonds of HRTAC will not be obligations of any jurisdiction in the Hampton Roads region, including the City.

Two major railroads, CSX Transportation and Norfolk Southern Railway, and one short-line railroad, the Commonwealth Railway, with a common switching service, offer large scale transportation to all points of the nation.

The Suffolk Executive Airport has two runways (5,007 by 100 feet and 3,750 by 100 feet), fueling facilities, and hangars for private planes. Commercial scheduled airlines offer more than 200 daily passenger and express flights from nearby Norfolk International Airport and Newport News-Williamsburg International Airport.

The City has access by water to Hampton Roads via the 12 foot deep Nansemond River Channel, capable of handling barges and light draft vessels.

Public Library. The City's Suffolk Public Library circulates over 331,000 items annually and offers over 750,000 books, books on CD, magazines, digital books, movies, and music to educate, entertain, and explore from three library locations. Additionally, the Library provides program and outreach services that include a bookmobile, Pop-Up Library, youth and teen programs, summer reading programs and more.

Parks and Recreation. The Department of Parks and Recreation is comprised of three divisions: Administration; Parks, Gateways & Facilities Maintenance; and Recreation.

The Administrative Division provides long range planning, policy development and implementation, research and personnel development as well as oversees all capital projects for the department. It supervises and manages all departmental divisions, serves as the liaison to the City Manager's Office, the public and the Parks and Recreation Advisory Commission.

The Administrative Division is also responsible for revenue development, fiscal management, software management, payroll, special events planning and facility rentals. This Division also coordinates all special event applications for public and private facilities, develops marketing plans for department programs, coordinates the Citywide Volunteer and Intern program and secures sponsorships for special events. This division also oversees the operations of the two city cemeteries.

The Administrative Division is also responsible for the coordination and execution of the goals and objectives of the Suffolk Initiative on Youth Crime Prevention Plan. The Office on Youth fosters the passion and dreams of Suffolk youth by promoting a quality and accessible system to address the needs of youth and families of the City of Suffolk; and is accountable for developing relationships and becoming a clearing house for the city to direct, guide and create avenues for Suffolk youth. It works to achieve healthy, safe and nurturing communities through collaborative partnerships, education, advocacy, public policy, and the maximization of community initiatives and resources. This includes the job readiness program for youth and young adults ages 16-21, one on one mentoring, youth development and youth recognition programs. Therapeutic Recreation services are also under the direction of the Office on Youth.

The Parks, Gateways & Facilities Maintenance Division is responsible for the operation and maintenance of 21 community parks, four regional parks, 14 athletic fields and a marina. This Division oversees the landscaping and beautification of all city buildings and gateway corridors, coordinates maintenance to city owned athletic fields, recreation centers and rental facilities, coordinates department contracts for grass mowing, security repairs, handles all maintenance for the department and coordinates special event set ups. This division also plans and implements conservation education programs for the public.

The Recreation Division plans and implements recreation and leisure programs for all age populations. This division is responsible for the planning and implementation of a comprehensive recreation program to include: before and after school programs, youth summer programs, youth and adult athletic leagues, and nutrition and wellness programs for older adults. The Suffolk Art Gallery, Cypress Park Pool, Whaleyville Community Center, Bennetts Creek Recreation Center and East Suffolk Recreation Center are operated through the Recreation Division. Six joint use facilities shared with Suffolk Public Schools are also operated through this Division. Therapeutic Recreation services are offered through this division for individuals with disabilities.

DEMOGRAPHIC AND ECONOMIC BASE OF THE CITY OF SUFFOLK

The City's trend of increasing population is expected to continue well into the future. The northern quarter of the City is projected to experience the greatest degree of growth due to the large tracts of land available for development, its proximity and accessibility to employment and commercial centers, and the increasing

availability of public facilities. The presence of Interstate 664, the Monitor-Merrimac Memorial Bridge-Tunnel and the James River Bridge provide convenient access to the Virginia Peninsula, including the cities of Newport News and Hampton, from the northern part of the City.

Population

From 1990 to 2000, the City's population increased 22.1% and, since 2000, it has increased approximately 50.97%. The City's historical and projected population is presented in the following chart.

Calendar Year	Population	Calendar Year	Population
1950	37,577	2016	91,722
1960	43,975	2017	92,533
1970	45,024	2018	92,714
1980	47,621	2019	93,825
1990	52,143	2020	94,324
2000	63,677	2021	96,130
2010	84,585	2022	99,179
2013	87,831	2030	102,571
2014	89,586	2040	116,156
2015	90,426		

Source: Weldon Cooper Center for Public Service.

Taxable Retail Sales Data

The following data shows the last ten years of taxable retail sales in the City.

Calendar Year	Population⁽¹⁾	Taxable Retail Sales	Taxable Retail Sales Per Capita
2013	87,831	\$729,619,398	\$8,307
2014	89,586	759,946,651	8,483
2015	90,426	821,340,721	9,083
2016	91,722	872,967,019	9,518
2017	92,533	895,475,060	9,677
2018	92,714	956,916,039	10,321
2019	93,825	976,127,267	10,407
2020	94,324	1,033,087,541	10,953
2021	96,130	1,154,770,752	12,013
2022	99,179	1,246,180,461	12,565

Sources: Weldon Cooper Center for Public Service (Population); Department of Taxation, Commonwealth of Virginia (Taxable Retail Sales) for each year except 2013 and 2016, which are from the Weldon Cooper Center Economic Policy Studies.

Note:

(1) In prior Official Statements and in prior ACFRs, the City used different sources for its population data, and accordingly, the historical data in such documents differs from the historical data presented in this table.

Construction Activity

The following data illustrate construction activity in the City.

Building Permits and Value

Fiscal Year	<u>Residential Construction</u>		<u>Commercial Construction</u>		<u>Total</u>	
	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>
2013	832	\$179,774,238	146	\$75,601,465	978	\$255,375,703
2014	750	84,679,157	149	66,694,893	899	151,374,049
2015	694	86,837,291	173	75,494,303	867	162,331,594
2016	691	79,256,973	152	58,345,994	843	137,602,967
2017	914	95,043,903	158	160,651,157	1,072	255,695,060
2018	894	106,647,685	295	739,050,509	1,189	845,698,194
2019	866	108,747,841	256	58,233,219	1,122	166,981,060
2020	1,067	119,255,504	192	318,398,197	1,259	437,653,701
2021	1,644	359,505,429	166	79,712,825	1,810	439,218,254
2022	1,760	345,748,542	246	170,488,979	2,006	516,237,521

Source: City of Suffolk, Virginia, Department of Planning and Community Development.

COMMERCE, INDUSTRY AND EMPLOYMENT

This update provides a comprehensive overview of the economic development activities and progress in the City throughout the year 2022. Suffolk, a vibrant city located in southeastern Virginia, has continued to make significant strides in attracting investments, fostering business growth, and enhancing its overall economic landscape. This update will highlight key initiatives, achievements, and prospects for the future.

Investment and Job Creation

In 2022, the City witnessed a remarkable influx of investments from both domestic and international companies across various sectors. The City's proactive approach to economic development and its strategic advantages, such as its geographic location and well-developed infrastructure, played a crucial role in attracting these investments.

The manufacturing sector saw substantial growth, with several companies expanding their operations in the City. Notably, Massimo Zanetti Beverage USA announced the expansion of their coffee roasting operations, creating 80 jobs. This significant investment not only boosted the local economy but also underscored the City's reputation as a favorable destination for manufacturing companies.

In addition to manufacturing, Suffolk experienced an uptick in the technology and innovation sector. Several technology firms, drawn by the City's skilled workforce and supportive business environment, set up offices in the City.

Small business development has remained a priority for the City, as it recognizes the importance of fostering entrepreneurship and supporting local enterprises. The Economic Development Authority launched the Small Business Improvement Grant, providing access to capital for aspiring entrepreneurs.

Infrastructure and Transportation

Recognizing the pivotal role of infrastructure and transportation in economic growth, the City continued to invest in improving its connectivity and accessibility. The City made significant progress in upgrading its road network, enhancing traffic management systems, and implementing smart city technologies.

The roadway and infrastructure upgrades throughout the City not only enhanced the quality of life for residents but also provided businesses with more reliable transportation options, boosting overall productivity.

The City also made strides in enhancing its digital infrastructure. In collaboration with local internet service providers, the City expanded access to high-speed broadband internet in underserved areas, facilitating connectivity and enabling businesses to capitalize on digital opportunities.

Tourism and Cultural Development

The City's rich history, natural beauty, and vibrant cultural scene continued to attract tourists and contribute to economic development in 2022. The City capitalized on these assets by investing in tourism promotion and cultural development initiatives.

The Suffolk Tourism Office launched several marketing campaigns to highlight the City's unique attractions, including historic landmarks, outdoor recreational activities, and annual festivals. These efforts yielded positive results, as visitor numbers increased by 15% compared to the previous year. This boost in tourism spending provided a direct economic benefit to local businesses, hotels, and restaurants.

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Employment

The following table lists information regarding employment in the City.

Principal Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Estimated Number of Employees</u>
Suffolk Public Schools	Education	2,300
Naval Information Forces	ModSim and Technology	2,250
Sentara Health System	Healthcare	1,503
Target	Warehousing & Distribution	1,500
City of Suffolk	Government	1,479
Amazon	Warehousing & Distribution	1,000
QVC	Warehousing & Distribution	700
Towne Bank	Banking	600
J7 Joint Staff	ModSim & Technology	550
Walmart	Retail	525
Bon Secours Health System	Medical	450
Hormel/Planters Peanuts	Food & Beverage Processing	380
Massimo Zanetti Beverage USA	Food & Beverage Processing	315
VDOT	Dept of Transportation	300
SYSCO Food Services of Hampton Roads	Warehousing and Distribution	275
Smithfield Foods	Logistics	260
California Cartage	Warehousing and Distribution	250
Nansemond-Suffolk Academy	Education	194
Nansemond Pointe Rehabilitation and Healthcare	Healthcare	190
Bayview Physicians	Healthcare	159
Navy Exchange Service Command (NEXCOM)	Warehousing and Distribution	156
Harris Teeter	Grocer	142
Reinhart Foods	Warehousing and Distribution	130
Lake Prince Woods	Medical	130
Wanchese Fish Company - Cooke Seafood	Food and Beverage Processing	130
Birdsong Peanuts	Food and Beverage Processing	125
Ace Hardware	Warehousing and Distribution	115
Pro Ampac	Packaging Materials	115
Solenis	Chemical Processing	100
Truestone	ModSim and Technology	100
Kroger	Grocery	100
Dominion Virginia Power	Utilities	100
Lancaster Farms	Wholesale Nursery	100
Amadas Industries	Advanced Manufacturing	95
Northrop Grumman	ModSim and Technology	85
Kerma Medical Products	Advanced Manufacturing	85
Friant and Associates	Furniture Manufacturing	80
Mike Duman Auto Sales	Automotive Sales/Service	75
Canada Metal Pacific (CMP)	Marine Product Manufacturing	70
Lockheed Martin Center for Innovation	ModSim and Technology	70
Quality Custom Distribution	Warehousing and Distribution	65
Duke Automotive	Automotive Sales/Service	60
National Roofing Corporation	Roofing Contractor	60
General Dynamics	ModSim and Technology	50
Coastal Logistics	Warehousing and Distribution	50
Blair Brothers	Industrial Contractor	50
C.W. Brinkley	Industrial Contractor	50
ISHPI	ModSim and Technology	50
Paul D. Camp Community College	Education	50
Sonoco	Fiberboard Cans	30
Unilever/Lipton	Food & Beverage Processing	* Undisclosed

Source: City of Suffolk Department of Economic Development, June 2023

New and Expanding Industry (Calendar Year 2022)

	<u>Number of Jobs</u>	<u>Square Feet</u>	<u>Approximate Capital Investment</u>
Advanced Manufacturing	0	165,265	\$38,428,468
Warehousing & Distribution	276	2,514,983	\$279,496,688
Medical	85	17,020	\$16,786,744
Retail	234	296,413	\$22,278,073
Office & Administration	22	37,842	\$531,133
Hospitality & Other	3	7,468	\$1,763,500
TOTAL	620	3,038,991	\$359,284,606

Source: City of Suffolk, Virginia, Department of Economic Development,

Top 10 Industry Employers (December 2022)

<u>Employment by Industry</u>	<u>Number of Employees</u>	<u>Percent of Total⁽¹⁾</u>
Health Care and Social Assistance	5,188	14.62%
Local Government	4,617	13.01
Retail and Trade	3,716	10.47
Professional, Scientific, and Technical Services	3,536	9.96
Transportation and Warehousing	3,284	9.25
Accommodation and Food Services	3,202	9.02
Manufacturing	2,120	5.97
Federal Government	1,426	4.02
Administrative and Waste Management	1,401	3.95
Construction	1,386	3.91

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages.

Note:

(1) Percentages based on total average employment of 35,489.

Unemployment Rates

<u>Calendar Year</u>	<u>Suffolk</u>	<u>Hampton Roads</u>	<u>Virginia</u>	<u>United States</u>
2014	6.4%	5.6%	5.4%	6.3%
2015	5.0	4.9	4.4	5.3
2016	4.3	4.1	3.4	4.7
2017	4.2	4.2	3.8	4.1
2018	3.1	3.1	2.9	3.6
2019	3.2	3.2	2.9	3.7
2020	9.0	10.0	11.2	14.7
2021	4.4	4.5	3.9	5.3
2022	3.1	3.2	2.9	3.6
2023 ⁽¹⁾	2.8	2.7	2.5	3.1

Source: Virginia Employment Commission – Area Unemployment Statistics, based on calendar year.

Note:

(1) April 2023 Unemployment Rates.

TAX BASE DATA

The following data are presented to illustrate trends and characteristics of the City's tax related revenues.

Assessed Value of Taxable Property

The City's property assessed value has increased approximately 32.89% over the last ten years (2013 to 2022).

Assessed Value of All Taxable Property

<u>Fiscal Year</u>	<u>Net Taxable Real Property⁽¹⁾</u>	<u>Personal Property⁽²⁾</u>	<u>Total</u>
2013	\$8,805,279,047	\$1,139,573,807	\$9,944,852,854
2014	8,641,249,151	1,162,574,054	9,803,823,205
2015	8,830,387,194	1,194,404,939	10,024,792,133
2016	9,043,144,816	1,271,807,409	10,314,952,225
2017	9,271,969,170	1,331,978,758	10,603,947,928
2018	9,580,892,712	1,363,252,446	10,944,145,158
2019	9,801,970,784	1,445,725,532	11,247,696,316
2020	10,085,293,819	1,549,110,948	11,634,404,767
2021	10,596,487,154	1,625,863,021	12,222,350,175
2022	11,434,090,809	1,781,949,319	13,216,040,128

Sources: City Assessor, City of Suffolk, Virginia (Real Property); Commissioner of the Revenue, City of Suffolk, Virginia (Personal Property).

Notes:

(1) Real Property is assessed at 100% of estimated actual value except land use property which is assessed at approximately 30%.

(2) Vehicles are assessed at 100% of average loan value. In the FY2023 budget the Personal Property assessed value is to be capped at 75% of the total value, with the tax rate unchanged.

Tax Rates

The City's real estate tax rate for Fiscal Year 2023 is \$1.09 per \$100 of assessed valuation, for the Fiscal Year 2024 the tax rate remains stable at \$1.09 per \$100 of assessed value, in FY2024 the City Council approved a \$0.02 per \$100 of assessed valuation, tax credit. The City's real estate tax rate remains below that of several neighboring cities including the Cities of Norfolk at \$1.25 (per \$100), Newport News at \$1.18 (per \$100), Hampton at \$1.16 (per \$100) and Portsmouth, at \$1.30 (per \$100).

The City is not a component of any overlapping governments and, therefore, does not share any overlapping tax rates or debt. However, the City maintains two taxing district funds, the Route 17 Taxing District Fund and the Downtown Business Overlay District. Each taxing district maintains its own special revenue fund to account for specific revenues and expenditures for services provided within each of these areas in the City.

Tax Rates (per \$100 of Assessed Value)

Fiscal Year	City Wide Taxes			Supplemental Tax Rates Applied on Taxing Districts	
	Real Estate	Personal	Machinery	Real Estate	Downtown
	City Wide	Property	and Tools	Route 17 Taxing District	Business Overlay District
2015	\$1.03	\$4.25	\$3.15	\$0.24	\$0.105
2016	1.07	4.25	3.15	0.24	0.105
2017	1.07	4.25	3.15	0.24	0.105
2018	1.07	4.25	3.15	0.24	0.105
2019	1.11	4.25	3.15	0.24	0.105
2020	1.11	4.25	3.15	0.24	0.105
2021	1.11	4.25	3.15	0.24	0.105
2022	1.11	4.25	3.15	0.24	0.105
2023	1.09	4.25 ⁽¹⁾	3.15	0.24	0.105
2024	1.09 ⁽³⁾	4.25 ⁽²⁾	3.15	0.24	0.105

Sources: City of Suffolk, Virginia, Adopted Capital and Operating Budgets for Fiscal Year 2015 through Fiscal Year 2024.

- (1) In the Fiscal Year 2023 budget the Personal Property assessed value is to be capped at 75% of the total value, with the tax rate unchanged.
- (2) In the Fiscal Year 2024 budget the Personal Property assessed value is to be capped at 90% of the total value, with the tax rate unchanged.
- (3) In the Fiscal Year 2024 budget the Real Estate city wide tax rate remains unchanged at \$1.09 per \$100 of assessed value, but the City Council approved a one year tax credit equal to \$0.02 per \$100 of assessed value.

Property Tax Levies and Collections

Tax Levies and Collections						
Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections⁽¹⁾	Total Tax Collections	Outstanding Delinquent Taxes at the end of the Fiscal Year
2013	\$116,106,208	\$113,620,442	97.9%	\$2,307,092	\$115,927,534	\$4,179,156
2014	121,016,827	118,482,416	97.9	1,818,928	120,301,344	4,275,281
2015	123,326,675	120,807,937	98.0	1,919,984	122,727,921	4,218,636
2016	131,208,221	128,655,899	98.1	1,880,684	130,536,583	4,249,557
2017	134,647,214	132,124,360	98.1	1,856,687	133,981,047	4,261,779
2018	137,308,853	134,243,292	97.8	1,639,344	135,882,636	5,032,040
2019	146,769,909	143,637,167	97.9	2,796,009	146,433,176	4,585,660
2020	150,738,427	147,518,704	97.9	1,920,465	149,439,169	4,612,663
2021	157,939,087	154,394,883	97.8	3,010,123	157,405,006	5,077,608
2022	170,525,879	166,849,227	97.8	3,563,113	170,412,340	5,923,453

Source: Annual Comprehensive Financial Report, City of Suffolk, Virginia.

- (1) When delinquent real property taxes are not collected within three years, a lien is recorded on the property for the collection thereof.

Principal Taxpayers

The following data show the assessed value of the real property of 10 largest taxpayers in the City for Fiscal Year 2022.

Ten Largest Taxpayers			
<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation⁽¹⁾</u>	<u>Percentage of Total Assessed Valuation⁽¹⁾</u>
Amazon.com Services Inc.	Retail Merchandise	\$174,241,500	1.53%
SE VA Suffolk Property Owner LLC.	Real Estate Holding Company	76,664,100	0.67
Target Corporation	Distribution Warehouse	63,833,800	0.56
EGP 116 Suffolk LLC / 116 Lakeview Parkway LLC	Joint Military Training Facility	53,232,400	0.47
2152 LLC	Apartment Complex	45,924,400	0.40
QVC of Suffolk, Inc/CVN Distribution	Distribution Warehouse	42,817,400	0.38
Pergola Group	Apartment Complex	42,190,100	0.37
GGT Hampton Roads VA Venture	Apartment Complex	40,371,100	0.35
TowneBank	Financial Institution	39,606,100	0.35
Park 216, LLC.	Apartment Complex	36,896,600	0.32
TOTAL		<u>\$615,777,500</u>	<u>4.48%</u>

Source: City of Suffolk, Assessor's Office.

Note:

(1) Total assessed valuation of real estate for Fiscal Year 2022 is \$11,389,979,300 and does not include Public Service Corporations.

Income

Per Capita Income										
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City of Suffolk	\$45,600	\$44,797	\$45,919	\$48,003	\$48,299	\$49,779	\$51,798	\$53,740	\$55,561	\$59,309
Hampton Roads MSA	43,490	43,291	44,721	46,650	46,960	48,502	50,619	52,011	53,310	56,716
Virginia	49,431	48,666	50,528	52,687	53,323	55,105	57,910	62,362	65,408	66,190

Source: Bureau of Economic Analysis. 2021 is the last year for which data is available.

CERTAIN FINANCIAL PROCEDURES

As required under Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments ("Statement No. 34") issued by the Governmental Accounting Standards Board ("GASB"), the City prepares government-wide statements of net position and activities using the accrual basis of accounting. Statement No. 34 also requires the City to record all capital assets and infrastructure, record the related depreciation expense, and record all long term liabilities.

The City's basic financial statements include both government-wide financial statements, that are based on the City as a whole, and fund financial statements. This reporting model focuses on either the City as a whole or on major individual funds (within the fund financial statements).

Government-wide and Fund Accounting Financial Statements

Both the government-wide and fund accounting financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. Governmental activities are those activities generally financed through taxes, intergovernmental revenues and other non-exchange revenues. These activities are normally reported in governmental funds and internal service funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds.

The government-wide Statement of Activities is reported using the economic resources measurement focus and the accrual basis of accounting which reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

The governmental funds' major fund statements are presented on the current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation explains the adjustments necessary to reconcile the two sets of financial statements.

The focus of the reporting model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as fiduciary funds (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources and deferred outflows of resources, if any together with all related liabilities and deferred inflows of resources, if any and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Fund Classification: Governmental Fund Types are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds and similar trust funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental fund types:

- a. General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges

for services and interest income. A significant part of the General Fund's revenues is transferred to other funds and component units, principally to finance the operations of the City's public schools.

b. Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds include the Consolidated Grants Fund, Law Library Fund, Route 17 Taxing District, Road Maintenance Fund, Transit, Aviation, Cemetery, and Downtown Business Overlay District. The Component Unit School Board includes the School Operating Fund, the School Grants Fund and the School Food Service Fund, and the Combined School Activity Funds.

c. Debt Service Fund. The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

d. Capital Projects Fund. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types).

2. Proprietary Fund Types: Proprietary Fund Types are used to account for the City's ongoing organizations and activities which are similar to those found in the private sector. The measurement focus is upon determination of net position and capital maintenance. The following are the City's proprietary fund types:

a. Enterprise Fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City has three Enterprise Funds: the Utility Fund, the Stormwater Utility Fund, and Refuse Fund.

b. Internal Service Funds. Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments or agencies of the City, or to other governments. The Fleet Management and Information Technology Funds are used to account for the provision of goods and services on a cost-reimbursement basis. The Risk Management Fund charges other funds, exclusive of the public schools, based on estimated claims for the year.

3. Fiduciary Fund Types – Trust and Custodial Funds: Fiduciary Fund Types consist of custodial funds that are used to account for the resources held for the benefit of parties outside the government. The OPEB Trust fund is also reported as a fiduciary fund.

Basis of Presentation – Fund Accounting

The government-wide statement of net position and statement of activities, all proprietary funds, and trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources associated with the operation of these activities are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in the net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources are generally included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-

wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The fund financial statements of the General, Capital Projects, Debt Service, Special Revenue, and Agency Funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenues and other local taxes, the term "available" is limited to collection within 45 days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are unavailable. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

Budgetary Accounting and Procedures

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. At least 60 days prior to June 30, the City Manager submits to the 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.
2. 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.
3. When the City Manager submits the proposed budget to City Council, he or she also recommends an appropriation ordinance and an ordinance levying a new tax rate for the ensuing year.
4. City Council then holds public hearings on the proposed budget. Notice of such public hearings must appear in a local newspaper not less than seven days prior to the hearing.
5. The budget must be approved by a majority vote of City Council and it must be legally adopted by July 1. If City Council does not adopt the proposed budget by July 1, the budget as submitted is automatically adopted.
6. Additional appropriations may be made by City Council only if there is an unencumbered fund balance.
7. The City Manager is authorized to transfer budgeted amounts within existing appropriations by fund.
8. Formal budgetary integration is employed as a management control device during the fiscal year. Annual operating budgets are adopted by ordinance passed by City Council for the General Fund, the Debt Service Fund, Capital Projects Fund, the Utility (Enterprise) Fund, the Refuse (Enterprise) Fund, the Stormwater Utility (Enterprise) Fund, the Internal Service Funds, and the following Special Revenue Funds: Aviation Facilities, Consolidated Grants Fund, Law Library, Route 17 Taxing District, Road Maintenance Fund, Downtown Business Overlay District, Transit System, School Operating Fund, School Grants Fund and School Food Service Fund.

Annual Audit

The City has an annual audit performed of the books of accounts, financial records and transactions of administrative departments of the City by a certified public accountant selected by City Council. The most recently completed accountants' report was for Fiscal Year 2022. The City's auditor has neither reviewed nor assisted in the preparation of this Official Statement.

The Government Finance Officers Association of the United States and Canada ("GFOA") has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report ("ACFR") for the past several fiscal years. The Fiscal Year 2021 ACFR has been submitted to the GFOA for the award. The City has also received the Distinguished Budget Presentation Award from the GFOA the past eleven years to include the adopted operating and capital budgets for Fiscal Years 2011-2023.

The City's audited financial statements are available for inspection at the office of the Director of Finance, City Hall, Room 2108 442 W. Washington Street, Suffolk, Virginia 23434.

GENERAL FUND REVENUES AND DISBURSEMENTS

The General Fund is maintained by the City to account for revenue derived from City-wide ad valorem taxes, other local taxes, licenses, fees, permits, certain revenue from Federal and state agencies, and interest earned on invested cash balances in the General Fund. General Fund disbursements include the cost of general City government and transfers to the School Operating Fund to pay the local share of operating the City's public schools.

The following is a discussion of the General Fund revenue structure and major classifications of General Fund disbursements. See subsection "Five-Year Summary of Fund Government Revenues, Expenditures and Fund Balances" for a detailed statement of General Fund revenues and expenditures for Fiscal Year 2022.

Revenues

Property Taxes. An annual ad valorem tax is levied by the City on the assessed value of real and tangible personal property located within the City as of July 1 and January 1. Taxes on personal property bought and sold after January 1 are prorated and the tax levies are adjusted. The ratio of the assessed value of property to its appraised value is 100% in the case of real property and varies for the several classes of personal property but generally is 100%. Personal property taxes are due December 5. Real estate taxes are due on a semiannual basis, each December 5 and June 5. The tax year for each real estate annual assessment is July 1 through June 30, and the effective date for each annual assessment is the first day of July. The penalty for late payment is 10% of the amount due and the interest on delinquent taxes and penalties accrues at a rate of 10% per annum. In cases of property on which delinquent taxes are not paid within two years, the City records a lien on the property effective for 20 years and the property is eligible to be sold through judicial proceedings. There is no limit at the present time on the property tax rates which may be established by the City. In Fiscal Year 2022, property taxes (including penalties and interest for late payment of prior years' taxes) represented approximately 61.30% of total General Fund receipts.

Other Local Taxes. The City levies various other local taxes including:

Sales Tax Collections. The City imposes a 1% sales tax on retail sales within the City. These receipts represented approximately 6.42% of total General Fund receipts in Fiscal Year 2022.

Business and Occupational Licenses. The City requires that licenses or permits be obtained in order to perform certain activities in the City and that fees be paid for services provided by certain City departments. These receipts represented approximately 4.30% of total General Fund receipts in Fiscal Year 2022.

Revenues from the Commonwealth of Virginia. The City is reimbursed by the Commonwealth for a portion of shared expenses including certain expenditures for social services, the sheriff's office, the courts, the Office of the Commonwealth's Attorney and other constitutional officers. Additionally, the City receives a share of the net profits from the State Alcoholic Beverage Control Board's liquor sales. Revenue from the Commonwealth represented approximately 8.99% of total General Fund receipts in Fiscal Year 2022. The City also receives a significant amount of additional state aid in support of public school operations and roads.

Other Revenue. The principal sources of other revenue to the General Fund are utility taxes (approximately 1.97%), meal and lodging taxes (6.98%), communication taxes (approximately 0.98%), and vehicle license fees (approximately 1.06%). Other sources of revenue accounted for approximately 8.00% of total General Fund receipts in Fiscal Year 2022.

Disbursements

Transfer to School Operating Fund. City transfers moneys from the General Fund to the School Operating Fund to pay the City's share of the cost of operating public schools in the City. This transfer represented approximately 33.00% of total General Fund disbursements in Fiscal Year 2022. No debt service on the City's general obligation bonds is paid from the School Operating Fund and revenues from the Federal government and the Commonwealth which are credited to the School Operating Fund are not available to pay debt service on the City's general obligation bonds (except with respect to Commonwealth revenue appropriations that may be subject to intercept as described under "**SECURITY FOR AND SOURCES OF PAYMENT FOR THE BONDS**").

Cost of General City Government. The City pays, from the General Fund the costs of general City government. These costs include expenditures for administrative functions such as City Council, City Manager, Capital Program Management, Personnel and Finance. This classification represented approximately 9.63% of total General Fund disbursements in Fiscal Year 2022

Transfer to Capital Projects Fund. The City transfers from the General Fund to the Capital Projects Fund moneys to pay the cost of certain capital improvements.

Five-Year Summary of General Fund Revenues, Expenditures and Fund Balances

The financial data shown in the table on the following page presents a summary for the five fiscal years ended June 30, 2018 through 2022 of the City's General Fund revenues, expenditures and fund balances.

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Five-Year Summary of Revenues, Expenditures and Fund Balances General Fund
Fiscal Year Ended June 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Fund Balance at beginning of Year	\$68,499,272	\$73,976,242	\$80,523,850	\$97,422,406	\$109,264,630
Revenues					
General property taxes	\$125,207,480	\$133,772,448	\$139,955,458	\$144,417,954	\$156,254,217
Other taxes	45,736,944	46,261,507	48,737,290	53,092,031	61,403,965
Permits, privilege fees and regulatory licenses	1,470,087	1,324,025	1,788,722	2,094,158	2,384,274
Fines and forfeitures	884,308	834,973	780,306	700,327	717,257
Use of money and property	2,030,053	3,031,452	2,707,027	782,773	936,824
Intergovernmental	25,210,996	27,308,158	27,074,525	28,358,716	28,212,944
Charges for Services	3,275,161	3,601,996	3,439,025	3,073,351	3,974,775
Miscellaneous	<u>1,544,422</u>	<u>1,773,722</u>	<u>3,008,849</u>	<u>849,001</u>	<u>1,034,240</u>
Total revenues	<u>\$205,359,451</u>	<u>\$217,908,341</u>	<u>\$227,491,202</u>	<u>\$233,368,311</u>	<u>\$254,918,487</u>
Expenditures:					
General government administration	\$16,340,628	\$16,221,187	\$16,592,630	\$17,378,744	\$19,074,303
Public safety	59,655,319	62,401,899	63,495,435	63,564,537	68,623,712
Public works	925,633	950,825	905,883	1,046,582	1,013,405
Public health and welfare	13,316,914	13,634,568	14,670,632	14,576,432	14,616,672
Judicial	8,184,710	8,762,884	9,238,588	9,510,007	9,908,606
Parks, recreation and cultural	10,945,371	12,000,942	11,136,438	10,730,830	11,398,532
Education	56,467,515	60,353,258	58,106,679	65,526,746	65,377,695
Community development	5,864,384	4,667,485	6,408,290	5,768,305	7,423,826
Non-Departmental	<u>226,481</u>	<u>675,842</u>	<u>594,989</u>	<u>759,119</u>	<u>673,338</u>
Total expenditures	<u>\$171,926,955</u>	<u>\$179,668,893</u>	<u>\$181,149,564</u>	<u>\$188,861,302</u>	<u>\$198,110,089</u>
Excess of Revenues over Expenditures	<u>\$33,432,496</u>	<u>\$38,239,388</u>	<u>\$46,341,638</u>	<u>\$44,507,009</u>	<u>\$56,808,398</u>
Other financing sources (uses):					
Operating transfers in	\$2,350,066	\$2,443,701	\$2,695,930	2,907,451	\$2,930,647
Operating transfers out	<u>(30,305,592)</u>	<u>(34,135,481)</u>	<u>(32,139,012)</u>	<u>(35,572,236)</u>	<u>(33,494,035)</u>
Total other financing sources (uses):	<u>(\$27,955,526)</u>	<u>(\$31,691,780)</u>	<u>(\$29,443,082)</u>	<u>(\$32,64,785)</u>	<u>(\$30,563,388)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$5,476,970</u>	<u>\$6,547,608</u>	<u>\$16,898,556</u>	<u>\$11,842,224</u>	<u>\$26,245,010</u>
Fund balance at end of year	<u>\$73,976,242</u>	<u>\$80,523,850</u>	<u>\$97,422,406</u>	<u>\$109,264,630</u>	<u>\$135,509,640</u>

Sources: Annual Comprehensive Financial Reports, City of Suffolk, Virginia, Fiscal Years 2018-2022.

Note:

On a Government-wide basis the City's Fiscal Year 2022 performance resulted in an 11.71% increase in net position city wide, 25.90% or \$169.8 million of the total net assets are unrestricted, which is available to allow the City to provide services to citizens. The overall increase in net position is due to the better than expected revenue collections during Fiscal Year 2022, as well as less than expected expenditures. In addition the assessed value of the Real Property in the City has experienced growth.

The City adopted a structurally balanced General Fund budget for Fiscal Year 2023, wherein current anticipated revenues (\$263,051,194), including transfers in, are expected to pay for the budgeted expenditures and represents an approximate 10.6% increase over the Fiscal Year 2022 budget. The City adopted a structurally balanced budget for Fiscal Year 2024 in the amount of \$295,250,072. This budget represents an approximate 12.2% increase over Fiscal Year 2023.

The following page includes a summary of Fiscal Year 2023 General Fund financial data. As a result of the City's positive economic activity General Fund revenue is projected to increase 32.2 million in Fiscal Year

2024. The additional revenue is needed to cover increasing operating and capital expenses due to inflation and supply chain disruptions, adds personnel resources to keep pace with increasing service demands, and increases funding for public education and local and regional organizations that service Suffolk residents in need.

Summary of Revenues, Expenditures and Fund Balances – Citywide (as budgeted)

	Fiscal Year 2023 Approved Budget	Fiscal Year 2024 Approved Budget
Unassigned/Unrestricted Fund Balance at Beginning of Year	\$257,893,722	\$290,484,215
Revenues:		
General property taxes	\$172,204,877	\$198,185,884
Other local taxes	53,981,203	57,606,203
Permits, Fees, and Regulatory Licenses	2,752,700	2,566,000
Fines and Forfeitures	935,000	945,000
Use of Money and Property	1,226,617	2,803,627
Charges for Services	130,397,371	135,541,945
Miscellaneous Revenue	2,425,000	2,435,500
Recovered Costs	957,758	1,102,050
Revenue from the Commonwealth	166,920,964	221,990,535
Revenue from the Federal Government	53,201,728	37,967,974
Fund Transfers In	125,795,689	151,501,360
Long Term Debt Issuance	34,701,317	38,467,994
Retained Earnings/Fund Balance	<u>22,071,614</u>	<u>27,914,443</u>
Total Revenues	<u>\$767,571,838</u>	<u>\$879,028,516</u>
Expenditures :		
General Government	\$63,375,418	\$62,563,956
Judicial	10,714,106	11,782,698
Public Safety	88,311,476	88,009,647
Public Works	83,475,558	124,174,623
Public Utilities	36,632,237	53,709,622
Health & Welfare	17,253,451	18,108,027
Education	244,052,616	248,479,431
Parks, Recreation & Cultural	15,419,370	20,811,067
Community Development	10,179,268	14,524,992
Other Public Services	4,869,961	5,238,655
Non-Department:	8,396,251	17,853,962
Fringe Benefits & Insurances	1,162,150	2,885,372
Debt	57,934,288	59,385,105
Fund Transfer Out	<u>125,795,688</u>	<u>151,501,360</u>
Total Expenditures	<u>\$767,571,838</u>	<u>\$879,028,516</u>
Fund balance at end of year	<u>\$257,893,722</u>	<u>\$290,484,215</u>

Sources: City of Suffolk, Virginia, Adopted Operating and Capital Budgets for Fiscal Year 2023 and Fiscal Year 2024.

Note: Fund Balances are shown in total to include non-spendable, restricted, unrestricted, committed, assigned, and unassigned fund balance classification.

PUBLIC UTILITY FUND REVENUES AND DISBURSEMENTS

The Public Utility Fund is maintained by the City to account for revenues and expenditures associated with the operations of the City's water and sewer systems. It is a City Charter requirement that the Public Utility Fund be operated as a self-sustaining enterprise.

The following tables include a five year summary of the Public Utility Fund's operating revenues, expenditures and debt service, the City's principal water and sewer customers, and a historical summary of the City's water and sewer rates and availability fees. See the subsection "Local Government Services – Public Utilities" in this Appendix A for a description of the City's department of Public Utilities and its water and sewer systems.

Revenue Coverage Previous Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues⁽¹⁾</u>	<u>Direct Operating Expenses⁽²⁾</u>	<u>Net Revenue Available for Debt Service</u>	<u>Principal Payments⁽³⁾</u>	<u>Interest Payments⁽³⁾</u>	<u>Total Debt Service Payments⁽³⁾</u>	<u>Coverage⁽⁴⁾</u>
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
2021	62,511,014	25,746,183	36,764,831	4,597,000	7,853,326	12,450,326	2.95
2022	59,243,844	23,752,023	35,491,821	5,725,000	7,282,489	13,007,489	2.73

Sources: City of Suffolk, Virginia, Annual Comprehensive Financial Reports, for Fiscal Years 2013-2022.

Notes:

- (1) Gross Revenues include operating revenues, miscellaneous revenues, transfers in, interest income and Build America Bond interest subsidy (net of the sequester).
- (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. There were significant changes in debt service requirements from previous years because they now exclude general obligation debt.
- (4) The debt service coverage ratio is calculated as Net Revenue Available for Debt Service divided by Total Debt Service Requirements (for Utility Fund the coverage must be greater than 1.15, and since 2009, the City's financial policy has recommended a target of 1.30, including all non-parity debt which has not been included in this analysis).

Principal Water and Sewer Customers Fiscal Year Ended June 30, 2021

<u>Top Ten Water Customers</u>	<u>Type of Business</u>	<u>Annual Consumption^{(1) (2)}</u>	<u>% of Total Consumption</u>
Western Tidewater Water Authority	Regional Water Supply	280,106	10.56%
Sentara/Obici Hospital	Hospital	33,107	1.25
Suffolk Public Schools	Education	26,826	1.01
JM Smucker Company	Beverage Company	23,819	0.90
Wanchese Fish Company	Seafood Processing	22,356	0.84
Western Tidewater Regional Jail	Jail-Regional Facility	18,862	0.71
Harbour Breeze Apartments	Real Property Management	16,964	0.64
Planters/Kraft Foods	Food Processing	14,809	0.56
Unilever/Lipton, Inc.	Beverage Company	13,610	0.51
Suffolk Operations, LLC.	Assisted Living	11,447	0.43
TOTAL		461,906	17.41%

<u>Top Ten Sewer Customers</u>	<u>Type of Business</u>	<u>Annual Consumption^{(2) (3)}</u>	<u>% of Total Consumption</u>
Sentara/Obici Hospital	Hospital	33,107	1.54%
City of Suffolk	Water Production	27,264	1.27
Suffolk Public Schools	Education	26,826	1.25
Wanchese Fish Company	Seafood Processing	22,356	1.04
JM Smucker Company	Beverage Company	20,491	0.95
Western Tidewater Regional Jail	Jail – Regional Facility	18,862	0.88
Harbour Breeze Apartments	Real Property Management	16,964	0.79
Unilever Best Foods	Beverage Company	16,413	0.76
Suffolk Operations, LLC	Assisted Living	11,447	0.53
Green Clean Car Wash	Car Wash	10,277	0.48
TOTAL		204,007	9.49

Source: City of Suffolk, Virginia, Department of Public Utilities.

Notes:

(1) Total Annual Consumption for Water Customers in Fiscal Year 2022: 2,652,990.

(2) In Hundred Cubic Feet.

(3) Total Annual Consumption for Sewer Customers in Fiscal Year 2022: 2,149,600.

Summary of Historical Water and Sewer Rates and Availability Fees

<u>Rates Per 100 Cubic Feet</u>				
<u>Fiscal Year</u>	<u>Water</u>	<u>% Change</u>	<u>Sewer</u>	<u>% Change</u>
2014	\$7.84	10.00%	\$5.82	8.80%
2015	8.29	5.70	6.47	11.10
2016	8.86	6.90	6.74	4.20
2017	9.03	1.92	6.97	3.41
2018	9.20	1.88	7.21	3.44
2019	9.71	5.54	7.27	0.83
2020	9.71	0.00	7.27	0.00
2021	9.71	0.00	7.27	0.00
2022	10.31	6.18	7.27	0.00
2023	10.43	1.16	7.27	0.00

Source: City of Suffolk, Virginia, Department of Public Utilities.

Availability Fees

Fiscal Year	Water	% Change	Sewer	% Change
2014	\$5,520	0.0%	\$6,000	0.0%
2015	5,520	0.0	6,000	0.0
2016	5,520	0.0	6,000	0.0
2017	5,520	0.0	6,000	0.0
2018	5,520	0.0	6,000	0.0
2019	5,520	0.0	6,000	0.0
2020	5,520	0.0	6,000	0.0
2021	5,520	0.0	6,000	0.0
2022	5,520	0.0	6,000	0.0
2023	5,520	0.0	6,000	0.0

Source: City of Suffolk, Virginia, Department of Public Utilities.

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DEBT MANAGEMENT

Legal Debt Limit

Pursuant to the Constitution of Virginia and the Public Finance Act, a city in Virginia is authorized to issue bonds and notes secured by a pledge of its full faith and credit. The Constitution and the Public Finance Act limit the general obligation indebtedness which may be incurred without referendum by cities to 10% of the assessed valuation of taxable real estate subject to local taxation as shown in the last preceding assessment for taxes. The City's Charter further limits the City's power to create general obligation debt to 7% of the assessed value of its taxable real estate. The City's Charter may be amended by a majority vote of the General Assembly.

The City's general obligation legal debt limit, as of June 30, 2023, plus the 2023 Bonds, per the City Charter is computed as follows⁽¹⁾:

7% of Assessed Value of Taxable	
Real Estate as of June 30, 2023	\$928,044,082
Reduced by Outstanding Bonds and Notes ⁽¹⁾	\$473,020,000
Legal limit for creating Additional Debt	\$455,024,082

Source: City of Suffolk, Virginia, Department of Finance.

Note:

- (1) Outstanding debt subject to legal debt limit as of June 30, 2023, plus the par amount of the 2023 Bonds.

Statement of Long-Term Debt

The following table shows the outstanding debt of the City as of June 30, 2023. Gross general debt, which includes general obligation bonds, revenue bonds, notes payable, capital leases and moral obligation pledges as of June 30, 2023, plus the 2023 Bonds; of the City's total gross general debt, \$473,020,000 is subject to the City's legal debt limit.

General City ⁽¹⁾	\$314,863,984
Virginia Public School Authority ⁽¹⁾	<u>3,335,000</u>
Subtotal	<u>\$318,198,984</u>
 Water and Sewer – General Obligation ⁽¹⁾	 \$154,486,016
Stormwater – General Obligation ⁽¹⁾	335,000
Stormwater – Revenue Bonds	4,955,000
Water and Sewer – Revenue Bonds	<u>198,596,000</u>
Sub-Total Utility Debt	<u>\$358,372,016</u>
 Capital Leases ⁽²⁾	 \$22,555,900
Subject to Appropriation/Moral Obligation Pledges ⁽³⁾	<u>6,265,700</u>
 <u>Total Long-Term Debt</u>	 <u>\$705,392,600</u>

Source: City of Suffolk, Virginia, Department of Finance.

Notes:

- (1) Outstanding debt subject to legal debt limit as of June 30, 2023, plus the par amount of the 2023 Bonds.
(2) The City is not required to include subject-to-appropriation leases in its debt calculation; however, such leases have been included above.
(3) The City is not required to include moral obligation pledges in debt calculation; however, the City's moral obligation pledges have been included above. See subsection "Subject-to-Annual Appropriation/Moral Obligations" below for a breakdown of the pledges.

Subject-to-Annual Appropriation/Moral Obligations

In October 2020, the Suffolk EDA issued its Lease Revenue Refunding Bond Series 2020 ("EDA Refunding Bond") to refund previously issued its \$11,860,000 Lease Revenue Refunding Bond (Health and Human Services Project), Series 2014 that refunded the original 2008 bonds issued for construction of a Health and Human Services Building. The EDA Refunding Bonds are secured by a pledge of the lease revenues from the Health and Human Services Facility, as well as a moral obligation pledge of the City. The balance outstanding on the EDA Refunding Bonds is currently \$3,031,000.

The City has made a moral obligation pledge to pay the debt service on the bonds of the WTRJ Authority. As of June 30, 2023, the City's share of the WTRJ Authority's debt was \$3,234,700 and is payable from annual appropriations by the City Council for such purposes.

Overlapping and Underlying Debt

The City is autonomous and entirely independent of any county or other political subdivision. It is not subject to taxation by any county or school district, nor is it liable for any county or school district indebtedness. There is no overlapping or underlying debt.

Future Debt

In the Fiscal Year 2024-2028 Capital Improvements Plan, \$270,696,509 of general government projects were identified, of which \$145,778,838 are expected to be debt funded. Of the \$83,890,000 public utility projects identified, approximately \$42,690,000 of such projects are expected to be debt funded. Other planned bond issuances include \$4,175,000 in the Fleet Fund over the CIP, and \$15,413,244 in Stormwater Revenue Bonds. See "**CAPITAL IMPROVEMENT PLAN – SUMMARY BY FUND**" for further discussion of planned capital improvement expenditures.

Statement of No Default

The City has never defaulted in the payment of principal or interest on any indebtedness.

Contingent Liabilities

See Note 14 in **Appendix C – Annual Financial Statements for Fiscal Year Ended June 30, 2022**.

Pension Plan

The City contributes to the Virginia Retirement System ("VRS"), an agent and cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System").

All full-time salaried permanent employees must participate in the VRS. Members earn one month of service credit for each month they are employed and their employer is paying 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 provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended (the "Virginia Code"), assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. VRS issues a publicly available annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report is available from VRS by writing to VRA's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Plan members are required by Title 51.1 of the Virginia Code, to contribute 5% of their annual salary to the VRS. The Fiscal Year 2022 required contribution was determined as part of the June 30, 2019, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions of the 2019 valuation include (i) 6.75% investment rate of return (net of administrative expenses), (ii) projected salary increases ranging from 3.5% to 5.35% per year for general government employees, 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs and 3.5% to 5.95% per year for teachers and (iii) a cost of living adjustment of 2.25% to 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The legacy unfunded actuarial accrued liability (the unfunded actuarial accrued liability as of June 30, 2013) is amortized over a closed 30 year period beginning June 30, 2013. The actuarial gains and losses and other changes in the unfunded due to benefit and actuarial assumption and method changes for each valuation subsequent to the June 30, 2013 valuation will be amortized over a closed 20 year period.

The contribution rates for Fiscal Year 2022 were based on the actuary's valuation as of June 30, 2019. 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, 2022 was 12.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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, 2022 and June 30, 2021, respectively, were \$8,992,126 and \$8,610,229.

The School Board's contractually required contribution rate for the Teacher Retirement Plan for the year ended June 30, 2022 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The School Board's (non-teacher plan) contractually required contribution rate for the year ended June 30, 2022 was 5.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Virginia Code, the contributions were funded at 100% of the actuarial rate for the year ended June 30, 2022. Contributions to the Teacher Retirement pension plan for the years ended June 30, 2022 and June 30, 2021, respectively, were \$13,650,009 and \$13,881,507. Contributions to the Non-Teacher pension plan for the years ended June 30, 2022 and June 30, 2021, respectively, were \$444,256 and \$420,144.

For a complete summary of the plan description, net pension liability, funding status, required contributions and trend information see Note 11 and the related materials in **Appendix C – Annual Financial Statements for Fiscal Year Ended June 30, 2022**.

Other Post-Employment Benefits

GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, establishes standards for the measurement, recognition, and display of other post-employment benefits ("OPEB") expense and related liabilities in the financial statements. The City and School Board adopted the requirements of GASB Statement No. 75 during Fiscal Year 2018. The City has established an irrevocable trust pursuant to Section 15.2-1544 of the Virginia Code for the purpose of accumulating and investing assets to fund OPEB, to participate in the Virginia Pooled OPEB Trust Fund (the "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 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 post-employment 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 VRS/City service and 10 years of continuous City service, respectively, and be enrolled in the group health insurance plan for the 24 months prior to their retirement date to be eligible, coverage ceases at age 65. Medicare Eligible retirees may only enroll in the Medicare supplement option. A retiree's spouse is eligible to continue coverage until the earlier of the spouse's death or the spouse becomes Medicare eligible. If the retiree becomes Medicare eligible prior to the spouse, the retiree moves into the Medicare Supplement and the spouse is allowed to remain in the current plan until he or she reaches Medicare eligibility, then they must terminate from the plan. Retirees pay 100% of spousal premiums and surviving spouses are not allowed access to the plan.

The City and School Board establish employer contribution rates for plan participants as part of the budgetary process each year and determine 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 post-employment health care benefits on a pay-as-you-go basis and as contributions to their respective Trust Funds.

For the Fiscal Year ended June 30, 2022, the City contributed \$1,803,210 toward OPEB costs, which was a combination of \$729,520 deposited in the trust fund and \$1,073,690 in claims paid on behalf of the retirees, net of premiums paid by retirees. The School Board contributed \$304,691 toward OPEB costs in claims paid on behalf of the retirees.

For more information on the City's OPEB, see Note 12 in **Appendix C – Annual Financial Statements for Fiscal Year Ended June 30, 2022.**

The City and School Board also participate in the following OPEB plans administered by the State of Virginia: Group Life Insurance Program, Line of Duty Act Program, Employee Virginia Local Disability Program, and the Teacher Employee Health Insurance Credit Program. For more information on these benefits and related contributions, see Note 13 in **Appendix C – Annual Financial Statements for Fiscal Year Ended June 30, 2022.**

City of Suffolk, Virginia
Summary of Tax-Supported Long-Term Debt Service⁽¹⁾⁽²⁾

Fiscal Year	Less:			Plus:			Equals:			
	Existing Tax-Supported Debt Service			Refunded Bonds	2023 Bonds			Total Tax-Supported Debt After Issuance of the 2023 Bonds		
	Principal	Interest	Total		Principal	Interest	Total	Principal	Interest	Total
2024	\$22,929,488	\$9,026,971	\$31,956,459	-	-	\$404,175	\$404,175	\$22,929,488	\$9,431,146	\$32,360,634
2025	23,864,497	8,062,964	31,927,461	-	-	1,399,069	1,399,069	23,864,497	9,462,033	33,326,529
2026	23,600,000	7,277,136	30,877,136	-	955,000	1,399,069	2,354,069	24,555,000	8,676,205	33,231,205
2027	23,240,000	6,595,839	29,835,839	-	1,000,000	1,351,319	2,351,319	24,240,000	7,947,157	32,187,157
2028	23,110,000	5,895,140	29,005,140	-	1,055,000	1,301,319	2,356,319	24,165,000	7,196,458	31,361,458
2029	19,360,000	5,214,711	24,574,711	-	1,105,000	1,248,569	2,353,569	20,465,000	6,463,279	26,928,279
2030	18,935,000	4,618,596	23,553,596	-	1,165,000	1,193,319	2,358,319	20,100,000	5,811,915	25,911,915
2031	19,265,000	3,878,344	23,143,344	-	1,215,000	1,135,069	2,350,069	20,480,000	5,013,413	25,493,413
2032	17,635,000	3,164,388	20,799,388	-	1,280,000	1,074,319	2,354,319	18,915,000	4,238,707	23,153,707
2033	18,115,000	2,675,378	20,790,378	-	1,345,000	1,010,319	2,355,319	19,460,000	3,685,697	23,145,697
2034	15,310,000	2,196,635	17,506,635	-	1,410,000	943,069	2,353,069	16,720,000	3,139,704	19,859,704
2035	13,500,000	1,806,544	15,306,544	-	1,480,000	872,569	2,352,569	14,980,000	2,679,113	17,659,113
2036	10,885,000	1,439,594	12,324,594	-	1,560,000	798,569	2,358,569	12,445,000	2,238,163	14,683,163
2037	9,035,000	1,132,438	10,167,438	-	1,635,000	720,569	2,355,569	10,670,000	1,853,006	12,523,006
2038	7,260,000	871,713	8,131,713	-	1,715,000	638,819	2,353,819	8,975,000	1,510,531	10,485,531
2039	6,095,000	670,306	6,765,306	-	1,790,000	563,788	2,353,788	7,885,000	1,234,094	9,119,094
2040	6,260,000	505,219	6,765,219	-	1,870,000	485,475	2,355,475	8,130,000	990,694	9,120,694
2041	5,045,000	335,200	5,380,200	-	1,955,000	401,325	2,356,325	7,000,000	736,525	7,736,525
2042	3,750,000	196,400	3,946,400	-	2,040,000	313,350	2,353,350	5,790,000	509,750	6,299,750
2043	2,050,000	82,000	2,132,000	-	2,135,000	219,000	2,354,000	4,185,000	301,000	4,486,000
2044	-	-	-	-	2,245,000	112,250	2,357,250	2,245,000	112,250	2,357,250
Total	\$289,243,984	\$65,645,514	\$354,889,498	-	\$28,955,000	\$17,585,326	\$46,540,326	\$318,198,984	\$83,230,839	\$401,429,824

Source: City of Suffolk, Virginia, Department of Finance.

Notes:

(1) Table presents tax-supported debt of the City, net of general obligation bonds paid for from the Water and Sewer Utility Fund. Refuse Fund, Stormwater Fund, and Leases. Figures are unaudited. Debt service shown does not include any subsidy related to the City's Qualified School Constructions Bonds, Series 2011.

(2) Figures may not sum due to rounding.

City of Suffolk, Virginia
Summary of Public Utility Fund Long-Term Debt Service ⁽¹⁾⁽²⁾

	Less:			Plus:			Equals:			
	<u>Existing Utility Fund Debt Service</u>			<u>Refunded Bonds</u>	<u>2023 Bonds</u>			<u>Total Utility Fund Debt After Issuance of the 2023 Bonds</u>		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$14,890,512	\$10,385,309	\$25,275,821	\$-	\$-	\$-	\$-	\$14,890,512	\$10,385,309	\$25,275,821
2025	15,441,503	9,836,905	25,278,409	-	-	-	-	15,441,503	9,836,905	25,278,409
2026	15,900,000	9,385,583	25,285,583	-	-	-	-	15,900,000	9,385,583	25,285,583
2027	16,430,000	8,906,489	25,336,489	-	-	-	-	16,430,000	8,906,489	25,336,489
2028	16,685,000	8,399,408	25,084,408	-	-	-	-	16,685,000	8,399,408	25,084,408
2029	17,180,000	7,953,867	25,133,867	-	-	-	-	17,180,000	7,953,867	25,133,867
2030	17,640,000	7,498,057	25,138,057	-	-	-	-	17,640,000	7,498,057	25138057.28
2031	17,910,000	7,072,722	24,982,722	-	-	-	-	17,910,000	7,072,722	24,982,722
2032	18,205,000	6,646,891	24,851,891	-	-	-	-	18,205,000	6,646,891	24,851,891
2033	18,725,000	6,191,919	24,916,919	-	-	-	-	18,725,000	6,191,919	24,916,919
2034	19,225,000	5,689,187	24,914,187	-	-	-	-	19,225,000	5,689,187	24,914,187
2035	19,835,000	5,148,581	24,983,581	-	-	-	-	19,835,000	5,148,581	24,983,581
2036	20,430,000	4,564,188	24,994,188	-	-	-	-	20,430,000	4,564,188	24,994,188
2037	21,045,000	3,923,157	24,968,157	-	-	-	-	21,045,000	3,923,157	24,968,157
2038	21,760,000	3,234,496	24,994,496	-	-	-	-	21,760,000	3,234,496	24,994,496
2039	22,405,000	2,516,026	24,921,026	-	-	-	-	22,405,000	2,516,026	24,921,026
2040	18,060,000	1,833,492	19,893,492	-	-	-	-	18,060,000	1,833,492	19,893,492
2041	18,830,000	1,142,996	19,972,996	-	-	-	-	18,830,000	1,142,996	19,972,996
2042	7,275,000	665,081	7,940,081	-	-	-	-	7,275,000	665,081	7,940,081
2043	5,020,000	423,583	5,443,583	-	-	-	-	5,020,000	423,583	5,443,583
2044	4,060,000	253,488	4,313,488	-	-	-	-	4,060,000	253,488	4,313,488
2045	3,090,000	134,556	3,224,556	-	-	-	-	3,090,000	134,556	3,224,556
2046	2,290,000	50,547	2,340,547	-	-	-	-	2,290,000	50,547	2,340,547
2047	<u>750,000</u>	<u>8,250</u>	<u>758,250</u>	-	-	-	-	<u>750,000</u>	<u>8,250</u>	<u>758,250</u>
Total	<u>\$353,082,016</u>	<u>\$111,864,779</u>	<u>\$464,946,795</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$353,082,016</u>	<u>\$111,864,779</u>	<u>\$464,946,795</u>

Source: City of Suffolk, Virginia, Department of Finance.

Notes:

- (1) Figure may not sum due to rounding. Figures are unaudited.
- (2) Debt service shown is net of capitalized interest.

City of Suffolk, Virginia
Summary of Stormwater Fund Long-Term Debt Service⁽¹⁾⁽²⁾

Fiscal Year	Existing Stormwater Fund Service			Plus: 2023 Bonds			Equals: Total Stormwater Fund After Issuance of the 2023 Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$204,000	\$177,383	\$381,383	\$-	\$-	\$-	\$204,000	\$177,383	\$381,383
2025	210,000	170,125	380,125	-	-	-	210,000	170,125	380,125
2026	217,000	162,645	379,645	-	-	-	217,000	162,645	379,645
2027	224,000	154,929	378,929	-	-	-	224,000	154,929	378,929
2028	231,000	146,975	377,975	-	-	-	231,000	146,975	377,975
2029	239,000	138,767	377,767	-	-	-	239,000	138,767	377,767
2030	252,000	130,288	382,288	-	-	-	252,000	130,288	382,288
2031	260,000	121,288	381,288	-	-	-	260,000	121,288	381,288
2032	268,000	112,016	380,016	-	-	-	268,000	112,016	380,016
2033	276,000	102,473	378,473	-	-	-	276,000	102,473	378,473
2034	285,000	93,042	378,042	-	-	-	285,000	93,042	378,042
2035	294,000	83,306	377,306	-	-	-	294,000	83,306	377,306
2036	309,000	73,248	382,248	-	-	-	309,000	73,248	382,248
2037	319,000	62,826	381,826	-	-	-	319,000	62,826	381,826
2038	329,000	52,034	381,034	-	-	-	329,000	52,034	381,034
2039	339,000	40,902	379,902	-	-	-	339,000	40,902	379,902
2040	350,000	29,384	379,384	-	-	-	350,000	29,384	379,384
2041	336,000	17,493	353,493	-	-	-	336,000	17,493	353,493
2042	348,000	5,900	353,900	-	-	-	348,000	5,900	353,900
Total	<u>\$5,290,000</u>	<u>\$1,875,024</u>	<u>\$7,165,024</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,290,000</u>	<u>\$1,875,024</u>	<u>\$7,165,024</u>

Source: City of Suffolk, Virginia, Department of Finance.

Notes:

(1) Figures may not sum due to rounding. Figures are unaudited

(2) Does not include an expected borrowing of \$5,000,000 in Fiscal Year 2024.

Debt Ratios

The following data are presented to show trends in the relationship of the net long-term indebtedness of the City to the estimated market value of taxable property in the City, its estimated population and the trend of debt service requirements as a percentage of General Fund disbursements.

Ratio of Long-Term Debt to Assessed Value of Property and Long-Term Debt Per Capita⁽¹⁾

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value⁽²⁾</u>	<u>General Debt⁽³⁾</u>	<u>General Debt as a Percentage of Assessed Value</u>	<u>General Debt Per Capita</u>
2013	86,463	\$9,944,852,854	\$366,251,992	3.68%	\$4,236
2014	87,831	9,803,823,205	416,342,962	4.25	4,740
2015	89,586	10,024,792,133	508,987,834	5.07	5,682
2016	90,426	10,314,952,225	513,495,931	4.98	5,678
2017	91,722	10,603,947,928	470,439,217	4.44	5,129
2018	92,533	10,944,145,158	477,447,324	4.36	5,160
2019	92,714	11,247,696,316	467,295,961	4.15	5,040
2020	93,825	11,634,404,767	464,975,735	4.00	4,956
2021	94,324	12,222,350,175	468,191,442	3.83	4,964
2022	96,130	13,216,040,128	459,753,084	3.48	4,783

Sources: Weldon Cooper Center for Public Service (Population), City Assessor, City of Suffolk, Virginia & Commissioner of the Revenue, City of Suffolk, Virginia (Assessed Value); City of Suffolk, Virginia, Department of Finance and Annual Comprehensive Financial Report, City of Suffolk, Virginia, Fiscal Year 2022, Statistical Section, Table 13 (General Debt Per Capita).

Notes:

- (1) In prior Official Statements the General Debt did not contain the unamortized premiums on the debt, the schedule has been changed to reflect the information as it is reported in the City's Comprehensive Annual Financial Report.
- (2) Includes all taxable property (real estate, personal property and public service corporation property).
- (3) Includes general bonded debt, including unamortized premiums, Literary Fund Loans, notes payable and general obligation bonds expected to be paid from utility revenues.

Ratio of Annual Debt Service Expenditures for General Debt to Total General Expenditures

<u>Fiscal Year⁽¹⁾</u>	<u>General Debt Service⁽¹⁾</u>	<u>Total General Expenditures⁽²⁾</u>	<u>Ratio of General Debt Service to Total General Expenditures</u>
2013	\$25,382,830	\$275,203,104	9.2%
2014	27,962,356	273,406,295	10.2
2015	26,770,193	279,443,842	9.6
2016	27,808,123	289,430,572	9.6
2017	26,890,239	302,658,879	8.9
2018	26,410,007	308,619,652	8.6
2019	28,596,937	322,159,518	8.9
2020	30,951,787	329,340,356	9.4
2021	30,619,669	351,714,068	8.7
2022	31,567,671	368,101,221	8.6

Source: City of Suffolk, Virginia, Department of Finance.

Notes:

- (1) Includes bonds and notes payable but excludes defeased debt.
- (2) Includes General Fund, net of the operating transfer to the Schools, Special Revenue Fund, Debt Service Fund, and School Operating Fund expenditures. The School Funds are reported in the component unit section of the financial statements, but are included here since they are part of the general government function.

Capital Improvement Program

The City Council adopts a ten-year Capital Improvement Program (the "CIP"). The first five years each have specified amounts and the second five years are shown on an aggregate basis. The ten-year CIP does not represent a legislative commitment to expend capital funds for the projects indicated. It is a means of identifying short-term and long-term capital needs and serves as both a guide for future spending and a mechanism for establishing priorities for orderly development. The CIP is reviewed and updated annually.

The City's Fiscal Year 2023 CIP, including water and sewer projects, totaled \$371,460,730 for Fiscal Years 2023 through 2027. In addition, the Fiscal Year 2023 CIP identifies an additional \$603,634,883 of General Fund and Public Utility Fund projects for Fiscal Years 2028 through 2032. The City's Fiscal Year 2024 CIP, including water and sewer projects, totaled \$381,936,749 for Fiscal Years 2024 through 2028. In addition, the Fiscal Year 2024 CIP identified an additional \$1,010,692,799 of General Fund and Public Utility Fund projects for Fiscal Years 2029 through 2033. A summary of the Fiscal Year 2024 CIP is provided in the table on the following page.

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CAPITAL IMPROVEMENT PLAN - SUMMARY BY FUND

Fiscal Years 2024-2028

PLANNED EXPENDITURES	2023-2024	2024-2025	2025-2026	2026-20207	2027-2028	5 Year Subtotal	6-10 Year Subtotal	10 Year Total
PUBLIC UTILITIES FUND	\$24,027,000	\$18,543,000	\$15,672,000	\$15,326,000	\$10,322,000	\$83,890,000	\$82,610,000	\$166,500,000
FLEET FUND	-	-	300,000	3,875,000	-	4,175,000	10,325,000	14,500,000
STORMWATER FUND	5,767,994	5,825,250	3,112,500	2,629,250	3,078,250	20,413,244	7,203,000	27,616,244
TRANSIT FUND	=	60,000	2,701,996	=	=	2,761,996	=	2,761,996
INFORMATION TECHNOLOGY FUND	=	=	=	=	=	=	1,500,000	1,500,000
GENERAL GOV'T. FUND	92,205,577	44,165,219	37,410,694	42,851,585	54,063,434	270,696,509	909,054,799	1,179,751,308
TOTAL ALL FUNDS:	<u>\$122,000,571</u>	<u>\$68,593,469</u>	<u>\$59,197,190</u>	<u>\$64,681,835</u>	<u>\$67,463,684</u>	<u>\$381,963,749</u>	<u>\$1,010,692,799</u>	<u>\$1,392,629,548</u>
FUNDING SOURCES	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	5 Year Subtotal	6-10 Year Subtotal	10 Year Total
Public Utility Revenue Bonds	\$3,700,000	\$13,025,000	\$10,365,000	\$10,300,000	\$5,300,000	\$42,690,000	\$59,300,000	\$101,990,000
Transfer from Public Utility Fund	20,327,000	5,518,000	5,307,000	5,026,000	5,022,000	41,200,000	23,310,000	64,510,000
PUBLIC UTILITIES FUND	24,027,000	18,543,000	15,672,000	15,326,000	10,322,000	83,890,000	82,610,000	166,500,000
General Obligation Bonds	-	-	300,000	3,875,000	-	4,175,000	10,325,000	14,500,000
FLEET FUND	-	-	300,000	3,875,000	-	4,175,000	10,325,000	14,500,000
Transfer from Stormwater Funds	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000	3,800,000	8,800,000
Stormwater Revenue Bonds	4,767,994	4,825,250	2,112,500	1,629,250	2,078,250	15,413,244	3,403,000	18,816,244
STORMWATER FUND	5,767,994	5,825,250	3,112,500	2,629,250	3,078,250	20,413,244	7,203,000	27,616,244
State/Federal Grant Funds	-	60,000	2,701,996	-	-	2,761,996	-	2,761,996
TRANSIT FUND	-	60,000	2,701,996	-	-	2,761,996	-	2,761,996
General Obligation Bonds	-	-	-	-	-	-	1,500,000	1,500,000
INFORMATION TECHNOLOGY FUND	-	-	-	-	-	-	1,500,000	1,500,000
Private Contribution	-	-	-	300,000	-	300,000	-	300,000
State/Federal Grant Funds	49,632,841	2,338,425	696,838	8,750,000	15,800,000	77,218,104	306,627,864	383,845,968
Transfer from General Fund	11,693,618	11,872,965	6,983,374	7,617,244	8,263,434	46,430,623	45,549,000	91,979,623
Transfer from Cemetery Fund	145,141	=	30,485	59,641	=	234,967	=	234,967
Transfer from Road Maintenance	733,977	=	=	=	=	733,977	=	733,977
General Obligation Bonds	30,000,000	29,953,838	29,700,000	26,125,000	30,000,000	145,778,838	556,877,935	702,656,773
GENERAL GOV'T. FUND	92,205,577	44,165,219	37,410,694	42,851,585	54,063,434	270,696,509	909,054,799	1,179,751,308
TOTAL ALL FUNDS:	<u>\$122,000,571</u>	<u>\$68,593,469</u>	<u>\$59,197,190</u>	<u>\$64,681,835</u>	<u>\$67,463,684</u>	<u>\$381,936,749</u>	<u>\$1,010,692,799</u>	<u>\$1,392,629,548</u>
ANNUAL OPERATING IMPACT	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028			
ANTICIPATED DEBT SERVICE:	\$-	\$296,000	\$1,042,000	\$826,200	\$824,000			
UTILITY FUND – CAPITAL	11,057,000	(14,809,000)	(211,000)	(281,000)	(4,000)			
PUBLIC UTILITIES FUND:	11,057,000	(14,513,000)	831,000	548,200	820,000			
ANTICIPATED DEBT SERVICE	-	-	-	24,000	310,000			
FLEET	-	-	-	24,000	31,000			
CAPITAL CASH	500,000	-	-	-	-			
ANTICIPATED DEBT SERVICE	-	381,440	386,020	169,000	130,340			
STORMWATER FUND:	500,000	381,440	386,020	169,000	130,340			
GENERAL FUND –	-	480,000	-	40,000	20,000			
ANTICIPATED DEBT SERVICE:	-	2,400,000	2,396,307	2,376,000	2,090,000			
GENERAL FUND – CAPITAL	3,204,060	179,338	(4,889,585)	633,873	646,190			
GENERAL GOV'T FUND:	3,204,060	3,059,338	(2,493,278)	3,049,873	2,756,190			

Source: City of Suffolk, Virginia, Adopted Operating and Capital Budget for Fiscal Year 2023.

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APPENDIX B: FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

The City of Suffolk, Virginia (the "City"), desires to assist compliance with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC"), by providing certain annual financial information and notices of the events listed in the Rule for the benefit of the holders of its \$28,955,000 General Obligation Bonds, Series 2023 (the "Bonds"). The City hereby covenants and agrees as follows as of October 17, 2023 (the "Closing Date"):

- 1) **Continuing Disclosure.** The City hereby covenants to do the following:
 - (a) The City shall annually provide certain financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule, as follows:
 - (i) Audited financial statements, prepared in accordance with generally accepted accounting principles ("GAAP") will be provided; and
 - (ii) The operating data with respect to the City of the type appearing in the tables under the following headings in Appendix A to the City's Official Statement dated October 3, 2023:
 - (A) "DEMOGRAPHIC AND ECONOMIC BASE OF THE CITY OF SUFFOLK – Taxable Retail Sales Data";
 - (B) "TAX BASE DATA - Assessed Value of All Taxable Property;"
 - (C) "TAX BASE DATA - Tax Levies and Collections;"
 - (D) "GENERAL FUND REVENUES AND DISBURSEMENTS – Five-Year Summary of Revenues, Expenditures and Fund Balances General Fund Fiscal Year Ended June 30"; and
 - (E) "DEBT MANAGEMENT - Statement of Long-Term Debt."
 - (b) The City shall annually provide the financial information and operating data described in subsection (a) above (the "Continuing Disclosure") on or before March 31 after the end of the City's fiscal year, commencing with the City's fiscal year ended June 30, 2023, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB.
 - (c) Any of the Continuing Disclosure may be included by specific reference to other documents available to the public on the MSRB's internet website or on file with the SEC.
 - (d) The City shall provide in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, notice specifying any failure of the City to provide the Continuing Disclosure by the date specified.

- (e) If the City fails to comply with any covenant or obligation specified in this section, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the City, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the City's covenant to provide financial information and operating data.
- 2) **Event Disclosure.** The City shall provide to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds:
- (a) principal and interest payment delinquencies;
 - (b) non-payment related defaults, if material;
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) unscheduled draws on any credit enhancements reflecting financial difficulties;
 - (e) substitution of credit or liquidity providers, or their failure to perform;
 - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 - TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (g) modifications to rights of Bondholders, if material;
 - (h) bond calls, if material, and tender offers;
 - (i) defeasances;
 - (j) release, substitution, or sale of property securing repayment of the Bonds, if material; and
 - (k) rating changes;
 - (l) bankruptcy, insolvency, receivership or similar event of the City;
 - (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (o) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
 - (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.
- 3) **Identifying Information.** All documents provided to the MSRB hereunder shall be accompanied by identifying information as prescribed by the MSRB.
 - 4) **Termination.** The covenants and obligations of the City specified in Sections 1 and 2 with respect to any Bond will terminate when the City is no longer obligated to make payments of principal, premium, if any, interest on such Bond.
 - 5) **Amendment.** The City reserves the right to modify its obligations contained in Sections 1 and 2 without the consent of Bondholders, provided that such modification complies with the Rule as it exists at the time of modification, and the City obtains an opinion of counsel nationally-recognized in the field of municipal securities that such modification is permitted under the Rule. The City shall file with the MSRB notice of such modification after the effective date of such modification.
 - 6) **Additional Disclosure.** The City may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the City shall not incur any obligation to continue to provide, or to update, such additional information or data. Investors and other interested parties may contact the MSRB for additional information concerning its services. The City makes no representations as to the scope of the services provided to the secondary market by the MSRB.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has signed this Continuing Disclosure Agreement as of the Closing Date.

CITY OF SUFFOLK, VIRGINIA

By: _____
Name: Albert S. Moor II
Title: City Manager

APPENDIX C: ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2022

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Report of Independent Auditor

To the City Council
City of Suffolk, Virginia

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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 (the "Specifications"). Our responsibilities under those standards and specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 17 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement 87, *Leases*, effective July 1, 2021. As a result, related governmental activities, business-type activities, and enterprise funds net position, capital assets and liabilities have been restated. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Supplementary 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 accompanying Other Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022, 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.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 23, 2022

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, 2022. 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 \$655.8 million at June 30, 2022. Of this balance, \$472.4 million is attributed to the governmental activities and \$183.4 million to the business-type activities.
- For fiscal year 2022, taxes, other general revenues net of transfers of the City's governmental activities amounted to \$244.8 million and net program expenses \$190.7 million, which resulted in an increase from 2021 in net position for the City's governmental activities of \$54.1 million.
- Revenues of the City's business-type activities were \$84.2 million, expenses were \$68.5 million and net transfers to the General Fund were \$1.1 million, which resulted in an increase of net position for the City's business-type activities of \$14.6 million.
- The City is rated AAA with Fitch, Standard and Poor's and Moody's.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Since this presentation does not include the long term focus of the government-wide statements, both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The fund financial statements using the current financial resources measurement focus will show bond proceeds and interfund transfers as other financing sources, in addition capital outlay and bond principal payments will be shown as expenditures. The reconciliation between the fund statements and the government-wide statements will eliminate these transactions and incorporate capital assets and long term debt obligations in to the 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, Grants 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 consist of custodial funds that are used to account for resources held for the benefit of parties outside the government. Custodial 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 custodial funds is similar to that of the proprietary funds. The OPEB trust fund is also reported as a fiduciary fund.

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	
	2022	2021*	2022	2021*	2022	2021*
Current and other assets	\$ 325.3	\$ 271.5	\$ 96.1	\$ 93.8	\$ 421.4	\$ 365.3
Capital and other non-current assets	576.4	568.3	465.1	467.3	1,041.5	1,035.6
Total assets	901.7	839.8	561.2	561.1	1,462.9	1,400.9
Deferred Outflows of Resources	36.8	40.8	26.5	28.9	63.3	69.7
Current and other liabilities	44.4	38.8	6.7	6.4	51.1	45.2
Long-term liabilities	367.1	409.8	391.3	414.7	758.4	824.5
Total liabilities	411.5	448.6	398.0	421.1	809.5	869.7
Deferred Inflows of Resources	54.6	13.7	6.4	0.2	61.0	13.9
Net position:						
Net investment in capital assets	325.9	319.4	128.9	111.4	454.8	430.8
Restricted	28.4	12.2	2.7	2.6	31.1	14.8
Unrestricted	118.1	86.7	51.7	54.7	169.8	141.4
Net position	\$ 472.4	\$ 418.3	\$ 183.3	\$ 168.7	\$ 655.7	\$ 587.0
* FY2021 Net position restated relating to the implementation of GASB 87						

The City's combined net position (which is the City's "bottom line") increased by \$68.7 million in fiscal year 2022 of which approximately 4.74% 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 \$454.8 million comprises 69.36% 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 25.90% of net position, or \$169.8 million, as unrestricted. The unrestricted portion of net position is available to allow the City to provide services to citizens.

Statement of Activities

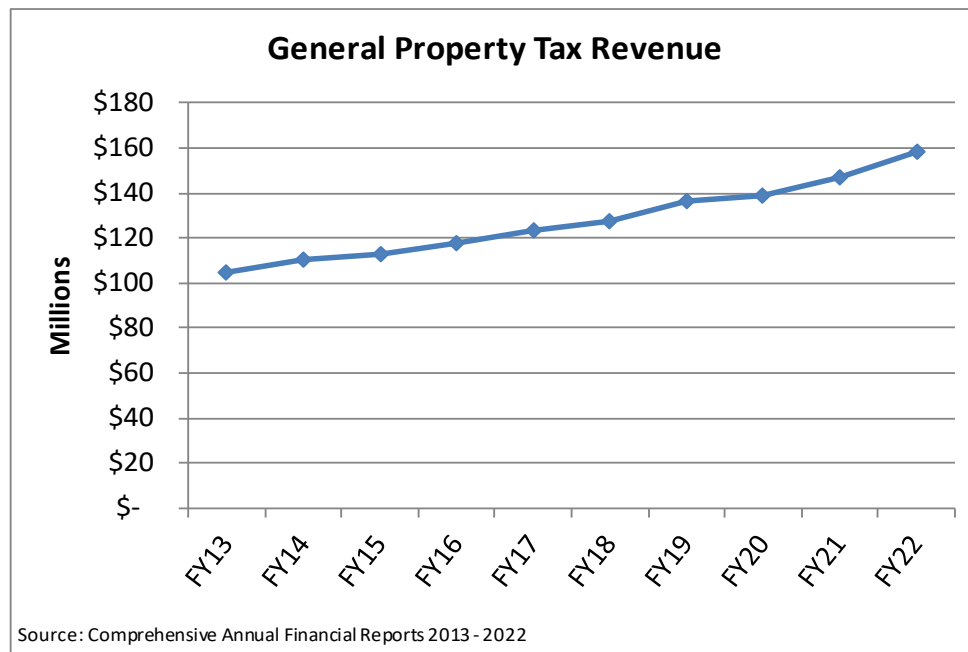
The following table summarizes the changes in net position for governmental and business-type activities:

Change in Net Position (In Millions)						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 10.6	\$ 8.4	\$ 77.9	\$ 78.8	\$ 88.5	\$ 87.2
Operating grants and contributions	57.5	54.0	-	-	57.5	54.0
Capital grants and contributions	25.2	3.8	5.3	5.5	30.5	9.3
General revenues:			-	-		
Real estate and property taxes	161.2	146.7	-	-	161.2	146.7
Other taxes	61.4	53.1	-	-	61.4	53.1
Grants and contributions, not restricted	14.4	14.5	-	-	14.4	14.5
Unrestricted investment earnings	1.5	1.7	0.1	0.2	1.6	1.9
Miscellaneous	5.8	5.2	0.9	1.2	6.7	6.4
Total revenues	337.6	287.4	84.2	85.7	421.8	373.1
Expenses:						
General government	27.9	40.0	-	-	27.9	40.0
Judicial	10.5	10.9	-	-	10.5	10.9
Public safety	72.9	69.0	-	-	72.9	69.0
Public works	61.0	44.4	-	-	61.0	44.4
Health and welfare	14.7	15.1	-	-	14.7	15.1
Transportation	1.6	1.4	-	-	1.6	1.4
Education	65.4	65.5	-	-	65.4	65.5
Parks, recreation, cultural	12.3	12.1	-	-	12.3	12.1
Community development	9.3	8.2	-	-	9.3	8.2
Interest on long-term debt	8.5	6.9	-	-	8.5	6.9
Utility	-	-	54.0	56.0	54.0	56.0
Refuse collection services	-	-	9.4	9.6	9.4	9.6
Stormwater utility	-	-	5.1	5.0	5.1	5.0
Total expenses	284.1	273.5	68.5	70.6	352.7	344.1
Excess of revenues over expenses	53.5	13.9	15.7	15.1	69.1	29.0
Loss on disposal of assets	(0.5)	(2.9)	-	-	(0.5)	(2.9)
Transfers	1.1	1.5	(1.1)	(1.5)	-	-
Change in net position	54.1	12.5	14.6	13.6	68.6	26.1
Net position - beginning *	418.3	405.8	168.7	155.1	587.0	560.9
Net position - ending	\$ 472.4	\$ 418.3	\$ 183.3	\$ 168.7	\$ 655.7	\$ 587.0
Beginning balance of net position restated related to the implementation of GASB 87.						

Governmental Activities

Revenue Highlights:

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$161.2 million and \$146.7 million in fiscal years 2022 and 2021, 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, there was no tax increase in FY2022. 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 2021 into fiscal year 2022. 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. The increase is also attributable to increased economic development in the City and increasing population.

Expense Highlights:

The City is committed to ensuring the highest level of safety for its citizens and has expended \$72.9 million towards public safety efforts, this represents 25.7% of the governmental expenses.

Education continues to be one of the City's highest priorities and commitments representing \$65.4 million, this amount is an increase from fiscal year 2021 and represents 23.0% of governmental expenses.

Public Safety and Education together make up 48.7% of total governmental expenses for the City.

Business-type Activities

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

Revenue Highlights:

Charges for services, including water and sewer fees, Stormwater utility fees and refuse collection fees represent 92.52% of the total revenues collected. These revenues decreased slightly from fiscal year 2021 to 2022 due to normal fluctuations in revenue streams in the utility funds.

Expense Highlights:

Utility Fund expenses were \$41.9 million of which 43.3% is depreciation and amortization expenses. There is a slight decrease in total expenditures. Stormwater expenses were \$5.1 million for fiscal year 2022, which represents a slight increase in expenditures as compared to fiscal year 2021. The refuse fund expenses were \$9.4 million in fiscal year 2022, which is a slight decrease from fiscal year 2021.

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 \$239.0 million. Approximately 39.3% 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 \$135.5 million of which \$93.9 million represents unassigned fund balance. Fund Balance in the General Fund increased from fiscal year 2021. 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 20% of the following fiscal years governmental funds budget. The City also has a policy that any excess amounts over the 20% will be dedicated to a budget stabilization fund, until that reaches 2% of the budgeted revenue and then to a capital reserve fund, both of these reserves are reported as committed fund balance. The restricted portion of fund balance, \$1.3 million reflects restricted cash for unspent grant funds and developer deposits. The committed portion, \$38.3 million, is comprised of funds committed for by the City Council for economic development incentives and cash funded capital, unspent funds re-appropriated to the School board, the budget stabilization funds and the capital reserve funds.

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 \$18.6 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 fund increased by \$2.7 million from the prior year.

Grants Fund: The grants fund has a fund balance of \$2.7 million. the Grants fund accumulates resources from various state and federal agencies in the form of grant for specific purposes. The majority of the activity in the grants fund in fiscal year 2022 was for pandemic response related grants. The fund balance in the grant fund increased by \$544 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 \$70.2 million, \$10 million was committed for contracts and purchase orders in process, and the remaining balance of \$60.2 million is restricted, as it consists of unspent bond proceeds, grant funding 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 2022

- School facility major repairs and maintenance
- Shoulders Hill Intersection Improvements
- Reconstruction of Rt. 58/Holland Road
- New Central Library
- New Fire Station

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 \$183.3 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 \$39.7 million.

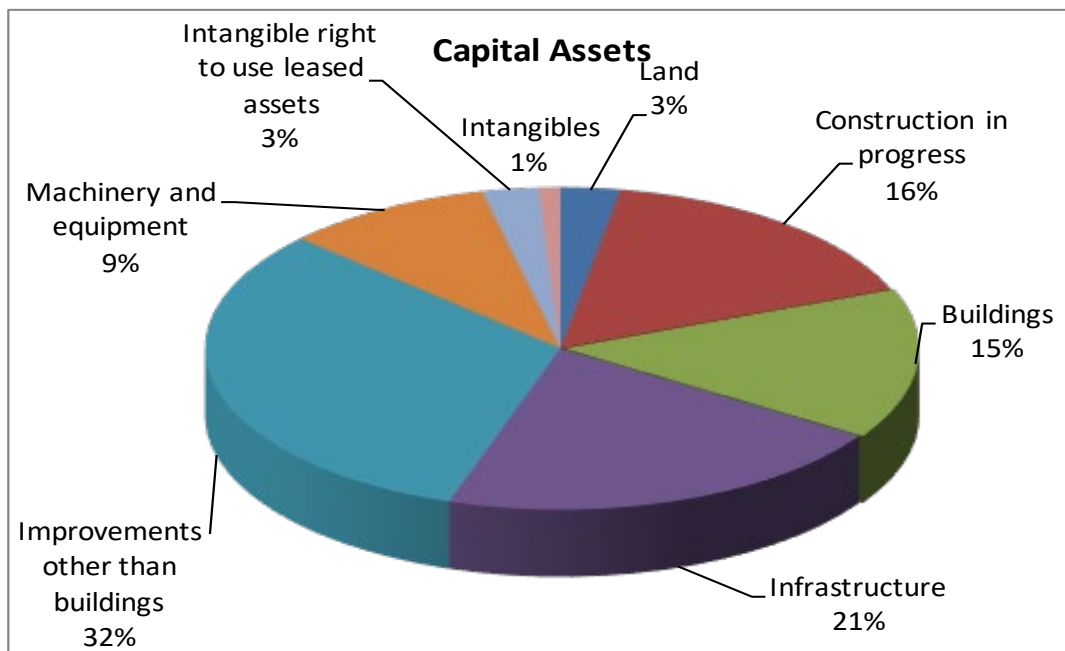
Trust funds: In fiscal year 2022, the City fully funded its annual contribution to the fund as calculated by the actuaries and there is currently a balance of \$46.2 million cash and cash equivalents in the OPEB Trust Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The City's capital assets for its governmental and business-type activities as of June 30, 2022, totaled \$1,039.7 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, machinery and equipment, intangibles, the intangible right to use leased assets, and construction in progress.

Capital Assets (net of depreciation) (in Millions)						
	Governmental Activities		Business-type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
Land	\$ 23.6	\$ 23.5	\$ 4.7	\$ 4.7	\$ 28.3	\$ 28.2
Construction in progress	152.4	112.8	18.9	27.0	171.3	139.8
Buildings	83.4	86.4	73.4	72.9	156.8	159.3
Infrastructure	217.2	249.2	-	-	217.2	249.2
Improvements other than buildings	39.2	39.4	291.4	289.8	330.6	329.2
Machinery and equipment	32.0	28.4	66.6	60.2	98.6	88.6
Intangible right to use leased asset:	22.6	24.7	4.1	5.0	26.7	29.7
Intangibles	4.1	1.7	6.0	7.7	10.1	9.4
Total	\$ 574.6	\$ 566.1	\$ 465.1	\$ 467.3	\$ 1,039.7	\$ 1,033.4

* FY2021 balances restated related to the implementation of GASB 87.



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 \$710.0 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	
	2022	2021*	2022	2021*	2022	2021*
Bonds payable	\$ 283.8	\$ 275.7	\$ 367.9	\$ 380.0	\$ 651.7	\$ 655.7
Bond Premiums	17.4	17.8	15.2	18.0	32.6	35.8
Lease Liabilities	21.6	24.7	4.1	5.0	25.7	29.7
Total	\$ 322.8	\$ 318.2	\$ 387.2	\$ 403.0	\$ 710.0	\$ 721.2
*FY2021 restated related to implementation of GASB 87						

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 \$1.14 billion for 2022. The City Charter further limits this general obligation limit to 7% of the City's assessed value of real property or \$800.4 million. Of the debt shown above, only \$441.5 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 \$457.4 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 1,086 new jobs and over \$185.7 million dollars in new and expanding capital investment in the City during the calendar year 2021.
- For fiscal year 2022, the City's tax rate was \$1.11 per \$100 and remains the third lowest tax rate in the region.
- Population in the City has increased 11.18% 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.

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, 2022

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 208,620,005	\$ 55,920,931	\$ 264,540,936	\$ 23,954,979	\$ 6,133,044
Cash and cash equivalents, restricted (Note 2)	97,678,663	31,456,942	129,135,605	-	2,123,878
Receivables, net (Note 3)	10,718,597	8,548,082	19,266,679	214,616	30,652
Due from other governments (Note 4)	6,976,113	-	6,976,113	11,589,367	-
Due from component units	636,740	-	636,740	-	-
Inventories	705,061	216,413	921,474	501,347	6,609,576
Prepaid items	-	-	-	95,000	-
Net pension asset (Note 11)	-	-	-	3,901,996	-
Net OPEB asset - local trust (Note 12)	-	-	-	12,003,130	-
Net OPEB asset - state plans (Note 13)	-	-	-	30,600	-
Leases receivable	1,876,918	-	1,876,918	-	18,739,387
Capital assets: (Note 7)					
Land and construction in progress	176,048,341	23,615,736	199,664,077	6,387,523	1,021,162
Other capital assets, net	375,950,748	437,415,381	813,366,129	156,929,351	18,781,490
Right to use leased assets, net of amortization	22,551,616	4,119,329	26,670,945	-	208,545
Total assets	901,762,802	561,292,814	1,463,055,616	215,607,909	53,647,734
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	4,985,446	22,399,624	27,385,070	-	57,892
Deferred outflows related to pension plan (Note 11)	19,357,588	2,912,328	22,269,916	30,279,831	-
Deferred outflows related to OPEB local trust (Note 12)	6,095,316	1,075,643	7,170,959	983,833	-
Deferred outflows related to OPEB state plans (Note 13)	6,314,259	149,491	6,463,750	4,252,948	-
Total deferred outflows of resources	36,752,609	26,537,086	63,289,695	35,516,612	57,892
LIABILITIES					
Accounts payable and accrued liabilities	11,043,767	2,556,762	13,600,529	3,514,849	29,681
Accrued payroll and related liabilities	4,090,805	441,274	4,532,079	17,632,045	-
Accrued interest payable	3,475,089	3,383,050	6,858,139	-	14,839
Due to Primary Government	-	-	-	397,485	239,255
Deposits and amounts held for others	-	-	-	-	2,500
Unearned revenues (Note 8)	25,750,774	332,011	26,082,785	-	-
Long-term liabilities: (Note 9)					
Due within one year	32,200,707	16,782,812	48,983,519	322,312	1,161,818
Net OPEB liability -- state plans (Note 13)	179,026	-	179,026	-	-
Due in more than one year	301,245,601	371,321,818	672,567,419	2,801,809	3,188,360
Net pension liability (Note 11)	17,824,917	2,682,623	20,507,540	73,840,253	-
Net OPEB liability -- local trust (Note 12)	212,850	37,562	250,412	-	-
Net OPEB liability -- state plans (Note 13)	15,488,895	519,712	16,008,607	17,911,008	-
Total liabilities	411,512,431	398,057,624	809,570,055	116,419,761	4,636,453
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes (Note 8)	1,350,840	-	1,350,840	-	-
Unearned -- proffers (Note 8)	5,140,053	-	5,140,053	-	-
Unearned -- deposits (Note 8)	1,633,311	-	1,633,311	-	-
Deferred inflows related to leases	1,879,447	-	1,879,447	-	18,631,634
Deferred inflows related to pension plan (Note 11)	34,414,147	5,179,278	39,593,425	60,648,946	-
Deferred inflows related to OPEB local trust (Note 12)	5,755,764	1,015,723	6,771,487	8,193,328	-
Deferred inflows related to OPEB state plans (Note 13)	4,404,575	215,034	4,619,609	3,150,499	-
Total deferred inflows of resources	54,578,137	6,410,035	60,988,172	71,992,773	18,631,634
NET POSITION					
Net investment in capital assets	325,875,876	128,990,591	454,866,467	163,316,874	15,661,019
Restricted:					
Operating reserves	-	2,651,628	2,651,628	-	-
Cemetery care	937,254	-	937,254	-	-
Other governmental purposes	27,512,882	-	27,512,882	15,905,126	2,109,039
Unrestricted	118,098,831	51,720,022	169,818,853	(116,510,013)	12,667,481
Total net position	\$ 472,424,843	\$ 183,362,241	\$ 655,787,084	\$ 62,711,987	\$ 30,437,539

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

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	\$ 27,864,340	\$ 4,527,721	\$ 9,474,000	\$ 433,763	\$ (13,428,856)	\$ -	\$ (13,428,856)		
Judicial administration	10,536,210	352,911	2,437,198	-	(7,746,101)	-	(7,746,101)		
Public safety	72,861,636	2,716,979	4,803,818	-	(65,340,839)	-	(65,340,839)		
Public works	61,008,906	1,877,344	28,013,220	24,728,332	(6,390,010)	-	(6,390,010)		
Health and welfare	14,673,123	-	9,481,473	-	(5,191,650)	-	(5,191,650)		
Transportation	1,631,135	64,817	2,146,421	65,360	645,463	-	645,463		
Education	65,382,786	-	-	-	(65,382,786)	-	(65,382,786)		
Parks, recreation, and cultural	12,265,195	759,552	287,343	-	(11,218,300)	-	(11,218,300)		
Community development	9,261,924	-	878,525	-	(8,383,399)	-	(8,383,399)		
Interest on long-term debt	8,570,572	-	-	-	(8,570,572)	-	(8,570,572)		
Total governmental activities	284,055,827	10,299,324	57,521,998	25,227,455	(191,007,050)	-	(191,007,050)	-	-
Business-type activities:									
Utility	53,977,360	58,898,742	-	5,269,223	-	10,190,605	10,190,605		
Stormwater utility	5,087,932	8,868,561	-	-	-	3,780,629	3,780,629		
Refuse	9,419,082	10,168,181	-	-	-	749,099	749,099		
Total business-type activities	68,484,374	77,935,484	-	5,269,223	-	14,720,333	14,720,333	-	-
Total Primary Government	\$ 352,540,201	\$ 88,234,808	\$ 57,521,998	\$ 30,496,678	\$ (191,007,050)	\$ 14,720,333	\$ (176,286,717)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 183,863,793	\$ 15,309	\$ 126,411,113	\$ -	\$ -	\$ -	\$ -	\$ (57,437,371)	\$ -
Economic Development Authority	2,598,145	1,643,222		-	-	-	-	-	(954,923)
Total component units	\$ 186,461,938	\$ 1,658,531	\$ 126,411,113	\$ -	-	-	-	(57,437,371)	(954,923)
General revenues:									
					161,212,302	-	161,212,302	-	-
					16,370,461	-	16,370,461	-	-
					10,964,624	-	10,964,624	-	-
					15,592,762	-	15,592,762	-	-
					5,024,008	-	5,024,008	-	-
					2,499,745	-	2,499,745	-	-
					2,709,174	-	2,709,174	-	-
					1,831,481	-	1,831,481	-	-
					2,206,627	-	2,206,627	-	-
					3,279,397	-	3,279,397	-	-
					925,677	-	925,677	-	-
				Grants and contributions not restricted to specific programs	14,422,449	-	14,422,449	-	-
				Miscellaneous	5,730,575	853,122	6,583,697	3,063,200	121,652
				City of Suffolk contribution	-	-	-	64,934,716	962,082
				Unrestricted revenues from use of money and property	1,735,694	150,244	1,885,938	12,423	278,482
				Loss on disposal of assets	(484,909)	-	(484,909)	-	-
				Transfers (Note 5)	1,071,401	(1,071,400)	1	-	-
				Total general revenues and transfers	245,091,468	(68,034)	245,023,434	68,010,339	1,362,216
				Change in net position	54,084,417	14,652,299	68,736,716	10,572,968	407,293
				Net position at July 1 (as restated) Note 17	418,340,426	168,709,942	587,050,368	52,139,019	30,030,246
				Net position at June 30	\$ 472,424,843	\$ 183,362,241	\$ 655,787,084	\$ 62,711,987	\$ 30,437,539

CITY OF SUFFOLK, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General	Capital Projects	Road Maintenance	Consolidated Grants	Debt Service	Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 133,185,900	\$ 10,622,650	\$ 20,420,122	\$ -	\$ -	\$ 9,910,183	\$ 174,138,855
Cash and cash equivalents, restricted (Note 2)	1,324,839	67,634,119	-	25,691,005	492,720	937,254	96,079,937
Receivables, net (Note 3)	10,266,950	-	89,380	2,500	-	142,505	10,501,335
Due from other governmental units (Note 4)	2,405,614	1,847,807	-	2,141,951	-	580,741	6,976,113
Due from component units	636,740	-	-	-	-	-	636,740
Leases receivable	987,359	-	-	-	-	889,559	1,876,918
Inventories	100,474	-	-	-	-	164,694	265,168
Total assets	<u>\$ 148,907,876</u>	<u>\$ 80,104,576</u>	<u>\$ 20,509,502</u>	<u>\$ 27,835,456</u>	<u>\$ 492,720</u>	<u>\$ 12,624,936</u>	<u>\$ 290,475,066</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 3,295,018	\$ 4,785,761	\$ 1,209,813	\$ 427,462	\$ -	\$ 207,131	\$ 9,925,185
Accrued payroll and related liabilities	3,584,027	-	251,938	66,467	-	9,918	3,912,350
Unearned grant receipts	-	-	-	24,602,150	-	-	24,602,150
Total liabilities	<u>6,879,045</u>	<u>4,785,761</u>	<u>1,461,751</u>	<u>25,096,079</u>	<u>-</u>	<u>217,049</u>	<u>38,439,685</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - taxes	3,004,724	-	-	-	-	213	3,004,937
Prepaid Taxes	1,350,840	-	-	-	-	-	1,350,840
Proffers received	-	5,140,053	-	-	-	-	5,140,053
Deferred inflows related to leases	996,128	-	-	-	-	883,319	1,879,447
Deposits	1,167,500	-	447,224	-	-	18,587	1,633,311
Total deferred inflows of resources	<u>6,519,192</u>	<u>5,140,053</u>	<u>447,224</u>	<u>-</u>	<u>-</u>	<u>902,119</u>	<u>13,008,588</u>
FUND BALANCES (NOTE 17)							
Nonspendable	100,474	-	-	-	-	164,694	265,168
Restricted	1,324,839	60,212,438	18,600,527	2,739,377	-	3,709,314	86,586,495
Committed	38,290,681	9,966,324	-	-	492,720	7,642,579	56,392,304
Assigned	1,862,146	-	-	-	-	-	1,862,146
Unassigned	93,931,500	-	-	-	-	(10,819)	93,920,681
Total fund balances	<u>135,509,640</u>	<u>70,178,762</u>	<u>18,600,527</u>	<u>2,739,377</u>	<u>492,720</u>	<u>11,505,768</u>	<u>239,026,794</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 148,907,877</u>	<u>\$ 80,104,576</u>	<u>\$ 20,509,502</u>	<u>\$ 27,835,456</u>	<u>\$ 492,720</u>	<u>\$ 12,624,936</u>	<u>\$ 290,475,067</u>

	Primary Government
Total fund balances - governmental funds	\$ 239,026,794
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.	557,482,561
Unavailable revenues represent amounts that were not available to fund current expenditures and, therefore, are not reported in the funds.	3,004,937
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(3,360,922)
Deferred charges on refunding are not current outflows of resources and not reported in the governmental funds	4,985,446
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 and capital leases	(278,318,472)
Lease liabilities	(21,233,813)
Unamortized premiums and other credits on bonds	(16,692,042)
Compensated absences	(6,208,073)
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	(16,979,693)
Deferred outflows - pension plan	18,432,152
Deferred inflows - pension plan	(32,782,292)
Net OPEB liability - Local trust	(202,764)
Deferred outflows - OPEB Local trust	5,806,485
Deferred inflows - OPEB Local trust	(5,483,024)
Net OPEB liability - state plans	(15,499,196)
Deferred outflows - OPEB state plans	6,265,857
Deferred inflows - OPEB state plans	(4,334,765)
Unearned revenues not recorded in the funds as it did not arise from current financial resources relating to the golf course lease agreement.	(1,148,624)
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.	39,664,291
Net position of governmental activities	<u>\$ 472,424,843</u>

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	General	Capital Projects	Road Maintenance	Consolidated Grants	Debt Service	Non-major Funds	Total Governmental Funds
REVENUES							
Real estate and personal property taxes	\$ 156,254,217	\$ -	\$ -	\$ -	\$ -	\$ 2,229,405	\$ 158,483,622
Other local taxes	61,403,956	-	-	-	-	-	61,403,956
Permits, privilege fees and regulatory licenses	2,384,274	-	426,913	-	-	-	2,811,187
Fines and forfeitures	717,257	-	296,356	-	-	-	1,013,613
Revenue from use of money and property	936,824	-	63,057	54,130	300,581	293,940	1,648,532
Charges for services	3,974,775	-	1,724,573	15,750	-	786,255	6,501,353
Miscellaneous	1,034,240	-	40,674	125,560	-	52,121	1,252,595
Intergovernmental:							
Revenue from the Commonwealth	22,912,923	24,728,332	25,491,046	374,848	-	526,447	74,033,596
Revenue from the Federal government	5,300,021	77,763	-	15,590,208	-	1,688,754	22,656,746
Total revenues	254,918,487	24,806,095	28,042,619	16,160,496	300,581	5,576,922	329,805,200
EXPENDITURES							
Current:							
General government administration	19,074,303	-	-	7,814,185	-	884,351	27,772,839
Judicial administration	9,908,606	-	-	973,093	-	35,800	10,917,499
Public safety	68,623,712	-	-	3,804,561	-	-	72,428,273
Public works	1,013,405	-	22,331,041	2,268,261	-	159,314	25,772,021
Health and welfare	14,616,672	-	-	344,778	-	-	14,961,450
Transportation	-	-	-	-	-	2,045,390	2,045,390
Education	65,377,695	-	-	-	-	-	65,377,695
Parks, recreation, and cultural	11,398,532	-	-	45,324	-	114,854	11,558,710
Community development	7,423,826	-	-	878,525	-	-	8,302,351
Nondepartmental	673,338	-	-	-	-	-	673,338
Capital outlay	-	48,026,860	-	-	-	-	48,026,860
Debt service:							
Principal retirement	-	-	-	-	19,074,488	-	19,074,488
Bond issuance costs	-	-	-	-	506,360	-	506,360
Interest and fiscal charges	-	-	-	-	8,801,914	-	8,801,914
Total expenditures	198,110,089	48,026,860	22,331,041	16,128,727	28,382,762	3,239,709	316,219,188
Excess (deficiency) of revenues over/(under) expenditures	56,808,398	(23,220,765)	5,711,578	31,769	(28,082,181)	2,337,213	13,586,012
OTHER FINANCING SOURCES (USES)							
Refunding bonds issued	-	-	-	-	17,990,000	-	17,990,000
General obligations bonds issued	-	27,090,000	-	-	-	-	27,090,000
Premiums on bonds issued	-	2,660,000	-	-	268,122	-	2,928,122
Payment to escrow agent	-	-	-	-	(17,754,699)	-	(17,754,699)
Transfers in	2,930,647	7,451,056	127,790	511,861	27,578,758	1,121,015	39,721,128
Transfers out	(33,494,035)	(415,142)	(3,096,628)	-	-	(1,337,037)	(38,342,842)
Total other financing sources (uses), net	(30,563,388)	36,785,914	(2,968,838)	511,861	28,082,181	(216,022)	31,631,709
Net change in fund balances	26,245,010	13,565,149	2,742,740	543,630	-	2,121,191	45,217,720
Fund balances at July 1	109,264,630	56,613,613	15,857,787	2,195,747	492,720	9,384,577	193,809,074
Fund balances at June 30	\$ 135,509,640	\$ 70,178,762	\$ 18,600,527	\$ 2,739,377	\$ 492,720	\$ 11,505,768	\$ 239,026,794

CITY OF SUFFOLK, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	Total Governmental Funds
Change in fund balance - total governmental funds	\$ 45,217,720
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	52,498,272
Depreciation expense	(42,789,419)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable revenues	2,728,680
Lease revenue paid in form of leasehold improvements	356,000
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayment and payments to escrow agent	39,844,497
Net change in deferred bond charges from refunding	(730,617)
Proceeds from issuance of new debt	(45,080,000)
Net change in bond premiums	(1,094,370)
Record the net flow of resources in the current year related to the Pension Plan.	1,977,626
Record the net flow of resources in the current year related to the OPEB City trust fund.	914,546
Record the net flow of resources in the current year related to the state OPEB plans.	(602,069)
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	73,434
Change in compensated absences	3,905
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.	766,212
Change in net position of governmental activities	\$ 54,084,417

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2022

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 40,405,779	\$ 15,515,152	\$ 55,920,931	\$ 34,481,150
Cash and cash equivalents, restricted	31,077,319	379,623	31,456,942	1,598,726
Receivables, net	7,763,270	784,812	8,548,082	217,262
Inventories	216,413	-	216,413	439,893
Total current assets	79,462,781	16,679,587	96,142,368	36,737,031
Noncurrent assets:				
Land and construction in progress	21,168,615	2,447,121	23,615,736	1,183,777
Other capital assets, net	437,241,258	174,123	437,415,381	15,471,583
Right to use leased assets, net of amortization	4,094,080	25,249	4,119,329	412,784
Total noncurrent assets	462,503,953	2,646,493	465,150,446	17,068,144
Total assets	541,966,734	19,326,080	561,292,814	53,805,175
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	22,399,624	-	22,399,624	-
Deferred outflows related to pension plan	1,679,095	1,233,233	2,912,328	925,436
Deferred outflows related to OPEB City trust	637,418	438,225	1,075,643	288,832
Deferred outflows related to OPEB state plans	85,161	64,330	149,491	48,404
Total deferred outflows of resources	24,801,298	1,735,788	26,537,086	1,262,672
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,622,588	627,777	2,250,365	1,118,583
Accounts payable from restricted resources	306,397	-	306,397	-
Accrued payroll and related liabilities	261,420	179,854	441,274	178,455
Unearned revenues	332,011	-	332,011	-
Claims payable	-	-	-	2,384,806
Accrued interest payable	3,374,149	8,901	3,383,050	114,167
Compensated absences	310,774	225,042	535,816	12,761
Bonds and leases payable	16,049,677	197,319	16,246,996	1,736,332
Total current liabilities	22,257,016	1,238,893	23,495,909	5,545,104
Noncurrent liabilities:				
Compensated absences	238,857	107,785	346,642	300,925
Net pension liability	1,554,703	1,127,920	2,682,623	845,224
Net OPEB liability City trust	22,259	15,303	37,562	10,086
Net OPEB liability state plans	296,195	223,517	519,712	168,725
Claims payable	-	-	-	1,650,939
Bonds and leases payable	370,588,862	386,314	370,975,176	4,908,145
Total noncurrent liabilities	372,700,876	1,860,839	374,561,715	7,884,044
Total liabilities	394,957,892	3,099,732	398,057,624	13,429,148
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension plan	3,001,628	2,177,650	5,179,278	1,631,855
Deferred inflows related to OPEB City trust	601,910	413,813	1,015,723	272,740
Deferred inflows related to OPEB state plans	122,553	92,481	215,034	69,813
Total deferred inflows of resources	3,726,091	2,683,944	6,410,035	1,974,408
NET POSITION				
Net investment in capital assets	126,384,332	2,606,259	128,990,591	12,233,247
Restricted:				
Operating reserves	2,651,628	-	2,651,628	-
Unrestricted	39,048,089	12,671,933	51,720,022	27,431,044
Total net position	\$ 168,084,049	\$ 15,278,192	\$ 183,362,241	\$ 39,664,291

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2022

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
OPERATING REVENUES				
Charges for services	\$ 58,898,742	\$ 19,036,742	\$ 77,935,484	\$ 38,275,696
Other	71,879	769,023	840,902	778,742
Total operating revenues	<u>58,970,621</u>	<u>19,805,765</u>	<u>78,776,386</u>	<u>39,054,438</u>
OPERATING EXPENSES				
Personnel services	6,930,504	5,008,850	11,939,354	3,676,336
Self-insured claims	-	-	-	13,330,401
Contractual services	530,964	5,746,870	6,277,834	7,136,576
Administration	3,433,626	3,116,044	6,549,670	974,791
Supplies	1,066,280	244,299	1,310,579	49,378
Repairs and maintenance	1,971,387	11,480	1,982,867	233,569
Vehicle and power equipment – fuel	-	-	-	2,090,413
Vehicle and power equipment – supplies	-	-	-	2,522,867
Computers and equipment	-	-	-	678,810
Utilities	1,438,796	68,818	1,507,614	223,529
Insurance	-	-	-	3,079,870
Bulk-water purchases	8,157,892	-	8,157,892	-
Depreciation and amortization	18,129,317	108,694	18,238,011	3,079,116
Building and equipment rental	205,744	89,628	295,372	120,716
Other charges	17,543	99,052	116,595	689,098
Total operating expenses	<u>41,882,053</u>	<u>14,493,735</u>	<u>56,375,788</u>	<u>37,885,470</u>
Operating income	<u>17,088,568</u>	<u>5,312,030</u>	<u>22,400,598</u>	<u>1,168,968</u>
NONOPERATING REVENUES (EXPENSES)				
Loss on disposal of capital assets		-	-	(484,909)
Interest income	114,093	36,151	150,244	87,162
Rental Income	12,220	-	12,220	-
Interest expense and other fiscal charges	(11,397,010)	(13,279)	(11,410,289)	(193,193)
Costs of issuance	(638,465)	-	(638,465)	106,070
Recovered Costs	-	-	-	-
Contribution to WTTVA infrastructure	(59,832)	-	(59,832)	-
Nonoperating revenues (expenses), net	<u>(11,968,994)</u>	<u>22,872</u>	<u>(11,946,122)</u>	<u>(484,870)</u>
Income before contributions and transfers	5,119,574	5,334,902	10,454,476	684,098
Capital contributions	5,269,223	-	5,269,223	389,000
Transfers in	146,910	367,881	514,791	332,929
Transfers out	<u>(808,685)</u>	<u>(777,506)</u>	<u>(1,586,191)</u>	<u>(639,815)</u>
Change in net position	9,727,022	4,925,277	14,652,299	766,212
Net position at July 1 (as restated) Note 17	<u>158,357,027</u>	<u>10,352,915</u>	<u>168,709,942</u>	<u>38,898,079</u>
Net position at June 30	<u><u>\$ 168,084,049</u></u>	<u><u>\$ 15,278,192</u></u>	<u><u>\$ 183,362,241</u></u>	<u><u>\$ 39,664,291</u></u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2022

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	Utility Fund	Non-Major Funds	Total	
OPERATING ACTIVITIES				
Receipts from customers	\$ 60,075,187	\$ 19,651,132	\$ 79,726,319	\$ 39,035,134
Payments to employees	(7,281,701)	(5,121,898)	(12,403,599)	(3,949,035)
Payments to suppliers	(16,987,432)	(9,168,501)	(26,155,933)	(31,211,855)
Net cash provided by operating activities	35,806,054	5,360,733	41,166,787	3,874,244
NONCAPITAL FINANCING ACTIVITIES				
Nonoperating revenues	12,220	-	12,220	-
Transfers from other funds	146,910	1,318,180	1,465,090	332,929
Transfers to other funds	(868,517)	(1,727,806)	(2,596,323)	(639,815)
Net cash used in noncapital financing activities	(709,387)	(409,626)	(1,119,013)	(306,886)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(8,238,369)	(2,551,017)	(10,789,386)	(1,876,436)
Proceeds from premiums on debt issuance	694,611	-	694,611	38,857
Proceeds from issuance of debt	16,170,000	-	16,170,000	215,000
Principal paid on capital debt, net	(14,541,650)	(169,450)	(14,711,100)	(2,250,359)
Refunding proceeds placed in escrow	(18,686,634)	-	(18,686,634)	-
Bond issuance costs	1,763,293	-	1,763,293	(150,269)
Interest paid on capital debt	(11,608,249)	(29,514)	(11,637,763)	(234,235)
Net cash used in capital and related financing activities	(34,446,998)	(2,749,981)	(37,196,979)	(4,257,442)
INVESTING ACTIVITIES				
Interest received	114,093	36,151	150,244	87,162
Net cash provided by investing activities	114,093	36,151	150,244	87,162
Net increase (decrease) in cash and cash equivalents	763,762	2,237,277	3,001,039	(602,922)
CASH AND CASH EQUIVALENTS				
Beginning, July 1,	70,719,336	13,657,498	84,376,834	36,682,798
Ending, June 30	\$ 71,483,098	\$ 15,894,775	\$ 87,377,873	\$ 36,079,876
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ 40,405,779	\$ 15,515,152	\$ 55,920,931	\$ 34,481,150
Cash and cash equivalents, restricted	31,077,319	379,623	31,456,942	1,598,726
	\$ 71,483,098	\$ 15,894,775	\$ 87,377,873	\$ 36,079,876

(Continued)

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2022

	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	\$ 17,088,568	\$ 5,312,030	\$ 22,400,598	\$ 1,168,968
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	18,129,317	108,694	18,238,011	3,079,116
Increase in allowance for uncollectible accounts	(195,779)	(140,331)	(336,110)	-
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	1,117,753	(14,301)	1,103,452	(19,306)
Inventories	(64,309)	-	(64,309)	(162,196)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(100,889)	207,689	106,800	371,335
Accrued payroll and related liabilities	(351,197)	(113,048)	(464,245)	(272,699)
Unearned revenues	182,590	-	182,590	-
Claims payable	-	-	-	(290,974)
Net cash provided by operating activities	<u>\$ 35,806,054</u>	<u>\$ 5,360,733</u>	<u>\$ 41,166,787</u>	<u>\$ 3,874,244</u>

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2022

	OPEB Trust Fund	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 46,171,949	\$ 140,814
Accounts receivable	-	3,296
Total assets	46,171,949	144,110
LIABILITIES		
Accounts payable	-	24,248
Amounts held for others	-	30,764
Total liabilities	-	55,012
NET POSITION		
Restricted:		
Postemployment benefits other than pensions	46,171,949	-
Individuals, organizations, and other governments	-	89,098
Total net position	\$ 46,171,949	\$ 89,098

CITY OF SUFFOLK, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2022

	OPEB Trust Fund	Custodial Funds
ADDITIONS		
Employer contributions	\$ 729,520	\$ -
Gain on Investments	22,986	-
Permits and fees	-	43,019
Miscellaneous revenue	-	55,628
Total additions	<u>752,506</u>	<u>98,647</u>
DEDUCTIONS		
Administrative fees	43,015	-
Loss on Investments	4,686,990	-
Special welfare agency payments	-	30,539
Payments to other governments	-	54,386
Total deductions	<u>4,730,005</u>	<u>84,925</u>
Change in net position	(3,977,499)	13,722
NET POSITION AT JULY 1	<u>50,149,448</u>	<u>75,376</u>
NET POSITION AT JUNE 30	<u><u>\$ 46,171,949</u></u>	<u><u>\$ 89,098</u></u>

NOTES TO FINANCIAL STATEMENTS

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 (the “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. 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, 2022

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, 2022

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, 2022

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-custodial 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 custodial 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 custodial 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, 2022

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, 2022

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.

Consolidated Grants Fund – accounts for revenue and expenditures related to grants received from various federal and state granting agencies.

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, Law Library, Route 17 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, 2022

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:

The City and School Board each have the following fiduciary funds:

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

Custodial Funds – *Custodial Funds* accounts for assets held by the City as an agent for individuals, private organization, and other governments. Custodial funds are not included in the government-wide financial statements. Custodial funds utilize an economic resources measurement focus. In addition to the City’s agency funds listed below.

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

D. Stewardship, Compliance, and Accountability (Continued)

Budgeting Information (Continued)

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.

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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. Leases Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. The City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments would be recorded as an inflow of resources.

J. 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 City has recorded intangible right to use assets as a result of implementing GASB 87. The right to use asset is initially measured as an amount equal to the initial measurement of the related lease liability. The right to use assets are amortized on a straight line basis over the life of the related lease.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

J. Capital Assets (continued)

The estimated useful lives of capital assets are as follows:

Buildings	40 years
Improvements other than buildings	15-75 years
Infrastructure	5-50 years
Machinery and equipment	3-50 years
Intangibles	5-10 years

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

K. 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.

L. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets 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 may 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

M. Deferred Inflows of Resources

Deferred Inflows of resources represent an acquisition of net assets 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 may 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. Deferred Inflows recorded related to leases receivable are recorded at the initiation of the lease in the amount equal to the initial recording of the lease receivable. The deferred inflow is amortized on a straight-line basis over the term of the lease.

N. 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 it has 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.

O. 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

P. 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.

Q. 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. 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

Q. VRS Sponsored OPEB Programs (continued)

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.

Teacher Employee Health Insurance Credit Program (THIC)

The VRS HIC Program is a multiple-employer, cost-sharing plan. The THIC 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 THIC 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 THIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC Program OPEB, and the THIC Program OPEB expense, information about the fiduciary net position of the VRS THIC Program; and the additions to/deductions from the VRS THIC 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.

Non-Teacher Employee Health Insurance Credit Program (NTHIC)

The VRS NTHIC Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired school board non-teacher employees. The NTHIC 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. For purposes of measuring the net NTHIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the NTHIC Program OPEB, and the NTHIC Program OPEB expense, information about the fiduciary net position of the VRS NTHIC 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

R. Fund Balance

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

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

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

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

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

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 a financial policy goal that unassigned fund balance should be 20% of the following fiscal years governmental funds budget, using the formula stated above. The City also has a policy that any excess amounts over the 20% will be dedicated to a budget stabilization fund, until that reaches 2% of the budgeted revenue and then to a capital reserve fund, both of these reserves are reported as committed fund balance.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

R. Fund Balance

The budget stabilization fund is established by City Council and will be added to as necessary each year with excess fund balance to maintain 2% of the budgeted revenue, the stabilization fund can be spent with approval of council. As of June 30, 2022, the balance is \$11,741,438.

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.

S. 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.

T. 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.

U. 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

V. Change in Accounting Principle

Effective July 1, 2021 the City has implemented the provisions of the following GASB Statements.

GASB Statement No. 87, *Leases* which established improved accounting and financial reporting for leases. Leases are defined as a contract, which conveys control of the right to use another entity's nonfinancial asset for a period of time. The implementation of this statement is reflected as a prior period adjustment to the beginning net position for both leases as a lessee and as a lessor. The implementation of the statement is shown throughout the notes to the financial statements in the notes specifically related to Leases and a note related to the prior period adjustment.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest costs incurred prior to the end of a construction period be recognized as an expense in the period in which the cost is incurred. The implementation of this standard had no impact on the financial reporting for the City.

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. The implementation of this standard has no material impact on the financial reporting for the City.

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). The implementation of this standard has no material impact on the financial reporting for the City.

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. The implementation of this standard has no material impact on the financial reporting for the City.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 2. Deposits and Investments

Deposits

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

Investments

The City’s investments are subject to credit risk, concentration of credit risk, and interest rate risk as described below. The City’s investments are not subject to custodial risk or foreign currency risk.

Credit Risk

Credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. If a credit quality disclosure is required and the investment is unrated, the disclosure should indicate that fact.

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.

The Virginia Pooled OPEB Trust Fund’s investments are not restricted to fixed-income securities but rather are commingled across sectors and include investments in fixed-income securities, equity securities, and real assets. Credit quality disclosure is not required for the Virginia Pooled OPEB Trust Fund.

Interest Rate Risk

Interest rate risk is the risk that change in interest rates will adversely affect the fair value of an investment.

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 2. Deposits and Investments (Continued)

Interest Rate Risk (continued)

Interest rate risk does not apply to the SNAP pooled investments. Investments held in the Virginia Pooled OPEB Trust Fund are not restricted to fixed-income securities but rather are commingled across sectors and include investments in fixed-income securities, equity securities and real assets. Interest rate disclosures for the Virginia Pooled Trust fund is not required.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a governments investment in a single issuer. Investments in external investment pools are excluded from the concentration of credit risk disclosure requirements. 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.

Fair Value Disclosures

Fair value disclosures related to the Virginia Pooled OPEB Trust Fund are as follows:

Portfolio I: The fair value of portfolio I is determined using the NAV per share of the investments. Portfolio I is an external investment pool and is constructed to achieve an expected rate of return of approximately 7.5%. This objective is achieved by weighting the asset allocation more heavily towards equities and real assets, an allocation that tends to have greater market volatility than a portfolio weighted more heavily towards fixed income. The portfolio includes investments diversified across fixed-income, equities, and real assets. Participant redemptions may be made to pay authorized OPEB expenses. Participant withdrawals are redeemable quarterly and require a ninety-day written notice.

Portfolio II: The fair value of Portfolio II is determined using the NAV per share of investments. Portfolio II is an external investment pool and is constructed to achieve an expected rate of return of approximately 6.0% and to experience less volatility by allocating a greater weight to fixed-income investments than equity investments. The portfolio includes investments diversified across fixed-income, equities, and real assets. Participant redemptions may be made to pay authorized OPEB expenses. Participant withdrawals are redeemable quarterly and require a ninety-day written notice.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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	\$ 69,228,527	\$ 7,909,901	\$ 77,138,428
Capital Projects	492,720	20,515,790	21,008,510
Cemetery	937,254	-	937,254
Escrow/bond/customer deposits	1,167,500	-	1,167,500
Other external purposes	25,852,662	3,031,251	28,883,913
Total	<u>\$ 97,678,663</u>	<u>\$ 31,456,942</u>	<u>\$ 129,135,605</u>

Cash and Cash Equivalents

	Primary Government	Component Units School Board	Economic Development Authority
Deposits and Investments:			
SNAP	\$ 77,138,428	\$ -	\$ -
Deposits	316,538,113	23,954,979	8,256,922
Total	<u>\$ 393,676,541</u>	<u>\$ 23,954,979</u>	<u>\$ 8,256,922</u>
Statement of Net Position:			
Cash and cash equivalents	\$ 264,540,936	\$ 23,954,979	\$ 6,133,044
Cash and cash equivalents, restricted	129,135,605	-	2,123,878
Total	<u>\$ 393,676,541</u>	<u>\$ 23,954,979</u>	<u>\$ 8,256,922</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 3. Receivables

Receivables are as follows:

Governmental Activities							
	General	Road Maintenance	Consolidated Grants Fund	Non-major Governmental Funds	Internal Service Funds		Total
					Fleet Management	Information Technology	
Taxes	\$ 8,328,372	\$ -	\$ -	\$ 11,726	\$ -	\$ -	\$ 8,340,098
Accounts	6,716,363	89,380	2,500	130,988	156,262	61,000	7,156,493
Subtotal	15,044,735	89,380	2,500	142,714	156,262	61,000	15,496,591
Less Allowance	(4,777,785)	-	-	(209)	-	-	(4,777,994)
Receivables, net	<u>\$ 10,266,950</u>	<u>\$ 89,380</u>	<u>\$ 2,500</u>	<u>\$ 142,505</u>	<u>\$ 156,262</u>	<u>\$ 61,000</u>	<u>\$ 10,718,597</u>

Business-type Activities					
	Utilities	Refuse	Stormwater	Total	Component Unit -- School Board
Accounts	\$ 8,426,921	\$ 731,911	\$ 293,749	\$ 9,452,581	\$ 214,616
Less Allowance	(663,651)	(155,367)	(85,481)	(904,499)	-
Receivables, net	<u>\$ 7,763,270</u>	<u>\$ 576,544</u>	<u>\$ 208,268</u>	<u>\$ 8,548,082</u>	<u>\$ 214,616</u>

Allowances for Uncollectible Accounts

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

	Governmental Activities	Business-type Activities
General Fund - Taxes receivable	\$ 3,729,454	\$ -
General Fund - EMS receivable	1,048,331	-
Non-major Funds - Taxes receivable	209	-
Utility Fund - Accounts receivable	-	663,651
Non-major Proprietary Funds - accounts receivable	-	240,848
	<u>\$ 4,777,994</u>	<u>\$ 904,499</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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	Consolidated Grants	Non-major Governmental Funds	Total
<u>Commonwealth of Virginia:</u>					
State sales tax	\$ 1,356,884	\$ -	\$ -	\$ -	\$ 1,356,884
Communication sales tax	204,387	-	-	-	204,387
Non-categorical state aid	310,464	-	-	-	310,464
Shared expenses	1,801	-	-	-	1,801
Social services reimbursement	60,239	-	-	-	60,239
VA Department of Transportation	-	1,817,454	-	-	1,817,454
Various other state aid and grants	187,618	-	1,057,710	580,741	1,826,069
	<u>2,121,393</u>	<u>1,817,454</u>	<u>1,057,710</u>	<u>580,741</u>	<u>5,577,298</u>
<u>Federal Government:</u>					
Social services reimbursement	284,221	-	-	-	284,221
Various grants	-	30,353	1,084,241	-	1,114,594
	<u>284,221</u>	<u>30,353</u>	<u>1,084,241</u>	<u>-</u>	<u>1,398,815</u>
Total due from other governments	<u>\$ 2,405,614</u>	<u>\$ 1,847,807</u>	<u>\$ 2,141,951</u>	<u>\$ 580,741</u>	<u>\$ 6,976,113</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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	\$ 1,898,608	\$ -	\$ -	\$ 1,898,608
Security Equipment Grant		146,063	-	146,063
	<u>1,898,608</u>	<u>146,063</u>	<u>-</u>	<u>2,044,671</u>
<u>Federal Government:</u>				
School food reimbursement	-	-	1,745,975	1,745,975
HVAC ARP CSLFRF	-	1,000,000	-	1,000,000
Title I	-	1,803,464	-	1,803,464
CARES III	-	1,985,306	-	1,985,306
Title VI-B	-	904,565	-	904,565
CARES I	-	39,832	-	39,832
CARES II	-	1,453,386	-	1,453,386
Various grants	55,473	507,309	-	562,782
	<u>55,473</u>	<u>7,693,862</u>	<u>1,745,975</u>	<u>9,495,310</u>
<u>Local</u>	<u>-</u>	<u>49,386</u>	<u>-</u>	<u>49,386</u>
Total due from other governments	<u>\$ 1,954,081</u>	<u>\$ 7,889,311</u>	<u>\$ 1,745,975</u>	<u>\$ 11,589,367</u>

Note 5. Interfund Transactions:

	Transfers to:							
	General Fund	Capital Projects	Major Special Revenue	Debt Service	Non-major Special Revenue	Enterprise Funds	Internal Service Funds	Total
Transfers from:								
General Fund	\$ -	\$ 5,641,950	\$ 639,651	\$ 25,699,851	\$ 925,778	\$ 253,876	\$ 332,929	\$ 33,494,035
Major Special Revenue	714,960	1,055,448	-	1,326,220	-	-	-	3,096,628
Capital Projects	-	-	-	154,227	-	260,915	-	415,142
Utility	808,685	-	-	-	-	-	-	808,685
Non-major:								
Special Revenue	184,918	753,659	-	398,460	-	-	-	1,337,037
Enterprise	582,269	-	-	-	195,237	-	-	777,506
Internal Service	639,815	-	-	-	-	-	-	639,815
	<u>\$ 2,930,647</u>	<u>\$ 7,451,056</u>	<u>\$ 639,651</u>	<u>\$ 27,578,758</u>	<u>\$ 1,121,015</u>	<u>\$ 514,791</u>	<u>\$ 332,929</u>	<u>\$ 40,568,848</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, 2022

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	\$ 191,782,099
Repayment of School Board debt	<u>10,156,192</u>
	<u>\$ 201,938,291</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 7. Capital Assets

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

	Governmental Activities			
	Beginning Balance*	Increases	Decreases	Ending Balance
Capital Assets, non-depreciable				
Land	\$ 23,487,994	\$ 131,400	\$ -	\$ 23,619,394
Construction in Progress	112,831,237	48,026,862	8,429,152	152,428,947
Total Capital assets, non-depreciable	136,319,231	48,158,262	8,429,152	176,048,341
Capital Assets, depreciable				
Buildings	129,269,713	70	-	129,269,783
Infrastructure	439,958,896	-	217,111	439,741,785
Improvements other than buildings	57,556,313	1,908,324	-	59,464,637
Machinery and equipment*	109,373,731	10,492,941	2,955,087	116,911,585
Intangible right to use leased assets - Equipment*	6,009,092	-	-	6,009,092
Intangible right to use leased assets - Real Estate*	18,716,537	-	-	18,716,537
Intangibles	4,314,785	2,850,374	-	7,165,159
Total capital assets, depreciable	765,199,067	15,251,709	3,172,198	777,278,578
Less accumulated depreciation for:				
Buildings	42,903,291	3,000,707	-	45,903,998
Infrastructure	190,716,371	31,809,097	-	222,525,468
Improvement other than buildings	18,136,237	2,106,930	-	20,243,167
Machinery and equipment*	81,035,342	6,280,167	2,470,178	84,845,331
Intangible right to use leased assets - Equipment	-	950,095	-	950,095
Intangible right to use leased assets - Real Estate	-	1,223,918	-	1,223,918
Intangibles	2,586,616	497,621	-	3,084,237
Total accumulated depreciation	335,377,857	45,868,535	2,470,178	378,776,214
Total capital assets, depreciable, net	429,821,210	(30,616,826)	702,020	398,502,364
Governmental activities, capital assets, net	\$ 566,140,441	\$ 17,541,436	\$ 9,131,172	\$ 574,550,705

* Beginning balance restated for implementation of GASB 87

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 7. Capital Assets (Continued)

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

Governmental Activities:

General government	\$ 6,249,199
Judicial administration	8,306
Public safety	1,935,335
Public works	35,562,483
Community Development	1,140,110
Education	5,091
Parks, recreation, and cultural	968,011
	<u>\$ 45,868,535</u>

Government activities included depreciation of \$2,252,595 for the Fleet Maintenance fund, \$104,805 for the Risk Management fund, and \$721,716 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	\$ 4,675,235	\$ -	\$ -
Construction in Progress	27,036,478	10,686,203	18,782,180
Total Capital assets, non-depreciable	31,711,713	10,686,203	23,615,736
Capital Assets, depreciable			
Buildings	105,338,227	2,999,631	-
Improvements other than buildings	411,481,896	9,708,968	-
Infrastructure	24,656	-	-
Machinery and equipment	113,993,137	10,684,964	-
Intangible right to use leased assets - equipment	5,038,898	-	-
Intangibles	17,075,977	761,025	-
Total capital assets, depreciable	652,952,791	24,154,588	-
Less accumulated depreciation for:			
Buildings	32,403,302	2,471,276	-
Improvement other than buildings	121,695,720	8,096,193	-
Infrastructure	2,311	617	-
Machinery and equipment	53,848,430	4,325,614	-
Intangible right to use leased assets - equipment	-	919,569	-
Intangibles	9,384,895	2,424,742	-
Total accumulated depreciation	217,334,658	18,238,011	-
Total capital assets, depreciable, net	435,618,133	5,916,577	-
Business-type activities, capital assets, net	\$ 467,329,846	\$ 16,602,780	\$ 18,782,180
	\$ 465,150,446		

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 7. Capital Assets (Continued)

The City has recorded right to use leased assets. The assets are right to use assets for leased equipment and real estate. The related leases are discussed in the Leases note (see note 10). The right to use lease assets are amortized on a straight-line basis over the terms of the related lease.

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	255,791,049	1,084,588	-	256,875,637
Improvements other than buildings	16,650,054	364,444	-	17,014,498
Machinery and equipment	60,963,780	2,394,516	147,622	63,210,674
Total capital assets, depreciable	333,404,883	3,843,548	147,622	337,100,809
Less accumulated depreciation for:				
Buildings	114,719,201	5,078,296	-	119,797,497
Improvement other than buildings	13,368,396	458,572	-	13,826,968
Machinery and equipment	41,014,810	5,679,805	147,622	46,546,993
Total accumulated depreciation	169,102,407	11,216,673	147,622	180,171,458
Total capital assets, depreciable, net	164,302,476	(7,373,125)	-	156,929,351
Component Unit - School Board, capital assets, net	\$ 170,689,999	\$ (7,373,125)	\$ -	\$ 163,316,874

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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	\$ 24,602,150	\$ 24,602,150
Golf-course lease revenue -- unearned (Note 10)	-	1,148,624
Total unavailable/unearned revenues	<u>\$ 24,602,150</u>	<u>\$ 25,750,774</u>
Deferred inflows of resources:		
Prepaid taxes and other amounts -- unearned	\$ 1,350,840	\$ 1,350,840
Leases receivable	1,879,447	1,879,447
Developer deposits -- unearned (General)	1,167,500	1,167,500
Developer deposits -- unearned (Road Maintenance)	447,224	447,224
Hanger deposits -- unearned (Aviation)	18,587	18,587
Proffers received -- unearned	5,140,053	5,140,053
Taxes receivable, net -- unavailable	3,004,937	-
Total unavailable/unearned revenues -- governmental funds	<u>\$ 13,008,588</u>	<u>\$ 10,003,651</u>

Unearned revenue in the Utility Fund of \$332,011 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, 2022

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	\$ 271,347,465	\$ 45,295,000	\$ 36,593,993	\$ 280,048,472	\$ 21,874,488
Bonds from direct borrowing and direct placements	4,350,000	-	600,000	3,750,000	415,000
Add bond premiums and other credits	17,819,142	2,966,979	3,340,749	17,445,372	1,971,788
	293,516,607	48,261,979	40,534,742	301,243,844	24,261,276
Lease Liabilities *	24,725,629	-	3,080,669	21,644,960	2,330,538
	318,242,236	48,261,979	43,615,411	322,888,804	26,591,814
Net pension liability	56,536,142	39,715,408	78,426,633	17,824,917	-
Net OPEB liability City trust	7,667,851	6,135,865	13,590,866	212,850	-
Net OPEB liability state plans	16,402,073	10,040,571	10,774,723	15,667,921	179,026
Claims payable	4,326,719	16,267,741	16,558,715	4,035,745	2,384,806
Compensated absences	6,550,550	2,382,056	2,410,847	6,521,759	3,224,087
Governmental activities, long-term liabilities	\$ 409,725,571	\$ 122,803,620	\$ 165,377,195	\$ 367,151,996	\$ 32,379,733
<u>Business-type activities:</u>					
General obligation bonds	\$ 171,182,535	\$ 980,000	\$ 8,971,007	\$ 163,191,528	\$ 8,370,512
Revenue bonds	204,755,000	15,190,000	18,425,000	201,520,000	5,360,000
Bonds from direct borrowing and direct placements	3,996,000	-	775,000	3,221,000	785,000
Add bond premiums and other credits	18,009,839	694,611	3,548,116	15,156,334	820,180
	397,943,374	16,864,611	31,719,123	383,088,862	15,335,692
Lease Liabilities *	5,038,898	-	905,588	4,133,310	911,304
	402,982,272	16,864,611	32,624,711	387,222,172	16,246,996
Net pension liability	8,772,427	5,713,285	11,803,089	2,682,623	-
Net OPEB liability City trust	1,408,381	1,073,337	2,444,156	37,562	-
Net OPEB liability state plans	752,958	158,763	392,009	519,712	-
Compensated absences	846,161	512,095	475,798	882,458	535,816
Business-type activities, long-term liabilities	\$ 414,762,199	\$ 24,322,091	\$ 47,739,763	\$ 391,344,527	\$ 16,782,812

* Beginning balances for Leases have been restated relating to the implementation of GASB 87.

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, 2022

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:						
2011 VPSA Local School Bond (a)	12/15/11	06/30/31	4.97	7,500,000	3,750,000	-
2013 Public Improvement and Refunding Bonds	07/30/13	12/01/32	3.00-5.00	64,415,000	5,663,472	4,331,528
2014 Public Improvement and Refunding Bonds	07/30/15	02/01/42	2.00-5.00	124,820,000	7,760,000	4,275,000
2015 Public Improvement and Refunding Bonds	07/08/15	02/01/35	2.00-5.00	41,170,000	11,240,000	-
2016 Public Improvement and Refunding Bonds	07/14/16	02/01/36	1.50-5.00	51,085,000	42,495,000	-
2016 Refunding Bonds -- Taxable	07/14/16	02/01/35	1.10-4.00	25,745,000	18,100,000	-
2017 Public Improvement and Refunding Bonds	07/27/17	02/01/42	3.125-5.00	69,775,000	24,505,000	36,760,000
2017 Taxable Refunding Bonds	07/27/17	02/01/32	2.25-3.36	20,245,000	-	19,145,000
2018 Public Improvement Bonds	08/14/18	02/01/38	2.95 - 5.00	18,530,000	16,555,000	160,000
2019 Public Improvement Bonds	09/26/19	02/01/40	2.5 - 5.00	21,705,000	19,980,000	350,000
2019 Taxable Refunding Bonds	09/26/19	02/01/33	1.87 - 2.76	52,335,000	28,025,000	19,720,000
2020A Public Improvement Bonds	09/15/20	02/01/41	1.125 - 5.00	25,635,000	25,100,000	-
2020AB Public Improvement Refunding Bonds	09/15/20	02/01/42	0.18 - 2.41	115,800,000	35,540,000	77,495,000
2021A Public Improvement Bonds	10/05/21	02/01/42	1.625 - 5.00	27,305,000	27,305,000	-
2021AB Public Improvement Refunding Bonds	10/05/21	02/01/35	0.10 - 2.00	18,970,000	17,780,000	955,000
Total general obligation bonds					<u>\$ 283,798,472</u>	<u>\$ 163,191,528</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows: (Continued)

	<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	\$ 40,195,000
2016C VRA Revenue and Refunding bonds	11/16/16	10/21/43	2.12-5.12	92,795,000	78,070,000
2017C VRA Revenue bonds	11/01/17	10/01/42	3.012-5.125	14,355,000	13,410,000
2019 VRA Refunding Bonds (a)	01/19/00	10/01/25	1.88	4,854,000	3,221,000
2020 VRA Revenue Bonds	07/22/20	10/01/46	2.125 - 5.125	14,020,000	13,715,000
2020 VRA Refunding Bonds	10/27/20	10/01/45	0.374 - 2.954	41,585,000	40,940,000
2021 VRA Refunding Bonds	11/17/21	10/01/37	1.485 - 2.818	15,190,000	15,190,000
Total pledged revenue bonds					<u>\$ 204,741,000</u>

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

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

Year Ending	<u>Governmental Activities</u>			
	<u>General Obligations Bonds</u>		<u>Bonds from direct borrowings or placements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,				
2023	\$ 21,874,488	\$ 8,441,944	\$ 415,000	\$ 318,750
2024	22,514,488	7,521,621	415,000	318,750
2025	22,499,496	6,557,614	415,000	318,750
2026	22,190,000	5,819,286	415,000	318,750
2027	21,780,000	5,187,739	415,000	318,750
2028-2032	90,565,000	17,047,553	1,675,000	1,115,625
2033-2037	59,345,000	6,090,988	-	-
2038-2042	19,280,000	1,044,838	-	-
	<u>\$280,048,472</u>	<u>\$ 57,711,583</u>	<u>\$ 3,750,000</u>	<u>\$ 2,709,375</u>

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9. Long-Term Liabilities (Continued)

Year Ending June 30,	Business-type Activities					
	General Obligations Bonds		Revenue Bonds		Revenue Bonds from Direct Placement	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 8,370,512	\$ 4,022,073	\$ 5,360,000	\$ 6,877,308	\$ 785,000	\$ 53,176
2024	8,535,512	3,700,892	5,570,000	6,658,752	800,000	38,277
2025	8,840,504	3,399,012	5,805,000	6,426,622	811,000	23,133
2026	9,020,000	3,221,113	6,070,000	6,167,828	825,000	7,755
2027	9,235,000	3,033,958	7,210,000	5,882,893	-	-
2028-2032	44,475,000	12,432,351	43,235,000	25,178,408	-	-
2033-2037	46,950,000	7,811,108	52,420,000	17,725,461	-	-
2038-2042	26,665,000	2,450,291	61,740,000	6,945,894	-	-
2043-2047	1,100,000	34,749	14,110,000	835,675	-	-
	<u>\$163,191,528</u>	<u>\$ 40,105,547</u>	<u>\$201,520,000</u>	<u>\$ 82,698,841</u>	<u>\$ 3,221,000</u>	<u>\$ 122,341</u>

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 \$287,562,182 through 2047.

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 2.95, 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9. Long-Term Liabilities (Continued)

General Obligation Bonds and the Legal Debt Limit (continued)

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, 2022, the City's aggregate general obligation indebtedness is approximately \$701.9 million less than the Commonwealth's limit and \$358.9 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, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Component Unit - School Board</u>					
Other postemployment benefits, net	\$ 20,311,855	\$ -	\$ 2,400,847	\$ 17,911,008	\$ -
Net pension liability	139,814,099	-	65,973,846	73,840,253	-
Compensated Absences	2,805,968	1,958,103	1,639,950	3,124,121	322,312
	<u>\$ 162,931,922</u>	<u>\$ 1,958,103</u>	<u>\$ 70,014,643</u>	<u>\$ 94,875,382</u>	<u>\$ 322,312</u>

Direct Borrowings or Placements:

The City has outstanding bonds from direct borrowings and placement related to governmental activities and Business-type activities of \$3,750,000 and \$3,221,000, 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 \$3,750,000 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.

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9. Long-Term Liabilities (Continued)

Refunding of Debt (continued)

	<u>General</u>	<u>Utilities</u>	<u>Utilities</u>
	<u>Government</u>	<u>G.O. Bonds</u>	<u>VRA Revenue Bonds</u>
Type of bonds refunded	G.O. Bonds	G.O. Bonds	11/17/2021
Issue date of refunded bonds	10/5/2021	10/5/2021	
Total refunding bonds issued (new bonds)	\$17,990,000	\$980,000	\$15,190,000
Value of Refunded bonds (old bonds)	\$15,934,505	\$890,494	\$13,475,000
Net Proceeds of refunding (including the premiums and costs of issuance)	\$17,990,000	\$980,000	\$15,954,611
Bond premium received	\$-	\$-	\$694,611
Costs of issuance	\$229,126	\$12,482	\$176,635
Aggregate difference in debt service -- savings	\$666,151	\$37,201	\$945,359
Difference in carrying values of debt (deferred debit)	\$783,880	\$46,086	\$1,547,120

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, 2022, the balance of these defeased bonds was \$184,955,000.

Bonds Authorized and Unissued:

There was no bonded debt authorized by City Council in previous years but unissued as of June 30, 2022.

Note 10. Leases

City as a Lessor – Leases Receivable:

The City has recorded fifty-eight (58) GASB Statement No. 87 leases where the City is a lessor. The revenues are received for leasing airport hangars, farmland, and communications antenna space. These related leases are discussed by type below. The discount rate for all leases is based on the average of the City's Municipal Market Data (MMD) rate. The discount rates assigned to each lease is the average MMD rate from 7/1/2021 – 02/01/2022 and the number of years of the lease.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 10. Leases (continued)

City as a Lessor – Leases Receivable (continued)

Lessor activity for the year ended June 30, 2022 is as follows:

The City has a communications antenna space lease. Under the lease the lessee pays \$34,560 per year for a total of 5 years, ending on December 31, 2024 and, \$41,472 per year for the next 5 years, in exchange for space on the City's communications antenna. In fiscal year 2022, the City recognized \$43,595 of lease revenues and \$14,802 of interest income. This lease has no variable payment terms. The lease is measured at the present value of future minimum lease payments expected to be received during the lease term at a discount rate equal to the average MMD rate for the City.

The City has two (2) farm land leases. Under the lease the lessees pay \$10,250 per year for a total of 10 years, in exchange for the right to farm the associated land. In fiscal year 2022, the City recognized \$1,370 of lease revenues and \$26 of interest income. This lease has no variable payment terms. The leases are measured at the present value of future minimum lease payments expected to be received during the lease term at a discount rate equal to the average MMD rate for the City.

The City has fifty-five (55) airport hangar leases. Under the lease the city collects \$16,304 per month in lease revenues for a total of 60 months, in exchange for the use of the hangars at the airport. In fiscal year 2022, the City recognized \$215,116 of lease revenues and \$5,678 of interest income. These leases have no variable payment terms. The leases are measured at the present value of future minimum lease payments expected to be received during the lease term at a discount rate equal to the average MMD rate for the City.

City as a Lessee:

The City has entered into various agreements to lease certain equipment, buildings, office space and land. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of July 1, 2021 for the initial implementation of GASB 87. The agreements have varying contractual dates.

There are no conditions related to any additional variable payments, such as those based on the future performance of the lessee or usage of the underlying asset, that are not included in the lease liabilities.

There are no residual value guarantees not included in the lease liability, along with the terms and conditions of the guarantees.

The discount rate is based on the average of the City's Municipal Market Data (MMD) rate. The discount rate assigned to each lease is the average MMD rate from 7/1/21 – 2/1/22 and the number of years of the lease.

There are no future lease commitments, sublease transactions, sale-leaseback or lease back transactions on lease assets.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 10. Leases (continued)

City as a Lessee (continued):

The detail for the City's lease agreements are contained below:

Lease Classification	End Dates	Number of individual leases
Buildings	12/31/2023, and 5/31/2044	2
Land	06/30/2035, and 06/30/2026	2
Office Space	06/30/2023	1
Copiers	04/30/2025, and 02/25/2025	318
Fuel Tank	10/31/2022	2
Generators	Various years through 6/30/2032	60
Mailing Equipment	Various through 07/29/2026	10

	Future Minimum Payment Schedule		
Fiscal Years	Principal	Interest	Total
2023	\$3,222,373	\$356,536	\$3,578,908
2024	2,663,651	328,632	2,992,283
2025	2,317,427	304,219	2,621,646
2026	2,119,608	280,820	2,400,428
2027	1,306,557	260,191	1,566,747
2028 - 2032	5,297,753	1,036,106	6,333,859
2033 – 2037	3,825,313	673,402	4,498,715
2037 – 2042	4,149,024	308,291	4,457,315
2042 – 2047	876,564	14,897	891,463
Total	\$25,778,270	\$3,563,094	\$29,341,364

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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 11. Defined Benefit Pension Plan (Continued)

The VRS also provided Death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publically available Annual Comprehensive Financial Report (ACFR) 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/2021-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
<p>Description (Employees Covered): Plan 1 is a defined benefit plan. The benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of July 1, 2013.</p> <p>Non-hazardous duty members were allowed to make an irrevocable decision to opt into the Hybrid plan during a special elections window held January 1 through April 30, 2014.</p>	<p>Description (Employees Covered): Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010 or their membership dates is before July 1, 2010 and they were not vested as of January 1, 2013.</p> <p>Eligible members in Plan 2 were allowed to make an irrevocable decision to opt into the Hybrid plan during a special election window held January 1 through April 30, 2014.</p>	<p>Description (Employees Covered): The Hybrid Plan combines the features of a defined benefit and a defined contribution plan. Members hired on or after January 1, 2014 are on this plan, as well as any eligible Plan 1 or Plan 2 members who opted into the plan during the special election period.</p> <ul style="list-style-type: none"> • The defined benefit is based on the member's age, creditable service and average final compensation. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
<p>Retirement Eligibility: Normal:</p> <ul style="list-style-type: none"> • Non-hazardous duty members are eligible for an unreduced benefit at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. • Hazardous duty members are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit, or age 50 with at least 25 years of service credit. 	<p>Retirement Eligibility: Normal:</p> <ul style="list-style-type: none"> • Non-hazardous duty members are eligible for an unreduced benefit at their normal Social Security retirement age with at least 5 years of service credit, or when their combined age and service credit equals 90. • Hazardous duty members' eligibility is the same as Plan 1. 	<p>Retirement Eligibility: Normal:</p> <ul style="list-style-type: none"> • Defined Benefit Component: members are eligible for an unreduced benefit at their normal Social Security retirement age with at least 5 years of service credit, or when their combined age and service credit equals 90. • Defined Contribution Component: Members are eligible to receive distributions upon leaving employment

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022

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: <ul style="list-style-type: none"> • Non-hazardous duty members is 1.7% • Sheriffs and regional jail superintendents is 1.85% • Hazardous duty members other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer. 	Service Retirement Multiplier: <ul style="list-style-type: none"> • For service earned, purchased or granted prior to 1/1/13, and hazardous duty members it is the same as Plan 1. • For service earned, purchased or granted after 1/1/13 for non-hazardous duty members it is 1.65% 	Service Retirement Multiplier: <ul style="list-style-type: none"> • Defined Benefit Component: 1.0% • For members who opted into this plan, the retirement multiplier for their previous plan will be used for service credited in those plans.
Creditable Service: <ul style="list-style-type: none"> • Earned for each month employed in a covered position 	Creditable Service: <ul style="list-style-type: none"> • Same as Plan 1 	Creditable Service: <ul style="list-style-type: none"> • Defined Benefit Component: Same as Plan 1
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. 	Cost-of Living Adjustments: <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%. Eligibility is the same as Plan 1.	Cost-of Living Adjustments: <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: 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. The employer makes a separate actuarially determined contribution to VRS for all covered employees.	Contribution Requirements: Same as Plan 1.	Contribution Requirements: 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.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 11. Defined Benefit Pension Plan (Continued)

Number of Employees by Class:	City	School Board – Non Teacher Plan
Retirees or beneficiaries currently receiving benefits:	790	203
Inactive Members:		
Vested inactive members	221	33
Non-vested inactive members	389	129
LTD	-	1
Inactive members active elsewhere in VRS	431	59
Total inactive members	1,041	222
Active Employees:	1,303	313
Total	3,134	738

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 2022 were based on the actuary's valuation as of June 30, 2019. 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, 2022 was 12.47% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2019.

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. Employer contributions to the pension plan for the years ended June 30, 2022 and June 30, 2021, respectively were \$8,992,126 and \$8,610,229.

The School Board's contractually required contribution rate for the Teacher Retirement Plan for the year ended June 30, 2022 was 16.62% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2019.

The School Board's (non-teacher plan) contractually required contribution rate for the year ended June 30, 2022 was 5.60% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2019.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022. Contributions to the Teacher Retirement pension plan for the years ended June 30, 2022 and June 30, 2021, respectively were \$13,650,009 and \$13,881,507. Contributions to the Non-Teacher pension plan for the years ended June 30, 2022 and June 30, 2021, respectively were \$444,256 and \$420,144. In June 2021 the commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

Actuarial Assumptions

The most recent actuarial valuation to determine the net pension liabilities for the City and School Board was prepared as of June 30, 2020. 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, 2021. The total pension liability in the June 30, 2020 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

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally, 95% of rates for males; 105% of rates for female set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (continued)

Post-Disablement:

Pub2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Public Safety Employees:

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally, 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post – Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

School Board Teacher Retirement Plan employees:

Pre-Retirement:

Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males.

Post-Retirement:

Pub-2010 Amount Weighted Teacher Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

Post – Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Except the change in the discount rate 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 (non-teacher) Public Safety Employees:

Employees:

- | | |
|--|---|
| <ul style="list-style-type: none"> - Update Mortality Rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. - Adjusted retirement to better fit experience for Plan1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age. - Adjusted withdrawal rates to better fit experience at each year age and service through 9 year of service - No change in disability rates - No change in Line of Duty Disability rates. - No change in discount rate of 6.75% | <ul style="list-style-type: none"> - Updated mortality rates to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 - Adjusted Retirement Rates to better fit experience and changed final retirement age from 65 to 70. - Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty. - No change to disability rates - No change to line of Duty Disability rates. - No change in discount rate of 6.75%. |
|--|---|

School Board Teacher Retirement Plan Employees:

- Updated mortality rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change in disability rates.
- No change in discount rate of 6.75%.

Net Pension Liability

The net pension liability (NPL) for the teacher retirement plan is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 11. Defined Benefit Pension Plan (Continued)

Net Pension Liability (continued)

	Teacher Employee Retirement Plan
Total Pension Liability	\$53,381,141
Plan Fiduciary Net Position	45,617,878
Employers' Net Pension Liability	<u>\$7,763,263</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.46%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

City and School Board Pension Plans			
Asset Class:	Target Allocation:	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long- Term Rate of Return:
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS – Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP – Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
	Inflation		<u>2.50%</u>
**Expected arithmetic nominal return			<u>7.39%</u>

** The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%. On October 10, 2019 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 at that time, providing a median return of 7.11%, including expected inflation of 2.5%.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 11. Defined Benefit Pension Plan (Continued)

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, 2021, 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, 2021 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.

Changes in the Net Pension Liability

	Increase/(Decrease)		
	City Pension Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 7/01/2020	\$ 343,542,326	\$ 278,233,757	\$ 65,308,569
Changes for the Year:			
Service cost	8,280,040	-	8,280,040
Interest	22,671,297	-	22,671,297
Change of assumptions	14,289,977	-	14,289,977
Difference between expected and actual experience	(2,470,637)	-	(2,470,637)
Contributions -- employer	-	8,393,781	(8,393,781)
Contributions -- employee	-	3,350,831	(3,350,831)
Net investment income	-	76,007,281	(76,007,281)
Benefit payments including refunds of employee contributions	(15,342,506)	(15,342,506)	-
Administrative expense	-	(187,378)	187,378
Other changes	-	7,191	(7,191)
Net Changes	27,428,171	72,229,200	(44,801,029)
Balances at 6/30/2021	\$ 370,970,497	\$ 350,462,957	\$ 20,507,540

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 11. Defined Benefit Pension Plan (Continued)

Changes in the Net Pension Liability (continued)

	Increase/(Decrease)		
	School Board (non-teacher) Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 7/01/2020	\$ 30,594,969	\$ 28,728,124	\$ 1,866,845
Changes for the Year:			
Service cost	669,620	-	669,620
Interest	2,025,076	-	2,025,076
Change of assumptions	899,673	-	899,673
Difference between expected and actual experience	(796,573)	-	(796,573)
Contributions -- employer	-	381,546	(381,546)
Contributions -- employee	-	353,744	(353,744)
Net investment income	-	7,850,056	(7,850,056)
Benefit payments including refunds of employee contributions	(1,187,694)	(1,187,694)	-
Administrative expense	-	(19,450)	19,450
Other changes	-	741	(741)
Net Changes	1,610,102	7,378,943	(5,768,841)
Balances at 6/30/2021	\$ 32,205,071	\$ 36,107,067	\$ (3,901,996)

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	\$71,960,763	\$20,507,540	(\$21,754,292)
School Board's (non-teacher) Net Pension Liability (Asset)	\$92,127	(\$3,901,996)	(\$7,238,138)
School Board's Teacher Retirement Plan Net Pension Liability	\$142,507,691	\$73,840,253	\$17,352,115

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 11. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2022, the City recognized pension expense of \$6,026,267.

For the year ended June 30, 2022, the School Board (non-teacher) plan recognized pension expense of (\$365,260).

At June 30, 2022, the School Board Teacher Retirement Plan reported a liability of \$73,840,253 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021.

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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the School Board Teacher Retirement Plan's proportion was 0.95117% as compared to 0.94792% at June 30, 2020.

For the year ended June 30, 2021, School Board's Teacher Retirement plan recognized pension expense of \$908,988. Since, for the School Board's Teacher Retirement Plan there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2022, 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	\$ 763,572	\$ 1,782,437	\$ 56,597	\$ 503,715	\$ -	\$ 6,289,265
Change of assumptions	12,514,218	-	568,911	-	12,936,619	-
Net difference between projected and actual earnings on pension plan investments.	-	37,810,988	-	3,910,693	-	46,532,152
Change in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-	2,623,439	3,413,121
Contributions to the plan subsequent to the measurement date	8,992,126	-	444,256	-	13,650,009	-
Total	\$ 22,269,916	\$ 39,593,425	\$ 1,069,764	\$ 4,414,408	\$ 29,210,067	\$ 56,234,538

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 11. Defined Benefit Pension Plan (Continued)

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

\$8,992,126, \$444,256, and \$13,650,009 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, 2023.

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
2023	\$ (2,843,002)	(\$823,794)	(\$9,502,760)
2024	(5,126,347)	(869,073)	(8,292,051)
2025	(6,875,482)	(910,673)	(9,730,909)
2026	(11,470,804)	(1,185,360)	(13,162,285)
2027	-	-	13,525
	<u>\$ (26,315,635)</u>	<u>(\$3,788,900)</u>	<u>(\$40,674,480)</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS ACFR, which may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 12. Other Postemployment Benefits Program – Local Trust

Plan Description

The City has established an irrevocable trust pursuant to Section 15.21544 of the *Code of Virginia*, as amended for the purpose of accumulated and investing assets to OPEB, to participate in the Virginia Pooled OPEB Trust Fund and has established a local Finance Board to become a Participating Employer in the Trust Fund. The Trust Fund provides administrative, custodial, and investment services to the Participating Employers in the Trust Fund. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League ("VML") at P.O. Box 12164, Richmond, Virginia 23241.

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

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 12. Other Postemployment Benefits Program – Local Trust

Plan Description (continued)

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

Plan Membership

Number of Employees by Class:

	City	School Board
Inactive members and beneficiaries currently receiving benefits	146	59
Active Employees:	1,309	1,919
Total	1,455	1,978

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, 2022, the City contributed \$1,803,210 toward OPEB costs which was a combination of \$729,520 deposited in the trust fund and \$1,073,690 in claims paid on behalf of the retirees, net of premiums paid by retirees. The School Board contributed \$304,691 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, 2022

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%	8.69%
U.S Equity – Small Cap	10.00%	9.87%
Non U.S. Equity – Developed	13.00%	9.42%
Non U.S. Equity – Emerging	5.00%	11.66%
US Corporate Bonds – Core	21.00%	4.07%
US Corporate Bonds – Long Duration		4.44%
US Corporate Bonds – High Yield		6.47%
Non-US Debt – Developed		2.86%
Non-US Debt – Emerging		6.87%
US Treasuries (Cash Equivalents)		2.61%
TIPS (Inflation-Protected)		3.27%
Real Estate	10.00%	8.24%
Hedge Funds	10.00%	6.43%
Commodities		5.93%
Infrastructure		8.78%
Private Equity	5.00%	12.87%
Private debt		8.96%
Total	<u>100.00%</u>	

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, 2022, and June 30, 2021 the annual money-weighted rate of return on investments, net of investment expense was -9.28% and 30.05% 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, 2022

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

Net OPEB Liability for the Plan (GASB 74 Disclosures)

The City's net OPEB Asset was measured as of its fiscal year end June 30, 2022, based on a valuation date of January 1, 2022. The School Board net OPEB Liability was measured as of its fiscal year end of December 31, 2021 based on a valuation date of May 1, 2022. The components of the Plans' net OPEB Asset were as follows:

	Net OPEB Asset	
	<u>City</u>	<u>School Board</u>
Total OPEB liability	\$37,963,277	\$11,075,152
Plan fiduciary net position	46,171,949	23,078,282
Net OPEB asset	<u>(\$8,208,672)</u>	<u>(\$12,003,130)</u>
Fiduciary net position as a percent of total OPEB asset	121.62%	208.38%

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 January 1, 2022 for the City and May 1, 2022 for the School Board, using the following actuarial assumptions:

	<u>City</u>	<u>School Board</u>
Investment rate of return	6.75%	6.75%
Actuarial Cost Method	Entry Age Normal, level percentage of pay.	Entry Age Normal, level percentage of pay.
Inflation Rate	2.5%	2.5%
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	6.00%	6.00%
Ultimate (year of ultimate trend rate)	3.94%	3.94%

Mortality rates were based on amount –weighted Pub-2010 mortality tables with generationally project mortality improvements using Scale MP-2018. Generationally projected healthy and disabled mortality rates reflect differences for males and females, and for general and safety (i.e. enhanced hazardous duty) employment classifications.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. 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 January 1, 2022 for the City and May 1, 2022 for the School Board. The fiduciary net position projections are based upon the Plan's financial status on the measurement date, the indicated set of methods and assumptions, and the requirements of GAAP. The long-term expected rate of return on plan investments is 6.75%. 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 asset 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 asset for the plan was based on a valuation date of January 1, 2022 and rolled forward to a measurement date of June 30, 2022 for the City. The School Board had a valuation date of May 1, 2022 and with a measurement date of December 31, 2021.

Net OPEB Asset analysis using discount rate:			
	1% lower (5.75%)	Current Rate (6.75%)	1% higher (7.75%)
City's Plan	(\$2,104,867)	(\$8,208,672)	(\$13,158,147)
School Board	(\$11,185,248)	(\$12,003,130)	(\$12,765,505)

Net OPEB Asset using the health care cost trend rate:			
	1% lower (2.94%)	Current rate (3.94%)	1% higher (4.94%)
Ultimate Trend			
City's Plan	(\$13,763,106)	(\$8,208,672)	(\$1,242,355)
School Board	(\$12,953,848)	(\$12,003,130)	(\$10,921,152)

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 as shown in the tables below 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	\$7,011,672	\$250,412	(\$5,375,024)
	1% lower (5.75%)	Current Rate (6.75%)	1% higher (7.75%)
School Board	(\$11,185,248)	(\$12,003,130)	(\$12,765,505)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 (3.50%)	Current rate (4.50%)	1% higher (5.50%)
Ultimate Trend			
City's Plan	(\$6,392,052)	\$250,412	\$8,411,782
Ultimate Trend			
School Board	(\$12,953,848)	(\$12,003,130)	(\$10,921,152)

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	City Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at 7/01/2020	\$ 47,210,856	\$ 38,134,625	\$ 9,076,231
Changes for the Year:			
Service cost	972,561	-	972,561
Interest	3,568,007	-	3,568,007
Difference between expected and actual experience	(109,112)	-	(109,112)
Contributions -- employer	-	1,742,451	(1,742,451)
Net investment income	-	11,551,219	(11,551,219)
Benefit payments including refunds of employee contributions	(1,242,451)	(1,242,451)	-
Administrative Expenses	-	(36,395)	36,395
Net Changes	3,189,005	12,014,824	(8,825,819)
Balances at 6/30/2021	\$ 50,399,861	\$ 50,149,449	\$ 250,412

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 12/31/2020	\$ 11,818,291	\$ 20,076,188	\$ (8,257,897)
Changes for the Year:			
Service cost	532,956	-	532,956
Interest	869,162	-	869,162
Difference between expected and actual experience	(1,920,563)	-	(1,920,563)
Contributions -- employer	-	304,691	(304,691)
Net investment income	-	3,020,825	(3,020,825)
Benefit payments including refunds of employee contributions	(304,691)	(304,691)	-
Administrative expense	-	(18,731)	18,731
Change in assumptions	79,997	-	79,997
Net Changes	(743,139)	3,002,094	(3,745,233)
Balances at 12/31/2021	\$ 11,075,152	\$ 23,078,282	\$ (12,003,130)

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

For the year ended June 30, 2022, the City and School Board recognized OPEB expense in the amount of \$668,390 and (\$1,625,701) 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	\$668,390	(\$1,625,701)
VRS Plans: (note 13)		
GLI	181,169	196,011
LODA	1,123,907	-
HIC	-	991,145
VLDP	-	99,195
TOTAL:	\$1,973,466	(\$339,350)

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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	\$ 3,232,734	\$ 453,617	\$ 428,401	\$ 5,814,960
Change of assumptions	2,135,015	645,525	555,432	-
Net difference between projected and actual earnings on plan investments.	-	5,672,345	-	2,378,368
Contributions to the plan subsequent to the measurement date	1,803,210	-	-	-
Total	\$ 7,170,959	\$ 6,771,487	\$ 983,833	\$ 8,193,328

Deferred outflows in the amount of \$1,803,210 for the City, related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023. 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
2023	(\$353,295)	(\$1,478,214)
2024	(222,355)	(1,850,082)
2025	(427,872)	(1,474,011)
2026	(756,807)	(1,149,507)
2027	445,774	(401,101)
Thereafter	(89,183)	(856,580)
Total	(\$1,403,738)	(\$7,209,495)

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, 2022

Note 13. Other Postemployment Benefits Program – VRS Plans

Plan Description

Group Life Insurance Program:

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:

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):

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 and Non-Teacher Employee Health Insurance Credit Programs:

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher and NTHIC Programs. 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, 2022

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 Programs	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: THIC: 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>NTHIC: Full-time permanent salaried employees who are covered under the VRS pension plan.</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: THIC: <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, 2022

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

Plan Description (continued)

Group Life Insurance	Line of Duty Act	Teacher 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>NTHIC: At retirement:</i> Monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. <i>Disability retirement:</i> For employees who retire on disability or go on long-term disability under the VLDP, the monthly benefit is \$45.00 per month.	<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.

Plan Membership – School Board Non-Teacher HIC Single Employer Plan

Non-Teacher HIC	School Board
Inactive members and beneficiaries currently receiving benefits	83
Active Employees:	313
Total	396

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Contribution Requirements

Group Life Insurance Program:

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). 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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$385,940 and \$375,217 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to GLI for the School Board were \$1,264,187 and \$493,598 for the years ended June 30, 2022 and June 30, 2021 respectively.

Line of Duty Act Program:

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, 2022 was \$722.55 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 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 \$358,834 and \$383,043 for the years ended June 30, 2022 and June 30, 2021, respectively.

Virginia Local Disability Program:

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, 2022 was 0.47% of covered employee compensation for employees in the VLDP Teacher plan and 0.83% of covered employee compensation for the non-teacher employees covered in the VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$158,126 and \$129,938 for the years ended June 30, 2022 and June 30, 2021, respectively.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Contribution Requirements (continued)

Teacher and Non-Teacher Employee Health Insurance Credit Programs:

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, 2022 was 1.21% of covered employee compensation for employees in the THIC Program and 0.7% for employees in the NTHIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 for the THIC plan and June 30, 2020 for the NTHIC plan. 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 division to the VRS THIC Program were \$1,024,485, and \$1,010,627 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions from the school division to the VRS NTHIC program were \$62,748 and \$52,518 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021 employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY2021.

Long-Term Expected Rate of Return

GLI, THIC, NTHIC 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:

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Long-Term Expected Rate of Return (continued)

<i>GLI, THIC 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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS – Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP – Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
Inflation			<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

- * The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.5%

LODA:

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.16% 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 2.21% 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, 2021.

Net OPEB Liability (Asset)

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 the measurement date of June 30, 2021, NOL amounts for the four programs are as follows:

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Net OPEB Liability (Asset) (continued)

	City and School - GLI	City - LODA	School – THIC	School - VLDP
Total OPEB liability	\$3,577,346,000	\$448,542,000	\$1,477,874,000	\$10,040,000
Plan fiduciary net position	2,413,074,000	7,553,000	194,305,000	11,756,000
Net OPEB liability (asset)	1,164,272,000	\$440,989,000	1,283,569,000	(\$1,716,000)
Fiduciary net position as a percent of total OPEB liability	67.45%	1.68%	13.15%	117.09%

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, THIC, NTHIC LODA and VLDP, OPEB liabilities were based on actuarial valuations as of June 30, 2020, 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, 2021.

	City and School - GLI	City - LODA	School THIC, NTHIC and VLDP
Investment rate of return, net of investment expenses, including inflation	6.75%	2.16% *	6.75%
Health Care cost trend rate:			
Under age 65	n/a	7.00%-4.75%	n/a
Age 65 and older	n/a	5.375% - 4.75%	n/a
Inflation Rate	2.50%	2.50%	2.50%
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%

* **LODA**: Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Actuarial Methods and Assumptions (continued)

Mortality Rates are as follows for all plans:

Mortality Rates – Teachers:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Mortality rates – General Employees:

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 ears; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Mortality rates – Hazardous Duty and Public Safety Employees:

Pre-Retirement:

Pub-2020 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree rates projected generationally; 110% of rate for males; 105% of rates for females set forward 3 years.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Actuarial Methods and Assumptions (continued)

Post-Disablement:

Pub-2010 Amount Weighted General Disables Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020	Update to PUB2010 public sector mortality tables. Increase disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.	Adjusted rates to better fit experience for Plan 1, set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service	Adjusted rates to better fit experience at each age and service decrement through 9 years of service	Decreased rates and changed from rates based on service only to better fit experience and to be more consistent with Locals top 10 Hazardous duty.
Disability Rates	No change	No change	No change
Salary Scale	No change	No change	No change
Line of Duty Disability	No change	n/a	No change
Discount Rate	No change	No change	No change

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Actuarial Methods and Assumptions (continued)

LODA:	Public Safety Employees
Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB201 public sector mortality tables. Increased disability life expectancy. For future mortality improvements. Replace load with a modified Mortality Improvement scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

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, 2021 the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Line of Duty Act Program:

The discount rate used to measure the total LODA OPEB liability was 2.16%. 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, 2021, 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, 2021, the rate contributed by the school division for the VRS VLDP will be subject to the portion of the VRS Board-

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Discount Rate (continued)

Virginia Local Disability Program (continued)

certified rates that are funded by the Virginia General Assembly. From July 1, 2021 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 and Non-Teacher Employee Health Insurance Credit Program:

The discount rate used to measure the total Teacher and Non-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 VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021 the rate contributed by each school division for the VRS Teacher and Non-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, 2021 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 and Non-Teacher Employee HIC OPEB liability.

Changes in the Net NTHIC Liability

	School Board Non-Teacher HIC		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/2020	\$ 622,573	\$ -	\$ 622,573
Changes for the Year:			
Service cost	10,909	-	10,909
Interest	42,022	-	42,022
Changes in assumptions	17,815	-	17,815
Contributions -- employer	-	52,520	(52,520)
Net investment income	-	6,756	(6,756)
Benefit payments including refunds of employee contributions	(35)	(35)	-
Administrative Expenses	-	(232)	232
Net Changes	70,711	59,009	11,702
Balances at 6/30/2021	\$ 693,284	\$ 59,009	\$ 634,275

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Sensitivity of the Net OPEB Liability

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

	Net OPEB Liability analysis using Discount rate:		
	1% lower (5.75%)	Current Rate (6.75%)	1% higher (7.75%)
City - GLI	\$5,724,859	\$3,918,355	\$2,459,522
School - GLI	\$7,531,025	\$5,154,577	\$3,235,488
School - THIC	\$13,646,187	\$12,122,156	\$10,832,461
School - NTHIC	\$709,170	\$634,275	\$570,412
School VLDP	(\$7,014)	(\$30,600)	(\$51,300)
	1% lower (1.16%)	Current Rate (2.16%)	1% higher (3.16%)
City - LODA	\$14,114,157	\$12,269,269	\$10,803,351

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 7.00% 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 (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	Net OPEB Liability using the health care cost trend rate:		
	1% lower (6.00% decreasing to 3.75%)	Current rate (7.00% decreasing to 4.75%)	1% higher (5.00% decreasing to 5.75%)
City - LODA	\$10,067,245	\$12,269,269	\$15,092,716

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

At June 30, 2022, 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, 2021 and the total OPEB liabilities used to calculate the Net OPEB Liabilities were determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The City and School Board's GLI, THIC and VLDP OPEB liabilities were based on the covered employer's actuarially determined employer contributions to the plans for the year ended June 30, 2021, 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,

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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

2020 relative to the total of the actuarially determined pay-as-you go employer contributions for all participating employers.

At June 30, 2021, the City and School Board's respective proportions of the various programs as compared to the proportions for June 30, 2020 are shown in the table below.

	<u>City – GLI</u>	<u>City – LODA</u>	<u>School – GLI</u>	<u>School – THIC</u>	<u>School – VLDP</u>	<u>School – NTHIC</u>
Net OPEB Liability (Asset)	\$3,918,355	\$12,269,269	\$5,154,577	\$12,122,156	(\$30,600)	\$634,275
TOTALS FOR CITY AND SCHOOL	\$16,187,624			\$17,880,408		
6/30/21 Proportionate share of contributions	0.33655%	2.78220%	0.44273%	0.94441%	4.07483%	n/a
6/30/20 Proportionate share of contributions	0.33753%	2.75114%	0.43943%	0.94455%	4.10950%	n/a

For the year ended June 30, 2022, the City and School Board OPEB expense for the various plans as shown below. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee VLDP and LODA Net OPEB expense was related to deferred amounts from changes in proportion.

	<u>OPEB Expense</u>
<u>City – GLI</u>	\$181,169
<u>City – LODA</u>	\$1,123,907
<u>School – GLI</u>	\$196,940
<u>School – THIC</u>	\$937,181
<u>School – NTHIC</u>	\$53,964
<u>School – VLDP</u>	\$99,195

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022, 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>		<u>School NTHIC</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
Diff. between expected and actual experience	\$446,902	\$29,856	\$1,022,927	\$1,857,674	\$-	\$-
Investment Experience	-	935,227	-	71,048	-	3,994
Change in assumptions	216,018	536,115	3,395,314	586,896	14,252	-
Changes in proportion	83,606	120,062	554,209	482,731	-	-
Employer contributions subsequent to the MD	385,940	-	358,834	-	62,748	-
Total	\$1,132,466	\$1,621,260	\$5,331,284	\$2,998,349	\$77,000	\$3,994

	<u>School Board - GLI</u>		<u>School Board - THIC</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
Diff. Between expected and actual experience	\$587,898	\$39,275	\$-	\$211,531	\$15,891	\$22,925
Investment Experience	-	1,230,288	-	159,685	-	22,853
Change in Assumptions	284,170	705,256	327,684	48,718	13,412	1,704
Changes in proportion	197,647	241,279	301,402	460,854	1,047	2,137
Employer contributions subsequent to the MD	1,264,187	-	1,024,484	-	158,126	-
Total	\$2,333,902	\$2,216,098	\$1,653,570	\$880,788	\$188,476	\$49,619

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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

The amounts shown in the totals earlier 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, 2023. 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 – THIC plan</u>	<u>School – NTHIC plan</u>	<u>School – VLDP</u>
FY 2023	(\$172,392)	\$275,951	(\$269,097)	(\$64,902)	\$2,565	(\$5,189)
FY 2024	(156,592)	279,215	(208,307)	(66,716)	2,565	(5,200)
FY 2025	(180,077)	280,177	(195,462)	(51,923)	2,565	(5,237)
FY 2026	(306,748)	281,200	(400,270)	(32,758)	2,563	(7,509)
FY 2027	(58,925)	297,208	(73,248)	(18,034)	-	(319)
Thereafter	-	560,350	-	(17,369)	-	4,185
Total	(\$874,734)	\$1,974,101	(\$1,146,384)	(\$251,702)	\$10,258	(\$19,269)

Plan Fiduciary Net Positions

Detailed information about the various programs' Fiduciary Net Position is available in the separately issued VRS 2021 ACFR, which may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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, stormwater, grant (ARPA), and utility capital projects. At June 30, 2022, projects expected to be completed at various dates through 2023 had a total unexpended balance of \$47,447,938 (governmental), \$1,905,808 (stormwater), \$398,366 (grant – ARPA) and \$3,272,343 (utility).

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 14. Commitments and Contingencies (continued)

Encumbrances:

The City has the following encumbrances as of June 30, 2022:

General Fund	Road Maintenance Fund	Capital Projects Fund	Non-Major Governmental Funds	Utility Fund	Non-Major Enterprise Fund	Internal Service Funds
\$2,727,203	\$7,328,804	\$47,447,938	\$558,962	\$3,560,906	\$1,953,085	\$4,289,384

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.

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, 2022 consists of all current self-insured claims payable, including an estimate of incurred but not reportable claims amounting to \$4,035,745 the current portion of which is \$2,384,806. Claims payable for health insurance are based on current enrollment and benefits and historical experience.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 15. Risk Management (Continued)

Self-Insurance – City (continued):

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, 2022 and 2021:

		Beginning Balance	Claims and Reserves	Claim Payments	Ending Balance
Workers' Compensation					
2022	\$	1,893,808	\$ 991,844	\$ 834,713	\$ 2,050,939
2021	\$	1,800,318	\$ 871,485	\$ 777,995	\$ 1,893,808
Property and Liability					
2022	\$	1,133,343	\$ 653,405	\$ 921,852	\$ 864,896
2021	\$	726,270	\$ 1,922,734	\$ 1,515,661	\$ 1,133,343
Health Insurance					
2022	\$	1,299,568	\$ 14,622,492	\$ 14,802,150	\$ 1,119,910
2021	\$	1,032,047	\$ 15,753,691	\$ 15,486,170	\$ 1,299,568

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, 2022, \$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, 2022, the workers' compensation benefit obligation consisted of \$498,943 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, 2022 and 2021, are as follows:

		Beginning Balance	Claims and Reserves	Claim Payments	Ending Balance
Workers' Compensation					
2022	\$	709,407	\$ 223,732	\$ 434,196	\$ 498,943
2021	\$	802,509	\$ 431,855	\$ 524,957	\$ 709,407

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 15. Risk Management (Continued)

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, 2022, School Operating Fund prepaids of \$95,000 were held for purposes of funding the School Board's future claims liabilities. As a result, \$285,122 of the School Operating Fund balance is allocated for payment of future claims liabilities.

Note 16. Subsequent Events

On August 24, 2022, the City issued \$27,735,000 of authorized Tax-Exempt General Obligation, with maturity dates of February 1, 2043. These bonds were issued to finance capital projects approved in the FY2023 Capital Improvements Plan. In addition, on August 23, 2022, the City issued \$4,955,000 of stormwater revenue bonds, the proceeds of which are to be used to finance the capital projects approved in the FY2023 Capital Improvements Plan. The final maturity date of the stormwater revenue bonds is November 1, 2041.

Note 17. Prior Period Adjustment

The implementation of GASB Statement No. 87 required the reporting of leases that may not have been previously reported as capital leases as liabilities. In addition, the implementation of the standard, in some instances required a revaluation of the capital leases that were existing, and the associated assets. The implementation of this standard required the restatement of the beginning balances of Lease Receivable, and related deferred inflow of resources related to lease receivables. The implementation of this standard also required the restatement of the beginning balances of net position, leases payable, capital assets leases.

The net effect of the implementation of this standard impacted the net position of the City, due to the removal of the existing capital leases and related capital assets, as of the end of the previous fiscal year.

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 17. Prior Period Adjustment (continued)

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

	Governmental Activities (excluding ISF)	Fleet Management Fund	Information Technology Fund	Risk Management Fund	Total Governmental Activities
Other capital assets, net					
June 30, 2021, as previously stated	\$ 388,531,170	\$ 13,648,195	\$ 2,676,663	\$ 412,694	\$ 405,268,722
Restatement for Implementation of GASB 87, Leases	24,107,087	143,134	302,267	-	24,552,488
Other capital assets, net, restated 6/30/2021	<u>\$ 412,638,257</u>	<u>\$ 13,791,329</u>	<u>\$ 2,978,930</u>	<u>\$ 412,694</u>	<u>\$ 429,821,210</u>
Lease Liabilities					
June 30, 2021, as previously stated	\$ 1,248,513	\$ -	\$ 34,723	\$ -	\$ 1,283,236
Restatement for Implementation of GASB 87, Leases	23,000,610	143,134	298,650	-	23,442,393
Lease Liabilities, restated 6/30/2021	<u>\$ 24,249,123</u>	<u>\$ 143,134</u>	<u>\$ 333,372</u>	<u>\$ -</u>	<u>\$ 24,725,629</u>
Net Position					
June 30, 2021, as previously stated	\$ 378,335,869	\$ 26,616,124	\$ (418,403)	\$ 12,696,741	\$ 417,230,331
Restatement for Implementation of GASB 87, Leases	1,106,478	-	3,617	-	1,110,095
Net Position, restated 6/30/2021	<u>\$ 379,442,347</u>	<u>\$ 26,616,124</u>	<u>\$ (414,786)</u>	<u>\$ 12,696,741</u>	<u>\$ 418,340,426</u>
	Utility Fund	Stormwater Fund	Refuse Fund	Total Business- type Activities	
Capital Assets, net					
June 30, 2021, as previously stated	\$ 430,418,518	\$ 169,475	\$ -	\$ 430,587,993	
Restatement for Implementation of GASB 87, Leases	4,995,445	28,908	5,787	5,030,140	
Capital Assets, net, restated	<u>\$ 435,413,963</u>	<u>\$ 198,383</u>	<u>\$ 5,787</u>	<u>\$ 435,618,133</u>	
Lease Liabilities					
June 30, 2021, as previously stated	\$ 411,085	\$ -	\$ -	\$ 411,085	
Restatement for Implementation of GASB 87, Leases	4,593,117	28,908	5,787	4,627,813	
Lease Liabilities, restated	<u>\$ 5,004,202</u>	<u>\$ 28,908</u>	<u>\$ 5,787</u>	<u>\$ 5,038,898</u>	
Net Position					
June 30, 2021, as previously stated	\$ 157,954,700	\$ 7,028,336	\$ 3,324,579	\$ 168,307,615	
Restatement for Implementation of GASB 87, Leases	402,327	-	-	402,327	
June 30, 2021, as restated	<u>\$ 158,357,027</u>	<u>\$ 7,028,336</u>	<u>\$ 3,324,579</u>	<u>\$ 168,709,942</u>	

In addition to the amounts shown above the beginning balance of leases receivable and deferred inflows of resources in the General and Aviation funds were restated as shown below. There was no impact on the beginning balances of the fund balance due to this restatement as the lease and the deferred inflow were offsetting.

	<u>Leases Receivable</u>	<u>Deferred inflows related to leases</u>
General fund	\$1,041,094	\$1,041,094
Aviation	\$1,098,435	\$1,098,435

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 18. Fund Balances

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

	General Fund	Capital Projects Fund	Road Maintenance	Consolidated Grants	Debt Service Fund	Non-major Governmental Funds
Nonspendable:						
Inventories	\$ 100,474	\$ -	\$ -	\$ -	\$ -	\$ 164,694
Total Nonspendable	100,474	-	-	-	-	164,694
Restricted for:						
Judicial Administration	-	-	-	991,434	-	200,108
Public Safety	157,339	-	-	148,323	-	-
Public Works - Grants	1,167,500	-	18,600,527	57,449	-	-
Cemetery Care	-	-	-	-	-	937,254
Health and Welfare	-	-	-	1,039,649	-	-
Community Development	-	-	-	383,672	-	-
Transportation	-	-	-	-	-	2,571,952
Parks and Recreation	-	-	-	118,850	-	-
Capital Outlay:	-	6,711,101	-	-	-	-
Roadway Projects	-	29,722,796	-	-	-	-
Schools	-	1,108,953	-	-	-	-
Public Facilities	-	4,244,047	-	-	-	-
Aviation	-	102,256	-	-	-	-
Recreation facilities	-	18,323,285	-	-	-	-
Total Restricted	1,324,839	60,212,438	18,600,527	2,739,377	-	3,709,314
Committed to:						
General Government	542,688	-	-	-	-	-
Judicial administration	270,287	-	-	-	-	-
Public Safety - Police	312,726	-	-	-	-	-
Public Safety - Fire	1,067,794	-	-	-	-	-
Education	397,485	-	-	-	-	-
Public Works	-	-	-	-	-	299,714
Aviation	-	-	-	-	-	607,630
Route 17 Taxing District	-	-	-	-	-	6,735,235
Economic Development Incentives	2,019,813	-	-	-	-	-
Budget Stabilization fund	11,741,438	-	-	-	-	-
Capital Outlay	-	9,966,324	-	-	-	-
Capital Projects Reserve	21,938,450	-	-	-	-	-
Debt Service	-	-	-	-	492,720	-
Total Committed	38,290,681	9,966,324	-	-	492,720	7,642,579
Assigned to:						
General Government Administration	18,185	-	-	-	-	-
Judicial Administration	3,263	-	-	-	-	-
Public Safety - Police	336,613	-	-	-	-	-
Public Safety - Fire	548,329	-	-	-	-	-
Public Works	42,913	-	-	-	-	-
Social Services	16,838	-	-	-	-	-
Parks, Recreation and Cultural	57,467	-	-	-	-	-
Community Development	838,538	-	-	-	-	-
Total Assigned	1,862,146	-	-	-	-	-
Unassigned	93,931,500	-	-	-	-	(10,819)
Total Fund Balance	\$ 135,509,640	\$ 70,178,762	\$ 18,600,527	\$ 2,739,377	\$ 492,720	\$ 11,505,768

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 18. Fund Balances (continued)

The City Council has adopted a financial policy goal that unassigned fund balance should be 20% of the following fiscal years governmental funds budget. The adopted policy also established a budget stabilization fund the policy states that any excess amounts over the 20% will be dedicated to the budget stabilization fund, until that reaches 2% of the budgeted revenue and then to a capital reserve fund, both of these reserves are reported as committed fund balance. The amounts in the budget stabilization fund can only be drawn with the approval of City Council in an emergency situation, that would result in increased expenditures over budgeted amount or significant shortfalls in revenue.

Note 19. Tax Abatement Agreements

As of June 30, 2022, 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	\$4,348,909	\$-
Rehabilitated Structures	\$47,305	\$137,076

CITY OF SUFFOLK, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 20. Future Accounting Standards

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

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. 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. 99, *Omnibus*, enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPP's and SBITA's are effective for fiscal year ending June 30, 2023, the remaining provisions are effective for fiscal year ending June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. This statement is effective for fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, the objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for fiscal year ending June 30, 2025.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUFFOLK, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
General property taxes:				
Real estate	\$ 117,869,846	\$ 119,474,392	\$ 117,584,079	\$ (1,890,313)
Personal property	26,000,000	26,000,000	30,122,113	4,122,113
Public service corporations	4,800,000	4,800,000	4,842,247	42,247
Machinery and tools	-	-	1,887,318	1,887,318
Payments in Lieu of Taxes	3,000	3,000	-	(3,000)
Penalties	1,300,000	1,300,000	1,818,460	518,460
Total general property taxes	149,972,846	151,577,392	156,254,217	4,676,825
Other Local Taxes				
Sales and use	13,500,000	13,500,000	16,370,461	2,870,461
Utility tax	4,700,000	4,700,000	5,024,008	324,008
Communication taxes	2,300,000	2,300,000	2,499,745	199,745
Business and occupational licenses	7,500,000	7,500,000	10,964,624	3,464,624
Motor vehicle license	2,500,000	2,500,000	2,709,174	209,174
Bank stock	706,203	706,203	747,889	41,686
Recordation	2,200,000	2,200,000	3,279,397	1,079,397
Tobacco	1,900,000	1,900,000	1,831,481	(68,519)
Lodging	1,400,000	1,400,000	2,206,627	806,627
Meals	11,000,000	11,000,000	15,592,762	4,592,762
Admission	-	-	177,788	177,788
Total other local taxes	47,706,203	47,706,203	61,403,956	13,697,753
Permits, fees, and licenses				
Animal license	35,000	35,000	29,415	(5,585)
Permits and other licenses	1,455,700	1,455,700	2,354,859	899,159
Total permits, fees, and licenses	1,490,700	1,490,700	2,384,274	893,574
Fines and forfeitures	810,000	810,000	717,257	(92,743)
Revenue from use of money and property:				
Revenue from use of money	800,000	800,000	515,929	(284,071)
Revenue from use of property	376,706	376,706	420,895	44,189
Total use of money and property	1,176,706	1,176,706	936,824	(239,882)
Charges for services:				
Court costs	243,787	243,787	303,796	60,009
Commonwealth's Attorney fee	10,000	10,000	7,824	(2,176)
Police and traffic control	35,000	35,000	36,056	1,056
Charges for fire and rescue service	2,227,266	2,227,266	2,658,984	431,718
Charges for other protection	50,000	50,000	21,940	(28,060)
Charges for parks and recreation	600,000	600,000	632,410	32,410
Charges for library	20,000	20,000	10,572	(9,428)
Charges for tourism	26,100	26,100	8,569	(17,531)
Charges for planning and community development	50	50	-	(50)
Charges for other services	252,500	252,500	294,624	42,124
Total charges for services	3,464,703	3,464,703	3,974,775	510,072

(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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES (Continued)				
Miscellaneous revenues				
Recovered Costs	635,894	635,894	780,738	144,844
Miscellaneous	718,000	718,000	253,502	(464,498)
Total revenue from local sources	205,975,052	207,579,598	226,705,543	19,125,945
Revenue from the Commonwealth:				
Noncategorical aid:				
Tax on deeds	450,000	450,000	746,545	296,545
Railroad rolling stock tax	125,000	125,000	130,114	5,114
House bill 599 funds	3,200,896	3,200,896	3,075,124	(125,772)
PPTRA	10,169,730	10,169,730	10,169,730	-
Mobile home titling tax	25,000	25,000	37,724	12,724
Vehicle rental tax	175,000	175,000	245,212	70,212
Games of skill	-	-	18,000	18,000
Total noncategorical aid	14,145,626	14,145,626	14,422,449	276,823
Categorical aid:				
Commonwealth's Attorney	1,125,098	1,125,098	1,122,819	(2,279)
Commissioner of the Revenue	229,865	229,865	229,973	108
Treasurer	269,531	269,531	270,348	817
Sheriff	1,041,253	1,105,843	1,102,701	(3,142)
Circuit Court Clerk	604,471	624,054	101,660	(522,394)
Registrar	51,702	51,702	606,944	555,242
Total categorical aid	3,321,920	3,406,093	3,434,445	28,352
Other categorical aid:				
Public assistance and welfare administration	4,380,040	4,380,040	3,877,692	(502,348)
Police	350,000	350,000	504,515	154,515
Fire and rescue	410,928	410,928	436,250	25,322
Library	174,914	174,914	237,572	62,658
Total other categorical aid	5,315,882	5,315,882	5,056,029	(259,853)
Total categorical aid	8,637,802	8,721,975	8,490,474	(231,501)
Total revenue from the Commonwealth	22,783,428	22,867,601	22,912,923	45,322
Revenue from the Federal government				
Categorical aid:				
Public assistance and welfare administration	5,107,404	5,107,404	5,259,003	151,599
Public Safety	-	-	19,918	19,918
Parks, recreation and cultural	20,000	20,000	21,100	1,100
Total revenue from the Federal government	5,127,404	5,127,404	5,300,021	172,617
Total revenues	233,885,884	235,574,603	254,918,487	19,343,884

(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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES				
General Government administration:				
Legislative:				
City Council	\$ 533,303	\$ 541,247	\$ 444,475	\$ 96,772
General and financial administration:				
City Manager	1,188,483	1,213,035	1,177,314	35,721
Budget and strategic planning	371,289	378,271	374,556	3,715
City Attorney	1,215,583	1,234,870	1,290,388	(55,518)
Human resources	1,403,658	1,511,932	1,558,615	(46,683)
Commissioner of the Revenue	1,208,108	1,226,989	1,159,466	67,523
City Assessor	2,047,025	2,076,842	1,907,744	169,098
City Treasurer	1,756,182	1,784,237	1,761,661	22,576
Finance	1,736,055	1,762,704	1,715,174	47,530
Purchasing	360,212	366,379	359,339	7,040
Capital program management	4,502,534	4,571,876	4,417,882	153,994
Media and community relations	800,155	934,335	886,899	47,436
Local and regional organizations	1,231,512	1,231,512	1,215,257	16,255
Board of Elections:				
Registrar	779,263	784,354	828,826	(44,472)
Total general government administration	19,133,362	19,618,583	19,097,596	520,987
Judicial administration:				
Courts:				
Circuit Court	222,334	226,693	220,222	6,471
District Court	93,585	93,585	60,901	32,684
Magistrate	18,061	18,061	13,725	4,336
Juvenile and Domestic Relations Court	17,560	17,560	13,347	4,213
Juvenile and Domestic Relations Court Service Unit	973,435	973,435	847,633	125,802
Circuit Court Clerk	1,731,808	1,783,856	1,682,712	101,144
Sheriff	3,325,632	3,492,012	3,563,618	(71,606)
Commonwealth's Attorney	3,619,484	3,949,312	3,509,711	439,601
Total judicial administration	10,001,899	10,554,514	9,911,869	642,645
Public safety:				
Police	27,609,541	28,239,039	26,772,070	1,466,969
Communications	2,094,906	2,116,664	1,670,661	446,003
Property seizure program - Federal	-	190,823	20,709	170,114
Police E-ticketing	-	160,253	2,915	157,338
Confiscation program - State	-	122,556	-	122,556
DARE	-	2,850	-	2,850
Fire	35,229,937	35,640,947	36,540,292	(899,345)
Western Tidewater Regional Jail	4,492,631	4,492,631	4,492,631	-
Animal shelter and management	995,111	1,003,989	759,201	244,788
Emergency services	18,267	18,267	9,376	8,891
Total public safety	70,440,393	71,988,019	70,267,855	1,720,164
Public works:				
Administration	1,082,754	1,115,249	1,051,210	64,039
Total public works	1,082,754	1,115,249	1,051,210	64,039

(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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES (Continued)				
Health and welfare:				
Western Tidewater Health Department	\$ 1,095,655	\$ 1,095,655	\$ 1,095,655	\$ -
Western Tidewater CSB	474,404	474,404	474,404	-
Social Services	12,058,083	12,205,057	10,879,315	1,325,742
Comprehensive Services Act	2,512,554	2,516,073	2,184,136	331,937
Total health and welfare	16,140,696	16,291,189	14,633,510	1,657,679
Education:				
Contributions to component unit school board	65,332,201	65,332,201	64,934,716	397,485
Lease rent of building	442,979	442,979	442,979	-
Total education	65,775,180	65,775,180	65,377,695	397,485
Parks, recreation, and cultural:				
Parks and recreation	2,831,249	2,853,775	2,697,407	156,368
Parks and recreation maintenance	3,329,473	3,400,819	2,995,885	404,934
Parks and recreation - recreation	2,954,337	2,995,022	2,292,619	702,403
Public libraries	3,671,592	3,714,399	3,472,334	242,065
Total parks, recreation, and cultural	12,786,651	12,964,015	11,458,245	1,505,770
Community Development:				
Planning and community development	4,889,188	5,559,043	4,912,836	646,207
Economic development	1,139,447	4,174,645	2,686,667	1,487,978
Tourism	761,318	766,461	735,388	31,073
Cooperative extension services	69,688	69,688	31,084	38,604
Total community development	6,859,641	10,569,837	8,365,975	2,203,862
Nondepartmental:				
Salary, fringe benefits and insurance	649,997	1,440,383	673,339	767,044
Other Miscellaneous	60,000	-	-	-
Total nondepartmental	709,997	1,440,383	673,339	767,044
Total expenditures	202,930,573	210,316,969	200,837,294	9,479,675
Excess of revenues over expenditures	30,955,311	25,257,634	54,081,193	28,823,559
OTHER FINANCING SOURCES (USES)				
Fund Balance Surplus	1,000,000	7,486,761	-	7,486,761
Transfers in	2,930,647	2,930,647	2,930,647	-
Transfers out	(34,885,958)	(35,675,042)	(33,494,035)	(2,181,007)
Total other financing uses, net	(30,955,311)	(25,257,634)	(30,563,388)	5,305,754
Net change in fund balances	\$ -	\$ -	\$ 23,517,805	\$ 23,517,805
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ 23,517,805	
Encumbrances			2,727,205	
Total net change in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 4)			\$ 26,245,010	

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, 2022**

	Road Maintenance			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Permits, fees and licenses	\$ 370,000	\$ 370,000	\$ 426,913	\$ 56,913
Fines and forfeitures	250,000	250,000	296,356	46,356
Revenue from use of money and property	15,000	15,000	63,057	48,057
Charges for services	1,292,303	1,292,303	1,724,573	432,270
Miscellaneous	24,500	24,500	40,674	16,174
Intergovernmental:				
Revenue from the Commonwealth	25,060,900	25,060,900	25,491,046	430,146
Fund balance (rollover/appropriations)	2,710,037	7,693,704	-	(7,693,704)
Total revenues	29,722,740	34,706,407	28,042,619	(6,663,788)
EXPENDITURES				
Current:				
Public Works	27,429,560	31,737,569	29,659,843	2,077,726
Total expenditures	27,429,560	31,737,569	29,659,843	2,077,726
Excess (Deficiency) of revenues over (under) expenditures	2,293,180	2,968,838	(1,617,224)	(4,586,062)
OTHER FINANCING USES				
Transfers in	-	127,790	127,790	-
Transfers out	(2,293,180)	(3,096,628)	(3,096,628)	-
Total other financing uses, net	(2,293,180)	(2,968,838)	(2,968,838)	-
Net change in fund balances	\$ -	\$ -	\$ (4,586,062)	\$ (4,586,062)
Reconciliation to Governmental Fund Statement:				
Total net change in fund balance			\$ (4,586,062)	
Encumbrances			7,328,802	
Total net change in fund balance per Statement of Revenues,				
Expenditures and changes in Fund Balance (Exhibit 4)			\$ 2,742,740	

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	2020	2021
Total Pension Liability								
Service cost	\$ 6,994,155	\$ 7,018,182	\$ 7,104,813	\$ 7,259,255	\$ 7,533,051	\$ 7,567,281	\$ 8,132,336	\$ 8,280,040
Interest	15,882,027	16,812,748	17,359,071	18,400,909	19,140,479	20,613,324	21,574,861	22,671,297
Changes in assumptions	-	-	-	(690,942)	-	9,986,163	-	14,289,977
Difference between expected and actual experience	-	(5,841,034)	1,303,368	(2,868,934)	6,884,588	651,344	1,274,360	(2,470,637)
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)	(14,133,599)	(15,342,506)
Net change in total pension liability	13,553,393	8,152,357	15,234,231	10,865,605	21,722,787	25,618,503	16,847,958	27,428,171
Total pension liability -- beginning	231,547,492	245,100,885	253,253,242	268,487,473	279,353,078	301,075,865	326,694,368	343,542,326
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>	<u>\$ 343,542,326</u>	<u>\$ 370,970,497</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	\$ 7,256,065	\$ 8,393,781
Contributions -- employee	2,877,613	2,851,871	2,962,118	3,248,534	3,241,083	3,260,682	3,361,141	3,350,831
Net investment income	28,132,949	9,496,953	3,824,803	26,854,025	18,158,127	17,460,442	5,284,646	76,007,281
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)	(14,133,599)	(15,342,506)
Administrative expense	(149,011)	(127,715)	(132,646)	(152,890)	(154,614)	(171,506)	(178,495)	(187,378)
Other	1,483	(2,019)	(1,608)	(24,013)	(16,278)	(11,042)	(6,273)	7,191
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	1,583,485	72,229,200
Plan fiduciary net position -- beginning	177,492,218	206,716,469	216,425,533	220,064,797	245,714,388	262,279,669	276,650,272	278,233,757
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>	<u>\$ 278,233,757</u>	<u>\$ 350,462,957</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>	<u>\$ 50,044,096</u>	<u>\$ 65,308,569</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>	<u>\$ 65,308,569</u>	<u>\$ 20,507,540</u>
Plan fiduciary net position as a percentage of total pension liability	84.34%	85.46%	81.96%	87.96%	87.11%	84.68%	80.99%	94.47%
Covered payroll	\$ 55,954,879	\$ 63,639,606	\$ 59,144,296	\$ 64,085,203	\$ 67,302,874	\$ 67,256,705	\$ 69,343,981	\$ 69,212,248
Net pension liability as a percentage of covered payroll	68.60%	57.87%	81.87%	52.49%	57.64%	74.41%	94.18%	29.63%

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	2020	2021
Total Pension Liability								
Service cost	\$ 738,127	\$ 713,970	\$ 733,174	\$ 668,468	\$ 648,762	\$ 642,823	\$ 687,145	\$ 669,620
Interest	1,455,330	1,537,449	1,650,099	1,706,059	1,742,804	1,849,648	1,921,663	2,025,076
Changes of assumptions	-	-	-	(209,695)	-	801,043	-	899,673
Difference between expected and actual experience	-	304,251	(570,559)	(515,637)	270,296	(42,381)	148,865	(796,573)
Benefit payments, including refunds of employee contributions	(1,049,323)	(991,325)	(901,450)	(1,125,127)	(1,123,413)	(1,147,613)	(1,263,572)	(1,187,694)
Net change in total pension liability	1,144,134	1,564,345	911,264	524,068	1,538,449	2,103,520	1,494,101	1,610,102
Total pension liability -- beginning	21,315,088	22,459,222	24,023,567	24,934,831	25,458,899	26,997,348	29,100,868	30,594,969
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>	<u>\$ 30,594,969</u>	<u>\$ 32,205,071</u>
Plan fiduciary net position								
Contributions -- employer	\$ 587,401	\$ 477,042	\$ 663,115	\$ 393,829	\$ 395,475	\$ 356,625	\$ 351,095	\$ 381,546
Contributions -- employee	330,019	312,739	314,507	324,226	324,119	341,637	339,946	353,744
Net investment income	3,042,856	1,014,884	405,924	2,848,179	1,910,589	1,823,319	548,651	7,850,056
Benefit payments, including refunds of employee contributions	(1,049,323)	(991,325)	(901,450)	(1,125,127)	(1,123,413)	(1,147,613)	(1,263,572)	(1,187,694)
Administrative expense	(16,345)	(13,901)	(14,198)	(16,505)	(16,379)	(18,028)	(18,730)	(19,450)
Other	161	(215)	(171)	(2,534)	(1,688)	(1,148)	(679)	741
Net change in plan fiduciary net position	2,894,769	799,224	467,727	2,422,068	1,488,703	1,354,792	(43,289)	7,378,943
Plan fiduciary net position -- beginning	19,344,130	22,238,899	23,038,123	23,505,850	25,927,918	27,416,621	28,771,413	28,728,124
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>	<u>\$ 28,728,124</u>	<u>\$ 36,107,067</u>
Total net pension liability -- beginning	\$ 1,970,958	\$ 220,323	\$ 985,444	\$ 1,428,981	\$ (469,019)	\$ (419,273)	\$ 329,455	\$ 1,866,845
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>	<u>\$ 1,866,845</u>	<u>\$ (3,901,996)</u>
Plan fiduciary net position as a percentage of total pension liability	99%	96%	94%	102%	102%	99%	94%	112%
Covered payroll	\$ 6,739,997	\$ 6,271,733	\$ 7,303,711	\$ 6,556,134	\$ 6,718,706	\$ 7,179,989	\$ 7,228,784	\$ 7,502,569
Net pension liability (asset) as a percentage of covered payroll	3.27%	15.71%	19.57%	-7.15%	-6.24%	4.59%	25.83%	-52.01%

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	2020	2021
Employer's proportion of the net pension liability	0.93031%	0.91814%	0.94584%	0.95248%	0.95078%	0.98036%	0.94792%	0.95117%
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	\$ 137,947,254	\$ 73,840,253
Employer's covered payroll	89,528,345	68,193,037	71,032,824	73,624,141	76,657,195	81,801,705	82,806,334	83,522,903
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%	166.59%	88.41%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%	72.92%	70.88%	73.51%	71.47%	85.46%

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:						
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		7,468,347	7,462,406	5,941	69,343,981	10.76%
2021		8,630,767	8,610,229	20,538	69,212,248	12.44%
2022		8,992,126	8,992,126	-	72,395,220	12.42%
School Board (non-teacher) Pension Plan:						
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	-	7,228,784	4.85%
2021		420,144	420,144	-	7,502,569	5.60%
2022		444,256	444,256	-	8,968,585	4.95%
School Board Teacher Retirement Plan:						
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	-	82,806,334	15.24%
2021		13,881,507	13,881,507	-	83,522,903	16.62%
2022		13,650,009	13,650,009	-	84,666,483	16.12%

CITY OF SUFFOLK, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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">- Updated mortality rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.- Lowered retirement rates to better fit experience for Plan1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.- No change to disability rates.- No change to line of duty disability rates.- No change to discount rate of 6.75% | <ul style="list-style-type: none">- Updated mortality rates to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.- No change to disability rates.- No change to line of disability rates.- No change to discount rate of 6.75%. |
|--|---|

School Board Teacher Retirement Plan Employees:

- Update mortality rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted Retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change in disability rates.
- No change in discount rate of 6.75%

CITY OF SUFFOLK, VIRGINIA

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

	2017	2018	2019	2020	2021	2022
Total OPEB Liability						
Service cost	\$ 886,026	\$ 646,056	\$ 835,242	\$ 936,260	\$ 972,561	\$ 1,250,647
Interest	2,225,368	2,369,007	2,976,786	3,435,345	3,568,007	3,143,180
Difference between expected and actual experience	-	5,564,681	576,876	(479,096)	(109,112)	(21,471,616)
Changes of assumptions or other inputs	-	289,822	3,129,118	(863,241)	-	5,714,895
Benefit payments, including refunds of employee contributions	(1,060,396)	(1,454,455)	(1,655,212)	(1,349,107)	(1,242,451)	(1,073,690)
Net change in total OPEB liability	2,050,998	7,415,111	5,862,810	1,680,161	3,189,005	(12,436,584)
Total OPEB liability -- beginning	30,201,776	32,252,774	39,667,885	45,530,695	47,210,856	50,399,861
Total OPEB liability -- ending	<u>\$ 32,252,774</u>	<u>\$ 39,667,885</u>	<u>\$ 45,530,695</u>	<u>\$ 47,210,856</u>	<u>\$ 50,399,861</u>	<u>\$ 37,963,277</u>
Plan fiduciary net position						
Contributions -- employer	\$ 3,340,696	\$ 2,488,905	\$ 1,655,212	\$ 1,349,107	\$ 1,742,451	\$ 1,803,210
Net investment income	3,390,546	3,045,950	1,629,195	1,131,826	11,551,219	(4,707,020)
Benefit payments, including refunds of employee contributions	(1,060,396)	(1,454,455)	(1,655,212)	(1,349,107)	(1,242,451)	(1,073,690)
Administrative fees	-	(31,912)	(32,333)	(33,677)	(36,395)	-
Net change in plan fiduciary net position	5,670,846	4,048,488	1,596,862	1,098,149	12,014,825	(3,977,500)
Plan fiduciary net position -- beginning	25,720,279	31,391,125	35,439,613	37,036,475	38,134,624	50,149,449
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>	<u>\$ 50,149,449</u>	<u>\$ 46,171,949</u>
Total net OPEB liability (asset) -- beginning	\$ 4,481,497	\$ 861,649	\$ 4,228,272	\$ 8,494,220	\$ 9,076,232	\$ 250,412
Total Net OPEB liability (asset) -- ending	<u>\$ 861,649</u>	<u>\$ 4,228,272</u>	<u>\$ 8,494,220</u>	<u>\$ 9,076,232</u>	<u>\$ 250,412</u>	<u>\$ (8,208,672)</u>
Plan fiduciary net position as a percentage of total OPEB liability	97.33%	89.34%	81.34%	80.78%	99.50%	121.62%
Covered payroll	\$ 58,111,943	\$ 67,302,874	\$ 61,416,353	\$ 69,886,884	\$ 69,886,884	\$ 75,470,202
Net OPEB Liability as a percentage of covered payroll	1.48%	6.28%	13.83%	12.99%	0.36%	-10.88%

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	2020	2021
Total OPEB Liability					
Service cost	\$ 518,107	\$ 456,968	\$ 458,381	\$ 474,424	\$ 532,956
Interest	1,168,697	1,034,554	1,024,964	1,124,926	869,162
Changes of benefit terms	(391,210)	-	-	-	-
Difference between expected and actual experience	(2,060,226)	(651,244)	695,593	(4,196,230)	(1,920,563)
Changes of assumptions or other inputs	1,303,406	34,634	-	26,928	79,997
Benefit payments, including refunds of employee contributions	(1,323,985)	(588,348)	(1,435,329)	(267,861)	(304,691)
Net change in total OPEB liability	(785,211)	286,564	743,609	(2,837,813)	(743,139)
Total OPEB liability -- beginning	14,411,142	13,625,931	13,912,495	14,656,104	11,818,291
Total OPEB liability -- ending	<u>\$ 13,625,931</u>	<u>\$ 13,912,495</u>	<u>\$ 14,656,104</u>	<u>\$ 11,818,291</u>	<u>\$ 11,075,152</u>
Plan fiduciary net position					
Contributions -- employer	\$ 1,323,985	\$ 588,348	\$ 1,435,329	\$ 267,861	\$ 304,691
Net investment income	2,073,264	(699,998)	2,823,320	2,533,238	3,020,825
Benefit payments, including refunds of employee contributions	(1,323,985)	(588,348)	(1,435,329)	(267,861)	(304,691)
Administrative expenses	(14,546)	(14,727)	(15,166)	(15,718)	(18,731)
Net change in plan fiduciary net position	2,058,718	(714,725)	2,808,154	2,517,520	3,002,094
Plan fiduciary net position -- beginning	13,406,521	15,465,239	14,750,514	17,558,668	20,076,188
Plan fiduciary net position -- ending	<u>\$ 15,465,239</u>	<u>\$ 14,750,514</u>	<u>\$ 17,558,668</u>	<u>\$ 20,076,188</u>	<u>\$ 23,078,282</u>
Total net OPEB liability (asset) -- beginning	<u>\$ 1,004,621</u>	<u>\$ (1,839,308)</u>	<u>\$ (838,019)</u>	<u>\$ (2,902,564)</u>	<u>\$ (8,257,897)</u>
Total Net OPEB asset -- ending	<u>\$ (1,839,308)</u>	<u>\$ (838,019)</u>	<u>\$ (2,902,564)</u>	<u>\$ (8,257,897)</u>	<u>\$ (12,003,130)</u>
Plan fiduciary net position as a percentage of total OPEB liability	113.50%	106.02%	119.80%	169.87%	208.38%
Covered payroll	\$ 79,940,967	\$ 80,618,413	\$ 81,801,705	\$ 90,628,803	\$ 94,222,692
Net OPEB Asset as a percentage of covered payroll	-2.30%	-1.04%	-3.55%	-9.11%	-12.74%

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:										
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%
2021		1,702,081		1,742,451		(40,370)		69,886,884		2.49%
2022		1,702,081		1,803,210		(101,129)		75,470,202		2.39%
School Board										
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%
2021		-		267,861		(267,861)		90,628,803		0.30%
2022		-		304,691		(304,691)		94,222,692		0.32%

CITY OF SUFFOLK, VIRGINIA

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

	City OPEB Trust	School Board OPEB Trust
2017	13.04%	15.52%
2018	9.52%	9.52%
2019	4.67%	4.67%
2020	4.88%	4.88%
2021	30.05%	30.05%
2022	-9.28%	-9.28%

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, 2022

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 January 1, 2022.

Changes to assumptions or other inputs

The following changes in assumptions were made for the valuation date of January 1, 2022:

- The discount rate was lowered from 7.5% to .75% to be in line with the current VRS assumption.
- The claims assumption was updated to include the most recent plan experience.
- The trend assumption was updated to the most recent table released by the Society of Actuaries.
- The salary scale assumption was updated to match that of the most recent VRS valuation.
- The decrement assumptions were updated to match those used by the most recent VRS valuation.

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,

	2017	2018	2019	2020	2021
Employer's proportion of the net LODA OPEB liability	2.76316%	2.86170%	2.62930%	2.75114%	2.78220%
Employer's proportionate share of the net LODA OPEB liability	\$ 7,261,000	\$ 8,972,000	\$ 9,433,565	\$ 11,522,199	\$ 12,269,269
Employer's covered payroll	\$ 23,102,737	\$ 24,288,204	\$ 28,324,247	\$ 29,370,754	\$ 27,241,531
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	31.43%	36.94%	33.31%	39.23%	45.04%
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.30%	0.60%	0.79%	1.02%	1.30%

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

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

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM (GLI) FOR THE CITY
FOR THE YEAR ENDED JUNE 30,

	2017	2018	2019	2020	2021
Employer's proportion of the net GLI OPEB liability	0.34781%	0.34952%	0.34159%	0.33753%	0.33655%
Employer's proportionate share of the net GLI OPEB liability	\$ 5,234,000	\$ 5,308,000	\$ 5,558,578	\$ 5,632,832	\$ 3,918,355
Employer's covered payroll	\$ 64,154,851	\$ 66,461,255	\$ 66,963,814	\$ 69,692,322	\$ 69,484,722
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	8.16%	7.99%	8.30%	8.08%	5.64%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%	52.64%	67.45%

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

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

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM (GLI) FOR THE SCHOOL BOARD
FOR THE YEAR ENDED JUNE 30,

	2017	2018	2019	2020	2021
Employer's proportion of the net GLI OPEB liability	0.40934%	0.44079%	0.45715%	0.43943%	0.44273%
Employer's proportionate share of the net GLI OPEB liability	\$ 6,704,000	\$ 6,695,000	\$ 7,439,047	\$ 7,333,367	\$ 5,154,577
Employer's covered payroll	\$ 82,175,449	\$ 83,814,437	\$ 89,616,947	\$ 90,437,143	\$ 91,407,110
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	8.16%	7.99%	8.30%	8.11%	5.64%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%	52.64%	67.45%

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

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

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

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

	2017	2018	2019	2020	2021
Employer's proportion of the net HIC OPEB liability	0.95031%	0.94832%	0.97557%	0.94455%	0.94441%
Employer's proportionate share of the net HIC OPEB liability	\$ 12,056,000	\$ 12,040,000	\$ 12,771,160	\$ 12,321,811	\$ 12,122,156
Employer's covered payroll	\$ 74,998,650	\$ 76,694,389	\$ 81,827,304	\$ 82,806,334	\$ 83,522,903
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.07%	15.70%	15.61%	14.88%	14.51%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	7.04%	8.08%	8.97%	9.95%	13.15%

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

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

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF 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>	<u>2020</u>	<u>2021</u>
Employer's proportion of the net VLDP OPEB liability	4.31966%	4.37837%	4.50925%	4.10950%	4.07483%
Employer's proportionate share of the net VLDP OPEB liability (asset)	\$ 25,000	\$ 34,000	\$ 34,661	\$ 34,104	\$ (30,600)
Employer's covered payroll	\$ 11,799,069	\$ 15,699,589	\$ 20,626,222	\$ 23,040,664	\$ 25,736,865
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.21%	0.22%	0.17%	0.15%	-0.12%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	31.96%	46.18%	74.12%	78.28%	114.46%

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

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

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB 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)					
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%
2021	375,217	375,217	-	69,484,722	0.54%
2022	385,940	385,940	-	72,564,393	0.53%
City Line of Duty Act Program (LODA)					
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%
2021	383,044	383,044	-	27,241,531	1.41%
2022	358,834	358,834	-	31,137,183	1.15%

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)					
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%
2021	493,598	493,598	-	91,407,110	0.54%
2022	1,264,187	1,264,187	-	94,334,223	1.34%
School Board Health Insurance Credit Program (THIC) - Teachers					
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%
2021	1,010,627	1,010,627	-	83,522,903	1.21%
2022	1,024,485	1,024,485	-	84,666,483	1.21%
School Board Virginia Local Disability Program (VLDP)					
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%
2021	129,938	129,938	-	25,736,865	0.50%
2022	158,126	158,126	-	30,691,112	0.52%

CITY OF SUFFOLK, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. 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">- Updated mortality rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.- Adjusted withdrawal rates to better fit experience at each age and service decrement through 9 year of service.- No change in disability rates.- No change in salary scale.- No change in discount rate.	<ul style="list-style-type: none">- Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020.- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with locals Top 10 Hazardous duty.- No change in disability rates.- No change in salary scale.- No change in line of duty disability rates.

School Board Teacher GLI, HIC and VLDP:

- Updated mortality rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement ages from 75 to 80 for all.
- Adjusted rates to better fit experience at each age and service decrement through 9 years of service.
- No change in disability rates
- No change in Discount rate

CITY OF SUFFOLK, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE SCHOOL BOARD'S NET OPEB LIABILITY AND RELATED RATIOS
SCHOOL BOARD NON-TEACHER HIC SINGLE EMPLOYER PLAN
FOR THE YEAR ENDED JUNE 30,

	2020	2021
Total OPEB Liability		
Service cost	\$ -	\$ 10,909
Interest	-	42,022
Changes of benefit terms	622,573	-
Changes of assumptions or other inputs	-	17,815
Benefit payments, including refunds of employee contributions	-	(35)
Net change in total OPEB liability	622,573	70,711
Total OPEB liability -- beginning	-	622,573
Total OPEB liability -- ending	<u>\$ 622,573</u>	<u>\$ 693,284</u>
 Plan fiduciary net position		
Contributions -- employer	\$ -	\$ 52,520
Net investment income	-	6,756
Benefit payments, including refunds of employee contributions	-	(35)
Administrative expenses	-	(232)
Net change in plan fiduciary net position	\$ -	\$ 59,009
Plan fiduciary net position -- beginning	-	-
Plan fiduciary net position -- ending	<u>\$ -</u>	<u>\$ 59,009</u>
 Total net OPEB liability -- beginning	<u>\$ -</u>	<u>\$ 622,573</u>
Total Net OPEB liability -- ending	<u>\$ 622,573</u>	<u>\$ 634,275</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 0.00%	 8.51%
 Covered payroll	 \$ 7,502,569	 \$ 7,502,569
 Net OPEB Liability as a percentage of covered payroll	 8.30%	 8.45%

Schedules are intended to show information for 10 years. Since 2020 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 -- SCHOOL BOARD NON-TEACHER HEALTH INSURANCE CREDIT OPEB PLAN
SCHOOL BOARD NON-TEACHER HIC
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
2021	\$ 52,518	\$ 52,518	\$ -	\$ 7,502,569	0.70%
2022	62,748	62,748	-	8,968,585	0.70%

Schedules are intended to show information for 10 years. Since 2021 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, 2022

Notes to the Required Supplementary Information related to Other Postemployment Benefit Plans – School Board Non-Teacher Health Insurance Credit Single Employer State VRS Plan.

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except for the change in the discount rate, 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:

Mortality Rates (pre-retirement, post-retirement, healthy and disabled):	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates:	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates:	Adjusted rates to better fit experience at each age and service decrement through 9 year of service.
Disability rates:	No change.
Salary Scale:	No change.
Line of Duty Disability:	No change.
Discount Rate:	No change.

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APPENDIX D: FORM OF BOND COUNSEL OPINION LETTER

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October 17, 2023

City Council of the City of Suffolk, Virginia
Suffolk, Virginia

\$28,955,000
City of Suffolk, Virginia
General Obligation Bonds,
Series 2023

Ladies and Gentlemen:

We have served as bond counsel to the City of Suffolk, Virginia (the "City"), in connection with the issuance and sale of the City's \$28,955,000 General Obligation Bonds, Series 2023 (the "Bonds"), dated the date of their delivery.

In connection with this opinion letter, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Tax Code") and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render this opinion letter.

As to questions of fact material to our opinions, we have relied upon and are assuming the accuracy of certifications and representations of the City, City officers and other public officials and certain other third parties contained in certificates and other documents delivered at closing, including, without limitation, certifications as to the use of proceeds of the Bonds, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, we are of the opinion that, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.

2. The City Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax on individuals (a "Specific Tax Preference Item"). However, for taxable years beginning after December 31, 2022, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In delivering this opinion letter, we are assuming continuing compliance with the Covenants (as defined below) by the City, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Tax Code. The Tax Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax certificate and related documents for the Bonds (the "Tax Certificates") delivered at closing by the City contain covenants (the "Covenants") under which the City has agreed to comply with such requirements. A failure to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificates. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Tax Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or equity.

Our services as bond counsel to the City have been limited to rendering the foregoing opinions based on our review of such legal proceedings as we deem necessary to opine on the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds, including without limitation the Preliminary Official Statement of the City dated September 26, 2023, and the Official Statement of the City dated October 3, 2023. This opinion letter is given as of the date hereof, and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX E: BOOK-ENTRY-ONLY SYSTEM

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BOOK-ENTRY-ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the 2023 Bonds, payments of principal of and interest on the 2023 Bonds to DTC, as hereinafter defined, its nominee, Direct Participants, as hereinafter defined, or Beneficial Owners, as hereinafter defined, confirmation and transfer of beneficial ownership interests in the 2023 Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.

The Depository Trust Company ("DTC") will act as securities depository for the 2023 Bonds. The 2023 Bonds will be issued as fully-registered securities registered 2023 Bond in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2023 Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2023 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2023 Bond ("Beneficial Owner") is in turn to be recorded on the records of either the Direct Participants or the Indirect Participants, as applicable. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participants or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2023 Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2023 Bonds, except in the event that use of the book-entry system for the 2023 Bonds is discontinued.

To facilitate subsequent transfers, all 2023 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2023 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2023 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2023 Bonds are credited, which may or may not be the Beneficial

Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2023 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2023 Bonds may wish to ascertain that the nominee holding the 2023 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar/Paying Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2023 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the 2023 Bonds of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2023 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (an "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the 2023 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2023 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates for the 2023 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2023 Bond certificates will be printed and delivered to DTC.

The City has no responsibility or obligation to the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to: (i) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant; (ii) the payment by DTC, any Direct Participant or any Indirect Participant of any amount due to any Beneficial Owner in respect to the principal of and interest on the 2023 Bonds; (iii) the delivery or timeliness of delivery by any Direct Participant or any Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the 2023 Bonds to be given to owners of the 2023 Bonds; (iv) the selection of the Beneficial Owners to receive payments in the event of any partial redemption of the 2023 Bonds; or (v) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owners of the 2023 Bonds.

So long as Cede & Co. is the registered owner of the 2023 Bonds, as nominee of DTC, references in this Official Statement to Bondholders shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only Bondholder for all purposes under the 2023 Bonds.

The City may enter into amendments to the agreement with DTC, or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the 2023 Bonds without the consent of Beneficial Owners or Bondholders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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