CITY OF PORTSMOUTH, VA

CHARTERED MARCH 1, 1858

The New Portsmouth

2019 Comprehensive Annual

FINANCIAL REPORT

For The Fiscal Year Ended **June 30, 2019**

PORTSMOUTH, VIRGINIA

Portsmouth City Hall
801 Crawford Street • Portsmouth, VA • (757) 393-5388

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF PORTSMOUTH, VIRGINIA

YEAR ENDED JUNE 30, 2019

Prepared by:

DEPARTMENT OF FINANCE

THE CITY OF
PORTSMOUTH

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CITY OF PORTSMOUTH, VIRGINIA

Comprehensive Annual Financial Report
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June 30, 2019

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CITY OF PORTSMOUTH, VIRGINIA

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INTRODUCTORY SECTION

THE CITY OF
PORTSMOUTH

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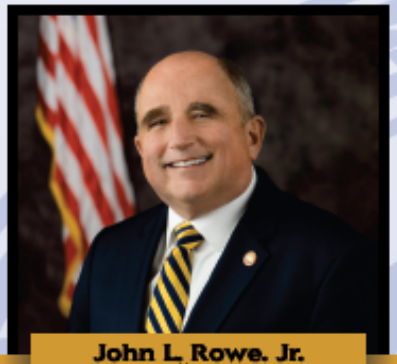
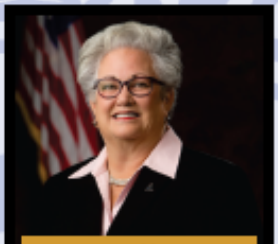
City of Portsmouth, Virginia
Principal Officials • June 30, 2019

Portsmouth City Council Members



John L. Rowe. Jr.
Mayor
Term Expires: 12/31/2020

William E. Moody, Jr.
Term Expires: 12/31/2022



Elizabeth M. Psimas
Term Expires: 12/31/2020

Nathan J. Clark
Term Expires: 12/31/2020

Lisa Lucas-Burke
Vice Mayor
Term Expires: 12/31/2020

Paul J. Battle
Term Expires: 12/31/2022

Shannon E. Glover
Term Expires: 12/31/2022

City Council Appointments

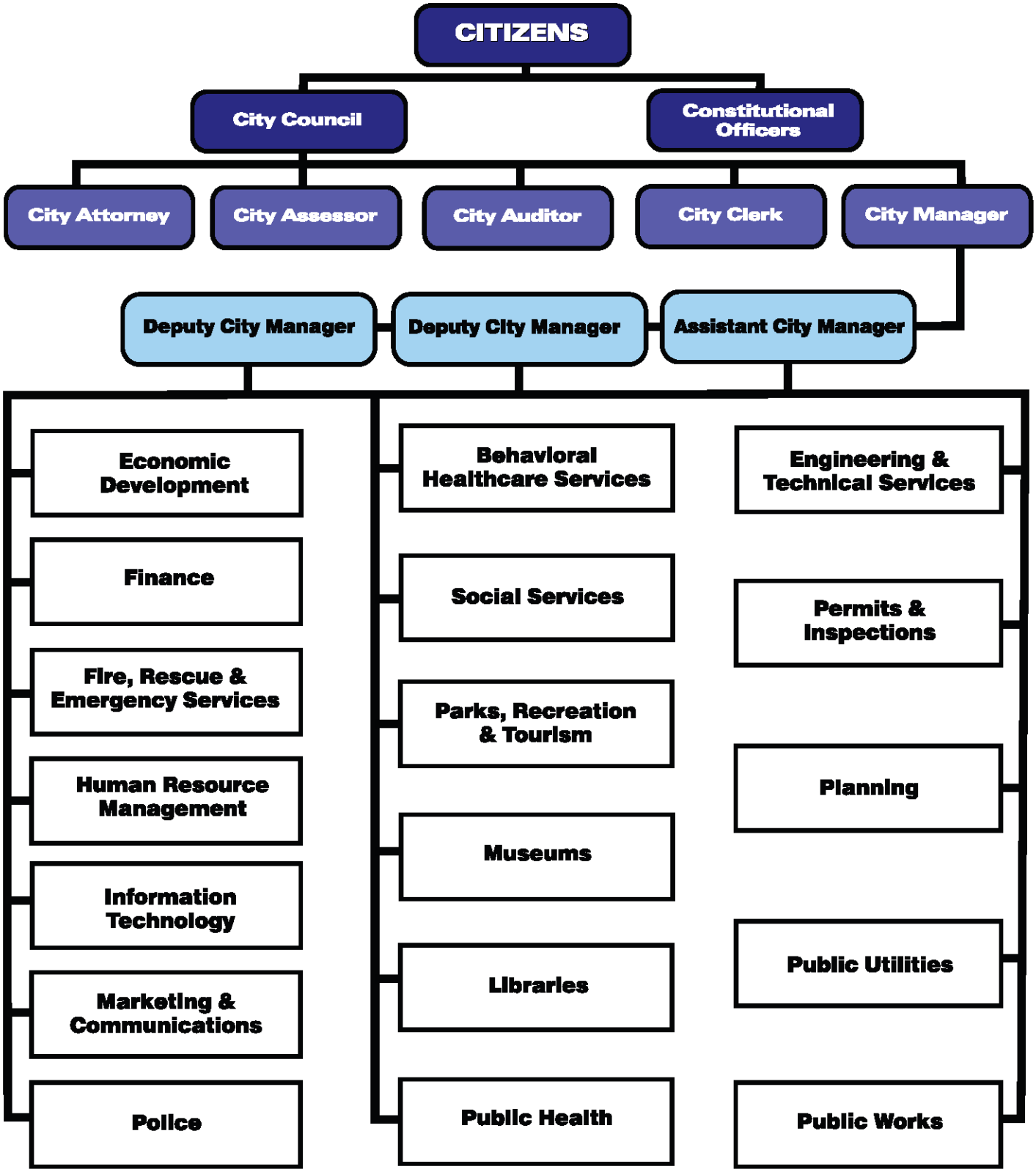
Dr. L. Pettis Patton, City Manager
Soloman H. Ashby, City Attorney
Holt "Billy" Butt, City Assessor
Debra Y. White, City Clerk

Constitutional Officers

Cynthia P. Morrison, Clerk of the Circuit Court
Franklin D. Edmondson, Commissioner of the Revenue
Stephanie N. Morales, Commonwealth's Attorney
Paige D. Cherry, City Treasurer
Michael A. Moore, Sheriff

Revised: February 18, 2020

THE MUNICIPAL ORGANIZATION OF THE CITY OF PORTSMOUTH, VA



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Portsmuth Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

March 13, 2020

Dear Mayor, Vice Mayor, Members of City Council and Portsmouth Citizens:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Portsmouth, Virginia for the fiscal year ended June 30, 2019, in accordance with State Statutes and City Code. The city's Department of Finance prepared this report in accordance with generally accepted accounting principles in the United States of America. (GAAP).

City management is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, based on a comprehensive framework of internal controls established for that purpose. The cost of internal control should not exceed anticipated benefits; the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

The CAFR has been compiled in a manner designed to fairly set forth the financial positions and results of operations of the city. The CAFR includes disclosures designed to enable the reader to gain an understanding of the city's financial affairs.

In accordance with GAAP, a narrative overview and analysis of the basic financial statements in the form of Management's Discussion and Analysis (MD&A) is provided and can be found immediately following the independent auditor's report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

PROFILE OF THE CITY

The city of Portsmouth was settled in 1752 and incorporated by the Virginia General Assembly in 1858. The city lies in the center of the Hampton Roads Region situated at one of the world's greatest natural harbors, at the confluence of the James, Nansemond and Elizabeth Rivers where they empty into the Chesapeake Bay. The city is bordered by the cities of Suffolk, Chesapeake, and Norfolk. The city's land area of approximately 33.65 square miles is mostly developed, with an estimated population of 94,581 in 2019.

With 90 miles of shoreline at the zero-mile post of the Intracoastal Waterway, which runs from Canada to Florida, Portsmouth's location on navigable waterways has proven a dominant force in the city's history and economy. Its location on the 50 plus foot deep Hampton Roads shipping channel, and the presence of both the CSX and Norfolk Southern Railroads, supports the national and international port commerce activities and military presence in the region.

Portsmouth is home to the Norfolk Naval Shipyard, a government facility with approximately 16,000 people on base, the Atlantic Area Command and United States Coast Guard (USCG) Fifth

District Headquarters with approximately 2,500 employees, and the Naval Regional Medical Center with approximately 7,000 employees. The USCG Atlantic Area command provides the operational leadership for all USCG missions from the Rocky Mountains to the Arabian Gulf, spanning across five Coast Guard Districts and 40 states.

Although economic activity in the city has been historically associated with the port and military activities in the region, Portsmouth's economy has diversified in recent years with increasing employment in the service, manufacturing, and professional sectors.

Structure of the Government and Its Services

Portsmouth is an independent, full-service city with sole local governmental taxing power within its boundaries. It derives its governing authority from a charter granted by the General Assembly of the Commonwealth of Virginia.

The City Council is the governing body of the city, which formulates policies for the administration of the city. Portsmouth. The city, operates under the Council-Manager form of government, with the City Council consisting of a mayor and six other council members. The mayor is elected directly by the voters on an at-large, nonpartisan basis, as are the remaining members of the City Council. The City Council is the legislative policy-making body, and the City Manager, who is appointed by the City Council, serves as the city's chief executive officer. The City Manager reports directly to the City Council, appoints department heads, conducts the financial business of the city, and performs other duties as required by the governing body.

The operation of public schools in Portsmouth is the responsibility of the School Board, consisting of nine members elected by the citizens at-large for four-year terms. By State law, the School Board operates independently from the City Council, but is fiscally dependent on it.

The City Council appropriates an annual sum for education, which may be appropriated by category; however, the School Board determines how the funds are spent. Taxing and appropriation authority remain with the City Council.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the city of Portsmouth) as well as its component units, which are legally separate organizations for which the City Council is financially accountable. The component units qualifying for inclusion in this report are the Portsmouth City Public Schools, Economic Development Authority (a blended component unit), and the Port and Industrial Commission. Financial accountability for these component units was determined on the basis of City Council's selection of governing authority, designation of management, ability to influence operations, and/or accountability for fiscal matters. The discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government.

The city provides a full range of municipal services to meet the needs of its citizens including police and fire protection, collection and disposal of refuse and recycling, water, sewer and storm water services, street and highway maintenance, parks and recreation, libraries and cultural resources, city planning, health and social services, parking, street and highway maintenance and

general administration. The city budget appropriates city, state and federal pass-through funds for education, health, mental health assistance, social services, judicial activities and other programs.

Cities in Virginia have sole jurisdiction over the entire area within their boundaries and operate independently of any county government. There are no overlapping jurisdictions and, consequently, citizens of Virginia cities are not subject to overlapping debt or taxation.

Economic Trends in the Region and in Portsmouth

Old Dominion University estimates real (inflation-adjusted) Gross Domestic Product for the Metropolitan Statistical Area (MSA) grew by 2.4% for 2019, representing the third consecutive year of economic growth for the region. It may represent the first year in over a decade in which regional growth approaches or bests that of the United States. Further, they project growth of 2.6% in 2020, surpassing their forecast for that of Virginia and the United States. A surge in department of Defense spending (6.0%), continued increases in the hospitality industry (2.7%), and sustained shipments through the Port of Virginia (1.0%) all serve as reasons for the growth.

Regarding Portsmouth, the city has recovered the jobs physically located in Portsmouth since the recession, but employment among our residents (regardless of the city in which they are employed) has yet to fully recover. The city's unemployment rate stands at 3.7% in December, 2019, above the MSA rate of 2.8%. Real estate assessment growth remains quite modest, but is expected to slightly outperform recent trends. Although consumer revenues of General Sales, Restaurant Meals, Hotel, and Business Professional Occupancy License taxes have recovered since the recession, all are performing below their long-term averages.

Economic Development Initiatives

Economic Development in Portsmouth continues to experience a major increase in activity especially in critical sectors such as advanced manufacturing, small business development, and port-related developments. Investment in Portsmouth totaled $104 million during calendar year 2018 (a significant increase from 2017) resulting in the creation of 300 new jobs and retention of 823 jobs.

The Portsmouth Economic Development Department's 2019 Annual Report (highlighting 2018 business announcements and job creation) noted the following accomplishments:

- After the acquisition of Preferred Freezer Services, Lineage Logistics committed to invest $60 million for the development of a new location in the City of Portsmouth. The expansion project is expected to create 60 new jobs over the next three years with an annual salary of at least $60 thousand. Lineage Logistics is an international warehousing and logistics company, and the world's largest refrigerated warehousing company. It currently has around 200 facilities in North America, Europe, and Asia.

- Columbia Care LLC announced a new medical cannabis oil dispensary center in Portsmouth. The project is a roughly $8.6 million, 65,000 square foot building housing a dispensary, lab, and on-site pharmacy.

- Industrial Realty Group LLC is constructing a new speculative warehouse building at the former Cogentrix Plant. It is located just one mile from the Virginia International Gateway. The 350,000 square foot facility has a total project cost of nearly $25 million.

- Luna Development Services, LLC is constructing a new Community Health Care Center. The 25,000 square foot facility has a total project cost of nearly $10 million.

Workforce Development

Having access to a highly skilled workforce is a key to any company's success. For the City of Portsmouth to maintain its position in an increasingly competitive and challenging environment, workforce development must be a top priority. The core of any workforce development effort is the need to help workers build the skills necessary to adapt to change, meet the challenges of an evolving economy, and find good-paying jobs. The City is fully engaged and has created a program to address this important issue.

Redevelopment Initiatives

Downtown Portsmouth is the most vivid and authentic expression of our City's history and culture. It is everyone's neighborhood. The Crawford Gateway Revitalization Strategy seeks to capitalize on substantial public and private investment in Downtown by placing an emphasis on the City Council Vision to provide access to the waterfront and reinvigorate downtown with substantial economic development.

The implementation of this strategy looks to:

1. Create greatly enhanced connectivity along Crawford and the Elizabeth River waterfront
2. Enhance value of development opportunities for redevelopment sites
3. Improve stormwater management and flood protection
4. Increase downtown daytime population and improve livability downtown through bike-pedestrian enhancement, quality open space, and expanded retail/shopping/dining options
5. Focus on quality of experience, value, and opportunities for more connected seawall and open space amenities
6. Minimize public use/tax exempt footprint to expand private sector opportunities while retaining civic (City Hall) and public safety (Police substation or precinct) presence downtown

Budget Process

The Commonwealth of Virginia and City Charter mandate a balanced budget. The annual budget serves as the foundation for the city's financial planning and control. The City Manager proposes the budget to City Council at least 90 days before the end of each fiscal year and it is adopted by

City Council at least 45 days before the close of the fiscal year. The budget is prepared by fund (e.g. general, special revenue, capital projects), function (e.g. public safety) and department (e.g. police, parks and recreation). Budget to actual comparisons are provided in this report for governmental funds where an appropriated annual budget has been adopted. These comparisons are presented in the Other Required Supplementary Information Section of this report.

Build One Portsmouth

The city recently adopted its new comprehensive plan, *Build One Portsmouth*. This document is the culmination of years of work on the part of our Planning Commission and Planning Department. The plan places an emphasis on resiliency and sustainability, two values Portsmouth must engrain as climate change and disaster preparedness are two of the city's most persistent threats.

The plan considered what the residents of Portsmouth value most about the city: cohesive neighborhoods, bonds developed by tenure of residency, and its central location. *Build One Portsmouth* provides the city with a pathway towards a future that residents will value by encouraging dense development, rezoning to multi-family in downtown areas, and multi-use development.

General Fund Performance

The General Fund accounts for all revenues and expenditures that are not accounted for in specific purpose funds. It finances the regular day-to-day operations of the city.

A strong unassigned fund balance is an indication of financial flexibility and fiscal strength. The city's general unassigned fund balance at June 30, 2019 was $61,443,205 which represents 26.5% of fiscal year 2019 general fund's total revenues. This exceeded the city's adopted financial policy of 15%.

The following table presents the city's General Fund ratio of unassigned fund balance to total revenues for the previous five fiscal years:

Fiscal Year	General Fund Unassigned Fund Balance	General Fund Total Revenues	Ratio
2019	$ 61,443,205	231,668,985	26.5 %
2018	56,699,726	222,148,438	25.5 %
2017	57,358,331	222,284,865	25.8 %
2016	58,427,712	221,711,369	26.4 %
2015	54,088,231	218,836,434	24.7 %

Financial Policies

The financial integrity of our city government is of the utmost importance. The city's comprehensive established financial policies address appropriate financial management, debt administration, budget and capital plan development, and long-range planning.

Written, adopted financial policies have many benefits, such as assisting the elected officials and staff in the financial management of the city, saving time and energy when discussing financial

matters, engendering public confidence, and providing continuity over time as elected officials and staff members change. City management will annually review the city's financial policies, and City Council will reaffirm them at least once every three years. The policies discussed below had a significant impact on the financial results reported for fiscal year 2019.

Use of Fund Balance
While accumulated fund balance in the General Fund may legally be used as revenue to support the budget, the city's intention is not to use fund balance to fund recurring operating expenditures. Accumulated fund balance over and above the city's fund balance target may be considered for funding one-time expenditures. During fiscal year 2019, the city remained in compliance with this policy by using the general fund balance to only fund one-time expenditures and not recurring expenditures.

Cash Management
The city uses a pooled cash concept to allow greater investment flexibility and maximize its return on investment. The city pools cash from all funds, except those restricted for specific purposes or managed by fiscal agents, for investment purposes. The city may invest idle cash in overnight repurchase agreements and other investments ranging from 1 to 180 days to maturity. During the 2019 fiscal year, the city was able to manage its current resources to properly meet its operating cash requirements.

Independent Audit

State law requires that a certified public accountant selected by the City Council audit the city's annual financial statements. Cherry Bekaert LLP Certified Public Accountants performed this annual audit of the financial records and transactions of all funds, component units, and departments of the city for the fiscal year ending June 30, 2019.

The auditor's report, which includes their opinion on the basic financial statements of the city, is contained in this report on page 1.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the city of Portsmouth for its comprehensive annual financial report for the fiscal year ended June 30, 2018.

This was the 43nd consecutive year that the city of Portsmouth has earned this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

We would like to acknowledge the dedicated city staff for their contributions and commitment to maintaining the accounting and financial reporting systems of the city of Portsmouth. Special recognition is merited for the Department of Finance employees for the preparation of a timely and high quality Comprehensive Annual Financial Report for use by the City Council, citizens and other interested parties. We also would like to express our sincere appreciation for the City Council's leadership in establishing financial policies and support for financial operations of the city.

Respectfully submitted,

Dr. L. Pettis Patton
City Manager

Ms. Patricia Phillips, CPA
Interim Chief Financial Officer

FINANCIAL SECTION

THE CITY OF
PORTSMOUTH

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

The Honorable Members of the City Council
City of Portsmouth, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia, (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Reporting Entity

As described in note 17 to the financial statements, effective as of July 1, 2018, the City has changed its reporting entity presentation of a previously reported discretely presented component unit to a business-type activity and proprietary fund blended component unit. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 18, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Virginia Beach, Virginia
March 18, 2020

THE CITY OF
PORTSMOUTH

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the city of Portsmouth's (city's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the city's financial performance during the fiscal year ended June 30, 2019. The MD&A should be read in conjunction with the transmittal letter found in the Introductory Section of this report and the city's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The city's net position totaled $300.7 million at June 30, 2019, increasing $27.6 million over June 30, 2018.

- The city's unrestricted net position totaled $(133.6) million, which was comprised of a deficit of $(175.4) million resulting from governmental activities and $41.8 million resulting from business-type activities.

- Government-wide current assets totaled $270.4 million, of which $198.9 million was attributable to governmental activities and $71.5 million was attributable to business-type activities; while current liabilities totaled $91.0 million, with $54.9 million from governmental activities and $36.1 million from business-type activities. The ratio of current assets to current liabilities was 3.0:1 overall – 3.6:1 for governmental activities and 2.0:1 for business-type activities.

- The city's long-term indebtedness at June 30, 2019 totaled $712.4 million, an increase of $6.2 million from the prior year. The long-term indebtedness includes $527.8 bonds, $8.6 VDOT loan, $0.6 capital leases, $36.1 OPEB liability, landfill closure and post-closure care of $5.5 million, $6.0 claims payable, compensated absences of $4.5 million and net pension liabilities of $123.2 million.

- The city's governmental general revenues and transfers of $195.4 million were $23.2 million more than expenses, net of program revenues of $172.3 million. Taxes funded 89.0% of general revenues and transfers.

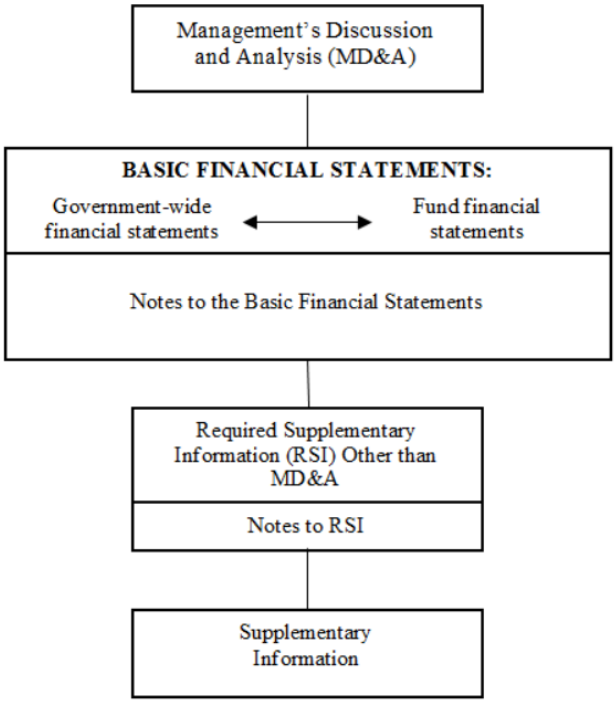
- The General Fund total fund balance increased 0.2% during the current year to $71.2 million from $71.1 million in the prior year. Unassigned fund balance of $61.4 increased $4.7 from prior year.

- Total net position for the Public Utility Fund increased 102.4% from $183.8 million at June 30, 2018 to $188.3 million at June 30, 2019. The Public Utility Fund had Unrestricted Net Position of $27.7 which is a $(22.2) decrease from June 30, 2018.

FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and compliance. As the following chart shows, the financial section of this report has four components – *management's discussion and analysis* (this section), the *basic financial statements*, the *required supplementary information,* and the *supplementary information*. The basic financial statements have three components – *government-wide financial statements, fund financial statements*, and *notes to the basic financial statements*.

Components of the Financial Section



The city's financial statements present two kinds of statements each with a different snapshot of the city's finances. The government-wide financial statements provide both long-term and short-term information about the city's overall financial status. The fund financial statements focus on the individual parts of the city government, reporting the city's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) 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 statements report information about the city as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the city's finances is, "Is the city, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the city as a whole and about its activities in a manner that provides an answer to this question. These statements include all assets and liabilities as well as deferred outflows/inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the city's net position and changes in net position. The city's net position, which is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one

way to measure the city's overall financial health and its current financial position. Over time, increases or decreases in the city's net position are one indicator of whether its financial condition is improving or deteriorating. Other non-financial factors will need to be considered, however, such as changes in the city's property tax base and the condition of the city's roads, to assess the overall health of the city.

In the Statement of Net Position and the Statement of Activities, the city is divided into the following:

Governmental activities - The city's basic municipal services, such as public safety (police and fire), public works, parks and recreation, and general administration, are reported herein. Property taxes, other local taxes, and state and federal grants finance most of these activities.

Business-type activities - Activities for which the city charges customers to provide. The city's water and sewer system, waste management services, golf courses, parking services, and economic development provided to the city, citizens, and customers are reported herein.

Component units - The city includes two other separate legal entities in its report – the School Board and the Portsmouth Port and Industrial Commission (PPIC), both discretely presented. Although legally separate, these "component units" are important in that the city is financially accountable for providing operating and capital funding to them.

Fund Financial Statements

The focus of the fund financial statement presentation is on the city's most significant funds. The fund financial statements provide more information about the city's most significant funds – not the city as a whole. Funds are accounting units that the city uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. Other funds are established to control and manage money for particular purposes or to demonstrate certain tax and grant revenues are properly used.

The city has three types of funds:

Governmental funds - Most of the city's basic services are included in governmental funds, which focus on (1) the inflows and outflows of cash and other financial assets that can readily be converted into cash and (2) the balances remaining at year end that are available for future spending. Consequently, the governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided on the subsequent page of the governmental funds financial statement that explains the relationship (or differences) between these statements. The city has three major governmental funds: the General Fund, the Debt Service Fund, and the Capital Improvements Fund.

Proprietary funds - Services for which the city charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide financial statements, provide both long and short-term financial information.

In fact, the city's enterprise funds (one type of proprietary fund) are the same as business-type activities, but the fund financial statements provide more detailed and additional information, such as cash flows. The city has one major enterprise fund: the Public Utility Fund.

The city uses internal service funds (another type of proprietary fund) to report activities that provide supplies and services for other city programs and activities, such as the city Garage Fund, the Information Technology Fund, the Risk Management Fund, and the Health Insurance Fund.

Fiduciary funds - The city is the trustee, or fiduciary, for its employees' pension plans and Other Postemployment Benefit plan and is responsible for the plans' assets, which can be used only to benefit the trust beneficiaries as part of a trust arrangement. The city is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the city's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The city excludes these activities from the city's government-wide financial statements in that the city cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY ENTITY

Statements of Net Position

The following table reflects the condensed Statements of Net Position:

Net position (assets plus deferred outflows minus liabilities plus deferred inflows) may serve over time as a useful indicator of a government's financial position. The city of Portsmouth's net position was $300.7 million at June 30, 2019. By far, the largest portion of the city's net position is reflected in its net investment in capital assets (land, buildings, improvements, etc.). The city uses these assets to provide services to its citizens and, consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources. $52.1 million of the city's net position is currently subject to various external restrictions.

The net position of the city's governmental activities increased by $23.1 million from $54.1 million to $77.2 million, as reflected in the Statement of Activities.

The net position of the city's business-type activities increased by $4.5 million from $219.0 million to $223.5 million, as reflected in the Statement of Activities.

Table 1
Summary of Statements of Net Position
As of June 30, 2019 and 2018* (in millions)

	Governmental Activties		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 198.9	162.5	71.5	97.0	270.4	259.5
Capital assets	477.0	474.7	307.5	288.4	784.5	763.1
Total assets	675.9	637.2	395.8	385.4	1,071.7	1,022.6
Deferred outflows of resources	43.3	38.7	6.4	7.2	49.7	45.9
Total assets and deferred outflows of resources	719.2	675.9	402.2	392.6	1,121.4	1,068.5
Current liabilities	54.9	47.2	36.1	22.7	91.0	69.9
Long-term liabilities	571.1	557.0	141.3	149.2	712.4	706.2
Total liabilities	626.0	604.2	177.4	171.9	803.4	776.1
Deferred inflows of resources	16.0	17.6	1.3	1.5	17.3	19.1
Net position:						
Net investment in capital assets	200.4	220.5	181.7	154.8	382.1	375.3
Restricted	52.1	28.1	-	1.3	52.1	29.4
Unrestricted (deficit)	(175.4)	(194.5)	41.8	62.9	(133.6)	(131.6)
Total net position	77.2	54.1	223.5	219.0	300.7	273.1
Total liabilities, deferred inflows of resources and net position	$ 719.2	675.9	402.2	392.4	1,121.4	1,068.3

*Balances as of June 30, 2018, have been restated for the inclusion of the Economic Development Authority as a blended component unit.

Statements of Activities

The following table shows the revenues and expenses of the governmental and business-type activities:

Table 2
Summary of Changes in Net Position
Years ended June 30, 2019 and 2018 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	$ 28.1	21.7	55.9	55.7	84.0	77.4
Operating grants and contributions	62.7	64.7	0.2	-	62.9	64.7
Capital grants and contributions	0.3	3.1	-	-	0.3	3.1
General revenues:						
Taxes	173.9	167.6	-	-	173.9	167.6
Other	8.1	19.6	2.0	2.0	10.1	21.6
Total revenues	273.1	276.7	58.0	57.7	331.2	333.5
Expenses						
General government	38.4	42.4	-	-	38.4	42.4
Judicial	20.0	20.4	-	-	20.0	20.4
Public safety	60.4	55.8	-	-	60.4	55.8
Public works	27.0	35.2	-	-	27.0	35.2
Health and welfare	27.5	29.2	-	-	27.5	29.2
Parks, recreational, and cultural	12.5	6.8	-	-	12.5	6.8
Community development	8.4	6.4	-	-	8.4	6.4
Education	51.8	46.6	-	-	51.8	46.6
Public Utility	-	-	28.2	32.1	28.2	32.1
Golf	-	-	1.8	2.1	1.8	2.1
Parking Authority	-	-	1.1	1.1	1.1	1.1
Waste Management	-	-	8.1	9.7	8.1	9.7
Economic Development Authority	-	-	1.0	0.5	1.0	0.5
Interest on long-term debt	17.4	15.6	-	-	17.4	15.6
Total expenses	263.4	258.4	40.2	45.4	303.6	303.9
Excess before transfers	9.8	18.3	17.8	12.3	27.6	30.6
Transfers	13.4	8.7	(13.4)	(8.7)	-	-
Change in net position	23.2	27.0	4.5	3.6	30.7	30.6
Net position, beginning of year, as restated*	54.1	27.1	219.0	215.4	273.1	242.5
Net position, end of year*	$ 77.3	54.1	223.5	219.0	300.7	273.1

*Net position has been restated from prior year figures for the inclusion of the Economic Development Authority as a blended component unit.

Governmental Activities

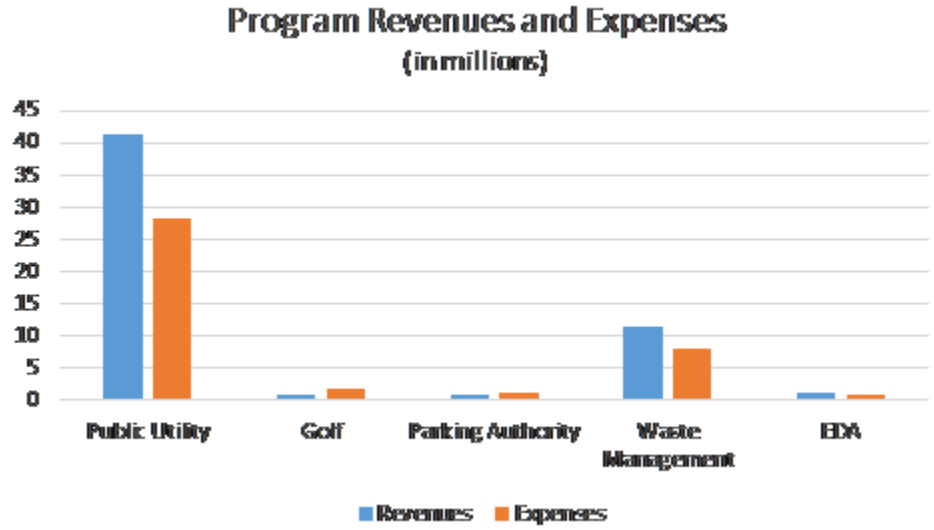
The city's total revenues from governmental activities were $273.1 million for the fiscal year ended June 30, 2019, which represents an increase of $(3.6) million from the prior year. The largest source of revenue is taxes, which represents 63.7% of the total and is comprised of property taxes, other local taxes, and utility taxes. The city's assessed real property value increased 0.5% from the prior year.

Program revenues are derived from the program itself and reduce the cost of the function to the city. Total program revenues for governmental activities were $91.1 million. The largest component of program revenues for governmental activities is operating grants and contributions totaling $62.7 million, representing 68.8% of total program revenues for governmental activities.

For the fiscal year ended June 30, 2019, expenses for the city's governmental activities totaled $263.4 million. The city's expenses cover a wide range of services, with 22.9% related to public safety, 19.7% related to education, 14.6% general government, 10.3% public works, and 10.4% related to health and welfare.

Business-Type Activities

The total net position for business-type activities increased $4.5 million from $219.0 million in fiscal year 2018 to $223.5 million in fiscal year 2019, primarily due to Public Utilities and Waste Management activities. Charges for services, including water and sewer utility fees, waste management fees, parking fees, and golf fees, represent 96.4% of total revenues for business-type activities. The following graph compares the program revenues and expenses of the business-type activities.



FINANCIAL ANALYSIS OF THE CITY FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on current inflows, outflows, and balances of available resources. Such information is useful in assessing the city's financing requirements. For the fiscal year ended June 30, 2019, the governmental funds reflected a combined fund balance of $138.0 million. The General Fund's fund balance totaled $71.2 million at June 30, 2019, an increase of $0.2 million from the prior year's $71.1 million. The General Fund's unassigned fund balance totaled $61.4 million at June 30, 2019.

General Fund Budgetary Highlights
Fiscal Year Ended June 30, 2019 (in millions)

	Original Budget	Final Budget	Actual
Revenues and transfers			
Taxes	$ 168.4	168.4	174.3
Intergovernmental	40.0	40.0	39.9
Transfers	9.8	9.8	9.8
Appropriated fund balance	5.8	22.0	-
Other	17.8	17.8	17.4
Total	$ 241.8	$ 258.0	$ 241.4
Expenditures and transfers			
Expenditures	$ 192.6	202.2	188.2
Transfers	49.2	55.9	53.1
Total	$ 241.7	258.1	241.4

Actual expenditures in the above chart are shown on the budgetary basis (see Schedule I-2). The General Fund had a $0.2 million increase in fund balance.

Actual General Fund revenues and transfers were $16.7 million less than final budgeted revenues and transfers during fiscal year 2019. Actual General Fund expenditures and transfers were $16.8 million less than the final budget.

The city spent $29.0 million in the Capital Improvements Fund to fund major projects, including city and PPS fleet, public safety radio system, seawall reinforcement, Virginia Pollutant Discharge Elimination System (VPDES) permit compliance, school roof replacements, and various drainage and street improvement projects. The Capital Improvements Fund has a $43.2 million fund balance at June 30, 2019, all of which is restricted or committed for future capital project costs.

As of June 30, 2019, Debt Service fund has assets of $6.0 million, an increase of $2.0 and total net position of $6.0 million. Total expenditures were $38.2 million, with debt service of $37.7 million and cost of issuance at $0.5 million.

Proprietary Funds

Total net position of the Public Utility Fund increased $4.4 million during fiscal year 2019 from $183.8 million to $188.3 million. Of the total net position, $160.5 million represents its net investment in capital assets. Unrestricted net position totaled $27.7 million.

Total net position of the Parking Authority increased slightly from the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the city had invested $784.5 million, net of depreciation, in a broad range of capital assets, including machinery and equipment, buildings, park and golf facilities, roads, bridges, and water and sewer lines, as reflected in the following schedule:

Capital Assets
As of June 30, 2019 and 2018 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	$ 20.4	20.2	14.8	14.8	35.2	35.0
Buildings	362.1	359.6	21.7	21.7	383.8	381.3
Improvements other than buildings	556.6	534.9	310.6	306.1	867.2	841.0
Machinery, furniture, and equipment	72.5	67.9	44.2	42.2	116.7	110.1
Intangibles	3.1	3.1	-	-	3.1	3.1
Construction in progress	17.4	28.3	82.4	59.0	99.8	87.3
Total	$ 1,032.1	$ 1,014.0	$ 473.7	$ 443.8	1,505.8	1,457.8

Major capital asset activity for the fiscal year ended June 30, 2019 included:

- Capital asset changes for governmental activities totaled an decrease of $0.2 million for land; an increase of $2.5 million for buildings; an increase of $21.7 million for improvements other than buildings/infrastructure; an increase of $4.6 million for machinery, furniture, and equipment and a decrease of $(10.9) million for construction in progress in the fiscal year.
- Capital asset changes for business-type activities totaled an increase of$- for buildings, an increase of $4.5 million for improvements other than buildings/infrastructure; an increase of $2.0 million for machinery, furniture and equipment and an increase of $23.4 million for construction in progress in the fiscal year.
- Depreciation expense totaled $16.7 million and $10.8 million for governmental and business-type activities, respectively.
- Construction in progress totaled $17.4 million for governmental activities at June 30, 2019
- Construction in progress totaled $82.4 million for business-type activities at June 30, 2019

More detailed information about the city's capital assets is presented in Note 4 to the basic financial statements as well as Exhibit M in Other Supplementary Information.

The city's adopted fiscal year 2020-2024 Capital Improvement Program established a five year program totaling $324.3 million. The major projects include $139.6 million for water and $68.0 million for sewer improvements, $49.7 million for drainage and street improvements, $19.9 million for education, $30.9 million for municipal facilities, $10.0 million for fleet management, $1.5 million for industrial and economic development projects, $4.1 million for leisure services projects, and $500,000 for parking authority projects.

Long-term Debt

At year-end, the city had $567.9 million in outstanding debt, excluding claims payable, other post-employment benefit obligations, compensated absences, landfill closure and post-closure care costs, and net pension obligations. General obligation bonds outstanding represented $566.1 million of this total, as reflected in the following schedule:

Outstanding Debt
As of June 30, 2019 and 2018 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General obligation bonds	$ 430.4	$ 414.6	$ 135.7	$ 138.9	$ 566.1	$ 553.5
Obligation under capital leases	1.8	2.9	-	-	1.8	2.9
Total	$ 432.2	$ 417.5	$ 135.7	$ 138.9	$ 567.9	$ 556.4

The state limits the amount of general obligation debt the city can legally issue to 10% of the assessed value of real property within the city. The city's outstanding debt, not all of which is applicable to the state limits, is below this limit, which is currently $757.6 million.

The city maintains bond ratings on general obligation debt of "Aa2", "AA," and "AA," from Moody's Investors Service, Standard & Poor's Ratings Services and Fitch, Inc., respectively.

More detailed information about the city's long-term liabilities is presented in Note 5 to the basic financial statements.

ECONOMIC FACTORS

The city's unemployment rate for June 2019 was 3.9%, which compares to the national unemployment rate of 3.7% for June 2019. Per capita income as of 2018 (latest data available from the Bureau of Economic Analysis) was $41,169, a increase of 4.0% from what was reported for 2017. Average per capita income in 2018 was $57,799 for Virginia and $54,446 for the United States as a whole.

FINANCIAL INQUIRIES

This financial report is designed to provide our citizens, taxpayers, customers, 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 financial information should be directed to the Chief Financial Officer, 801 Crawford Street, Portsmouth, VA 23704.

Basic Financial Statements

THE CITY OF
PORTSMOUTH

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CITY OF PORTSMOUTH, VIRGINIA **Exhibit A**

Statement of Net Position

June 30, 2019

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets:				
Current assets:				
Cash and temporary investments (note 3)	$ 107,243,025	59,981,480	167,224,505	16,298,079
Restricted cash and temporary investments (note 3)	32,796,255	-	32,796,255	-
Receivables (net of allowance for uncollectibles):				
Taxes	10,934,313	-	10,934,313	-
Accounts	8,054,059	10,959,234	19,013,293	823,786
Internal balances	19,720,593	-	19,720,593	-
Due from component units (note 10)	3,633,300	-	3,633,300	-
Due from other governments (note 11)	15,332,634	-	15,332,634	3,827,597
Due from Primary Government (note 10)	-	-	-	75,221
Prepaid items	191,011	3,071	194,082	-
Deposits held by others	250,988	-	250,988	-
Inventory of supplies	709,331	602,251	1,311,582	260,175
Total current assets	198,865,509	71,546,036	270,411,545	21,284,858
Noncurrent assets:				
OPEB assets (note 8)	-	-	-	145,439
Security deposit receivable	-	4,016	4,016	-
Property held for resale	-	16,728,963	16,728,963	453,638
Capital assets (note 4):				
Land	20,364,236	14,803,739	35,167,975	6,085,707
Buildings	362,056,896	21,709,262	383,766,158	93,535,748
Improvements other than buildings	556,637,543	310,640,086	867,277,629	-
Machinery, furniture, and equipment	72,479,926	44,205,288	116,685,214	29,207,879
Intangibles	3,066,238	-	3,066,238	422,270
Construction in progress	17,361,984	82,392,742	99,754,726	-
Total capital assets	1,031,966,823	473,751,117	1,505,717,940	129,251,604
Less accumulated depreciation	(554,957,946)	(166,257,343)	(721,215,289)	(71,891,014)
Total capital assets, net	477,008,877	307,493,774	784,502,651	57,360,590
Total noncurrent assets	477,008,877	324,226,753	801,235,630	57,959,667
Total assets	675,874,386	395,772,789	1,071,647,175	79,244,525
Deferred outflows of resources:				
Deferred outflows from debt refundings	14,583,406	4,734,572	19,317,978	-
Deferred outflows related to pensions (note 7)	25,291,198	1,534,796	26,825,994	15,249,673
Deferred outflows related to OPEB (note 8)	3,402,146	118,085	3,520,231	5,089,591
Total outflows of resources	43,276,750	6,387,453	49,664,203	20,339,264
Total assets and deferred outflows of resources	$ 719,151,136	402,160,242	1,121,311,378	99,583,789

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit A (continued)**

Statement of Net Position

June 30, 2019

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities:				
Current liabilities:				
Accounts payable	$ 14,028,560	4,094,738	18,123,298	2,626,778
Accrued payroll	247,507	6,374	253,881	8,522,659
Internal balances	-	819,000	819,000	-
Accrued interest payable	6,966,472	2,827,369	9,793,841	-
Deposits	11,101	1,487,462	1,498,563	-
Due to Primary Government (note 10)	1,058,294	17,843,299	18,901,593	3,633,300
Due to component units (note 10)	75,221	-	75,221	-
Unearned revenues (note 12)	-	36,681	36,681	-
Claims payable (note 15)	3,853,884	-	3,853,884	1,473,000
Compensated absences (note 5)	3,005,283	399,320	3,404,603	1,286,172
Workers' compensation claims (note 15)	-	-	-	408,304
General obligation bonds, net (note 5)	24,487,351	8,577,895	33,065,246	-
Obligations under capital leases (notes 5 and 6)	1,174,231	-	1,174,231	-
Total current liabilities	54,907,904	36,092,138	91,000,042	17,950,213
Noncurrent liabilities:				
Claims payable (note 15)	6,033,157	-	6,033,157	-
Compensated absences (note 5)	4,192,306	293,646	4,485,952	2,595,184
Noncurrent workers' compensation claims (Note 15)	-	-	-	286,572
General obligation bonds, net (note 5)	405,915,107	121,916,905	527,832,012	-
Obligations under capital leases (notes 5 and 6)	611,792	-	611,792	-
Landfill closure and postclosure care (notes 5 and 13)	-	5,498,500	5,498,500	-
Noncurrent loan payable (note 5)	3,400,000	5,217,000	8,617,000	-
Net OPEB liability (note 5 and 8)	34,141,757	1,998,501	36,140,258	19,891,000
Net pension liability (note 5 and 7)	116,829,765	6,380,250	123,210,015	125,076,810
Total noncurrent liabilities	571,123,884	141,304,802	712,428,686	147,849,566
Total liabilities	626,031,788	177,396,940	803,428,728	165,799,779
Deferred inflows of resources				
Deferred inflows related to pensions (note 7)	8,863,381	770,728	9,634,109	18,837,068
Deferred inflows related to OPEB (note 8)	7,099,209	490,627	7,589,836	10,770,264
Total inflows of resources	15,962,590	1,261,355	17,223,945	29,607,332
Net position:				
Net investment in capital assets	200,446,790	181,733,546	382,180,336	57,360,590
Restricted for:				
Grants and donations	-	-	-	1,359,664
Other purposes	46,149,371	-	46,149,371	3,397,885
Debt service	5,960,426	-	5,960,426	-
Unrestricted (deficit)	(175,399,829)	41,768,401	(133,631,428)	(157,941,461)
Total net position	77,156,758	223,501,947	300,658,705	(95,823,322)
Total liabilities and net position	$ 719,151,136	402,160,242	1,121,311,378	99,583,789

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit B**

Statement of Activities

Year ended June 30, 2019

Function/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total	Component Units
Primary Government:								
Governmental:								
General government	$ 38,413,786	3,500,310	10,917,677	-	(23,995,799)	-	(23,995,799)	-
Judicial	20,000,218	2,336,975	7,941,402	-	(9,721,841)	-	(9,721,841)	-
Public safety	60,442,523	3,649,855	6,416,287	44,974	(50,331,407)	-	(50,331,407)	-
Public works	26,998,794	9,405,532	12,890,648	14,904	(4,687,710)	-	(4,687,710)	-
Health and welfare	27,543,060	3,192,307	24,262,985	-	(87,768)	-	(87,768)	-
Parks, recreational, and cultural	12,450,105	2,329,340	293,801	254,319	(9,572,645)	-	(9,572,645)	-
Community development	8,486,376	3,709,517	-	-	(4,776,859)	-	(4,776,859)	-
Education	51,759,910	-	-	-	(51,759,910)	-	(51,759,910)	-
Interest on long-term debt	17,378,172	-	-	-	(17,378,172)	-	(17,378,172)	-
Total governmental activities	263,472,944	28,123,836	62,722,800	314,197	(172,312,111)	-	(172,312,111)	-
Business-type:								
Public Utility	28,170,625	41,460,539	21,821	-	-	13,311,735	13,311,735	-
Golf	1,819,201	935,022	1,033	-	-	(883,146)	(883,146)	-
Parking Authority	1,114,194	937,609	-	-	-	(176,585)	(176,585)	-
Waste Management	8,128,218	11,506,536	131,671	-	-	3,509,989	3,509,989	-
Economic Development Authority	988,921	1,078,463	-	-	-	89,542	89,542	-
Total business-type activities	40,221,159	55,918,169	154,525	-	-	15,851,535	15,851,535	-
Total Primary Government	303,694,103	84,042,005	62,877,325	314,197	(172,312,111)	15,851,535	(156,460,576)	-
Component Units:								
School Board	169,492,512	2,202,552	35,374,025	-				(131,915,935)
Port and Industrial Commission	9,164	-	-	-				(9,164)
Total component units	$ 169,501,676	2,202,552	35,374,025	-				(131,925,099)
	General Revenues:							
	Taxes:							
	General property taxes				$ 125,246,599	-	125,246,599	-
	Business and occupational license taxes				6,645,332	-	6,645,332	-
	Restaurant food taxes				8,363,087	-	8,363,087	-
	Sales and Use Tax				7,683,294	-	7,683,294	-
	Telecommunications				7,113,912	-	7,113,912	-
	Other local taxes				10,471,432	-	10,471,432	-
	Utility taxes				8,328,132	-	8,328,132	-
	Grants and contributions not restricted to specific programs				-	-	-	82,987,478
	Investment earnings				2,411,049	1,275,565	3,686,614	123,343
	Miscellaneous				5,722,887	681,409	6,404,296	789,685
	Payment from Primary Government				-	-	-	49,163,551
	Transfers (note 11)				13,369,690	(13,369,690)	-	-
	Total General Revenues and Transfers				195,355,414	(11,412,716)	183,942,698	133,064,057
	Change in Net Position				23,043,303	4,438,819	27,482,122	1,138,958
	Net position, beginning of year, as restated*				54,113,455	219,063,128	273,176,583	(96,962,282)
	Net position, end of year				$ 77,156,758	223,501,947	300,658,705	(95,823,324)

See accompanying notes to basic financial statements.

*Refer to Footnote 17 for details regarding the restatement.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit C**

Balance Sheet

Governmental Funds

June 30, 2019

		General	Debt Service	Capital Improvements	Other Governmental Funds	Total
Assets:						
Cash and temporary investments (note 3)	$	34,848,009	5,960,426	15,327,198	17,125,224	73,260,857
Restricted cash and temporary investments (note 3)		328,618	-	32,467,637	-	32,796,255
Receivables (net of allowance for uncollectibles):						
Taxes		10,934,313	-	-	-	10,934,313
Accounts		7,113,141	-	-	562,624	7,675,765
Due from other funds (note 10)		18,901,593	-	-	-	18,901,593
Due from component units (note 10)		3,633,300	-	-	-	3,633,300
Due from other governments (note 11)		12,103,617	-	-	3,229,017	15,332,634
Inventory of supplies		125,123	-	-	-	125,123
Advances receivable		819,000	-	-	-	819,000
Total assets		88,806,714	5,960,426	47,794,835	20,916,865	163,478,840
Liabilities:						
Accounts payable		6,703,780	-	4,578,488	1,886,868	13,169,136
Accrued payroll		242,571	-	-	4,936	247,507
Deposits		11,101	-	-	-	11,101
Due to other funds (note 10)		-	-	-	1,058,294	1,058,294
Due to component units (note 10)		-	-	75,221	-	75,221
Total liabilities		6,957,452	-	4,653,709	2,950,098	14,561,259
Deferred inflows of resources:						
Deferred inflows from unavailable revenues (Note 12)		10,613,063	-	-	279,284	10,892,347
Total inflows of resources		10,613,063	-	-	279,284	10,892,347
Total liabilities and deferred inflows of resources		17,570,515	-	4,653,709	3,229,382	25,453,606
Fund balances (note 2):						
Nonspendable		819,000	-	-	1,000,000	1,819,000
Restricted		328,618	5,960,426	32,467,637	16,992,104	55,748,785
Committed		5,735,921	-	10,673,489	-	16,409,410
Assigned		2,909,455	-	-	-	2,909,455
Unassigned		61,443,205	-	-	(304,621)	61,138,584
Total fund balances		71,236,199	5,960,426	43,141,126	17,687,483	138,025,234
Total liabilities, deferred inflows of resources, and fund balances	$	88,806,714	5,960,426	47,794,835	20,916,865	163,478,840

See accompanying notes to basic financial statements.

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit C (continued)**

Balance Sheet - Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:			
Total fund balances for governmental funds		$	138,025,234
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Internal Service Funds are included below. Those assets consist of:			
Land	20,349,188		
Buildings	361,363,813		
Machinery, furniture and equipment	45,863,049		
Improvements other than buildings	556,637,543		
Construction in progress	17,361,984		
Accumulated depreciation	(529,319,496)		472,256,081
Some of the city's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow in the funds.			10,892,347
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. Those liabilities consist of:			
Compensated absences	(6,815,967)		
Accrued interest payable	(6,966,472)		
General obligation bonds	(430,402,458)		
Long-term loan payable	(3,400,000)		
Obligations under capital leases	(1,786,023)		
Deferred inflows related to pension	(8,478,017)		
Deferred inflows related to OPEB	(6,792,567)		
Net pension liability	(113,884,259)		
Net OPEB liability	(32,892,694)		(611,418,457)
Deferred outflows from debt refunding as a result of bond refunding, which is not reported on governmental funds	14,583,406		
Deferred outflows related to OPEB expenses, which is not reported on governmental funds	3,328,343		
Deferred outflows related to pension earnings, which is not reported on governmental funds	24,569,891		42,481,640
Internal service funds are used by the city to charge costs of certain activities to individual funds. The assets, liabilities and deferred flows of resources of the internal service funds are reported as components of other governmental funds.			24,919,913
Net position of governmental activities		$	77,156,758

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit D**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2019

	General	Debt Service	Capital Improvements	Other Governmental Funds	Total
Revenues:					
Taxes	$ 174,299,649	-	-	-	174,299,649
Intergovernmental	39,939,130	-	385,394	32,391,533	72,716,057
Charges for services	4,809,635	-	12,769	8,710,850	13,533,254
Investment income	1,698,237	-	334,594	219,958	2,252,789
Recovered costs	3,220,895	-	-	99,670	3,320,565
Fines and forfeitures	430,782	-	-	-	430,782
Licenses and permits	970,984	-	-	-	970,984
Use of property	1,648,798	-	-	3,098	1,651,896
Program income	-	-	-	175,260	175,260
Miscellaneous	4,650,875	-	-	259,781	4,910,656
Total revenues	231,668,985	-	732,757	41,860,150	274,261,892
Expenditures:					
Current:					
General government	17,619,521	-	115,347	20,140	17,755,008
Nondepartmental	15,207,616	-	-	-	15,207,616
Judicial	17,463,371	-	-	1,130,155	18,593,526
Public safety	58,197,823	-	-	592,530	58,790,353
Public works	13,907,749	-	11,467,068	1,824,429	27,199,246
Health and welfare	1,338,638	-	-	27,422,694	28,761,332
Parks, recreational, cultural	10,524,473	-	1,191,754	536,894	12,253,121
Community development	4,786,270	-	-	686,285	5,472,555
Education	49,163,551	-	-	-	49,163,551
Debt service	-	26,739,391	-	-	26,739,391
Debt service - principal	-	10,950,672	-	-	10,950,672
Fiscal charges	-	17,860	-	-	17,860
Costs of issuance	-	540,755	-	-	540,755
Capital outlay	23,476	-	16,297,572	3,410,243	19,731,291
Total expenditures	188,232,488	38,248,678	29,071,741	35,623,370	291,176,277
Revenues over (under) expenditures	43,436,497	(38,248,678)	(28,338,984)	6,236,780	(16,914,385)
Other financing sources (uses):					
Transfers from other funds (note 10)	9,771,010	39,737,586	16,682,564	3,957,476	70,148,636
Transfers to other funds (note 10)	(53,057,180)	-	-	(8,202,646)	(61,259,826)
Issuance of general obligation bonds (note 5)	-	515,545	34,693,160	-	35,208,705
Premium on bonds issued (note 5)	-	-	2,996,699	-	2,996,699
Total other financing sources (uses), net	(43,286,170)	40,253,131	54,372,423	(4,245,170)	47,094,214
Net change in fund balances	150,327	2,004,453	26,033,439	1,991,610	30,179,829
Fund balances, beginning of year	71,085,872	3,955,973	17,107,687	15,695,873	107,845,405
Fund balances, end of year	$ 71,236,199	5,960,426	43,141,126	17,687,483	138,025,234

See accompanying notes to basic financial statements.

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit D (continued)**

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year ended June 30, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:			
Net change in fund balances - total governmental funds		$	30,179,829
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Donated assets and loss on disposal of assets are not reported in the governmental funds, but are reflected in the Statement of Activities.			
Purchases of assets	19,086,499		
Disposal of assets	(76,668)		
Depreciation expense (not including Internal Service Funds)	(15,646,129)		3,363,702
The issuance of long term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Proceeds from debt issued	(38,258,699)		
Principal payments and retirement of debt	22,387,689		
Amortization expense	1,177,605		(14,693,405)
Some revenues in the Statement of Activities do not provide the use of current financial resources and, therefore, are not reported as revenues in the governmental funds.			(447,859)
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in deferred outflows - debt	(1,207,077)		
Change in deferred outflows - pensions	2,502,516		
Change in deferred outflows - OPEB	2,531,881		
Change in deferred inflows - pensions	1,048,978		
Change in deferred inflows - OPEB	903,431		
Change in compensated absences	(147,947)		
Change in net pension liability	4,276,939		
Change in OPEB liability	(1,957,656)		
Change in accrued interest	(1,436,355)		6,514,710
Internal service funds are used by the City to charge costs of certain activities to individual funds. The net revenue of internal service funds is reported as a component of governmental funds.			(1,873,674)
Change in net position of governmental activities		$	23,043,303

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit E-1**

Statement of Net Position

Proprietary Funds

June 30, 2019

	Public Utility	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Assets				
Current assets:				
Cash and temporary investments (Note 3)	$ 45,378,906	14,602,574	59,981,480	33,982,168
Accounts receivable (net of allowance for uncollectibles)	8,110,187	2,849,047	10,959,234	378,294
Inventory of supplies	542,683	59,568	602,251	595,196
Prepaid expenses	3,071	-	3,071	191,011
Deposits-held by others	-	-	-	240,000
Total current assets	54,034,847	17,511,189	71,546,036	35,386,669
Noncurrent assets:				
Security deposit receivable	-	4,016	4,016	-
Property held for resale	-	16,728,963	16,728,963	-
Capital assets (note 4):				
Land	403,834	14,399,905	14,803,739	15,048
Buildings	692,687	21,016,575	21,709,262	693,083
Improvements other than buildings	310,041,505	598,581	310,640,086	-
Machinery, furniture, and equipment	30,370,730	13,834,558	44,205,288	26,616,877
Intangible assets	-	-	-	3,066,238
Construction in progress	82,121,228	271,514	82,392,742	-
Total capital assets	423,629,984	50,121,133	473,751,117	30,391,246
Less accumulated depreciation	(143,443,119)	(22,814,224)	(166,257,343)	(25,638,450)
Total capital assets, net	280,186,865	27,306,909	307,493,774	4,752,796
Deferred outflows of resources:				
Deferred outflows from debt refunding	4,468,623	265,949	4,734,572	-
Deferred outflows related to pensions (Note 7)	797,931	736,865	1,534,796	721,307
Deferred outflows related to OPEB (Note 8)	73,803	44,282	118,085	73,803
Total outflows of resources	5,340,357	1,047,096	6,387,453	795,110
Total assets and deferred outflows of resources	339,562,069	62,598,173	402,160,242	40,934,575
Liabilities:				
Current liabilities:				
Accounts payable	3,717,931	376,807	4,094,738	859,424
Accrued interest payable	2,663,035	164,334	2,827,369	-
Accrued payroll	6,303	71	6,374	-
Deposits	1,418,843	68,619	1,487,462	-
Due to other funds (Note 10)	13,850,205	3,993,094	17,843,299	-
Unearned revenues (Note 12)	-	36,681	36,681	-
Current compensated absences (Note 5)	213,962	185,358	399,320	225,692
Current general obligation bonds (Note 5)	7,377,278	1,200,617	8,577,895	-
Current claims payable (Note 15)	-	-	-	3,853,884
Total current liabilities	29,247,557	6,025,581	35,273,138	4,939,000
Noncurrent liabilities:				
Noncurrent claims payable (Note 15)	-	-	-	6,033,157
Noncurrent compensated absences (Note 5)	149,707	143,939	293,646	155,930
Landfill closure and postclosure liability (Notes 5 and 13)	-	5,498,500	5,498,500	-
Advances payable	-	819,000	819,000	-
Noncurrent general obligation bonds (Note 5)	116,740,228	10,393,677	127,133,905	-
Net pension liability (Note 7)	3,131,490	3,248,760	6,380,250	2,945,506
Net OPEB liability (Note 8)	1,249,063	749,438	1,998,501	1,249,063
Total noncurrent liabilities	121,270,488	20,853,314	142,123,802	10,383,656
Deferred inflows of resources:				
Deferred inflows related to pensions (Note 7)	481,705	289,023	770,728	385,364
Deferred inflows related to OPEB (Note 8)	306,642	183,985	490,627	306,642
Total liabilities and deferred inflows of resources	151,306,392	27,351,903	178,658,295	16,014,662
Net position:				
Investment in capital assets	160,537,982	21,195,564	181,733,546	4,760,941
Unrestricted	27,717,695	14,050,706	41,768,401	20,158,972
Total net position	188,255,677	35,246,270	223,501,947	24,919,913
Total liabilities, deferred inflows of resources, and net position	339,562,069	62,598,173	402,160,242	40,934,575

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit E-2**

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year ended June 30, 2019

		Public Utility	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Operating revenues:					
Charges for services	$	41,460,539	13,379,167	54,839,706	34,772,259
Use of property		65,245	125,000	190,245	-
Other		267,643	349,054	616,697	82,960
Total operating revenues		41,793,427	13,853,221	55,646,648	34,855,219
Operating expenses:					
Personnel services		2,790,891	2,795,141	5,586,032	7,362,060
Contractual services		3,828,664	3,939,688	7,768,352	4,587,896
Supplies and materials		2,940,065	304,912	3,244,977	3,891,577
Utilities		1,368,271	262,256	1,630,527	182,896
Internal charges		1,168,553	1,458,210	2,626,763	66,155
Claims, settlements, and refunds		156,560	121,644	278,204	21,148,444
Insurance premiums		-	2,076	2,076	1,242,158
Payments in lieu of taxes		1,161,598	-	1,161,598	-
Rent		-	85,269	85,269	-
Depreciation and amortization		9,251,739	1,589,424	10,841,163	1,085,606
Closure/postclosure		-	176,009	176,009	-
Bad debt expense		19,815	371,206	391,021	-
Other		593,770	391,643	985,413	1,695,747
Total operating expenses		23,279,926	11,497,478	34,777,404	41,262,539
Operating income (loss)		18,513,501	2,355,743	20,869,244	(6,407,320)
Nonoperating revenues (expenses):					
Federal revenues		21,821	132,704	154,525	-
Investment income		1,067,907	207,658	1,275,565	52,767
Interest expense and fiscal charges		(4,890,699)	(397,353)	(5,288,052)	-
Local development grants		-	(155,703)	(155,703)	-
Contributions from PRHA		-	952,930	952,930	-
Net nonoperating revenues (expenses)		(3,800,971)	740,236	(3,060,735)	52,767
Net income (loss) before transfers		14,712,530	3,095,979	17,808,509	(6,354,553)
Transfers from other funds (note 10)		400,000	1,032,539	1,432,539	6,189,613
Transfers to other funds (note 10)		(10,681,946)	(4,120,283)	(14,802,229)	(1,708,734)
Change in net position		4,430,584	8,235	4,438,819	(1,873,674)
Net position, beginning of year, as restated*		183,825,093	35,238,035	219,063,128	26,793,587
Net position, end of year	$	188,255,677	35,246,270	223,501,947	24,919,913

See accompanying notes to basic financial statements.

*Refer to Footnote 17 for details regarding the restatement.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit E-3**

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2019

	Public Utility	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 40,595,071	$ 13,360,120	$ 53,955,191	$ 34,604,263
Cash payments to suppliers for goods and services	(13,298,497)	(6,863,033)	(20,161,530)	(31,991,461)
Cash payments for land purchases	-	(5,941,000)	(5,941,000)	-
Cash payments to employees for services	(5,588,473)	(3,682,326)	(9,270,799)	(4,065,651)
Net cash provided by (used in) operating activities	21,708,101	(3,126,239)	18,581,862	(1,452,849)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Federal revenues	21,821	132,704	154,525	-
Development grants	-	(155,703)	(155,703)	-
Interfund loans	13,850,205	661,133	14,511,338	-
Transfers in from other funds	400,000	1,032,539	1,432,539	6,189,613
Transfers out to other funds	(10,681,946)	(4,120,283)	(14,802,229)	(1,708,734)
Net cash provided by (used in) noncapital financing activities	3,590,080	(2,449,610)	1,140,470	4,480,879
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(29,182,494)	(796,289)	(29,978,783)	-
Proceeds from issuance of long-term debt	-	5,217,000	5,217,000	-
Principal paid on long-term debt	(6,575,137)	(1,115,000)	(7,690,137)	-
Issuance costs paid	-	(85,321)	(85,321)	-
Interest paid	(5,176,050)	(229,610)	(5,405,660)	-
Net cash provided by (used in) capital and related financing activities	(40,933,681)	2,990,780	(37,942,901)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	1,067,907	207,658	1,275,565	52,767
Net cash provided by investing activities	1,067,907	207,658	1,275,565	52,767
Net increase (decrease) in cash and temporary investments	(14,567,593)	(2,377,411)	(16,945,004)	3,080,797
Cash and temporary investments, beginning of year	59,946,499	16,979,985	76,926,484	31,230,659
Cash and temporary investments, end of year	$ 45,378,906	$ 14,602,574	59,981,480	$ 34,311,456
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	$ -	$ 2,355,743	$ 2,355,743	$ (6,407,320)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	9,251,739	1,589,424	10,841,163	1,085,606
Landfill closure/postclosure	-	176,009	176,009	-
Bad debt expense	-	316,082	316,082	-
Decrease (increase) in:				
Accounts receivable	(1,200,264)	(484,767)	(1,685,031)	(251,406)
Inventory of supplies	40,605	-	40,605	-
Prepaid expenses	(3,071)	-	(3,071)	(191,011)
Deposits	1,908	48,037	49,945	-
Property held for resale	-	(5,941,000)	(5,941,000)	
Deferred outflows	1,067,008	34,532	1,101,540	(52,509)
Increase (decrease) in:				
Accounts payable	(2,098,735)	(231,250)	(2,329,985)	(221,213)
Accrued payroll and expense	(12,433)	(8,664)	(21,097)	(340)
Compensated absences	18,321	2,950	21,271	5,597
Due to other funds	-	(71,052)	(71,052)	(25,000)
Flexible spending benefits	-	-	-	(18,155)
Net pension liability	(2,413,021)	(391,564)	(2,804,585)	2,945,506
Net OPEB liability	(515,757)	(260,926)	(776,683)	445,720
Deferred inflows	(625,474)	(237,140)	(862,614)	(40,910)
Unearned revenues	-	3,720	3,720	-
Claims payable	-	-	-	1,279,241
Total adjustments	3,510,826	(5,455,609)	(1,944,783)	4,961,126
Net cash provided by (used in) operating activities	$ 3,510,826	$ (3,099,866)	$ 410,960	$ (1,446,194)

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit F-1**

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

	Pension and OPEB Trusts	Agency Special Welfare Fund
Assets		
Cash and temporary investments (note 3)	$ 5,405,577	36,374
Investments (note 3):		
Cash equivalents	884,584	-
Stocks	156,561,452	-
Bonds	49,293,872	-
Real estate	5,279,067	-
Other investments	758,215	-
Total investments	212,777,190	-
Total assets	218,182,767	36,374
LIABILITIES		
Liabilities - Cash held for others	-	36,374
TOTAL LIABILITIES	-	36,374
Net position -		
Net position restricted for pensions and OPEB	218,182,767	

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit F-2**

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year ended June 30, 2019

		Pension and OPEB Trust Funds
Additions:		
Contributions		
Employers' contributions	$	10,885,661
Investment income:		
Interest		4,247,851
Gains		11,193,110
Net investment income		15,440,961
Total additions		26,326,622
Deductions		
Benefit payments		30,063,366
Administrative expenses		237,278
Total deductions		30,300,644
Change in net position		(3,974,022)
Net plan position held in trust for pension OPEB benefits, beginning of year		222,156,789
Net plan position held in trust for pension OPEB benefits, end of year	$	218,182,767

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit G-1**

Statement of Net Position

Component Units

June 30, 2019

		School Board	Port and Industrial Commission	Total
Assets:				
Current assets:				
Cash and temporary investments (note 3)	$	15,251,213	1,046,866	16,298,079
Receivables (net of allowance for uncollectibles)				
Accounts		823,786	-	823,786
Due from other governments (note 11)		3,827,597	-	3,827,597
Due from Primary Government (note 10)		75,221	-	75,221
Inventory of supplies		260,175	-	260,175
Total current assets		20,237,992	1,046,866	21,284,858
Noncurrent assets:				
OPEB assets (note 8)		145,439	-	145,439
Property held for resale		-	453,638	453,638
Capital assets (note 4):				
Land		6,085,707	-	6,085,707
Buildings		93,535,748	-	93,535,748
Machinery, furniture, and equipment		29,207,879	-	29,207,879
Intangible		422,270	-	422,270
Total capital assets		129,251,604	-	129,251,604
Less accumulated depreciation		(71,891,014)	-	(71,891,014)
Total capital assets, net		57,360,590	-	57,360,590
Total noncurrent assets		57,506,029	453,638	57,959,667
Deferred outflows of resources:				
Deferred outflows related to pensions (note 7)		15,249,673	-	15,249,673
Deferred outflows related to OPEB (note 8)		5,089,591	-	5,089,591
Total deferred outflows of resources		20,339,264	-	20,339,264
Total assets and deferred outflows of resources	$	98,083,285	1,500,504	99,583,789

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit G-1 (continued)**

Statement of Net Position

Component Units

June 30, 2019

		School Board	Port and Industrial Commission	Total
Liabilities:				
Current liabilities:				
Accounts payable	$	2,626,778	-	2,626,778
Accrued payroll		7,926,106	-	7,926,106
Accrued payroll taxes		596,553	-	596,553
Due to Primary Government (note 10)		3,632,494	806	3,633,300
Claims payable (note 15)		1,473,000	-	1,473,000
Compensated absences (note 5)		1,286,172	-	1,286,172
Workers' compensation claims (note 15)		408,304	-	408,304
Total current liabilities		17,949,407	806	17,950,213
Noncurrent liabilities:				
Compensated absences (note 5)		2,595,184	-	2,595,184
Noncurrent workers' compensation claims		286,572	-	286,572
Net pension liability (note 7)		125,076,810	-	125,076,810
Net OPEB liability (note 8)		19,891,000	-	19,891,000
Total noncurrent liabilities		147,849,566	-	147,849,566
Total liabilities		165,798,973	806	165,799,779
Deferred inflows of resources				
Deferred inflows related to pensions (note 7)		18,837,068	-	18,837,068
Deferred inflows related to OPEB (note 8)		10,770,264	-	10,770,264
Total deferred inflows of resources		29,607,332	-	29,607,332
Net position:				
Investment in capital assets		57,360,590	-	57,360,590
Restricted for grants		1,359,664	-	1,359,664
Restricted for other purposes		3,397,885	-	3,397,885
Unrestricted (deficit)		(159,441,159)	1,499,698	(157,941,461)
Total net position		(97,323,020)	1,499,698	(95,823,322)
Total liabilities and net position	$	98,083,285	1,500,504	99,583,789

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit G-2**

Statement of Activities

Component Units

Year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: School Board	Net (Expense) Revenue and Changes in Net Position: Port and Industrial Commission	Total
School Board							
Administration, attendance, and health services	$ 9,302,235	725,935	-	-	(8,576,300)	-	(8,576,300)
Instruction	123,050,088	142,865	28,040,217	-	(94,867,006)	-	(94,867,006)
Pupil transportation	6,737,503	222,955	-	-	(6,514,548)	-	(6,514,548)
Operations and maintenance	15,080,625	74,910	-	-	(15,005,715)	-	(15,005,715)
Information technology	7,022,583	-	-	-	(7,022,583)	-	(7,022,583)
Food services	8,299,478	1,035,887	7,333,808	-	70,217	-	70,217
Total School Board	169,492,512	2,202,552	35,374,025	-	(131,915,935)	-	(131,915,935)
Port and Industrial Commission							
Port and Industrial Commission	9,164	-	-	-	-	(9,164)	(9,164)
Total Component Units	$ 169,501,676	2,202,552	35,374,025	-	(131,915,935)	(9,164)	(131,925,099)
	General Revenues:						
	Grants and contributions not restricted to specific programs				$ 82,987,478	-	82,987,478
	Investment earnings				120,511	2,832	123,343
	Miscellaneous				789,185	500	789,685
	Payment from Primary Government				49,163,551	-	49,163,551
	Total General Revenues				133,060,725	3,332	133,064,057
	Change in net position				1,144,790	(5,832)	1,138,958
	Net position, beginning of year, as restated*				(98,467,810)	1,505,528	(96,962,282)
	Net position, end of year				$ (97,323,020)	1,499,696	(95,823,324)

See accompanying notes to basic financial statements.

*Refer to Footnote 17 for details regarding the restatement.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The city of Portsmouth, Virginia (the city) was established by act of the Virginia General Assembly in 1858. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. City Council consists of a mayor and six other council members. The city is not part of a county and has taxing powers subject to statewide restrictions and tax limits.

The city provides a full range of municipal services including police and fire, sanitation, health and social services, public improvements, planning and zoning, parks and recreation, public libraries, education, water, sewer and storm water systems, and general administrative services.

The following is a summary of the more significant policies:

A. Financial Reporting Entity

The city's financial reporting entity is defined and its financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), which defines the distinction between the city as a Primary Government and its related entities. The financial reporting entity consists of the Primary Government and its component units, which are legally separate organizations for which the elected officials of the Primary Government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability of the Primary Government to impose its will, or b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Primary Government. The Primary Government may also be financially accountable if the component unit is fiscally dependent on the Primary Government, regardless of whether the component unit has a separately elected governing board. The Primary Government is hereafter referred to as the "city" and the reporting entity, which includes the city and its component units, is hereafter referred to as the "reporting entity".

As required by GAAP, the accompanying financial statements include all activities of the city, such as general operation and support services. The governmental operations of the School Board and the proprietary operations of the Portsmouth Port and Industrial Commission (PPIC) are separately disclosed on Exhibit G-2.

Discretely Presented Component Units

The component unit columns in the basic financial statements include the financial data of the city's two discretely presented component units. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. These component units are fiscally dependent on the city and provide services primarily to the citizens of Portsmouth. All component units have a year end of June 30. A description of the discretely presented component units follows:

1. Portsmouth Public Schools (PPS) - The School Board of PPS is a separate legal entity comprising the governing body responsible for providing public education in the city for grades kindergarten through twelve. The members of the board are elected by voters; however, the School Board is fiscally dependent on the city as the City Council must approve its annual budget and appropriations, as well as all tax levies and borrowings to support its financial operations. Since there is the possibility that the School Board may provide a financial benefit or impose a financial burden on the city, the School Board is reported herein as a discretely presented component unit. The audited financial statements for the School Board may be obtained at the following address:

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Portsmouth School Board
Department of Business Affairs
City Hall Building, Third Floor
801 Crawford Street
Portsmouth, Virginia 23704

2. PPIC - The PPIC was created by the General Assembly in 1954 as a political subdivision of the Commonwealth of Virginia and is authorized to acquire, own, lease, and dispose of properties in and around the various ports within the city to the extent that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Portsmouth. The PPIC has only one fund and the board is appointed by the City Council. Since there is the possibility that the PPIC may provide a financial benefit or impose financial burden on the city it is reported as a discretely presented component unit. The audited financial statements for the PPIC may be obtained at the following address:

   Portsmouth Port and Industrial Commission
   c/o Department of Economic Development
   200 High Street, Suite 200
   Portsmouth, Virginia 23704

Blended Component Units

The Parking Authority and the Economic Development Authority (EDA) are considered to be blended component units in the city's financial statements under the guidelines of GAAP. Blended component units are entities that are legally separate from the city, but which provide services entirely, or almost entirely, to the city or otherwise exclusively benefit the city. Activities of blended component units are considered to be so intertwined with the city's that they are, in substance, part of the city's operations.

The Parking Authority is fiscally dependent on the city. The Parking Authority's resources and services provided are almost entirely for the direct benefit of the primary government. The City Council appoints all of the members of the Board of Directors and appropriates funds annually to the Authority. The City Council can also remove members at will, modify or approve the budget, set rates/fees, and hire or dismiss those persons responsible for the day-to-day operations of the Authority. The city and the Parking Authority have a financial benefit/burden relationship and management (below the level of the elected officials) of the city has operational responsibilities for the activities of the Parking Authority. The city is legally entitled to or can otherwise access the Authority's resources and is also obligated for the debt of the Authority. The Parking Authority's outstanding debt is expected to be repaid entirely with resources of the city. No distinction is made between the activities of the Parking Authority and the city. As a result, the Parking Authority is reported as an enterprise fund in the city's financial statements. Separately audited financial statements are not available for the Parking Authority.

The EDA was established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia to facilitate economic development activity in the community and to provide financial benefits to the city of Portsmouth. The EDA is authorized to acquire, own, lease, and dispose of properties to the extent that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Portsmouth. The EDA has only one fund and the board is appointed by the City Council. Prior to FY19, the EDA was reported as a discretely presented component unit because of the possiblity that the EDA may provide a financial benefit or impose a financial burden on the City. During FY19 in conjunction with the issuance of new debt, the EDA entered into a Cooperative Agreement with the city. The terms of this agreement create circumstances

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

whereby the EDA has imposed a financial burden on the city and the EDA is now presented as a blended component unit enterprise fund in the city's financial statements. The separately audited financial statements for the EDA may be obtained at the following address:

Economic Development Authority
c/o Department of Economic Development
200 High Street, Suite 200
Portsmouth, Virginia 23704

B. Basis of Financial Statement Presentation

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the city as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities are a) reported by columns, and b) reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that is otherwise being supported by general government revenues (property taxes, utility taxes, and other local taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by directly related program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not specifically restricted to the various programs are reported as general revenues. The city does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the city are organized on the basis of funds. 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 together with related liabilities 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. Major individual governmental funds and major individual enterprise funds, those comprising a significant portion of the city's financial activity, are reported in separate columns in the fund financial statements. The nonmajor funds are combined in a single column in the fund financial statements and detailed in the combining statements.

Internal service funds of the city (which traditionally provide services primarily to other funds of the government) are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the city's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (public safety, judicial, health and welfare, etc.).

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The city's fiduciary funds are presented in the fund financial statements by type (pension and OPEB trust funds and agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the city, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the city.

Governmental Fund Types

Governmental funds 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 are accounted for through governmental funds, except those accounted for in proprietary funds and similar trust funds.

The city reports the following major governmental funds:

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.

Capital Projects Fund - The Capital Improvements 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 funds).

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

The city reports the following nonmajor governmental funds:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of certain specific revenue sources that are restricted to expenditures for specified purposes.

Permanent Fund - Cemetery Fund - The Cemetery Fund is used to account for the sale of cemetery lots, perpetual care payments, and donations and legacies made for the care of cemetery lots. The principal of such funds shall not be expended for any purpose.

Proprietary Fund Types

Proprietary funds are used to account for the city's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues include charges for services, certain rental fees, and recovered costs. Operating expenses include the cost of sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Enterprise Funds - Enterprise funds are used to account for operations a) that are financed and operated in a manner similar to private business enterprises where the 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 or b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control,

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

accountability, or other purposes. The city has one major enterprise fund: the Public Utility Fund, which accounts for the utility activity provided to the city.

The four nonmajor enterprise funds are: (1) the Golf Fund, which accounts for ownership and operation of three golf courses, (2) the Parking Authority, a blended component unit, which is responsible for the operation and maintenance of parking garages, parking lots, and all street parking meters for the city, (3) the Waste Management Fund, which accounts for waste disposal services and operation of the Craney Island landfill, and (4) the Economic Development Authority, a blended component unit, which is responsible for facilitating economic development in the city.

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 some agencies external to the city, on a cost-reimbursement basis. The city has four nonmajor internal service funds: the City Garage Fund, the Information Technology Fund, the Health Insurance and the Other Postemployment Benefit Fund (OPEB), and the Risk Management Fund.

Fiduciary Fund Types
Fiduciary funds are used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The city maintains two pension trusts and other postemployment trust and agency funds. The pension trust funds account for the assets of the city's retirement plans. Agency funds are custodial in nature (assets equal liabilities) and do not measure the results of operations. The city's agency fund accounts for assets held on behalf of Social Services Department clients. Fiduciary funds are not included in the government-wide financial statements.

Reconciliation of Government-Wide and Fund Financial Statements
A summary reconciliation of the difference between total fund balances as reflected on the governmental funds Balance Sheet and total net position for governmental activities as shown on the government-wide Statement of Net Position is presented in a schedule accompanying the governmental funds' Balance Sheet. A summary reconciliation of the differences between net change in total fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances. The reconciliation differences stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

C. Measurement Focus and Basis of Accounting
The government-wide financial statements (i.e., Statement of Net Position and Statement of Activities) are reported using a full economic resources measurement focus and the accrual basis of accounting and include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with governmental and business-type activities. Assets and liabilities associated with fiduciary activities are included on the Statement of Fiduciary Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The pension and OPEB trust funds' contributions from members are recorded when the employer makes payroll deductions from plan members. Nonexchange transactions, in which the city either gives or receives value without directly receiving or giving equal value in exchange, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized when the underlying exchange transaction takes place. Revenue

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

All governmental funds are accounted for using the current financial resources measurement focus wherein only current assets and current liabilities are included on the Balance Sheet in the fund statements and the focus is on the determination of, and changes in, financial position. Operating statements of governmental funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The governmental funds utilize the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Measurable means the amount of the transaction can be determined; available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the city. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual eligibility criteria are met. Real estate and personal property taxes are recorded as revenues and receivables when levied and billed, net of allowances for uncollectible amounts. Property taxes levied but not collected within 45 days after year-end are reflected as unearned revenues. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the city, are recognized as revenues and receivables upon collection by the State or utility companies, which is generally in the month preceding receipt by the city, because they are generally not measurable until actually received. Licenses and permits, fines and forfeitures, charges for services (except those charges for services recognized when billed) and miscellaneous revenues (except interest on temporary investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Stormwater management fees are also recognized as revenue when earned. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt which is recorded when due.

The Agency Fund uses the accrual basis of accounting and does not measure the results of operations.

The accrual basis of accounting is followed by the proprietary funds, pension and OPEB trust funds. Accordingly, their revenues are recognized when earned and expenses are recognized when they are incurred. Unbilled utility service receivables are recorded in the enterprise funds when earned.

D. Property Taxes

The city's two major sources of property taxes are described below:

Real Estate Taxes
The city levies real estate taxes on all real estate within its boundaries, except those exempted by statute, each year as of July 1st on the estimated market value of the property. Real estate taxes become a lien on real property the first day of the levy year. The city, as required by state statute, follows the practice of reassessing all property annually. Real estate taxes are collected in equal quarterly payments due September 30, December 31, March 31, and June 30, and are considered

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

delinquent after each due date. The real estate tax rate during 2019 was $1.30 per $100 of assessed value.

Personal Property Taxes
The city levies personal property taxes on motor vehicles and business and other tangible personal property. Personal property taxes do not create a lien on property. These levies are made each year as of January 1 with payment due the following June 5. Taxes on motor vehicles bought and sold after January 1 are prorated and the tax levies are adjusted. During the fiscal year, the personal property taxes reported as revenue are the adjusted levies less an allowance for uncollectibles. Personal property taxes are considered delinquent after the June 5 due date or, in the case of supplemental levies, thirty days after the taxes are levied and billed. The personal property tax rate for 2019, excluding machinery and tools, boats, and recreational vehicles, was $5.00 per $100 of assessed value. The personal property tax rate on machinery and tools, boats, and mobile homes was $3.00, $0.50, and $1.30 per $100 of assessed value, respectively.

E. Allowance for Uncollectibles

Provision for uncollectible property taxes is based on a historical percentage of accounts written off applied to the total levies of all years carried in taxes receivable. Provision for uncollectible accounts receivable is based on an evaluation of delinquent accounts and adequacy of the allowance.

Governmental Activities:		
General Fund:		
Allowance for uncollectibles (taxes)	$	3,758,221
Allowance for uncollectibles		2,471,888
Total General Fund		6,230,109
Special Revenue Funds:		
Stormwater Management Fund - allowance for uncollectibles		677,665
Behavioral Health Services Fund - allowance for uncollectibles		49,382
Total Special Revenue Funds		727,047
Total governmental activities	$	6,957,156
Business-Type Activities:		
Enterprise Funds:		
Public Utility Fund - allowance for uncollectibles	$	34,339
Waste Management Fund - allowance for uncollectibles		798,902
Total business-type activities	$	833,241

F. Cash and Temporary Investments

Cash and temporary investments from certain funds are combined and invested in local bank repurchase agreements and certificates of deposit. Each fund's share of the pooled cash is accounted for within the individual fund. Pooled cash overdrafts have been reclassified as interfund receivables and payables. The income from the pooled monies has been allocated to the respective funds based on the pooled cash balances of each fund at the end of each month. For purposes of the Statement of Cash Flows, investments with original maturities of three months or less from date of purchase are considered cash equivalents and are reported as cash and temporary investments.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Investments

Investments are carried at fair value. Fair value is determined by quoted market prices. Investments in corporate bonds and commercial paper are valued at amortized cost if the maturity date is less than one year.

H. Inventories

Inventories consist of expendable materials and supplies held for future consumption and are valued at cost using the first-in, first-out (FIFO) basis. All inventories are recorded under the purchases method, as expenditures or expenses when purchased, rather than when consumed.

I. Fund Balances

Fund balance consists of five classifications based on the extent of the constraints imposed upon the use of the resources in the governmental funds. The fund balance classifications are as follows:

Nonspendable - Fund balance is reported as nonspendable when it is either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted - Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed - Fund balance is reported as committed when the use of amounts is constrained by limitations that the government imposes upon itself through formal action of City Council, the highest level of decision making authority for the city, and remains legally binding unless removed in the same manner. Limitations of spending imposed by the annual operating budget lapse with the passage of time and thus do not remain binding indefinitely and therefore is not sufficient to commit fund balance. Committed fund balance also incorporates contractual obligations to the extent existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Fund balance is reported as assigned when amounts are intended to be used for specific purposes. Assigned fund balance does not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, the reported assigned fund balance represents the amount of fund balance that is neither restricted nor committed. In the general fund, intent is expressed by the City Council or an official to whom the City Council has delegated this authority through the annual budget ordinance. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amounts (except for negative balances) that are not classified as nonspendable and are neither restricted nor committed.

Unassigned - Fund balance is reported as unassigned in the General Fund for funds that are available for any purpose. The unassigned fund balance represents the residual classification for the General Fund and contains the amounts not specified in other classifications.

The city applies restricted resources first when expenditures are incurred for purposes for which either restricted or committed, assigned, and unassigned amounts are available. Following the restricted spending for expenditures, committed, assigned, and unassigned are utilized in that order for purposes of spending in all other fund balance classifications other than restricted.

Fund Balance Policy Minimum – The city will maintain in the General Fund an unassigned fund balance equal to 15% of total revenues in accordance with its fund balance policy as approved by City Council.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets and improvements include substantially all land, buildings, equipment, water distribution and sewage collection systems, and other elements of the city's infrastructure having a useful life of more than one year with a cost of more than $5,000 with the exception of infrastructure assets and intangibles, having a threshold of $100,000 and internally generated computer software, which has a $1,000,000 threshold.

Capital assets which are used for general governmental purposes and are not available for expenditure are accounted for and reported in the government-wide financial statements. Major infrastructure assets include the roads, bridges, curbs and gutters, streets and sidewalks, parks and improvements, and tunnels.

Capital assets are generally stated at historical cost, or at estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Donated capital assets are stated at their acquisition value. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease. Accumulated depreciation and amortization are reported as reductions of capital assets.

Capital asset depreciation has been provided over the estimated useful lives using the straight-line method annually as follows:

	Estimated Useful Life in Years
Primary Government:	
Buildings	20 - 50
Improvements other than buildings	10 - 50
Machinery, furniture, and equipment	5 - 15
Intangibles	10 - 20
Component unit - School Board:	
Buildings	20 - 50
Machinery, furniture, and equipment	5 - 30

K. Compensated Absences

City employees are granted annual leave time in varying amounts based on length of service. They may accumulate unused annual leave earned and, upon retirement, termination, or death, may be compensated for the accumulated amounts at their current rates of pay not to exceed 44 days. City employees accrue sick leave at the rate of eight hours for each full calendar month of work completed. Sworn Fire employees who work a 27-day cycle accrue 12 hours of paid sick leave for each full calendar month worked. Sick leave may be accumulated and carried forward until the time of retirement, termination, or death when the leave is forfeited except for those employees eligible for retirement under the Portsmouth Supplemental or Portsmouth Fire and Police retirement systems. For employees eligible to retire under the Portsmouth Retirement Systems under regular service retirement and excluding deferred or vested retirement, one-half of unused sick leave as of the effective date of retirement shall be added to creditable service for retirement purposes.

The liability for compensated absences has been recorded in accordance with the provisions of GAAP. The cost of the compensated absences expected to be paid from future expendable financial resources is accounted for as a liability. In the governmental funds, the amount of compensated absences

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recorded as an expenditure in the General Fund and Special Revenue Funds is the amount used by and paid to employees during the fiscal year. In the government-wide and proprietary funds' financial statements, the amount of compensated absences recorded as an expense is the net amount earned during the fiscal year. A liability for compensated absences is reported in the governmental funds only if the compensated absences have matured as a result of employee resignations and terminations.

L. Intra-entity Activity

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as transfers. Such payments include transfers for debt service and capital construction. Resource flows between the Primary Government and the discretely presented component units are reported as if they were external transactions.

M. Deferred Outflows/Inflows of Resources

The city reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resouces represents an acquisition of net position by the government that is applicable to a future period.

Examples of deferred outflows and inflows of resources include property taxes received in advance, unavailable revenue, unamortized losses and gains on refunding of long-term debt, pension and OPEB related deferrals. Pension and OPEB related deferred outflows and inflows of resources include changes in proportionate share and differences between the city's contributions and proportionate share of contributions, changes in assumptions or other inputs, contributions to the pension and OPEB plans subsequent to the measurement date, differences between expected and actual experience in the total pension and OPEB liabilities and net difference between projected and actual earnings on pension and OPEB plans investments.

When the city refunds some of its exting debt, the difference between the funds required to retire the refunded debt and the net carrying amount of refunded debt results in a deferred amoount on refunding. If there is an excess of the reacquisition price of refunded debt over its net carrying amount, it is treated as a deferred outflow of resources. If there is an excess net carrying value amount of refunded debt over its reacquisition price, it is treated as a deferred inflow of resources.

N. Pensions

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions made subsequent to the Measurement Date* (an amendment of GASB Statement No. 68) effective for financial statements issued for fiscal years beginning after June 15, 2014. The city has included the required financial information in the basic financial statements, Note 7 "Retirement Plans", and Exhibit I-4 for fiscal year 2019.

For 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 pension plans' fiduciary net position, and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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 within the fair value hierarchy establised by GAAP.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Other Postemployment Plan

The GASB issued Statement No. 74, F*inancial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement 75, A*ccounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The city has included the required financial information in the basic financial statements, Note 8 "Other Postemployment Benefits", and Exhibit I-5 for fiscal year 2019.

For purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plans' fiduciary net position, and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

P. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenses, expenditures, assets, and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results may differ from those estimates.

Q. Budgets

By City Charter and the *Code of Virginia*, the City Manager is required to present to City Council an operating budget on or before April 1 before the beginning of the next fiscal year on July 1. Prior to adoption of the budget by City Council, a public hearing is required to be conducted seven days prior to adoption of the budget and the public hearing is required to be advertised seven days prior to the public hearing. The City Council is required to adopt the budget on or before June 30. The legal level of budgetary control is set at the fund level with the exception of the General Fund, which is set at the activity or function level. The City Code provides that the City Manager may transfer any unencumbered appropriation balance less than $100,000 from one department, project, program, or purpose to another within the same fund. The City Manager is required to make a monthly report to the City Council of all budget transfers greater than $50,000. Also, the City Manager may transfer any or all of the unencumbered balance of the emergency contingency account budget to any item in the budget provided that any utilization of the emergency contingency account budget is reported to the City Council at its next regular meeting.

The General, Special Revenue, and all proprietary funds have legally adopted annual budgets. Project length (multi-year) budgets are adopted for the Capital Projects Fund, the Community Development Fund, and the Grants Fund in lieu of annual budgets and appropriations.

(2) FUND BALANCE

The fund balances of the governmental funds at June 30, 2019, were composed of the following:

	General Fund	Debt Service	Capital Improvements	Other Nonmajor
Nonspendable:				
Advances receivable	$ 819,000	$ -	$ -	$ -
Permanent - cemetery care	-	-	-	1,000,000
Total nonspendable fund balances	819,000	-	-	1,000,000
Restricted:				
Restricted cash	328,618	-	32,467,637	-
Restricted for debt service	-	5,960,426	-	-
Behavioral health services	-	-	-	11,136,499
Public law library	-	-	-	110,087
Social services	-	-	-	319,179
Stormwater management infrastructure maintenance	-	-	-	2,162,721
Grants	-	-	-	1,426,999
Children's services	-	-	-	143,586
Willett Hall	-	-	-	502,240
Asset forfeitures	-	-	-	417,522
Permanent - cemetery care	-	-	-	773,271
Total restricted fund balances	328,618	5,960,426	32,467,637	16,992,104
Committed:				
FY 2020 Budget	5,735,921	-	-	-
Encumbrance carried forward	-	-	10,673,489	-
Total committed fund balances	5,735,921	-	10,673,489	-
Assigned:				
Planned use of fund balance	2,909,455	-	-	-
Total assigned fund balances	2,909,455	-	-	-
Unassigned:				
General Fund	61,443,205	-	-	-
Community development - (HUD) Housing assistance	-	-	-	(304,621)
Social Services	-	-	-	-
Total unassigned fund balance	61,443,205	-	-	(304,621)
Total fund balances	$ 71,236,199	$ 5,960,426	$ 43,141,126	$ 17,687,483

(3) DEPOSITS AND INVESTMENTS

Deposits and Restricted Cash

At June 30, 2019, the carrying value of the city's deposits with banks and savings institutions was $167,224,505. All cash of the city except petty cash of $74,624 is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Sec. 2.2-4400 et seq. of the *Code of Virginia* or covered by federal depository insurance. As of June 30, 2019 restricted cash totaled $32,796,255, which represents sheriff funds and bond proceeds.

Investments

State statutes authorize the city to invest in obligations of the United States or agencies thereof, securities unconditionally guaranteed by 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 (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, certificates of deposit, and the State Treasurer's Local Government Investment Pool (LGIP). The pension and OPEB trust funds are also authorized to invest in common stocks and marketable debt securities which mature within twenty years with credit ratings no lower than Baa or BBB as measured by Moody's Investors Service, Inc., Standard and Poor's Financial Services, LLC, or Fitch Investors Service rating services.

Investment Policy

The primary goal of the investment policy is to maximize return on investment while minimizing risk to the investment. The city's investment policy addresses custodial credit risk, interest rate risk, concentration of risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. The city's policy does not address foreign currency risk. The city's investment policy requires that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Investment *Code of Virginia* and the guidelines established by the State Treasury Board and the Governmental Accounting Standards Board. The policy specifically states that the city shall limit investments to those allowed under the Virginia Security for Public Deposits Act, Sec. 2.2-4400 et seq. of the *Code of Virginia*. The City Treasurer is responsible for diversifying the use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. It is the policy of the city to concentrate its investment efforts to banks located in the Commonwealth of Virginia which are under the Virginia statutes for public funds and all banks must be approved by depositories by the State Treasury Board. The city's policy is to invest only in "prime quality" commercial paper, with a maturity of two hundred seventy days or less, or issuing corporations organized under the laws of the United States, or any state thereof including paper issued by banks and bank holding companies. Prime quality shall be as rated by the Moody's Investors Services, Inc. within its ratings of prime 1 or prime 2, by Standard and Poor's, Inc. within its ratings of A-1 or A-2, or by Fitch Investors Service within its ratings of F-1 and F-2. The maximum percentage of funds to be invested in any one issue shall not exceed 5% of the total portfolio.

As of June 30, 2019, the city's investment balances were as follows:

		Carrying Amount	Actual Credit Ratings	Required Credit Ratings	Average Days/Years to Maturity
LGIP	$	112,950,979	AAAm	N/A	1 day

(3) DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Investments - Common Collective Retirement Trust Fund

As of June 30, 2019, the pension investments in the city's common collective retirement trust fund were professionally managed by John Hancock Trust Company LLC and primarily invested in equity funds. The fair value of the pension investments are primarily determined by the quoted prices of securities on the various exchange markets. The allocation of the investment accounts are authorized between the Board of Trustees of the Portsmouth Supplemental Retirement System (which acts on behalf of and administers the retirement plan for the Portsmouth Fire and Police Retirement System), Morgan Stanley PWM (Private Wealth Management), and John Hancock Trust Company LLC. The target allocation for all pension investment funds is 65.0% for equity securities, 30.0% for fixed income (bond) securities, 2.0% for real estate trust securities, and 2% for alternative investments. None of the city's pension investments have credit ratings.

At June 30, 2019, the fair value of the pension investment in the city's retirement trust fund was as follows:

Name of Brokerage Account or Mutual Fund	Investment Type	Weighted Average Maturity/Liquidation	Fair Value
John Hancock Trust Company LLC:			
Artisan Developing World Inst	MF Equity	1 day	$ 7,698,164
Morgan Stanley Advisory Holding	MF Equity	1 day	142,405,899
American Funds EuroPacific Growth	MF Equity	1 day	29,252,817
Lazard International Equity Concentrated	MF Equity	1 day	19,502,972
PIMCO Government Money Market	MF Equity	1 day	248,605
Lord Abbett Short Dur Inc I MF	MF Equity	1 day	12,410,744
			$ 211,519,201

At June 30, 2019, the fair value of the OPEB Investments was as follows:

Investment Type	Fair Value
Fixed Income	$ 884,584
Stocks	2,274,646
Real Estate	294,861
Alternative Investments	758,215
	$ 4,212,306

Fair Value Measurement

The city categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and, Level 3 inputs are significant unobservable inputs (the city does not currently value any of its pension investments using Level 3 inputs).

(3) DEPOSITS AND INVESTMENTS (CONTINUED)

The recurring fair value measurement hierarchy (by fair value level of valuation inputs) and the readily determinable fair value amount (by type of security or asset) of the pension and OPEB investments in the city's retirement trust funds as of June 30, 2019 are as follows:

		Fair Value (FV) Measurements Using		
	Fair Value at 6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at FV Level:				
Debt securities				
Bonds in mutual funds	$ 49,089,384	$ 49,089,384	-	-
Equity securities				
Common stock in mutual funds	149,515,072	149,515,072	-	-
Other assets (futures contracts, etc.) in mutual funds	9,212,836	9,212,836	-	-
Cash in brokerage account and mutual funds	8,035,428	8,035,428	-	-
Total investments by fair value level	**$ 215,852,720**	**$ 215,852,720**	-	-

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees' policy for managing its exposure to fair value loss arising from increasing interest rates is to consult with its investment advisor regarding the options available for limiting the remaining term to maturity of the investment(s) with such an exposure as the circumstances of each situation warrants.

Credit Risk
Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Board of Trustee's policy for reducing its exposure to credit risk is to consult with its investment advisors to determine whether or not to hold or liquidate the investment(s) with such an exposure as the circumstances of each situation warrants. At June 30, 2019, the Board of Trustees' pension investments had no quality ratings.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single credit issuer. The Board of Trustees' policy for reducing risk is to consult its investment advisors and implement mutually agreeable strategies aimed at minimizing or eliminating the risk as the circumstances of each situation warrants.

Custodial Credit Risk
For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Board of Trustees will not be able to recover the value of its investments or collateral securities that are in the possession of an outside third party. The Board of Trustees does not have a policy for custodial credit risk.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Board of Trustees does not have a formal policy for foreign currency risk.

(3) DEPOSITS AND INVESTMENTS (CONTINUED)

Component Unit - School Board
All of the deposits of the School Board, a discretely presented component unit, of $15,251,213 are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by Federal depository insurance. The School Board has $13,274,352 invested in the School OPEB Trust Fund. The City Treasurer's policies on deposits and investments, as noted above, also apply to the School Board.

Blended Component Unit - Economic Development Authority
At year end, the carrying value of deposits with banks for the Economic Development Authority, a blended component unit, was $1,600,340. All cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

Component Unit - Portsmouth Port and Industrial Commission
At year end, the carrying value of deposits with banks for the Portsmouth Port and Industrial Commission, a discretely presented component unit, was $1,046,866. All cash of the Commission is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

Primary Government - Governmental Activities

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	$ 20,227,838	$ 136,398	$ -	$ 20,364,236
Construction in progress (CIP)	28,349,108	24,173,359	(35,160,483)	17,361,984
Total capital assets not being depreciated or amortized	48,576,946	24,309,757	(35,160,483)	37,726,220
Capital assets being depreciated:				
Buildings	359,566,455	2,490,441	-	362,056,896
Improvements other than buildings	5,424,597	853,055	-	6,277,652
Improvements other than buildings (Infrastructure)	529,472,447	20,887,444	-	550,359,891
Machinery, furniture, and equipment	67,928,335	5,706,287	(1,154,696)	72,479,926
Intangibles	3,066,238	-	-	3,066,238
Total capital assets being depreciated or amortized	965,458,072	29,937,227	(1,154,696)	994,240,603
Less accumulated depreciation for:				
Buildings	(121,072,829)	(8,146,132)	-	(129,218,961)
Improvements other than buildings	(1,185,352)	(310,332)	-	(1,495,684)
Improvements other than buildings (Infrastructure)	(371,358,160)	(4,447,814)	-	(375,805,974)
Machinery, furniture, and equipment	(44,616,602)	(3,691,637)	1,078,028	(47,230,211)
Intangibles	(1,071,296)	(135,819)	-	(1,207,115)
Total accumulated depreciation	(539,304,239)	(16,731,735)	1,078,028	(554,957,946)
Total capital assets being depreciated or amortized, net	426,153,833	13,205,492	(76,668)	439,282,657
Governmental activities capital assets, net	$ 474,730,779	$ 37,515,249	$ (35,237,151)	$ 477,008,877

Under Virginia Law, localities have a tenancy-in-common with the School Board whenever a locality incurs a financial obligation for school property which is payable over more than one fiscal year. The School Board and City have agreed that such property, with a net book value of $76,646,118, will be carried on the City's financial statements until the outstanding debt is repaid.

	CIP June 30, 2019	Outstanding Commitments	Unobligated Balance
Governmental Activities Projects	$ 17,361,984	$ 16,377,441	$ 84,189,878

(4) CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2019 (continued)

Depreciation/amortization expense was charged to functions as follows:

General government	$	59,021
Judicial		2,061,177
Public safety		1,725,255
Public works		6,807,229
Health and welfare		323,417
Parks, recreation and cultural		1,185,289
Community development		888,382
Education		2,596,359
Total governmental activities, excluding internal service funds		15,646,129
Depreciation/amortization on capital assets of internal service funds (see Exhibit E-2) charged to various functions based on usage of capital assets.		1,085,606
Total governmental activities	$	16,731,735

(4) CAPITAL ASSETS (CONTINUED)

[Table failed to load from spreadsheet with name "Note 4 Table 4"]

Depreciation expense was charged to business-type activities as follows:

Public utilities	$	9,251,739
Parking authority		455,230
Golf		121,738
Waste management		1,012,456
Total business-type activities	$	10,841,163

	CIP 6/30/2019	Outstanding Commitments	Unobligated Balance
Business-type activities	$ 82,392,742	$ 31,548,372	$ 109,461,150

(4) CAPITAL ASSETS (CONTINUED)

Capital Assets – business-type activities (continued)

Primary Government - Major Enterprise Funds	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Public Utility Fund				
Capital assets not being depreciated:				
Land	$ 403,834	$ -	$ -	$ 403,834
Construction in progress	58,763,858	28,668,425	(5,311,055)	82,121,228
Total capital assets not being depreciated	59,167,692	28,668,425	(5,311,055)	82,525,062
Capital assets being depreciated:				
Buildings	692,687	-	-	692,687
Improvements other than buildings (Infrastructure)	305,464,837	4,576,668	-	310,041,505
Machinery, furniture, and equipment	29,122,274	1,248,456	-	30,370,730
Total capital assets being depreciated	335,279,798	5,825,124	-	341,104,922
Less accumulated depreciation for:				
Buildings	(213,647)	(17,157)	-	(230,804)
Improvements other than buildings (Infrastructure)	(118,599,274)	(7,636,517)	-	(126,235,791)
Machinery, furniture, and equipment	(15,378,459)	(1,598,065)	-	(16,976,524)
Total accumulated depreciation	(134,191,380)	(9,251,739)	-	(143,443,119)
Total capital assets being depreciated, net	201,088,418	(3,426,615)	-	197,661,803
Public Utility Fund capital assets, net	$ 260,256,110	$ 25,241,810	$ (5,311,055)	$ 280,186,865

Capital assets - discretely presented component unit

School Board Component Unit	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	$ 6,085,707	$ -	$ -	$ 6,085,707
Total capital assets not being depreciated	6,085,707	-	-	6,085,707
Capital assets being depreciated:				
Buildings	93,535,748	-	-	93,535,748
Machinery, furniture, and equipment	29,572,979	292,750	(657,850)	29,207,879
Intangibles	422,270	-	-	422,270
Total capital assets being depreciated	123,530,997	292,750	(657,850)	123,165,897
Less accumulated depreciation for:				
Buildings	(47,751,857)	(2,732,196)	-	(50,484,053)
Machinery, furniture, and equipment	(20,188,812)	(1,452,883)	657,004	(20,984,691)
Intangibles	(422,270)	-	-	(422,270)
Total accumulated depreciation	(68,362,939)	(4,185,079)	657,004	(71,891,014)
Capital assets being depreciated/amortized				
Total capital assets - being depreciated	55,168,058	(3,892,329)	(846)	51,274,883
School Board capital assets, net	$ 61,253,765	$ (3,892,329)	$ (846)	$ 57,360,590

(5) LONG - TERM DEBT

Details of Long-Term Indebtedness

At June 30, 2019, the long-term indebtedness of the city consisted of the following:

		Maturity Date	Interest Rate	Amount Outstanding
Governmental Activities				
General obligation bonds, net:				
2001B	VPSA School Financing Bonds	7/15/2021	3.10 - 5.10%	$ 579,089
2006B	VPSA School Financing Bonds	7/15/2026	4.35 - 4.60%	2,730,809
2009A	G.O. Refunding Bonds	7/15/2022	4.00 - 4.75%	3,030,000
2009B	G.O. Refunding Bonds	7/15/2020	4.00 - 5.25%	785,000
2009C	Taxable G.O. Refunding Bonds	7/15/2019	5.623 - 6.40%	1,780,000
2009D	G.O. Refunding Bonds	12/1/2020	3.50 - 4.00%	655,000
2009	VPSA Qualified School Construction Bonds	9/1/2026	0.00%	10,920,000
2010B	Taxable G.O. Public Improvement Bonds (BAB)	1/15/2040	4.685-6.270%	1,325,000
2010D	G.O. & Refunding Bonds	7/15/2024	3.00 - 5.25%	165,000
2011	G.O. Refunding Bonds	7/15/2024	2.50 - 5.00%	7,250,000
2012A	G.O. Public Utility & Refunding Bonds	7/15/2030	2.00 - 5.00%	16,865,000
2012B	Taxable G.O. Refunding Bonds	7/15/2030	1.85 - 3.85%	6,710,000
2012C	G.O. Public Improvement & Refunding Bonds	7/15/2032	2.00 - 4.00%	12,850,000
2013A	G.O. Public Improvement & Refunding Bonds	2/1/2035	4.00 - 5.00%	12,755,000
2013B	Taxable G.O. & Refunding Bonds (includes pension)	2/1/2037	1.980 - 4.541%	136,540,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	9,046,659
2015B	Taxable G.O. Refunding Bonds	8/1/2028	3.00 - 3.30%	18,985,000
2016A	G.O. Refunding Bonds	8/1/2035	2.00 - 5.00%	35,065,000
2016B	Taxable G.O. Refunding Bonds	8/1/2025	2.00 - 2.20%	14,595,000
2016QZAB	Virginia G.O. Qualified Zone Academy Bonds	9/15/2031	0.00%	5,823,000
2017QZAB	Virginia G.O. Qualified Zone Academy Bonds	9/15/2029	0.00%	4,062,195
2017A	G.O. Cross Refunding Bonds	7/15/2041	3.50-5.00%	23,565,000
2017A	G.O. Refunding Bonds	7/15/2041	3.50-5.00%	39,605,000
2017B	G.O. Taxable Refunding Bonds	7/15/2035	2.00-3.90%	5,830,000
2018	G.O. New Money Vehicle Financing	7/15/2028	0.03010%	10,822,000
2019	G.O. Bonds	7/15/2039	3.00-5.00%	24,440,000
	Total general obligation bonds			$ 406,778,752

General obligation bonds are stated exclusive of premiums and discounts.

(5) LONG - TERM DEBT (CONTINUED)

Details of Long-Term Indebtedness (continued)

		Maturity Date	Interest Rate	Amount Outstanding
Business-Type Activities				
General obligation bonds, net:				
Public Utilities:				
2009D	G.O. Refunding Bonds	12/1/2025	3.50 - 4.00%	$ 935,000
2009E	Prentis Park Bonds	7/15/2041	0.00%	1,763,027
2010B	Taxable G.O. Public Improvement Bonds (BAB)	1/15/2020	4.685 - 6.270%	790,000
2011	G.O. Refunding Bonds	7/15/2024	2.50 - 5.00%	4,510,000
2012A	G.O. Public Utility & Refunding Bonds	7/15/2041	2.00 - 5.00%	27,565,000
2012C	G.O. Public Improvement & Refunding Bonds	7/15/2031	2.00 - 4.00%	8,830,000
2013B	Taxable G.O. & Refunding Bonds	2/1/2022	1.980-2.839%	8,685,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	11,990,000
2015B	Taxable G.O. Refunding Bonds	8/1/2028	3.00 - 3.30%	6,830,000
2017A	G.O. Refunding Bonds	7/15/2041	3.00-5.00%	19,780,000
2017A	G.O. Cross Refunding Bonds	7/15/2041	3.00-5.00%	21,790,000
				113,468,027
Parking Authority:				
2009A	G.O. Refunding Bonds	7/15/2025	4.00 - 4.75%	40,000
2011	G.O. Refunding Bonds	7/15/2024	2.50 - 5.00%	65,000
2012A	G.O. Public Utility & Refunding Bonds	7/15/2041	2.25- 5.00%	145,000
2012C	G.O. Public Improvement & Refunding Bonds	7/15/2020	3.50 - 4.00%	45,000
2013B	Taxable G.O. & Refunding Bonds	2/1/2024	1.980-3.939%	2,275,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	23,341
2017B	G.O. Taxable Refunding Bonds	7/15/2035	2.00-3.90%	55,000
2017A	G.O. Refunding Bonds	7/15/2041	3.00 - 5.00%	35,000
				2,683,341
Golf:				
2009B	G.O. Refunding Bonds	7/15/2035	4.00 - 5.25%	250,000
2011	G.O. Refunding Bonds	7/15/2020	2.50 - 5.00%	895,000
2012A	G.O. Public Utility & Refunding Bonds	7/15/2022	2.25- 5.00%	1,005,000
2013B	Taxable G.O. & Refunding Bonds	2/1/2021	1.98-2.58%	195,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	385,000
2017B	G.O. Taxable Refunding Bonds	7/15/2035	2.00-3.90%	815,000
				3,545,000
Economic Development Authority:				
2019	G.O. Revenue Note	1/15/2024	3.21%	5,217,000
				$ 124,913,368

General obligation bonds are stated exclusive of premiums and discounts.

(5) LONG - TERM DEBT (CONTINUED)

At June 30, 2019, the long-term indebtedness of the School Board component unit consisted of the following:

		Amount Outstanding
School Board:		
Compensated absences	$	3,881,356
Claims payable		1,473,000
Workers' compensation claims		694,876
Net pension liability		125,076,810
Net OPEB liability		19,891,000
Total long-term liabilities	$	151,017,042

The following is a summary of changes in long-term indebtedness of the city for the year ended June 30, 2019:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
Primary Government - Governmental Activities:					
General obligation bonds	$ 392,824,933	$ 35,262,000	$ (21,308,181)	$ 406,778,752	$ 23,173,785
Bond premiums/(discounts)	21,804,612	2,996,699	(1,177,605)	23,623,706	1,313,566
	414,629,545	38,258,699	(22,485,786)	430,402,458	24,487,351
Capital leases	2,865,531	-	(1,079,508)	1,786,023	1,174,231
VDOT loans	3,400,000	-	-	3,400,000	-
Compensated absences	7,044,045	10,006,609	(9,853,065)	7,197,589	3,005,283
Net OPEB Liability	31,738,381	2,403,376	-	34,141,757	-
Net pension liability	118,161,198	(1,331,433)	-	116,829,765	-
Total Governmental Activities	$ 577,838,700	$ 49,337,251	$ (33,418,359)	$ 593,757,592	$ 28,666,865
Business Type Activities:					
General obligation bonds	$ 127,386,503	$ 5,217,000	$ (7,690,135)	$ 124,913,368	$ 7,915,137
Bond premiums/(discounts)	11,485,683	-	(687,251)	10,798,432	662,758
	138,872,186	5,217,000	(8,377,386)	135,711,800	8,577,895
Landfill closure and post-closure care	5,322,491	176,009	-	5,498,500	-
Compensated absences	671,695	962,999	(941,728)	692,966	399,320
Net OPEB Liability	2,775,184	-	(776,683)	1,998,501	-
Net pension liability	9,184,835	-	(2,804,585)	6,380,250	-
Total Business Type Activities	$ 156,826,391	$ 6,356,008	$ (12,900,382)	$ 150,282,017	$ 8,977,215
Major Enterprise Funds:					
Public Utility Fund					
General obligation bonds	$ 120,043,162	$ -	$ (6,575,137)	$ 113,468,025	$ 6,760,137
Bond premiums/(discounts)	11,291,114	-	(641,633)	10,649,481	617,141
	131,334,276	-	(7,216,770)	124,117,506	7,377,278
Compensated absences	345,348	511,920	(493,599)	363,669	213,962
Net OPEB Liability	1,764,820	-	(515,757)	1,249,063	-
Net pension liability	5,544,511	-	(2,413,021)	3,131,490	-
Total Public Utility Fund	$ 138,988,955	$ 511,920	$ (10,639,147)	$ 128,861,728	$ 7,591,240

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the government-wide Statement of Net Position. The amount due within one year for compensated absences has been estimated and is generally liquidated by the fund for which the employee works.

(5) LONG - TERM DEBT (CONTINUED)

Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The city has calculated the rebate due as of June 30, 2018 was the settlement date, and reflected the liability, if any, in either the Public Utility Fund or the governmental activities column of the Statement of Net Position, depending on the bond issue and timing of payment.

The following is a summary of changes in long-term indebtedness of the School Board component unit for the year ended June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
School Board:					
Compensated absences	$ 3,822,575	$ 2,063,233	$ (2,004,452)	$ 3,881,356	$ 1,286,172
Claims Payable	2,015,878	21,496,821	(21,344,823)	2,167,876	1,881,304
Net OPEB Liability	19,874,000	17,000	-	19,891,000	-
Net pension liability	131,776,573	-	(6,699,763)	125,076,810	-
Total School Board	$ 157,489,026	$ 23,577,054	$ (30,049,038)	$ 151,017,042	$ 3,167,476

The debt recorded in the enterprise and internal service funds is paid from revenues earned in those funds. General obligation debt is paid from the General Fund for which the primary funding sources are general property taxes and other local taxes.

Issuance of Bonds

On October 25, 2018, the City issued General Obligation Bonds of $10,822,000 to finance the purchase of vehicles. The bonds are 3.010% interest over 10 years. The repayment of the bonds will begin in fiscal year 2020.

On June 27, 2019, the City issued General Obligation Bonds of $24,440,000. The bonds range between 3.0-5.0% interest over 20 years. The repayment of the bonds will begin in fiscal year 2021.

On January 31, 2019, the Economic Development Authority issued a $5,217,000 Series 2019 General Obligation Revenue Note. The Note bears interest payable semiannually at 3.21% and matures in one lump sum principal payment on January 15, 2024.

Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of the general obligation borrowings, which may be issued by the city without referendum. At June 30, 2019, the City's debt limit was $757,589,526 of which $199,997,749 is available for the issuance of additional debt. There are no overlapping tax jurisdictions. However, the City has adopted three debt affordability policies that restrict the amount of debt beyond the amount indicated by the legal debt margin. These policies require that the ratio of all net tax supported Debt Service to combined General Fund and School revenues should not exceed 10%, the ratio of net tax supported Debt to Market Value should not exceed four percent, and the 10 year debt payout ratio of net tax supported Debt should be greater than or equal to 50%.

(5) LONG - TERM DEBT (CONTINUED)

Debt Compliance and Repayment
The annual requirements to pay all outstanding long-term bonds as of June 30, 2019, including interest payments, are summarized as follows:

Governmental Activities:

Fiscal Year Ending	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2020	$ 23,173,785	$ 16,213,267	$ 1,174,231	$ 180,750
2021	25,380,824	14,223,395	611,792	30,536
2022	26,101,659	13,375,424	-	-
2023	26,140,650	12,544,975	-	-
2024	26,804,255	11,671,614	-	-
2025-2029	126,693,181	44,240,056	-	-
2030-2034	101,279,398	22,096,706	-	-
2035-2039	49,495,000	3,919,431	-	-
2040	1,710,000	25,650	-	-
	$ 406,778,752	$ 138,310,518	$ 1,786,023	$ 211,286

Business-Type Activities:

Fiscal Year Ending	General Obligation Bonds	
	Principal	Interest
2020	$ 7,915,137	$ 6,237,538
2021	7,595,138	4,526,080
2022	7,757,632	4,232,637
2023	7,505,138	3,921,486
2024	12,472,138	3,633,062
2025-2029	31,235,688	12,678,223
2030-2034	22,531,533	7,179,041
2035-2039	18,365,688	3,415,713
2040-2042	9,535,279	496,781
	$ 124,913,368	$ 46,320,561

Authorized but Unissued Bonds

The total of general obligation bonds authorized but unissued for governmental funds as of June 30, 2019 was $35,979,659.

The total of public utility bonds authorized but unissued as of June 30, 2019 was $159,395,794.

(6) LEASING ARRANGEMENTS

As a lessee, the city leases certain land, buildings, equipment and vehicles under capital leases and certain facilities under operating leases that expire in fiscal years through 2021. Included in capital assets are the following amounts applicable to capital leases:

	Governmental	Internal Service	Enterprise
Buildings	$ 12,347,181	$ -	$ -
Machinery, furniture, and equipment	2,115,395	11,787,587	2,583,228
Less accumulated depreciation	(7,697,350)	(8,515,533)	(2,402,911)
Capital assets, net	$ 6,765,226	$ 3,272,054	$ 180,317

Depreciation expense on leased assets was $1,996,110 for the fiscal year ended June 30, 2019.

The projected minimum capital and operating lease payments of the city as of June 30, 2019 is as follows:

Fiscal Year Ending	Capital	Operating
2020	$ 1,354,982	$ 422,616
2021	642,328	250,401
2022	-	136,758
Total minimum lease payments	1,997,310	$ 809,775
Less amount representing interest	(211,287)	
Present value of minimum capital lease payments	$ 1,786,023	

Total operating lease payments for the year ended June 30, 2019 were $447,109.

(7) RETIREMENT PLANS

Most full-time employees of the city are eligible for benefits in the event of retirement, death, or disability under the State administered Virginia Retirement System (VRS) or under one of the two retirement systems administered by the city.

In addition, professional and nonprofessional employees of the school board are covered by VRS. All professional employees participate in the statewide teacher ("cost-sharing pool") retirement system, and nonprofessional employees participate as a separate group in the agent multiple-employee retirement system.

The policies and plans for all three retirement systems are described below.

Portsmouth Retirement Systems

Summary of Significant Accounting Policies

Measurement focus and basis of accounting. The city accounts for the Portsmouth Supplemental Retirement System (PSRS) and the Fire and Police Retirement System (FPRS) as pension trust funds and does not separately issue financial reports for these plans. The financial statements of the pension trust funds are prepared using the accrual basis of accounting. Contributions to each plan are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method used to value investments. Investments are reported at fair value in accordance with GAAP. Investments are measured using fair value hierarchy. Securities traded on a national exchange are reported at fair value based on the closing market prices quoted each business day, which are published and represent verifiable valuation (Level 1) inputs. Securities that do not have a readily determinable market value are reported at estimated fair value based on appropriate market valuation measurement techniques (using a market, cost or income approach), which are recognized and represent observable valuation (Level 2) inputs.

Plan Description - Portsmouth Supplemental Retirement System

Plan description and membership. The Portsmouth Supplemental Retirement System (PSRS) is a single-employer non-contributory retirement system that was established on October 1, 1953. It was designed to provide retirement, death, or disability benefits for all regular full-time, permanent employees who were not eligible for membership in VRS or the Portsmouth FPRS. On December 1, 1984, the city offered an option to all employees of the PSRS to either remain with their current system or transfer to VRS. All regular full-time employees hired after December 1, 1984, with the exception of City Council members, are members of VRS as required by State statutes. City Council members are no longer eligible for membership as of December 31, 2016, except for former City Council members returning to service. Therefore, the PSRS has become a "closed" system.

Benefits provided.. All regular full-time permanent employees (except those eligible for membership in the Virginia Retirement System and the Portsmouth Fire and Police Retirement System as noted above) who were hired prior to December 1, 1984 were eligible to participate in the PSRS. Employees who have attained age 50 with five years of service are eligible for a retirement benefit payable monthly during the lifetime of the member that is equal to 2% of their average final compensation (AFC) multiplied by their years of creditable service. AFC is the average annual compensation during the 36 consecutive months of creditable service that yields the highest average.

Benefits may be increased from time to time by cost of living adjustments approved by City Council. Effective July 1, 1994, retirees who retire on Normal Service Retirement may be eligible to receive an additional

(7) RETIREMENT PLANS (CONTINUED)
Portsmouth Retirement Systems (Continued)

allowance of $200 per month until age 65. The married member shall be provided a 50% spousal option at no cost if the spouse is no more than 5 years younger than the member. The PSRS plan also provides death and disability benefits. These benefit provisions and all other requirements of the PSRS are established by City Council.

The city (employer) is required by city code to contribute the amounts necessary to fund the system based on an actuarially determined percentage of payroll. There are no required contributions due from employees.

Plan Description - Portsmouth Fire and Police Retirement System

Plan description and membership. The FPRS is a single-employer retirement system that was established on January 1, 1957. Its membership is comprised of every firefighter or police officer, hired prior to July 1, 1995, who is a full-time permanent employee. All full-time firefighters and police officers hired after June 30, 1995 are members of the VRS Law Enforcement Officers (LEO) retirement system as required by State statutes. Therefore, the FPRS has become a "closed" system.

Benefits provided. Benefits vest after five years of service. Employees may retire at any time with 20 years of service, regardless of age. Employees 50 or older may retire at any time with less than 20 years of service provided the vesting requirement has been satisfied. Employees are entitled to an annual retirement benefit payable in an amount equal to 3% of the average final compensation (AFC) for the first 20 years and 2% for each of the next 5 years of service and 1% for each year thereafter multiplied by their years of creditable service. AFC is defined as the highest consecutive 36 months of compensation. Benefits begin at age 60, upon written request, for members who terminate employment prior to age 50 with less than 20 years of creditable service.

Benefits may be increased from time to time by percentage adjustments approved by City Council. Effective July 1, 1994, retirees receive a supplement of $200 per month until age 65. In addition, an automatic 50% survivor option has been added for all retirees at no cost to the retirees. The FPRS also provides death and disability benefits. These benefit provisions and all other requirements of the FPRS are established by City Council.

The city (employer) is required by city code to contribute the amounts necessary to fund the system based on an actuarially determined percentage of payroll. There are no required contributions due from employees.

Plan Participants
Participation in the Portsmouth Supplemental Retirement System and the Fire and Police Retirement System consisted of the following as of June 30, 2019:

	Total	PSRS	FPRS
Retirees and beneficiaries	999	358	641
Vested terminated employees not yet receiving benefits	52	10	42
Current vested employees	28	14	14
	1,079	382	697

Contributions
The funding policy of PSRS and FPRS provides for periodic employer contributions at actuarially determined rates which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Rates necessary to support post-retirement supplements which may be payable in addition to the basic benefits are determined separately on a pay-as-you-go basis.

(7) RETIREMENT PLANS (CONTINUED)
Portsmouth Retirement Systems (Continued)

Total employer contributions to the PSRS and FPRS for fiscal year 2019 were $2,350,640 and $7,535,021, respectively or $9,885,661 in total.

Plan Investments

Investment policy. This Statement of Investment Policy defines the investment policies for the management and oversight of the Portsmouth Retirement System (the "Plan"). It establishes objectives, strategies to achieve them, procedures for monitoring and control, and identifies responsibilities for the oversight and management of Plan assets.

The Board of Trustees of the city of Portsmouth Fire Supplemental Retirement Systems (the Board) is responsible for the Investment Policy of both systems and may amend it from time to time.

Responsibilities. Responsibilities for the oversight and management of Plan assets are specified as follows:

The Board establishes investment policy, makes asset allocation decisions, determines asset class strategies and retains investment managers to implement asset allocation and asset class strategy decisions.

The Board has engaged Graystone Consulting to assist the Board in areas of asset allocation, investment policy, portfolio strategy implementation, performance monitoring and evaluation, and rebalancing policy implementation.

Graystone Consulting is responsible for investing Plan assets in a manner consistent with the Plan's Investment Policy within the John Hancock Retirement Plans Services Investment Platform.

Objectives. Objectives of the Investment Policy are as follows:

1. Invest Plan assets prudently to provide retirement benefits for qualified participants.
2. Maximize long-term return by investing to achieve the rate of return specified by the Plan's actuarial assumptions.
3. Diversify investments by asset type, class, capitalization, and style to minimize risk.
4. Minimize management and custodial costs.

Performance Objectives. In achieving the Plan's objectives, the Plan's performance objective is to outperform the Policy Portfolio return after fees at a comparable level of risk. This investment objective is expected to be achieved over the long term and is measured over rolling five-year periods.

Policy Portfolio. Asset allocation policy is the principal method for achieving the investment objectives stated above. The Plan's policy targets and ranges are as follows:

	Target	Range
Equities	65%	50% - 90%
Fixed Income	30%	10% - 50%
Real Estate	2%	0% - 5%
Alternatives	2%	0% - 5%

US equities are held for their long-term expected return premium over fixed income investments and inflation. Non-US equities are held for their expected return premium (along with US equities), as well as diversification relative to equities. Cash equivalents are held solely to meet the Plan's liquidity requirements.

(7) RETIREMENT PLANS (CONTINUED)
Portsmouth Retirement Systems (Continued)

The asset allocation policy is reviewed by the Board at a high level regularly. A detailed review may be conducted if significant changes occur in the Plan's financial position or spending policy.

Rebalancing policy. The portfolio shall be rebalanced by John Hancock Retirement Plan Services quarterly to reflect target asset allocation percentages by fund manager listed on the approved lineup.

Monitoring and control. The Investment portfolio shall be reviewed on demand and at a minimum of once each quarter. Specific guidelines by investment medium include:

1. Equities:

   A. Investments shall be diversified by number within each approved class.
   B. Management employed shall have demonstrated historical performance and risk proficiency.
   C. Performance review shall include third-party publications.
   D. Performance review shall include peer comparisons.
   E. Appropriate benchmarks for returns comparisons include, but are not limited to, the following:

U.S. Large Cap Value	Russell 1000 Value Index
U.S. Large Cap Growth	Russell 1000 Growth Index
U.S. Large Cap Core	Russell 1000 Index and S&P 500 Index
U.S. Mid Cap Value	Russell Mid Cap Value Index
U.S. Mid Cap Growth	Russell Mid Cap Growth Index
U.S. Small Cap Value	Russell 2000 Value Index
U.S. Small Cap Growth	Russell 2000 Growth Index
International Equity	MSCI EAFE Index

2. Fixed Income:

   A. Investments shall be diversified by type and number.
   B. Average duration of the portfolio shall not exceed 10 years.
   C. U.S.-guaranteed issues shall constitute the largest percentage of holdings.
   D. Credit quality shall average a minimum of an S&P "A" rating.
   E. Performance review shall include third-party publications.
   F. Performance reviews shall include peer comparisons, when possible.
   G. A benchmark for returns comparisons includes, but is not limited to the Barclays Capital Aggregate Bond Index.

3. Alternative Investments:

   As the name implies, this general investment classification includes markets other than the traditional markets, such as Equities, Fixed Income, and Cash Equivalents. Extensive research and empirical evidence has verified that investment diversification among a number of different, non-correlated asset classes has the potential to reduce overall portfolio volatility and improve returns. Rather than taking direct positions in alternative markets, such as Real Estate, Agricultural Products, Energy, Metals, Currencies, etc. or, investing in Limited Partnerships, which can lack liquidity and/or transparency, latitude will be retained to access these markets/assets through Mutual Funds.

   A. Real Estate:

(7) RETIREMENT PLANS (CONTINUED)
Portsmouth Retirement Systems (Continued)

1. The investment medium shall be equity real estate.
2. Investments shall provide asset class diversification to reduce portfolio standard deviation.
3. The funds will be invested publicly traded real estate mutual funds and not in real estate limited partnerships.
4. Investments shall be diversified and of high quality; core assets will comprise a majority of the allocation.
5. A benchmark for returns comparisons includes, but is not limited to, the Russell Open-End Real Estate Universe.

B. Managed Futures:

1. Fund Managers shall access the respective markets via Managed Futures, which eliminates such concerns as storage and insurance costs, or, unwanted delivery.
2. Investments shall provide asset class diversifications to reduce portfolio standard deviation.
3. The funds will be invested in Managed Futures Mutual Funds and not Managed Futures Limited Partnerships.
4. Investments shall be diversified and of high quality. Fund Managers have the latitude to take long or small positions in the representative markets, based upon their professional evaluation of relevant trends.
5. A benchmark for returns comparisons includes, but is not limited to, the Morningstar Diversified Futures Index TR.

Underperformance of investments in any of the above media, as measured by comparisons with peers and benchmarks for two consecutive quarters, shall trigger a review by the Investment Committee. This review shall continue quarterly until either performance has improved or management has been replaced.

Any recommended changes to investment management shall include comparisons of management and custodial costs.

Concentrations
There are no significant investments (other than U.S. Government and U.S. Government-guaranteed obligations) in any one organization that represent 5% or more of net assets available for benefits.

Rate of Return
For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.39% and 7.32%, for FPRS and PSRS, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Portsmouth Retirement Systems
The FPRS and PSRS net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

(7) RETIREMENT PLANS (CONTINUED)
Portsmouth Retirement Systems (Continued)

Changes in Net Pension Liability - FPRS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017	$ 248,514,141	$ 170,933,003	$ 77,581,138
Change for the year:			
Service Cost	209,549	-	209,549
Interest	17,224,136	-	17,224,136
Differences between expected and actual experience	637,275	-	637,275
Contributions - employer	-	7,098,559	(7,098,559)
Net investment income	-	7,521,227	(7,521,227)
Benefit payments, including refunds of employee contributions	(22,317,498)	(22,317,498)	-
Administrative expenses	-	(141,157)	141,157
Changes of assumptions	(1,023,739)	-	(1,023,739)
Net changes	(5,270,277)	(7,838,869)	2,568,592
Balance at June 30, 2018	$ 243,243,864	$ 163,094,134	$ 80,149,730

Changes in Net Pension Liability - PSRS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017	$ 83,751,843	$ 59,697,952	$ 24,053,891
Change for the year:			
Service Cost	56,948	-	56,948
Interest	5,773,968	-	5,773,968
Differences between expected and actual experience	(159,223)	-	(159,223)
Contributions - employer	-	2,229,196	(2,229,196)
Net investment income	-	2,618,347	(2,618,347)
Benefit payments, including refunds of employee contributions	(8,474,573)	(8,474,573)	-
Administrative expenses	-	(54,742)	54,742
Changes of assumptions	(470,893)	-	(470,893)
Net changes	(3,273,773)	(3,681,772)	407,999
Balance at June 30, 2018	$ 80,478,070	$ 56,016,180	$ 24,461,890

(7) RETIREMENT PLANS (CONTINUED)
Portsmouth Retirement Systems (Continued)

Actuarial Assumptions.
The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal – Level Percentage of Pay
Interest Rate	7.25%
Annual Rates of Increase:	
Salaries	3.00%
Future Social Security Wage Bases	3.00%
Future Social Security Cost of Living Increases	2.50%
Statutory Limits on Compensation and Benefits	2.50%

Mortality rates were based on the RP-2014 Mortality Table Adjusted to 2006 with Generational Projection (Scale MP-2017).

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018.

The long-term expected rate of return on pension plan investments was derived using estimates of hypothetical average returns from statistical models. Actual returns may vary from the expected returns.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the city's pension plans, calculated using the discount rate of 7.25 percent, as well as what the city's net pension liability would be if it were calculated on a sensitivity basis using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount 7.25%	1% Increase 8.25%
PSRS			
Total Pension Liability	$ 86,983,540	80,478,070	74,821,617
Less: Fiduciary Net Position	56,016,180	56,016,180	56,016,180
Net Pension Liability	$ 30,967,360	24,461,890	18,805,437
FPRS			
Total Pension Liability	$ 266,557,295	243,243,864	223,495,452
Less: Fiduciary Net Position	163,094,134	163,094,134	163,094,134
Net Pension Liability	$ 103,463,161	80,149,730	60,401,318

(7) RETIREMENT PLANS (CONTINUED)
Portsmouth Retirement Systems (Continued)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension
For the year ended June 30, 2019 the City recognized total pension expenses of $10,037,147 ($2,114,033 for PSRS and $7,923,114 for FPRS). At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for both the PSRS and the FPRS:

	PSRS		FPRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 2,438,397	$ -	$ 6,839,593	$ -
Employer contribution subsequent to the measurement date	2,350,640	-	7,535,021	-
Total	$ 4,789,037	$ -	$ 14,374,614	$ -

Deferred outflows of resources for contributions subsequent to measurement date will be recognized in net pension liability/collective net pension liability in fiscal year ended 2020. The amounts reported as deferred outflows of resources related to PSRS and FPRS pensions will be recognized in pension expense as follows:

Year ended June 30,	PSRS	FPRS
2020	$ 1,555,029	$ 4,316,947
2021	651,129	1,821,152
2022	(62,459)	(157,553)
2023	294,698	859,047
	$ 2,438,397	$ 6,839,593

John Hancock does not provide any independently verified audited statements for the pension plans. Below is the financial statement for the City's plans. Additional information can be seen on Exhibit F-1 and F-2, pages 23 and 24 and Exhibit N-1 and N-2.

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System
Assets		
Cash equivalents	$ 1,395,456	$ 4,010,121
Investments		
Stocks	38,929,000	115,357,806
Real estate	12,437,623	36,856,249
Other	1,257,594	3,726,612
Total investments	52,624,217	155,940,667
Total assets	54,019,673	159,950,788
Net position restricted for pension	$ 54,019,673	$ 159,950,788

(7) RETIREMENT PLANS (CONTINUED)
Portsmouth Retirement Systems (Continued)

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System
Additions:		
Contributions		
Employers' contributions	$ 2,350,640	$ 7,535,021
Investment income:		
Interest	1,069,934	3,177,917
Gains	2,784,338	8,239,428
Total additions	6,204,912	18,952,366
Deductions:		
Benefit payments	8,140,802	21,922,564
Administrative expenses	60,617	173,148
Total deductions	8,201,419	22,095,712
Change in net position	(1,996,507)	(3,143,346)
Net position restricted for pensions, beginning of year	56,016,180	163,094,134
Net position restricted for pensions, end of year	$ 54,019,673	$ 159,950,788

(7) RETIREMENT PLANS

Virginia Retirement System

Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing, Multiple Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

The City is a separate cost pool within VRS, and makes contributions based on rates set by VRS's actuarial calculations of the annual required contributions. All full-time, salaried permanent employees of the City and the Portsmouth public school division are automatically covered by VRS upon employment. This plan is administered by the Virginia Retirement System.

Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and for which they and the city are paying contributions to VRS. Members are eligible to purchase prior public service based on specific criteria as defined in the Code of Virginia as amended.

The VRS administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid Retirement Plan. Each plan has a different eligibility and benefit structure as set out in the following table:

Within the VRS Plan, the System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and eligibility for covered groups within each plan are set out below:

VRS PLAN 1

About VRS Plan 1
VRS Plan 1 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.

Eligible Members
Employees are in VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Retirement Contributions
Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service
Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting
Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

Calculating the Benefit
The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier
The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

Retirement Age
Normal retirement: Age 65. Political subdivision hazardous duty employees: Age 60.

Earliest Unreduced Retirement Eligibility
Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years (60 months) of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility
Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Political subdivision hazardous duty employees may retire with a reduced benefit as early as age 50 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement
The COLA 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 COLA of 5%.

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates:
The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

VRS PLAN 2

About VRS Plan 2
VRS 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.

Eligible Members
Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an ORP and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Retirement Contributions
Same as VRS Plan 1.

Creditable Service
Same as VRS Plan 1.

Vesting
Same as VRS Plan 1.

Calculating the Benefit
See definition under VRS Plan 1.

Average Final Compensation
A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier
Same as VRS Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs, regional jail superintendents and political subdivision hazardous duty employees: Same as Plan 1.

Normal Retirement Age
Normal Social Security retirement age. Political subdivision hazardous duty employees: Same as VRS Plan 1.

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

Earliest Unreduced Retirement Eligibility
Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivision hazardous duty employees: Same as VRS Plan 1.

Earliest Reduced Retirement Eligibility
Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivision hazardous duty employees: Same as VRS Plan 1.

COLA in Retirement
The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:
Same as VRS Plan 1.

Exceptions to COLA Effective Dates:
Same as VRS Plan 1.

Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service
Same as VRS Plan 1.

VRS HYBRID RETIREMENT PLAN

About VRS Hybrid Retirement Plan
The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. 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. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.

Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- School division employees
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

*Non-Eligible Members – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

Those employees eligible for an ORP must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Retirement Contributions
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.

Creditable Service
Defined Benefit Component:
Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:
Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting
Defined Benefit Component:
Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:
Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

Calculating the Benefit
Defined Benefit Component:
See definition under VRS Plan 1.

Defined Contribution Component:
The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation
Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier
Defined Benefit Component:
The retirement multiplier for the defined benefit component is 1.0%.For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Defined Contribution Component:
Not applicable.

Normal Retirement Age
Defined Benefit Component:
Same as VRS Plan 2.

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility
Defined Benefit Component:
Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility
Defined Benefit Component:
Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COLA in Retirement
Defined Benefit Component: Same as VRS Plan 2.
Defined Contribution Component:
Not applicable.

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

Eligibility:
Same as VRS Plan 1 and VRS Plan 2.

Exceptions to COLA Effective Dates:
Same as VRS Plan 1 and VRS Plan 2.

Disability Coverage
Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer- paid comparable program for its members. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VLDP are subject to a one- year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service
Defined Benefit Component:
Same as VRS Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost of purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:
Not applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report is available from the VRS web site at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf or obtained by writing the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following City and School Board employees were covered by the benefit terms of both the city's and School Board's VRS pension plans:

	City	School Board - Non- Professional
Inactive members or their beneficiaries currently receiving benefits	996	353
Inactive members:		
Vested inactive members	354	33
Non-vested Inactive members	591	104
Inactive members active elsewhere in VRS	747	78
Total inactive members	1,692	215
Active members	1,475	366
Total covered employees	4,163	934

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia* (1950), as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The City's contractually required contribution rate for the year ended June 30, 2019 was 10.74 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the VRS pension plan from the City were $7,477,388 and $7,052,500 for the years ended June 30, 2019 and June 30, 2018, respectively.

The School Board (Non-Professional) VRS pension plan's contractually required contribution rate for the fiscal year ended June 30, 2019 was 10.75 percent of annual covered payroll. The actuarial rate for this plan was 11.98 percent. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the Non-Professional VRS pension plan were $819,943 and $899,130 for the years ended June 30, 2019 and June 30, 2018, respectively.

The School Board Professional VRS plan's contractually required contribution rate for the fiscal year ended June 30, 2019 was 15.68 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the Professional VRS plan were $12,992,275 and $13,219,573 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer participating in the VRS Political Subdivision Retirement Plan and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

At June 30, 2019, the School Board reported a liability of $117,977,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was also determined by an actuarial valuation as of that date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion was 1.00321% as compared to 1.00400% at June 30, 2017.

Actuarial Assumptions – General Employees

The total pension liability for general employees in the City's and School Board's Nonprofessional VRS plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation - City & School Board - Non-Prof	3.5 percent – 5.35%
Salary increases, including inflation - School Board -Professional	3.5 percent -- 5.95%
Investment rate of return plan investment	7.0 percent, net of pension expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:
General Employees – Non-Hazardous Duty: 15% of deaths are assumed to be service related
Pre-Retirement:
RP-2014 Employee Rates to age 80, Health Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-Disablement:
RP-2014 Disability Mortality Rates projected with a Scale BB to 2020 with males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Non-Hazardous Duty:
Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to a more current mortality table - RP-2014 projected to 2020
Retirement rates: Lowered rates at older ages and changed final retirement from 70 to 75

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates: Lowered rates
Salary scale: No change
Line of Duty disability: Increase rate from 14% to 15%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for public safety employees with hazardous duty benefits in the City's VRS plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return plan investment	7.0 percent, net of pension expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:
Hazardous Duty: 45% of deaths are assumed to be service related
Pre-Retirement:
RP-2014 Employee Rates to age 80, Health Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:
RP-2014 Disability Mortality Rates projected with a Scale BB to 2020 with males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Hazardous Duty:
Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to a more current mortality table - RP-2014 projected to 2020
Retirement rates: Increased age 50 rates, and lowered rates at older ages
Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates: Adjusted rates to better fit experience
Salary scale: No change
Line of Duty disability: Decrease rate from 60% to 45%

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on Pension System 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 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 estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY2012 of 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

Changes in Net Pension Liability - City VRS Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017	$ 327,994,058	302,283,054	25,711,004
Change for the year:			
Service Cost	8,717,390	-	8,717,390
Interest	22,448,469	-	22,448,469
Differences between expected and actual experience	(5,889,195)	-	(5,889,195)
Contributions - employer	-	6,948,793	(6,948,793)
Contributions - employee	-	3,374,302	(3,374,302)
Net investment income	-	22,278,231	(22,278,231)
Benefit payments, including refunds of employee contributions	(14,603,292)	(14,603,292)	-
Administrative expenses	-	(192,188)	192,188
Changes of assumptions	-	-	-
Other changes	-	(19,865)	19,865
Net changes	10,673,372	17,785,981	(7,112,609)
Balance at June 30, 2018	$ 338,667,430	320,069,035	18,598,395

Changes in Net Pension Liability - School Board Non-Professional VRS Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017	$ 39,447,925	31,143,352	8,304,573
Change for the year:			
Service Cost	694,189	-	694,189
Interest	2,671,683	-	2,671,683
Differences between expected and actual experience	(1,077,881)	-	(1,077,881)
Contributions - employer	-	879,860	(879,860)
Contributions - employee	-	365,276	(365,276)
Net investment income	-	2,269,942	(2,269,942)
Benefit payments, including refunds of employee contributions	(2,562,064)	(2,562,064)	-
Administrative expenses	-	(20,333)	20,333
Changes in assumptions	-	-	-
Other changes	-	(1,991)	1,991
Net changes	(274,073)	930,690	(1,204,763)
Balance at June 30, 2018	$ 39,173,852	32,074,042	7,099,810

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

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

The following presents the net pension liability of the City and School Board using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City - VRS Political Subdivision Plan			
Net Pension Liability	$ 62,177,728	$ 18,598,395	$ (17,707,959)
School Board's proportionate share of the VRS Teacher (Professional) Employee Retirement Plan			
Net Pension Liability	$ 180,213,000	$ 117,977,000	$ 66,463,000
School Board's (Non-Professional) Employee Retirement Plan			
Net Pension Liability	$ 11,437,510	$ 7,099,810	$ 3,429,643

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

For the year ended June 30, 2019, the City recognized pension expense (recovery) of $(542,699).

For the year ended June 30, 2019, the School Board recognized for its Professional VRS plan pension expense of $4,906,000. Since there was a change in proportionate share between the 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.

The School Board recognized for its Non-Professional VRS plan pension expense of $82,275.

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

At June 30, 2019, both the City's and School Board's Professional and Non-Professional VRS plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City		School Board Professional		School Board Nonprofessional	
	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	$ -	$ 7,000,702	$ -	$ 10,087,000	$ 29,455	$ 669,593
Investment experience	-	-			-	-
Change in assumptions	184,955	-	1,408,000	-	-	11,852
Net difference between projected and actual earnings on pension plan investments	-	2,633,407	-	2,502,000	-	239,623
Changes in proportion	-	-	-	5,327,000	-	-
Employer contributions subsequent to the measurement date	7,477,388	-	12,992,275	-	819,943	-
Total	$ 7,662,343	$ 9,634,109	$ 14,400,275	$ 17,916,000	$ 849,398	$ 921,068

Deferred outflows of resources for contributions subsequent to measurement date will be recognized in pension expense in fiscal year 2020. Amounts reported as deferred outflows and inflows of resources related to both the city and School Board VRS plans and will be recognized in pension expense as follows:

Year ended June 30,	City	School Board Professional	School Board Nonprofessional
2020	$ (3,289,210)	$ (3,572,000)	$ (266,406)
2021	(2,547,959)	(4,128,000)	(276,769)
2022	(3,356,855)	(6,273,000)	(321,081)
2023	(255,130)	(2,094,000)	(27,357)
2023	-	(441,000)	-
Thereafter	-	-	-
	$ (9,449,154)	(16,508,000)	(891,613)

(7) RETIREMENT PLANS (CONTINUED)
Virginia Retirement System (Continued)

Payables to the Pension Plans

At June 30, 2019, the City and the School Board both reported a liability of $0 for legally required contributions to the pension plans.

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

Primary Government	Local - PSRS	Local - FPRS	VRS	Total
Governmental activities				
Deferred outflows	$ 3,867,229	$ 14,374,614	$ 7,049,355	$ 25,291,198
Net pension liability	19,569,512	80,149,730	17,110,523	116,829,765
Deferred inflows	-	-	8,863,381	8,863,381
Pension expense	(225,285)	388,097	(7,283,069)	(7,120,257)
Business-type activities				
Deferred outflows	921,808	-	612,988	1,534,796
Net pension liability	4,892,378	-	1,487,872	6,380,250
Deferred inflows	-	-	770,728	770,728
Pension expense	(11,322)	-	(633,311)	(644,633)
Total Primary Government				
Deferred outflows	4,789,037	14,374,614	7,662,343	26,825,994
Net pension liability	24,461,890	80,149,730	18,598,395	123,210,015
Deferred inflows	-	-	9,634,109	9,634,109
Pension expense	(236,607)	388,097	(7,916,380)	(7,764,890)

	VRS		
Discretely presented component unit - School Board	Prof	Non-Prof	Total
Deferred outflows	$ 14,400,275	$ 849,398	$ 15,249,673
Net pension liability	117,977,000	7,099,810	125,076,810
Deferred inflows	17,916,000	921,068	18,837,068
Pension expense	4,906,000	82,275	4,988,275

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

City of Portsmouth Retired Employees Health Care Program

Plan Description
The City of Portsmouth Retired Employee Health Care Program is a single-employer defined benefit healthcare program administered by the City of Portsmouth. The defined benefit plan for the city's Program was established to provide post employment benefits other than pensions as defined by and in accordance with Section 15.2-1545 of the Code of Virginia.

In accordance with Article 8, Chapter 15, subtilted II of Title 15.2 of the Virginia Code, the city has elected to establish a trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. The City joined the Virginia Pooled OPEB Trust Fund (Trust), which was established by the Virginia Municipal League and the Virginia Association of Counties in 2018.

The Trust's Board of Trustees has fiduciary responsibility for the investment of monies and administration of the Trust pursuant to the Trust Agreement. The Board of Trustees is composed of nine members. Trustees are members of Local Finance Boards of participating employers and are elected for staggered three-year terms by the participants in the Trust.

The Portsmouth City Public Schools School Board administers a similar defined benefit healthcare plan.

Plan Membership
The membership as of January 1, 2018 includes:

	City	School Board
Active Participants	1,486	2,019
Retirees and Spouses	580	39
Total	2,066	2,058

Benefits Provided
The Program provides medical (health), dental and vision insurance benefits as well as a legal services plan to eligible retirees and their families through the same self-insured program that provides coverage to active City employees. Effective, July 1, 2014, the City established the eligibility requirement of 10 years of continuous City service as of July 1, 2014 for employees to be eligible for retiree health coverage and a fixed monthly City contribution. After that date, the requirement is 15 years of continuous City service for employees to be eligible for retiree health coverage with no City contribution unless an employee has 25 years or more of continuous City service. In addition, post-65 retiree health coverage was eliminated for future retirees on June 30, 2015.

Significant Accounting Policies
The OPEB Trust is a fiduciary-type component unit of the City. The measurement focus of the OPEB Trust is on the flow of economic resources. This focus emphasizes the determination of changes in the OPEB trust's net position. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary fund are included on the *Statement of Fiduciary Net Position*. This fund uses the accrual basis of accounting whereby contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

City of Portsmouth Retired Employees Health Care Program (continued)

Contributions

Contribution requirements of the City and plan members are established and may be amended by the respective legislative bodies. The School Board has the authority to establish and amend the funding policy of their plan. The required contribution is based on projected pay-as-you-go financing requirements, with the potential for additional amounts to prefund benefits as determined annually by the City Council. For fiscal year 2019, the City contributed $2,844,970 to the program, all for current premiums, and there was no additional prefunding contribution. Retired employees receiving benefits contributed $2,123,696 through required monthly contributions that vary from $535.70 to $1,972.80 depending on the retiree's choice of Health Maintenance Organization or Preferred Provider coverage, the retiree's age, and whether the coverage is for the retiree only or includes other family members.

Contribution requirements of the Portsmouth City Public School Board and plan members are established and may be amended by the Portsmouth City Public School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Portsmouth City Public School Board. For the year ended June 30, 2019, the Portsmouth City Public School Board made no further contributions to the plan to pay current benefits and to prefund benefits.

Investment

The OPEB's plan investment policy in regard to the allocation of invested assets is established and may be amended by the Virginia Pooled OPEB Trust Fund Board of Trustees. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan.

Net OPEB Liability

The components of the net OPEB liability of the City and the Portsmouth City Public School Board at June 30 were as follows:

	City	School Board
Total OPEB Liability	$ 23,477,564	$ 13,128,913
Fiduciary Net Position	(4,212,306)	(13,274,352)
Net OPEB Liability	$ 19,265,258	$ (145,439)
Fiduciary Net Position as a % of Total OPEB Liability	17.94%	101.11%

Changes in Net OPEB Liability of the City:

City	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2018	$ 22,376,040	$ 3,046,475	$ 19,329,565
Service cost	545,143	-	545,143
Interest on total OPEB liability	1,541,001	-	1,541,001
Effect of assumptions changes or inputs	860,350	-	860,350
Benefits payments	(1,844,970)	(1,844,970)	-
Administrative expenses	-	(3,513)	3,513
Employer contributions	-	2,844,970	(2,844,970)
Net investment income	-	169,344	(169,344)
Balance as of June 30, 2019	$ 23,477,564	$ 4,212,306	$ 19,265,258

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
City of Portsmouth Retired Employees Health Care Program (continued)

Changes in Net OPEB Liability of the Portsmouth City Public School Board:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2018	$ 16,980,673	$ 12,541,363	$ 4,439,310
Changes during the year:			
Service cost	950,173	-	950,173
Interest	791,875	-	791,875
Experience (gains/losses)	(433,312)	-	(433,312)
Change in benefit terms	-	-	-
Change in actuarial assumptions	(4,968,846)	-	(4,968,846)
Net investment income	-	924,764	(924,764)
Benefit payments, including refunds of employer contributions	(191,650)	(191,650)	-
Administrative expenses	-	(125)	125
Balance at June 30, 2019	$ 13,128,913	$ 13,274,352	$ (145,439)

Actuarial Assumptions
The net OPEB liability for the City was measured as of January 1, 2018. The net OPEB liability for the Portsmouth City Public School Board was measured as of June 30, 2018. The following actuarial assumptions were included in the measurements:

	City	**Portsmouth City Public School Board**
Inflation	2.50%	2.75%
Salary increase	3.00%	3.50%
Investment rate of return	7.00%	9.06%
20-year Aa Municipal bond rate	3.0%	3.0%
Mortality	RP-2014 Headcount weighted, sex-distinct, annuitant and non-annuitant mortality table projected with improvement scale MP 2017	RP-2014 Headcount weighted, mortality tables projected with improvement scale MP 2018

Long-Term Expected Rate of Return

City's OPEB Plan
The best-estimate range for the long term expected rate of return is determined by taking the annual average long-term future inflation and real return components, with ech component being reasonable in our professional opinion, include the anticipated effects of return volatility and correlation among various asset classes. The data used in the assessment of reasonability were the 2017 Horizon Survey of Capital Market Assumptions (consensus 10-year real returns) and the 2018 Social Security Trustees Report (inflation).

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
City of Portsmouth Retired Employees Health Care Program (continued)

Portsmouth City Public School Board's OPEB Plan
The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns, net of Plan 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.

Discount Rate
The discount rate used to measure the total OPEB liability for the City was 6.50%. The projection of cash flows used to determine the discount rate assumed that Employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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 discount rate for calculating the Total OPEB Liability is equal to the long-term expected rate of return.

The discount rate used to measure the total OPEB liability for the Portsmouth City Public School Board was 9.06%. The projection of cash flows used to determine the discount rate assumed that Employer contribution will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan participants. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate is used to determine the Total OPEB Liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	City of Portsmouth		
	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability	$ 21,128,188	$ 19,265,258	$ 17,588,310

The following presents the net OPEB liability of the Portsmouth City Public School Board, as well as what the Portsmouth City Public School Board's net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	Portsmouth City Public School Board		
	1% Decrease (8.06%)	Discount Rate (9.06%)	1% Increase (10.06%)
Net OPEB Liability	$ 818,242	$ (145,439)	$ (1,023,139)

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

City of Portsmouth Retired Employees Health Care Program (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the City's net OPEB liability and service cost, calculated using the current healthcare trend rates, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	City of Portsmouth		
	1% Decrease (4.80%)	Current Trend Rate (5.80%)	1% Increase (6.80%)
Net OPEB liability	$ 17,246,612	$ 19,265,258	$ 21,620,782

The following presents the net OPEB liability of the Portsmouth City Public School Board, as well as what the Portsmouth City Public School Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher.

	Portsmouth City Public School Board		
	1% Decrease (7.50% decreasing to 3.50%)	Discount Rate (8.50% decreasing to 4.50%)	1% Increase (9.50% decreasing to 5.50%)
Net OPEB liability	$ (1,197,571)	$ (145,439)	$ 1,078,219

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the City reported a liability of $19,265,258. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018. For the year ended June 30, 2019, the City recognized OPEB expense of $486,558. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

City of Portsmouth

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes in actuarial assumptions	$ 669,161	$ (5,350,836)
Net difference between projected and actual investment earnings	41,206	-
Total	$ 710,367	$ (5,350,836)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	$ (1,372,908)
2021	(1,372,908)
2022	(1,372,907)
2023	(521,746)
2024	-
Total	$ (4,640,469)

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

City of Portsmouth Retired Employees Health Care Program (continued)

Portsmouth City Public School Board

At June 30, 2019, the Portsmouth City Public School Board reported a liability of $(145,439). The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

For the year ended June 30, 2019, the Portsmouth City Public School Board recognized OPEB expense of $683,073. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,488,479
Changes in assumptions	3,161,553	4,604,026
Investment earnings (gains/losses)	-	183,759
Total	$ 3,161,553	$ 9,276,264

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended June 30:	
2020	$ (506,521)
2021	(506,521)
2022	(506,523)
2023	(544,518)
2024	(470,081)
Thereafter	(3,580,547)
Total	$ (6,114,711)

Significant Changes

The interest assumption was decreased from 7.00% to 6.50% as of June 30, 2019. The 6.50% rate represents a long-term expected rate of return based on the OPEB trust's asset allocation as of June 30, 2019.

In the June 30, 2018 actuarial valuation, the discount rate was increased from 4.44% to 9.06% based on mortality improvement updated from MP-2018. The Pre-65 Medical Inflation was updated from 6% graded to 5% based on updated costs and stipend. Retirement benefit payments are typically concentrated at the beginning of the fiscal year with very few payments spread over the year. The annual stipend for eligible retirees increased from $2,500 to $3,000. Payments are made from the VACo/VML pooled OPEB trust fund. A Consumer Directed Health Plan (CDHP) option with high deductible was added to retiree plan option.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

City of Portsmouth Retired Employees Health Care Program (continued)

Below is the City's OPEB plan financial statement.

	OPEB Trust Fund
Assets	
Cash equivalents	$ 884,584
Investments	
Stocks	2,274,646
Real estate	294,861
Other	758,215
Total investments	3,327,722
Total assets	4,212,306
Net position restricted for OPEB	$ 4,212,306

	OPEB Trust Fund
Additions:	
Contributions	
Employers' contributions	$ 1,000,000
Investment income:	
Gains	169,344
Total additions	1,169,344
Deductions:	
Administrative expenses	3,513
Total deductions	3,513
Change in net position	1,165,831
Net position restricted for OPEB, beginning of year	3,046,475
Net position restricted for OPEB, end of year	$ 4,212,306

VRS Directed OPEB Plans for City and Portsmouth City Public Schools

VRS directs other employee and postemployment benefit plans for City and Portsmouth City Public Schools active, deferred and retired members of VRS. These plans include the Group Life Insurance Program (GLIP), the Virginia Local Disability Programs (VLDP), the Line of Duty Act (LODA), the Teacher Employee Health Insurance Credit Program (THICP). Contributions and payments for other employee benefit plans for active VRS members occur on a current basis; therefore, the net position of these plans is not reported.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

VRS Group Life Insurance

The VRS GLIP is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLIP 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 GLIP is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLIP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLIP OPEB, and GLIP OPEB expense, information about the fiduciary net position of the VRS GLIP OPEB and the additions to/deductions from the VRS GLIP 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.

General Information about the Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLIP upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB 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. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for GLIP OPEB, including eligibility, coverage and benefits is set out in the table below:

GLIP PLAN PROVISIONS
Eligible Employees The GLIP was established July 1, 1960, for state employees, teachers and employees of political sub divisions that elect the program, including the following employers that do not participate in VRS for retirement: • City or Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contribution and accrued interest.
Benefit Amounts The benefits payable under the GLIP have several components. • Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
VRS Group Life Insurance Program (continued)

• Accidental Death Benefit - The accident death benefit is double the natural death benefit • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in benefit Amounts The benefit amounts provided to members covered under the GLIP are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost of Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLIP. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLIP 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 the GLIP was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLIP from the City were $366,082 and $367,170 for the years ended June 30, 2019 and June 30, 2018, respectively. Portsmouth City Public School Board contributions were $40,048 and $40,441 for the years ended June 30, 2019 and June 30, 2018, respectively for nonprofessional and $434,576 and $423,628 for the years ended June 30, 2019 and June 30, 2018, respectively for nonprofessional

GLIP OPEB Liabilities, GLIP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLIP OPEB

City - At June 30, 2019, the City reported a liability of $5,682,000 for its proportionate share of the Net GLIP OPEB Liability. The Net GLIP OPEB Liability was measured as of June 30, 2018 and the total GLIP OPEB liability used to calculate the Net GLIP OPEB Liability was determined by an actuarial valuation as of that date. The City's proportion of the Net GLIP OPEB Liability was based on the City's actuarially determined employer contributions to the GLIP for the year ended June 30, 2018 relative to the total of the actuarially

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
VRS Group Life Insurance Program (continued)

determined employer contributions for all participating employers. At June 30, 2018, the City's proportion was 0.36159% as compared to 0.35995% at June 30, 2017. For insurance only employees, the participating employer's proportion was 0.01260% as compared to 0.01608% at June 30, 2017. For the year ended June 30, 2019, the City recognized GLI OPEB expense/(recovery) of $(11,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Portsmouth City Public School Board - At June 30, 2019, the Portsmouth City Public School Board reported a liability of $621,000 for its proportionate share of the Net GLIP OPEB Liability for nonprofessional employees. At June 30, 2019, the Portsmouth City Public School Board reported a liability of $6,507,000 for its proportionate share of the Net GLIP OPEB Liability for professional employees. The Net GLIP OPEB Liability was measured as of June 30, 2018 and the total GLIP OPEB liability used to calculate the Net GLIP OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net GLIP OPEB Liability was based on the School Board's actuarially determined employer contributions to the GLIP for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion was 0.04090% as compared to 0.04241% at June 30, 2017 for nonprofessional employees. At June 30, 2018, the participating employer's proportion was 0.42844% as compared to 0.43094% at June 30, 2017 for professional employees. For the year ended June 30, 2019, the Portsmouth City Public School Board recognized GLIP OPEB expense/(recovery) of $(4,000) for nonprofessional employees. For the year ended June 30, 2019, the Portsmouth City Public School Board recognized GLIP OPEB expense/(recovery) of $(2,000) for professional employees. Since there was a change in proportionate share between measurement dates, a portion of the GLIP OPEB expense was related to deferred amounts from changes in proportion.

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

	City		School Board - Professional		School Board - Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 277,000	$ 102,000	$ 318,000	$ 116,000	$ 30,000	$ 11,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	185,000	-	212,000	-	20,000
Changes in assumptions	-	237,000	-	271,000	-	26,000
Changes in proportion	24,000	251,000	-	214,000	-	40,000
Employer contributions subsequent to the measurement date	366,082	-	434,576	-	40,048	-
Total	$ 667,082	$ 775,000	$ 752,576	$ 813,000	$ 70,048	$ 97,000

City - $366,082 reported as deferred outflows of resources related to the GLIP OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLIP OPEB Liability in the Fiscal Year ending June 30, 2020.
Portsmouth City Public School Board - $434,576 reported as deferred outflows of resources related to GLIP

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
VRS Group Life Insurance Program (continued)

resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLIP OPEB Liability in the Fiscal Year ending June 30, 2020 for professional employees. $40,048 reported as deferred outflows of resources related to GLIP resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLIP OPEB Liability in the Fiscal Year ending June 30, 2020 for nonprofessional employees.

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

Year ended June 30,	City	School Board - Professional	School Board - Nonprofessional
2020	$ (134,000)	$ (143,000)	$ (17,000)
2021	(134,000)	(143,000)	(17,000)
2022	(134,000)	(143,000)	(17,000)
2023	(81,000)	(82,000)	(11,000)
2024	(9,000)	(6,000)	(5,000)
Thereafter	18,000	22,000	-
	$ (474,000)	$ (495,000)	$ (67,000)

Actuarial Assumptions

The total GLIP OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	3.5 percent - 5.35 percent
Teachers	3.5 percent - 5.95 percent
SPORS employees	3.5 percent - 4.75 percent
VaLORS employees	3.5 percent - 4.75 percent
JRS employees	4.5 percent
Locality - General employees	3.5 percent - 5.35 percent
Locality - Hazardous Duty employees	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
VRS Group Life Insurance Program (continued)

to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy,	Updated to a more current mortality table – RP-2014

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
VRS Group Life Insurance Program (continued)

and disabled)	projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
VRS Group Life Insurance Program (continued)

Net GLIP OPEB Liability

The net OPEB liability (NOL) for the GLIP represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLIP is as folows (amounts expressed in thousands):

Total GLI OPEB Liability	$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability (Asset)	$ 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

Long-Term Expected Rate of Return

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 estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Aset Class (strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

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

Discount Rate

The discount rate used to measure the total GLIP OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

VRS Group Life Insurance Program (continued)

member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the entity for the GLIP OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLIP 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 GLIP OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLIP OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLIP OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLIP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease 6.00%	Current Discount Rate 7.00%	1.00% Increase 8.00%
City's proportionate share of the GLIP OPEB liability	$ 7,426,000	$ 5,682,000	$ 4,267,000
School Board's proportionate share of the GLIP OPEB liability - Professional	$ 8,503,000	$ 6,507,000	$ 4,885,000
School Board's proportionate share of the GLIP OPEB liability - Nonprofessional	$ 812,000	$ 621,000	$ 467,000

GLIP Fiduciary Net Position

Detailed information about the GLIP's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS Employee Virginia Local Disability Programs

The VRS Political Subdivision Employee VLDP and the VRS Teacher Employee VLDP are multiple-employer, cost-sharing plans. For purposes of measuring the net VLDP OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the VLDP OPEBs, and the VLDP OPEB expenses, information about the fiduciary net positions of the VRS VLDP; and the additions to/deductions from the VRS VLDPs' net fiduciary positions 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.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)
VRS Employee Virginia Local Disability Programs (continued)

Plan Descriptions
All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee VLDP. All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee VLDP. These plans are administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions and 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.

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

VLDP PLAN PROVISIONS
Eligible Employees The Political Subdivision and Teacher Employee VLDPs were implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: • Political subdivision (nonprofessional) - Full-time general employees; including local law enforcement officers, firefighters or emergancy medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS. • Teachers (professional) - Teachers and other full-time permanent salaried employees of public school division covered under VRS.
Benefit Amounts The Political Subdivision and Teacher Employee VLDPs provides the following benefits for eligible employees: Short Term Disabilty - • The program provides a short term disability benefit beginning after a seven calendar day waiting period from the first day of disability. Employees become eligible for non work related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non work related or work related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels. Long- Term Disablility - • The VLDP program provides a long term disability benefit beginning after 125 work days of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. • Members approved for long term disability will receive 60% of their pre-disability income. If approved for work related long term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
VRS Employee Virginia Local Disability Programs (continued)

VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.
Virginia Local Disability Program Notes: • Members approved for short term or long term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. • VLDP Long Term Care Plan is a self funded program that assists with the cost of covered long term care services.

Contributions

City and Portsmouth City Public Schools (Nonprofessional) - 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 political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2019 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City to the VRS Political Subdivision Employee VLDP were $98,611 and $64,683 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions from the School Board were $17,881 and $13,127 for the years ended June 30, 2019 and 2018, respectively.

Portsmouth City Public Schools (Professional) – The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 0.41% of covered employee compensation for employees in the VRS Teacher Employee VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions were $90,677 and $53,333 for the years ended June 30, 2019 and June 30, 2018, respectively.

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2019, the City and School Board (Nonprofessional) reported liabilities of $34,000 and $7,000, respectively, for their proportionate shares of the VRS Political Subdivision Employee VLDP Net OPEB Liability. The Net VRS Political Subdivision Employee VLDP OPEB Liability was measured as of June 30, 2018 and the total VRS Political Subdivision Employee VLDP OPEB liability used tocalculate the Net VRS Political Subdivision Employee VLDP OPEB Liability was determined by an actuarial valuation as of that date. The City and School Board'sproportions of the Net VRSPolitical Subdivision Employee VLDP OPEB Liability were based on the City and School Board's actuarially determined employer contributions to the VRS Political Subdivision Employee VLDP OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the City's proportion of the VRS Political Subdivision Employee VLDP was 4.43899% as compared to 4.40350% at June 30, 2017. At June 30, 2018, the School Board's proportion of the VRS Political Subdivision Employee VLDP was 0.90105% as compared to 0.84502% at June 30, 2017.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

VRS Employee Virginia Local Disability Programs (continued)

For the year ended June 30, 2019, the City and School Board (Nonprofessional) recognized VRS Political Subdivision Employee VLDP OPEB expense of $77,000 and $16,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the VRS Political Subdivision Employee VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the Portsmouth City Public School Board (Professional) reported a liability of $35,000 for its proportionate share of the VRS Teacher Employee VLDP Net OPEB Liability. The Net VRS Teacher Employee VLDP OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee VLDP OPEB liability used to calculate the Net VRS Teacher Employee VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Portsmouth City Public School Board's proportion of the Net VRS Teacher Employee VLDP OPEB Liability was based on the school divions's actuarially determined employer contributions to the VRS Teacher Employee VLDP OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Portsmouth City Public School Board's proportion of VLDP was 4.61399% as compared to 4.42820%.

For the year ended June 30, 2019, the Portsmouth City Public School Board (Professional) recognized VRS Teacher Employee VLDP OPEB expense of $31,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

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

	City		School Board Professional		School Board Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ -	$ 4,000	$ 2,000	$ -	$ -	$ 1,000
Differences between expected and actual experience	-	3,000	-	2,000	-	1,000
Employer contributions subsequent to the measurement date	98,611	-	90,677	-	17,881	-
Total	$ 98,611	$ 7,000	$ 92,677	$ 2,000	$ 17,881	$ 2,000

City and Portsmouth City Public School Board (Nonprofessional): $98,611 and $17,881, respectively, reported as deferred outflows of resources related to the VRS Political Subdivision Employee VLDP OPEB resulting from the City's and School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2020.

Portsmouth City Public School Board (Professional): $90,677 reported as deferred outflows of resources related to the VRS Teacher Employee VLDP OPEB resulting from the Portsmouth City Public School division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2020.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

VRS Employee Virginia Local Disability Programs (continued)

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

Year ended June 30,	City	School Board Professional	School Board Nonprofessional
2020	$ (1,000)	$ -	$ (2,000)
2021	(1,000)	-	-
2022	(1,000)	-	-
2023	(1,000)	-	-
2024	(1,000)	-	-
Thereafter	(2,000)	-	-
	$ (7,000)	$ -	$ (2,000)

Actuarial Assumptions

The total VLDP OPEB liabilities for the VRS Political Subdivision Employee VLDP and the VRS Teacher Employee VLDP were based on actuarial valuations as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation –	
Political Subdivision Employees	3.5 percent – 5.35 percent
Teacher Employees	3.5 percent – 5.95 percent
Investment rate of return	7.0 percent, net of plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

VRS Employee Virginia Local Disability Programs (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate fro m14% to 15%

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males1.0% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service through 9 years of service.
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change

Net VLDP OPEB Liabilities

The net OPEB liabilities (NOL) for the Political Subdivision Employee and Teacher Employee Virginia Local Disability Programs represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the City's and the Portsmouth City Public School Board's Virginia Local Disability Program are as follows (amounts expressed in thousands):

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
VRS Employee Virginia Local Disability Programs (continued)

	Teacher Employer VLDP OPEB Plan	Political Subdivision Employee VLDP OPEB Plan
Total Employee VLDP OPEB Liability	$ 1,588	$ 1,401
Plan Fiduciary Net Postion	816	647
Employee Net VLDP OPEB Liability	$ 772	$ 754
Plan Fiduciary Net Position as a Percentage of the Total Employee VLDP OPEB Liability	51.39%	46.18%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System 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 VRS 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 estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	6.90%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Infation		2.50%
	* Expected arithmetic nominal return		7.30%

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

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

VRS Employee Virginia Local Disability Programs (continued)

Discount Rate

The discount rate used to measure the total VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by the political subdivision for the VRS Political Subdivision Employee VLDP and by the school division for the VRS Teacher Employee VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rates. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB plans' fiduciary net positions were 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 liabilities.

Sensitivity of the Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net VLDP OPEB liabilities using the discount rate of 7.00%, as well as what the proportionate share of the net VLDP OPEB liabilities would be if they were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's proportionate share of net VLDP OPEB Liability	$ 41,000	$ 34,000	$ 29,000
School Board's proportionate share of net VLDP OPEB liability - professional	$ 43,000	$ 35,000	$ 28,000
School Board's proportionate share of net VLDP OPEB liability - non-professional	$ 9,000	$ 7,000	$ 6,000

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee and VRS Teacher Employee VLDP's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

VRS Line of Duty Act Program

The VRS Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The LODA 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 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and LODA OPEB expense, information about the fiduciary net position of the VRS LODA OPEB Plan and the additions to/deductions from the VRS LODA 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.

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS, the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for LODA OPEB, including eligibility, coverage and benefits is set out in the table below:

LODA PLAN PROVISIONS
<u>Eligible Employees</u> The eligible employees of the LODA are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS, the SPORS, or the VaLORS.

<u>Benefit Amounts</u>
The LODA provides death and health insurance benefits for eligible individuals:
• <u>Death</u> – The LODA death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
  o $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
  o $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
  o An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
• <u>Health Insurance</u> – The LODA provides health insurance benefits.
  o Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
VRS Line of Duty Act Program (continued)

- Beginning July 1, 2017, the health insurance benefits are managed through the DHRM. The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the LODA.

Contributions

The contribution requirements for the 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 the LODA for the year ended June 30, 2019 was $705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA from the entity were $406,171 and $379,145 for the years ended June 30, 2019 and June 30, 2018, respectively.

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2019, the City reported a liability of $11,159,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The City's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the City's proportion was 3.55949% as compared to 3.61539% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of $878,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on LODA OPEB plan investments	$ -	$ 29,000
Differences between expected and actual experience	1,602,000	-
Change in assumptions	-	1,285,000
Changes in proportion	36,000	143,000
Employer contribution subsequent to the measurement date	406,171	-
Total	$ 2,044,171	$ 1,457,000

$406,171 reported as deferred outflows of resources related to the LODA OPEB resulting from the City's

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

VRS Line of Duty Act Program (continued)

contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30		
2020	$	15,000
2021		15,000
2022		15,000
2023		19,000
2024		23,000
Thereafter		94,000
	$	181,000

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50 percent
Salary increases, including Inflation –	
General state employees	3.50 percent – 5.35 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
Locality employees	3.50 percent – 4.75 percent
Medical cost trend rates assumption –	
Under age 65	7.75 percent – 5.00 percent
Ages 65 and older	5.75 percent – 5.00 percent
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89 Percent, net of OPEB plan
Investment expenses, including inflation	

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
VRS Line of Duty Act Program (continued)

Mortality rates – Non- Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2017 actuarial valuation results which were rolled forward to the measurement date of June 30, 2018. There is limited actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program if and when sufficient experience develops.

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the LODA is as follows (amounts expressed in thousands):

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
VRS Line of Duty Act Program (continued)

	Line of Duty Act Program
Total LODA OPEB Liability	$ 315,395
Plan Fiduciary Net Postition	1,889
Employers' Net OPEB Liability	$ 313,506
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

	1.00% Decreases (2.89%)	Current Discount Rate (3.89%)	1.00% Increase (4.89%)
Citys proportionate share of the total LODA Net OPEB Liability	$ 12,785,000	$ 11,159,000	$ 9,849,000

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

VRS Line of Duty Act Program (continued)

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

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

	1.00% Decrease (6.75% decreasing to 4.00%)	Health Care Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
City's proportionate share of the total LODA Net OPEB Liability	$ 9,508,000	$ 11,159,000	$ 13,216,000

LODA OPEB Plan Fiduciary Net Position

Detailed information about the LODA Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Teacher Employee Health Insurance Credit Program

The Teacher Employee Health Insurance Credit Program (THICP) is a cost-sharing, multiple-employer plan. This is a defined benefit plan that provides a credit towards the cost of health insurance coverage for retired teachers. The THICP was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of heal insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEPB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS Teacher Employee Health Insurance Dredit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit 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 benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by this plan. This plan is directed by the VRS, 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.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Teacher Employee Health Insurance Credit Program (continued)

Eligibility:
The THICP was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Full-time permanent (professional) salaried employees of public school divisions covered under VRS are enrolled automatically upon employment.

Benefit Amounts:
The THICP provides the following benefits for eligible employees:
At Retirement - For teachers and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
Disability Retirement - For teachers and other professional school employees who retire on disability or go on long-term disability under the VLDP Program, the monthly benefit is either:

- $4.00 per month, multiplied by twice the amount of service credit, or
- $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Other Plan Information:
The monthly Health Insurance Credit 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 the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the HICP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Portsmouth City Public School Board to THICP were $994,856 and $996,673 for the years ended June 30, 2019 and June 30, 2018, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HICP

At June 30, 2019, the Portsmouth City Public School Division reported a liability of $12,721,000 for its proportionate share of the net THICP OPEB Liability. The net THICP OPEB Liability was measured as of June 30, 2018 and the total THICP OPEB liability used to calculate the net THICP OPEB Liability was determined by an actuarial valuation as of that date. The Portsmouth City Public School Division's proportion of the net THICP OPEB Liability was based on the Portsmouth City Public School Board's actuarially determined employer contributions to THICP for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Portsmouth City Public School Board's proportion of THICP was 1.00193% as compared to 1.00254% at June 30, 2017.

For the year ended June 30, 2019, the Portsmouth City Public School Board recognized THICP OPEB expense of $967,000. Since there was a change in proportionate share between measurement dates, a portion of the THICP OPEB expense was related to deferred amounts from changes in proportion.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
Teacher Employee Health Insurance Credit Program (continued)

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

	Deferred Outflows of Resources	Deferred Outflows of Resources
Net difference betweeen projected and actual earnings on THICP OPEB program investments	$ -	$ 10,000
Difference between expected and actual experience	-	62,000
Change in assumptions	-	111,000
Changes in proportion	-	397,000
Employer contributions subsequent to the measurement date	994,856	-
Total	$ 994,856	$ 580,000

$994,856 reported as deferred outflows of resources related to THICP resulting from the Portsmouth City Public School division's contributions subsequent to the measurement date will be recognized as a reduction of the net THICP OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the THICP will be recognized in the THICP OPEB expense in future reporting periods as follows:

Year Ended June 30:	
2020	$ (103,000)
2021	(103,000)
2022	(103,000)
2023	(97,000)
2024	(99,000)
Thereafter	(75,000)
	$ (580,000)

Actuarial Assumptions

The total THICP liability for the THICP was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation – Teacher Employees	3.5 percent – 5.95 percent
Investment rate of return	7.0 percent, net of plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)
Teacher Employee Health Insurance Credit Program (continued)

more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1.0% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service through 9 years of service.
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change

Net THICP OPEB Liability

The net THICP OPEB liability represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2018, the amounts for the THICP is as follows (amounts expressed in thousands):

Total Teacher Employer THICP OPEB liability	$	1,381,313
Plan fiduciary net position		111,639
Teacher employee Net THICP OPEB Liability	$	1,269,674
Plan fiduciary net position as a percentage of the Total Teacher THICP OPEB liability		8.08%

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

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Teacher Employee Health Insurance Credit Program (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System 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 VRS 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 estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	6.90%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Infation		2.50%
	* Expected arithmetic nominal return		7.30%

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

Discount Rate

The discount rate used to measure the total THICP OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by each school division for THICP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rates. From July 1, 2018, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, THICP'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 THICP OPEB liability.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Teacher Employee Health Insurance Credit Program (continued)

Sensitivity of the Portsmouth City Public School Board's Proportionate Share of the Net THICP OPEB Liability to Changes in the Discount Rate

The following presents the Portsmouth City Public School Board's proportionate share of the net THICP OPEB liability using the discount rate of 7.00%, as well as what the Portsmouth City Public School Board's proportionate share of the net THICP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Discount Rate		
	1% Decrease (6%)	(7.0%)	1% Increase (8.0%)
School Board's proportionate share of THICP net OPEB Liability	$ 14,208,000	$ 12,721,000	$ 11,456,000

THICP OPEB Plan Fiduciary Net Position

Detailed information about the THICP Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website athttp://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Combining Schedule of OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

Primary Government	Local	GLIP (VRS)	VLDP (VRS)	LODA (VRS)	Total
Governmental activities					
Deferred outflows	$ 653,538	$ 613,715	$ 90,722	$ 2,044,171	$ 3,402,146
Net OPEB liability	17,724,037	5,227,440	31,280	11,159,000	34,141,757
Deferred inflows	4,922,769	713,000	6,440	1,457,000	7,099,209
OPEB expense	447,633	10,884	70,548	900,145	1,429,210
Business-type activities					
Deferred outflows	56,829	53,367	7,889	-	118,085
Net OPEB liability	1,541,221	454,560	2,720	-	1,998,501
Deferred inflows	428,067	62,000	560	-	490,627
OPEB expense	38,925	946	6,135	-	46,006
Total Primary Government					
Deferred outflows	710,367	667,082	98,611	2,044,171	3,520,231
Net OPEB liability	19,265,258	5,682,000	34,000	11,159,000	36,140,258
Deferred inflows	5,350,836	775,000	7,000	1,457,000	7,589,836
OPEB expense	486,558	11,830	76,683	900,145	1,475,216

Discretely presented component unit - School Board	Local	HIC (VRS)	GLI (VRS)		VLDP (VRS)		Total
			Prof	Non-Prof	Prof	Non-Prof	
Net OPEB asset	$ 145,439	$ -	$ -	$ -	$ -	$ -	$ 145,439
Deferred outflows	3,161,553	994,856	752,576	70,048	92,677	17,881	5,089,591
Net OPEB liability	-	12,721,000	6,507,000	621,000	35,000	7,000	19,891,000
Deferred inflows	9,276,264	580,000	813,000	97,000	2,000	2,000	10,770,264
OPEB expense	683,073	967,000	(2,000)	(4,000)	65,000	16,000	1,725,073

(9) DEFERRED COMPENSATION PLAN

The city offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time benefit-eligible city employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation balance is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the participants. The assets are not included in the accompanying financial statements.

(10) INTERFUND BALANCES AND TRANSFERS

Due From/To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2019 are as follows:

	Due From:				
Due to:	Nonmajor Governmental Funds	Public Utility Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	$ 1,058,294	$ 13,850,205	$ 3,993,094	$ -	$ 18,901,593

These interfund balances result from short-term operational borrowings and are due within one year.

Due From/To Primary Government/Component Units

Amounts due at June 30, 2019 between the city and the component units are as follows:

	Primary Government			
Due from (to) component units	School Board	Port and Industrial Commission	Capital Projects Fund	Total
General Fund	$ 3,632,494	$ 806	$ -	$ 3,633,300
School Board	$ -	$ -	$ 75,221	$ 75,221

The Statement of Net Position reflects $3,633,300 as due from component units with obligations to component units as noted in the above table.

Transfers From/To Other Funds

Individual interfund transfers within the Primary Government were made for operating and as capital purposes. The total interfund transfers for the fiscal year ended June 30, 2019 were as follows:

	Transfers from:						
Transfers to:	**General Fund**	**Nonmajor Governmental Funds**	**Debt Service Fund**	**Nonmajor Enterprise Fund**	**Internal Service Funds**	**Public Utility Fund**	**Total**
General Fund	$ -	$ 771,010	$ -	$ 125,000	$ -	$ 8,875,000	$ 9,771,010
Capital Improvements Fund	4,444,167	6,170,256	-	3,582,550	1,389,843	1,095,748	16,682,564
Nonmajor Governmental Funds	3,895,201	62,275	-	-	-	-	3,957,476
Public Utility CIP Fund	-	-	-	-	-	400,000	400,000
Nonmajor Enterprise Funds	1,032,539	-	-	-	-	-	1,032,539
Debt Service	37,495,660	1,199,104	-	412,733	318,891	311,198	39,737,586
Internal Service Funds	6,189,613		-	-	-	-	6,189,613
Total	$ 53,057,180	$ 8,202,645	$ -	$ 4,120,283	$ 1,708,734	$ 10,681,946	$ 77,770,788

Payments Between Component Units

Significant transactions between the Primary Government and component units during fiscal year 2019 were as follows:

Payments from the city to the School Board for school operations; Statement of Activities - Payment from Primary Government	$ 49,163,551

(11) DUE FROM/TO OTHER GOVERNMENTS

Due From Other Governments
Amounts due from other governments at June 30, 2019 are as follows:

	Federal	State	Total
Governmental activities:			
General Fund:			
Personal property tax relief	$ -	$ 9,862,962	$ 9,862,962
Constitutional officers' support	-	959,963	959,963
Other	-	1,280,692	1,280,692
Total General Fund	-	12,103,617	12,103,617
Nonmajor governmental funds:			
Children's Services Act Fund	-	196,013	196,013
Social Services Fund	-	1,135,478	1,135,478
Grants Fund	564,217	38,141	602,358
Community Development Fund	1,295,168	-	1,295,168
Total nonmajor governmental funds	1,859,385	1,369,632	3,229,017
Total governmental activities	$ 1,859,385	$ 13,473,249	$ 15,332,634

(12) UNEARNED REVENUES AND DEFERRED INFLOWS

Unearned revenues represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred inflows represent an acquisition of net position that will not be recognized as revenue until a future period. At June 30, 2019, unearned revenues and deferred inflows are provided in the table below.

	Governmental Funds					
	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total	Governmental Activities	Business-Type Activities
Unearned Revenues						
Parking space rentals	$ -	$ -	$ -	$ -	$ -	$ 26,264
Air rights and conference center	-	-	-	-	-	10,417
Total Unearned RevenueS	$ -	$ -	$ -	$ -	$ -	$ 36,681
Deferred Inflows						
Deferred taxes, fees and unavailable revenue	$ 9,591,840	$ -	$ -	$ 9,591,840		
Deferred revenue-other	1,021,223	-	-	1,021,223		
BHS fees	-	-	-	-		
Stormwater fees	-	-	-	-		
Total Deferred Inflows	$ 10,613,063	$ -	$ -	$ 10,613,063		

(13) COMMITMENTS

Landfill Closure and Postclosure Care Costs and Liability
State and federal laws and regulations require the city to place a final cover on its Craney Island landfill site when it stops accepting waste and then perform certain maintenance and monitoring functions at the site for thirty years after closure. The $5,498,500 reported as landfill closure and postclosure care liability at June 30, 2019 represents the cumulative amount reported to date based on the use of 51.3% of the estimated capacity of the landfill. The city will recognize the remaining estimated cost of closure and post-closure care of $10,718,323 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2019. Actual costs may be higher due to inflation, changes in technology, or changes in laws and regulations. The remaining landfill life is estimated to be 117.2 years. The city is required by Federal and State statutes to prepare a Local Government Financial Test Worksheet to demonstrate how the landfill's closure and postclosure care financial assurance requirements will be met.

Encumbrances

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders and other commitments in process of completion at fiscal year-end. Outstanding encumbrances at June 30, 2019 for the City and Schools are as follows:

City		**Schools**	
Governmental Funds		Governmental Funds	
Capital Projects Fund	$ 16,377,441	General Fund	$ 135,659
		Schools Grants Fund	91,986
		Total	$ 227,645

(14) LITIGATION AND CONTINGENT LIABILITIES

Litigation
The City is currently involved in two court cases involving Virginia International Gateway, Inc (VIG). In the first case (VIG I), VIG challenged the City's real estate assessment effective July 1, 2015 (FY2016). The City's real estate assessment totaled $361,084,820, and VIG asserted that the value of the real estate should have been $192,755,000, representing approximately $2.188 million in damages (excluding interest). VIG also challenged the City's personal property tax assessments for calendar years 2015 and 2016. The trial was held in late November into early December of 2017, with closing briefs submitted on January 19, 2018. The trial court issued its opinion on March 22, 2018, affirming the real estate and personal property assessments. VIG appealed the lower court decision to the Virginia Supreme Court, which heard the case on September 12, 2019. In October of 2019, the Virginia Supreme affirmed the lower court ruling on Personal Property taxes, and reversed the lower court ruling on real property taxes and remanded to the lower court for further proceedings. We are now confirmed for oral argument on March 24, 2020 at 10 am.

On November 5, 2018, VIG filed suit (VIG II) in the Circuit Court of the city of Portsmouth, challenging the assessments for fiscal years 2017, 2018, and 2019. The assessments for fiscal years 2017 and 2018 totaled $361,084,820 and $636,561,380 for 2019. In its complaint, VIG did not allege an opinion of fair market value. The court has not set an official trial date for VIG II, but staff anticipate the trial will begin in the fall of 2020. The trial begins August 24, 2020.

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 are still 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.

(15) SELF-INSURANCE PROGRAMS

City

The city is self-insured for exposures to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; terrorist acts; and, natural disasters. The city uses two internal service funds. The Risk Management Fund accounts for and finances its uninsured risks of loss and the Health Insurance and OPEB Fund account for and pays its health insurance premiums and claims costs. The Risk Management Fund pays insurance premiums and provides for payment of approved claims for workers' compensation, general liability, fidelity, wharfingers, hull and machinery, and property. The property deductible is $100,000 per occurrence with a $100,000,000 loss limit per occurrence. The city purchases commercial excess insurance policies for workers' compensation and general liability. For the fiscal years ending June 30, 2018 and June 30, 2019, property damage claims did not exceed $75,000.

All funds of the city participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The risk management claims liability of $8,284,168 (undiscounted) reported in the fund at June 30, 2019 is based on GAAP, which requires that a liability for claims be reported if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount of the risk management claims liability due within one year is $2,251,011. A loss analysis, which included an estimate of claims incurred but not reported (IBNR), was conducted by Glicksman Consulting LLC to compute this liability as of June 30, 2019.

Changes in the risk management claims liability amount in fiscal years 2019 and 2018, respectively, were as follows:

Risk Management:		2019	2018
Claims payable, beginning of year	$	7,629,076	10,186,768
Claims expense and changes in estimates		1,836,806	849,871
Claims payments		(1,181,714)	(3,407,563)
Claims payable, end of year	$	8,284,168	7,629,076

The city is also exposed to the risk of loss for employee and retired employee medical benefits. Effective January 1, 2001, the city established a self-insured health care benefits program for all city employees and retired employees. These benefits are accounted for in the Health Insurance and OPEB Fund, which is an internal service fund. Certain claims expenses paid on behalf of each employee during a single policy year are covered by excess loss insurance with a specific stop-loss limit of $175,000 depending on the specific medical plan. Claims processing and payments for all medical claims are made through third party administrators. The computed medical claims liability as of June 30, 2019 is $1,602,873 (undiscounted) and is due within one year. A loss analysis, which included an estimate of incurred but not reported claims, was conducted by Willis Tower Watson to compute the liability as of June 30, 2019.

Changes in the medical claim liability amount in fiscal years 2019 and 2018, respectively, were as follows:

Medical:		2019		2018
Claims payable, beginning of year	$	978,724	$	1,058,780
Claims expense and changes in estimates		13,875,149		11,626,919
Claims payments		(13,251,000)		(11,706,975)
Claims payable, end of year	$	1,602,873	$	978,724

School Board

The school board uses its Risk Management and Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss and to pay insurance premiums. The fund services all claims for risk of loss to which the school board is exposed, including workers' compensation, automobile, and general liability. A loss analysis was conducted by Glicksman Consulting, LLC to compute the liability for the fund. The actuarially computed liability as of June 30, 2019 was determined to be $694,876 (undiscounted), of which $408,304 due within one year. The non-current portion is $286,572.

Changes in the school's claim liability amount in fiscal years 2019 and 2018 were:

School Board:		2019	2018
Claims payable, beginning of year	$	646,300	1,231,426
Claims and changes in estimates		3,622,478	2,813,480
Claim payments and changes in estimates		(3,573,902)	(3,398,606)
Claims payable, end of year	$	694,876	646,300

Effective January 1, 2015, the School Board established a Self-Insured Health Care Benefits Plan (Self-Insured Health Plan) for all school board employees and retirees. The Self-Insured Health Plan policy year is based on a calendar year. The Self-Insured Health Plan is accounted for within the General Fund with employer and employee premiums, medical claims, administrative costs, wellness program costs, and other health plan costs recorded in the General Fund. Expenditures charged to various School Board departments are based expected claims liability and administrative costs for a full calendar year as provided by the third party health care benefit consultant. Medical claim expenses paid on behalf of each individual employee covered during a single policy year are covered by excess loss insurance with a specific stop loss limit of $350,000. The Self-Insured Health Plan also has aggregate stop loss coverage at 120% of expected medical claims during a single policy year.

Claim processing and payments for all health care claims are made through a third party administrator. The School Board uses information provided by the third-party administrator and health care benefit consultant to aid in the determination of health self-insurance liabilities. The computed current liability as of June 30, 2019 is $1,473,000 (undiscounted), as follows:

	Balance as of July 1	**Claims and Changes in Estimates**	**Claim Payments**	**Balance as of June 30**
Medical Claims				
2018-2019	$ 1,369,578	$ 17,874,343	$ 17,770,921	$ 1,473,000
2017-2018	$ 1,288,039	$ 16,571,715	$ 16,490,176	$ 1,369,578

(16) RELATED PARTIES

Jointly Governed Organizations

Hampton Roads Regional Jail Authority (HRRJA)
HRRJA is a regional organization which includes the cities of Chesapeake, Hampton, Newport News, Norfolk, and Portsmouth and is governed by a 15 member Board of Directors, consisting of three representatives appointed by each of the member cities. HRRJA is a primary government with no component units created pursuant to Article #3 Chapter 3 Title 53 of the Code of Virginia. The Authority was created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. The participating governments do not have an equity interest in HRRJA and accordingly no equity interest has been reflected in the city's financial statements at June 30, 2019. Completed financial statements of the Commission can be obtained from HRRJA, 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

Hampton Roads Planning District Commission (the Commission)
A regional planning agency authorized by the Virginia Area Development Act of 1968, it was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, plus the counties of Gloucester, Isle of Wight, James City, Southampton, and York. Revenue of the Commission is received primarily from local governmental (member) contributions and various state and federal grant programs. The participating governments do not have an equity interest in the Commission and accordingly no equity interest has been reflected in the city's financial statements at June 30, 2019. Completed financial statements of the Commission can be obtained from the Commission.

Transportation District Commission (TDC)
The TDC was formed on June 29, 1999 to effect the merger of the Peninsula Transportation District Commission and the Tidewater Transportation District Commission effective October 1, 1999. The TDC was established in accordance with the Chapter 45 of Title 15.2 of the Code of Virginia. The TDC provides public transportation facilities and services within the cities of Chesapeake, Hampton, Norfolk, Portsmouth, Newport News and Virginia Beach. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of the TDC rests with professional management. The TDC is the governing body of Hampton Roads Transit (HRT).

Hampton Roads Economic Development Alliance (HREDA)
The HREDA is a non-profit, public-private partnership that aggressively markets Virginia's Hampton Roads attraction initiatives and activities are designed to promote the jurisdictions of Chesapeake, Franklin, Hampton, Isle of Wight, Newport News, Norfolk, Poquoson,, Portsmouth, Southampton County, Suffolk and Virginia Beach, Virginia. The business affairs are managed by a Board of not less than 50 or more than 300 Directors. Separate financial statements are available from the HREDA, 500 Main Street, Suite 1300, Norfolk, Virginia 23510.

Related Organizations

Portsmouth Redevelopment and Housing Authority (PRHA)
The City Council is responsible for appointing members of the board of the Portsmouth Redevelopment and Housing Authority, but the city's accountability for the Authority does not extend beyond making these appointments and PRHA is both operationally and financially independent of the city.

(16) RELATED PARTIES (CONTINUED)

New Port Community Development Authority
The City Council is responsible for appointing members of the board of the New Port Community Development Authority, but the city's accountability for the Authority does not extend beyond making these appointments and the Authority is both operationally and financially independent of the city.

(17) FUND RESULTS AND RECONCILIATIONS

RESTATEMENTS

During 2019 in conjunction with the issuance of new debt, the EDA entered into a Cooperative Agreement with the city. Because of the change in relationship with the city under this new agreement, effective for FY19, the EDA is now presented as a blended component unit of the City. As such beginning balances for FY19 have been restated as follows:

	Business-Type Activities, Enterprise Funds				
	As previously reported	EDA	As restated		As restated
	Nonmajor Enterprise Funds			Utility Fund	Total
Statement of Net Position					
Current and other assets	$ 16,442,294	$ 13,112,654	$ 29,554,948	$ 67,439,710	$ 96,994,658
Capital assets	26,894,383	1,205,661	28,100,044	260,256,110	288,356,154
Total assets	43,336,677	14,318,315	57,654,992	327,695,820	385,350,812
Deferred outflows of resources	1,030,570	-	1,030,570	6,153,057	7,183,627
Total assets and deferred outflows of resources	44,367,247	14,318,315	58,685,562	333,848,877	392,534,439
Current liabilities	5,105,006	141,240	5,246,246	17,454,321	22,700,567
Long-term liabilities	17,587,474	-	17,587,474	131,637,347	149,224,821
Total liabilities	22,692,480	141,240	22,833,720	149,091,668	171,925,388
Deferred inflows of resources	613,807	-	613,807	932,116	1,545,923
Net position:					
Net investment in capital assets	19,694,077	1,205,661	20,899,738	133,934,080	154,833,818
Restricted	-	1,323,169	1,323,169	-	1,323,169
Unrestricted	1,366,883	11,648,245	13,015,128	49,891,013	62,906,141
Total liabilities, deferred inflows of resources, and net position	$ 44,367,247	$ 14,318,315	$ 58,685,562	$ 333,848,877	$ 392,534,439

	Component Units		
	As previously reported	EDA	As restated
Statement of Net Position			
Current and other assets	$ 40,301,285	$ (13,112,654)	$ 27,188,631
Capital assets	62,459,426	(1,205,661)	61,253,765
Total assets	102,760,711	(14,318,315)	88,442,396
Deferred outflows of resources	21,085,166	-	21,085,166
Total assets and deferred outflows of resources	123,845,877	(14,318,315)	109,527,562
Current liabilities	20,228,696	(141,240)	20,087,456
Long-term liabilities	158,906,803	-	158,906,803
Total liabilities	179,135,499	(141,240)	178,994,259
Deferred inflows of resources	27,495,585	-	27,495,585
Net position:			
Net investment in capital assets	62,459,426	(1,205,661)	61,253,765
Restricted	7,284,519	(1,323,169)	5,961,350
Unrestricted (deficit)	(152,529,152)	(11,648,245)	(164,177,397)
Total liabilities, deferred inflows of resources, and net position	$ 123,845,877	$ (14,318,315)	$ 109,527,562

(17) FUND RESULTS AND RECONCILIATIONS (CONTINUED)

FUND DEFICITS

The Community Development fund had a fund balance with an accumulated deficit of ($304,621) which will be funded by future intergovernmental revenues from the federal government.

The Portsmouth Public Schools, a component unit of the city, is reporting a net position with an accumulated deficit of $(97,323,020) at June 30, 2019. This accumulated deficit is primarily due to the net pension obligation liability ($125,076,810) and OPEB liability ($19,891,000) at June 30, 2019.

(18) SUBSEQUENT EVENTS

On August 26, 2019, the city issued General Obligation Refunding Bonds of $129,295,000 to advance refund the Series 2013B General Obligation and Refunding Bonds. Principal will be payable beginning on February 1, 2022. Interest is payable semi-annually beginning February 1, 2020 at rates ranging 2-3%. The bonds mature February 1, 2037.

The City issued $28,990 ,000 in Public Utility Revenue Bonds through the Virginia Resources Authority on November 20, 2019 to finance water and sewer capital projects. The bonds were issued with a true interest rate of 3.185% and will mature April 1, 2050. The principal of the bonds includes $1.6 million in capitalized interest which will be used to pay interest costs in FY 2021. Annual debt service beginning in FY 2022 is $1.1 million, and will gradually increase to a maximum of $1.8 million in FY 2028.

(19) NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued several new accounting pronouncements that will impact future fiscal years' financial statement presentations. Management has not yet determined what impacts, if any, that the implementation of the following GASB statements will have on the city.

1. Statement No. 84, "Fiduciary Activities". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FY2020).

2. Statement No. 87, "Leases". The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FY2021).

3. Statement No. 90, "Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61". The requirement of this Statement are effective for reporting periods beginning after December 15, 2018 (FY2020).

4. Statement No. 91, "Conduit Debt Obligations". The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FY2022).

5. Statement No. 92, "Omnibus 2020". Certain requirements of this Statement are effective for reporting periods beginning after June 15, 2020 (FY2021). Other requirements of this Statement are effective immediately upon issuance in January 2020 (FY2020).

Management has not currently determined what impact the implementation of the above statements may have on the financial statements of the City.

For the original pronouncements, please visit the GASB's website www.gasb.org.

Required Supplementary Information
Other than Management's Discussion and Analysis

THE CITY OF
PORTSMOUTH

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CITY OF PORTSMOUTH, VIRGINIA **Exhibit I-1**

Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2019

		Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes:					
General property taxes:					
Real property - current	$	92,200,000	92,200,000	95,899,586	3,699,586
Real property - delinquent		2,009,554	2,009,554	1,660,267	(349,287)
Real property - Public Services Corporation		1,531,312	1,531,312	1,646,611	115,299
Personal property - current		17,089,920	17,089,920	17,199,159	109,239
Personal property - delinquent		2,716,790	2,716,790	3,659,651	942,861
Personal property - Public Services Corporation		3,323,981	3,323,981	3,337,808	13,827
Machine and tool taxes		910,589	910,589	1,050,625	140,036
Penalties and other charges		1,421,787	1,421,787	1,624,428	202,641
Interest		604,437	604,437	666,950	62,513
Total general property taxes		121,808,370	121,808,370	126,745,085	4,936,715
Other local taxes:					
Admission and amusement taxes		250,000	250,000	128,865	(121,135)
Bank franchise taxes		541,435	541,435	589,662	48,227
Business and occupational license taxes		6,541,422	6,541,422	6,645,332	103,910
Cigarette taxes		3,486,486	3,486,486	4,244,258	757,772
Licensing fees - current		2,154,346	2,154,346	2,065,414	(88,932)
Licensing fees - delinquent		466,100	466,100	590,080	123,980
Lodging taxes		749,212	749,212	710,649	(38,563)
Recordation taxes		895,470	895,470	1,073,338	177,868
Restaurant food taxes		8,202,417	8,202,417	8,363,087	160,670
Sales and use tax - local		7,400,000	7,400,000	7,683,294	283,294
Short-term rental taxes		25,537	25,537	18,541	(6,996)
Telecommunications		7,544,735	7,544,735	7,113,912	(430,823)
Total other local taxes		38,257,160	38,257,160	39,226,432	969,272
Utility taxes:					
Electricity taxes		3,963,826	3,963,826	3,961,918	(1,908)
E-911 taxes		490,232	490,232	491,211	979
Gas taxes		1,331,453	1,331,453	1,324,159	(7,294)
Water taxes		2,540,582	2,540,582	2,550,844	10,262
Total utility taxes		8,326,093	8,326,093	8,328,132	2,039
Total taxes		168,391,623	168,391,623	174,299,649	5,908,026
Intergovernmental revenue:					
Commonwealth of Virginia:					
Noncategorical aid:					
Mobile home sales taxes		1,147	1,147	420	(727)
Personal property tax relief act		9,862,962	9,862,962	9,862,962	-
Recordation tax distribution		255,943	255,943	261,526	5,583
Rolling stock taxes		44,926	44,926	40,446	(4,480)
Vehicle rental tax		245,571	245,571	258,702	13,131

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit I-1 (continued)**

Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Circuit Court Clerk	$ 1,003,137	1,003,137	1,029,221	26,084
City Registrar	87,636	87,636	52,172	(35,464)
City Sheriff	6,006,821	6,006,821	5,945,957	(60,864)
City Treasurer	299,450	299,450	278,116	(21,334)
Commissioner of Revenue	280,674	280,674	288,257	7,583
Commonwealth's Attorney	1,650,345	1,650,345	1,603,299	(47,046)
DMV select	92,690	92,690	90,862	(1,828)
Other categorical aid:				
Build America Bond Subsidy	551,516	551,516	555,373	3,857
FEMA Reimbursement	-	-	65,220	65,220
Escheated property	-	-	12,696	12,696
Correctional facilities block grant	628,744	628,744	348,364	(280,380)
Law enforcement grant	6,193,981	6,193,981	6,193,980	(1)
Library funds - books	155,117	155,117	160,841	5,724
Street and highway maintenance	12,651,721	12,651,721	12,890,716	238,995
Total Commonwealth of Virginia	40,012,381	40,012,381	39,939,130	(73,251)
Total intergovernmental revenue	40,012,381	40,012,381	39,939,130	(73,251)
Charges for services:				
Ambulance fees - current	2,100,000	2,100,000	2,122,713	22,713
Circuit Court Clerk fees	11,383	11,383	10,509	(874)
City Sheriff fees	48,137	159,892	43,444	(116,448)
Concession fees	7,491	7,491	-	(7,491)
ATM Fees	2,688	2,688	2,133	(555)
EZ Pass fees	27,650	27,650	17,220	(10,430)
Courthouse maintenance fees	53,166	53,166	42,195	(10,971)
Courthouse replacement fees	75,340	75,340	57,297	(18,043)
False alarm fees	6,870	6,870	2,005	(4,865)
Fire report fees	3,620	3,620	1,045	(2,575)
Fire and EMS attendance fees	29,044	29,044	20,839	(8,205)
Library fines and fees	29,779	29,779	23,949	(5,830)
DNA sample	-	-	815	815
Merchandise commissions	1,031	1,031	-	(1,031)
Erosion and sediment control	7,650	7,650	-	(7,650)
Museum admission charges	1,112,727	1,112,727	1,228,394	115,667
Cable TV local access channel fees	111,880	111,880	69,230	(42,650)
Notary Fees	-	-	330	330
Concealed carry permit	39,767	39,767	40,831	1,064
Police firearms buyback	-	-	8	8
Police record fees	47,161	47,161	57,442	10,281
Recreation activity fees	697,354	697,354	594,992	(102,362)
Rental inspection fees	58,560	58,560	54,914	(3,646)
Inspections	72,000	72,000	78,133	6,133
Plans and specifications	5,000	5,000	7,120	2,120
Swimming fees	3,998	3,998	2,360	(1,638)
Vacant structure	7,270	7,270	4,115	(3,155)
UMOJA	22,100	22,100	27,016	4,916
Seawall Festival	2,950	2,950	2,350	(600)
Pokey Smokey II	3,299	3,299	5,885	2,586
Ticket sales-Visitor Center	880	880	1,574	694
EMS collections - delinquent	200,000	200,000	286,877	86,877
Certificate of occupancy	1,350	1,350	3,900	2,550
Total charges for services	4,790,145	4,901,900	4,809,635	(92,265)

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit I-1 (continued)**

Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Investment income-				
Investment income	$ 700,000	700,000	925,513	225,513
Unrealized gain or loss	-	-	772,724	772,724
Total investment income	700,000	700,000	1,698,237	998,237
Recovered costs:				
City garage fund	426,454	426,454	426,454	-
Information technology fund	159,344	159,344	159,344	-
Court appointed attorneys	3,561	3,561	2,113	(1,448)
Golf fund	124,118	124,118	124,118	-
Health department	65,668	65,668	106,426	40,758
Health insurance fund	18,455	18,455	18,455	-
Housing Authority	3,590	3,590	-	(3,590)
Law library fund	2,966	2,966	2,966	-
Behavioral health services fund	365,946	365,946	365,946	-
DEA	36,250	36,250	25,142	(11,108)
Training academy upkeep	13,518	13,518	8,317	(5,201)
Parking authority	38,910	38,910	38,910	-
Citywide telephone charges	174,593	174,593	169,071	(5,522)
Fire watch/EMS	50,567	50,567	62,029	11,462
Postage	261,314	261,314	110,723	(150,591)
Public utility fund	554,182	554,182	554,182	-
Social security payments - jail	1,200	1,200	8,100	6,900
Stormwater management fund	41,133	41,133	41,133	-
Social services fund	411,882	411,882	519,362	107,480
Waste management fund	192,922	192,922	192,922	-
Jail weekends	8,978	8,978	5,551	(3,427)
Prisoner upkeep fees	28,781	28,781	25,056	(3,725)
Fed prisoner transport	26,045	26,045	8,411	(17,634)
Other recovered costs	214,772	214,772	246,164	31,392
Total recovered costs	3,225,149	3,225,149	3,220,895	(4,254)
Fines and forfeitures:				
Circuit Court fines	12,933	12,933	18,070	5,137
Conviction fees	143,008	143,008	91,482	(51,526)
General District Court fines	290,000	290,000	320,095	30,095
Overweight vehicle fines	50,000	50,000	-	(50,000)
Juvenile Court fines	1,500	1,500	1,135	(365)
Fines - Other	1,500	1,500	-	(1,500)
Total fines and forfeitures	498,941	498,941	430,782	(68,159)
Licenses and permits:				
Bicycle licenses	174	174	112	(62)
Building plan review fees	66,069	66,069	48,190	(17,879)
Building reinspection fees	9,250	9,250	11,500	2,250
Building structure permits	233,955	233,955	156,535	(77,420)
Dog impounding fees	1,760	1,760	530	(1,230)
Dog licenses	26,945	26,945	22,550	(4,395)
Electrical inspection fees	21,386	21,386	24,400	3,014
Electrical permits	71,769	71,769	70,142	(1,627)
Elevator inspection fees	3,060	3,060	2,460	(600)
Final engineering inspection permit	-	-	10,550	10,550
Hauling and permits fees	201,440	201,440	201,215	(225)

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit I-1 (continued)**

Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Land disturbance permit	-	-	72,800	72,800
License transfer fees	$ 3,032	3,032	3,207	175
Mechanical inspection fees	1,971	1,971	2,250	279
Mechanical permits	118,306	118,306	95,442	(22,864)
Miscellaneous permits	16,845	16,845	17,035	190
Penalties on licenses	33,267	33,267	62,217	28,950
Plumbing inspection fees	257	257	2,946	2,689
Plumbing permits	53,254	53,254	52,121	(1,133)
Restricted parking permits	3,102	3,102	2,382	(720)
Right of way permits	135,377	135,377	59,282	(76,095)
Sign permit fees	3,385	3,385	2,215	(1,170)
Site plan review fees	7,000	7,000	13,375	6,375
State surcharge on permits	1,843	1,843	7,458	5,615
Taxi operators permits	1,570	1,570	870	(700)
Yard sale permits	2,430	2,430	1,640	(790)
Zoning and plat fees	13,750	13,750	27,560	13,810
Total licenses and permits	1,031,197	1,031,197	970,984	(60,213)
Use of property:				
Rental of antenna sites	74,755	74,755	69,083	(5,672)
Rental of recreation facilities	85,378	85,378	82,271	(3,107)
Rental of general properties	1,572,215	1,572,215	1,497,444	(74,771)
Total use of property	1,732,348	1,732,348	1,648,798	(83,550)
Miscellaneous:				
Admin fee - state income tax	-	-	240	240
Admin fee - RE	373,017	373,017	351,454	(21,563)
Admin fee - PP	845,588	845,588	1,090,243	244,655
Admin fee - Parking	31,414	31,414	13,401	(18,013)
Admin fee - EMS	15,416	15,416	25,398	9,982
Miscellaneous recoveries	-	-	5,813	5,813
Credit card fees	-	-	(370)	(370)
Returned check fee	-	-	370	370
Vending Machine Commissions	12,640	12,640	11,993	(647)
Gift shop sales	168,827	168,827	192,039	23,212
Proceeds from land sales	-	-	18,851	18,851
Gain on disposal of assets	-	-	13,452	13,452
Other revenue	306,587	309,676	428,396	118,720
Unclaimed property tax refunds	68,150	68,150	183,868	115,718
Payments in lieu of taxes:				
PRHA	29,492	29,492	115,014	85,522
Regional Jail	503,494	503,494	531,035	27,541
Virginia Port Authority	371,608	371,608	377,135	5,527
So Norfolk Jordan Bridge	217,511	217,511	130,932	(86,579)
Public utility fund	1,161,598	1,161,598	1,161,598	-
Cash Over/Under	-	-	13	13
Total miscellaneous revenue	4,105,342	4,108,431	4,650,875	542,444
Total revenues	224,487,126	224,601,970	231,668,985	7,067,015

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit I-1 (continued)**

Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2019

		Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other financing sources:					
Bridge Loan	$	1,700,000	1,700,000	-	(1,700,000)
Transfers from other funds:					
BHS		354,315	354,315	354,315	-
Stormwater Management		416,695	416,695	416,695	-
Public utility fund		8,875,000	8,875,000	8,875,000	-
Economic Development Authority		125,000	125,000	125,000	-
Use of Fund Balance		5,768,000	22,030,966	-	(22,030,966)
Total other financing sources		17,239,010	33,501,976	9,771,010	(23,730,966)
Total revenues and other financing sources	$	241,726,136	258,103,946	241,439,995	(16,663,951)

Unaudited – see accompanying report of independent auditor.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit I-2**

Budgetary Comparison Schedule
Schedule of Expenditures and Other Financing Uses
General Fund
Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government:				
Administration:				
Legislative:				
City Council	$ 351,613	361,613	319,187	42,426
City Clerk	388,555	388,077	381,642	6,435
City Auditor	113,375	113,375	-	113,375
Total legislative	853,543	863,065	700,829	162,236
Executive:				
City Manager	1,192,555	1,182,591	1,077,323	105,268
Management and legislative services	374,017	435,017	359,583	75,434
Marketing, Entertainment, & Tourism	1,708,383	1,708,861	1,444,346	264,515
Total executive	3,274,955	3,326,469	2,881,252	445,217
Boards and commissions				
Civil Service Commission	115,863	115,863	115,496	367
General Registrar	697,340	697,340	621,945	75,395
Total boards and commissions	813,203	813,203	737,441	75,762
Total administration	4,941,701	5,002,737	4,319,522	683,215
City Attorney	1,934,884	1,934,884	1,914,018	20,866
Human resource management	1,350,280	1,350,280	1,286,128	64,152
Financial administration:				
Commissioner of Revenue	1,842,354	1,842,354	1,597,041	245,313
City Assessor	1,014,951	1,014,951	903,743	111,208
City Treasurer	2,194,445	2,194,445	1,983,445	211,000
Procurement and risk management	882,719	882,719	741,020	141,699
Finance	2,428,617	2,428,617	2,119,119	309,498
Total financial administration	8,363,086	8,363,086	7,344,368	1,018,718
Public transportation	2,816,000	2,816,000	2,755,485	60,515
Total general government	19,405,951	19,466,987	17,619,521	1,847,466
Nondepartmental:				
Miscellaneous	7,909,253	17,288,953	14,849,989	2,438,964
Support to civic organizations	386,126	392,126	357,627	34,499
Total nondepartmental	8,295,379	17,681,079	15,207,616	2,473,463

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit I-2 (continued)**

Budgetary Comparison Schedule
Schedule of Expenditures and Other Financing Uses
General Fund
Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Judicial:				
Circuit Court judges	$ 604,049	604,049	582,551	21,498
Circuit Court Clerk	1,580,110	1,580,110	1,394,848	185,262
Magistrate	7,176	7,176	3,655	3,521
General District Court	49,319	49,319	26,860	22,459
Juvenile and Domestic Relations Court	31,973	31,973	29,496	2,477
Juvenile court services	1,330,773	1,343,705	950,490	393,215
Commonwealth's Attorney	2,873,046	2,913,046	2,560,052	352,994
Sheriff	11,980,111	12,091,866	11,915,419	176,447
Total judicial	18,456,557	18,621,244	17,463,371	1,157,873
Public Safety:				
Police	30,957,598	30,910,848	29,450,023	1,460,825
E-911 communications	1,906,632	1,906,632	1,524,808	381,824
Operations Support bureau	78,332	78,332	236,372	(158,040)
Admin & Support bureau	-	-	376,059	(376,059)
Field Operations bureau	20,742	20,742	41,114	(20,372)
Animal control & security	1,162,287	1,162,287	959,456	202,831
Fire, rescue, and emergency services	25,195,349	25,232,357	25,609,991	(377,634)
Total public safety	59,320,940	59,311,198	58,197,823	1,113,375
Public works:				
Engineering	1,354,276	1,354,276	1,187,865	166,411
Streets and highways	3,551,085	3,551,085	3,232,445	318,640
Mosquito control	610,165	610,165	406,627	203,538
Traffic engineering	2,416,621	2,416,621	2,317,736	98,885
General services:				
Properties management	4,166,018	4,166,018	3,523,600	642,418
Utilities	2,725,000	2,725,000	2,664,670	60,330
Rental of land and buildings	173,126	173,126	172,959	167
Storeroom	-	-	86,537	(86,537)
Harbor Center pavilion	399,483	401,933	315,310	86,623
Total public works	15,395,774	15,398,224	13,907,749	1,490,475
Health and welfare	1,339,643	1,339,643	1,338,638	1,005
Parks, recreation, and cultural:				
Museum	2,454,043	2,454,043	2,214,921	239,122
Parks, recreational, and cultural	6,535,965	6,546,005	5,934,951	611,054
Public library	2,474,335	2,478,728	2,374,601	104,127
Total parks, recreation, and cultural	11,464,343	11,478,776	10,524,473	954,303

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit I-2 (continued)**

Budgetary Comparison Schedule
Schedule of Expenditures and Other Financing Uses
General Fund
Year ended June 30, 2019

		Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community development:					
Permits and inspections	$	2,674,397	2,674,397	2,381,856	292,541
Economic development		857,186	880,141	826,665	53,476
Planning		1,979,197	1,979,197	1,577,749	401,448
Total community development		5,510,780	5,533,735	4,786,270	747,465
Education		53,346,045	53,300,045	49,163,551	4,136,494
Capital outlay		25,000	25,000	23,476	1,524
Total expenditures		192,560,412	202,155,931	188,232,488	13,923,443
Other financing uses:					
Transfers to other funds:					
Behavioral health services fund		718,489	718,489	718,489	-
Social services fund		3,400,000	3,234,300	2,441,552	(792,748)
Comprehensive services fund		721,036	721,036	498,187	(222,849)
Grants fund		-	104,742	106,973	2,231
Out - Risk management fund		-	5,189,613	5,189,613	-
Parking authority		34,177	34,177	34,177	-
Golf		998,362	998,362	998,362	-
Willett Hall fund		130,000	130,000	130,000	-
Debt service		37,495,660	37,495,660	37,495,660	-
Health insurance		1,000,000	1,000,000	1,000,000	-
Capital Improvements		4,668,000	6,321,636	4,444,167	(1,877,469)
Total transfers to other funds		49,165,724	55,948,015	53,057,180	(2,890,835)
Total other financing uses		49,165,724	55,948,015	53,057,180	(2,890,835)
Total expenditures and other financing sources (uses)		241,726,136	258,103,946	241,289,668	(16,814,278)
Net change in fund balance		-	-	150,327	150,327
Fund balance - beginning		-	-	71,085,872	71,085,872
Fund balance - ending	$	-	-	71,236,199	71,236,199

Unaudited – see accompanying report of independent auditor.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit I-3**

Budgetary Comparison Schedule

Note to Required Supplementary Information

General Fund

Fiscal Year ended June 30, 2019

The budgetary data reported in the required supplementary information reflects the approved city Budget as adopted by the City Council for the year ended June 30, 2019, as amended. The budget as adopted by the City Council may be amended by the City Council through supplemental appropriations or transfers, as necessary. The legal level of budgetary control rests at the fund level with the exception of the General Fund, which is appropriated at the activity or function level. In addition, the City Code provides that the City Manager may transfer any unencumbered appropriation balance less than $100,000 from one department, project, program, or purpose within the same fund. The City Manager shall make a monthly report to the City Council of all transfers greater than $50,000. Also, the City Manager may transfer any or all of the unencumbered balance of the emergency contingency account to any item in the City budget provided that any such utilization from the emergency budget contingency is reported to the City Council at the next regular council meeting.

The General, Special Revenue, and all proprietary funds have legally adopted annual budgets with the exception of the Grants Fund, and the Community Development Fund. The Capital Projects Funds, Grants Fund, and the Community Development Fund, utilize project budgets in lieu of annual budgets.

The city employs encumbrance accounting under which obligations in the form of purchase orders, contracts, and other commitments for the expenditure or transfer out of funds are recorded in order to reserve that portion of the applicable appropriation in the governmental fund balance, since encumbrances do not constitute expenditures or liabilities. For outstanding encumbrances, the appropriation carries over into the following year upon City Council action. According to the city code, unexpended, unencumbered appropriations lapse at the end of the fiscal year.

The General Fund's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Schedule of Changes in the Net Pension Liability and Related Ratios (PSRS)
Fiscal Year Ended June 30, *

Total pension liability	**2015**	**2016**	**2017**	**2018**	**2019**
Service cost	$ 89,198	71,563	62,202	54,347	56,948
Interest	6,661,939	6,536,219	6,344,585	6,021,175	5,773,968
Changes in benefit terms	1,244,771	814,802	-	-	-
Differences between expected and actual experience	(1,195,876)	(1,680,961)	(1,383,499)	(180,994)	(159,223)
Changes of assumptions	-		(1,236,291)	(966,754)	(470,893)
Benefit payments, including refunds of member contributions	(8,512,885)	(8,478,761)	(8,326,253)	(8,378,061)	(8,474,573)
Net change in total pension liability	(1,712,853)	(2,737,138)	(4,539,256)	(3,450,287)	(3,273,773)
Total pension liability - beginning	96,191,377	94,478,524	91,741,386	87,202,130	83,751,843
Total pension liability - ending (a)	94,478,524	91,741,386	87,202,130	83,751,843	80,478,070
Plan fiduciary net position					
Contributions - employer	1,782,818	2,438,432	1,796,671	2,005,017	2,229,196
Contributions - member	-	-	-	-	-
Net investment income	7,874,597	418,733	960,609	5,916,252	2,618,347
Benefit payments, including refunds of member contributions	(8,512,885)	(8,478,761)	(8,326,253)	(8,378,061)	(8,474,573)
Administrative expense	(73,287)	(67,152)	(28,605)	(106,586)	(54,742)
Other	-	-	-	-	-
Net change in plan fiduciary net position	1,071,243	(5,688,748)	(5,597,578)	(563,378)	(3,681,772)
Plan fiduciary net position - beginning	70,476,413	71,547,656	65,858,908	60,261,330	59,697,952
Plan fiduciary net position - ending (b)	71,547,656	65,858,908	60,261,330	59,697,952	56,016,180
City's net pension liability (a) - (b)	22,930,868	25,882,478	26,940,800	24,053,891	24,461,890
Plan fiduciary net position as a percentage of total pension liability	75.73%	71.79%	69.11%	71.28%	69.60%
Covered payroll	$ 1,195,973	1,034,003	887,695	806,870	754,205
City's net pension liability as a percentage of covered payroll	1917.34%	2503.13%	3034.92%	2981.14%	3243.40%

*Amounts presented have a measurement date of the previous fiscal year end.
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Actuarially Determined Contributions and Schedule of Investments (PSRS)

Fiscal Year Ended June 30,	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	1,944,892	1,924,912	1,796,671	1,807,082	1,867,696	2,170,640
Contributions in relation to the actuarially determined contribution	1,782,818	2,438,432	1,796,671	1,807,082	1,867,696	2,350,640
Contribution deficiency (excess)	162,074	(513,520)	-	-	-	(180,000)
Covered payroll	1,195,973	1,034,003	887,695	806,870	754,205	732,897
Contributions as a percentage of covered payroll	149.07%	235.82%	202.40%	223.96%	247.64%	320.73%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to schedule:

Methods and Assumptions used to determine contribution rate:

Measurement date	June 30, 2018
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.
Actuarial Cost Method	Entry Age Normal-Level Percentage of Pay
Interest rate	7.25%
Salary increases	3.00%
Social Security wage bases	3.00%
Social Security cost of living increases	2.50%
Statutory limits on compensation and benefits	2.50%
Mortality	RP-2014 Generational Mortality Table Adjusted to 2006 with Generational Projection(Scale MP-2017)
Projected rate of return	7.25%
Plan Fiduciary net position	Fair Market Value of assets

Annual money weighted rate of return, net of investment expenses was 0.62% in 2015, 1.55% in 2016, 10.59 in 2017, and 4.66% in 2018.

Schedule of Changes in the Net Pension Liability and Related Ratios (FPRS)
Fiscal Year Ended June 30, *

Total pension liability	**2015**	**2016**	**2017**	**2018**	**2019**
Service cost	$ 875,496	655,555	469,262	288,723	209,549
Interest	17,479,148	17,755,749	17,775,245	17,571,555	17,224,136
Changes in benefit terms	3,220,420	2,226,338	-	-	-
Differences between expected and actual experience	2,306,432	483,962	2,934,513	1,548,069	637,275
Changes of assumptions	-	-	(2,264,494)	(2,060,009)	(1,023,739)
Benefit payments, including refunds of member contributions	(19,431,115)	(20,421,823)	(21,297,801)	(22,016,787)	(22,317,498)
Net change in total pension liability	4,450,381	699,781	(2,383,275)	(4,668,449)	(5,270,277)
Total pension liability - beginning	250,415,803	254,866,184	255,565,865	253,182,590	248,514,141
Total pension liability - ending (a)	254,866,184	255,565,965	253,182,590	248,514,141	243,243,864
Plan fiduciary net position					
Contributions - employer	5,186,714	6,734,263	5,794,277	6,566,389	7,098,559
Contributions - member	-	-	-	-	-
Net investment income	21,908,537	1,144,912	2,782,322	16,820,681	7,521,227
Benefit payments, including refunds of member contributions	(19,431,115)	(20,421,923)	(21,297,801)	(22,016,787)	(22,317,498)
Administrative expense	(205,149)	(184,118)	(120,447)	(254,463)	(141,157)
Other	-	-	-	-	-
Net change in plan fiduciary net position	7,458,987	(12,726,866)	(12,841,649)	1,115,820	(7,838,869)
Plan fiduciary net position - beginning	187,926,711	195,385,698	182,658,832	169,817,183	170,933,003
Plan fiduciary net position - ending (b)	195,385,698	182,658,832	169,817,183	170,933,003	163,094,134
City's net pension liability (a) - (b)	59,480,486	72,907,133	83,365,407	77,581,138	80,149,730
Plan fiduciary net position as a percentage of total pension liability	76.66%	71.47%	67.07%	68.78%	67.05%
Covered payroll	$ 5,079,287	3,871,105	2,396,142	1,772,265	1,715,414
City's net pension liability as a percentage of covered payroll	1171.04%	1883.37%	3479.15%	4377.51%	4672.33%

*Amounts presented have a measurement date of the previous fiscal year end.
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Actuarially Determine Contributions and Schedule of Investments (FPRS)

Fiscal Year Ended June 30,*	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Actuarially determined contribution	$ 5,658,234	$ 5,840,300	$ 5,794,277	$ 6,205,544	$ 6,449,059	$ 7,214,521
Contributions in relation to the actuarially determined contribution	5,186,714	6,734,263	5,794,277	6,205,544	6,449,059	7,535,021
Contribution deficiency (excess)	471,520	(893,963)	-	-	-	(320,500)
Covered payroll	$ 5,079,287	$ 3,871,105	$ 2,396,142	$ 1,772,265	$ 1,715,414	$ 1,240,364
Contributions as a percentage of covered payroll	102.12%	173.96%	241.82%	350.15%	375.95%	607.48%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to schedule:

Methods and Assumptions used to determine contribution rate:

Measurement date	June 30, 2018
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.
Actuarial Cost Method	Entry Age Normal-Level Percentage of Pay
Interest rate	7.25%
Salary increases	3.00%
Social Security wage bases	3.00%
Social Security cost of living increases	2.50%
Statutory limits on compensation and benefits	2.50%
Mortality	RP-2014 Generational Mortality Table Adjusted to 2006 with Generational Projection(Scale MP-2017)
Projected rate of return	7.25%
Plan fiduciary net position	Fair Market Value of assets

Annual money weighted rate of return, net of investment expense, was 0.61% in 2015, 1.60% in 2016, 10.61% in 2017, and 4.64% in 2018.

Schedule of Employer's Share of Net Pension Liability and Related Ratios (VRS-City)

Fiscal Year Ended June 30, *	2015	2016	2017	2018	2019
Total Pension Liability					
Service cost	$ 7,865,420	8,776,873	8,655,196	8,380,639	8,717,390
Interest	18,592,496	19,666,648	20,862,680	21,674,217	22,448,469
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	664,081	(4,862,954)	(5,377,366)	(5,889,195)
Changes in assumptions	-	-	-	476,225	-
Benefit Payments, including refunds of employee contributions	(10,723,367)	(11,502,410)	(12,540,446)	(13,582,645)	(14,603,292)
Net change in total pension liability	15,734,549	17,605,192	12,114,476	11,571,070	10,673,372
Total pension liability - beginning	270,968,771	286,703,320	304,308,512	316,422,988	327,994,058
Total pension liability - ending (a)	$ 286,703,320	$ 304,308,512	$ 316,422,988	$ 327,994,058	$ 338,667,430
Plan fiduciary net position					
Contributions - employer	$ 5,702,215	$ 6,647,357	$ 6,360,911	$ 6,776,993	$ 6,948,793
Contributions - employee	3,522,637	3,451,819	3,313,387	3,398,847	3,374,302
Net investment income	35,693,002	11,935,602	4,734,570	33,161,239	22,278,231
Benefit Payments, including refunds of employee contributions	(10,723,367)	(11,502,410)	(12,540,446)	(13,582,645)	(14,603,292)
Administrative expense	(191,765)	(162,543)	(168,003)	(190,996)	(192,188)
Other	1,881	(2,528)	(1,996)	(29,655)	(19,865)
Net change in plan fiduciary net position	34,004,603	10,367,297	1,698,423	29,533,783	17,785,981
Plan fiduciary net position - beginning	226,678,948	260,683,551	271,050,848	272,749,271	302,283,054
Plan fiduciary net position - ending (b)	$ 260,683,551	$ 271,050,848	$ 272,749,271	$ 302,283,054	$ 320,069,035
Net pension liability - ending (a) - (b)	$ 26,019,769	$ 33,257,664	$ 43,673,717	$ 25,711,004	$ 18,598,395
Plan fiduciary net position as a percentage of the total pension liability	90.92%	89.07%	86.20%	92.16%	94.51%
Covered payroll	$ 67,740,656	69,067,846	66,394,228	66,034,550	68,412,766
Net pension liability as a percentage of covered payroll	38.41%	48.15%	65.78%	38.94%	27.19%

*Amounts presented have a measurement date of the previous fiscal year end.
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer's Share of Net Pension Liability and Related Ratios
(VRS-Portsmouth City Public School Board (Non-Professional))

Fiscal Year Ended June 30, *	2015	2016	2017	2018	2019
Total Pension Liability					
Service cost	$ 743,215	$ 729,606	$ 695,895	$ 763,448	$ 694,189
Interest	2,434,509	2,501,150	2,552,232	2,600,444	2,671,683
Changes of benefit terms	-	-	(293,248)	-	-
Differences between expected and actual experience	-	(215,707)	(2,270,264)	110,155	(1,077,881)
Changes in assumptions	-	-	-	(44,324)	-
Benefit payments, including refunds of employee contributions	(2,151,081)	(2,300,353)	-	(2,261,995)	(2,562,064)
Net change in total pension liability	1,026,643	714,696	684,615	1,167,728	(274,073)
Total pension liability - beginning	35,854,243	36,880,886	37,595,582	38,280,197	39,447,925
Total pension liability - ending (a)	$ 36,880,886	$ 37,595,582	$ 38,280,197	$ 39,447,925	$ 39,173,852
Plan fiduciary net position					
Contributions - employer	$ 648,377	$ 726,275	$ 801,790	$ 882,435	$ 879,860
Contributions - employee	354,802	345,765	378,872	372,038	365,276
Net investment income	4,075,199	1,307,987	487,721	3,443,683	2,269,942
Benefit payments, including refunds of employee contributions	(2,151,081)	(2,300,353)	(2,270,264)	(2,261,995)	(2,562,064)
Administrative expense	(22,705)	(18,893)	(18,573)	(20,455)	(20,333)
Other	215	(276)	(211)	(3,044)	(1,991)
Net change in plan fiduciary net position	2,904,807	60,505	(620,665)	2,412,662	930,690
Plan fiduciary net position - beginning	26,386,043	29,290,850	29,351,355	28,730,690	31,143,352
Plan fiduciary net position - ending (b)	$ 29,290,850	$ 29,351,355	$ 28,730,690	$ 31,143,352	$ 32,074,042
Net pension liability - ending (a) - (b)	$ 7,590,036	$ 8,244,227	$ 9,549,507	$ 8,304,573	$ 7,099,810
Plan fiduciary net position as a percentage of the total pension liability	79.42%	78.07%	75.05%	78.95%	81.88%
Covered payroll	$ 8,647,732	$ 8,498,497	$ 8,465,913	$ 7,719,383	$ 7,691,444
Net pension liability as a percentage of covered payroll	87.77%	97.01%	112.80%	107.58%	92.31%

*Amounts presented have a measurement date of the previous fiscal year end.
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer's Share of Net Pension Liability and Related Ratios
(VRS - Portsmouth City Public School Board (Professional))

Fiscal Year Ended June 30,	2015	2016	2017	2018	2019
Employer's Proportion of the Net Pension Liability	1.08%	1.05%	1.04%	1.00%	1.00%
Employer's Proportionate Share of the Net Position Liability	$ 130,368,000	$ 132,145,000	$ 146,345,000	$ 123,472,000	$ 117,977,000
Employer's Covered Payroll	$ 81,064,661	$ 79,779,153	$ 81,200,579	$ 79,054,292	$ 81,002,287
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	161%	166%	180%	156%	146%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.68%	68.28%	72.92%	74.81%

Schedule of Employers' Contributions (VRS)

Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
City of Portsmouth					
2019	$ 7,477,388	$ 7,477,388	$ -	$ 70,023,770	10.68%
2018	7,052,500	7,052,500	-	68,412,766	10.31%
2017	6,794,955	6,794,955	-	66,034,550	10.29%
2016	8,025,853	6,419,355	1,606,498	66,394,228	9.67%
2015	8,350,303	6,678,861	1,671,442	69,067,846	9.67%
2014	8,006,946	5,602,152	2,404,794	67,740,656	8.27%
2013	7,312,857	5,116,525	2,196,332	61,868,504	8.27%
2012	5,252,943	5,252,943	-	63,672,042	8.25%
2011	5,221,402	5,221,402	-	63,289,718	8.25%
2010	4,411,991	4,411,991	-	64,221,128	6.87%

Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
Portsmouth City Public School Board (Professional)					
2019	$ 13,522,571	$ 13,522,571	$ -	$ 82,858,890	16.32%
2018	11,874,935	11,874,935	-	81,002,287	14.66%
2017	12,198,613	12,198,613	-	79,054,292	15.43%
2016	11,416,801	11,416,801	-	81,200,579	14.06%
2015	11,567,977	11,567,977	-	79,779,153	14.50%
2014	9,452,139	9,452,139	-	81,064,661	11.66%
2013	9,542,186	9,542,186	-	81,836,929	11.66%
2012	4,985,979	4,985,979	-	78,767,435	6.33%
2011	3,186,436	3,186,436	-	81,079,797	3.93%
2010	7,321,704	7,321,704	-	83,106,742	8.81%

Schedule of Employer's Contributions (VRS) (Continued)

Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
Portsmouth City Public School Board (Non-Professional)					
2019	$ 891,640	$ 891,640	$ -	$ 7,627,378	11.69%
2018	921,435	921,435	-	7,691,444	11.98%
2017	1,137,788	1,137,788	-	7,719,383	14.74%
2016	882,148	882,148	-	8,465,913	10.42%
2015	885,543	885,543	-	8,498,497	10.42%
2014	789,538	789,538	-	8,647,732	9.13%
2013	790,470	790,470	-	8,657,941	9.13%
2012	766,574	766,574	-	8,508,035	9.01%
2011	769,926	769,926	-	8,545,234	9.01%
2010	755,369	755,369	-	9,078,953	8.32%

Changes of benefit terms

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

Changes of assumptions

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

Non-Hazardous Duty:

- Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: Lowered rates
- Salary scale: No change
- Line of Duty Disability: Increase rate from 14% to 15%

Hazardous Duty:

- Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Increased age 50 rates, and lowered rates at older ages
- Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: Adjusted rates to better fit experience
- Salary scale: No change
- Line of Duty Disability: Decrease rate from 60% to 45%

City of Portsmouth OPEB Plan - City

Schedule of Changes in Net OPEB Liability and Related Ratios

Fiscal Year Ending June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability										
Service Cost	$ 545,143	$ 1,150,539	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on Total OPEB Liability	1,541,001	1,098,940	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of Benefit Terms	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of Economic/Demographic Gains or (Losses)	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of Assumption Changes or Inputs	860,350	(8,498,386)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit Payments	(1,844,970)	(1,826,247)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Change in Total OPEB Liability	1,101,524	(8,075,154)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB Liability, Beginning	$ 22,376,040	$ 30,451,194	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB Liability, Ending (a)	$ 23,477,564	$ 22,376,040	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer Contributions	2,844,970	4,826,247	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Investment Income	169,344	46,475	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit Payments	(1,844,970)	(1,826,247)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative Expenses	(3,513)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Change in Fiduciary Net Position	$ 1,165,831	$ 3,046,475	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position, Beginning	3,046,475	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position, Ending (b)	$ 4,212,306	$ 3,046,475	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB Liability, Ending = (a) - (b)	$ 19,265,258	$ 19,329,565	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position as a % of Total OPEB Liability	17.94%	13.61%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered Payroll	$ 78,135,614	$ 78,135,614	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB Liability as a % of Covered Payroll	24.66%	24.74%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required. If prior years are not reported in accordance with the current GAAP standards, they should not be included.

City of Portsmouth OPEB Plan - City (Continued)

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by taking the annual average long-term future inflation and real return components, with each component being reasonable in our professional opinion, including the anticipated effects of return volatility and correlation among various asset classes. The data used in the assessment of reasonability were Milliman's December 31, 2018 capital market assumptions (real returns) and the 2018 Social Security Trustees Report (inflation).

Asset class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Core Fixed Income	19.60%	2.13%	2.02%
High Yield Bonds	1.40%	4.00%	3.54%
Large Cap US Equities	26.00%	4.90%	3.76%
Small Cap US Equities	10.00%	5.89%	4.11%
Developed Foreign Equities	13.00%	6.09%	4.59%
Emergin Market Equities	5.00%	8.14%	5.33%
Private Equity	5.00%	9.37%	5.57%
Hedge Funds/Absolute Return	10.00%	1.91%	1.66%
Real Estate (REITS)	7.00%	3.84%	3.13%
Commondities	3.00%	3.01%	1.42%
Assumed Inflation		2.60%	2.60%
Portfolio Real Mean Return		4.55%	3.95%
Portfolio Nominal Mean Return		7.15%	6.65%
Portfolio Standard Deviation			10.85%
Long-Term Expected Rate of Return			**6.50%**

Investment Returns

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2010	n/a
2011	n/a
2012	n/a
2013	n/a
2014	n/a
2015	n/a
2016	n/a
2017	n/a
2018	9.46%
2019	5.03%

City of Portsmouth OPEB Plan - City (Continued)

Schedule of Employer Contributions

There were no Employer Contributions prior to the establishment of the trust in April, 2018. Prior to that date, the City's contributions were made on a pay-as-you-go basis.

Fiscal Year Ending June 30	Employer Contributions
2010	n/a
2011	n/a
2012	n/a
2013	n/a
2014	n/a
2015	n/a
2016	n/a
2017	n/a
2018	$ 4,826,247
2019	$ 2,844,970

Group Life Insurance Program - VRS Directed - City

Schedule of City of Portsmouth Proportionate Share of Net OPEB Liability

For the Years Ended June 30, 2018 through 2019*

	2019	2018
Employer's Proportion of the Net GLIP OPEB Liability	0.37419%	0.37603%
Employer's Proportionate of the Net GLIP OPEB Liability	$ 5,682,000	$ 5,658,000
Employer's Covered Payroll	$ 71,151,669	$ 69,360,272
Employer's Proportionate Share of the Net GLIP OPEB Liability as a Percentage of its Covered Payroll	7.98576%	8.15741%
Plan Fiduciary Net Position as a Percentage of the Total GLIP OPEB Liability	51.22%	48.86%

*Amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contributions	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$ 366,082	$ 366,082	$ -	$ 70,400,385	0.52%
2018	367,170	367,170	-	71,151,669	0.52%
2017	360,673	360,673	-	69,360,272	0.52%
2016	338,743	338,743	-	70,571,371	0.48%
2015	357,870	357,870	-	74,556,174	0.48%
2014	358,162	358,162	-	74,616,978	0.48%
2013	339,366	339,366	-	70,701,299	0.48%
2012	205,187	205,187	-	73,281,175	0.28%
2011	208,149	208,149	-	74,339,092	0.28%
2010	155,668	155,668	-	57,654,972	0.27%

Group Life Insurance Program- VRS Directed - City (Continued)

Notes to Required Supplementary Information

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

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

Locality Employers - General Employees

Mortality Rates (Pre-retirement post-retirement healthy and disabled)	Updated to a more current mortality table - RP 2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

Hazardous Duty Employees

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

Line of Duty Act - VRS Directed - City

Schedule of City of Portsmouth Proportionate Share of Net OPEB Liability

For the Years Ended June 30, 2018 through 2019*

	2019	2018
Employer's Proportion of the Net LODA OPEB Liability	3.55949%	3.61539%
Employer's Proportionate of the Net LODA OPEB Liability	$ 11,159,000	$ 9,501,000
Employer's Covered Payroll	$ 31,515,462	n/a**
Employer's Proportionate Share fo the Net LODA OPEB Liability as a percentage of its Covered Payroll	35.40802%	n/a
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%	1.30%

* The amount presented have a measurement date of the previous fiscal year end.
** Employer's Covered Payroll amount is not determinable

Schedule of Employer Contributions

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$ 406,171	$ 406,171	$ -	$ 32,241,604	1.3%
2018	379,145	379,145	-	31,515,462	1.2%
2017	389,925	389,925	-	N/A	-
2016	351,125	351,125	-	N/A	-
2015	346,196	346,196	-	N/A	-
2014	331,612	331,612	-	N/A	-
2013	299,091	299,091	-	N/A	-
2012	134,339	134,339	-	N/A	-
2011	N/A**	N/A**	N/A**	N/A**	N/A**
2010	N/A**	N/A**	N/A**	N/A**	N/A**

** The contribution for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employees payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Line of Duty Act - VRS Directed - City (Continued)

Notes to Required Supplementary Information

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

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

Public Safety Employees

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

Virginia Local Disability Program - VRS Directed - City

Schedule of City of Portsmouth Proportionate Share of Net OPEB Liability

For the Years Ended June 30, 2018 through 2019 *

	2019	2018
Employer's Proportion of the Net VLDP OPEB Liability	4.43899%	4.40350%
Employer's Proportionate Share of the Net VLDP OPEB Liability	$ 34,000	$ 25,000
Employer's Covered Payroll	$ 10,778,174	$ 8,086,092
Employer's Proportionate Share of the Net VLDP OPEB Liability as a percentage of its Covered Payroll	0.31545%	0.30917%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	51.39%	38.40%

*Amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions - Other Postemployment Benefits - VRS Directed - City

Virginia Local Disability Program

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contributions	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$ 98,611	$ 98,611	$ -	$ 13,695,972	0.72%
2018	64,683	64,683	-	10,778,174	0.60%
2017	48,589	48,589	-	8,086,092	0.60%
2016	32,983	32,983	-	5,497,040	0.60%
2015	16,913	16,913	-	2,818,841	0.60%
2014	2,942	2,942	-	490,387	0.60%

* prior to 2014, information is not available.

Schedule of Portsmouth City Public School Changes in Net OPEB Liability and Related Ratios (Unaudited)

Year Ended June 30, 2018

	2019	2018	2017
Total OPEB Liability			
Service cost	$ 950,173	$ 625,456	$ 713,189
Interest	791,875	997,917	958,969
Changes of benefit terms	-	459,794	-
Differences between expected and actual experience	(433,312)	(4,735,709)	(747,036)
Change of assumptions	(4,968,846)	3,663,387	2,171,672
Benefit payments, including lump sum liability settlement for 114 participants	(191,650)	(73,336)	(80,005)
Net change in total OPEB liability	(3,851,760)	937,509	3,016,789
Total OPEB liability - beginning	16,980,673	16,043,164	13,026,375
Total OPEB liability - ending (a)	$ 13,128,913	$ 16,980,673	$ 16,043,164
Plan Fiduciary Net Position			
Contributions/benefit payments made from general operating funds	$ -	$ -	$ 80,005
Net investment income	924,764	532,735	743,975
Benefit payments, including refunds of employee contributions	(191,650)	(73,336)	(80,005)
Administrative expense	(125)	-	(7,000)
Net Change in Fiduciary Net Position	732,989	459,399	656,970
Plan Fiduciary Net Position - Beginning	12,541,363	12,081,964	11,424,994
Plan Fiduciary Net Position - Ending (b)	$ 13,274,352	$ 12,541,363	$ 12,081,964
Net OPEB Liability - Ending (a) - (b)	$ (145,439)	$ 4,439,310	$ 3,961,200
Plan Fiduciary Net Position as a Percentage of Total OPEB Pension Liability	101.1%	73.9%	75.3%
Covered Employer Payroll	$ 98,200,691	$ 91,796,317	$ 96,277,315
Net OPEB Liability as Percentage of Payroll	-0.15%	4.84%	4.11%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

Actuarially Determined Employer Contribution	2019*	2018**	2017
Service cost	$ 992,361	$ 662,983	$ 763,112
Amortization of unfunded liability	372,888	350,393	171,131
Recommended contribution	1,365,249	1,013,376	934,243
Contribution/benefit payments made	-	(703,482)	(80,005)
Contribution deficiency (excess)	$ 1,365,249	$ 309,894	$ 854,238
Covered Employer Payroll	$ 98,200,691	$ 91,796,317	$ 96,277,315
Contribution as a Percentage of Covered Payroll	1.39%	0.34%	0.89%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

*Based on a 4.44% discount, 14 year level percent of pay, amortixation of unfunded liability; alternative funding scenarios could be considered

**Based on a 6% discount, 15 year level percent of pay, amortixation of unfunded liability

Notes to schedule:

Methods and Assumptions used to determine contribution rate:

Measurement Date	1/30/2018
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.
Actuarial Cost Method	Projected Unit Credit (level dollar)
Amortization method	Level percent, open
Remaining amortization period	20 years
Discount rate	4.44% for June 30, 2018 liability and 2018 contribution; 9.06% for June 30, 2019 liability and 2019 contribution
Payroll growth	2.5%
Return on plan assets	4.44% for 2019 and 9.06% for 2020
Mortality rate	RPH-2014, sex-distinct, annuitant and non-annuitant mortality with mortality projection MP-2017
Asset valuation method	Market value

	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	4.44%	6.00%	6.00%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

Schedule of Portsmouth City Public School Proportionate Share of Net OPEB Liability - VRS Directed Group Life insurance Program

Fiscal Year Ending June 30,*	Employer's Proportion of Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of Net GLI OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of Net GLI OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability
			Professional		
2019	0.43%	$ 6,507,000	$ 81,466,826	7.99%	51.22%
2018	0.43%	6,485,000	79,488,375	8.16%	48.86%
			Nonprofessional		
2019	0.04%	$ 621,000	$ 7,777,114	7.98%	51.22%
2018	0.04%	638,000	7,821,559	8.16%	48.86%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions - VRS Directed - Portsmouth City Public School
Group Life insurance Program

Date	(a) Contractually Required Contribution	(b) Contributions in Relation to Contractually Required Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contribution as a % of Covered Employee Payroll (b) / (d)
		Professional			
June 30, 2019	$ 434,576	$ 434,576	$ -	$ 83,572,402	0.52%
June 30, 2018	423,628	423,628	-	81,466,826	0.52%
June 30, 2017	413,340	413,340	-	79,488,375	0.52%
June 30, 2016	384,497	384,497	-	80,103,513	0.48%
June 30, 2015	377,187	377,187	-	78,580,681	0.48%
June 30, 2014	380,015	380,015	-	79,169,887	0.48%
June 30, 2013	380,479	380,479	-	79,266,483	0.48%
June 30, 2012	210,699	210,699	-	75,249,805	0.28%
June 30, 2011	218,391	218,391	-	77,996,828	0.28%
June 30, 2010	154,509	154,509	-	57,225,707	0.27%
		Nonprofessional			
June 30, 2019	$ 40,048	$ 40,048	$ -	$ 7,701,528	0.52%
June 30, 2018	40,441	40,441	-	7,777,114	0.52%
June 30, 2017	40,672	40,672	-	7,821,559	0.52%
June 30, 2016	37,875	37,875	-	7,890,684	0.48%
June 30, 2015	34,309	34,309	-	7,147,756	0.48%
June 30, 2014	34,829	34,829	-	7,256,059	0.48%
June 30, 2013	34,487	34,487	-	7,184,753	0.48%
June 30, 2012	18,904	18,904	-	6,751,453	0.28%
June 30, 2011	20,027	20,027	-	7,152,368	0.28%
June 30, 2010	16,405	16,405	-	6,076,093	0.27%

Notes to Required Supplementary Information - VRS Directed - Portsmouth City Public School Group Life Insurance Program

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

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

Professional

Mortality Rates (Pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Salary Scale	No change

Nonprofessional

Mortality Rates (Pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Salary Scale	No change

Schedule of Portsmouth City Public School Proporationate Share of Net OPEB Liability - VRS Directed Health Insurance Credit Program

Professional

Fiscal year ending, June 30,*	2019	2018
Employer's Proportion of the Net HIC OPEB Liability	1.00%	1.00%
Employer's Proportionate Share of the Net HIC OPEB Liability	$ 12,721,000	$ 12,719,000
Employer's Covered Payroll	$ 81,030,323	$ 79,120,346
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.08%	7.04%

Schedule is intended to show information for 10 years. 2018 was the first year for this presentation. Additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Portsmouth City Public Schools of Employer Contributions - VRS Directed Health Insurance Credit Program
Professional

Date	(a) Contractually Required Contribution	(b) Contributions in Relation to Contractually Required Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Payroll	(e) Contribution as a % of Covered Payroll (b) / (d)
June 30,2019	$ 994,856	$ 994,856	$ -	$ 82,904,682	1.20%
June 30,2018	996,673	996,673	-	81,030,323	1.23%
June 30, 2017	878,236	878,236	-	79,120,346	1.11%
June 30, 2016	843,986	843,986	-	79,621,342	1.06%
June 30, 2015	827,427	827,427	-	78,059,128	1.06%
June 30, 2014	875,707	875,707	-	78,892,500	1.11%
June 30, 2013	875,736	875,736	-	78,895,095	1.11%
June 30, 2012	449,738	449,738	-	74,956,305	0.60%
June 30, 2011	464,771	464,771	-	77,461,890	0.60%
June 30, 2010	591,241	591,241	-	56,850,139	1.04%

Notes to Required Supplementary Information - Portsmouth City Public Schools - VRS Directed Health Insurance Credit Program

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

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

Professional

Mortality Rates (Pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Schedule of Portsmouth City Public Schools Proportionate Share of Net OPEB Liability - VRS Directed Virginia Local Disability Program (VLDP)

Professional

Fiscal year ending, June 30,*	2019	2018
Employer's Proportion of the Net VLDP OPEB Liability	4.61%	4.43%
Employer's Proportionate Share of the Net VLDP OPEB Liability	$ 35,000	$ 27,000
Employer's Covered Payroll	$ 17,204,128	$ 12,496,408
Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of its Covered Payroll	-%	-%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	46.18%	31.96%

Schedule is intended to show information for 10 years. 2018 was the first year for this presentation. Additional years will be included as they become available.
*The amounts presented have a measurement date of the previous fiscal year end.

Nonprofessional

Fiscal year ending, June 30,*	2019	2018
Employer's Proportion of the Net VLDP OPEB Liability	0.90%	0.85%
Employer's Proportionate Share of the Net VLDP OPEB Liability	$ 7,000	$ 5,000
Employer's Covered Payroll	$ 2,187,809	$ 1,551,694
Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of its Covered Payroll	0.32%	0.32%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	51.39%	38.40%

Schedule is intended to show information for 10 years. 2018 was the first year for this presentation. Additional years will be included as they become available.
*The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Portsmouth City Public Schools Employer OPEB Contributions - VRS Directed
Virginia Local Disability Program

Fiscal Year Ending	(a) Contractually Required Contribution	(b) Contributions in Relation to Contractually Required Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Payroll	(e) Contribution as a % of Employer's Covered Payroll (b) / (d)
		Professional			
June 30, 2019	$ 90,677	$ 90,677	$ -	$ 22,116,307	0.41%
June 30, 2018	53,333	53,333	-	17,204,128	0.31%
June 30, 2017	38,612	38,612	-	12,496,408	0.32%
June 30, 2016	22,903	22,903	-	7,897,682	0.29%
June 30, 2015	10,909	10,909	-	3,761,886	0.29%
June 30, 2014	224	224	-	77,123	0.29%
		Nonprofessional			
June 30, 2019	$ 17,881	$ 17,881	$ -	$ 2,884,002	0.62%
June 30, 2018	13,127	13,127	-	2,187,809	0.60%
June 30, 2017	9,310	9,310	-	1,551,694	0.60%
June 30, 2016	6,913	6,913	-	1,152,140	0.60%
June 30, 2015	3,145	3,145	-	524,219	0.60%
June 30, 2014	373	373	-	62,085	0.60%

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

Notes to Required Supplementary Information - VRS Directed
Virginia Local Disability Program

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

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

Professional

Mortality Rates (Pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Nonprofessional

Mortality Rates (Pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

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Other Supplementary Information

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Nonmajor Governmental Funds

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CITY OF PORTSMOUTH, VIRGINIA **Exhibit J-1**

Combining Balance Sheet

Nonmajor Government Funds

June 30, 2019

	Special Revenue Funds										
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Grants	Children's Services	Willett Hall	Community Development	Asset Forfeiture Fund	Permanent Fund - Cemetery	Total
Assets:											
Cash and temporary investments	$ 11,129,861	111,158	8,634	2,177,942	940,037	105,092	502,240	-	376,989	1,773,271	17,125,224
Accounts receivable (net of allowance for uncollectibles $556,778)	332,533	-	10,871	99,997	78,335	-	-	-	40,888	-	562,624
Due from other governments	-	-	1,135,478	-	602,358	196,013	-	1,295,168	-	-	3,229,017
Total assets	11,462,394	111,158	1,154,983	2,277,939	1,620,730	301,105	502,240	1,295,168	417,877	1,773,271	20,916,865
Liabilities:											
Accounts payable	137,894	1,071	106,914	23,425	191,048	157,519	-	1,268,642	355	-	1,886,868
Accrued payroll	-	-	-	510	2,683	-	-	1,743	-	-	4,936
Due to other funds	-	-	728,890	-	-	-	-	329,404	-	-	1,058,294
Total liabilities	137,894	1,071	835,804	23,935	193,731	157,519	-	1,599,789	355	-	2,950,098
Deferred inflows of resources:											
Deferred inflows from unavailable revenues	188,001	-	-	91,283	-	-	-	-	-	-	279,284
Total deferred inflows for resources	188,001	-	-	91,283	-	-	-	-	-	-	279,284
Total liabilities and deferred inflows of resources	325,895	1,071	835,804	115,218	193,731	157,519	-	1,599,789	355	-	3,229,382
Fund balances:											
Nonspendable	-	-	-	-	-	-	-	-	-	1,000,000	1,000,000
Restricted	11,136,499	110,087	319,179	2,162,721	1,426,999	143,586	502,240	-	417,522	773,271	16,992,104
Unassigned	-	-	-	-	-	-	-	(304,621)	-	-	(304,621)
Total fund balances	11,136,499	110,087	319,179	2,162,721	1,426,999	143,586	502,240	(304,621)	417,522	1,773,271	17,687,483
Total liabilities and fund balances	$ 11,462,394	111,158	1,154,983	2,277,939	1,620,730	301,105	502,240	1,295,168	417,877	1,773,271	20,916,865

CITY OF PORTSMOUTH, VIRGINIA **Exhibit J-2**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2019

	Special Revenue Funds										
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Grants	Children's Services	Willett Hall	Community Development	Asset Forfeiture Fund	Permanent Fund - Cemetery	Total
Revenues:											
Intergovernmental	$ 10,502,620	-	14,956,203	-	2,933,409	1,123,704	-	2,656,870	218,727	-	32,391,533
Charges for services	287,687	54,542	-	8,323,116	-	-	805	-	-	44,700	8,710,850
Investment income	131,046	-	-	63,198	-	-	-	-	5,319	20,395	219,958
Recovered costs	-	-	94,046	-	-	-	5,624	-	-	-	99,670
Use of property	-	-	-	-	-	-	3,098	-	-	-	3,098
Program income	-	-	-	-	-	-	-	175,260	-	-	175,260
Miscellaneous	16,872	-	214	-	242,695	-	-	-	-	-	259,781
Total revenues	10,938,225	54,542	15,050,463	8,386,314	3,176,104	1,123,704	9,527	2,832,130	224,046	65,095	41,860,150
Expenditures:											
Current:											
General government	-	-	-	-	20,140	-	-	-	-	-	20,140
Judicial	-	-	-	-	1,080,780	-	-	-	49,375	-	1,130,155
Public safety	-	-	-	-	589,277	-	-	-	3,253	-	592,530
Public works	-	-	-	1,810,178	14,251	-	-	-	-	-	1,824,429
Health and welfare	9,059,656	-	16,161,792	-	564,011	1,637,235	-	-	-	-	27,422,694
Parks, recreational, cultural	-	8,170	-	-	388,841	-	139,883	-	-	-	536,894
Community development	-	-	-	-	-	-	-	686,285	-	-	686,285
Capital outlay	187,090	-	-	450,989	526,660	-	-	2,245,504	-	-	3,410,243
Total expenditures	9,246,746	8,170	16,161,792	2,261,167	3,183,960	1,637,235	139,883	2,931,789	52,628	-	35,623,370
Revenues over (under) expenditures	1,691,479	46,372	(1,111,329)	6,125,147	(7,856)	(513,531)	(130,356)	(99,659)	171,418	65,095	6,236,780
Other financing sources (uses):											
Transfers from other funds	718,489	-	2,441,552	-	169,248	498,187	130,000	-	-	-	3,957,476
Transfers to other funds	(524,260)	-	(930,489)	(6,692,134)	-	-	-	-	(55,763)	-	(8,202,646)
Total other financing sources (uses), net	194,229	-	1,511,063	(6,692,134)	169,248	498,187	130,000	-	(55,763)	-	(4,245,170)
Net change in fund balances	1,885,708	46,372	399,734	(566,987)	161,392	(15,344)	(356)	(99,659)	115,655	65,095	1,991,610
Fund balances, beginning of year	9,250,791	63,715	(80,555)	2,729,708	1,265,607	158,930	502,596	(204,962)	301,867	1,708,176	15,695,873
Fund balances, end of year	$ 11,136,499	110,087	319,179	2,162,721	1,426,999	143,586	502,240	(304,621)	417,522	1,773,271	17,687,483

CITY OF PORTSMOUTH, VIRGINIA **Exhibit J-3**

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Special Revenue Funds
Year ended June 30, 2019

	Behavioral Health Services			Public Law Library		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Intergovernmental	$ 11,175,626	10,502,620	(673,006)	-	-	-
Charges for services	557,500	287,687	(269,813)	31,026	54,542	23,516
Investment income	-	131,046	131,046	-	-	-
Miscellaneous	75,000	16,872	(58,128)	-	-	-
Total revenues	11,808,126	10,938,225	(869,901)	31,026	54,542	23,516
Expenditures:						
Health and welfare	11,805,495	9,059,656	2,745,839	-	-	-
Parks, recreational, and cultural	-	-	-	31,026	8,170	22,856
Capital outlay	191,200	187,090	4,110	-	-	-
Total expenditures	11,996,695	9,246,746	2,749,949	31,026	8,170	22,856
Revenues over (under) expenditures	(188,569)	1,691,479	1,880,048	-	46,372	46,372
Other financing sources (uses) -						
Transfers from other funds	718,489	718,489	-	-	-	-
Transfers to other funds	(541,610)	(524,260)	17,350	-	-	-
Total other financing sources (uses), net	176,879	194,229	17,350	-	-	-
Revenues and other financing sources over expenditures and other financing uses	$ (11,690)	1,885,708	1,897,398	$ -	46,372	46,372
Fund balances at beginning of year		9,250,791	9,250,791		63,715	63,715
Fund balances at end of year		11,136,499	11,148,189		110,087	110,087

CITY OF PORTSMOUTH, VIRGINIA **Exhibit J-3 (continued)**

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Special Revenue Funds
Year ended June 30, 2019

	Social Services			Stormwater Management		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Intergovernmental	$ 16,202,824	14,956,203	(1,246,621)	-	-	-
Charges for services	-	-	-	8,356,434	8,323,116	(33,318)
Investment income	-	-	-	-	63,198	63,198
Recovered costs	99,000	94,046	(4,954)	-	-	-
Miscellaneous	10,000	214	(9,786)	-	-	-
Use of fund balance	-	-	-	1,000,000	-	(1,000,000)
Total revenues	16,311,824	15,050,463	(1,261,361)	9,356,434	8,386,314	(970,120)
Expenditures:						
Health and welfare	18,612,831	16,161,792	2,451,039	-	-	-
Public works	-	-	-	2,241,181	1,810,178	431,003
Capital outlay	-	-	-	451,000	450,989	11
Total expenditures	18,612,831	16,161,792	2,451,039	2,692,181	2,261,167	431,014
Revenues over (under) expenditures	(2,301,007)	(1,111,329)	1,189,678	6,664,253	6,125,147	(539,106)
Other financing sources (uses) -						
Transfers from other funds	3,237,270	2,441,552	(795,718)	-	-	-
Transfers to other funds	(936,264)	(930,489)	5,775	(6,664,253)	(6,692,134)	(27,881)
Total other financing sources (uses), net	2,301,006	1,511,063	(789,943)	(6,664,253)	(6,692,134)	(27,881)
Revenues and other financing sources over expenditures and other financing uses	$ (1)	399,734	399,735	$ -	(566,987)	(566,987)
Fund balances at beginning of year		(80,555)	(68,266)		2,729,708	2,729,708
Fund balances at end of year		319,179	331,469		2,162,721	2,162,721

CITY OF PORTSMOUTH, VIRGINIA **Exhibit J-3 (continued)**

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Special Revenue Funds
Year ended June 30, 2019

	Childrens Services			Willett Hall		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Intergovernmental	$ 1,935,225	1,123,704	(811,521)	-	-	-
Charges for services	-	-	-	20,000	805	(19,195)
Recovered costs	-	-	-	125,000	5,624	(119,376)
Use of property	-	-	-	70,000	3,098	(66,902)
Miscellaneous	-	-	-	2,156	-	(2,156)
Total revenues	1,935,225	1,123,704	(811,521)	217,156	9,527	(207,629)
Expenditures:						
Health and welfare	2,554,580	1,637,235	917,345	-	-	-
Parks, recreational, and cultural	-	-	-	347,156	139,883	207,273
Total expenditures	2,554,580	1,637,235	917,345	347,156	139,883	207,273
Revenues over (under) expenditures	(619,355)	(513,531)	105,824	(130,000)	(130,356)	(356)
Other financing sources (uses) -						
Transfers from other funds	619,355	498,187	(121,168)	130,000	130,000	-
Total other financing sources (uses), net	619,355	498,187	(121,168)	130,000	130,000	-
Revenues and other financing sources over expenditures and other financing uses	$ -	(15,344)	(15,344)	$ -	(356)	(356)
Fund balances at beginning of year		158,930	158,930		502,596	502,596
Fund balances at end of year		143,586	143,586		502,240	502,240

CITY OF PORTSMOUTH, VIRGINIA **Exhibit J-3 (continued)**

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Special Revenue Funds
Year ended June 30, 2019

	Asset Forfeiture Fund		
	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Intergovernmental	$ 224,934	218,727	(6,207)
Investment income	-	5,319	5,319
Total revenues	224,934	224,046	(888)
Expenditures:			
Judicial	184,904	49,375	135,529
Public Safety	207,394	3,253	204,141
Capital outlay	37,081	-	37,081
Total expenditures	429,379	52,628	376,751
Revenues over (under) expenditures	(204,445)	171,418	375,863
Other financing sources (uses) -			
Transfers to other funds	(55,766)	(55,763)	3
Total other financing sources (uses), net	(55,766)	(55,763)	3
Revenues and other financing sources over expenditures and other financing uses	$ (260,211)	115,655	375,866
Fund balances at beginning of year		301,867	302,279
Fund balances at end of year		417,522	678,145

Nonmajor Proprietary Funds

THE CITY OF
PORTSMOUTH

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CITY OF PORTSMOUTH, VIRGINIA **Exhibit K-1**

Combining Statement of Net Position

Nonmajor Proprietary Funds

June 30, 2019

	Golf	Parking Authority	Waste Management	Economic Development Authority	Total
Assets:					
Current assets:					
Cash and temporary investments (Note 3)	$ 2,200	263,885	12,736,149	1,600,340	14,602,574
Accounts receivable	34,343	1,782	2,812,854	68	2,849,047
Inventory of supplies	59,568	-	-	-	59,568
Total current assets	96,111	265,667	15,549,003	1,600,408	17,511,189
Noncurrent assets:					
Security deposit receivable	-	-	-	4,016	4,016
Property held for resale	-	-	-	16,728,963	16,728,963
Capital assets:					
Land	9,605,289	679,680	2,909,275	1,205,661	14,399,905
Buildings	2,222,369	18,728,751	65,455	-	21,016,575
Improvements other than buildings	314,073	284,508	-	-	598,581
Machinery, furniture, and equipment	904,901	422,435	12,507,222	-	13,834,558
Construction in progress	-	271,514	-	-	271,514
Total capital assets	13,046,632	20,386,888	15,481,952	1,205,661	50,121,133
Less accumulated depreciation	(2,728,286)	(14,021,200)	(6,064,738)	-	(22,814,224)
Total capital assets, net	10,318,346	6,365,688	9,417,214	1,205,661	27,306,909
Total noncurrent assets	10,318,346	6,365,688	9,417,214	17,938,640	44,039,888
Deferred outflows of resources:					
Deferred outflows from debt refunding	209,908	56,041	-	-	265,949
Deferred outflows related to pensions (Note 7)	122,714	-	614,151	-	736,865
Deferred outflows related to OPEB (Note 8)	14,761	-	29,521	-	44,282
Total outflows of resources	347,383	56,041	643,672	-	1,047,096
Total assets and deferred outflows of resources	10,761,840	6,687,396	25,609,889	19,539,048	62,598,173
Liabilities:					
Current liabilities:					
Accounts payable	51,657	21,532	279,225	24,393	376,807
Accrued interest payable	58,680	35,877	-	69,777	164,334
Accrued payroll	-	-	71	-	71
Deposits	68,619	-	-	-	68,619
Due to other funds (Note 10)	1,603,364	2,335,905	-	53,825	3,993,094
Unearned revenues (Note 12)	-	26,264	-	10,417	36,681
Current compensated absences (Note 5)	44,892	10,046	130,420	-	185,358
Current general obligation bonds (Note 5)	706,861	493,756	-	-	1,200,617
Total current liabilities	2,534,073	2,923,380	409,716	158,412	6,025,581
Noncurrent liabilities:					
Noncurrent compensated absences (Note 5)	38,850	8,255	96,834	-	143,939
Landfill closure and postclosure liability	-	-	5,498,500	-	5,498,500
Noncurrent advances payable	-	819,000	-	-	819,000
Noncurrent general obligation bonds (Note 5)	2,950,746	2,225,931	-	5,217,000	10,393,677
Net pension liability (Note 7)	430,603	-	2,818,157	-	3,248,760
Net OPEB liability (Note 8)	249,813	-	499,625	-	749,438
Total noncurrent liabilities	3,670,012	3,053,186	8,913,116	5,217,000	20,853,314
Deferred inflows related to pensions (Note 7)	96,341	-	192,682	-	289,023
Deferred inflows related to OPEB (Note 8)	61,328	-	122,657	-	183,985
Total liabilities and deferred inflows of resources	6,361,754	5,976,566	9,638,171	5,375,412	27,351,903
Net position:					
Investment in capital assets	6,870,647	3,702,042	9,417,214	1,205,661	21,195,564
Unrestricted	(2,470,561)	(2,991,212)	6,554,504	12,957,975	14,050,706
Total net position	4,400,086	710,830	15,971,718	14,163,636	35,246,270
Total liabilities, deferred inflows of resources and net position	$ 10,761,840	6,687,396	25,609,889	19,539,048	62,598,173

CITY OF PORTSMOUTH, VIRGINIA **Exhibit K-2**

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Nonmajor Proprietary Funds

Year ended June 30, 2019

		Golf	Parking Authority	Waste Management	Economic Development Authority	Total
Operating revenues:						
Charges for services	$	935,022	937,609	11,506,536	-	13,379,167
Use of property		-	-	-	125,000	125,000
Other		93,650	250,119	3,943	1,342	349,054
Total operating revenues		1,028,672	1,187,728	11,510,479	126,342	13,853,221
Operating expenses:						
Personnel services		549,917	161,852	2,083,372	-	2,795,141
Contractual services		331,433	165,941	3,194,737	247,577	3,939,688
Supplies and materials		198,601	14,379	91,932	-	304,912
Utilities		89,277	135,530	6,955	30,494	262,256
Internal charges		33,507	41,625	1,383,078	-	1,458,210
Claims, settlements, and refunds		-	-	121,644	-	121,644
Insurance premiums		-	-	-	2,076	2,076
Rent		85,269	-	-	-	85,269
Depreciation and amortization		121,738	455,230	1,012,456	-	1,589,424
Closure/postclosure		-	-	176,009	-	176,009
Bad debt expense		-	5,983	49,141	316,082	371,206
Other		257,699	43,159	8,894	81,891	391,643
Total operating expenses		1,667,441	1,023,699	8,128,218	678,120	11,497,478
Operating income (loss)		(638,769)	164,029	3,382,261	(551,778)	2,355,743
Nonoperating revenues (expenses):						
Federal revenues		1,033	-	131,671	-	132,704
Investment income		-	-	186,448	21,210	207,658
Interest expense and fiscal charges		(151,760)	(90,495)	-	(155,098)	(397,353)
Local development grants		-	-	-	(155,703)	(155,703)
Contributions from PRHA		-	-	-	952,930	952,930
Net nonoperating revenues (expenses)		(150,727)	(90,495)	318,119	663,339	740,236
Net income (loss) before transfers		(789,496)	73,534	3,700,380	111,561	3,095,979
Transfers from other funds		998,362	34,177	-	-	1,032,539
Transfers to other funds		(19,085)	(258,784)	(3,717,414)	(125,000)	(4,120,283)
Change in net position		189,781	(151,073)	(17,034)	(13,439)	8,235
Net position, beginning of year, as restated*		4,210,305	861,903	15,988,752	14,177,075	35,238,035
Net position, end of year	$	4,400,086	710,830	15,971,718	14,163,636	35,246,270

*Refer to Footnote 17 for details regarding the restatement

CITY OF PORTSMOUTH, VIRGINIA **Exhibit K-3**

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

Year ended June 30, 2019

	Golf	Waste Management	Parking Authority	Economic Development Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	$ 1,080,725	$ 10,966,592	$ 1,190,545	$ 122,258	$ 13,360,120
Payments to suppliers	(1,064,518)	(4,942,407)	(441,465)	(414,643)	(6,863,033)
Payments for land purchases	-	-	-	(5,941,000)	(5,941,000)
Payments to employees	(701,599)	(2,604,586)	(376,141)	-	(3,682,326)
Net cash provided by (used in) operating activities	(685,392)	3,419,599	372,939	(6,233,385)	(3,126,239)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Federal revenue	1,033	131,671	-	-	132,704
Development grants	-	-	-	(155,703)	(155,703)
Interfund loans	485,540	-	175,593	-	661,133
Transfers in	998,362	-	34,177	-	1,032,539
Transfers out	(19,085)	(3,717,414)	(258,784)	(125,000)	(4,120,283)
Net cash provided by (used in) noncapital financing activities	1,465,850	(3,585,743)	(49,014)	(280,703)	(2,449,610)
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES:					
Acquisition of capital assets	-	(755,522)	(40,767)	-	(796,289)
Proceeds from long-term debt	-	-	-	5,217,000	5,217,000
Principal paid on long-term debt	(640,000)	-	(475,000)	-	(1,115,000)
Issuance costs paid	-	-	-	(85,321)	(85,321)
Interest paid	(140,458)	-	(89,152)	-	(229,610)
Net cash used in capital and related financing activities	(780,458)	(755,522)	(604,919)	5,131,679	2,990,780
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	-	186,448	-	21,210	207,658
Net decrease in cash and temporary investments	-	(735,218)	(280,994)	(1,361,199)	(2,377,411)
Cash and temporary investments, beginning of year	2,200	13,471,367	544,879	2,961,539	16,979,985
Cash and temporary investments, end of year	$ 2,200	$ 12,736,149	$ 263,885	$ 1,600,340	$ 14,602,574
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (638,769)	$ 3,382,261	$ 164,029	$ (551,778)	$ 2,355,743
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	121,738	1,012,456	455,230	-	1,589,424
Landfill closure/post-closure	-	176,009	-	-	176,009
Bad debt expense	-	-	-	316,082	316,082
Decrease (increase) in:					
Accounts receivable	-	(494,746)	10,047	(68)	(484,767)
Deposits	52,053	-	-	(4,016)	48,037
Property held for resale	-	-	-	(5,941,000)	(5,941,000)
Deferred outflows	163,700	(159,576)	30,408	-	34,532
Increase (decrease) in:					
Accounts payable	(68,732)	(135,167)	(40,381)	13,030	(231,250)
Accrued payroll	-	(7,411)	(1,253)	-	(8,664)
Unearned revenue	-	-	(1,697)	5,417	3,720
Due to other funds	-	-	-	(71,052)	(71,052)
Compensated absences	449	1,986	515	-	2,950
Net pension liability	(252,478)	2,469	(141,555)	-	(391,564)
Net OPEB liability	46,258	(231,720)	(75,464)	-	(260,926)
Deferred inflows	(83,238)	(126,962)	(26,940)	-	(237,140)
Total adjustments	(20,250)	37,338	208,910	(5,681,607)	(5,455,609)
Net cash provided by (used in) operating activities	$ (659,019)	$ 3,419,599	$ 372,939	$ (6,233,385)	$ (3,099,866)

THE CITY OF
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Internal Service Funds

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PORTSMOUTH

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CITY OF PORTSMOUTH, VIRGINIA **Exhibit L-1**

Combining Statement of Net Position

Internal Service Funds

June 30, 2019

	City Garage	Information Technology	Health Insurance & OPEB	Risk Management	Risk Management - School Board	Total
Assets:						
Current assets:						
Cash and temporary investments (Note 3)	$ 4,066,037	2,215,945	961,532	21,496,274	5,242,380	33,982,168
Accounts receivable	347,262	7,172	23,860	-	-	378,294
Inventory of supplies	595,196	-	-	-	-	595,196
Prepaid expenses	-	191,011	-	-	-	191,011
Deposits-held by others	-	-	-	240,000	-	240,000
Total current assets	5,008,495	2,414,128	985,392	21,736,274	5,242,380	35,386,669
Noncurrent assets:						
Capital assets:						
Land	15,048	-	-	-	-	15,048
Buildings	693,083	-	-	-	-	693,083
Machinery, furniture, and equipment	21,561,591	5,055,286	-	-	-	26,616,877
Intangible assets	-	3,066,238	-	-	-	3,066,238
Total capital assets	22,269,722	8,121,524	-	-	-	30,391,246
Less accumulated depreciation	(19,558,998)	(6,079,452)	-	-	-	(25,638,450)
Total capital assets, net	2,710,724	2,042,072	-	-	-	4,752,796
Deferred outflows of resources:						
Deferred outflows related to pensions (Note 7)	199,337	521,970	-	-	-	721,307
Deferred outflows related to OPEB (Note 8)	29,521	44,282	-	-	-	73,803
Total outflows of resources	228,858	566,252	-	-	-	795,110
Total assets and deferred outlfows of resources	7,948,077	5,022,452	985,392	21,736,274	5,242,380	40,934,575
Liabilities:						
Current liabilities:						
Accounts payable	440,523	100,875	77,137	240,889	-	859,424
Current compensated absences (Note 5)	83,411	139,010	-	3,271	-	225,692
Current claims payable (Note 15)	-	-	1,602,873	2,251,011	-	3,853,884
Total current liabilities	523,934	239,885	1,680,010	2,495,171	-	4,939,000
Noncurrent liabilities:						
Noncurrent claims payable (Note 15)	-	-	-	6,033,157	-	6,033,157
Noncurrent compensated absences (Note 5)	47,778	107,664	-	488	-	155,930
Net pension liability (Note 7)	616,587	2,328,919	-	-	-	2,945,506
Net OPEB liability (Note 8)	499,625	749,438	-	-	-	1,249,063
Total noncurrent liabilities	1,163,990	3,186,021	-	6,033,645	-	10,383,656
Deferred inflows related to pensions (Note 7)	192,682	192,682	-	-	-	385,364
Deferred inflows related to OPEB (Note 8)	122,657	183,985	-	-	-	306,642
Total liabilities and deferred inflows of resources	2,003,263	3,802,573	1,680,010	8,528,816	-	16,014,662
Net position:						
Investment in capital assets	2,710,724	2,050,217	-	-	-	4,760,941
Unrestricted	3,234,090	(830,338)	(694,618)	13,207,458	5,242,380	20,158,972
Total net position	5,944,814	1,219,879	(694,618)	13,207,458	5,242,380	24,919,913
Total liabilities, deferred inflows of resources and net position	7,948,077	5,022,452	985,392	21,736,274	5,242,380	40,934,575

CITY OF PORTSMOUTH, VIRGINIA **Exhibit L-2**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Internal Service Funds

Year ended June 30, 2019

		City Garage	Information Technology	Health Insurance & OPEB	Risk Management	Risk Management - School Board	Total
Operating revenues:							
Charges for services	$	7,468,305	5,518,711	16,479,224	5,306,019	-	34,772,259
Other		72,064	7,856	-	3,040	-	82,960
Total operating revenues		7,540,369	5,526,567	16,479,224	5,309,059	-	34,855,219
Operating expenses:							
Personnel services		2,191,795	5,011,576	-	158,689	-	7,362,060
Contractual services		910,777	2,061,557	1,269,336	346,226	-	4,587,896
Supplies and materials		2,980,748	910,329	-	500	-	3,891,577
Utilities		68,942	111,385	-	2,569	-	182,896
Internal charges		58,296	6,145	-	1,714	-	66,155
Claims, settlements, and refunds		-	-	17,380,078	3,768,366	-	21,148,444
Insurance premiums		-	-	-	1,242,158	-	1,242,158
Depreciation and amortization		853,460	232,146	-	-	-	1,085,606
Other - operating expense		432,017	246,119	1,018,455	(844)	-	1,695,747
Total operating expenses		7,496,035	8,579,257	19,667,869	5,519,378	-	41,262,539
Operating income (loss)		44,334	(3,052,690)	(3,188,645)	(210,319)	-	(6,407,320)
Nonoperating revenues:							
Investment income		-	-	-	-	52,767	52,767
Total nonoperating revenues		-	-	-	-	52,767	52,767
Net income (loss) before transfers		44,334	(3,052,690)	(3,188,645)	(210,319)	52,767	(6,354,553)
Transfers from other funds		-	-	1,000,000	-	5,189,613	6,189,613
Transfers to other funds		(37,900)	(1,660,918)	-	(9,916)	-	(1,708,734)
Change in net position		6,434	(4,713,608)	(2,188,645)	(220,235)	5,242,380	(1,873,674)
Net position, beginning of year		5,938,380	5,933,487	1,494,027	13,427,693	-	26,793,587
Net position, end of year	$	5,944,814	1,219,879	(694,618)	13,207,458	5,242,380	24,919,913

CITY OF PORTSMOUTH, VIRGINIA **Exhibit L-3**

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2019

	City Garage	Information Technology	Health Insurance & OPEB	Risk Management	Risk Management - School Board	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	$ 7,309,100	$ 5,519,395	$ 16,466,709	$ 5,309,059	$ -	$ 34,604,263
Payments to suppliers	(4,423,011)	(3,675,643)	(19,239,454)	(4,653,353)	-	(31,991,461)
Payments to employees	(1,593,743)	(2,266,358)	-	(205,550)	-	(4,065,651)
Net cash provided by (used in) operating activities	1,292,346	(422,606)	(2,772,745)	450,156	-	(1,452,849)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in	-	-	1,000,000	-	5,189,613	6,189,613
Transfers out	(37,900)	(1,660,918)	-	(9,916)	-	(1,708,734)
Net cash provided by (used in) noncapital financing activities	(37,900)	(1,660,918)	1,000,000	(9,916)	5,189,613	4,480,879
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	-	-	-	-	52,767	52,767
Net cash provided by investing activities	-	-	-	-	52,767	52,767
Net increase (decrease) in cash and temporary investments	1,254,446	(2,083,524)	(1,772,745)	440,240	5,242,380	3,080,797
Cash and temporary investments, beginning of year	2,811,591	4,628,757	2,734,277	21,056,034	-	31,230,659
Cash and temporary investments, end of year	$ 4,066,037	$ 2,545,233	$ 961,532	$ 21,496,274	$ 5,242,380	$ 34,311,456
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ 44,334	$ (3,052,690)	$ (3,188,645)	$ (210,319)	$ -	$ (6,407,320)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	853,460	232,146	-	-	-	1,085,606
Decrease (increase) in:						
Accounts receivable	(231,719)	(7,172)	(12,515)	-	-	(251,406)
Prepaid expenses		(191,011)		-	-	(191,011)
Deferred outflows	(22,763)	(31,383)	-	1,637	-	(52,509)
Increase (decrease) in:						
Accounts payable	28,219	(149,097)	(152,579)	52,244	-	(221,213)
Accrued payroll	(340)	-	-	-	-	(340)
Compensated absences	(12,123)	20,403	-	(2,683)	-	5,597
Due to other funds	-	-	(25,000)	-	-	(25,000)
Flexible spending benefits	-	-	(18,155)	-	-	(18,155)
Net pension liability	616,587	2,328,919	-	-	-	2,945,506
Net OPEB liability	56,527	411,452	-	(22,259)	-	445,720
Deferred inflows	(33,181)	15,827	-	(23,556)	-	(40,910)
Nonoperating revenues reported as operating revenues:					-	
Claims payable	-	-	624,149	655,092	-	1,279,241
Total adjustments	1,254,667	2,630,084	415,900	660,475	-	4,961,126
Net cash provided by (used in) operating activities	$ 1,299,001	$ (422,606)	$ (2,772,745)	$ 450,156	$ -	$ (1,446,194)

THE CITY OF
PORTSMOUTH

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Capital Project Funds

THE CITY OF
PORTSMOUTH

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CITY OF PORTSMOUTH, VIRGINIA **Exhibit M**

Capital Project Funds

Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2019

General Government Capital Projects

	FY19 Project Authorization	Prior Year CIP	Current Year Expenditures	Total Expenditures	Current Year Closed/Exp	CIP June 30, 2019 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
1846 Courthouse HVAC Replacement - Closed	$ 298,610	-	78,615	78,615	78,615	-	219,995	26,685	193,310
801 Water Street	4,080,871	-	368,400	3,776,163	368,400	-	304,708	33,373	271,335
ADA Compliance Curb Cuts - Closed	169,692	-	-	-	-	-	169,692	-	169,692
ADA Municipal Facility Compliance - Closed	859,485	13,830	-	731,575	13,830	-	127,910	-	127,910
ADA Municipal Facility Compliance - New	127,909	-	5,898	5,898	-	5,898	122,011	-	122,011
Ballard Ave-Hyman St Improvements	3,141,000	42,730	90,936	133,666	-	133,666	3,007,334	46,239	2,961,095
Benchmark Monumental	25,000	-	-	-	-	-	25,000	25,000	-
Bridge Repairs - New	592,918	-	53,212	53,212	53,212	-	539,706	-	539,706
Brighton ES Roof Replacement	773,000	38,000	519,424	557,424	-	557,424	215,576	40,123	175,453
Burtons Point Road Reconstruction	2,450,000	4,450	127,493	131,943	-	131,943	2,318,057	86,309	2,231,748
CAD System	777,480	-	37,516	643,510	37,516	-	133,970	82,120	51,850
CAMA Software System	300,000	256,568	-	256,568	-	256,568	43,432	-	43,432
Cavalier Manor Athletics Complex	994,763	280,706	666,997	947,703	947,703	-	47,060	3,723	43,337
Cedar Grove Cemetery	167,272	6,000	161,269	167,269	167,269	-	3	-	3
Childrens Museum Staff	150,000	-	-	-	-	-	150,000	50,313	99,687
Churchland Academy Parking Lot Add	527,500	6,162	1,844	8,006	-	8,006	519,494	69,494	450,000
Churchland Bridge	35,562,697	3,431,617	344,154	3,775,771	-	3,775,771	31,786,926	184,345	31,602,581
Churchland Bridge Bike-Ped Enhancements	260,000	-	-	-	-	-	260,000	-	260,000
Churchland High HVAC	4,962,009	741,903	389,343	1,091,060	714,062	417,184	3,870,949	109,806	3,761,143
Churchland HS Stage/Sound/Lighting	345,000	-	-	-	-	-	345,000	-	345,000
Churchland Middle Restroom Renovation	452,628	85,200	-	85,200	-	85,200	367,428	-	367,428
City Fiber Network	3,529,687	743,932	373,603	1,117,535	-	1,117,535	2,412,152	148,517	2,263,635
City Garage Fleet FY2019	3,000,000	-	1,630,583	1,630,583	1,630,583	-	1,369,417	1,368,530	887
City Garage Fleet FY2018	4,033,209	-	29,475	4,015,496	29,475	-	17,713	-	17,713
City Gateways - Closed	-	20,292	(20,292)	-	-	-	-	-	-
City Gateways - New	294,618	-	205,544	205,544	205,544	-	89,074	12,835	76,239
City Gateways - New	50,000	-	14,110	14,110	-	14,110	35,890	-	35,890
City Hall Plumbing System Replacement	550,000	-	37,891	37,891	-	37,891	512,109	21,889	490,220
Citywide Systematic FYA Improvement	1,323,440	33,542	35,270	68,812	-	68,812	1,254,628	15,447	1,239,181

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit M**
Capital Project Funds
Schedule of Expenditures and Encumbrances - Budget and Actual
June 30, 2019

	FY19 Project Authorization	Prior Year CIP	Current Year Expenditures	Total Expenditures	Current Year Closed/Exp	CIP June 30, 2019 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
CMAQ Signal Timing Phase 4	132,000	5,106	12,766	17,872	-	17,872	114,128	117,438	-3,310
Command/E911 Back Up Vehicle	703,791	-	703,791	703,791	703,791	-		-	-
Court/Bart/Pavilion Intersection	1,321,368	64,976	33,837	98,813	-	98,813	1,222,555	30,571	1,191,984
Crime Analysis System	112,250	-	-	-	-	-	112,250	23,950	88,300
Demolition of Buildings - New	586,640	-	197,628	197,628	-	197,628	389,012	374,178	14,834
Drainage Facility Repair Lake Management - New	9,371,904	-	3,985,977	3,985,977	2,515,673	1,470,304	5,385,927	2,799,649	2,586,278
Dredging of Lakes - New	3,861,962	-	23,104	23,104	23,104	-	3,838,858	58,930	3,779,928
DSS Building	360,000	-	-	257,717	-	-	102,283	21,897	80,386
DSS Document Management System	325,000	21,764	245,093	266,857	266,857	-	58,143	34,524	23,619
DSS Roof Repair	615,000	8,340	49,239	57,579	-	57,579	557,421	35,429	521,992
DSS Security Monitoring System	113,327	-	44,779	44,779	-	44,779	68,548	38,380	30,168
Effingham Fire Station Repairs	250,000	5,000	17,806	22,806	-	22,806	227,194	8,510	218,684
Effingham St Imp @ Portsmouth Naval	500,000	-	38,500	38,500	-	38,500	461,500	84,378	377,122
Election Syst. Software (ES&S) & Equipment	540,241	516,508	23,615	540,123	540,123	-	118	-	118
Facility assessments & prelim Engineering	200,000	56,549	114,557	171,106	171,106	-	28,894	6,944	21,950
Future School Project -	40,861	-	68,280	68,280	68,280	-	-27,419	-	-27,419
Harbor Center Pavilion - New	35,000	-	-	-	-	-	35,000	-	35,000
Hazmat Program - New	154,800	-	16,028	16,028	-	16,028	138,772	-	138,772
High Street & Crawford Street Improvements	310,000	8,100	10,325	18,425	-	18,425	291,575	10,775	280,800
Hodges Manor ES Rooftop Unit Replacement	380,000	-	-	-	-	-	380,000	-	380,000
IRC Data Center HVAC & UPS Project	60,000	41,124	-	41,124	-	41,124	18,876	18,876	-
IT Security Audit	100,000	-	2,100	81,207	2,100	-	18,793	-	18,793
James Hurst, Churchland Primary & Inter	2,203,636	184,011	549,082	733,093	-	733,093	1,470,543	988,061	482,482
Landfill Scales	200,000	-	-	-	-	-	200,000	14,284	185,716

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit M**
Capital Project Funds
Schedule of Expenditures and Encumbrances - Budget and Actual
June 30, 2019

	FY19 Project Authorization	Prior Year CIP	Current Year Expenditures	Total Expenditures	Current Year Closed/Exp	CIP June 30, 2019 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Lincoln Park Redevelopment	350,000	-	(11,209)	-	(11,209)	-	350,000	-	350,000
Midtown Corridor	1,338,322	-	-	1,182,400	-	-	155,922	-	155,922
Mt Hermon Preschool Roof Replacement	1,057,000	449,190	572,315	1,021,505	1,021,505	-	35,495	-	35,495
Mt Hermon Rooftop HVAC Units Replacement	250,000	99,562	42,509	142,071	-	142,071	107,929	100,601	7,328
Mt Olive & Mt Calvary Improvements	75,000	-	-	24,350	-	-	50,650	-	50,650
Municipal Access Control	150,000	-	11,427	11,427	-	11,427	138,573	138,490	83
Municipal Security Came	150,000	-	-	-	-	-	150,000	148,485	1,515
Museums-Capital	30,055	-	438	438	-	438	29,617	-	29,617
Neighborhood Roadway & Drainage	2,000,000	424,330	147,026	571,356	-	571,356	1,428,644	177,893	1,250,751
Outside Recreation Facility Repairs - Closed	422,367	-	369,791	369,791	369,791	-	52,576	18,287	34,289
Paradise Creek - Closed	-	87,598	-	591,908	87,598	-	-	-	-
Paradise Creek Bridge Replacement	1,605,000	146,723	138,225	284,948	-	284,948	1,320,052	42,331	1,277,721
Parking Garage Repairs - New	927,953	-	3,550	3,550	3,550	-	924,403	-	924,403
Pavilion Mast/Canopy Replacement	2,439,000	-	2,146,387	2,146,387	2,146,387	-	292,613	929,408	(636,795)
PCCLM Building and Site Improvements	107,000	7,550	-	59,360	-	7,550	47,640	10,028	37,612
Permitting System Replacement	150,000	-	54,435	54,435	54,435	-	95,565	8096	87,469
Portside Festival Site	731,000	49,446	280,206	329,652	-	329,652	401,348	68,349	332,999
Portsmouth Sports Complex Acquisition & Renovation	4,466,432	-	4,289	6,618,978	-	4,289	(2,152,546)	-	(2,152,546)
Primrose/Hatton Street	405,000	5,715	-	5,715	-	5,715	399,285	9,785	389,500
PS New Radio System	11,000,000	-	1,116,792	6,580,168	1,116,792	-	4,419,832	4,004,332	415,500
Public Safety Facilities Plan	1,300,000	154,224	-	154,224	-	154,224	1,145,776	-	1,145,776
Public Utilities Operations Facility Upgrade	600,000	47,811	96,461	144,272	-	144,272	455,728	25,668	430,060
Public Works Building	85,000	8,495	-	8,495	-	8,495	76,505	-	76,505
Rails and Trails	900,000	237,070	62,826	299,896	-	299,896	600,104	23,762	576,342
Recreation Center Enhancements - New	1,197,308	-	821,963	821,963	821,963	-	375,345	212,213	163,132
Repair Of Seawall	1,381,158	-	141,701	1,107,274	-	141,701	273,884	19,032	254,852
Replacement of HVAC - New	563,989	-	170,526	170,526	170,526	-	393,463	-	393,463
Revenue System Treasurer/COR	1,135,917	-	-	-	-	-	1,135,917	-	1,135,917
Roof Replacement - New	1,207,443	-	203,849	203,849	199,499	4,350	1,003,594	-	1,003,594
Roof Replacement - Old	2,235,430	68,604	-	2,235,430	68,604	-	-	-	-

(continued)

CITY OF PORTSMOUTH, VIRGINIA **Exhibit M**

Capital Project Funds

Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2019

	FY19 Project Authorization	Prior Year CIP	Current Year Expenditures	Total Expenditures	Current Year Closed/Exp	CIP June 30, 2019 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
School Bus Fleet Replacement	1,000,000	-	983,110	983,110	983,110	-	16,890	-	16,890
School Safety Improvements	1,000,000	-	980,420	980,420	980,420	-	19,580	-	19,580
Seawall Reinforcement	27,895,269	17,290,851	3,347,164	20,638,015	15,430,038	5,207,977	7,257,254	312,091	6,945,163
Signal System Upgrades Phase V	2,000,000	19,178	230,709	249,887	-	249,887	1,750,113	253,369	1,496,744
Sportsplex Buildings	350,000	-	13,800	13,800	-	13,800	336,200	-	336,200
SWAT Team Delivery & Equipment Truck	196,020	-	193,870	193,870	193,870	-	2,150	-	2,150
Systematic Replacement of Non-MUTCD signs	579,928	30,225	545	30,770	-	30,770	549,158	545	548,613
Traffic Inventory - New	100,000	-	37,421	37,421	37,421	-	62,579	65,383	-2,804
Traffic Signal Improvements - New	227,501	-	131,066	131,066	131,066	-	96,435	44,436	51,999
Turnpike Road Improve	778,950	-	61,043	560,846	61,043	-	218,104	-	218,104
Upgrade City's Traffic Signal (2 - 4)	6,502,191	-	1,500	6,431,762	-	1,500	70,429	55,645	14,784
Upgrading Existing City Fuel Stations	450,000	-	25,224	25,224	-	25,224	424,776	-	424,776
Various Building Renovations - New	1,921,881	-	239,059	239,059	222,653	16,406	1,682,822	44,625	1,638,197
VPDES Permit Compliance - New	7,182,072	6,307	2,886,545	2,886,545	2,892,852	-	4,295,527	2,120,271	2,175,256
W Wilson HS HVAC Cooling Tower Replacement	410,652	14,349	8,400	22,749	-	22,749	387,903	41,600	346,303
Waste Management Building	2,900,000	223,865	1,494	225,359	-	225,359	2,674,641	344,356	2,330,285
Water Treatment Plant Building	150,000	-	18,118	18,118	-	18,118	131,882	114,286	17,596
Westhaven Bicycle Improvements	500,000	25,470	47,381	72,851	-	72,851	427,149	29,825	397,324
Westhaven Elementary Roof	1,829,207	928,295	898,205	1,826,500	1,826,500	-	2,707	-	2,707
Wilson High PA	181,000	-	157,935	157,935	157,935	-	23,065	-	23,065
Woodrow Wilson High School Roof	2,751,116	1,407,840	1,147,440	2,555,280	2,555,280	-	195,836	22,727	173,109
Woodrow Wilson HS Restroom Renovation	876,000	-	-	-	-	-	876,000	-	876,000
	$ 190,318,729	28,349,108	29,071,748	90,343,318	40,058,872	17,361,984	100,567,319	16,377,441	84,189,878

When a project is authorized, financing is either presently available or general obligation bonds are authorized to be issued. In anticipation of the issuance of general obligation bonds, bond anticipation notes may be utilized to provide temporary financing. As of June 30, 2019, $100,567,319, represents the amount authorized but not yet spent. This includes committments totaling $16,377,441 that have been reserved for encumbrances for capitalizable and non capitalizable expenditures.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit M**
Capital Project Funds
Schedule of Expenditures and Encumbrances - Budget and Actual
June 30, 2019

Public Utility Capital Projects Fund

	FY19 Project Authorization	Prior Year CIP	Current Year Expenditure	Current Year Closed/Exp	Total Expenditure	CIP June 30, 2019 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Lake Kilby Filter Replacement	$ 48,600,000	$ 17,977,008	$ 15,560,635	$ -	$ 33,537,643	$ 33,537,643	$ 15,062,357	$ 13,327,899	$ 1,734,458
Downtown Master Utility	40,900,000	11,530,819	5,099,406	-	27,964,239	16,630,225	12,935,761	2,221,327	10,714,434
Sanitary Sewer Overflow	33,365,449	4,355,858	2,178,634	(515,130)	16,928,284	6,019,362	16,437,165	7,752,370	8,684,795
Infrastructure Improvements	21,793,355	3,150,530	691,529	(286,248)	5,616,176	3,555,811	16,177,179	1,989,196	14,187,983
Low Pressure Transmission Main	48,250,000	3,006,595	1,274,096	-	6,013,570	4,280,691	42,236,430	1,108,782	41,127,648
Miscellaneous Sewer/Sewer Pump Station	17,498,167	7,858,633	1,783,373	(4,164,920)	11,383,574	5,477,086	6,114,593	1,761,461	4,353,132
Meter Replacement	14,999,000	-	246,047	(246,047)	10,264,805	-	4,734,195	112,844	4,621,351
Replacement of Water Plant Equipment	8,220,396	2,177,000	131,275	-	4,133,389	2,308,275	4,087,007	733,549	3,353,458
Sewer Cave In	7,124,238	2,717,891	536,883	(166,006)	6,463,029	3,088,768	661,209	359,098	302,111
Miscellaneous Water Improvements	6,124,524	871,800	906,510	(376,332)	4,592,308	1,401,978	1,532,216	631,794	900,422
Water Tank Rehab	5,500,000	134,848	134,496	-	1,367,657	269,344	4,132,343	264,977	3,867,366
MUNIS Upgrade	704,000	245,250	36,278	-	281,528	281,528	422,472	376,174	46,298
Dam Upgrades	4,033,083	25,584	616,774	-	646,628	642,358	3,386,455	265,513	3,120,942
Lake Cohoon Raw Water Pump Station	610,575	-	15,344	-	15,344	15,344	595,231	94,248	500,983
Suction Well Rehab	10,518,290	-	11,610	-	11,610	11,610	10,506,680	343,025	10,163,655
Scada Upgrades	500,000	-	11,340	-	11,340	11,340	488,660	153,388	335,272
	$ 268,741,077	$ 54,051,816	$ 29,234,230	$ (5,754,683)	$ 129,231,124	$ 77,531,363	$ 139,509,953	$ 31,495,645	$ 108,014,308

In addition to the amount of $77,531,363 shown above as expended as of June 30, 2019, $4,589,865 for capitalized interest, bringing total construction in progress to $82,121,228. As of June 30, 2019, $139,509,953 represents the amount authorized but not yet spent. This includes commitments totaling $31,495,645 that have been reserved for encumbrances for capitalizable and non capitalizable expenditures. When a project is authorized, financing is either presently available or general obligation public utility bonds or revenue bonds are authorized to be issued. In anticipation of the issuance of general obligation public utility bonds or revenue bonds, bond anticipation notes may be utilized to provide temporary financing.

CITY OF PORTSMOUTH, VIRGINIA **Exhibit M**

Capital Project Funds

Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2019

Parking Authority Capital Projects Fund

	FY19 Project Authorization	Prior Year CIP	Current Year Expenditure	Total Expenditure	Current Year Closed/Exp	CIP June 30, 2019 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
County Street Parking Garage Replacement	$ 1,750,000	230,747	40,767	271,514	-	271,514	1,478,486	44,377	1,434,109
Garage Facilities Repair	597,044	-	3,200	575,961	3,200	-	21,083	8,350	12,733
	$ 2,347,044	230,747	43,967	847,475	3,200	271,514	1,499,569	52,727	1,446,842

As of June 30, 2019, the ending capital improvements balance for Parking Authority is $271,514. When a project is authorized, financing is either presently available or general obligation bonds are authorized to be issued. In anticipation of the issuance of general obligation bonds, bond anticipation notes may be utilized to provide temporary financing. As of June 30, 2019, $1,499,569 represents the amount authorized but not yet spent. This includes committments totaling $52,727 that have been reserved for encumbrances for capitalizable and non capitalizable expenditures.

Fiduciary Funds

THE CITY OF
PORTSMOUTH

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CITY OF PORTSMOUTH, VIRGINIA **Exhibit N-1**

Combining Statement of Fiduciary Net Position

Fiduciary Funds - Pension OPEB Trust Funds

June 30, 2019

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System	OPEB	Total
Assets				
Cash and temporary investments	$ 1,395,456	4,010,121	-	5,405,577
Investments:				
Cash equivalents	-	-	884,584	884,584
Stocks	38,929,000	115,357,806	2,274,646	156,561,452
Bonds	12,437,623	36,856,249	-	49,293,872
Real estate	1,257,594	3,726,612	294,861	5,279,067
Other investments	-	-	758,215	758,215
Total investments	52,624,217	155,940,667	4,212,306	212,777,190
Total assets	54,019,673	159,950,788	4,212,306	218,182,767
Net position restricted for pensions and OPEB	54,019,673	159,950,788	4,212,306	218,182,767

CITY OF PORTSMOUTH, VIRGINIA **Exhibit N-2**

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds - Pension OPEB Trust Funds

Year ended June 30, 2019

		Portsmouth Supplement Retirement System	Portsmouth Fire and Police Retirement System	OPEB	Total
Additions:					
Contributions					
Employers' contributions	$	2,350,640	7,535,021	1,000,000	10,885,661
Investment income -					
Interest		1,069,934	3,177,917	-	4,247,851
Gains		2,784,338	8,239,428	169,344	11,193,110
Net investment income		3,854,272	11,417,345	169,344	15,440,961
Total additions		6,204,912	18,952,366	1,169,344	26,326,622
Deductions:					
Benefit payments		8,140,802	21,922,564	-	30,063,366
Administrative expenses		60,617	173,148	3,513	237,278
Net decrease		8,201,419	22,095,712	3,513	30,300,644
Change in net position		(1,996,507)	(3,143,346)	1,165,831	(3,974,022)
Net position restricted for pension OPEB benefits, beginning of year		56,016,180	163,094,134	3,046,475	222,156,789
Net position restricted for pension OPEB benefits, end of year	$	54,019,673	159,950,788	4,212,306	218,182,767

CITY OF PORTSMOUTH, VIRGINIA **Exhibit N-3**

Statement of Changes in Assets and Liabilities

Fiduciary Funds-Agency Fund

Year ended June 30, 2019

Description		Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Assets:					
Cash and temporary investments	$	(6,442)	62,853	(20,037)	36,374
		(6,442)	62,853	(20,037)	36,374
Liabilities:					
Accounts payable		(6,442)	62,853	(20,037)	36,374
	$	(6,442)	62,853	(20,037)	36,374

THE CITY OF
PORTSMOUTH

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STATISTICAL SECTION

This section of the city of Portsmouth's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Financial Trends

These contain information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity

These help the reader assess the factors affecting the city's ability to generate its own-source revenues.

Debt Capacity

These present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic information

These offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.

Operating information

These contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

THE CITY OF
PORTSMOUTH

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CITY OF PORTSMOUTH, VIRGINIA **A-1**

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Governmental activities:										
Net investment in capital assets	$ 179,076,283	$ 186,101,165	$ 196,244,783	$ 210,854,679	$ 232,550,945	$ 244,408,023	$ 241,411,418	$ 242,691,679	$ 220,454,135	$ 200,446,790
Restricted	16,014,789	15,421,510	45,127,451	40,782,876	75,183,391	51,224,402	49,061,774	55,330,226	22,041,451	52,109,797
Unrestricted (deficit)	32,818,638	33,924,914	11,685,932	17,497,544	(198,671,005)	(283,629,516)	(251,725,514)	(248,155,977)	(194,467,639)	(175,399,829)
Total governmental activities net position	227,909,710	235,447,589	253,058,166	269,135,099	109,063,331	12,002,909	38,747,678	49,865,928	48,027,947	77,156,758
Business-type activities:										
Net investment in capital assets	122,952,622	128,135,654	132,261,301	140,080,861	146,080,861	151,551,705	126,805,696	144,631,061	153,628,157	181,733,546
Restricted	12,131	-	22,450	-	-	-	-	2,508,031	-	-
Unrestricted	33,143,573	39,934,125	44,949,451	45,783,929	40,508,841	34,241,084	71,131,481	64,151,335	51,257,896	41,768,401
Total business-type activities net position	156,108,326	168,069,779	177,233,202	185,864,790	186,589,702	185,792,789	197,937,177	211,290,427	204,886,053	223,501,947
Primary Government:										
Net investment in capital assets	302,028,905	314,236,819	328,506,084	350,935,540	378,631,806	395,959,728	368,217,114	387,322,740	374,082,292	382,180,336
Restricted	16,026,920	15,421,510	45,149,901	40,782,876	75,183,391	51,224,402	49,061,774	57,838,257	22,041,451	52,109,797
Unrestricted (deficit)	65,962,211	73,859,039	56,635,383	63,281,473	(158,162,164)	(249,388,432)	(180,594,033)	(184,004,642)	(143,209,743)	(133,631,428)
Total Primary Government net position	$ 384,018,036	$ 403,517,368	$ 430,291,368	$ 454,999,889	$ 295,653,033	$ 197,795,698	$ 236,684,855	$ 261,156,355	$ 252,914,000	$ 300,658,705

CITY OF PORTSMOUTH, VIRGINIA **A-2**

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019***
Expenses:										
Governmental activities:										
General government	$ 25,866,086	$ 28,573,377	$ 30,092,575	$ 27,914,580	$ 195,651,602	$ 30,847,939	$ 25,571,539	$ 37,937,076	$ 42,436,115	$ 38,413,786
Nondepartmental	-	-	-	-	-	-	-	-	-	-
Judicial	21,162,771	20,042,432	19,262,329	23,819,021	25,931,635	22,663,405	24,814,308	23,792,900	20,427,454	20,000,218
Public safety	63,317,938	62,543,317	67,822,960	66,483,899	58,678,933	56,785,068	51,693,737	56,460,539	55,762,645	60,442,523
Public works	20,801,656	20,669,966	19,227,479	18,919,255	22,082,142	24,259,546	20,442,395	30,344,639	35,206,810	26,998,794
Health and welfare	39,291,574	38,261,597	37,676,063	34,805,940	35,701,774	32,894,672	32,409,223	30,170,881	29,216,518	27,543,060
Parks, recreational, and cultural	12,702,857	12,333,047	12,165,461	12,107,699	10,405,765	9,868,300	11,067,649	10,808,887	6,781,419	12,450,105
Community development	14,441,114	7,738,435	8,697,999	9,317,701	7,924,716	6,474,948	6,020,487	8,253,909	6,364,265	8,486,376
Education	54,518,784	50,591,187	51,759,963	41,411,783	52,948,197	55,140,801	53,908,322	55,180,440	46,578,589	51,759,910
Interest on long-term debt	10,486,906	13,258,680	12,743,363	13,535,905	19,560,389	19,484,834	18,198,185	15,532,828	15,649,378	17,378,172
Total governmental activities expenses	262,589,686	254,012,038	259,448,192	248,315,783	428,885,153	258,419,513	244,125,845	268,482,099	258,423,193	263,472,944
Business-type activities:										
Public Utility	21,621,779	21,142,197	23,289,442	21,168,537	25,719,104	23,945,770	22,974,962	22,740,807	32,062,023	28,170,625
Golf	2,393,003	2,322,045	2,218,731	2,104,720	2,406,829	2,336,303	2,050,694	1,697,090	2,067,354	1,819,201
Port Facility and Economic Development	66,520	46,118	46,119	46,118	46,118	46,119	-	-	-	-
Parking Authority	1,625,763	1,582,680	1,558,720	1,348,920	1,395,552	1,185,598	1,151,506	1,176,209	1,119,619	1,114,194
Economic Development Authority	-	-	-	-	-	-	-	-	-	988,921
Waste Management	14,138,088	13,576,422	11,779,665	9,662,917	10,559,613	10,245,752	10,041,170	10,186,922	9,652,409	8,128,218
Total business-type activities expenses	39,845,153	38,669,462	38,892,677	34,331,212	40,127,216	37,759,542	36,218,332	35,801,028	44,901,405	40,221,159
Total Primary Government expenses	302,434,839	292,681,500	298,340,869	282,646,995	469,012,369	296,179,055	280,344,177	304,283,127	303,324,598	303,694,103
Program Revenues:										
Governmental activities:										
Charges for services										
General government	1,774,399	1,891,508	1,785,252	3,104,397	3,395,648	3,191,781	2,922,590	3,197,150	3,202,906	3,500,310
Judicial	240,998	708,180	1,004,567	343,106	271,277	576,660	571,659	178,372	159,077	2,336,975
Public safety	2,637,180	1,673,586	2,119,660	2,497,470	1,676,260	3,528,623	3,586,477	2,432,614	3,299,769	3,649,855
Public works	6,330,032	6,880,735	7,316,713	7,809,614	8,017,983	7,596,091	7,602,200	7,645,659	8,659,518	9,405,532
Health and welfare	414,062	538,388	519,049	600,194	596,831	973,317	1,242,294	806,120	1,884,948	3,192,307
Parks, recreation, and cultural	1,352,352	1,302,264	2,160,956	2,587,705	2,396,043	2,321,055	2,992,632	2,405,301	2,455,855	2,329,340
Community development	495,427	518,730	523,373	1,149,814	1,206,617	1,971,830	3,397,562	3,676,204	1,988,338	3,709,517
Operating grants and contributions	82,372,531	77,217,853	86,594,753	70,737,857	71,792,163	67,982,527	66,867,871	67,314,255	64,669,930	62,722,800
Capital grants and contributions	4,635,095	3,344,556	6,070,568	1,422,747	2,655,741	5,052,229	696,766	2,188,987	3,145,146	314,197
Total governmental activities program revenues	100,252,076	94,075,800	108,094,891	90,252,904	92,008,563	93,194,113	89,880,051	89,844,662	89,465,487	91,160,833
Business-type activities:										
Charges for services:										
Public Utility	35,530,749	39,910,309	39,594,823	39,563,702	41,678,038	41,521,351	44,203,060	42,498,157	41,663,524	41,460,539
Golf	1,329,452	1,305,030	1,355,710	1,128,337	1,082,375	1,096,110	1,175,592	873,507	1,095,721	935,022
Parking Authority	1,071,822	1,060,760	1,111,152	1,118,200	1,093,811	924,588	995,542	953,160	973,460	937,609
Economic Development Authority	-	-	-	-	-	-	-	-	-	1,078,463
Waste Management	15,037,913	14,123,658	12,765,158	12,502,496	12,331,294	11,751,149	12,438,646	12,573,844	11,397,440	11,506,536

*Effective for 2019, the Economic Development Authority is reported as a blended component unit of the primary government and is included in business-type activities.

CITY OF PORTSMOUTH, VIRGINIA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

A-2 (continued)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-type activities, continued:										
Operating grants and contributions	$ 680,000	$ 680,000	$ 680,000	$ 280,000	$ -	$ -	$ -	$ -	$ -	$ 154,525
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	53,649,936	57,079,757	55,506,843	54,592,735	56,185,518	55,293,198	58,812,840	59,898,668	55,130,145	56,072,694
Total Primary Government program revenues	153,902,012	151,155,557	163,601,734	144,845,639	148,194,081	148,487,311	148,692,891	146,743,330	144,595,632	147,079,002
Net (Expense)/Revenue										
Governmental activities	(162,337,610)	(159,936,238)	(151,353,301)	(158,062,879)	(336,876,590)	(165,225,400)	(154,245,794)	(178,637,437)	(168,957,706)	(172,312,111)
Business-type activities	13,804,783	18,410,295	16,614,166	20,261,523	16,058,302	17,533,656	22,594,508	21,097,640	10,228,740	15,851,535
Total Primary Government net (expense)/revenue	(148,532,827)	(141,525,943)	(134,739,135)	(137,801,356)	(320,818,288)	(147,691,744)	(131,651,286)	(157,539,797)	(158,728,966)	(156,460,576)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
General property taxes	120,258,870	115,291,349	118,370,186	116,035,670	116,536,186	116,197,273	119,741,652	118,800,657	120,322,381	125,246,599
Other local taxes	36,601,504	34,894,374	35,064,984	35,995,762	37,674,332	39,934,290	38,783,705	39,194,725	39,144,817	40,277,057
Utility taxes	7,579,044	7,709,251	7,418,449	8,047,196	8,145,465	8,001,981	8,053,834	8,019,365	8,154,958	8,328,132
Investment earnings	168,877	168,418	102,301	1,291,260	591,371	662,555	1,480,919	1,040,792	2,438,303	2,411,049
Net gain on disposal of capital assets	-	-	(75,704)	-	-	-	-	-	-	-
Miscellaneous	2,568,498	2,302,921	2,433,785	3,863,492	6,192,905	3,776,579	4,193,125	12,577,198	17,197,309	5,722,887
Transfers	6,896,667	7,106,789	8,008,973	9,928,251	9,006,934	9,244,703	9,336,088	10,122,950	8,722,105	13,369,690
Total governmental activities	174,073,460	167,473,102	171,322,974	175,161,631	178,147,193	177,817,381	181,589,323	189,755,687	195,979,873	195,355,414
Business-type activities:										
Contributions-Land	-	-	-	-	-	268,297	-	-	-	-
Investment earnings	154,560	106,869	95,376	170,968	537,392	486,790	485,672	747,570	1,371,144	1,275,565
Gain on sale of capital assets	32,775	(69,991)	-	-	-	-	-	-	-	-
Miscellaneous	499,410	716,744	462,854	713,526	593,289	587,082	772,630	1,630,990	369,061	681,409
Transfers	(6,984,391)	(7,106,789)	(8,008,973)	(9,928,251)	(9,006,934)	(9,244,703)	(9,921,248)	(10,122,950)	(8,722,105)	(13,369,690)
Total business-type activities	(6,297,646)	(6,353,167)	(7,450,743)	(9,043,757)	(7,876,253)	(7,902,534)	(8,662,946)	(7,744,390)	(6,981,900)	(11,412,716)
Total Primary Government	167,775,814	161,119,935	163,872,231	166,117,874	170,270,940	169,914,847	172,926,377	182,011,297	188,997,973	183,942,698
Change in Net Position:										
Governmental activities	11,735,850	7,536,864	19,969,673	17,098,752	(158,729,397)	12,591,981	27,343,529	11,118,250	27,022,167	23,043,303
Business-type activities	7,507,137	12,057,128	9,163,423	11,217,766	8,182,049	9,631,122	13,931,562	13,353,250	3,246,840	4,438,819
Total Primary Government	$ 19,242,987	$ 19,593,992	$ 29,133,096	$ 28,316,518	$ (150,547,348)	$ 22,223,103	$ 41,275,091	$ 24,471,500	$ 30,269,007	$ 27,482,122

CITY OF PORTSMOUTH, VIRGINIA **A-3**
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2010	2011*	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	$ 2,934,768	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	45,394,978	-	-	-	-	-	-	-	-	-
Nonspendable	-	2,660,735	2,464,610	2,278,106	2,081,981	1,635,945	1,439,820	-	1,129,260	819,000
Restricted	-	140,677	295,762	18,549,834	233,444	254,070	231,460	3,088,288	595,922	328,618
Committed	-	-	7,880,834	7,187,371	16,652,635	-	-	-	5,817,715	5,735,921
Assigned	-	60,627	5,846	-	-	4,640,047	6,035,208	5,835,038	6,843,249	2,909,455
Unassigned	-	48,667,799	53,631,444	236,707,641	52,168,051	54,088,231	58,427,712	57,358,331	56,699,726	61,443,205
Total General Fund	48,329,746	51,529,838	64,278,496	264,722,952	71,136,111	60,618,293	66,134,200	66,281,657	71,085,872	71,236,199
All Other Governmental Funds										
Reserved	17,861,357	-	-	-	-	-	-	-	-	-
Unreserved, reported in:					-					
Special revenue funds	19,580,665	-	-	-	-	-	-	-	-	-
Permanent funds (1)	448,205	-	-	-	-	-	-	-	-	-
Capital projects funds	56,173,437	-	-					-	-	
Nonspendable	-	1,002,223	1,002,223	1,002,223	1,002,223	1,002,223	1,002,223	-	1,000,277	1,000,000
Restricted	-	72,136,623	43,831,689	39,629,756	55,095,264	49,610,850	48,830,314	46,150,142	25,401,502	55,420,167
Committed	-	689,701	623,988	367,043	423,876	-	-	-	10,643,271	10,673,489
Assigned	-	-	-	618,921	311,668	421,026	657,536	-	-	-
Unassigned	-	(29,999)	(278,692)	-	(617,700)	(3,194,659)	(2,124,671)	(2,443,922)	(285,517)	(304,621)
Total all other governmental funds	$ 94,063,664	$ 73,798,548	$ 45,179,208	$ 41,617,943	$ 56,215,331	$ 47,839,440	$ 48,365,402	$ 43,706,220	$ 36,759,533	$ 66,789,035

*Classification change (GASB54) beginning in FY11 Special Revenue, Permanent, & Capital Projects fund balance is comprised of Restricted, Committed, and Assigned fund balances

CITY OF PORTSMOUTH, VIRGINIA **A-4**

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	$ 163,986,237	$ 159,191,656	$ 160,062,205	$ 160,108,769	$ 161,907,337	$ 164,133,541	$ 165,989,121	$ 165,316,609	$ 166,143,061	$ 174,299,649
Licenses and permits	1,136,981	1,117,152	883,022	832,610	959,486	954,328	1,133,825	1,101,703	1,184,721	970,984
Fines and forfeitures	184,741	572,821	853,101	867,213	633,409	692,844	623,879	393,231	407,379	430,782
Investment income and use of property	2,287,625	2,316,889	2,179,404	1,952,293	2,034,326	2,104,418	1,864,034	2,256,497	3,614,523	3,904,685
Charges for services	9,773,256	9,468,478	11,795,141	12,796,551	12,659,493	12,795,031	13,227,327	12,300,039	13,820,844	13,533,254
Recovered costs	4,331,770	4,085,061	3,708,285	3,598,403	3,842,764	3,935,523	3,880,881	3,094,150	3,250,747	3,320,565
Miscellaneous	9,434,921	4,931,402	17,765,172	4,451,002	6,252,378	3,678,609	4,432,350	6,981,435	4,707,444	4,910,656
Intergovernmental	78,583,705	76,639,575	75,920,149	72,780,080	74,876,626	75,974,575	73,090,368	73,792,879	70,603,236	72,716,057
Program income	-	-	-	-	-	-	-	-	326,162	175,260
Total revenues and other sources	269,719,236	258,323,034	273,166,479	257,386,921	263,165,819	264,268,869	264,241,785	265,236,543	264,058,117	274,261,892
Expenditures										
General government	15,503,424	15,711,620	15,501,466	15,905,233	17,178,147	17,584,368	16,668,136	17,279,723	18,831,693	17,755,008
Nondepartmental	9,276,215	9,975,985	11,496,297	12,138,227	180,581,237	12,584,942	11,586,048	11,609,303	11,230,129	15,207,616
Judicial	19,198,298	18,945,494	18,496,993	20,179,701	20,547,549	20,977,970	19,135,481	18,825,217	18,987,412	18,593,526
Public safety	60,853,783	60,446,711	62,240,428	61,441,195	54,113,766	57,143,666	53,900,072	56,384,491	59,002,490	58,790,353
Public works	15,539,098	16,033,880	15,588,397	16,786,940	17,804,330	19,857,877	17,460,963	16,051,725	18,389,321	27,199,246
Health and welfare	38,131,285	37,792,064	35,594,381	32,239,186	34,072,749	34,041,970	32,037,049	30,793,964	30,161,237	28,761,332
Parks, recreation, and cultural	11,577,153	11,608,738	11,091,361	11,448,655	10,672,489	9,574,714	10,114,937	12,048,666	11,879,662	12,253,121
Community development	9,476,115	7,175,300	8,101,488	7,906,297	6,717,779	5,669,431	4,946,123	5,379,225	5,143,342	5,472,555
Debt service:										
Principal	10,467,075	9,843,352	10,075,319	10,739,261	19,951,362	18,912,510	20,049,788	21,413,187	10,959,457	10,950,672
Interest and other debt service charges	11,185,563	12,332,018	13,029,154	14,313,937	16,213,438	19,147,205	18,507,554	16,428,402	26,335,349	27,298,006
Education	48,171,651	48,171,651	49,571,413	39,849,897	50,528,423	52,550,163	51,200,000	52,400,000	45,556,751	49,163,551
Capital outlay	33,782,150	58,653,655	46,037,429	13,961,951	23,674,694	25,025,125	11,866,954	24,188,084	29,716,193	19,731,291
Total expenditures	283,161,810	306,690,468	296,824,126	256,910,480	452,055,963	293,069,941	267,473,105	282,801,987	286,193,036	291,176,277
(Deficiency)/Excess of revenues over (under) expenditures	(13,442,574)	(48,367,434)	(23,657,647)	476,441	(188,890,144)	(28,801,072)	(3,231,320)	(17,565,444)	(22,134,919)	(16,914,385)
Other financing sources (uses)										
Transfers in	22,382,161	22,117,233	22,880,724	21,594,945	88,968,251	66,035,010	62,566,204	61,176,380	66,597,507	70,148,636
Transfers out	(16,730,817)	(16,492,768)	(15,331,422)	(12,459,843)	(78,447,095)	(56,502,867)	(53,326,537)	(51,928,913)	(57,092,269)	(61,259,826)
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	-
Proceeds from debt issued	2,219,887	-	-	-	-	-	-	-	-	-
Payments from component unit	-	-	-	-	-	-	-	-	-	-
Discount on bonds issued	(1,777,830)	-	-	-	-	-	-	-	761,000	-
VPSA Subsidy	1,324,727	-	-	-	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-	-	-	(81,531,318)	-
Payment for current refunding of debt	-	-	-	-	-	(30,446,686)	(56,930,880)	-	-	-
Premium on bonds issued	839,121	3,908,502	1,962,885	10,661,550	-	-	4,358,163	-	-	2,996,699
General obligation bonds issued	74,345,113	68,547,102	31,450,000	254,465,000	-	30,821,906	53,205,000	6,143,000	85,520,779	35,208,705
Bridge Loan	-	-	-	-	-	-	-	-	3,400,000	-
Refunding bonds issued	-	(46,778,674)	(33,175,221)	(77,854,902)	-	-	-	-	-	-
Total other financing sources (uses), net	82,602,362	31,301,395	7,786,966	196,406,750	10,521,156	9,907,363	9,871,950	15,390,467	17,655,699	47,094,214
Net change in fund balances	$ 69,159,788	$ (17,066,039)	$ (15,870,681)	$ 196,883,191	$ (178,368,988)	$ (18,893,709)	$ 6,640,630	$ (2,174,977)	$ (4,479,220)	$ 30,179,829
Debt service as a percentage of noncapital expenditure, as restated	8.68%	8.94%	9.21%	10.31%	8.44%	14.20%	15.08%	14.54%	14.24%	14.06%

CITY OF PORTSMOUTH, VIRGINIA **B-1**

Assessed Value and Estimated Actual Value of Taxable Real Property

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2019	$ 5,159,525	$ 1,727,978	$ 688,392	$ 7,575,895	$ 1.30	$ 7,575,895
2018	5,124,105	1,782,294	400,870	7,307,269	1.30	7,307,269
2017	5,094,814	1,775,072	399,322	7,269,208	1.30	7,269,208
2016	5,040,388	1,733,055	399,095	7,172,538	1.30	7,172,538
2015	5,024,940	1,745,055	399,665	7,169,660	1.27	7,169,660
2014	5,032,854	1,723,320	402,731	7,158,905	1.27	7,158,905
2013	5,039,792	1,697,096	396,839	7,133,727	1.27	7,133,727
2012	5,132,403	1,900,610	402,017	7,435,030	1.27	7,435,030
2011	5,198,747	1,729,629	404,688	7,333,064	1.24	7,333,064
2010	5,452,716	1,818,679	406,222	7,677,617	1.24	7,677,617

Source: City Assessor's Office

CITY OF PORTSMOUTH, VIRGINIA **B-2**

Property Tax Rates

Last Ten Fiscal Years

Fiscal Year	Real Property (1)	Personal Property (2)			Manufacturer's Machinery and and Tools (3)
		Vehicles	Boats	RV's	
2019	$ 1.30	$ 5.00	$ 0.50	$ 1.50	$ 3.00
2018	1.30	5.00	0.50	1.50	3.00
2017	1.30	5.00	0.50	1.50	3.00
2016	1.30	5.00	0.50	1.50	3.00
2015	1.27	5.00	0.50	1.50	3.00
2014	1.27	5.00	0.50	1.50	3.00
2013	1.27	5.00	0.50	1.50	3.00
2012	1.27	5.00	0.50	1.50	3.00
2011	1.24	5.00	0.50	1.50	3.00
2010	1.24	5.00	0.50	1.50	3.00

(1) As required by State law, real estate is assessed at 100% of estimated fair market value. The real estate rate is per $100 of assessed value.

(2) Most personal property, primarily vehicles and boats, is assessed at 100% of the National Automobile Dealer Association (NADA) average loan values and BUC Boat Price Guide values. Business personal property is assessed using a predetermined depreciation schedule.

(3) The assessment basis for Manufacturer's Machinery and Tool is calculated on a straight 50 percent of original cost method. The tax rate is per $100 of assessed value.

CITY OF PORTSMOUTH, VIRGINIA **B-3**
Principal Property Tax Payers
Current Year and Nine Years Ago

	2019		2010	
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Virginia International Gateway Inc.	$ 697,460,414	9.21%		
Dominion Virginia Power	40,354,382	0.53%		
GEM Portsmouth High LLC	31,459,500	0.42%		
Columbia Gas of Virginia Inc.	27,954,145	0.37%		
G&E Apartment REIT The Myrtles	27,000,000	0.36%		
Westwinds Property LLC	24,811,245	0.33%		
PRHA	22,297,490	0.29%		
Metro Machine Corp.	22,071,490	0.29%		
Wheelabrator Portsmouth Inc.	20,793,710	0.27%		
Lincoln Family Communities LLC	20,237,370	0.27%		
APM Terminals			$ 403,995,518	4.85%
Dominion Virginia Power			69,672,088	0.84%
GEM Portsmouth High LLC			33,851,910	0.41%
Verizon			31,883,445	0.38%
G & E Apartment REIT The Myrtles			30,144,020	0.36%
Columbia Gas of Virginia			28,519,247	0.34%
Wheelabrator Portsmouth LLC			27,495,830	0.33%
Portsmouth Economic Development Authority			25,356,290	0.30%
Harper Avenue LLC			23,756,610	0.29%
Westwinds Property LLC			22,597,350	0.27%
	$ 934,439,746	12.33%	$ 697,272,308	8.37%

(1) FY 2019 total City taxable real property assessed value- $7,575,895,255

Source: Portsmouth City Assessor and Portsmouth Commissioner of the Revenue

CITY OF PORTSMOUTH, VIRGINIA **B-4**
Property Tax Levies and Collections
Last Ten Fiscal Years

Real Estate:

Tax Year	Fiscal Year Ending	Original Tax Levy	Taxes Collected In Year of Levy	Percent of Taxes Collected In Year of Levy	Delinquent Taxes Collected to June 30, 2019	Total Tax Collections to June 30, 2019	Adjustments To Levy (3)	Outstanding Taxes A/R June 30, 2019	Percent of Adjusted Levy Collected to June 30, 2019
2018	June 30, 2019	$ 97,431,512	$ 93,892,019	96.37%	$ -	$ 93,892,019	$ (622,894)	$ 2,916,599	96.99%
2017	June 30, 2018	93,340,092	87,454,514	93.69	3,897,930	91,352,444	(1,302,197)	685,451	99.26
2016	June 30, 2017	92,868,293	86,739,589	93.40	4,504,944	91,244,533	(1,297,844)	325,916	99.64
2015	June 30, 2016	91,537,233	85,998,777	93.95	4,134,013	90,132,790	(1,201,965)	202,478	99.78
2014	June 30, 2015	89,337,507	83,972,704	93.99	3,826,979	87,799,683	(1,343,723)	194,101	99.78
2013	June 30, 2014	89,135,633	83,706,341	93.91	4,333,321	88,039,662	(906,893)	189,078	99.79
2012	June 30, 2013	88,808,682	83,261,282	93.75	4,779,854	88,041,136	(574,199)	193,347	99.78
2011	June 30, 2012	92,659,186	85,681,654	92.47	3,914,281	89,595,935	(3,019,146)	44,105	99.95
2010	June 30, 2011	89,613,578	84,590,952	94.40	4,715,787	89,306,739	(279,819)	27,020	99.97
2009	June 30, 2010	92,594,347	88,287,197	95.35	3,897,305	92,184,502	(390,118)	19,727	99.98

Personal Property:

Tax Year	Fiscal Year Ending	Original Tax Levy (2)	Taxes Collected In Year of Levy (1)	Percent of Taxes Collected In Year of Levy (1)	Delinquent Taxes Collected to June 30, 2019	Total Tax Collections to June 30, 2019	Adjustments To Levy (3)	Outstanding Taxes A/R June 30, 2019	Percent of Adjusted Levy Collected to June 30, 2019
2019	June 30, 2019	$ 21,780,010	$ 16,491,312	75.72%	$ -	$ 16,491,312	$ 27,036	$ 5,315,734	75.62%
2018	June 30, 2018	20,278,000	15,383,909	75.87	8,090,027	23,473,936	4,552,586	1,356,650	94.54
2017	June 30, 2017	20,208,249	14,992,869	74.19	8,325,114	23,317,983	4,044,176	934,442	96.15
2016	June 30, 2016	23,350,303	17,520,280	75.03	8,299,936	25,820,216	3,171,173	701,260	97.36
2015	June 30, 2015	22,974,088	17,782,605	77.40	8,202,384	25,984,989	3,545,523	534,622	97.98
2014	June 30, 2014	23,014,501	17,444,594	75.80	8,549,980	25,994,574	3,473,100	493,027	98.14
2013	June 30, 2013	23,241,660	17,511,643	75.35	8,164,589	25,676,232	2,434,572	-	100.00
2012	June 30, 2012	21,841,734	17,181,394	78.66	7,410,063	24,591,457	2,749,723	-	100.00
2011	June 30, 2011	18,093,172	13,653,563	75.46	9,539,935	23,193,498	5,100,327	-	100.00
2010	June 30, 2010	19,582,168	14,843,139	75.80	9,093,695	23,936,834	4,354,665	-	100.00

(1) Personal property taxes are assessed on property owned as of January 1 and become due June 5th of each year. Because the due date falls so near the last day of the fiscal year, there is normally a substantial amount of delinquent taxes receivable as of the close of the fiscal year, the majority of which is collected in the following fiscal year.

(2) The original levy for FY2019 is $32,547,721 less the tax credit of $10,767,711 equaling $21,780,010 as shown

(3) Includes supplements, abatements, prorations, adjustments and writeoffs.

CITY OF PORTSMOUTH, VIRGINIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

	Governmental Activities					Business-Type Activities				
Fiscal Year	General Obligation Bonds	General Obligation Notes	Literary Loans	Capital Leases	Net Government Debt	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2019	$ 430,402	-	-	$ 1,786	$ 432,188	$ 130,495	-	$ 562,683	*	*
2018	414,630	-	-	2,865	417,495	138,872	-	556,367	14.3%	5,879
2017	413,227	-	250	4,355	417,832	134,752	-	552,584	14.7%	5,836
2016	433,556	-	500	6,072	440,128	142,457	27	582,612	16.1%	6,127
2015	446,374	-	750	8,206	455,330	149,512	223	605,065	16.3%	6,283
2014	473,497	-	1,000	10,246	484,743	165,494	416	650,653	18.2%	6,790
2013	493,637	-	1,250	13,172	508,059	172,055	1,130	681,244	19.5%	7,091
2012	265,568	-	1,500	16,024	283,092	175,492	2,021	460,605	13.2%	4,775
2011	265,940	-	1,875	17,254	285,069	125,832	2,574	413,475	11.9%	4,319
2010	241,816	-	2,250	13,474	257,540	130,284	2,208	390,032	11.8%	4,086

The city of Portsmouth has no overlapping debt.
* Information not available at this time.

CITY OF PORTSMOUTH, VIRGINIA **C-2**

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(dollars in thousands, except per capita)

General Bonded Debt Outstanding (1)			Percentage of Actual Taxable Value of Property	Per Capita
Fiscal Year	General Obligation Bonds (1)	Total (2)		
2019	$ 560,897	$ 560,897	7.40%	*
2018	553,502	553,502	7.57%	5,849
2017	573,182	573,182	7.89%	6,053
2016	596,041	596,041	8.31%	6,268
2015	605,065	605,065	8.44%	6,283
2014	650,653	650,653	9.09%	6,790
2013	681,244	681,244	9.55%	7,091
2012	460,605	460,605	6.20%	4,775
2011	413,475	413,475	5.64%	4,319
2010	390,032	390,032	5.08%	4,086

(1) Includes general obligation bonds, public utility bonds, golf bonds, and parking bonds.

(2) Amounts do not include premiums or discounts.

CITY OF PORTSMOUTH, VIRGINIA
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2019	
Assessed value	$ 7,575,895
Debt limit (10% of assessed value)	757,590
Debt applicable to limit:	557,592
Legal debt margin	$ 199,998

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	$ 767,762	733,306	743,503	713,373	715,891	716,966	717,254	726,921	730,727	757,590
Total net debt applicable to limit	308,221	326,609	316,767	631,739	606,121	577,420	557,355	536,765	561,547	557,592
Legal debt margin	459,541	406,697	426,736	81,634	109,770	139,546	159,899	190,156	169,180	199,998
Total net debt applicable to limit as a percentage of debt limit	40.1%	44.5%	42.6%	88.6%	84.7%	80.5%	77.7%	73.8%	76.8%	73.6%

CITY OF PORTSMOUTH, VIRGINIA **D-1**
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (2)	Median Age (3)	School Enrollment (4)	Unemployment Rate (5)
2019	*	*	*	*	13,254	3.90%
2018	94,953	$ 3,895,933	$ 41,169	35.3	13,476	4.30%
2017	95,440	3,748,432	39,585	36.0	13,713	5.60%
2016	96,179	3,626,959	38,141	35.0	14,003	6.50%
2015	96,874	3,702,717	38,447	33.6	14,168	6.20%
2014	96,802	3,568,344	37,238	34.4	14,079	7.20%
2013	96,871	3,494,966	36,379	35.0	14,215	8.30%
2012	97,450	3,499,098	36,272	34.9	14,256	9.10%
2011	96,368	3,461,952	36,165	34.7	14,099	9.50%
2010	95,535	3,313,180	34,713	35.8	14,225	9.50%

*Information not available at this time.

(1) Weldon Cooper Center for Public Service, University of Virginia

(2) Bureau of Economic Analysis

(3) Census Bureau, American Community Survey, 1-Year Estimates

(4) Virginia Department of Education, March 31 average daily membership

(5) Bureau of Labor Statistics, June Estimate

CITY OF PORTSMOUTH, VIRGINIA **D-2**
Principal Employers
Current Year and Nine Years Ago

	2019			2010		
Employer	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Norfolk Naval Shipyard	10,937	1	21.42%	9,000	1	18.89%
Naval Medical Center, Portsmouth	6,300	2	12.34%	5,400	2	11.33%
Portsmouth Public Schools	2,279	3	4.46%	2,500	4	5.25%
City of Portsmouth	1,838	4	3.60%	2,585	3	5.04%
U.S. Coast Guard Command - Portsmouth	1,300	5	2.55%	1,500	6	5.43%
Bon Secours Maryview Medical Center	1,300	6	2.55%	2,400	5	3.15%
Earl Industries	900	7	1.76%	800	7	1.68%
Virginia International Gateway	700	8	1.37%			
Tidewater Community College	375	9	0.73%			
The Pines Residential Treatment Center	375	10	0.73%			
Smithfield of Portsmouth	-	-	0.00%	450	8	0.94%
Walmart	-	-	0.00%	380	9	0.80%
Direct Home Healthcare, Inc.	-	-	0.00%	330	10	0.69%
CDI Marine						
Total	26,304		51.52%	25,345		53.20%

Sources: Portsmouth Department of Economic Development
Norfolk Naval Shipyand, Portsmouth
Naval Medical Center, Portsmouth
Portsmouth Public Schools FY2019 Budget
City of Portsmouth FY2019 Budget

CITY OF PORTSMOUTH, VIRGINIA **E-1**

Full-time Equivalent Employees by Function/Program

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
General government	133	167	132	139	123	127	124	144	148	153
Judicial	249	240	242	253	246	242	227	221	222	210
Public Safety	591	590	611	625	584	576	530	537	545	551
Public Works	359	359	87	86	96	89	58	65	65	60
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Parks, Recreational, and Cultural Services	127	126	106	107	73	70	92	170	196	173
Community Development	48	48	48	51	46	43	38	38	40	46
Total General Fund	1,507	1,530	1,226	1,261	1,168	1,147	1,069	1,175	1,216	1,193
Special Revenue Funds										
Willett Hall Fund	1	1	2	2	1	1	1	1	-	1
Children's Services Act Fund	3	3	3	3	2	1	-	-	-	-
Stormwater Management Fund	23	23	23	27	22	24	21	16	14	20
Grants	28	24	27	-	-	-	-	-	-	15
Behavioral Health Services Fund	122	120	120	120	94	85	82	100	92	87
Social Services Fund	248	245	245	246	216	174	175	186	163	163
Total Special Revenue Funds	425	416	420	398	335	285	279	303	269	286
Enterprise Funds										
Public Utilities Fund	138	138	138	139	103	102	85	77	82	85
Golf Fund	17	17	17	17	16	15	11	11	11	10
Waste Management Fund	68	68	68	62	50	45	44	45	40	42
Parking Authority Fund	6	6	6	6	3	2	2	3	4	2
Total Enterprise Funds	229	229	229	224	172	164	142	136	137	139
Internal Service Funds										
City Garage Fund	36	36	35	35	34	32	33	28	28	27
Information Technology Fund	26	26	33	26	25	22	23	29	29	30
Risk Management Fund	8	3	3	3	1	1	3	2	2	1
Total Internal Service Funds	70	65	71	64	60	55	59	59	59	58
Total All Funds	2,231	2,240	1,946	1,947	1,735	1,651	1,549	1,673	1,681	1,676

Source: Munis Employee Master download June 30, 2019

CITY OF PORTSMOUTH, VIRGINIA **E-2**
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Physical arrests	10,374	9,422	6,131	8,835	8,844	8,218	9,097	6,617	5,896	4,689
Parking violations	12,162	9,023	11,000	6,717	5,558	3,639	4,102	2,976	2,247	2,937
Traffic violations	16,140	15,594	18,648	14,343	12,297	17,119	18,580	6,715	5,366	6,952
Fire										
Emergency responses	16,135	17,447	17,618	17,421	17,517	17,787	18,561	18,724	18,162	18,663
Fires extinguished	506	626	382	307	291	322	295	429	360	368
Inspections	1,638	885	516	801	696	923	913	920	1,614	1,950
Refuse collection										
Refuse collected (tons/day)	158	*	*	*	183	142	135	75	154	174
Recyclables collected (pounds/day)	35	*	*	*	22,913	134,700	117,243	73,120	110,146	88,820
Other public works										
Street resurfacing (miles)	19.0	28.0	22.0	5.9	19.0	18.0	16.5	24.6	25.7	22.0
Potholes repaired	1,344	1,191	3,341	5,350	8,615	8,480	7,688	3,334	3,619	2,147
Parks and recreation										
Community center admissions	274,571	281,145	242,864	286,750	231,897	219,261	193,600	140,792	42,133	72,585
Library										
Volumes in collection	260,889	267,230	243,583	243,583	243,856	316,177	288,843	274,917	209,671	235,124
Total volumes borrowed	383,265	364,835	384,130	357,581	325,694	290,763	278,651	278,651	209,772	186,904
Water										
New connections	2,959	2,852	149	92	85	118	89	92	87	47
Water main breaks	88	104	91	107	118	163	94	81	100	95
Average daily consumption (millions of gallons)	14.0	13.0	17.0	24.6	18.0	20.2	15.1	17.8	15.2	16.5

* Information not available at the time of publication.
Sources: City of Portsmouth Departments

CITY OF PORTSMOUTH, VIRGINIA **E-3**

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	255	236	262	268	256	256	253	249	255	255
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Fire trucks	12	12	12	12	12	12	12	12	13	13
Boat	1	1	1	1	1	1	1	1	1	1
Emergency Medical Services										
Ambulances	5	5	5	5	5	5	5	5	5	9
Refuse collection										
Collection trucks	27	27	27	27	27	27	28	28	28	51
Other public works										
Streets (miles)	393	393	399	399	399	399	398	398	398	398
Highway (miles)	888	887	887	887	887	887	881	881	881	881
Streetlights	10,665	*	10,706	10,714	10,723	10,747	10,747	10,747	10,750	10,768
Signalized Intersections	120	120	120	121	123	122	122	122	122	122
Parks and recreation										
Acreage	402	402	402	402	402	588	588	588	588	588
Playgrounds	13	13	13	13	13	15	15	15	16	16
Baseball/softball diamonds	36	36	36	36	36	36	36	36	36	36
Soccer/football fields	34	34	34	34	34	34	34	34	34	36
Community centers	7	7	7	7	7	7	7	7	7	7
Pools/Splash Park	*	*	*	*	*	3	3	3	3	3
Golf Course	3	3	3	3	3	3	3	3	3	3
Water										
Water mains (miles)	626	626	626	626	626	626	626	626	626	626
Fire hydrants	2,593	2,593	2,593	2,593	2,593	2,593	2,593	2,593	2,593	2,593
Storage capacity (millions of gallons)	9	9	9	9	9	9	9	9	9	9
Wastewater										
Sanitary sewers (miles)	438	438	438	438	438	438	438	438	432	432
Storm sewers (miles)	159	159	250	250	250	250	250	250	250	250
Treatment capacity (millions of gallons)	32	32	32	32	32	32	32	32	32	32

* Information not available at the time of publication.

Sources: City of Portsmouth Departments

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PORTSMOUTH

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CITY OF PORTSMOUTH, VIRGINIA

COMPLIANCE AUDIT PURSUANT TO 2 CFR PART 200 (SINGLE AUDIT REPORT)

For the Fiscal Year Ended June 30, 2019

(With Reports of Independent Auditor Thereon)

Cherry Bekaert LLP
CPAs & Advisors

CITY OF PORTSMOUTH
SINGLE AUDIT REPORT

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Cherry Bekaert LLP
CPAs & Advisors

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

To the Honorable Members of the City of Council
City of Portsmouth, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Portsmouth, Virginia (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 18, 2020. Our audit report on the City's financial statements also recognized that the City restated beginning net position and fund balance for a change in reporting entity.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses of significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and one instance of noncompliance or other matters that are required to be reported under the Specifications, which is described in the accompanying schedule of findings and questioned costs as item 2019-009.

City of Portsmouth, Virginia's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Virginia Beach, Virginia
March 18, 2020

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

The Honorable Members of the City Council
City of Portsmouth, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Portsmouth, Virginia's (the "City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2019-004 through 2019-008. Our opinion on each major federal program is not modified with respect to this matter.

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

Report Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-004 through 2019-006 that we consider to be significant deficiencies.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 18, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Virginia Beach, Virginia
April 10, 2020

CITY OF PORTSMOUTH, VIRGINIA

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2019

Through Agency/Grant Program	Federal Catalogue Number	Granting Agency Number	Cluster Program Total ($)	Passed Through Sub-Recipients ($)	Federal Expenditures ($)	Total by CFDA # ($)
Department of Agriculture:						
Pass-through Payments:						
Virginia Department of Health :						
Child & Adult Care Food Program (CACFP)	10.558				355,281	$ 355,281
Pilot Projects to Reduce Dependency and Increase Work Requirements (SNAP)	10.596	0060115			17,974	17,974
Summer Food Service Program for Children (USDA)	10.559				235,025	235,025
Virginia Department of Social Services:						
State Administrative Matching Grants for Food Stamp Program	10.561	0010115, 0010116, 0030115, 0030116, 0040115, 0040116, 0050115, 0050116			2,041,400	2,041,400
Total SNAP Cluster			2,041,400			
Virginia Department of Agriculture and Consumer Services						
Food Distribution	10.555				512,084	512,084
Virginia Department of Education :						
National School Breakfast and Lunch Program	10.555, 10.553				6,962,406	6,962,406
Fruits and Vegetables	10.582				142,601	142,601
Total Child Nutrition Cluster			7,709,515			
Total Department of Agriculture			9,750,915	-	10,266,771	10,266,771
Department of Defense:						
Direct payments:						
ROTC	12.000				264,200	264,200
Total Department of Defense			-	- -	264,200	264,200
Department of Education:						
Direct payments:						
Impact Aid	84.041	SB41B20175285			692,125	692,125
Pass-through payments:						
Virginia Department of Education:						
Adult Education	84.002	V002A160047			156,915	156,915
Virginia Department of Education:						
Title I, Part A Cluster						
Title I Grants to Local Education Agencies	84.010	S010A140046			6,400,769	6,400,769
Title I Part-D	84.013	S010A160046			29,692	29,692
Special Education (IDEA) Cluster:						
Special Education (Title VI-B)	84.027	H027A160107			3,747,053	3,747,053
Special Education - Preschool Grants	84.173	H173A150112			187,764	187,764
Total Special Education Cluster			3,934,817			

CITY OF PORTSMOUTH, VIRGINIA

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2019

Through Agency/Grant Program	Federal Catalogue Number	Granting Agency Number	Cluster Program Total ($)	Passed Through Sub-Recipients ($)	Federal Expenditures ($)	Total by CFDA # ($)
Special Education - Grants for Infants and Family with Disabilities	84.181	720C-04446-15-28			80,190	80,190
English Language Acquisition (Title III)	84.365	S365A150046			2,500	2,500
Vocational Education	84.048	V0489A150046			422,858	422,858
Upward Bound	84.047	P047A170117-17A			287,476	287,476
Total TRIO Cluster			287,476			
Education for Homeless Children & Youth	84.196	S196A160048			13,416	13,416
Improving Teacher Quality	84.367	S367A140044			963,714	963,714
Title IV Student Support and Academic Enrichment Grant	84.424				18,055	18,055
Title IV Part B- 21st Century Community Learning Centers	84.287	S287C160047			604,442	604,442
Total Department of Education			4,222,293	-	13,606,969	13,606,969
Department of Health and Human Services:						
Pass-through Payments:						
Virginia Department of Social Services:						
Social Services Block Grant	93.667	1000115, 1000116			1,206,263	1,206,263
Temporary Assistance for Needy Families	93.558	0400115, 0400116			1,564,710	
Temporary Assistance for Needy Families	93.558	BEN-17-056-11			86,400	
Total TANF Cluster			1,651,110			1,651,110
Child Care and Development Fund Cluster:						
Child Care and Development Fund	93.596	0760115, 0760116			279,153	279,153
Total Child Care and Development Cluster			279,153			
Chafee Education & Training Vouchers Program	93.599	9160115			1,385	1,385
Medical Assistance Program - Title XIX	93.778	11200115, 11200116			2,291,985	2,291,985
Total Medicad Cluster			2,291,985			
Foster Care - Title IV-E	93.658	1100115, 1100116			1,044,962	1,044,962
Adoption Assistance	93.659				1,118,394	1,118,394
Independent Living	93.674	9150115, 9150116			19,323	19,323
Low-Income Home Energy Assistance	93.568	0600415, 0600415			258,276	258,276
Refugee and Entrant Assistance	93.566	0500116			1,007	1,007
Promoting Safe and Stable Families	93.556	0950114, 0950115			65,207	65,207
State Children's Insurance Program	93.767	0540115, 0540116			50,440	50,440
Child Welfare Services	93.645	0900115, 0900116			1,896	1,896
Virginia Department of Behavioral Health:						
Block Grants for Community Mental Health Services:						
MH FBG SED Child & Adolescent	93.958	SM010053-16			25,668	
MH FBG SMI	93.958	SM010053-16			151,066	
						176,734
Block Grants for Prevention and Treatment of Substance Abuse:						
SUD FBG Alcohol/Drug Treatment	93.959	TI010053-16			600,444	
SUD FBG SARPOS	93.959	TI010053-16			84,205	
SUD FBG Co-Occurring	93.959	TI010053-16			16,201	
SUD FBG Women	93.959	TI010053-16			143,367	
SUD FBG Prevention	93.959	TI010053-16			157,581	
SUD FBG One-Time Prevention	93.959	TI010053-17			9,836	
						1,011,634

CITY OF PORTSMOUTH, VIRGINIA

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2019

Through Agency/Grant Program	Federal Catalogue Number	Granting Agency Number	Cluster Program Total ($)	Passed Through Sub-Recipients ($)	Federal Expenditures ($)	Total by CFDA # ($)
SUD Federal OPT-R-Treatment	93.788	SP020791			86,667	
SUD Federal OPT-R-Recovery	93.788	SP020791			188,499	
SUD Federal Opioid Response Year 1 - Treatment	93.788	SP020791			115,700	
SUD Federal Opiod Response Year 1 - Recovery	93.788	SP020791			55,500	
SUD Federal Opioid Response Year 1 - Prevention	93.788	SP020791			15,000	
						461,366
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SM016047-16			53,715	53,715
Total Department of Health and Human Services			4,222,248	-	9,692,850	9,692,850
Department of Homeland Security:						
Direct Payments:						
Emergency Food and Shelter National Board Program	97.024	883200-002			10,047	10,047
Port Security Grant Program	97.056	EMW-2017-PU-00315			44,974	
Port Security Grant Program	97.056	EMW-2018-PU-00477			124,558	169,532
Pass-through Payments:						
Virginia Department of Emergency Management						
Local Emergency Performance Grants (LEMPG)	97.042	7825			55,880	55,880
Hazmat - Training and Equipment	97.067				16,150	
Southside Hazardous Materials Team	97.067	7896			42,768	
						58,918
Cedar Grove Cemetery	97.036	PA-03-VA-4291-PW-00023			71,928	71,928
Total Department of Homeland Security			-	-	366,305	366,305
Department of Housing and Urban Development:						
Direct payments:						
Community Development Block Grant - 80015	14.218	B-14-MC-51-0018			60,772	
Community Development Block Grant - 80016	14.218	B-15-MC-51-0019			189,375	
Community Development Block Grant - 80017	14.218	B-16-MC-51-0018			504,135	
Community Development Block Grant - 80018	14.218	B-17-MC-51-0018			979,356	
Community Development Block Grant - 80019	14.218	B-18-MC-51-0019			806,122	
Pass-through payments:						
For Kids	14.218			17,000		
Endependence Center	14.218			20,000		
Eggleston	14.218			126,900		
PARC	14.218			28,887		
		TOTAL		192,787		2,539,760
Total CDBG Cluster			2,539,760			
HOME Investment Partnerships Program - 81016	14.239	M-15-MC-51-0204			63,282	
Pass-through payments:						
HRPDC_HOME	14.239			63,282		
HOME Investment Partnerships Program - 81015	14.239	M-14-MC-51-0204			431	
Pass-through payments:						
HRPDC_HOME	14.239			431		

CITY OF PORTSMOUTH, VIRGINIA

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2019

Through Agency/Grant Program	Federal Catalogue Number	Granting Agency Number	Cluster Program Total ($)	Passed Through Sub-Recipients ($)	Federal Expenditures ($)	Total by CFDA # ($)
HOME Investment Partnerships Program - 81016	14.239	M-15-MC-51-0204			43,715	
Pass-through payments:						
HRPDC_HOME	14.239			43,715		
HOME Investment Partnerships Program - 81017	14.239	M-16-MC-51-0204			40,930	
Pass-through payments:						
TBRA_HOME ADMIN	14.239			21,604		
HRPDC_HOME	14.239			19,326		
		TOTAL		40,930		
HOME Investment Partnership Program - 81018	14.239	M-17-MC-51-0204			188,671	
HRPDC_HOME	14.239			188,671		
						337,029
Shelter Plus Care (CoC) April 18 - March 19	14.267	VA0061L3F071710			337,833	
Shelter Plus Care (CoC) April 19 - March 20	14.267	VA0061L3071811			122,117	
						459,950
Total Department of Housing and Urban Development			**2,539,760**	**529,816**	**3,336,739**	**3,336,739**
Department of Justice:						
Direct Payments:						
U.S. Department of Justice:						
Police Department Federal Seizures	16.922				58,755	
Sheriff's Federal Forfeiture Funds	16.922				49,375	108,130
Virginia Rules Camp	16.578				3,573	3,573
Bulletproof Vest Partnership Program	16.607				30,362	30,362
Justice Assistance Grant Program - FY 16	16.738	2016-DJ-BX-0513			7,395	
Justice Assistance Grant Program - FY 17	16.738	2017-DJ-BX-0435			74,451	
Justice Assistance Grant Program - FY 18	16.738	2018-DJ-BX-0523			26,459	
Pass-through payments:						
Virginia Department of Criminal Justice Services:						
JAG - Naloxone Program	16.738	18-A4229AD11			1,525	
JAG - Comprehensive Planning	16.738	18-A4265AD11			9,331	
JAG -Youth Program	16.738	18-B6084AD15			7,630	
JAG - Recruiting and Hiring	16.738	18-B6083AD15			13,499	140,290
Victim Witness - FY18	16.575	18-X8577VG16			304,825	304,825
Total Department of Justice			-	-	587,180	587,180

CITY OF PORTSMOUTH, VIRGINIA

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2019

Through Agency/Grant Program	Federal Catalogue Number	Granting Agency Number	Cluster Program Total ($)	Passed Through Sub-Recipients ($)	Federal Expenditures ($)	Total by CFDA # ($)
Department of Transportation:						
Pass-through Payments:						
Federal Transit Administration-Hampton Roads Transit:						
Highway Planning and Construction (Safe Routes to School Grant)	20.205	47017-04			22,804	
Virginia Department of Transportation:						
Highway Planning and Construction (Capital Improvements)	20.205	290-8130			82,788	
Transportation Alternatives Program Grant	20.205				50,260	
Total Highway Planning and Construction Cluster			155,852			155,852
Virginia Department of Motor Vehicles:						
Selective Enforcement - DUI/Passenger - Alcohol FY18	20.607	154AL-2018-58002-8002			10,727	
Selective Enforcement - DUI/Passenger - Alcohol FY19	20.607	154AL-2019-59064-9064			23,124	
						33,851
Selective Enforcement - Occupant Protection	20.600	FOP-2018-58003-8003			4,048	
Selective Enforcement - Speed 2019	20.600	FSC-2019-59065-9065			15,259	
						19,307
Total Highway Safety Cluster			19,307			
Total Department of Transportation			175,159	-	209,010	209,010
Total all agencies			**20,910,375**	**529,816**	**38,330,024**	**38,330,024**

CITY OF PORTSMOUTH, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

For the Period Ending June 30, 2019

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards of the City of Portsmouth, Virginia (the City). The City's reporting entity is defined in note 1 to the City's financial statements. All federal awards received directly from federal agencies as well as Federal awards passed through other government agencies are included in the schedule. The City reports federal grants for the School Board in its Schedule of Expenditures of Federal Awards because the City is the legal grantee of these funds.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in

(3) Relationship to Financial Statements

Federal awards revenues are reported in the City's financial statements as follows:

Intergovernmental revenue:		
City:		
Governmental Fund		
General Fund	$	65,220
Special Revenue Funds:		
Virginia Public Assistance		9,909,470
Mental Health Services		1,786,639
Asset Forfeiture		174,195
Grants		1,722,132
Community Development		2,832,132
Proprietary Funds		
Public Utilities Fund		21,821
Golf Fund		1,033
Waste Management Fund		131,671
Capital Projects Funds -		
Capital Projects Funds		309,174
Total City		16,953,487
Component Unit - School Board:		
Operating		956,325
Grants		13,086,259
Cafeteria		7,617,091
Total component unit - School Board		21,659,675
Total federal expenditures from Intergovernmental Revenue		38,613,162
Less: GF revenues in excess of expenditures		(65,220)
Less: BHS revenues in excess of expenditures		(3,000)
Add: VPA expenditures in excess of revenue		52,905
Add: Grant expenditures in excess of revenues		9,446
Less: Asset forfeiture revenues in excess of expenditures		(62,492)
Less: CIP Fund revenues in excess of expenditures		(104,908)
Less: Proprietary Funds revenue in excess of expenditures		(154,525)
Add: CDBG expenditures in excess of revenues		44,656
Total federal expenditures per Schedule of Expenditures of Federal Awards		38,330,024

(4) Indirect Cost Rate

The city does not elect to use a 10% de minimis indirect cost rate allowed under section 2 CFR 200.331(a)(4).

1) Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on the financial statements:	**Unmodified**
Internal control over financial reporting:	
Material weaknesses identified:	**Yes, Findings 2019-001 and 2019-002**
Significant deficiencies identified:	**Yes, Finding 2019-003**
Noncompliance material to the financial statements noted?	**No**

Federal Awards:

Type of auditor's report issued on compliance for major programs:	**Unmodified**
Internal control over financial reporting:	
Material weaknesses identified:	**No**
Significant deficiencies identified:	**Yes, Findings 2019-004, 2019-005 and 2019-006**
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	**Yes**

Identification of major federal programs:

Name of Program	**CFDA #**
Department of Agriculture:	
SNAP Cluster	10.551-CL
Department of Education:	
Title I Grants to Local Education Agencies	84.010
Department of Health and Human Services:	
Medical Assistance Program - Medicaid Cluster	93.778-CL
Temporary Assistance for Needy Families Cluster	93.558-CL
Child Care and Development Cluster	93.575-CL
Social Services Block Grant	93.667
Adoption Assistance	93.659
Block Grants for Prevention and Treatment of Substance Abuse	93.959

Dollar threshold to distinguish between Types A and B Programs:	**$1,149,901**
The City of Portsmouth was qualified as a low risk auditee in accordance with Section 200.520 of the Uniform Guidance?	**No**

2) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding: 2019-001

Type of Finding: Material Weakness over Financial Reporting

Criteria:
In accordance with accounting principles generally accepted in the United States of America, construction in process ('CIP') should consist of costs that are associated with constructing an asset and, when construction is completed, the assets should be placed in service and depreciated over the useful life of the asset.

Condition:
During our testing of CIP as of and for the year ended June 30, 2019, we identified that the City's initial governmental activities' CIP schedule included $787,904 of expenditures incurred during fiscal year 2019 that did not meet the definition of items to be capitalized. Additionally, the schedule included approximately $17.0 million of CIP, which should have been closed and depreciated in fiscal year 2019.

Cause:
During fiscal year 2019, the City's Finance Department incurred employee turnover resulting in the department being understaffed. The Finance Department staff did not have adequate resources to perform proper analyses of the CIP projects to determine the additions included in the current year schedule met the definition of items to be capitalized and to determine projects that were closed in the current year were properly placed in service.

Effect:
The City's capital asset balances required material adjustments to be properly reported at June 30, 2019.

Auditor's Recommendation:
We recommend the City continue to perform annual analyses of the projects included in CIP and meet with project managers who oversee the projects to ensure those amounts should be included in the account at the end of the year and not have been expensed or placed in service.

Management's Response:
The Finance Department agrees that an annual analysis is needed to ensure proper accounting as expense or capitalization. The challenges of staffing during this time will be met using whatever resources the City can obtain.

2) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards* (continued)

Finding: 2019-002

Type of Finding: Material Weakness over Financial Reporting

Criteria:
In accordance with accounting principles generally accepted in the United States of America, expenditures/expenses should be recorded in the proper period and amounts paid after the end of the fiscal year that relate to the previous fiscal year should be properly accrued as a liability in the previous fiscal year.

Condition:
During our testing of expenditures/expenses paid subsequent to year-end, we identified $1,306,266 of expenditures/expenses recorded in the wrong period.

Cause:
During fiscal year 2019, the City's Finance Department incurred employee turnover, which resulted in the department being understaffed. The Finance Department staff did not have adequate resources to perform proper analyses of the expenditures/expenses after year end to ensure they were recorded in the proper period.

Effect:
Failure to properly accrue expenditures/expenses at year end could result in the City's financial statements being materially misstated.

Auditor's Recommendation:
We recommend the City implement procedures to review expenditures/expenses paid after year-end to determine they are recorded in the proper period.

Management's Response:
The Finance Department agrees that its procedures need to be closely management so expenses are recorded in the proper period. The challenges of staffing during this time will be met using whatever resources the City can obtain.

3) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards* (continued)

Finding: 2019-003

Type of Finding: Significant Deficiency over Financial Reporting

Criteria:
Bank accounts should be reconciled on a monthly basis.

Condition:
During our testing of cash and bank reconciliations, we identified that the City's initial bank reconciliations at June 30, 2019 for were not fully reconciled for two bank accounts. One account had unreconciled differences of $572,392 and the other had unreconciled differences of $384,770.

Cause:
During fiscal year 2019, the City's Finance Department staff who performs monthly bank reconciliations was out of work for multiple months and was unable to perform the bank reconciliations in a timely manner. When the staff returned they were unable to identify all differences that were accumulated for the months the reconciliations were not performed.

Effect:
The City's cash balances were not reconciled on a timely basis and unreconciled differences could have represented potential errors or fraudulent transactions in the cash balances at June 30, 2019.

Auditor's Recommendation:
We recommend the City ensure bank reconciliations are performed on a monthly basis. We also recommend the City cross-train employees to ensure if employees are unable to work for a significant period of time someone else is able to perform their work.

Management's Response:
The Finance Department agrees that cash reconciliations are critical to accurate control over financial reporting. The challenges of staffing during this time will be met using whatever resources the City can obtain.

4) Findings and Questioned Costs for Federal Awards

Finding: 2019-004

Program name: Child Care and Development Fund (CCDF) (CFDA # 93.596)

Federal Awarding Agency: Department of Health and Human Services (HHS)

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Portsmouth Department of Social Services (DSS)

Compliance Requirement: Eligibility

Type of Finding: Significant Deficiency; Nonmaterial Noncompliance

Criteria:
Per Title 2 Subpart §200.303, the non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per PDSS internal control policies and procedures, payments made on behalf of participants should only be made if there is a "Purchase of Service Order" (POSO) signed by both the local department representative and vendor to cover the time period of that payment.

Per Title 42 of the U.S. Code (USC) Section 9858, the local DSS must re-determine eligibility based on established eligibility period of at least 12 months.

Condition:
Of the twenty-five (25) beneficiaries that we tested, we noted:

- Two (2) instances where eligibility was not re-determined within the established 12-month period, and

- Two (2) instances where CCDF payments were made on behalf of participants, even though a "Purchase of Service Order" (POSO) signed by both the local department representative and vendor was not maintained to cover the time period of the payment.

Cause:
The performance of the re-determinations was delayed due to lack of resources to complete all required re-determinations in a timely manner. POSO's were not retained in the file to support that a participant was eligible to receive CCDF payments on their behalf.

4) Findings and Questioned Costs for Federal Awards (continued)

Effect:
The DSS operated CCDF program was not in compliance with the eligibility compliance requirement as of June 30, 2019. Additionally, failure to re-determine eligibility on a timely basis or ensure services are authorized by appropriate personnel before making payments could result in CCDF benefits rendered to ineligible individuals.

Auditor's Recommendation:
We recommend DSS implement a process to monitor the status of upcoming re-determination deadlines in order to prioritize its heavy workload efficiently and that DSS continue to assess current staffing levels and implement a plan to address staff shortages. We also recommend DSS implement a process to ensure all relevant information for case records be properly scanned and stored in the electronic system for the proper length of time. Finally, we recommend eligibility workers ensure there is an approved POSO before making payments on behalf of a participant.

Questioned Costs:
None noted

Management's Response:
DSS Management currently monitor's re-determination due dates. Management has been counseled regarding adherence to the importance of adherence to re-determination deadlines. DSS has been working with City Human Resources and has developed a process to address filling vacant positions expeditiously. DSS has scanned all POSO's received prior to July 1, 2019 into VaCMS. As of July 1, 2019 vendor are no longer required to sign and return POSO's for payment Once staff (Family Service Specialist) approves the case for eligibility in VaCMS, It is the responsibility of the vendor to submit a copy of their client attendance record to the state for payment.

Finding: 2019-005

Program name: Title I (CFDA # 84.010)

Federal Awarding Agency: Department of Education (DOE)

State Awarding Agency: Virginia Department of Education (VDOE)

Department: Portsmouth School Board (PSB)

Compliance Requirement: Special Tests and Provisions – Annual Report Card, High School Graduation Rate

Type of Finding: Significant Deficiency; Nonmaterial Noncompliance

4) Findings and Questioned Costs for Federal Awards (continued)

Criteria:
Per Section 1111(c)(2) of the Elementary and Secondary Education Act of 1965 (ESEA) an SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, transferred to a prison or juvenile facility, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a GED program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort.

Condition:
Of the fourteen (14) students removed from the cohort tested, we noted two (2) instances where there was not adequate written documentation to support the removal of the student from the cohort.

Cause:
The guidance counselors did not receive and maintain the appropriate documentation to support the removal of the student or relied on verbal information without support.

Effect:
PSB is not in compliance with the Annual Report Card, High School Graduation Rate in ESEA Sections 1111(c)(2), 1111(h)(1)(C)(iii)(II) and 8101(25),(23).

Auditor's Recommendation:
We recommend PSB implement a process to educate staff on when they are allowed to remove a student as well as procedures to obtain and retain documentation to support the proper removal of students from the cohort.

Questioned Costs:
None noted

Management's Response:
We have hired a School Counseling Coordinator who will oversee all aspects of School Counseling to include enrollment/withdrawal processes. She has had individual conversations with the enrolling clerks and department directors at all high schools to discuss these three specific instances as well as best practices moving forward. She is also closely monitoring graduation cohorts and requiring these records requests to be filed as they are received.

4) Findings and Questioned Costs for Federal Awards (continued)

Finding: 2019-006 (Prior Year Audit Finding Number: 2018-004)

Program name: Temporary Assistance for Needy Families (TANF) Cluster (CFDA # 93.558)

Federal Awarding Agency: Department of Health and Human Services (HSS)

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Portsmouth Department of Social Services (DSS)

Compliance Requirement: Special Tests and Provisions – Penalty for Refusal to Work

Type of Finding: Significant Deficiency; Nonmaterial Noncompliance

Criteria:
Per Title 45 of the Code of the Federal Regulation (CFR) Section 261.14, if an individual refuses to engage in work required under Section 407 of the Social Security Act, the agency must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish.

Condition:
Of the sixty (60) beneficiaries that we tested, we noted two (2) instances where benefits were not reduced for a beneficiary who did not work or participate in a job readiness program.

Cause:
The TANF Manual allows an exemption to the requirement to maintain employment or participate in a job readiness program if the caretaker is totally disabled and such a disability prevents the individual from being self-supporting. Management notes in these instances, the caretaker had previously been medically evaluated and determined to be disabled, but the caretaker's disability status was denied and terminated at a point before or during the current year. After the caretaker's disability status had been terminated, the caretaker did not maintain employment or participate in a job readiness program for the remainder of the year and TANF benefits were never reduced, suspended, or otherwise terminated.

Effect:
DSS was not in compliance with the penalty for refusal to work requirement as of June 30, 2019. Failure by DSS to reduce or terminate a participant's eligibility for benefits ultimately results in excess payments to the participant by the State.

Auditor's Recommendation:
We recommend DSS implement a process to monitor disabled status of participants to ensure each participant meets the requirement to work or participate in a job readiness program.

Questioned Costs:
None noted

4) Findings and Questioned Costs for Federal Awards (continued)

Management's Response:
DSS staff will enter into VaCMS the onsite and end date of the disability. At the end date of the disability VaCMS will send out task reminder for further staff follow up. It will also send out a task reminder to the staff's supervisor if the task has not been addressed.

Finding: 2019-007

Program name: Temporary Assistance for Needy Families (TANF) Cluster (CFDA # 93.558)

Federal Awarding Agency: Department of Health and Human Services (HHS)

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Portsmouth Department of Social Services (DSS)

Compliance Requirement: Eligibility

Type of Finding: Nonmaterial Noncompliance

Criteria:
Per Title 42 of the US. Code (USC) Section 608, a state may not provide assistance for a minor child who has been or is expected to be absent from the home for a period of 45 consecutive days or, at the option of the State, such period of not less than 30 and not more than 180 consecutive days unless the state grants a good cause exception, as provided in its State Plan.

Condition:
Of the sixty (60) beneficiaries we tested, we noted one (1) beneficiary whose participant file did not contain sufficient information regarding the length of time a child was absent from the home.

Cause:
The beneficiary notated on their annual renewal application that one of the related children would be temporarily absent from the home. The DSS eligibility worker did not document the follow-up used to determine the length of time the child would be absent from the home in either the case notes or elsewhere in the file.

Effect:
The DSS operated TANF program was not in compliance with the eligibility compliance requirement as of June 30, 2019. Additionally, failure to follow up on the length of time the child was absent from the home could result in temporary assistance for needy families rendered to ineligible individuals.

Auditor's Recommendation:
We recommend DSS follow-up immediately when the caretaker informs DSS that the child is expected to be absent from the home for any length of time. We also recommend DSS employees clearly document the follow-up actions taken and how long the child is expected to be absent from the home.

4) Findings and Questioned Costs for Federal Awards (continued)

Questioned Costs:
None noted

Management's Response:
DSS management will provide a training for eligibility workers who process TANF cases on appropriate documentation related to a child's absence from home. DSS staff will set an alert in VaCMS to ensure the child's absence from the home does not exceed 60 days. This will result in a task reminder for staff for further follow up to ensure the child is removed from the case. The system will also generate a task reminder for management if the task has not been addressed by the staff.

Finding: 2019-008

Program name: Adoption Assistance – Title IV-E (CFDA # 93.659)

Federal Awarding Agency: Department of Health and Human Services (HHS)

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Portsmouth Department of Social Services (DSS)

Compliance Requirement: Eligibility

Type of Finding: Nonmaterial Noncompliance

Criteria:
Per Title 45 of the Code of the Federal Regulation (CFR) Section 1356.30 and Title 42 of the US. Code (USC) Section 671, the prospective adoptive parent(s) must satisfactorily have met a criminal records check, including a fingerprint-based check. This involves a determination that such individual(s) have not committed any prohibited felonies. The prospective parent(s) and any other adult living in the home who has resided in the provider home in the preceding five years must also satisfactorily have met a child abuse and neglect registry check.

Condition:
Of the sixteen (16) beneficiaries that we tested, we noted two (2) instances where documentation was not maintained in the file to support that either a criminal records check or child abuse and neglect registry check had been performed for any of the adults in the household.

Cause:
Documentation was not retained in the file to support that criminal records check or child abuse and neglect registry check were performed for adults in the household, other than internal case notes stating that the checks had been performed.

4) Findings and Questioned Costs for Federal Awards (continued)

Effect:
The DSS operated Adoption Assistance program was not in compliance with the eligibility compliance requirement as of June 30, 2019. Additionally, failure to perform required criminal records checks or child abuse and neglect registry checks could result in Adoption Assistance rendered to ineligible individuals.

Auditor's Recommendation:
We recommend DSS implement a process to ensure all relevant information for case records be properly scanned and stored in the electronic system for the proper length of time.

Questioned Costs:
None noted

Management's Response:
The Department of Social Services is working with City IT to acquire the document imaging system called Laserfiche. Once the system is obtained, DSS will work with IT in ensuring client information is scanned and secured. DSS will train staff on how to utilize and scan case information in the system once it has been obtained.

5) Findings and Questioned Costs related to Compliance with Virginia Specifications

Finding: 2019-009 (Prior Year Audit Finding Number: 2018-005)

Department: Portsmouth Department of Social Services (DSS)

Compliance Requirement: Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Type of Finding: Nonmaterial Noncompliance

Criteria:
Section 63.2 of the *Code of Virginia* requires the Local Department of Social Services maintain Computer Access Request Forms, documenting a user's access authority, which must be available for all users.

Condition:
While performing our audit procedures to ensure compliance with Section 3-15 of the Specifications, we identified three (3) employees in our sample of sixteen (16) that had user access to systems that did not match the Computer Access Request Forms.

5) Findings and Questioned Costs related to Compliance with Virginia Specifications (continued)

Cause:
The DSS Information Technology ("IT") Department is responsible for ensuring system privileges match the Computer Access Forms; however, in the cases noted, the IT Department did not ensure changes to system privileges were properly supported by Computer Access Request Forms before granting access to employees to those systems.

Effect:
The City is not in compliance with Section 63.2 of the *Code of Virginia* and is potentially at risk of employee(s) having access to systems that they do not need. Additionally, noncompliance may result in action by the Commonwealth of Virginia.

Auditor's Recommendation:
We recommend the DSS IT Department only make changes to system privileges if those changes are supported by Computer Access Request Forms. In addition, we recommend the DSS IT Department review individuals' system privileges on a recurring basis.

Management's Response:
IT will no longer grant system access to anyone without an approved Computer Access Request Form. System privileges will be reviewed on a quarterly basis to insure compliance.

Resolution of Prior Year's Findings and Questioned Costs Relating to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding 2018-001 – Material Weakness over Financial Reporting – Prior Period Adjustment

Status: Corrective action was taken. Finding not repeated in current year.

Finding 2018-002 – Significant Deficiency over Financial Reporting – Prior Period Adjustment

Status: Corrective action was taken. Finding not repeated in current year.

Resolution of Prior Year's Findings and Questioned Costs for Federal Awards

Finding 2018-003 – Material Weakness; Material Noncompliance Qualification

Status: Corrective action was taken. Finding not repeated in current year.

Finding 2018-004 – Significant Deficiency; Nonmaterial Noncompliance

Status: Finding repeated in the current year. See 2019-006.

Resolution of Prior Year's Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

Finding 2018-005 – Nonmaterial Noncompliance – Social Services, Computer Access Forms

Status: Finding repeated in the current year. See 2019-009.

Finding 2018-006 – Nonmaterial Noncompliance – Social Services, Terminated Users

Status: Corrective action was taken. Finding not repeated in current year.

Finding 2018-007 – Nonmaterial Noncompliance – Statement of Economic Interest Forms

Status: Corrective action was taken. Finding not repeated in current year.

Finding 2018-008 – Nonmaterial Noncompliance – Stormwater Utility Reporting Form

Status: Corrective action was taken. Finding not repeated in current year.