



# CAFR

Comprehensive Annual Financial Report  
Portsmouth, Virginia



2020

For the Fiscal Year Ended June 30, 2020

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

YEAR ENDED JUNE 30, 2020

Prepared by:  
DEPARTMENT OF FINANCE

# CITY OF PORTSMOUTH, VIRGINIA

## Comprehensive Annual Financial Report Table of Contents June 30, 2020

	Exhibit	Page
<b>INTRODUCTORY SECTION</b>		
Principal Officials		i
Organizational Chart		ii
Certificate of Achievement for Excellence in Financial Reporting		iii
Letter of Transmittal		iv
<b>FINANCIAL SECTION</b>		
Report of Independent Auditor		1
Management's Discussion and Analysis – Required Supplementary Information		4
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Position	A	12
Statement of Activities	B	14
Fund Financial Statements		
Governmental Funds' Financial Statements		
Balance Sheet	C	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	D	17
Proprietary Funds' Financial Statements		
Statement of Net Position	E-1	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	E-2	21
Statement of Cash Flows	E-3	22
Fiduciary Funds' Financial Statements		
Statement of Fiduciary Net Position	F-1	23
Statement of Changes in Fiduciary Net Position	F-2	24
Component Units' Financial Statements		
Statement of Net Position	G-1	25
Statement of Activities	G-2	27
Notes to Basic Financial Statements	H	28
Required Supplementary Information Other than Management's Discussion and Analysis		
Budgetary Comparison Schedules		
Schedule of Revenues and Other Financing Sources - General Fund	I-1	130
Schedule of Expenditures and Other Financing Uses - General Fund	I-2	136
Note to Required Supplementary Information	I-3	139
Pension Schedules	I-4	140
Schedule of Changes in Net Pension Liabilities and Related Ratios		
Schedule of Actuarially Determined Contributions, and Employer Contributions for Defined Benefit Pension Plans (PSRS, FPRS, VRS)		
Other Postemployment Benefit (OPEB) Schedules	I-5	149
Schedule of Employer Contributions Other Postemployment Benefits - City Directed		
Schedule of City of Portsmouth's Proportionate Share of Net OPEB Liability - VRS Directed Programs		
Schedule of Employer Contributions - Other Postemployment Benefits - VRS Directed - City		
Schedule of Employer Contributions - Other Postemployment Benefits - VRS Directed - Schools		
Notes to Required Supplementary Information - City		
Schedule of Changes in the Net OPEB Liability - School Board		
Schedule of City of Portsmouth Schools' Proportionate Share of Net OPEB Liability		
Notes to Required Supplementary Information - School Board		

## CITY OF PORTSMOUTH, VIRGINIA

### Table of Contents, Continued

	<b>Exhibit</b>	<b>Page</b>
<b>FINANCIAL SECTION, Continued:</b>		
<b>Other Supplemental Information</b>		
<b>Combining Statements</b>		
<b>Nonmajor Governmental Funds</b>		
Combining Balance Sheet	J-1	170
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	J-2	171
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	J-3	172
<b>Nonmajor Proprietary Funds</b>		
Combining Statement of Net Position	K-1	176
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	K-2	178
Combining Statement of Cash Flows	K-3	179
<b>Internal Service Funds</b>		
Combining Statement of Net Position	L-1	180
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	L-2	181
Combining Statement of Cash Flows	L-3	182
<b>Capital Project Funds - Schedule of Expenditures and Encumbrances</b>		
General Government	M	183
Public Utilities	M	187
Parking Authority	M	188
<b>Fiduciary Funds</b>		
Combining Statement of Fiduciary Net Position - Trust Funds	N-1	189
Combining Statement of Changes in Fiduciary Net Position - Trust Funds	N-2	190
Statement of Changes in Assets and Liabilities - Agency Fund	N-3	191
<b>STATISTICAL SECTION</b>		
Net Position by Component	A-1	193
Change in Net Position	A-2	194
Fund Balances, Governmental Funds	A-3	196
Changes in Fund Balances, Governmental Funds	A-4	197
Assessed Value and Estimated Actual Value of Taxable Property	B-1	198
Property Tax Rates	B-2	199
Principal Property Tax Payers	B-3	200
Property Tax Levies and Collections	B-4	201
Ratios of Outstanding Debt by Type	C-1	202
Ratios of General Bonded Debt Outstanding	C-2	203
Legal Debt Margin Information	C-3	204
Demographic and Economic Statistics	D-1	205
Principal Employers	D-2	206
Full-time Equivalent City Government Employees by Function/Program	E-1	207
Operating Indicators by Function/Program	E-2	208
Capital Asset Statistics by Function/Program	E-3	209

**CITY OF PORTSMOUTH, VIRGINIA**

**Table of Contents, Continued**

---

	<b>Page</b>
<hr/>	
<b>COMPLIANCE SECTION</b>	
<b>Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	211
<b>Report of Independent Auditor on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance Regulations</b>	213
<b>Schedule of Expenditures of Federal Awards.</b>	215
<b>Notes to Schedule of Expenditures of Federal Awards.</b>	217
<b>Schedule of Findings and Questioned Costs</b>	218



THIS PAGE INTENTIONALLY LEFT BLANK

## **INTRODUCTORY SECTION**

---

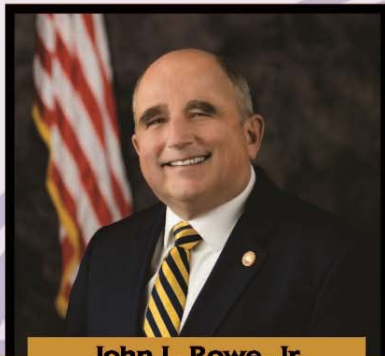


THIS PAGE INTENTIONALLY LEFT BLANK

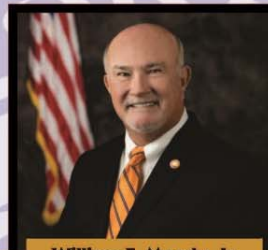


**City of Portsmouth, Virginia**  
Principal Officials • June 30, 2020

## **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**

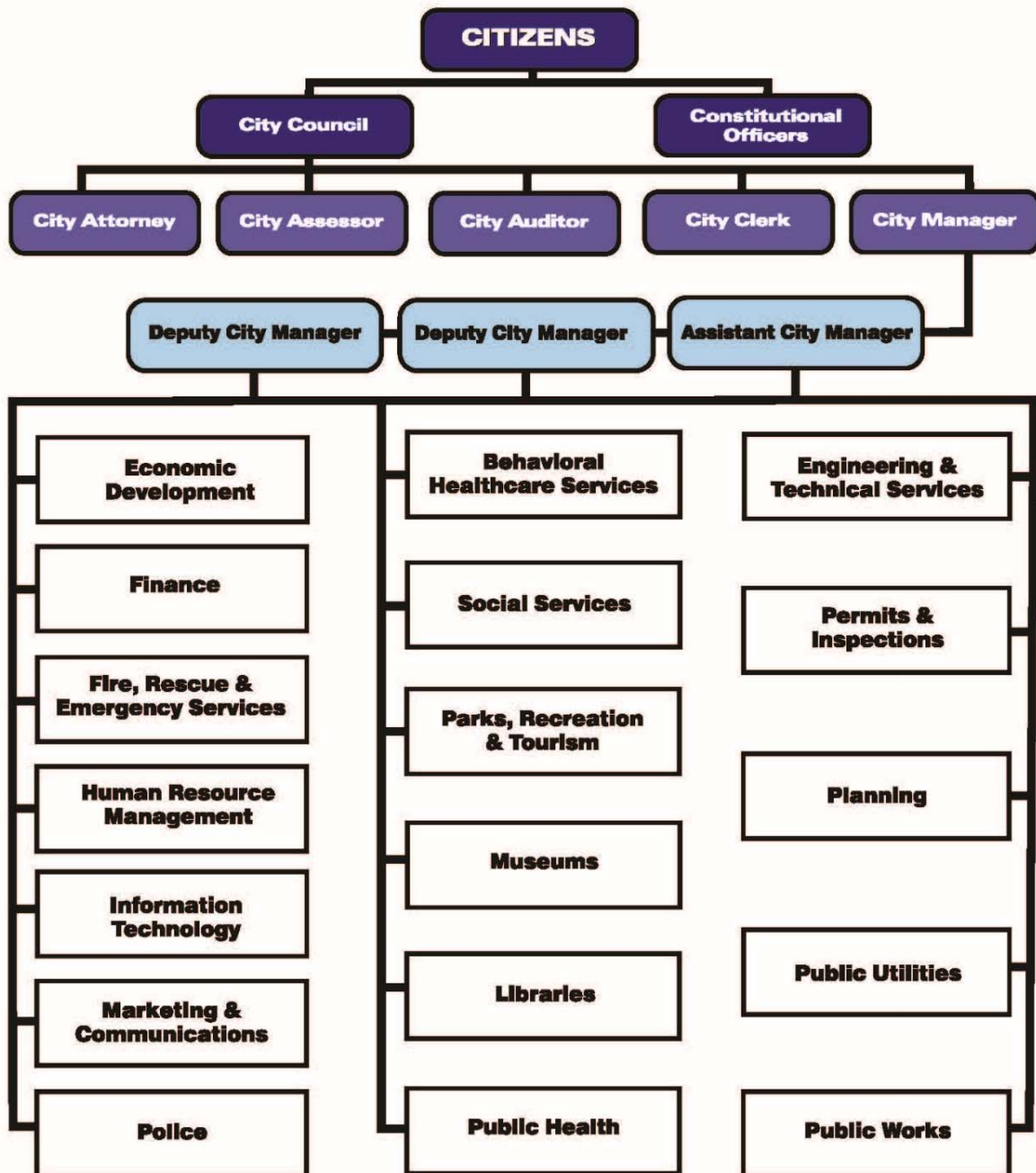
**Dr. L. Pettis Patton**, City Manager  
**Soloman H. Ashby**, City Attorney  
**Holt "Billy" Butt**, City Assessor  
**Debra Y. White**, City Clerk

### **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



## 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 Portsmouth  
Virginia**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO



December 21, 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, 2020, in accordance with State Statutes and City Code. The City's Department of Finance prepared this report in accordance with accounting principles generally accepted 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 93,830 in 2020.

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 and blended units qualifying for inclusion in this report are the Portsmouth City Public Schools, Economic Development Authority, 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**

In February, the National Bureau of Economic Research declared the economy entered a recession, labeled the COVID-19 recession. As of June 2020, the City's unemployment rate reached 11.7%, which compares to the national unemployment rate of 11.1%. Jobs physically located in Portsmouth represent another perspective, and these remain above the recessionary level despite COVID-19.

Regarding real estate, residential values are increasing at the fastest pace since prior to the housing bust (FY 2010); however, COVID-19 could negatively impact commercial properties (many of which are assessed on an income-approach). Commercial real estate comprises approximately 30% of the total assessment base, the City could possibly experience future flat or negative overall change in assessments.

Consumer revenues reflect mixed performance with General Sales performing well, however, Restaurant Meal and Hotels have been negatively impacted. On-line shopping, buying groceries (in lieu of dining at a restaurant) and a Supreme Court decision that strengthen reporting of on-line sales) all boosted General Sales. Concerns about dining and traveling (hotel) served to limit these sales.

In terms of the overall region, economists at Old Dominion University stated "We are witnessing an economic, social, and public health shock the likes of which has not been seen in this country since the Great Depression", resulting in a 3.0%-6.5% decrease in real gross domestic product for Hampton Roads in 2020.

### **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 \$379 million during 2020 (a 274% increase from 2019) resulting in the creation of 300 new jobs and impacting over 1,000 additional jobs.

The Portsmouth Economic Development Department's 2020 Annual Report (highlighting 2019 business announcements and job creation) noted the following accomplishments:

- Entertainment District
  - The City of Portsmouth has partnered with Rush Street Gaming to bring a premium 50-acre entertainment district to life. Rivers Portsmouth Casino will be located on Victory Blvd in the heart of Portsmouth with immediate access to 264 and quick travel to the full region and beyond. With an initial investment of \$300 million and plans for a casino, hotel, entertainment pavilion, and space for 20-30 different eateries and shopping experiences, the Portsmouth Entertainment District will have something for everyone to enjoy.

- Fairlead Integrated - \$11m and another \$12m for North Pier
  - Fairlead Integrated, a cornerstone of the Hampton Roads maritime community, re-invested and expanded in Portsmouth during FY2020. The organization has invested an additional \$11 million in updating current facilities and is moving forward with an approximately \$12 million investment to redevelop the North Pier facility on the downtown waterfront, the update will add an additional 100+ jobs.
- New Retail Development – Expansions, New construction, and Investment across City
  - Portsmouth is experiencing a wide range of new retail development and saw ground breakings and construction happening in every major neighborhood throughout the city. Downtown, Wawa is bringing a \$3 million investment with a custom 20,000sf store perfectly featuring the historic details of the neighborhood. Bangkok Garden has expanded to their second location, redeveloping a formerly empty and blighted location. Starbucks in Churchland committed and began construction on the City's second location, a \$2 million investment from the company. Seaboard Commons has made the way for a \$8 million development that will feature national brands - Zaxby's, Chipotle, and Starbucks.

#### *Workforce Development Initiatives:*

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, talent development must be a top priority. The core of any talent 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.

In FY2020, Portsmouth continued working on its strategic initiative aligning partnerships in workforce, education, and economic development and reinforcing strategies to provide job seekers and workers with high-quality career services, education and training, and other services they need to get good jobs and stay employed, and to help businesses find skilled workers and access other services, including education and training for their current workforce. The Portsmouth Economic Development team added a new Business Development Manager focused on talent development and workforce solutions to lead the charge.

#### *Redevelopment Initiatives:*

Portsmouth continued redevelopment initiatives in FY2020, focusing on the highest and best use for strategic redevelopment efforts across the entire city. The Crawford Gateway Revitalization Strategy continues to look 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. This redevelopment momentum includes the addition of 60 new multifamily units in the Harbor Vista 2 development, as well as several other multifamily options.



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 storm water 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, 2020 was \$68,086,040 which represents 27.9% of fiscal year 2020 general fund's total revenues and transfers. This exceeded the City's adopted financial policy of 15%.

### **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 2020.

### **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 2020, the City remained in compliance with this policy by using the general fund balance to only fund one-time expenditures and not recurring expenditures.

## **Fund Balance Policy Minimum**

The City will maintain an unassigned general fund balance equal to 15% of general fund revenues and transfers. During fiscal year 2020, the City remained in compliance with this policy. The general fund unassigned fund balance at June 30, 2020 equaled 28% of FY2020 general fund revenues and transfers.

## **Cash Management**

The City uses a pooled cash concept to allow greater investment flexibility and maximize its return on investment. The City combines 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 one to 180 days to maturity. During the 2020 fiscal year, the City was able to manage its current resources to properly meet its operating cash requirements and

## **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, 2020.

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

## **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,



LaVoris Pace  
Interim City Manager



Mimi Terry  
Chief Financial Officer

## **FINANCIAL SECTION**

---



THIS PAGE INTENTIONALLY LEFT BLANK

## **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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Uncertainty***

As discussed in Note 14 to the financial statements, in March 2020, the World Health Organization declared COVID-19 a global pandemic. Given the uncertainty of the situation and the duration of any business disruption, the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 Supplemental Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is also not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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.

A handwritten signature in cursive script that reads "Cheryl Bekaert L.P.".

Virginia Beach, Virginia  
December 21, 2020

# 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, 2020. 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

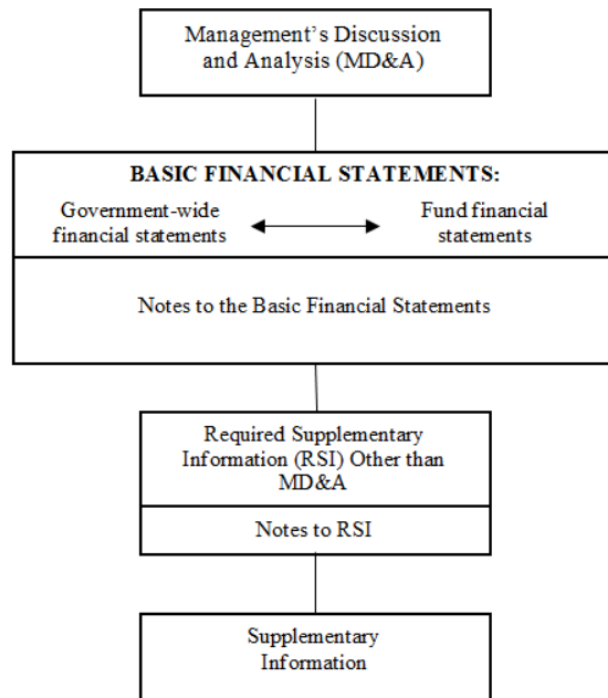
- ◆ The city's net position totaled \$329.9 million at June 30, 2020, increasing \$29.3 million over June 30, 2019.
- ◆ The city's unrestricted net position totaled \$(71.2) million, which was comprised of a deficit of \$(130.6) million resulting from governmental activities and \$59.5 million resulting from business-type activities.
- ◆ Government-wide current assets totaled \$260.3 million, of which \$187.8 million was attributable to governmental activities and \$72.5 million was attributable to business-type activities; while current liabilities totaled \$69.5 million, with \$53.8 million from governmental activities and \$15.7 million from business-type activities. The ratio of current assets to current liabilities was 3.7:1.0 overall – 3.5:1.0 for governmental activities and 4.6:1 for business-type activities.
- ◆ The city's long-term indebtedness at June 30, 2020 totaled \$733.0 million, an increase of \$20.6 million from the prior year. The long-term indebtedness includes \$547.6 bonds, \$5.1 VDOT loan, \$35.8 OPEB liability, landfill closure and post-closure care of \$3.3 million, \$5.3 claims payable, compensated absences of \$4.3 million and net pension liabilities of \$131.6 million.
- ◆ The city's governmental general revenues and transfers of \$197.7 million were \$22.1 million more than expenses, net of program revenues of \$175.5 million. Taxes funded 89.8% of general revenues and transfers.
- ◆ The General Fund total fund balance increased 12.29% during the current year to \$80.0 million from \$71.2 million in the prior year. Unassigned fund balance of \$68.1 million increased \$6.6 million from prior year.
- ◆ Total net position for the Public Utility Fund increased 1.7% from \$188.3 million at June 30, 2019 to \$191.4 million at June 30, 2020. The Public Utility Fund had Unrestricted Net Position of \$41.1 million which is a \$13.4 million increase from June 30, 2019.

## 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 \$329.9 million at June 30, 2020. 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. \$25.0 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 \$22.1 million from \$77.2 million to \$99.3 million, as reflected in the Statement of Activities.

The net position of the city's business-type activities increased by \$7.1 million from \$223.5 million to \$230.6 million, as reflected in the Statement of Activities.

**Table 1**  
**Summary of Statements of Net Position**  
**As of June 30, 2020 and 2019 (in millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 187.8	198.9	89.3	88.3	277.1	287.1
Capital assets	486.1	477.0	313.6	307.5	799.7	784.5
Total assets	673.9	675.9	402.9	395.8	1,076.8	1,071.6
Deferred outflows of resources	62.4	43.3	6.2	6.4	68.6	49.7
Total assets and deferred outflows of resources	736.2	719.2	409.1	402.2	1,145.3	1,121.4
Current liabilities	53.8	54.9	15.7	36.1	69.5	91.0
Long-term liabilities	571.0	571.1	161.9	141.3	733.0	712.4
Total liabilities	624.8	626.0	177.6	177.4	802.5	803.4
Deferred inflows of resources	12.1	16.0	0.8	1.3	12.9	17.3
Net position:						
Net investment in capital assets	204.9	200.4	171.2	181.7	376.1	382.1
Restricted	25.0	52.1	-	-	25.0	52.1
Unrestricted (deficit)	(130.6)	(175.4)	59.5	41.8	(71.2)	(133.6)
Total net position	99.3	77.2	230.6	223.5	329.9	300.7
Total liabilities, deferred inflows of resources and net position	\$ 736.2	719.2	409.1	402.2	1,145.3	1,121.4

## 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, 2020 and 2019 (in millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
<u>Program revenues:</u>						
Charges for services	\$ 20.7	28.1	56.3	55.9	77.0	84.0
Operating grants and contributions	76.2	62.7	-	0.2	76.2	62.9
Capital grants and contributions	1.0	0.3	-	-	1.0	0.3
<u>General revenues:</u>						
Taxes	177.5	173.9	-	-	177.5	173.9
Other	9.0	8.1	2.1	2.0	11.1	10.1
<b>Total revenues</b>	<b>284.3</b>	<b>273.1</b>	<b>58.5</b>	<b>58.0</b>	<b>342.8</b>	<b>331.2</b>
<b>Expenses</b>						
General government	37.9	38.4	-	-	37.9	38.4
Judicial	21.1	20.0	-	-	21.1	20.0
Public safety	62.5	60.4	-	-	62.5	60.4
Public works	29.5	27.0	-	-	29.5	27.0
Health and welfare	29.3	27.5	-	-	29.3	27.5
Parks, recreational, and cultural	13.1	12.5	-	-	13.1	12.5
Community development	6.8	8.4	-	-	6.8	8.4
Education	58.1	51.8	-	-	58.1	51.8
Public Utility	-	-	31.1	28.2	31.1	28.2
Golf	-	-	1.8	1.8	1.8	1.8
Parking Authority	-	-	1.1	1.1	1.1	1.1
Waste Management	-	-	5.7	8.1	5.7	8.1
Economic Development Authority	-	-	0.6	1.0	0.6	1.0
Interest on long-term debt	14.9	17.4	-	-	14.9	17.4
<b>Total expenses</b>	<b>273.4</b>	<b>263.5</b>	<b>40.2</b>	<b>40.2</b>	<b>313.6</b>	<b>303.7</b>
<b>Excess before transfers</b>	<b>10.9</b>	<b>9.8</b>	<b>18.3</b>	<b>17.8</b>	<b>29.3</b>	<b>27.5</b>
<b>Transfers</b>	<b>11.2</b>	<b>13.4</b>	<b>(11.2)</b>	<b>(13.4)</b>	<b>-</b>	<b>-</b>
Change in net position	22.1	23.0	7.1	4.4	29.3	27.5
Net position, beginning of year	77.2	54.1	223.5	219.1	300.7	273.2
Net position, end of year	\$ 99.3	77.2	230.6	223.5	329.9	300.7

## Governmental Activities

The city's total revenues from governmental activities were \$284.3 million for the fiscal year ended June 30, 2020, which represents an increase of \$11.2 million from the prior year. The largest source of revenue is taxes, which represents 62.4% of the total and is comprised of property taxes, other local taxes, and utility taxes. The city's assessed real property value increased 0.6% 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 \$97.9 million. The largest component of program revenues for governmental activities is operating grants and contributions totaling \$76.2 million, representing 77.9% of total program revenues for governmental activities.

For the fiscal year ended June 30, 2020, expenses for the city's governmental activities totaled \$273.4 million. The city's expenses cover a wide range of services, with 22.9% related to public safety, 21.3% related to education, 13.9% general government, 10.8% public works, and 10.7% related to health and welfare.

## Business-type Activities

The total net position for business-type activities increased \$7.1 million from \$223.5 million in fiscal year 2019 to \$230.6 million in fiscal year 2020, 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 96.3% 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, 2020, the governmental funds reflected a combined fund balance of \$132.1 million. The General Fund's fund balance totaled \$80.0 million at June 30, 2020, an increase of \$8.8 million from the prior year's \$71.2 million. The General Fund's unassigned fund balance totaled \$68.1 million at June 30, 2020.

#### General Fund Budgetary Highlights

##### Fiscal Year Ended June 30, 2020 (in millions)

	Original Budget	Final Budget	Actual
<b>Revenues and transfers</b>			
Taxes	\$ 174.9	174.9	177.2
Intergovernmental	40.5	40.5	40.3
Transfers	9.8	10.3	10.3
Appropriated fund balance	4.8	5.5	-
Other	18.8	19.0	17.8
Total	\$ 248.8	250.2	245.6
<b>Expenditures and transfers</b>			
Expenditures	\$ 201.6	202.7	189.3
Transfers	47.3	47.5	47.5
Total	\$ 248.8	250.2	236.8

Actual expenditures in the above chart are shown on the budgetary basis (see Schedule I-2). The General Fund had a \$8.8 million increase in fund balance.

Actual General Fund revenues and transfers were \$4.6 million less than final budgeted revenues and transfers during fiscal year 2020. Actual General Fund expenditures and transfers were \$13.4 million less than the final budget.

The city spent \$32.1 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 \$30.2 million fund balance at June 30, 2020, all of which is restricted or committed for future capital project costs.

As of June 30, 2020, Debt Service fund has assets of \$5.3 million, a decrease of \$0.7 and total net position of \$5.3 million. Total expenditures were \$41.5 million, with debt service of \$33.1 million and cost of issuance at \$1.8 million.

### Proprietary Funds

Total net position of the Public Utility Fund increased \$3.1 million during fiscal year 2020 from \$188.3 million to \$191.4 million. Of the total net position, \$150.3 million represents its net investment in capital assets. Unrestricted net position totaled \$41.1 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2020, the city had invested \$799.7 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:

<b>Capital Assets</b>							
<b>As of June 30, 2020 and 2019 (in millions)</b>							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2020	2019	2020	2019	2020	2019	
Land	\$ 20.4	20.4	14.8	14.8	35.2	35.2	
Buildings	363.3	362.1	22.1	21.7	385.4	383.8	
Improvements other than buildings	566.4	556.6	310.6	310.6	877.1	867.2	
Machinery, furniture, and equipment	83.3	72.5	44.7	44.2	128.0	116.7	
Intangibles	3.2	3.1	-	-	3.2	3.1	
Construction in progress	22.7	17.4	98.7	82.4	121.4	99.8	
Total	\$ 1,059.4	1,032.1	490.9	473.7	1,550.3	1,505.8	

Major capital asset activity for the fiscal year ended June 30, 2020, included:

- ◆ Capital asset changes for governmental activities totaled an increase of \$1.2 million for buildings; an increase of \$9.8 million for improvements other than buildings/infrastructure; an increase of \$10.8 million for machinery, furniture, and equipment, and an increase of \$5.3 million for construction in progress in the fiscal year.
- ◆ Capital asset changes for business-type activities totaled an increase of \$0.4 for buildings; an increase of \$0.5 million for machinery, furniture and equipment; and an increase of \$16.3 million for construction in progress in the fiscal year.
- ◆ Depreciation expense totaled \$18.8 million and \$11.1 million for governmental and business-type activities, respectively.
- ◆ Construction in progress totaled \$22.7 million for governmental activities at June 30, 2020
- ◆ Construction in progress totaled \$98.7 million for business-type activities at June 30, 2020

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 2021-2025 Capital Improvement Program established a five year program totaling \$271.9 million. The major projects include \$63.5 million for water and \$115.2 million for sewer improvements, \$53.3 million for drainage and street improvements, \$550,000 for education, \$23.7 million for municipal facilities, \$10.0 million for fleet management, \$1 million for industrial and economic development projects, \$4.2 million for leisure services projects, and \$500,000 for parking authority projects.

### Long-term Debt

At year-end, the city had \$583.1 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 and revenue bonds outstanding represented \$550.3 and \$32.2 million, respectively, of this total, as reflected in the following schedule:

Outstanding Debt						
As of June 30, 2020 and 2019 (in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 423.2	430.4	127.1	135.7	550.3	566.1
Revenue bond	-	-	32.2	-	32.2	-
Obligation under capital leases	0.6	1.8	-	-	0.6	1.8
Total	\$ 423.8	432.2	159.3	135.7	583.1	567.9

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 \$762.5 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 2020 was 11.7%, which compares to the national unemployment rate of 11.1% for June 2020. Per capita income as of 2019 (latest data available from the Bureau of Economic Analysis) was \$42,605, an increase of 3.4% from what was reported for 2019. Average per capita income in 2019 was \$59,657 for Virginia and \$56,490 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.



THIS PAGE INTENTIONALLY LEFT BLANK



## **Basic Financial Statements**

---



THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**June 30, 2020**

**Exhibit A**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current assets:				
Cash and temporary investments (Note 3)	\$ 111,993,292	85,796,427	197,789,719	22,454,259
Restricted cash and temporary investments (Note 3)	3,580,932	7,514,760	11,095,692	-
Receivables (net of allowance for uncollectibles):				
Taxes	12,807,922	-	12,807,922	-
Accounts	8,833,877	14,958,623	23,792,500	1,185,240
Internal balances	36,366,071	(36,366,071)	-	-
Due from fiduciary fund	266,235	-	266,235	-
Due from component units (Note 10)	2,786	-	2,786	-
Due from other governments (Note 11)	12,972,619	-	12,972,619	3,425,872
Deposits held by others	240,000	-	240,000	-
Inventory of supplies	735,528	644,675	1,380,203	544,291
Total current assets	187,799,262	72,548,414	260,347,676	27,609,662
Noncurrent assets:				
OPEB assets (Note 8)	-	-	-	6,980,817
Security deposit receivable	-	4,016	4,016	-
Property held for resale	-	16,752,463	16,752,463	453,638
Capital assets (Note 4):				
Land	20,402,405	14,803,739	35,206,144	6,085,707
Buildings	363,329,740	22,073,123	385,402,863	93,535,748
Improvements other than buildings	566,446,524	310,640,086	877,086,610	-
Machinery, furniture and equipment	83,263,102	44,704,230	127,967,332	29,555,282
Intangibles	3,212,348	-	3,212,348	422,270
Construction in progress	22,728,688	98,719,623	121,448,311	-
Total capital assets	1,059,382,807	490,940,801	1,550,323,608	129,599,007
Less - accumulated depreciation	(573,315,161)	(177,327,838)	(750,642,999)	(76,019,439)
Total capital assets, net	486,067,646	313,612,963	799,680,609	53,579,568
Total noncurrent assets	486,067,646	330,369,442	816,437,088	61,014,023
Total assets	673,866,908	402,917,856	1,076,784,764	88,623,685
Deferred outflows of resources:				
Deferred outflows from debt refundings	23,644,202	4,144,507	27,788,709	-
Deferred outflows related to pensions (Note 7)	34,355,752	1,875,061	36,230,813	27,851,143
Deferred outflows related to OPEB (Note 8)	4,372,019	158,528	4,530,547	6,343,960
Total deferred outflows of resources	62,371,973	6,178,096	68,550,069	34,195,103
Total assets and deferred outflows of resources	\$ 736,238,881	409,095,952	1,145,334,833	122,818,788

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**June 30, 2020**

**Exhibit A (continued)**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities:				
Current liabilities:				
Accounts payable	\$ 13,102,775	3,068,537	16,171,312	4,575,575
Accrued payroll	1,142,274	116,359	1,258,633	8,770,302
Accrued interest payable	5,695,062	2,349,686	8,044,748	-
Deposits	11,101	1,503,251	1,514,352	-
Due to Primary Government (Note 10)	-	-	-	2,786
Due to component units (Note 10)	12,426	-	12,426	-
Unearned revenues (Note 12)	-	-	-	-
Claims payable (Note 15)	3,720,987	-	3,720,987	1,255,000
Compensated absences (Note 5)	2,944,629	278,317	3,222,946	1,539,576
Workers' compensation claims (Note 15)	-	-	-	436,077
Bonds payable, net (Note 5)	26,562,780	8,364,402	34,927,182	-
Obligations under capital leases (Notes 5 and 6)	611,791	-	611,791	-
<b>Total current liabilities</b>	<b>53,803,825</b>	<b>15,680,552</b>	<b>69,484,377</b>	<b>16,579,316</b>
Noncurrent liabilities:				
Claims payable (Note 15)	5,264,962	-	5,264,962	-
Compensated absences (Note 5)	3,913,828	378,443	4,292,271	3,074,715
Noncurrent workers' compensation claims (Note 15)	-	-	-	258,905
Bonds payable, net (Note 5)	396,641,463	150,954,734	547,596,197	-
Obligations under capital leases (Notes 5 and 6)	-	-	-	-
Landfill closure and postclosure care (Notes 5 and 13)	-	3,270,160	3,270,160	-
Noncurrent loan payable (Note 5)	5,100,000	-	5,100,000	-
Net OPEB liability (Notes 5 and 8)	33,832,783	1,997,803	35,830,586	20,561,679
Net pension liability (Notes 5 and 7)	126,283,344	5,338,494	131,621,838	138,742,940
<b>Total noncurrent liabilities</b>	<b>571,036,380</b>	<b>161,939,634</b>	<b>732,976,014</b>	<b>162,638,239</b>
<b>Total liabilities</b>	<b>624,840,205</b>	<b>177,620,186</b>	<b>802,460,391</b>	<b>179,217,555</b>
Deferred inflows of resources:				
Deferred inflows related to pensions (Note 7)	5,204,933	452,603	5,657,536	16,252,840
Deferred inflows related to OPEB (Note 8)	6,900,819	379,745	7,280,564	16,510,188
<b>Total outflows of resources</b>	<b>12,105,752</b>	<b>832,348</b>	<b>12,938,100</b>	<b>32,763,028</b>
Net position:				
Net investment in capital assets	204,945,661	171,170,094	376,115,755	53,579,568
Restricted for:			-	
Grants and donations	15,845,775	-	15,845,775	1,974,117
Cemetery trust, nonexpendable	1,000,000	-	1,000,000	-
Other purposes	2,833,880	-	2,833,880	10,007,259
Debt service	5,299,788	-	5,299,788	-
Unrestricted	(130,632,180)	59,473,324	(71,158,856)	(154,722,739)
<b>Total net position</b>	<b>99,292,924</b>	<b>230,643,418</b>	<b>329,936,342</b>	<b>(89,161,795)</b>
Total liabilities, deferred inflows of resources, and net position	\$ 736,238,881	409,095,952	1,145,334,833	\$ 122,818,788

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Activities**  
**Year Ended June 30, 2020**

**Exhibit B**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 37,889,362	1,633,780	20,373,839	-	(15,881,743)	-	(15,881,743)	-
Judicial	21,085,253	496,707	3,061,767	-	(17,526,779)	-	(17,526,779)	-
Public safety	62,543,113	3,501,829	13,662,082	-	(45,379,202)	-	(45,379,202)	-
Public works	29,546,493	9,479,152	12,895,165	958,741	(6,213,435)	-	(6,213,435)	-
Health and welfare	29,325,558	2,649,505	24,911,795	-	(1,764,258)	-	(1,764,258)	-
Parks, recreational and cultural	13,051,449	1,023,382	916,058	-	(11,112,009)	-	(11,112,009)	-
Community development	6,840,482	1,896,922	359,529	-	(4,584,031)	-	(4,584,031)	-
Education	58,144,523	-	-	-	(58,144,523)	-	(58,144,523)	-
Interest on long-term debt	14,941,569	-	-	-	(14,941,569)	-	(14,941,569)	-
Total governmental activities	273,367,802	20,681,277	76,180,235	958,741	(175,547,549)	-	(175,547,549)	-
Business-type activities:								
Public Utility	31,071,754	43,160,577	-	-	-	12,088,823	12,088,823	-
Golf	1,764,967	1,133,098	-	-	-	(631,869)	(631,869)	-
Parking Authority	1,105,374	789,927	-	-	-	(315,447)	(315,447)	-
Waste Management	5,671,700	11,252,024	-	-	-	5,580,324	5,580,324	-
Economic Development Authority	574,777	-	23,500	-	-	(551,277)	(551,277)	-
Total business-type activities	40,188,572	56,335,626	23,500	-	-	16,170,554	16,170,554	-
Total primary government	313,556,374	77,016,903	76,203,735	958,741	(175,547,549)	16,170,554	(159,376,995)	-
Component Units:								
School Board	171,937,154	1,418,555	36,132,586	-	-	-	-	(134,386,013)
Port and Industrial Commission	8,935	-	-	-	-	-	-	(8,935)
Total component units	\$ 171,946,089	\$ 1,418,555	\$ 36,132,586	\$ -	-	-	-	(134,394,948)
General revenues:								
Taxes:								
General property taxes					131,684,219	-	131,684,219	-
Business and occupational license taxes					6,495,339	-	6,495,339	-
Restaurant food taxes					8,275,819	-	8,275,819	-
Sales and use tax					8,602,273	-	8,602,273	-
Telecommunications					6,851,375	-	6,851,375	-
Other local taxes					7,464,055	-	7,464,055	-
Utility taxes					8,168,579	-	8,168,579	-
Grants and contributions not restricted to specific programs					-	-	-	84,479,181
Investment earnings					1,340,130	1,473,592	2,813,722	174,729
Miscellaneous					7,628,767	670,484	8,299,251	1,006,522
Payment from Primary Government					-	-	-	55,396,045
Transfers (Note 10)					11,173,159	(11,173,159)	-	-
Total general revenues and transfers					197,683,715	(9,029,083)	188,654,632	141,056,477
Change in net position					22,136,166	7,141,471	29,277,637	6,661,529
Net position, beginning of year					77,156,758	223,501,947	300,658,705	(95,823,324)
Net position, end of year					\$ 99,292,924	\$ 230,643,418	\$ 329,936,342	\$ (89,161,795)

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

**Exhibit C**

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total
Assets:					
Cash and temporary investments (Note 3)	\$ 27,657,119	5,303,019	31,416,593	16,126,922	80,503,653
Restricted cash and temporary investments (Note 3)	256,872	-	3,324,060	-	3,580,932
Receivables (net of allowance for uncollectibles):					
Taxes	12,807,922	-	-	-	12,807,922
Accounts	7,744,729	-	-	824,144	8,568,873
Due from other funds (Note 10)	36,824,014	-	-	-	36,824,014
Due from component units (Note 10)	2,786	-	-	-	2,786
Due from other governments (Note 11)	11,418,757	-	-	1,553,862	12,972,619
Inventory of supplies	107,281	-	-	-	107,281
<b>Total assets</b>	<b>96,819,480</b>	<b>5,303,019</b>	<b>34,740,653</b>	<b>18,504,928</b>	<b>155,368,080</b>
Liabilities:					
Accounts payable	4,870,252	3,231	5,276,580	1,283,444	11,433,507
Accrued payroll	884,004	-	-	207,994	1,091,998
Deposits	11,101	-	-	-	11,101
Due to other funds (Note 10)	-	-	-	191,708	191,708
Due to component units (Note 10)	-	-	12,426	-	12,426
<b>Total liabilities</b>	<b>5,765,357</b>	<b>3,231</b>	<b>5,289,006</b>	<b>1,683,146</b>	<b>12,740,740</b>
Deferred inflows of resources:					
Deferred inflows from unavailable revenues (Note 12)	11,062,101	-	-	188,001	11,250,102
Fund balances (note 2):					
Nonspendable	107,281	-	-	1,000,000	1,107,281
Restricted	256,872	5,299,788	2,577,008	15,845,775	23,979,443
Committed	8,644,680	-	26,874,639	-	35,519,319
Assigned	2,897,149	-	-	-	2,897,149
Unassigned	68,086,040	-	-	(211,994)	67,874,046
<b>Total fund balances</b>	<b>79,992,022</b>	<b>5,299,788</b>	<b>29,451,647</b>	<b>16,633,781</b>	<b>131,377,238</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 96,819,480</b>	<b>5,303,019</b>	<b>34,740,653</b>	<b>18,504,928</b>	<b>155,368,080</b>

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

**CITY OF PORTSMOUTH, VIRGINIA****Exhibit C (continued)****Balance Sheet - Reconciliation of the Balance Sheet to the Statement of Net Position****Governmental Funds****June 30, 2020**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances, governmental funds	\$ 131,377,238
---	----------------

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	20,387,357	
Buildings	362,636,657	
Machinery, furniture and equipment	56,664,560	
Improvements other than buildings	566,446,524	
Construction in progress	22,728,688	
Accumulated depreciation	(546,895,532)	481,968,254

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.

11,250,102

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	(6,476,123)	
Accrued interest payable	(5,695,062)	
General obligation bonds	(423,204,243)	
Long-term loan payable	(5,100,000)	
Obligations under capital leases	(611,791)	
Deferred inflows related to pension	(4,978,631)	
Deferred inflows related to OPEB	(6,758,415)	
Net pension liability	(123,729,459)	
Net OPEB liability	(33,083,607)	(609,637,331)

Deferred outflows from debt refunding as a result of bond refunding, which is not reported on governmental funds

23,644,202

Deferred outflows related to OPEB, which is not reported on governmental funds

4,312,571

Deferred outflows related to pensions, which is not reported on governmental funds

33,443,596 61,400,369

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.

22,934,292

Net position of governmental activities	\$ 99,292,924
---	---------------

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2020**

**Exhibit D**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 177,183,904	-	-	-	177,183,904
Intergovernmental	40,314,397	-	958,741	38,738,996	80,012,134
Charges for services	4,878,225	-	-	9,573,382	14,451,607
Investment income	847,938	-	277,803	214,389	1,340,130
Recovered costs	3,335,744	-	-	102,010	3,437,754
Fines and forfeitures	256,229	-	-	-	256,229
Licenses and permits	1,063,342	-	-	-	1,063,342
Use of property	1,534,150	-	-	-	1,534,150
Program income	-	-	-	502,791	502,791
Miscellaneous	4,132,996	-	27,000	31,017	4,191,013
Total revenues	233,546,925	-	1,263,544	49,162,585	283,973,054
<b>Expenditures:</b>					
<b>Current:</b>					
General government	18,365,736	6,548,276	-	432,028	25,346,040
Nondepartmental	11,864,509	-	-	-	11,864,509
Judicial	18,160,511	-	-	1,199,518	19,360,029
Public safety	53,672,428	-	-	8,780,877	62,453,305
Public works	14,637,386	-	13,555,898	2,153,302	30,346,586
Health and welfare	1,415,063	-	-	27,968,160	29,383,223
Parks, recreational and cultural	10,498,695	-	389,512	1,001,003	11,889,210
Community development	5,147,267	-	-	798,132	5,945,399
Education	55,396,045	-	-	-	55,396,045
Debt service - principal	-	18,848,017	-	-	18,848,017
Interest and fiscal charges	-	14,265,737	-	-	14,265,737
Costs of issuance	(4,000)	1,826,993	-	-	1,822,993
Capital outlay	143,834	-	18,893,588	1,320,199	20,357,621
Total expenditures	189,297,474	41,489,023	32,838,998	43,653,219	307,278,714
Excess (deficiency) of revenues over (under) expenditures	44,249,451	(41,489,023)	(31,575,454)	5,509,366	(23,305,660)
<b>Other financing sources (uses):</b>					
Transfers from other funds (Note 10)	10,313,187	40,012,860	17,885,975	4,774,675	72,986,697
Transfers to other funds (Note 10)	(47,506,815)	(475,000)	-	(11,337,743)	(59,319,558)
Bridge loan from Commonwealth (Note 5)	1,700,000	-	-	-	1,700,000
Refunding bonds issued	-	129,295,000	-	-	129,295,000
Premium on bond issuance	-	749,968	-	-	749,968
Payment to refunded bond escrow agent	-	(128,754,443)	-	-	(128,754,443)
Total other financing sources (uses), net	(35,493,628)	40,828,385	17,885,975	(6,563,068)	16,657,664
Net change in fund balances	8,755,823	(660,638)	(13,689,479)	(1,053,702)	(6,647,996)
Fund balance, beginning of year	71,236,199	5,960,426	43,141,126	17,687,483	138,025,234
Fund balances, end of year	\$ 79,992,022	5,299,788	29,451,647	16,633,781	131,377,238

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



**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, 2020**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances, total governmental funds	\$ (6,647,996)
---	----------------

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	27,488,214	
Depreciation expense (not including Internal Service Funds)	(17,776,041)	9,712,173

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.

Refunding bonds issued	(129,295,000)	
Premium on refunding bonds issued	(749,968)	
Payment to refunded bond escrow agent - principal repayments	128,754,443	
Proceeds from loan	(1,700,000)	
Principal payments and retirement of debt	18,848,017	
Amortization expense	1,334,398	17,191,890

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.

357,755

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	(1,458,647)	
Change in deferred outflows - pensions	8,873,705	
Change in deferred outflows - OPEB	984,228	
Change in deferred inflows - pensions	3,499,386	
Change in deferred inflows - OPEB	34,152	
Change in compensated absences	339,844	
Change in net pension liability	(9,845,200)	
Change in OPEB liability	(190,913)	
Change in accrued interest	1,271,410	3,507,965

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.

(1,985,621)

Change in net position of governmental activities	\$ 22,136,166
---	---------------

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

**Exhibit E-1**

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
<b>Assets:</b>				
Current assets:				
Cash and temporary investments (Note 3)	\$ 70,725,955	15,070,472	85,796,427	31,489,639
Restricted investments (Note 3)	7,514,760	-	7,514,760	-
Accounts receivable (net of allowance for uncollectibles)	10,939,202	4,019,421	14,958,623	265,046
Inventory of supplies	595,801	48,874	644,675	628,247
Deposits-held by others	-	-	-	240,000
Total current assets	89,775,718	19,138,767	108,914,485	32,622,932
Noncurrent assets:				
Security deposit receivable	-	4,016	4,016	-
Property held for resale	-	16,752,463	16,752,463	-
Capital assets (Note 4):				
Land	403,834	14,399,905	14,803,739	15,048
Buildings	692,687	21,380,436	22,073,123	693,083
Improvements other than buildings	310,041,505	598,581	310,640,086	-
Machinery, furniture and equipment	30,890,367	13,813,863	44,704,230	26,598,542
Intangible assets	-	-	-	3,212,348
Construction in progress	98,719,623	-	98,719,623	-
Total capital assets	440,748,016	50,192,785	490,940,801	30,519,021
Less - accumulated depreciation	(152,977,590)	(24,350,248)	(177,327,838)	(26,419,629)
Total capital assets, net	287,770,426	25,842,537	313,612,963	4,099,392
Total noncurrent assets	287,770,426	42,599,016	330,369,442	4,099,392
Deferred outflows of resources:				
Deferred outflows from debt refunding	3,950,213	194,294	4,144,507	-
Deferred outflows related to pensions (Note 7)	1,064,075	810,986	1,875,061	912,156
Deferred outflows related to OPEB (Note 8)	99,080	59,448	158,528	59,448
Total deferred outflows of resources	5,113,368	1,064,728	6,178,096	971,604
Total assets and deferred outflows of resources	\$ 382,659,512	62,802,511	445,462,023	37,693,928

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

**Exhibit E-1 (Continued)**

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
Liabilities:				
Current liabilities:				
Accounts payable	\$ 2,578,195	490,342	3,068,537	1,669,310
Accrued interest payable	2,197,796	151,890	2,349,686	-
Accrued payroll	73,431	42,928	116,359	50,276
Deposits	1,392,214	111,037	1,503,251	-
Due to other funds (Note 10)	31,138,259	5,227,812	36,366,071	-
Current compensated absences (Note 5)	141,268	137,049	278,317	119,088
Current bonds payable (Note 5)	7,108,785	1,255,617	8,364,402	-
Current claims payable (Note 15)	-	-	-	3,720,987
Total current liabilities	44,629,948	7,416,675	52,046,623	5,559,661
Noncurrent liabilities:				
Noncurrent claims payable (Note 15)	-	-	-	5,264,962
Noncurrent compensated absences (Note 5)	201,901	176,542	378,443	263,246
Landfill closure and postclosure liability (Notes 5 and 13)	-	3,270,160	3,270,160	-
Noncurrent bonds payable (Note 5)	141,816,675	9,138,059	150,954,734	-
Net pension liability (Notes 5 and 7)	2,846,273	2,492,221	5,338,494	2,553,885
Net OPEB liability (Notes 5 and 8)	1,248,627	749,176	1,997,803	749,176
Total noncurrent liabilities	146,113,476	15,826,158	161,939,634	8,831,269
Deferred inflows of resources:				
Deferred inflows related to pensions (Note 7)	282,877	169,726	452,603	226,302
Deferred inflows related to OPEB (Note 8)	237,341	142,404	379,745	142,404
Total deferred inflows of resources	520,218	312,130	832,348	368,706
Net position:				
Net investment in capital assets	150,309,939	20,860,155	171,170,094	4,099,392
Unrestricted	41,085,931	18,387,393	59,473,324	18,834,900
Total net position	191,395,870	39,247,548	230,643,418	22,934,292
Total liabilities, deferred inflows of resources, and net position	\$ 382,659,512	62,802,511	445,462,023	37,693,928

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2020**

**Exhibit E-2**

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
Operating revenues:				
Charges for services	\$ 43,160,577	13,175,049	56,335,626	36,741,353
Use of property	55,094	125,000	180,094	-
Other	305,127	146,223	451,350	217,368
Total operating revenues	43,520,798	13,446,272	56,967,070	36,958,721
Operating expenses:				
Personnel services	5,175,932	2,647,881	7,823,813	3,157,834
Contractual services	4,116,859	3,743,078	7,859,937	6,135,214
Supplies and materials	2,540,977	335,302	2,876,279	3,270,438
Utilities	1,489,027	228,801	1,717,828	201,173
Internal charges	1,071,885	1,569,300	2,641,185	78,616
Claims, settlements and refunds	158,754	32,138	190,892	20,522,308
Insurance premiums	-	1,658	1,658	1,303,544
Payments in lieu of taxes	1,161,598	-	1,161,598	-
Rent	-	93,784	93,784	-
Depreciation and amortization	9,534,471	1,556,719	11,091,190	1,049,573
Closure/postclosure	-	(2,228,340)	(2,228,340)	-
Bad debt expense	31,916	-	31,916	-
Other	702,384	541,375	1,243,759	783,744
Total operating expenses	25,983,803	8,521,696	34,505,499	36,502,444
Operating income (loss)	17,536,995	4,924,576	22,461,571	456,277
Nonoperating revenues (expenses):				
Investment income	1,288,201	185,391	1,473,592	52,082
Interest expense and fiscal charges	(5,087,951)	(372,692)	(5,460,643)	-
Local development grants	-	(222,430)	(222,430)	-
Gain on sale of capital assets	39,040	-	39,040	-
Contributions from PRHA	-	23,500	23,500	-
Total nonoperating revenues (expenses), net	(3,760,710)	(386,231)	(4,146,941)	52,082
Income before operating transfers	13,776,285	4,538,345	18,314,630	508,359
Transfers from other funds (Note 10)	400,000	1,088,447	1,488,447	1,000,000
Transfers to other funds (Note 10)	(11,036,092)	(1,625,514)	(12,661,606)	(3,493,980)
Change in net position	3,140,193	4,001,278	7,141,471	(1,985,621)
Net position, beginning of year	188,255,677	35,246,270	223,501,947	24,919,913
Net position, end of year	\$ 191,395,870	39,247,548	230,643,418	22,934,292

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2020**

**Exhibit E-3**

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 40,633,238	12,281,635	52,914,873	37,072,011
Cash payments to suppliers for goods and services	(12,431,267)	(6,421,207)	(18,852,474)	(32,228,325)
Cash payments for land purchases	-	(23,500)	(23,500)	-
Cash payments to employees for services	(5,974,507)	(3,627,696)	(9,602,203)	(4,498,148)
Net cash provided by operating activities	22,227,464	2,209,232	24,436,696	345,538
Cash flows from noncapital financing activities:				
Federal revenues	-	23,500	23,500	-
Development grants	-	(222,430)	(222,430)	-
Interfund loans	17,288,054	415,718	17,703,772	-
Transfers in from other funds	400,000	1,088,447	1,488,447	1,000,000
Transfers out to other funds	(11,036,092)	(1,625,514)	(12,661,606)	(3,493,980)
Net cash provided by (used in) by noncapital financing activities	6,651,962	(320,279)	6,331,683	(2,493,980)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(17,118,032)	(92,347)	(17,210,379)	(396,169)
Proceeds from issuance of long-term debt	32,233,183	-	32,233,183	-
Payments on long-term debt	(6,760,137)	(1,155,000)	(7,915,137)	-
Proceeds from sale of capital assets	39,040	-	39,040	-
Interest paid	(5,699,872)	(359,099)	(6,058,971)	-
Net cash provided by (used in) by financing activities	2,694,182	(1,606,446)	1,087,736	(396,169)
Cash flows from investing activities:				
Purchase of investments	(7,514,760)	-	(7,514,760)	-
Interest received	1,288,201	185,391	1,473,592	52,082
Net cash provided by (used in) investing activities	(6,226,559)	185,391	(6,041,168)	52,082
Net increase (decrease) in cash and temporary investments	25,347,049	467,898	25,814,947	(2,492,529)
Cash and temporary investments, beginning of year	45,378,906	14,602,574	59,981,480	33,982,168
Cash and temporary investments, end of year	\$ 70,725,955	15,070,472	85,796,427	31,489,639
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 17,536,995	4,924,576	22,461,571	456,277
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	9,534,471	1,556,719	11,091,190	1,049,573
Landfill closure/postclosure	-	(2,228,340)	(2,228,340)	-
Bad debt expense	31,916	-	31,916	-
Pension expense (recovery), net of employer contributions	(750,189)	(949,957)	(1,700,146)	(741,532)
OPEB expense (recovery), net of employer contributions	(95,014)	(57,009)	(152,023)	(649,770)
Change in current assets and liabilities:				
Accounts receivable	(2,860,931)	(1,170,374)	(4,031,305)	113,290
Inventory of supplies	(53,118)	10,694	(42,424)	(33,051)
Prepaid expenses	3,071	-	3,071	191,011
Property held for resale	-	(23,500)	(23,500)	-
Accounts payable	(1,139,736)	113,535	(1,026,201)	809,844
Customer deposits	(26,629)	42,418	15,789	-
Accrued payroll and expense	67,128	42,857	109,985	50,276
Unearned revenues	-	(36,681)	(36,681)	-
Compensated absences	(20,500)	(15,706)	(36,206)	712
Claims payable	-	-	-	(901,092)
Total adjustments	4,690,469	(2,715,344)	1,975,125	(110,739)
Net cash provided by operating activities	\$ 22,227,464	2,209,232	24,436,696	345,538

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2020**

**Exhibit F-1**

	Pension and OPEB Trusts	Agency Special Welfare Fund
Assets:		
Cash and temporary investments (Note 3)	\$ 6,146,878	275,730
Investments (Note 3):		
Stocks	163,941,429	-
Bonds	39,676,508	-
Real estate	5,542,157	-
Other investments	563,666	-
Total investments	209,723,760	-
Total assets	215,870,638	275,730
Liabilities:		
Due to general fund	-	266,235
Cash held for others	-	9,495
Total liabilities	-	275,730
Net position -		
Net position restricted for pensions and OPEB	215,870,638	-
Total liabilities and net position	\$ 215,870,638	275,730

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year ended June 30, 2020**

**Exhibit F-2**

	Pension and OPEB Trust Funds
Additions:	
Contributions -	
Employers' contributions	\$ 19,726,981
Investment income:	
Interest	1,534,919
Gains, net of investment expenses	8,520,477
Net investment income	10,055,396
Total additions	29,782,377
Deductions:	
Benefit payments	31,755,049
Administrative expenses	339,457
Total deductions	32,094,506
Change in net position	(2,312,129)
Net position restricted for pensions and OPEB, beginning of year	218,182,767
Net position restricted for pensions and OPEB, end of year	\$ 215,870,638

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Component Units**  
**June 30, 2020**

**Exhibit G-1**

	School Board	Port and Industrial Commission	Total
<b>Assets:</b>			
Current assets:			
Cash and temporary investments (Note 3)	\$ 21,389,604	1,064,655	22,454,259
Accounts receivables (net of allowance for uncollec	1,185,240	-	1,185,240
Due from other governments (Note 11)	3,425,872	-	3,425,872
Due from Primary Government (Note 10)	-	-	-
Inventory of supplies	544,291	-	544,291
Total current assets	26,545,007	1,064,655	27,609,662
Noncurrent assets:			
OPEB assets (Note 8)	6,980,817	-	6,980,817
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	29,555,282	-	29,555,282
Intangibles	422,270	-	422,270
Total capital assets	129,599,007	-	129,599,007
Less - accumulated depreciation	(76,019,439)	-	(76,019,439)
Total capital assets, net	53,579,568	-	53,579,568
Total noncurrent assets	60,560,385	453,638	61,014,023
Total assets	87,105,392	1,518,293	88,623,685
Deferred outflows of resources:			
Deferred outflows related to pensions (Note 7)	27,851,143	-	27,851,143
Deferred outflows related to OPEB (Note 8)	6,343,960	-	6,343,960
Total deferred outflows of resources	34,195,103	-	34,195,103
Total assets and deferred outflows of resources	\$ 121,300,495	1,518,293	122,818,788

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



**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Component Units**  
**June 30, 2020**

**Exhibit G-1 (Continued)**

	School Board	Port and Industrial Commission	Total
Liabilities:			
Current liabilities:			
Accounts payable	\$ 4,575,575	-	4,575,575
Accrued payroll	8,154,843	-	8,154,843
Accrued payroll taxes	615,459	-	615,459
Due to Primary Government (Note 10)	-	2,786	2,786
Claims payable (Note 15)	1,255,000	-	1,255,000
Compensated absences (Note 5)	1,539,576	-	1,539,576
Workers' compensation claims (Note 15)	436,077	-	436,077
Total current liabilities	16,576,530	2,786	16,579,316
Noncurrent liabilities:			
Compensated absences (Note 5)	3,074,715	-	3,074,715
Noncurrent workers' compensation claims (Note 15)	258,905	-	258,905
Net pension liability (Note 7)	138,742,940	-	138,742,940
Net OPEB liability (Note 8)	20,561,679	-	20,561,679
Total noncurrent liabilities	162,638,239	-	162,638,239
Total liabilities	179,214,769	2,786	179,217,555
Deferred inflows of resources:			
Deferred inflows related to pensions (Note 7)	16,252,840	-	16,252,840
Deferred inflows related to OPEB (Note 8)	16,510,188	-	16,510,188
Total outflows of resources	32,763,028	-	32,763,028
Net position:			
Net investment in capital assets	53,579,568	-	53,579,568
Restricted for:			
Grants and donations	1,974,117	-	1,974,117
Other purposes	10,007,259	-	10,007,259
Unrestricted	(156,238,246)	1,515,507	(154,722,739)
Total net position	(90,677,302)	1,515,507	(89,161,795)
Total liabilities, deferred inflows of resources, and net position	\$ 121,300,495	1,518,293	122,818,788

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Activities**  
**Component Unit**  
**Year Ended June 30, 2020**

**Exhibit G-2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Port and Industrial Commission	
School Board:							
Administration, attendance and health services	\$ 10,452,610	182,292	-	-	(10,270,318)	-	(10,270,318)
Instruction	123,685,787	56,995	31,131,304	-	(92,497,488)	-	(92,497,488)
Pupil transportation	6,392,222	152,464	-	-	(6,239,758)	-	(6,239,758)
Operations and maintenance	15,223,114	32,161	-	-	(15,190,953)	-	(15,190,953)
Information technology	8,384,830	-	-	-	(8,384,830)	-	(8,384,830)
Food services	7,798,591	994,643	5,001,282	-	(1,802,666)	-	(1,802,666)
Total School Board	171,937,154	1,418,555	36,132,586	-	(134,386,013)	-	(134,386,013)
Port and Industrial Commission:							
Port and Industrial Commission	8,935	-	-	-	-	(8,935)	(8,935)
Total Component Units	171,946,089	1,418,555	36,132,586	-	(134,386,013)	(8,935)	(134,394,948)
General revenues:							
Grants and contributions not restricted to specific programs				\$ 84,479,181	-		84,479,181
Investment earnings				152,056	22,673		174,729
Miscellaneous				1,004,449	2,073		1,006,522
Payment from Primary Government				55,396,045	-		55,396,045
Total general revenues				141,031,731	24,746		141,056,477
Change in net position				6,645,718	15,811		6,661,529
Net position, beginning of year				(97,323,020)	1,499,696		(95,823,324)
Net position, end of year				\$ (90,677,302)	\$ 1,515,507		\$ (89,161,795)

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

**(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 are separately disclosed on Exhibit G-2.

***Discretely Presented Component Units***

The component unit columns in the basic financial statements includes 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. This component units are fiscally dependent on the city and provide services primarily to the citizens of Portsmouth. The 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:

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

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 a 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 possibility 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 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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.).

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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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 five nonmajor internal service funds: the City Garage Fund, the Information Technology Fund, the Health Insurance and the Other Postemployment Benefit Fund (OPEB), the Risk Management Fund, and the School Board Risk Management Fund.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***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 and OPEB trust funds account for the assets of the city's retirement and other post-employment benefit 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 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 delinquent after each due date. The real estate tax rate during 2020 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 2020, 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.



**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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)	\$	3,803,050
Allowance for uncollectibles		2,625,583
<b>Total General Fund</b>		<b>6,428,633</b>

Special Revenue Funds:

Stormwater Management Fund - allowance for uncollectibles		798,822
Behavioral Health Services Fund - allowance for uncollectibles		53,348
<b>Total Special Revenue Funds</b>		<b>852,170</b>
<b>Total Governmental activities</b>	<b>\$</b>	<b>7,280,803</b>

**Business-type Activities:**

Enterprise Funds:

Public Utility Fund - allowance for uncollectibles	\$	611,326
Waste Management Fund - allowance for uncollectibles		504,359
<b>Total Business-type activities</b>	<b>\$</b>	<b>1,115,685</b>

**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.

**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 stated at cost using the first-in, first-out (FIFO) method. Inventory is accounted for under the consumption method.

**I. Property Held for Resale**

Property is stated at acquisition cost plus improvements, but not in excess of net realizable value. Capitalized costs of projects are assigned to individual components of the projects based on specific identification. If specific identification is not practicable, capitalized costs are allocated to each parcel benefited, based on relative fair value before construction. As property is sold, all costs associated with that property are charged to cost of land sold.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**J. 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.

**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.

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 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 resources represents an acquisition of net position by the government that is applicable to a future period.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**M. Deferred Outflows/Inflows of Resources (continued)**

- When the city refunds some of its existing debt, the difference between the funds required to retire the refunded debt and the net carrying amount of refunded debt results in a deferred amount 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.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Differences resulting from a changes in proportion of the collective net pension and OPEB liabilities. This difference will be recognized in pension and OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Differences resulting from changes in assumptions on pension plan or OPEB investments. These differences will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan.
- Revenues deferred as asset recognition criteria have not yet been met (see Note 12).

**N. Pensions**

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 established by GAAP.

**O. Other Postemployment Plan**

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.

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Budgets (Continued)**

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, 2020, were composed of the following:

	General Fund	Debt Service	Capital Improvements	Other Nonmajor
Nonspendable:				
Inventory of supplies	107,281	-	-	-
Permanent - cemetery care	-	-	-	1,000,000
Total nonspendable fund balances	107,281	-	-	1,000,000
Restricted:				
Restricted cash	256,872	-	2,577,008	-
Restricted for debt service	-	5,299,788	-	-
Behavioral health services	-	-	-	10,465,672
Public law library	-	-	-	148,763
Social services	-	-	-	970,956
Stormwater management infrastructure maintenance	-	-	-	1,839,161
Grants	-	-	-	349,813
Children's services	-	-	-	367,348
Willett Hall	-	-	-	482,248
Asset forfeitures	-	-	-	394,024
Permanent - cemetery care	-	-	-	827,790
Total restricted fund balances	256,872	5,299,788	2,577,008	15,845,775
Committed:				
Encumbrance carried forward	8,644,680	-	26,874,639	-
Total committed fund balances	8,644,680	-	26,874,639	-
Assigned:				
Planned use of fund balance, transfer to Schools	2,897,149	-	-	-
Total assigned fund balances	2,897,149	-	-	-
Unassigned:				
General Fund	68,086,040	-	-	-
Community development - (HUD) Housing assistance	-	-	-	(211,994)
Total unassigned fund balance	68,086,040	-	-	(211,994)
Total fund balances	\$ 79,992,022	\$ 5,299,788	\$ 29,451,647	\$ 16,633,781

**(3) DEPOSITS AND INVESTMENTS**

**Deposits and Restricted Cash**

At June 30, 2020, the carrying value of the city's deposits with banks and savings institutions was \$197,789,719, and the total of the bank balances for these deposits was \$199,450,136. All cash of the city except petty cash of \$90,761 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, 2020, restricted cash totaled \$11,095,692, 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, 2020, the city's investment balances were as follows:

	Carrying Amount	Actual Credit Ratings	Required Credit Ratings	Average Days/Years to Maturity
LGIP	\$ 1,092,418	AAAm	N/A	1 day

**(3) DEPOSITS AND INVESTMENTS (CONTINUED)**

**Pension Investments - Common Collective Retirement Trust Fund**

As of June 30, 2020, 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, 2020, 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
<b>John Hancock Trust Company LLC:</b>			
Artisan Developing World Inst	MF Equity	1 day	\$ 10,280,795
Morgan Stanley Advisory Holding	MF Equity	1 day	149,675,566
American Funds EuroPacific Growth	MF Equity	1 day	31,710,776
Lazard International Equity Concentrated	MF Equity	1 day	16,564,573
PIMCO Government Money Market	MF Equity	1 day	902,368
			\$ 209,134,078

At June 30, 2020, the fair value of the OPEB Investments was as follows:

Investment Type	Fair Value
Fixed Income	\$ 910,536
Stocks	2,558,174
Real Estate	303,512
Alternative Investments	563,666
	\$ 4,335,888

**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, 2020, are as follows:

	Fair Value at 6/30/20	Fair Value (FV) Measurements Using:		
		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	\$ 1,812,904	1,812,904	-	-
Equity securities				
Common stock in mutual funds	210,789,882	210,789,882	-	-
Other assets (futures contracts, etc) in mutual funds	867,178	867,178	-	-
Total investments by fair value	\$ 213,469,964	213,469,964	-	-

***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 Trustees' 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, 2020, 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 \$21,389,604 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 \$13,664,808 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 \$1,122,806. 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 blended component unit, was \$1,064,655. 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, 2020, was as follows:

<b>Primary Government - Governmental Activities</b>				
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 20,364,236	38,169	-	20,402,405
Construction in progress (CIP)	17,361,984	25,455,498	(20,088,794)	22,728,688
Total capital assets not being depreciated or amortized	37,726,220	25,493,667	(20,088,794)	43,131,093
Capital assets being depreciated:				
Buildings	362,056,896	1,279,187	(6,343)	363,329,740
Improvements other than buildings	6,277,652	1,737,400	-	8,015,052
Improvements other than buildings (Infrastructure)	550,359,891	8,071,581	-	558,431,472
Machinery, furniture, and equipment	72,479,926	11,245,231	(462,055)	83,263,102
Intangibles	3,066,238	146,110	-	3,212,348
Total capital assets being depreciated or amortized	994,240,603	22,479,509	(468,398)	1,016,251,714
Less accumulated depreciation for:				
Buildings	(129,218,961)	(8,422,725)	6,343	(137,635,343)
Improvements other than buildings	(1,495,684)	(346,528)	-	(1,842,212)
Improvements other than buildings (Infrastructure)	(375,805,974)	(5,515,195)	-	(381,321,169)
Machinery, furniture, and equipment	(47,230,211)	(4,341,109)	462,055	(51,109,265)
Intangibles	(1,207,115)	(200,057)	-	(1,407,172)
Total accumulated depreciation	(554,957,945)	(18,825,614)	468,398	(573,315,161)
Total capital assets being depreciated or amortized, net	439,282,658	3,653,895	-	442,936,553
Governmental activities capital assets, net	\$ 477,008,878	29,147,562	(20,088,794)	486,067,646

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 \$74,444,562, will be carried on the City's financial statements until the outstanding debt is repaid.

	<b>CIP June 30, 2020</b>	<b>Outstanding Commitments</b>	<b>Unobligated Balance</b>
Governmental Activities Projects	\$ 22,728,688	\$ 46,207,884	\$ 64,510,589

**(4) CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the year ended June 30, 2020 (continued)

Depreciation/amortization expense was charged to functions as follows:

General government	\$	366,200
Judicial		2,054,699
Public safety		2,055,952
Public works		7,695,891
Health and welfare		345,841
Parks, recreation and cultural		1,612,739
Community development		899,834
Education		2,744,885

Total governmental activities, excluding internal service funds 17,776,041

Depreciation/amortization on capital assets of internal service funds (see Exhibit E-2)  
 charged to various functions based on usage of capital assets. 1,049,573

Total governmental activities \$ 18,825,614

**Primary Government -  
 Business-type Activities**

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 14,803,739	-	-	14,803,739
Construction in progress	82,392,742	16,598,395	(271,514)	98,719,623
Total capital assets not being depreciated	97,196,481	16,598,395	(271,514)	113,523,362
Capital assets being depreciated:				
Buildings	21,709,262	363,861	-	22,073,123
Improvements other than buildings	598,581	-	-	598,581
Improvements other than buildings (Infrastructure)	310,041,505	-	-	310,041,505
Machinery, furniture, and equipment	44,205,288	519,637	(20,695)	44,704,230
Total capital assets being depreciated	376,554,636	883,498	(20,695)	377,417,439
Less accumulated depreciation for:				
Buildings	(15,419,455)	(558,738)	-	(15,978,193)
Improvements other than buildings	(367,821)	(17,443)	-	(385,264)
Improvements other than buildings (Infrastructure)	(126,235,791)	(8,122,249)	-	(134,358,040)
Machinery, furniture, and equipment	(24,234,276)	(2,392,760)	20,695	(26,606,341)
Total accumulated depreciation	(166,257,343)	(11,091,190)	20,695	(177,327,838)
Total capital assets being depreciated, net	210,297,293	(10,207,692)	-	200,089,601
Business-type activities capital assets, net	\$ 307,493,774	6,390,703	(271,514)	313,612,963

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

Public utilities	\$	9,534,471
Parking authority		451,860
Golf		127,755
Waste management		977,104
Total Business-type activities	\$	11,091,190

**(4) CAPITAL ASSETS (CONTINUED)**

	CIP 6/30/2020	Outstanding Commitments	Unobligated Balance	
Business-type activities	\$ 98,719,623	\$ 23,199,976	\$ 138,211,582	
<b>Primary Government - Major Enterprise Funds</b>				
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<b>Public Utility Fund</b>				
Capital assets not being depreciated:				
Land	\$ 403,834	-	-	403,834
Construction in progress	82,121,228	16,598,395	-	98,719,623
Total capital assets not being depreciated	82,525,062	16,598,395	-	99,123,457
Capital assets being depreciated:				
Buildings	692,687	-	-	692,687
Improvements other than buildings (Infrastructure)	310,041,505	-	-	310,041,505
Machinery, furniture, and equipment	30,370,730	519,637	-	30,890,367
Total capital assets being depreciated	341,104,922	519,637	-	341,624,559
Less accumulated depreciation for:				
Buildings	(230,804)	(17,157)	-	(247,961)
Improvements other than buildings (Infrastructure)	(126,235,791)	(8,122,249)	-	(134,358,040)
Machinery, furniture, and equipment	(16,976,524)	(1,395,065)	-	(18,371,589)
Total accumulated depreciation	(143,443,119)	(9,534,471)	-	(152,977,590)
Total capital assets being depreciated, net	197,661,803	(9,014,834)	-	188,646,969
Public Utility Fund capital assets, net	\$ 280,186,865	7,583,561	-	287,770,426

**Capital assets - discretely presented component unit**

<b>School Board Component Unit</b>				
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	29,207,879	347,403	-	29,555,282
Intangibles	422,270	-	-	422,270
Total capital assets being depreciated	123,165,897	347,403	-	123,513,300
Less accumulated depreciation for:				
Buildings	(50,484,053)	(2,699,430)	-	(53,183,483)
Machinery, furniture, and equipment	(20,984,691)	(1,428,995)	-	(22,413,686)
Intangibles	(422,270)	-	-	(422,270)
Total accumulated depreciation	(71,891,014)	(4,128,425)	-	(76,019,439)
Capital assets being depreciated/amortized				
Total capital assets - being depreciated	51,274,883	(3,781,022)	-	47,493,861
School Board capital assets, net	\$ 57,360,590	(3,781,022)	-	53,579,568

**(5) LONG - TERM DEBT**

**Details of Long-Term Indebtedness**

At June 30, 2020, the long-term indebtedness of the city consisted of the following:

		<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Outstanding</b>
<b>Governmental Activities</b>				
General obligation bonds, net:				
2001B	VPSA School Financing Bonds	7/15/2021	3.10 - 5.10%	\$ 389,940
2006B	VPSA School Financing Bonds	7/15/2026	4.35 - 4.60%	2,415,173
2009A	G.O. Refunding Bonds	7/15/2022	4.00 - 4.75%	2,320,000
2009B	G.O. Refunding Bonds	7/15/2020	4.00 - 5.25%	400,000
2009D	G.O. Refunding Bonds	12/1/2020	4.00%	325,000
2009	VPSA Qualified School Construction Bonds	9/1/2026	0.00%	9,400,000
2010D	G.O. & Refunding Bonds	7/15/2024	4.00 - 5.25%	140,000
2011	G.O. Refunding Bonds	7/15/2024	5.00%	5,160,000
2012A	G.O. Public Utility & Refunding Bonds	7/15/2030	2.25 - 5.00%	14,725,000
2012B	Taxable G.O. Refunding Bonds	7/15/2030	2.35 - 3.85%	5,890,000
2012C	G.O. Public Improvement & Refunding Bonds	7/15/2032	2.00 - 4.00%	11,530,000
2013A	G.O. Public Improvement & Refunding Bonds	2/1/2035	5.00%	11,860,000
2013B	Taxable G.O. & Refunding Bonds (includes pension)	2/1/2037	2.589 - 4.541%	17,830,000
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%	18,590,000
2016A	G.O. Refunding Bonds	8/1/2035	2.00 - 5.00%	34,225,000
2016B	Taxable G.O. Refunding Bonds	8/1/2025	2.00 - 2.20%	14,205,000
2016QZAB	Virginia G.O. Qualified Zone Academy Bonds	9/15/2031	0.00%	5,473,000
2017QZAB	Virginia G.O. Qualified Zone Academy Bonds	9/15/2029	0.00%	3,912,195
2017A	G.O. Cross Refunding Bonds	7/15/2041	3.00 - 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	2.20 - 3.90%	5,750,000
2018	G.O. New Money Vehicle Financing	7/15/2028	3.010%	9,673,000
2019	G.O. Bonds	7/15/2039	3.00 - 5.00%	24,440,000
2019B	Taxable G.O. Refunding Bonds (Pensions)	2/1/2037	2.00 - 3.00%	129,295,000
Total general obligation bonds				<u>\$ 400,164,967</u>

General obligation bonds are stated exclusive of premiums and discounts.

**(5) LONG - TERM DEBT (CONTINUED)**

**Details of Long-Term Indebtedness (continued)**

		<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Outstanding</b>
<b>Business-Type Activities</b>				
Public Utilities:				
General obligation bonds:				
2009D	G.O. Refunding Bonds	12/1/2025	3.625 - 4.00%	\$ 815,000
2009E	Prentis Park Bonds	7/15/2041	0.00%	1,682,888
2011	G.O. Refunding Bonds	7/15/2024	5.00%	3,405,000
2012A	G.O. Public Utility & Refunding Bonds	7/15/2041	2.25 - 5.00%	26,505,000
2012C	G.O. Public Improvement & Refunding Bonds	7/15/2031	2.00 - 4.00%	8,525,000
2013B	Taxable G.O. & Refunding Bonds	2/1/2022	2.589 - 2.839%	5,405,000
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%	6,810,000
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
Total general obligation bonds				106,707,888
2019C	Infrastructure Revenue Bonds	10/1/2049	2.974 - 5.125%	28,990,000
				<u>135,697,888</u>
Parking Authority:				
2009A	G.O. Refunding Bonds	7/15/2025	4.00 - 4.75%	30,000
2011	G.O. Refunding Bonds	7/15/2024	5.00%	20,000
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	2.589 - 3.939%	1,845,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	23,342
2017B	G.O. Taxable Refunding Bonds	7/15/2035	2.20-3.90%	50,000
2017A	G.O. Refunding Bonds	7/15/2041	5.00%	35,000
				<u>2,193,342</u>
Golf:				
2009B	G.O. Refunding Bonds	7/15/2035	4.00 - 5.25%	130,000
2011	G.O. Refunding Bonds	7/15/2020	5.00%	460,000
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	2.58%	100,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	385,000
2017B	G.O. Taxable Refunding Bonds	7/15/2035	2.20-3.90%	800,000
				<u>2,880,000</u>
Economic Development Authority:				
2019	G.O. Revenue Note	1/15/2024	3.21%	5,217,000
				<u>\$ 145,988,230</u>

General obligation bonds are stated exclusive of premiums and discounts.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**Exhibit H (continued)**

**(5) LONG - TERM DEBT (CONTINUED)**

At June 30, 2020, the long-term indebtedness of the School Board component unit consisted of the following:

	<b>Amount Outstanding</b>
<b>School Board:</b>	
Compensated absences	\$ 4,614,291
Claims payable	1,255,000
Workers' compensation claims	694,982
Net pension liability	138,742,940
Net OPEB liability	20,561,679
<b>Total long-term liabilities</b>	<b>\$ 165,868,892</b>

The following is a summary of changes in long-term indebtedness of the city for the year ended June 30, 2020:

	<b>Balance June 30, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2020</b>	<b>Due Within One Year</b>
<b>Primary Government - Governmental Activities:</b>					
General obligation bonds	\$ 406,778,752	129,295,000	(135,908,785)	400,164,967	25,380,824
Bond premiums/(discounts)	23,623,706	749,968	(1,334,398)	23,039,276	1,181,956
	430,402,458	130,044,968	(137,243,183)	423,204,243	26,562,780
Capital leases	1,786,023	-	(1,174,232)	611,791	611,791
VDOT loans	3,400,000	1,700,000	-	5,100,000	-
Compensated absences	7,197,589	6,371,070	(6,710,202)	6,858,457	2,944,629
Net OPEB Liability	34,141,757	-	(308,974)	33,832,783	-
Net pension liability	116,829,765	9,453,579	-	126,283,344	-
<b>Total Governmental Activities</b>	<b>\$ 593,757,592</b>	<b>147,569,617</b>	<b>(145,436,591)</b>	<b>595,890,618</b>	<b>30,119,200</b>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 124,913,368	-	(7,915,138)	116,998,230	7,595,138
Bond premiums/(discounts)	10,798,432	-	(662,759)	10,135,673	662,756
Total general obligation bonds, net	135,711,800	-	(8,577,897)	127,133,903	8,257,894
Revenue bond	-	28,990,000	-	28,990,000	-
Bond premium	-	3,243,183	(47,950)	3,195,233	106,508
Total revenue bond, net	-	32,233,183	(47,950)	32,185,233	106,508
Landfill closure and post-closure care	5,498,500	-	(2,228,340)	3,270,160	-
Compensated absences	692,966	610,088	(646,294)	656,760	278,317
Net OPEB Liability	1,998,501	-	(698)	1,997,803	-
Net pension liability	6,380,250	-	(1,041,756)	5,338,494	-
<b>Total Business-type Activities</b>	<b>\$ 150,282,017</b>	<b>32,843,271</b>	<b>(12,542,935)</b>	<b>170,582,353</b>	<b>8,642,719</b>
<b>Major Enterprise Funds:</b>					
Public Utility Fund					
General obligation bonds	\$ 113,468,025	-	(6,760,137)	106,707,888	6,385,138
Bond premiums/(discounts)	10,649,481	-	(617,142)	10,032,339	617,139
Total general obligation bonds, net	124,117,506	-	(7,377,279)	116,740,227	7,002,277
Revenue bond	-	28,990,000	-	28,990,000	-
Bond premium	-	3,243,183	(47,950)	3,195,233	106,508
Total revenue bond, net	-	32,233,183	(47,950)	32,185,233	106,508
Compensated absences	363,669	318,782	(339,282)	343,169	141,268
Net OPEB Liability	1,249,063	-	(436)	1,248,627	-
Net pension liability	3,131,490	-	(285,217)	2,846,273	-
Total Public Utility Fund	<b>\$ 128,861,728</b>	<b>32,551,965</b>	<b>(8,050,164)</b>	<b>153,363,529</b>	<b>7,250,053</b>

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, 2020, 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, 2020:

	<b>Balance July 1, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2020</b>	<b>Due Within One Year</b>
<b>School Board:</b>					
Compensated absences	\$ 3,881,356	2,178,270	(1,445,335)	4,614,291	1,539,576
Claims Payable	2,167,876	18,611,106	(18,829,000)	1,949,982	1,691,077
Net OPEB Liability	19,891,000	670,679	-	20,561,679	-
Net pension liability	125,076,810	13,666,130	-	138,742,940	-
<b>Total School Board</b>	<b>\$ 151,017,042</b>	<b>35,126,185</b>	<b>(20,274,335)</b>	<b>165,868,892</b>	<b>3,230,653</b>

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 August 26, 2019, the City issued General Obligation Refunding Bonds of \$129,295,000 to advance refund a portion of 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 2.00-3.00%. The bonds mature February 1, 2037. The refunding resulted in a deferred loss of \$10,519,443, which is being amortized through 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.

**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, 2020, the City's debt limit was \$762,496,535 of which \$256,531,548 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, 2020, including interest payments, are summarized as follows:

**Governmental Activities:**

Fiscal Year Ending	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2021	\$ 25,380,824	\$ 12,742,387	\$ 611,791	\$ 30,536
2022	26,636,659	11,894,417	-	-
2023	27,635,650	11,047,917	-	-
2024	28,344,255	10,129,706	-	-
2025	29,269,337	9,203,992	-	-
2026-2030	127,535,440	32,747,430	-	-
2031-2035	103,862,802	13,771,797	-	-
2036-2040	31,500,000	1,542,498	-	-
	<u>\$ 400,164,967</u>	<u>\$ 103,080,144</u>	<u>\$ 611,791</u>	<u>\$ 30,536</u>

**Business-type Activities:**

Fiscal Year Ending	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 7,595,138	\$ 4,526,080	\$ -	\$ 1,133,169
2022	7,757,632	4,232,637	-	1,133,169
2023	7,505,138	3,921,486	-	1,133,169
2024	12,472,138	3,633,062	145,000	1,129,453
2025	7,055,138	3,116,208	170,000	1,121,381
2026-2030	30,109,335	11,386,254	2,805,000	5,321,316
2031-2035	20,222,886	6,300,414	4,835,000	4,337,869
2036-2040	18,765,688	2,753,022	5,800,000	3,374,125
2041-2045	5,515,137	213,859	6,890,000	2,275,119
2046-2050	-	-	8,345,000	822,347
	<u>\$ 116,998,230</u>	<u>\$ 40,083,022</u>	<u>\$ 28,990,000</u>	<u>\$ 21,781,117</u>

**Authorized but Unissued Bonds**

The total of general obligation bonds authorized but unissued for governmental funds as of June 30, 2020, was \$59,516,633.

The total of bonds authorized but unissued for enterprise funds as of June 30, 2020, was \$167,173,284.

**(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	11,580,641	2,583,228
Less accumulated depreciation	(8,006,029)	(9,847,914)	(2,470,865)
Capital assets, net	\$ 6,456,547	\$ 1,732,727	\$ 112,363

Depreciation expense on leased assets was \$1,969,556 for the fiscal year ended June 30, 2020.

The projected minimum capital and operating lease payments of the city as of June 30, 2020, is as follows:

Fiscal Year Ending	Capital	Operating
2021	\$ 642,328	\$ 768,715
2022	-	582,472
2023	-	589,956
2024	-	542,756
2025	-	549,045
2026-2027	-	1,116,465
Total minimum lease payments	642,328	\$ 4,149,409
Less amount representing interest	(30,537)	
Present value of minimum capital lease payments	\$ 611,791	

Total operating lease payments for the year ended June 30, 2020, were \$614,979.

**(7) RETIREMENT PLANS (CONTINUED)**

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 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.

**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

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, 2020:

	<u>Total</u>	<u>PSRS</u>	<u>FPRS</u>
Retirees and beneficiaries	980	347	633
Vested terminated employees not yet receiving benefits	52	10	42
Current vested employees	25	14	11
	<u>1,057</u>	<u>371</u>	<u>686</u>

***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.

Total employer contributions to the PSRS and FPRS for fiscal year 2020 were \$4,200,064 and \$13,546,417, respectively or \$17,746,481 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.

**(7) RETIREMENT PLANS (CONTINUED)**

**Local Plans (Continued)**

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:

	<u>Target</u>	<u>Range</u>
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.

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.

(7) **RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

*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:

- 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.

(7) **RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

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, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.80% and 4.78%, 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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2020, using updated actuarial assumptions.

**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (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, 2018	\$ 243,243,864	\$ 163,094,134	\$ 80,149,730
Change for the year:			
Service Cost	188,000	-	188,000
Interest	16,847,652	-	16,847,652
Differences between expected and actual experience	1,347,426	-	1,347,426
Contributions - employer	-	7,535,021	(7,535,021)
Net investment income	-	11,417,345	(11,417,345)
Benefit payments, including refunds of employee contributions	(21,922,564)	(21,922,564)	-
Administrative expenses	-	(173,148)	173,148
Changes of assumptions	(442,750)	-	(442,750)
Net changes	(3,982,236)	(3,143,346)	(838,890)
Balance at June 30, 2019	\$ 239,261,628	\$ 159,950,788	\$ 79,310,840

***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, 2018	\$ 80,478,070	\$ 56,016,180	\$ 24,461,890
Change for the year:			
Service Cost	50,442	-	50,442
Interest	5,542,060	-	5,542,060
Differences between expected and actual experience	(681,062)	-	(681,062)
Contributions - employer	-	2,350,640	(2,350,640)
Net investment income	-	3,854,272	(3,854,272)
Benefit payments, including refunds of employee contributions	(8,140,802)	(8,140,802)	-
Administrative expenses	-	(60,617)	60,617
Changes of assumptions	(156,756)	-	(156,756)
Net changes	(3,386,118)	(1,996,507)	(1,389,611)
Balance at June 30, 2019	\$ 77,091,952	\$ 54,019,673	\$ 23,072,279



**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

*Actuarial Assumptions.*

The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2019
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-2018).

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2019.

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%
<b>PSRS</b>			
Total Pension Liability	\$ 83,201,599	77,091,952	71,766,385
Less: Fiduciary Net Position	54,019,673	54,019,673	54,019,673
Net Pension Liability	\$ 29,181,926	23,072,279	17,746,712
<b>FPRS</b>			
Total Pension Liability	\$ 261,847,460	239,261,628	220,092,867
Less: Fiduciary Net Position	159,950,788	159,950,788	159,950,788
Net Pension Liability	\$ 101,896,672	79,310,840	60,142,079

**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

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

For the year ended June 30, 2020, the City recognized total pension expenses of \$13,642,569 (\$2,524,723 for PSRS and \$11,117,846 for FPRS). At June 30, 2020, 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:

	<b>PSRS</b>		<b>FPRS</b>	
	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	\$ 874,703	\$ -	\$ 2,417,878	\$ -
Employer contribution subsequent to the measurement date	4,200,064	-	13,546,417	-
Total	<u>\$ 5,074,767</u>	<u>\$ -</u>	<u>\$ 15,964,295</u>	<u>\$ -</u>

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 2021. 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,	<b>PSRS</b>	<b>FPRS</b>
2021	\$ 648,959	\$ 1,794,957
2022	(64,625)	(183,744)
2023	292,532	832,856
2024	(2,163)	(26,191)
	<u>\$ 874,703</u>	<u>\$ 2,417,878</u>

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.

	<b>Portsmouth Supplemental Retirement System</b>	<b>Portsmouth Fire and Police Retirement System</b>
<b>Assets</b>		
Cash equivalents	\$ 1,560,747	\$ 4,586,131
Investments		
Stocks	40,226,185	121,157,070
Real estate	1,305,778	3,932,867
Fixed income	9,662,757	29,103,215
Total investments	<u>51,194,720</u>	<u>154,193,152</u>
Total assets	<u>52,755,467</u>	<u>158,779,283</u>
Net position restricted for pension	<u>\$ 52,755,467</u>	<u>\$ 158,779,283</u>

**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System
Additions:		
Contributions		
Employers' contributions	\$ 4,200,064	\$ 13,546,417
Investment income	2,482,586	7,444,047
Total additions	6,682,650	20,990,464
Deductions:		
Benefit payments	7,859,123	21,915,426
Administrative expenses	87,733	246,543
Total deductions	7,946,856	22,161,969
Change in net position	(1,264,206)	(1,171,505)
Net position restricted for pensions, beginning of year	54,019,673	159,950,788
Net position restricted for pensions, end of year	\$ 52,755,467	\$ 158,779,283

(7) RETIREMENT PLANS (CONTINUED)

**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, service credit, 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 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 Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.

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

***Retirement Contributions***

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

***Service Credit***

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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 service credit. 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 determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

***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 service credit or at age 50 with at least 30 years of service credit.

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

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

***Earliest Reduced Retirement Eligibility***

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

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

***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 service credit, 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 service credit, 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.
- 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 service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

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

**VRS PLAN 2**

***About Plan 2***

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

***Eligible Members***

Employees are in 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 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 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 Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

***Retirement Contributions***

Same as Plan 1.

***Service credit***

Same as Plan 1.

***Vesting***

Same as Plan 1.

***Calculating the Benefit***

See definition under 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 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 service credit earned, purchased or granted on or after January 1, 2013. Sheriffs, regional jail superintendents and political subdivision hazardous duty employees: Same as Plan 1.

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

***Normal Retirement Age***

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

***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 service credit or when their age and service credit equal 90. Political subdivision hazardous duty employees: Same as 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 service credit. Political subdivision hazardous duty employees: Same as 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 Plan 1.

***Exceptions to COLA Effective Dates:***

Same as 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 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, service credit 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 Plan 1 or 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



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

\*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.

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

***Service credit***

***Defined Benefit Component:***

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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, service credit 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit 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.

Distributions not required, except as governed by law.

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

***Calculating the Benefit***

*Defined Benefit Component:*

See definition under 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 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 Plan 1 or 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 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 service credit 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 service credit.

*Defined Contribution Component:*

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***COLA in Retirement***

*Defined Benefit Component:*

Same as Plan 2.

*Defined Contribution Component:*

Not applicable.

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

*Eligibility:*

Same as Plan 1 and Plan 2.

*Exceptions to COLA Effective Dates:*

Same as Plan 1 and Plan 2.

***Disability Coverage***

Eligible political subdivision and school division (including Plan 1 and 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 Plan 1 and 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 Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

*Defined Contribution Component:*

Not applicable.

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at [varetire.org/pdf/publications/2019-annual-report.pdf](http://varetire.org/pdf/publications/2019-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

***Employees Covered by Benefit Terms***

As of the June 30, 2018, 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	1,059	366
Inactive members:		
Vested inactive members	377	40
Non-vested Inactive members	600	117
Inactive members active elsewhere in VRS	776	72
Total inactive members	1,753	229
Active members	1,438	360
Total covered employees	4,250	955

**(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*, 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 employer contribution rate for the year ended June 30, 2020, was 11.75 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. 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 \$8,196,197 and \$7,477,388 for the years ended June 30, 2020, and June 30, 2019, respectively.

The School Board (Non-Professional) VRS pension plan's contractually required contribution rate for the fiscal year ended June 30, 2020, 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 \$819,284 and \$819,943 for the years ended June 30, 2020, and June 30, 2019, respectively.

The School Board Professional VRS plan's contractually required contribution rate for the fiscal year ended June 30, 2020, 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 \$13,414,283 and \$12,992,275 for the years ended June 30, 2020, and June 30, 2019, 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 U.S. generally accepted accounting principles, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

The net pension liability is calculated separately for each system participating in the VRS Teacher Employee Retirement Plan and represents that particular system's total pension liability determined in accordance with U.S. generally accepted accounting principles, less that system's fiduciary net position. As of June 30, 2019, net pension liability amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b><u>Teacher Employee Retirement Plan</u></b>
Total pension liability	\$ 46,683,336
Plan fiduciary net position	<u>36,522,769</u>

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

Employer's net pension liability	\$ <u>13,160,567</u>
Plan fiduciary net position as a percentage of the total pension liability	73.51%

The total pension 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 pension liability is disclosed in accordance with U.S. generally accepted accounting principles in the System's notes to the financial statement and required supplementary information.

At June 30, 2020, the School Board reported a liability of \$130,340,952 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was also determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School Board's proportion was 0.99039% as compared to 1.00321% at June 30, 2018.

***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, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return plan investment	6.75 percent, net of pension 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of 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.

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

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; males set forward 2 years, 110% of rates; females 125% of rates.

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

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%

Discount rate: Decrease rate from 7.00% to 6.75%

***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, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation 2.5 percent

Salary increases, including inflation 3.5 percent – 4.75 percent

Investment rate of return plan investment 6.75 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of 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.

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

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

Discount rate: Decrease rate from 7.00% to 6.75%

***Actuarial Assumptions - Teachers***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.95 percent
Investment rate of return plan investment	6.75 percent, net of pension 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

**Mortality rates:**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

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: Adjusted rates to better match experience  
Salary scale: No change  
Line of Duty disability: Increase rate from 14% to 15%  
Discount rate: Decrease rate from 7.00% to 6.75%

***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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS	6.00%	3.52%	0.21%
PIP	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.63%

\* The above allocation provides a one year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.



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

***Discount Rate***

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***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, 2018	\$ 338,667,430	320,069,035	18,598,395
Change for the year:			
Service Cost	9,121,520	-	9,121,520
Interest	23,152,433	-	23,152,433
Differences between expected and actual experience	(384,172)	-	(384,172)
Contributions - employer	-	7,340,220	(7,340,220)
Contributions - employee	-	3,380,321	(3,380,321)
Net investment income	-	21,221,718	(21,221,718)
Benefit payments, including refunds of employee contributions	(15,836,768)	(15,836,768)	-
Administrative expenses	-	(209,912)	209,912
Changes of assumptions	10,469,482	-	10,469,482
Other changes	-	(13,408)	13,408
Net changes	26,522,495	15,882,171	10,640,324
Balance at June 30, 2019	\$ 365,189,925	335,951,206	29,238,719

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

***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, 2018	\$ 39,173,852	32,074,042	7,099,810
Change for the year:			
Service Cost	669,679	-	669,679
Interest	2,650,616	-	2,650,616
Differences between expected and actual experience	164,308	-	164,308
Contributions - employer	-	782,510	(782,510)
Contributions - employee	-	351,917	(351,917)
Net investment income	-	2,081,974	(2,081,974)
Benefit payments, including refunds of employee contributions	(2,615,831)	(2,615,831)	-
Administrative expenses	-	(21,661)	21,661
Changes in assumptions	1,011,011	-	1,011,011
Other changes	-	(1,304)	1,304
Net changes	1,879,783	577,605	1,302,178
Balance at June 30, 2019	\$ 41,053,635	32,651,647	8,401,988

***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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
<b>City - VRS Political Subdivision Plan</b>			
Net Pension Liability	\$ 76,440,107	\$ 29,238,719	\$ (8,456,010)
<b>School Board's proportionate share of the VRS Teacher (Professional) Employee Retirement Plan</b>			
Net Pension Liability	\$ 196,219,757	\$ 130,340,952	\$ 75,871,382
<b>School Board's (Non-Professional) Employee Retirement Plan</b>			
Net Pension Liability	\$ 12,878,805	\$ 8,401,988	\$ 4,793,758

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

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

For the year ended June 30, 2020, the City recognized pension expense (recovery) of \$7,193,372.

For the year ended June 30, 2020, the School Board recognized for its Professional VRS plan pension expense of \$11,350,493. 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 \$1,019,071.

At June 30, 2020, 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	\$ -	\$ 2,837,374	\$ -	\$ 8,346,281	\$ 99,364	\$ 261,305
Change in assumptions	6,995,553	-	12,906,810	-	611,402	-
Net difference between projected and actual earnings on pension plan investments	-	2,820,161	-	2,861,978	-	274,457
Changes in proportion	-	-	-	4,507,819	-	-
Employer contributions subsequent to the measurement date	8,196,197	-	13,414,283	-	819,284	-
Total	\$ 15,191,750	\$ 5,657,535	\$ 26,321,093	\$ 15,716,078	\$ 1,530,050	\$ 536,762

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

Deferred outflows of resources for contributions subsequent to measurement date will be recognized in pension expense in fiscal year 2021. 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
2021	\$ 1,035,619	\$ (1,818,620)	\$ 209,895
2022	159,037	(3,933,073)	(52,757)
2023	(55,884)	197,262	(5,246)
2024	199,246	1,839,031	22,112
2025	-	906,132	-
Thereafter	-	-	-
	<u>\$ 1,338,018</u>	<u>(2,809,268)</u>	<u>174,004</u>

***Payables to the Pension Plans***

At June 30, 2020, 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	\$ 4,415,047	\$ 15,964,295	\$ 13,976,409	\$ 34,355,752
Net pension liability	20,072,882	79,310,840	26,899,622	126,283,344
Deferred inflows	-	-	5,204,932	5,204,933
Pension expense	2,196,509	11,117,846	6,617,902	19,932,257
Business-type activities				
Deferred outflows	659,720	-	1,215,341	1,875,061
Net pension liability	2,999,397	-	2,339,097	5,338,494
Deferred inflows	-	-	452,603	452,603
Pension expense	328,214	-	575,470	903,684
Total Primary Government				
Deferred outflows	5,074,767	15,964,295	15,191,750	36,230,813
Net pension liability	23,072,279	79,310,840	29,238,719	131,621,838
Deferred inflows	-	-	5,204,932	5,657,536
Pension expense	2,524,723	11,117,846	7,193,372	20,835,941
		VRS		Total
Discretely presented component unit - School Board		Prof	Non-Prof	
Deferred outflows		\$ 26,321,093	\$ 1,530,050	\$ 27,851,143
Net pension liability		130,340,952	8,401,988	138,742,940
Deferred inflows		15,716,078	536,762	16,252,840
Pension expense		11,350,493	1,019,071	12,369,564

**(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, subtitled 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:

	<b>City</b>	<b>School Board</b>
Active Participants	1,486	2,071
Retirees and Spouses	580	36
Total	2,066	2,107

***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 2020, the City contributed \$1,980,500 to the program, all for current premiums, and there was no additional prefunding contribution. Retired employees receiving benefits contributed \$2,618,302 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, 2020, 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.

***Rate of Return***

For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 3.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Net OPEB Liability***

The components of the net OPEB liability of the City and the Portsmouth City Public School Board at June 30, 2020, were as follows:

	<b>City</b>	<b>School Board</b>
Total OPEB Liability	\$ 23,198,068	\$ 6,683,991
Fiduciary Net Position	(4,335,888)	(13,664,808)
Net OPEB Liability	\$ 18,862,180	\$ (6,980,817)
Fiduciary Net Position as a % of Total OPEB Liability	18.69%	204.44%

***Changes in Net OPEB Liability of the City:***

City	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2019	\$ 23,477,564	\$ 4,212,306	\$ 19,265,258
Service cost	641,148	-	641,148
Interest on total OPEB liability	1,504,363	-	1,504,363
Effect of assumptions changes or inputs	(444,507)	-	(444,507)
Benefits payments	(1,980,500)	(1,980,500)	-
Administrative expenses	-	(5,181)	5,181
Employer contributions	-	1,980,500	(1,980,500)
Net investment income	-	128,763	(128,763)
Balance as of June 30, 2020	\$ 23,198,068	\$ 4,335,888	\$ 18,862,180

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

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

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2018	\$ 13,128,913	\$ 13,274,352	\$ (145,439)
Changes during the year:			
Service cost	393,468	-	393,468
Interest	1,206,350	-	1,206,350
Experience (gains)	(5,630,299)	-	(5,630,299)
Change in actuarial assumptions	(1,999,924)	-	(1,999,924)
Contributions/benefits paid from general operating funds		414,517	(414,517)
Net investment income	-	405,789	(405,789)
Benefit payments, including refunds of employer contributions	(414,517)	(414,517)	-
Administrative expenses	-	(15,333)	15,333
Balance at June 30, 2019	<u>\$ 6,683,991</u>	<u>\$ 13,664,808</u>	<u>\$ (6,980,817)</u>

***Actuarial Assumptions***

The net OPEB asset for the City was measured as of June 30, 2020, and is based on a valuation performed as of January 1, 2018. The net OPEB asset for the Portsmouth City Public School Board was measured as of June 30, 2020, and is based on a valuation performed as of that date. The following actuarial assumptions were included in the measurements:

	City	Portsmouth City Public School Board
Inflation	2.50%	2.75%
Salary increase	3.00%	2.00% (for purposes of allocating liability)
Investment rate of return	7.00%	9.21% (including inflation)
20-year Aa Municipal bond rate	3.5%	2.66%
Mortality	RP-2014 Headcount weighted, sex-distinct, annuitant and non-annuitant mortality table projected with improvement scale MP 2017	Public Teacher 2010 Headcount weighted, mortality tables with improvement scale MP 2019

***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 each 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 Milliman's December 31, 2019, capital market assumptions (real returns) and the 2019 Social Security Trustees Report (inflation).

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

***Long-Term Expected Rate of Return (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***

***City's OPEB Plan***

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.

***Portsmouth City Public School Board's OPEB Plan***

The discount rate used to measure the total OPEB liability for the Portsmouth City Public School Board was 9.21%. 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:

<b>City of Portsmouth</b>			
	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Net OPEB liability	\$ 20,664,733	\$ 18,862,180	\$ 17,234,131

The following presents the net OPEB asset of the Portsmouth City Public School Board, as well as what the Portsmouth City Public School Board's net OPEB asset 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:

<b>Portsmouth City Public School Board</b>			
	<b>1% Decrease (8.21%)</b>	<b>Discount Rate (9.21%)</b>	<b>1% Increase (10.21%)</b>
Net OPEB Asset	\$ (6,538,184)	\$ (6,980,817)	\$ (7,379,220)



**(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	\$ 16,695,501	\$ 18,862,180	\$ 21,394,418

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 (3.50%)	Discount Rate (4.50%)	1% Increase (5.50%)
Net OPEB asset	\$ (7,336,521)	\$ (6,980,817)	\$ (6,581,051)

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

At June 30, 2020, the City reported a liability of \$18,862,180. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the City recognized OPEB expense of \$416,148. At June 30, 2020, 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	\$ 477,972	\$ 4,104,592
Net difference between projected and actual investment earnings	147,425	-
Total	<u>\$ 625,397</u>	<u>\$ 4,104,592</u>

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:	
2021	\$ (1,460,910)
2022	(1,460,909)
2023	(586,351)
2024	28,975
Total	<u>\$ (3,479,195)</u>

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

***Portsmouth City Public School Board***

At June 30, 2020, the Portsmouth City Public School Board reported an asset of \$(6,980,817). The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2020, the Portsmouth City Public School Board recognized OPEB expense of \$802,155. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 9,122,065
Changes in assumptions	2,910,636	6,011,607
Investment earnings (gains/losses)	489,619	-
Total	<u>\$ 3,400,255</u>	<u>\$ 15,133,672</u>

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:**

2021	\$ (1,215,345)
2022	(1,215,347)
2023	(1,253,342)
2024	(1,178,903)
2025	(1,338,139)
Thereafter	(5,532,341)
Total	<u>\$ (11,733,417)</u>

***Significant Changes***

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.

Below is the City's OPEB plan financial statement.

	<b>OPEB Trust Fund</b>
Assets	
Cash equivalents	\$ 910,536
Investments	
Stocks	2,558,174
Real estate	303,512
Other	563,666
Total investments	<u>3,425,352</u>
Total assets	<u>4,335,888</u>
Net position restricted for OPEB	<u>\$ 4,335,888</u>

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

	OPEB Trust Fund
Additions:	
Investment income:	
Gains	\$ 128,763
Total additions	128,763
Deductions:	
Administrative expenses	5,181
Total deductions	5,181
Change in net position	123,582
Net position restricted for OPEB, beginning of year	4,212,306
Net position restricted for OPEB, end of year	\$ 4,335,888

**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), and 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.

**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 OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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.

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

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

GLIP PLAN PROVISIONS
<p><u>Eligible Employees</u></p> <p>The GLIP was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City Schools Board</li> </ul> <p>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.</p>
<p><u>Benefit Amounts</u></p> <p>The benefits payable under the GLIP have several components.</p> <ul style="list-style-type: none"> <li>• Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• Accidental Death Benefit - The accident death benefit is double the natural death benefit</li> <li>• Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>o Accidental dismemberment benefit</li> <li>o Safety belt benefit</li> <li>o Repatriation benefit</li> <li>o Felonious assault benefit</li> <li>o Accelerated death benefit option</li> </ul> </li> </ul>
<p><u>Reduction in benefit Amounts</u></p> <p>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.</p>
<p><u>Minimum Benefit Amount and Cost of Living Adjustment (COLA)</u></p> <p>For covered members with at least 30 years of service credit, 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 \$8,463 effective June 30, 2020.</p>

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

*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, 2020, was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLIP from the City were \$386,545 and \$366,082 for the years ended June 30, 2020, and June 30, 2019, respectively. Portsmouth City Public School Board contributions were \$40,094 and \$40,048 for the years ended June 30, 2020, and June 30, 2019, respectively for nonprofessional and \$446,932 and \$434,576 for the years ended June 30, 2020, and June 30, 2019, 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, 2020, the City reported a liability of \$6,020,560 for its proportionate share of the Net GLIP OPEB Liability. The Net GLIP OPEB Liability was measured as of June 30, 2019, and the total GLIP OPEB liability used to calculate the Net GLIP OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The 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, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the City's proportion was 0.35870% as compared to 0.36159% at June 30, 2018. For insurance only employees, the City's proportion was 0.01128% as compared to 0.01260% at June 30, 2018. For the year ended June 30, 2020, the City recognized GLI OPEB expense/(recovery) of \$78,818. 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, 2020, the Portsmouth City Public School Board reported a liability of \$639,353 for its proportionate share of the Net GLIP OPEB Liability for nonprofessional employees. At June 30, 2020, the Portsmouth City Public School Board reported a liability of \$6,937,361 for its proportionate share of the Net GLIP OPEB Liability for professional employees. The Net GLIP OPEB Liability was measured as of June 30, 2019, and the total GLIP OPEB liability used to calculate the Net GLIP OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The 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, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School Board's proportion was 0.03929% as compared to 0.04090% at June 30, 2018 for nonprofessional employees. At June 30, 2019, the School Board's proportion was 0.42632% as compared to 0.42844% at June 30, 2018 for professional employees. For the year ended June 30, 2020, the Portsmouth City Public School Board recognized GLIP OPEB expense of \$2,639 for nonprofessional employees. For the year ended June 30, 2020, the Portsmouth City Public School Board recognized GLIP OPEB expense of \$108,586 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.

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

At June 30, 2020, 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	\$ 400,404	\$ 78,093	\$ 461,376	\$ 89,983	\$ 42,521	\$ 8,293
Net difference between projected and actual earnings on GLI OPEB program investments	-	123,667	-	142,499	-	13,133
Changes in assumptions	380,103	181,546	437,985	209,192	40,365	19,279
Changes in proportion	19,539	252,664	-	195,552	-	53,346
Employer contributions subsequent to the measurement date	386,545	-	446,932	-	40,094	-
Total	\$ 1,186,591	\$ 635,970	\$ 1,346,293	\$ 637,226	\$ 122,980	\$ 94,051

City - \$386,545 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, 2021.

Portsmouth City Public School Board - \$446,932 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, 2021, for professional employees. \$40,094 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, 2021, 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
2021	\$ (39,009)	\$ (27,184)	\$ (9,874)
2022	(39,004)	(27,179)	(9,873)
2023	13,373	33,175	(4,311)
2024	86,140	110,382	2,991
2025	111,575	134,966	7,570
Thereafter	31,001	37,975	2,332
	\$ 164,076	\$ 262,135	\$ (11,165)

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

*Actuarial Assumptions*

The total GLIP OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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	6.75 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 to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; 115% of rates for males and females 130% of rates.

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

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

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
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – SPORS 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 Group Life Insurance Program (continued)**

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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

Pre-Retirement:

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

Post-Retirement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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

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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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%
Discount rate	Decrease rate from 7.00% to 6.75%

*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, 2019, NOL amounts for the GLIP is as follows (amounts expressed in thousands):

Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,627,266</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%
---	--------

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

*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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.63%

\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

*Discount Rate*

The discount rate used to measure the total GLIP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the 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, 2019, 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.

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

*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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease	Current Discount	1.00% Increase
	5.75%	Rate 6.75%	7.75%
City's proportionate share of the GLIP OPEB liability	\$ 7,909,350	\$ 6,020,560	\$ 4,488,805
School Board's proportionate share of the GLIP OPEB liability - Professional	\$ 9,113,772	\$ 6,937,361	\$ 5,172,353
School Board's proportionate share of the GLIP OPEB liability - Nonprofessional	\$ 839,932	\$ 639,353	\$ 476,688

*GLIP Fiduciary Net Position*

Detailed information about the GLIP's Fiduciary Net Position is available in the separately issued VRS 2019 CAFR. A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**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.

*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
<p><u>Eligible Employees</u></p> <p>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.</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision - Full-time general employees; including local law enforcement officers, firefighters or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.</li> <li>• Teachers - Teachers and other full-time permanent salaried employees of public school division covered under VRS.</li> </ul>
<p><u>Benefit Amounts</u></p> <p>The Political Subdivision and Teacher Employee VLDPs provides the following benefits for eligible employees:</p> <p><i>Short Term Disability:</i></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.</li> </ul> <p><i>Long- Term Disability:</i></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.</li> </ul>

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

VLDP PLAN PROVISIONS (Continued)	
<b>Virginia Local Disability Program Notes:</b> <ul style="list-style-type: none"> <li>• 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.</li> <li>• VLDP Long Term Care Plan is a self funded program that assists with the cost of covered long term care services.</li> </ul>	

*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, 2020, 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 \$121,690 and \$98,611 for the years ended June 30, 2020, and June 30, 2019, respectively. Contributions from the School Board were \$23,354 and \$17,881 for the years ended June 30, 2020, and June 30, 2019, 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, 2020, 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 \$107,351 and \$90,677 for the years ended June 30, 2020, and June 30, 2019, respectively.

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

At June 30, 2020, the City and School Board (Nonprofessional) reported liabilities of \$89,793 and \$18,906, 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, 2019, and the total VRS Political Subdivision Employee VLDP OPEB liability used to calculate the Net VRS Political Subdivision Employee VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The City and School Board's proportions of the Net VRS Political 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, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the City's proportion of the VRS Political Subdivision Employee VLDP was 4.43242% as compared to 4.43899% at June 30, 2018. At June 30, 2019, the School Board's proportion of the VRS Political Subdivision Employee VLDP was 0.93328% as compared to 0.90105% at June 30, 2018.



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

For the year ended June 30, 2020, the City and School Board (Nonprofessional) recognized VRS Political Subdivision Employee VLDP OPEB expense of \$105,526 and \$22,272, 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, 2020, the Portsmouth City Public School Board (Professional) reported a liability of \$26,811 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, 2019, 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 June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Portsmouth City Public School Board's proportion of the Net VRS Teacher Employee VLDP OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee VLDP OPEB plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Portsmouth City Public School Board's proportion of VLDP was 4.61204% as compared to 4.61399% at June 30, 2018.

For the year ended June 30, 2020, the Portsmouth City Public School Board (Professional) recognized VRS Teacher Employee VLDP OPEB expense of \$81,061. 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, 2020, 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	\$ 2,573	\$ 3,436	\$ 4,577	\$ -	\$ 542	\$ 724
Differences between expected and actual experience	45,038	2,761	-	3,235	9,483	581
Net difference between projected and actual investment earnings on plan investments	307	-	103	-	65	-
Changes in proportionate share	-	51	-	14	248	-
Employer contributions subsequent to the measurement date	121,690	-	107,351	-	23,354	-
Total	\$ 169,608	\$ 6,248	\$ 112,031	\$ 3,249	\$ 33,692	\$ 1,305

City and Portsmouth City Public School Board (Nonprofessional): \$121,690 and \$23,354, 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, 2021.

Portsmouth City Public School Board (Professional): \$107,351 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, 2021.

**(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
2021	\$ 8,658	\$ 122	\$ 1,876
2022	8,599	122	1,864
2023	8,551	53	1,854
2024	8,646	7	1,873
2025	8,254	50	1,784
Thereafter	(1,038)	1,077	(218)
	<u>\$ 41,670</u>	<u>\$ 1,431</u>	<u>\$ 9,033</u>

*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, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 percent
Salary increases, including inflation –	
Political Subdivision Employees	3.5 percent – 5.95 percent
Teacher Employees	3.5 percent – 5.95 percent
Investment rate of return	6.75 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of 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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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% 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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 changed final retirement age 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
Discount Rate	Decrease rate from 7.00% to 6.75%

*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, 2019, 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)**

	<b>Teacher Employer VLDP OPEB Plan</b>	<b>Political Subdivision Employee VLDP OPEB Plan</b>
Total Employee VLDP OPEB Liability	\$ 2,241	\$ 3,989
Plan Fiduciary Net Position	1,661	1,962
Employee Net VLDP OPEB Liability	<u>\$ 580</u>	<u>\$ 2,027</u>
Plan Fiduciary Net Position as a Percentage of the Total Employee VLDP OPEB Liability	74.12%	49.19%

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:

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

\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

**(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 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the 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, 2019, 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
City's proportionate share of net VLDP OPEB Liability	\$ 103,262	\$ 89,793	\$ 78,015
School Board's proportionate share of net VLDP OPEB liability - professional	\$ 39,386	\$ 26,811	\$ 15,950
School Board's proportionate share of net VLDP OPEB liability - non-professional	\$ 21,742	\$ 18,906	\$ 16,426

*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 2019 CAFR. A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**(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:

<b>LODA PLAN PROVISIONS</b>
<p><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.</p>
<p><u>Benefit Amounts</u>  The LODA provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> <li>• <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: <ul style="list-style-type: none"> <li>○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.</li> <li>○ \$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.</li> <li>○ 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.</li> </ul> </li> <li>• <u>Health Insurance</u> – The LODA provides health insurance benefits. <ul style="list-style-type: none"> <li>○ 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.</li> <li>○ 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.</li> </ul> </li> </ul>

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

*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, 2020, was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA from the entity were \$430,343 and \$406,171 for the years ended June 30, 2020, and June 30, 2019, 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, 2020, the City reported a liability of \$10,858,053 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019, and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019, relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the City's proportion was 3.02633% as compared to 3.55949% at June 30, 2018.

For the year ended June 30, 2020, the entity recognized LODA OPEB expense of \$700,147. 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, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on LODA OPEB plan investments	\$ -	\$ 21,496
Differences between expected and actual experience	1,578,208	(1)
Change in assumptions	509,470	941,269
Changes in proportion	30,930	1,570,990
Employer contribution subsequent to the measurement date	430,343	-
Total	\$ 2,548,951	\$ 2,533,754

\$430,343 reported as deferred outflows of resources related to the LODA OPEB resulting from the City's 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, 2021. 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:

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

<b>Year Ended June 30</b>	
2020	\$ (58,109)
2021	(58,069)
2022	(54,745)
2023	(51,204)
2024	(50,158)
Thereafter	(142,861)
	<u>\$ (415,146)</u>

*Actuarial Assumptions*

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50 percent
Salary increases, including Inflation –	
General state employees	n/a
SPORS employees	n/a
VaLORS employees	n/a
Locality employees	n/a
Medical cost trend rates assumption –	
Under age 65	7.25 percent – 4.75 percent
Ages 65 and older	5.50 percent – 4.75 percent
Year of ultimate trend rate	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.50 percent, 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 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

**Mortality rates – General State Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; 115% of rates for males and females 130% of rates.



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

The actuarial assumptions used in the June 30, 2018, 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
Line of Duty Disability	Increased rate from 14% to 25%

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS 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 Line of Duty Act Program (continued)**

The actuarial assumptions used in the June 30, 2018, 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 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 50% to 35%

**Mortality rates – 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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**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.

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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%

*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, 2019, NOL amounts for the LODA is as follows (amounts expressed in thousands):

	<u>Line of Duty Act Program</u>
Total LODA OPEB Liability	\$ 361,626
Plan Fiduciary Net Position	2,839
Employers' Net OPEB Liability	<u>\$ 358,787</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.79%

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 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

*Discount Rate*

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

**(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 Discount Rate*

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	<b>1.00% Decreases (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1.00% Increase (4.50%)</b>
City's proportionate share of the total LODA Net OPEB Liability	\$ 12,596,116	\$ 10,858,053	\$ 9,483,357

*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 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

	<b>1.00% Decrease (6.75% decreasing to 3.75%)</b>	<b>Health Care Trend Rates (7.75% decreasing to 4.75%)</b>	<b>1.00% Increase (8.75% decreasing to 5.75%)</b>
City's proportionate share of the total LODA Net OPEB Liability	\$ 9,180,377	\$ 10,858,053	\$ 12,973,777

*LODA OPEB Plan Fiduciary Net Position*

Detailed information about the LODA Fiduciary Net Position is available in the separately issued VRS 2019 CAFR. A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**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 health 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 OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS Teacher Employee Health Insurance Credit 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.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

*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.

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 with at least 15 years of service credit, 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, 2020, 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 \$1,026,736 and \$994,856 for the years ended June 30, 2020, and June 30, 2019, respectively.

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

At June 30, 2020, the Portsmouth City Public School Division reported a liability of \$12,939,248 for its proportionate share of the net THICP OPEB Liability. The net THICP OPEB Liability was measured as of June 30, 2019, and the total THICP OPEB liability used to calculate the net THICP OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The 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, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Portsmouth City Public School Board's proportion of THICP was 0.98841% as compared to 1.00193% at June 30, 2018.

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

For the year ended June 30, 2020, the Portsmouth City Public School Board recognized THICP OPEB expense of \$971,019. 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.

At June 30, 2020, 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 between projected and actual earnings on THICP OPEB program investments	\$ 817	\$ -
Difference between expected and actual experience	-	73,289
Change in assumptions	301,156	89,910
Changes in proportion	-	477,486
Employer contributions subsequent to the measurement date	1,026,736	-
Total	\$ 1,328,709	\$ 640,685

\$1,026,736 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, 2021. 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:	
2021	\$ (81,637)
2022	(81,650)
2023	(75,980)
2024	(77,878)
2025	(45,728)
Thereafter	24,161
	<u>\$ (338,712)</u>

*Actuarial Assumptions*

The total THICP liability for the THICP was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 percent
Salary increases, including inflation –	
Teacher Employees	3.5 percent – 5.95 percent
Investment rate of return	6.75 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 GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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
Discount Rate	Decrease rate from 7.00% to 6.75%

*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, 2019, the amounts for the THICP is as follows (amounts expressed in thousands):

Total Teacher Employer THICP OPEB liability	\$	1,438,114
Plan fiduciary net position		129,016
Teacher employee Net THICP OPEB Liability	\$	<u>1,309,098</u>
Plan fiduciary net position as a percentage of the Total Teacher THICP OPEB liability		8.97%

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:

Aset Class (strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.63%

\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

*Discount Rate*

The discount rate used to measure the total THICP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, 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, 2019, 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Discount Rate		
	1% Decrease (5.75%)	(6.75%)	1% Increase (7.75%)
School Board's proportionate share of THICP net OPEB Liability	\$ 14,481,218	\$ 12,939,248	\$ 11,629,346

*THICP OPEB Plan Fiduciary Net Position*

Detailed information about the THICP Fiduciary Net Position is available in the separately issued VRS 2019 CAFR. A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**(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	\$ 575,365	\$ 1,091,664	\$ 156,039	\$ 2,548,951	\$ 4,372,019		
Net OPEB liability	17,353,206	5,538,915	82,610	10,858,053	33,832,784		
Deferred inflows	3,776,225	585,092	5,748	2,533,754	6,900,819		
OPEB expense	382,856	72,513	97,275	700,147	1,252,791		
Business-type activities							
Deferred outflows	50,032	94,927	13,569	-	158,528		
Net OPEB liability	1,508,974	481,645	7,183	-	1,997,802		
Deferred inflows	328,367	50,815	500	-	379,745		
OPEB expense	33,292	6,305	8,251	-	47,848		
Total Primary Government							
Deferred outflows	625,397	1,186,591	169,608	2,548,951	4,530,547		
Net OPEB liability	18,862,180	6,020,560	89,793	10,858,053	35,830,586		
Deferred inflows	4,104,592	635,970	6,248	2,533,754	7,280,564		
OPEB expense	416,148	78,818	105,526	700,147	1,300,639		
Discretely presented component unit - School Board							
	Local	HIC (VRS)	GLI (VRS)		VLDP (VRS)		Total
			Prof	Non-Prof	Prof	Non-Prof	
Net OPEB asset	\$ 6,980,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,980,817
Deferred outflows	3,400,255	1,328,709	1,346,293	122,980	112,031	33,692	6,343,960
Net OPEB liability	-	12,939,248	6,937,361	639,353	26,811	18,906	20,561,679
Deferred inflows	15,133,672	640,685	637,226	94,051	3,249	1,305	16,510,188
OPEB expense	802,155	971,019	108,586	2,639	81,061	22,272	1,987,732

**(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, 2020, are as follows:

Due From:	Due To:
	General Fund
Nonmajor Governmental Funds	\$ 191,708
Public Utility Fund	31,138,259
Nonmajor Enterprise Funds	5,227,812
Internal Service Funds	-
Fiduciary Funds - Agency Fund	266,235
Total	\$ 36,824,014

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

**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, 2020, 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	\$ -	\$ 838,187	\$ 475,000	\$ 125,000	\$ -	\$ 8,875,000	\$ 10,313,187	
Capital Improvements Fund	3,775,680	8,467,831	-	1,088,645	3,103,819	1,450,000	17,885,975	
Nonmajor Governmental Funds	4,639,783	64,587	-	-	70,305	-	4,774,675	
Public Utility CIP Fund	-	-	-	-	-	400,000	400,000	
Nonmajor Enterprise Funds	1,088,447	-	-	-	-	-	1,088,447	
Debt Service	37,002,905	1,967,138	-	411,869	319,856	311,092	40,012,860	
Internal Service Funds	1,000,000	-	-	-	-	-	1,000,000	
Total	\$ 47,506,815	\$ 11,337,743	\$ 475,000	\$ 1,625,514	\$ 3,493,980	\$ 11,036,092	\$ 75,475,144	

**Payments Between Component Units**

Significant transactions between the Primary Government and component units during fiscal year 2020 were as follows:

Payments from the city to the School Board for school operations;	\$ 55,396,045
Statement of Activities - Payment from Primary Government	

**(11) DUE FROM/TO OTHER GOVERNMENTS**

**Due From Other Governments**

Amounts due from other governments at June 30, 2020, are as follows:

	Federal	State	Total
Governmental activities:			
General Fund:			
Personal property tax relief	\$ -	\$ 9,862,962	\$ 9,862,962
Constitutional officers' support	-	873,016	873,016
Other	-	682,779	682,779
Total General Fund	-	11,418,757	11,418,757
Nonmajor governmental funds:			
Children's Services Act Fund	-	319,662	319,662
Social Services Fund	-	1,234,200	1,234,200
Total nonmajor governmental funds	-	1,553,862	1,553,862
Total governmental activities	\$ -	\$ 12,972,619	\$ 12,972,619

**(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, 2020, deferred inflows are provided in the table below. There were no unearned revenues.

	Governmental Funds				Governmental Activities	Business-Type Activities
	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total		
<b>Deferred Inflows</b>						
Deferred taxes, fees and unavailable revenue	\$ 10,084,611	\$ -	\$ -	\$ 10,084,611	n/a	n/a
Deferred revenue-other	977,490	-	188,001	1,165,491	n/a	n/a
<b>Total Deferred Inflows</b>	<b>\$ 11,062,101</b>	<b>\$ -</b>	<b>\$ 188,001</b>	<b>\$ 11,250,102</b>		

**(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 \$3,270,160 reported as landfill closure and postclosure care liability at June 30, 2020, represents the cumulative amount reported to date based on the use of 30.0% of the estimated capacity of the landfill. The city will recognize the remaining estimated cost of closure and post-closure care of \$10,900,534 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 2020. 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 103.8 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, 2020, for the City and Schools are as follows:

<b>City</b>		<b>Schools</b>	
<u>Governmental Funds</u>		<u>Governmental Funds</u>	
Capital Projects Fund	\$ 46,928,995	General Fund	\$ 291,339
		Schools Grants Fund	32,361
		Total	\$ 323,700

(14) LITIGATION AND CONTINGENT LIABILITIES

**Litigation**

The City is currently involved in the following court cases:

*Tameka Blount-Brown v. Michelle Wiggins and Audrey Harris*

Plaintiff owned and operated a daycare facility in which a child was injured in 2014. Two employees of the Portsmouth Department of Social Services investigated the case which required the interruption of daycare services. The Plaintiff closed the daycare facility and filed suit in the Circuit Court for the City of Portsmouth against the two employees for alleged constitutional violations and negligence in the amount of One Million Dollars compensatory damages and \$350,000 in punitive damages.

*Virginia International Gateway v. City of Portsmouth (I)*

Virginia International Gateway ("VIG") has challenged the City's assessment of the real property located at its marine container terminal for year 2016-17. The City assessed the real property at \$361,084,820 and VIG sought to reduce the value by \$150,000,000, which would result in a tax saving of almost 1.4 Million Dollars to VIG. In addition to having to refund VIG almost 1.4 Million Dollars, the City would also be required to pay interest of 10% on the refunded amount. The Portsmouth Circuit Court did not change the assessment. VIG appealed the decision to the Supreme Court of Virginia, which remanded the case to the Circuit Court for further consideration. The Circuit Court did not alter its prior decision.

*Virginia International Gateway v. City of Portsmouth (II)*

Similar to the aforementioned case, VIG has challenged in the Portsmouth Circuit Court the City's assessment of the same real property located at its marine container terminal for years 2017-18 and 2018-2019.

*Cora Wiggins v. Bartlomiej Szczepanski and City of Portsmouth*

Plaintiff Wiggins has filed a lawsuit against Detective Szczepanski and the City of Portsmouth in Portsmouth Circuit Court in the amount of \$750,000.

*Rebecca V. Francis v. City of Portsmouth*

Plaintiff has sued the City for \$600,000 for injuries allegedly sustained when she tripped over a loose brick on a city sidewalk.

*Keisha Wilson, Administrator of the Estate of Keytondra M. Wilson and Keisha Wilson, Individually v. City of Portsmouth, Cynthia Davis and John Doe's 1-5*

Keisha Wilson, Administrator of her daughter's estate has served a lawsuit against the City and its employee, police dispatcher Cynthia Davis, in the Circuit Court for the City of Portsmouth. The suit alleges that the City and Ms. Davis were negligent in performance of their duties and violated Keytondra Wilson's constitutional rights, resulting in her murder. It demands 5.5 million dollars in compensatory damages and \$350,000 in punitive damages. The City and Ms. Davis filed demurrers and pleas of sovereign immunity and removed the lawsuit to the Federal Court of the Eastern District of Virginia. Motions to Dismiss were filed in Federal Court that mirror the demurrers and pleas of sovereign immunity filed in state court. The Federal Court dismissed the constitutional claims and remanded the case to state court.

*Joseph and Michelle VanGilder, Administrators of the Estate of Carmeita Jane VanGilder, Deceased v. Brian Ingram and John/Jane Doe's 1-7*

Mr. and Mrs. VanGilder filed suit against Portsmouth Police Sergeant Brian Ingram and other "John Doe" police officers in Portsmouth Circuit Court. The suit alleges that Ingram and other officers were negligent in the arrest of their daughter who died while in police custody. It demands 7 million dollars in compensatory damages. On August 24, 2020, Plaintiff amended her Complaint, dropping Sgt. Ingram, but adding Officers Beale and McClean.

*Jeffrey Hendricks v. Mathew T. Rios, et al*

Plaintiff filed a Complaint in United States District Court for the Eastern District of Virginia alleging excessive force and malicious prosecution. Plaintiff is seeking compensatory damages of \$1,500,000.00, punitive damages of \$350,000 and attorneys' fees.



(14) LITIGATION AND CONTINGENT LIABILITIES (CONTINUED)

Solomon H. Ashby, Jr. v. John Rowe, Jr. Former City Attorney Solomon Ashby, Jr. sued Mayor John Rowe, Jr. for defamation in the wake of the City Attorney's termination of employment. Mr. Ashby is seeking 1.5 Million Dollars in compensatory damages and \$500,000 in punitive damages.

**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.

**COVID-19 Impact**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The City's operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the City received revenue during fiscal year 2020. As such, our financial condition and liquidity will be negatively impacted for the fiscal year 2021.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the City's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

**(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, 2019, and June 30, 2020, 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 \$7,415,949 (undiscounted) reported in the fund at June 30, 2020, 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 \$2,150,987. 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, 2020.

Changes in the risk management claims liability amount in fiscal years 2020 and 2019, respectively, were as follows:

Risk Management:	2020	2019
Claims payable, beginning of year	\$ 8,284,168	\$ 7,629,076
Claims expense and changes in estimates	2,392,693	1,836,806
Claims payments	(3,260,912)	(1,181,714)
Claims payable, end of year	\$ 7,415,949	\$ 8,284,168

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, 2020, is \$1,570,000 (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, 2020.

Changes in the medical claim liability amount in fiscal years 2020 and 2019, respectively, were as follows:

Medical:	2020	2019
Claims payable, beginning of year	\$ 1,602,873	\$ 978,724
Claims expense and changes in estimates	12,865,708	13,875,149
Claims payments	(12,898,581)	(13,251,000)
Claims payable, end of year	\$ 1,570,000	\$ 1,602,873

**(15) SELF-INSURANCE PROGRAMS (CONTINUED)**

***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, 2020 was determined to be \$694,982 (undiscounted), of which \$436,077 due within one year. The non-current portion is \$258,905.

Changes in the school's claim liability amount in fiscal years 2020 and 2019 were:

School Board:	2020	2019
Claims payable, beginning of year	\$ 646,876	\$ 646,300
Claims and changes in estimates	3,455,043	3,622,478
Claim payments and changes in estimates	(3,454,937)	(3,573,902)
Claims payable, end of year	\$ 694,982	\$ 694,876

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, 2020 is \$1,255,000 (undiscounted), as follows:

	Balance as of July 1	Claims and Changes in Estimates	Claim Payments	Balance as of June 30
<b>Medical Claims</b>				
2019-2020	\$ 1,473,000	\$ 15,156,063	\$ 15,374,063	\$ 1,255,000
2018-2019	\$ 1,369,578	\$ 17,874,343	\$ 17,770,921	\$ 1,473,000

(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, 2020. 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, 2020. 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.

**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**

**FUND DEFICITS**

The Community Development fund had a fund balance with an accumulated deficit of (\$211,994) which will be funded by future intergovernmental revenues from the federal government.

The Information Technology and Health Insurance and OPEB internal service funds had fund balances with accumulated deficits of (104,097) and (856,821), respectively, which will be funded by future internal service charges.

The Portsmouth Public Schools, a component unit of the city, is reporting a net position with an accumulated deficit of \$(90,677,302) at June 30, 2020. This accumulated deficit is primarily due to the net pension obligation liability (\$138,742,940) and OPEB liability (\$20,561,679) at June 30, 2020.

**(18) SUBSEQUENT EVENTS**

**Coronavirus Relief Funds**

The *Coronavirus Aid, Relief, and Economic Security* (CARES) Act of 2020 provides funding for a number of different programs to address the COVID-19 pandemic. A primary component of the CARES Act is \$150 billion in assistance to state, local, territorial, and tribal governments for the direct impact of the COVID-19 pandemic through the establishment of the Coronavirus Relief Fund (CRF). On July 28, 2020, the city was awarded an additional allocation of \$8,235,862 to further assist with necessary expenditures incurring due to the public health emergency related to COVID-19. There is no cash or in-kind match requirement from the city for this grant. Any unspent funds must be returned to the state.

**(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, 2019 (FY2021).
2. Statement No. 87, "Leases". The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (FY2022).
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, 2019 (FY2021).
4. Statement No. 91, "Conduit Debt Obligations". The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 (FY2023).
5. Statement No. 92, "Omnibus 2020". Certain requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (FY2022).

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](http://www.gasb.org).



THIS PAGE INTENTIONALLY LEFT BLANK



**Required Supplementary Information**  
**Other than Management's Discussion and Analysis**

---

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2020**

**Exhibit I-1**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes:				
General property taxes:				
Real property - current	\$ 96,861,417	\$ 96,861,417	\$ 96,770,565	\$ (90,852)
Real property - delinquent	1,481,704	1,481,704	2,062,663	580,959
Real property - Public Services Corporation	1,769,003	1,769,003	1,479,018	(289,985)
Personal property - current	17,071,139	17,071,139	20,036,860	2,965,721
Personal property - delinquent	3,087,557	3,087,557	4,345,679	1,258,122
Personal property - Public Services Corporation	3,734,417	3,734,417	3,477,717	(256,700)
Machinery and tools taxes	887,567	887,567	1,120,410	232,843
Penalties and other charges	1,713,315	1,713,315	1,463,784	(249,531)
Interest	535,922	535,922	569,768	33,846
<b>Total general property taxes</b>	<b>127,142,041</b>	<b>127,142,041</b>	<b>131,326,464</b>	<b>4,184,423</b>
Other local taxes:				
Admission and amusement taxes	179,266	179,266	48,964	(130,302)
Bank franchise taxes	583,651	583,651	547,041	(36,610)
Business and occupational license taxes	6,989,730	6,989,730	6,495,339	(494,391)
Cigarette taxes	3,260,519	3,260,519	2,328,732	(931,787)
Hotel occupancy	360,000	360,000	227,970	(132,030)
Licensing fees - current	2,103,777	2,103,777	1,987,169	(116,608)
Licensing fees - delinquent	581,451	581,451	567,329	(14,122)
Lodging taxes	697,146	697,146	555,791	(141,355)
Recordation taxes	960,995	960,995	1,180,291	219,296
Restaurant food taxes	8,428,358	8,428,358	8,275,819	(152,539)
Sales and use tax - local	8,044,798	8,044,798	8,602,273	557,475
Short-term rental taxes	19,373	19,373	20,768	1,395
Telecommunications	7,070,307	7,070,307	6,851,375	(218,932)
<b>Total other local taxes</b>	<b>39,279,371</b>	<b>39,279,371</b>	<b>37,688,861</b>	<b>(1,590,510)</b>
Utility taxes:				
Electricity taxes	3,996,310	3,996,310	3,839,177	(157,133)
E-911 taxes	440,958	440,958	555,428	114,470
Gas taxes	1,366,036	1,366,036	1,303,377	(62,659)
Water taxes	2,647,203	2,647,203	2,470,597	(176,606)
<b>Total utility taxes</b>	<b>8,450,507</b>	<b>8,450,507</b>	<b>8,168,579</b>	<b>(281,928)</b>
<b>Total taxes</b>	<b>174,871,919</b>	<b>174,871,919</b>	<b>177,183,904</b>	<b>2,311,985</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2020**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Intergovernmental revenue:				
Commonwealth of Virginia:				
Noncategorical aid:				
Mobile home sales taxes	1,515	1,515	592	(923)
Personal property tax relief act	9,862,962	9,862,962	9,862,962	-
Recordation tax distribution	306,958	306,958	263,810	(43,148)
Rolling stock taxes	40,446	40,446	39,128	(1,318)
Vehicle rental tax	245,571	245,571	257,798	12,227
Categorical aid:				
Circuit Court Clerk	922,499	922,499	946,461	23,962
City Registrar	52,224	52,224	113,705	61,481
City Sheriff	6,166,806	6,166,806	6,114,360	(52,446)
City Treasurer	289,092	289,092	286,789	(2,303)
Commissioner of Revenue	297,622	297,622	289,600	(8,022)
Commonwealth's Attorney	1,734,415	1,734,415	1,491,305	(243,110)
DMV select	87,177	87,177	70,915	(16,262)
Other categorical aid:				
Build America Bond Subsidy	554,882	554,882	538,512	(16,370)
HAZMAT recovery	-	-	440	440
Correctional facilities block grant	350,000	350,000	521,860	171,860
Law enforcement grant	6,428,921	6,428,921	6,435,544	6,623
Library funds - books	240,336	240,336	168,009	(72,327)
Street and highway maintenance	12,958,194	12,958,194	12,895,165	(63,029)
<b>Total Commonwealth of Virginia</b>	<b>40,539,620</b>	<b>40,539,620</b>	<b>40,296,955</b>	<b>(242,665)</b>
Federal government:				
E-Rate	-	-	17,442	17,442
<b>Total intergovernmental revenue</b>	<b>40,539,620</b>	<b>40,539,620</b>	<b>40,314,397</b>	<b>(225,223)</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2020**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Charges for services:				
Ambulance fees - current	2,251,104	2,251,104	3,097,786	846,682
Bicycle storage	-	-	5	5
Circuit Court Clerk fees	11,804	11,804	5,888	(5,916)
City Sheriff fees	43,000	67,148	146,223	79,075
ATM fees	1,548	1,548	1,630	82
EZ Pass fees	18,397	18,397	8,890	(9,507)
Courthouse maintenance fees	50,079	50,079	31,893	(18,186)
Courthouse replacement fees	67,414	67,414	42,941	(24,473)
False alarm fees	3,012	3,012	3,645	633
Fire report fees	1,454	1,454	960	(494)
Fire and EMS attendance fees	26,595	26,595	-	(26,595)
Library fines and fees	26,365	26,365	15,438	(10,927)
DNA samples	-	-	746	746
Erosion and sediment control	1,850	1,850	100	(1,750)
Museum admission charges	1,154,539	1,154,539	849,616	(304,923)
Cable TV local access channel fees	116,992	116,992	97,994	(18,998)
Notary fees	314	314	230	(84)
Concealed carry permits	39,912	39,912	40,435	523
Police firearms buyback	-	-	1	1
Police record fees	57,203	57,203	48,545	(8,658)
Recreation activity fees	605,029	605,029	90,250	(514,779)
Rental inspection fees	59,996	59,996	38,835	(21,161)
Inspections	66,272	66,272	79,849	13,577
Plans and specifications	7,963	7,963	4,225	(3,738)
Street closures	-	-	350	350
Sunset Thursday Sponsors	-	-	2,500	2,500
Swimming fees	2,900	2,900	1,660	(1,240)
Vacant structure	4,162	4,162	3,900	(262)
UMOJA	23,157	23,157	2,450	(20,707)
Seawall Festival	2,000	2,000	600	(1,400)
Pokey Smokey II	6,938	6,938	4,193	(2,745)
Ticket sales - Vistor Center	1,532	1,532	1,950	418
EMS collections - delinquent	275,798	275,798	253,747	(22,051)
Certificate of occupancy	9,280	9,280	750	(8,530)
<b>Total charges for services</b>	<b>4,936,609</b>	<b>4,960,757</b>	<b>4,878,225</b>	<b>(82,532)</b>
Investment income:				
Investment income	1,439,570	1,439,570	847,938	(591,632)
<b>Total investment income</b>	<b>1,439,570</b>	<b>1,439,570</b>	<b>847,938</b>	<b>(591,632)</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2020**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Recovered costs:				
City garage fund	430,260	430,260	426,454	(3,806)
Information technology fund	240,253	240,253	240,253	-
Court appointed attorneys	2,080	2,080	965	(1,115)
Golf fund	126,187	126,187	124,118	(2,069)
Health department	65,668	65,668	59,861	(5,807)
Health insurance fund	21,903	21,903	21,903	-
Law library fund	2,647	2,647	2,647	-
Behavioral health services fund	416,988	416,988	416,988	-
DEA	4,262	4,262	13,428	9,166
Training academy upkeep	8,221	8,221	5,126	(3,095)
Parking authority	47,068	47,068	47,068	-
Citywide telephone charges	147,011	147,011	353,797	206,786
Fire watch/EMS	63,911	63,911	18,389	(45,522)
Postage	188,368	188,368	96,880	(91,488)
Public utility fund	517,347	517,347	517,347	-
Social security payments - jail	-	-	23,400	23,400
Stormwater management fund	98,862	98,862	98,862	-
Social services fund	411,882	411,882	411,882	-
Waste management fund	198,814	198,814	198,814	-
Jail weekends	7,618	7,618	4,113	(3,505)
Prisoner upkeep fees	24,714	24,714	30,258	5,544
Fed prisoner transport	-	-	19,375	19,375
Other recovered costs	157,654	157,654	203,816	46,162
<b>Total recovered costs</b>	<b>3,181,718</b>	<b>3,181,718</b>	<b>3,335,744</b>	<b>154,026</b>
Fines and forfeitures:				
Circuit Court fines	18,986	18,986	14,799	(4,187)
Conviction fees	105,920	105,920	55,094	(50,826)
General District Court fines	306,377	306,377	186,168	(120,209)
Juvenile Court fines	1,481	1,481	168	(1,313)
<b>Total fines and forfeitures</b>	<b>432,764</b>	<b>432,764</b>	<b>256,229</b>	<b>(176,535)</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2020**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Licenses and permits:				
Bicycle licenses	149	149	72	(77)
Building plan review fees	65,301	65,301	46,800	(18,501)
Building reinspection fees	10,877	10,877	11,650	773
Building structure permits	248,001	248,001	179,105	(68,896)
Dog impounding fees	1,037	1,037	-	(1,037)
Dog licenses	28,051	28,051	16,923	(11,128)
Electrical inspection fees	30,748	30,748	18,850	(11,898)
Electrical permits	79,230	79,230	65,000	(14,230)
Elevator inspection fees	2,548	2,548	2,325	(223)
Final engineering inspection permit	11,060	11,060	12,550	1,490
Hauling and permits fees	216,989	216,989	159,050	(57,939)
Land disturbance permit	16,800	16,800	93,950	77,150
License transfer fees	3,241	3,241	3,254	13
Mechanical inspection fees	2,336	2,336	2,350	14
Mechanical permits	110,807	110,807	122,248	11,441
Miscellaneous permits	15,113	15,113	14,290	(823)
Penalties on licenses	53,267	53,267	31,921	(21,346)
Plumbing inspection fees	1,996	1,996	2,850	854
Plumbing permits	61,850	61,850	53,578	(8,272)
Restricted parking permits	2,309	2,309	1,860	(449)
Right of way permits	163,974	163,974	167,172	3,198
Sign permit fees	2,828	2,828	1,655	(1,173)
Site plan review fees	10,132	10,132	16,610	6,478
State surcharge on permits	770	770	8,317	7,547
Taxi operators permits	2,206	2,206	610	(1,596)
Yard sale permits	1,269	1,269	725	(544)
Zoning and plat fees	24,076	24,076	29,627	5,551
<b>Total licenses and permits</b>	<b>1,166,965</b>	<b>1,166,965</b>	<b>1,063,342</b>	<b>(103,623)</b>
Use of property:				
Rental of antenna sites	68,250	68,250	81,536	13,286
Rental of recreation facilities	104,033	104,033	54,720	(49,313)
Rental of general properties	1,711,214	1,711,214	1,397,894	(313,320)
<b>Total use of property</b>	<b>1,883,497</b>	<b>1,883,497</b>	<b>1,534,150</b>	<b>(349,347)</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2020**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Miscellaneous:				
Admin fee - state income tax	260	260	330	70
Admin fee - RE	302,912	302,912	276,402	(26,510)
Admin fee - PP	1,154,660	1,154,660	1,054,757	(99,903)
Admin fee - Parking	20,767	20,767	6,845	(13,922)
Admin fee - EMS	20,479	20,479	26,513	6,034
Admin fee - general bills	39	39	29	(10)
Video visitation	6,322	6,322	-	(6,322)
Credit card fees	-	-	(859)	(859)
Returned check fees	429	429	845	416
Vending machine commissions	14,036	14,036	9,115	(4,921)
Gift shop sales	187,458	187,458	131,220	(56,238)
Proceeds from land sales	40,387	40,387	(10,000)	(50,387)
Gain on disposal of assets	-	-	3,832	3,832
Other revenue	132,117	183,438	54,881	(128,557)
Unclaimed property tax refunds	36,875	36,875	205,330	168,455
Payments in lieu of taxes:				
PRHA	-	-	107,549	107,549
Regional Jail	503,494	503,494	540,275	36,781
Virginia Port Authority	366,704	366,704	372,098	5,394
South Norfolk Jordan Bridge	130,455	130,455	192,272	61,817
Public utility fund	1,161,598	1,161,598	1,161,598	-
Cash Over/Under	-	-	(36)	(36)
<b>Total miscellaneous revenue</b>	<b>4,078,992</b>	<b>4,130,313</b>	<b>4,132,996</b>	<b>2,683</b>
<b>Total revenues</b>	<b>232,531,654</b>	<b>232,607,123</b>	<b>233,546,925</b>	<b>939,802</b>
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	483,872	483,872	483,872	-
Debt service fund	-	475,000	475,000	-
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	4,775,680	5,545,783	-	(5,545,783)
<b>Total other financing sources</b>	<b>16,313,867</b>	<b>17,558,970</b>	<b>12,013,187</b>	<b>(5,545,783)</b>
<b>Total revenues and other financing sources</b>	<b>\$ 248,845,521</b>	<b>\$ 250,166,093</b>	<b>\$ 245,560,112</b>	<b>\$ (4,605,981)</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Expenditures and Other Financing Uses**  
**General Fund**  
**Year Ended June 30, 2020**

**Exhibit I-2**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government:				
Administration:				
Legislative:				
City Council	\$ 389,735	\$ 389,805	\$ 332,590	\$ 57,215
City Clerk	403,419	403,477	399,515	3,962
Total legislative	793,154	793,282	732,105	61,177
Executive:				
City Manager	1,199,254	1,249,254	1,255,556	(6,302)
Management and legislative services	412,290	472,290	470,504	1,786
Marketing, entertainment & tourism	1,648,096	1,572,044	1,462,345	109,699
Total executive	3,259,640	3,293,588	3,188,405	105,183
Boards and commissions:				
Civil Service Commission	105,519	105,519	104,185	1,334
General Registrar	818,657	819,629	710,363	109,266
Total boards and commissions	924,176	925,148	814,548	110,600
Total administration	4,976,970	5,012,018	4,735,058	276,960
Financial administration:				
Commissioner of Revenue	1,841,080	1,842,634	1,757,050	85,584
City Assessor	1,017,258	1,017,258	967,009	50,249
City Treasurer	2,227,384	2,227,384	1,956,190	271,194
Procurement and risk management	892,127	892,127	721,028	171,099
Finance	2,467,560	2,467,560	2,230,352	237,208
Total financial administration	8,445,409	8,446,963	7,631,629	815,334
Public transportation	2,973,360	2,973,360	3,012,946	(39,586)
City Attorney	1,874,069	1,934,668	1,787,816	146,852
Human resource management	1,358,213	1,358,213	1,198,287	159,926
<b>Total general government</b>	<b>19,628,021</b>	<b>19,725,222</b>	<b>18,365,736</b>	<b>1,359,486</b>
Nondepartmental:				
Contingency	510,000	260,000	-	260,000
Miscellaneous	8,657,176	9,245,781	11,503,882	(2,258,101)
Support to civic organizations	473,128	473,128	360,627	112,501
<b>Total nondepartmental</b>	<b>9,640,304</b>	<b>9,978,909</b>	<b>11,864,509</b>	<b>(1,885,600)</b>
Judicial:				
Circuit Court judges	624,115	624,115	609,575	14,540
Circuit Court Clerk	1,634,414	1,634,414	1,454,214	180,200
Magistrate	6,973	6,973	3,803	3,170
General District Court	42,775	42,775	31,889	10,886
Juvenile and Domestic Relations Court	30,635	30,635	22,588	8,047
Juvenile court services	1,260,993	1,260,993	880,013	380,980
Commonwealth's Attorney	2,866,679	2,867,043	2,639,875	227,168
Sheriff	11,913,335	11,929,374	12,518,554	(589,180)
<b>Total judicial</b>	<b>18,379,919</b>	<b>18,396,322</b>	<b>18,160,511</b>	<b>235,811</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Expenditures and Other Financing Uses**  
**General Fund**  
**Year Ended June 30, 2020**

**Exhibit I-2 (continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public safety:				
Police Department	32,706,152	32,706,152	27,345,242	5,360,910
E-911 communications	2,125,128	2,125,128	1,666,486	458,642
Operations Support Bureau	89,332	89,332	189,857	(100,525)
Admin and Support Bureau	-	(64,870)	329,930	(394,800)
Field Operations Bureau	20,742	20,742	22,127	(1,385)
Animal control and security	1,072,095	1,072,095	920,184	151,911
Fire, rescue, and emergency services	26,291,919	26,112,935	23,184,682	2,928,253
Other	-	15,000	13,920	1,080
<b>Total public safety</b>	<b>62,305,368</b>	<b>62,076,514</b>	<b>53,672,428</b>	<b>8,404,086</b>
Public works:				
Engineering	1,459,272	1,715,972	1,406,848	309,124
Streets and highways	3,823,906	3,823,906	2,832,875	991,031
Mosquito control	584,421	584,421	445,567	138,854
Traffic engineering	2,541,955	2,539,755	2,425,469	114,286
General services:				
Properties management	4,320,580	4,320,580	3,688,414	632,166
Utilities	2,800,000	2,800,000	2,810,778	(10,778)
Rental of land and buildings	175,365	650,365	636,464	13,901
Storeroom	-	-	103,350	(103,350)
Harbor Center Pavilion	413,969	414,081	287,621	126,460
<b>Total public works</b>	<b>16,119,468</b>	<b>16,849,080</b>	<b>14,637,386</b>	<b>2,211,694</b>
<b>Health and welfare</b>	<b>1,356,197</b>	<b>1,415,113</b>	<b>1,415,063</b>	<b>50</b>
Parks, recreational and cultural:				
Museum	2,500,134	2,500,134	2,295,765	204,369
Parks, recreational and cultural	7,541,073	7,648,902	5,841,142	1,807,760
Public library	2,459,560	2,459,560	2,361,788	97,772
<b>Total parks, recreation and cultural</b>	<b>12,500,767</b>	<b>12,608,596</b>	<b>10,498,695</b>	<b>2,109,901</b>
Community development:				
Permits and inspections	2,836,742	2,838,692	2,512,959	325,733
Economic development	1,186,630	1,127,254	975,257	151,997
Planning	2,080,907	2,102,231	1,659,051	443,180
<b>Total community development</b>	<b>6,104,279</b>	<b>6,068,177</b>	<b>5,147,267</b>	<b>920,910</b>
Education	55,396,045	55,396,045	55,396,045	-
Cost of issuance	-	-	(4,000)	4,000
Capital outlay	160,300	145,300	143,834	1,466
<b>Total expenditures</b>	<b>201,590,668</b>	<b>202,659,278</b>	<b>189,297,474</b>	<b>13,361,804</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Expenditures and Other Financing Uses**  
**General Fund**  
**Year Ended June 30, 2020**

**Exhibit I-2 (continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other financing uses:				
Transfers to other funds:				
Behavioral health services fund	668,466	668,466	668,466	-
Social services fund	3,100,000	3,100,000	3,100,000	-
Comprehensive services fund	619,355	619,355	619,355	-
Grants fund	-	251,962	251,962	-
Parking authority	90,085	90,085	90,085	-
Golf	998,362	998,362	998,362	-
Debt service	37,002,905	37,002,905	37,002,905	-
Health insurance	1,000,000	1,000,000	1,000,000	-
Capital improvements	3,775,680	3,775,680	3,775,680	-
<b>Total other financing uses</b>	<b>47,254,853</b>	<b>47,506,815</b>	<b>47,506,815</b>	<b>-</b>
<b>Total expenditures and other financing uses</b>	<b>248,845,521</b>	<b>250,166,093</b>	<b>236,804,289</b>	<b>13,361,804</b>
Net change in fund balance	-	-	8,755,823	(17,967,785)
Fund balance - beginning	-	-	71,236,199	71,236,199
Fund balance - ending	\$ -	\$ -	\$ 79,992,022	\$ 53,268,414

See Independent Auditor's Report and Notes to Required Supplementary Information.



THIS PAGE INTENTIONALLY LEFT BLANK

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, 2020, 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 NET PENSION LIABILITY AND RELATED RATIOS (PSRS)**

<b>Fiscal Year Ended June 30,*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 50,442	\$ 56,948	\$ 54,347	\$ 62,202	\$ 71,563	\$ 89,198
Interest	5,542,060	5,773,968	6,021,175	6,344,585	6,536,219	6,661,939
Changes in benefit terms	-	-	-	-	814,802	1,244,771
Differences between expected and actual experience	(681,062)	(159,223)	(180,994)	(1,383,499)	(1,680,961)	(1,195,876)
Changes of assumptions	(156,756)	(470,893)	(966,754)	(1,236,291)	-	-
Benefit payments, including refunds of member contributions	(8,140,802)	(8,474,573)	(8,378,061)	(8,326,253)	(8,478,761)	(8,512,885)
Net change in total pension liability	(3,386,118)	(3,273,773)	(3,450,287)	(4,539,256)	(2,737,138)	(1,712,853)
Total pension liability, beginning	80,478,070	83,751,843	87,202,130	91,741,386	94,478,524	96,191,377
Total pension liability, ending (a)	77,091,952	80,478,070	83,751,843	87,202,130	91,741,386	94,478,524
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions - employer	2,350,640	2,229,196	2,005,017	1,796,671	2,438,432	1,782,818
Net investment income	3,854,272	2,618,347	5,916,252	960,609	418,733	7,874,597
Benefit payments, including refunds of member contributions	(8,140,802)	(8,474,573)	(8,378,061)	(8,326,253)	(8,478,761)	(8,512,885)
Administrative expenses	(60,617)	(54,742)	(106,586)	(28,605)	(67,152)	(73,287)
Net change in plan fiduciary net position	(1,996,507)	(3,681,772)	(563,378)	(5,597,578)	(5,688,748)	1,071,243
Plan fiduciary net position, beginning	56,016,180	59,697,952	60,261,330	65,858,908	71,547,656	70,476,413
Plan fiduciary net position, ending (b)	54,019,673	56,016,180	59,697,952	60,261,330	65,858,908	71,547,656
City's net pension liability (asset), ending (a) - (b)	<u>\$ 23,072,279</u>	<u>\$ 24,461,890</u>	<u>\$ 24,053,891</u>	<u>\$ 26,940,800</u>	<u>\$ 25,882,478</u>	<u>\$ 22,930,868</u>
Plan fiduciary net position as a percentage of total pension liability	<u>70.07%</u>	<u>69.60%</u>	<u>71.28%</u>	<u>69.11%</u>	<u>71.79%</u>	<u>75.73%</u>
Employer's covered payroll*	<u>\$ 732,897</u>	<u>\$ 754,205</u>	<u>\$ 806,870</u>	<u>\$ 887,695</u>	<u>\$ 1,034,003</u>	<u>\$ 1,195,973</u>
City's net pension liability as a percentage of covered payroll	<u>3148.09%</u>	<u>3243.40%</u>	<u>2981.14%</u>	<u>3034.92%</u>	<u>2503.13%</u>	<u>1917.34%</u>

\*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 ACTUARILLY DETERMINED CONTRIBUTIONS AND SCHEDULE OF INVESTMENTS (PSRS)**

<b>Fiscal Year Ended June 30,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 2,210,592	\$ 2,170,640	\$ 1,867,696	\$ 1,807,082	\$ 1,796,671	\$ 1,924,912	\$ 1,944,892
Contributions in relation to the actuarially determined contribution	4,200,064	2,350,640	1,867,696	1,807,082	1,796,671	2,438,432	1,782,818
Contribution deficiency (excess)	(1,989,472)	(180,000)	-	-	-	(513,520)	162,074
Covered payroll	\$ 723,213	\$ 732,897	\$ 754,205	\$ 806,870	\$ 887,695	\$ 1,034,003	\$ 1,195,973
Contributions as a percentage of covered payroll	580.75%	320.73%	247.64%	223.96%	202.40%	235.82%	149.07%

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, 2019
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-2018)
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, 4.66% in 2018, 7.32% in 2019, and 4.78% in 2020.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (FPRS)**

<b>Fiscal Year Ended June 30,*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 188,000	\$ 209,549	\$ 288,723	\$ 469,262	\$ 655,555	\$ 875,496
Interest	16,847,652	17,224,136	17,571,555	17,775,245	17,755,749	17,479,148
Changes in benefit terms	-	-	-	-	2,226,338	3,220,420
Differences between expected and actual experience	1,347,426	637,275	1,548,069	2,934,513	483,962	2,306,432
Changes of assumptions	(442,750)	(1,023,739)	(2,060,009)	(2,264,494)	-	-
Benefit payments, including refunds of member contributions	(21,922,564)	(22,317,498)	(22,016,787)	(21,297,801)	(20,421,823)	(19,431,115)
Net change in total pension liability	(3,982,236)	(5,270,277)	(4,668,449)	(2,383,275)	699,781	4,450,381
Total pension liability, beginning	243,243,864	248,514,141	253,182,590	255,565,865	254,866,184	250,415,803
Total pension liability, ending (a)	239,261,628	243,243,864	248,514,141	253,182,590	255,565,965	254,866,184
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions - employer	7,535,021	7,098,559	6,566,389	5,794,277	6,734,263	5,186,714
Net investment income	11,417,345	7,521,227	16,820,681	2,782,322	1,144,912	21,908,537
Benefit payments, including refunds of member contributions	(21,922,564)	(22,317,498)	(22,016,787)	(21,297,801)	(20,421,923)	(19,431,115)
Administrative expenses	(173,148)	(141,157)	(254,463)	(120,447)	(184,118)	(205,149)
Net change in plan fiduciary net position	(3,143,346)	(7,838,869)	1,115,820	(12,841,649)	(12,726,866)	7,458,987
Plan fiduciary net position, beginning	163,094,134	170,933,003	169,817,183	182,658,832	195,385,698	187,926,711
Plan fiduciary net position, ending (b)	159,950,788	163,094,134	170,933,003	169,817,183	182,658,832	195,385,698
City's net pension liability (asset), ending (a) - (b)	<u>\$ 79,310,840</u>	<u>\$ 80,149,730</u>	<u>\$ 77,581,138</u>	<u>\$ 83,365,407</u>	<u>\$ 72,907,133</u>	<u>\$ 59,480,486</u>
Plan fiduciary net position as a percentage of total pension liability	<u>66.85%</u>	<u>67.05%</u>	<u>68.78%</u>	<u>67.07%</u>	<u>71.47%</u>	<u>76.66%</u>
Employer's covered payroll*	<u>\$ 1,240,364</u>	<u>\$ 1,715,414</u>	<u>\$ 1,772,265</u>	<u>\$ 2,396,142</u>	<u>\$ 3,871,105</u>	<u>\$ 5,079,287</u>
City's net pension liability as a percentage of covered payroll	<u>6394.16%</u>	<u>4672.33%</u>	<u>4377.51%</u>	<u>3479.15%</u>	<u>1883.37%</u>	<u>1171.04%</u>

\*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 ACTUARILLY DETERMINED CONTRIBUTIONS AND SCHEDULE OF INVESTMENTS (FPRS)**

<b>Fiscal Year Ended June 30,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 7,658,733	\$ 7,214,521	\$ 6,449,059	\$ 6,205,544	\$ 5,794,277	\$ 5,840,300	\$ 5,658,234
Contributions in relation to the actuarially determined contribution	13,546,417	7,535,021	6,449,059	6,205,544	5,794,277	6,734,263	5,186,714
Contribution deficiency (excess)	(5,887,684)	(320,500)	-	-	-	(893,963)	471,520
Covered payroll	\$ 978,235	\$ 1,240,364	\$ 1,715,414	\$ 1,772,265	\$ 2,396,142	\$ 3,871,105	\$ 5,079,287
Contributions as a percentage of covered payroll	1384.78%	607.48%	375.95%	350.15%	241.82%	173.96%	102.12%

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, 2019
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-2018)
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, 4.64% in 2018, 7.39% in 2019, and 4.80% in 2020.



**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (VRS)**

<b>Fiscal Year Ended June 30,*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 9,121,520	\$ 8,717,390	\$ 8,380,639	\$ 8,655,196	\$ 8,776,873	\$ 7,865,420
Interest	23,152,433	22,448,469	21,674,217	20,862,680	19,666,648	18,592,496
Differences between expected and actual experience	(384,172)	(5,889,195)	(5,377,366)	(4,862,954)	664,081	-
Changes of assumptions	10,469,482	-	476,225	-	-	-
Benefit payments, including refunds of member contributions	(15,836,768)	(14,603,292)	(13,582,645)	(12,540,446)	(11,502,410)	(10,723,367)
Net change in total pension liability	26,522,495	10,673,372	11,571,070	12,114,476	17,605,192	15,734,549
Total pension liability, beginning	338,667,430	327,994,058	316,422,988	304,308,512	286,703,320	270,968,771
Total pension liability, ending (a)	365,189,925	338,667,430	327,994,058	316,422,988	304,308,512	286,703,320
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions - employer	7,340,220	6,948,793	6,776,993	6,360,911	6,647,357	5,702,215
Contributions - employee	3,380,321	3,374,302	3,398,847	3,313,387	3,451,819	3,522,637
Net investment income	21,221,718	22,278,231	33,161,239	4,734,570	11,935,602	35,693,002
Benefit payments, including refunds of member contributions	(15,836,768)	(14,603,292)	(13,582,645)	(12,540,446)	(11,502,410)	(10,723,367)
Administrative expenses	(209,912)	(192,188)	(190,996)	(168,003)	(162,543)	(191,765)
Other changes	(13,408)	(19,865)	(29,655)	(1,996)	(2,528)	1,881
Net change in plan fiduciary net position	15,882,171	17,785,981	29,533,783	1,698,423	10,367,297	34,004,603
Plan fiduciary net position, beginning	320,069,035	302,283,054	272,749,271	271,050,848	260,683,551	226,678,948
Plan fiduciary net position, ending (b)	335,951,206	320,069,035	302,283,054	272,749,271	271,050,848	260,683,551
City's net pension liability, ending (a) - (b)	<u>\$ 29,238,719</u>	<u>\$ 18,598,395</u>	<u>\$ 25,711,004</u>	<u>\$ 43,673,717</u>	<u>\$ 33,257,664</u>	<u>\$ 26,019,769</u>
Plan fiduciary net position as a percentage of total pension liability	<u>91.99%</u>	<u>94.51%</u>	<u>92.16%</u>	<u>86.20%</u>	<u>89.07%</u>	<u>90.92%</u>
Employer's covered payroll*	<u>\$ 70,023,770</u>	<u>\$ 68,412,766</u>	<u>\$ 66,034,550</u>	<u>\$ 66,394,228</u>	<u>\$ 69,067,846</u>	<u>\$ 67,740,656</u>
City's net pension liability as a percentage of covered payroll	<u>41.76%</u>	<u>27.19%</u>	<u>38.94%</u>	<u>65.78%</u>	<u>48.15%</u>	<u>38.41%</u>

\*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 CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (VRS)**  
**PORTSMOUTH CITY PUBLIC SCHOOL BOARD (NON-PROFESSIONAL)**

<b>Fiscal Year Ended June 30,*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 669,679	\$ 694,189	\$ 763,448	\$ 695,895	\$ 729,606	\$ 743,215
Interest	2,650,616	2,671,683	2,600,444	2,552,232	2,501,150	2,434,509
Changes in benefit terms	-	-	-	(293,248)	-	-
Differences between expected and actual experience	164,308	(1,077,881)	110,155	(2,270,264)	(215,707)	-
Changes of assumptions	1,011,011	-	(44,324)	-	-	-
Benefit payments, including refunds of member contributions	(2,615,831)	(2,562,064)	(2,261,995)	-	(2,300,353)	(2,151,081)
Net change in total pension liability	1,879,783	(274,073)	1,167,728	684,615	714,696	1,026,643
Total pension liability, beginning	39,173,852	39,447,925	38,280,197	37,595,582	36,880,886	35,854,243
Total pension liability, ending (a)	41,053,635	39,173,852	39,447,925	38,280,197	37,595,582	36,880,886
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions - employer	782,510	879,860	882,435	801,790	726,275	648,377
Contributions - employee	351,917	365,276	372,038	378,872	345,765	354,802
Net investment income	2,081,974	2,269,942	3,443,683	487,721	1,307,987	4,075,199
Benefit payments, including refunds of member contributions	(2,615,831)	(2,562,064)	(2,261,995)	(2,270,264)	(2,300,353)	(2,151,081)
Administrative expenses	(21,661)	(20,333)	(20,455)	(18,573)	(18,893)	(22,705)
Other changes	(1,304)	(1,991)	(3,044)	(211)	(276)	215
Net change in plan fiduciary net position	577,605	930,690	2,412,662	(620,665)	60,505	2,904,807
Plan fiduciary net position, beginning	32,074,042	31,143,352	28,730,690	29,351,355	29,290,850	26,386,043
Plan fiduciary net position, ending (b)	32,651,647	32,074,042	31,143,352	28,730,690	29,351,355	29,290,850
City's net pension liability, ending (a) - (b)	\$ 8,401,988	\$ 7,099,810	\$ 8,304,573	\$ 9,549,507	\$ 8,244,227	\$ 7,590,036
Plan fiduciary net position as a percentage of total pension liability	79.53%	81.88%	78.95%	75.05%	78.07%	79.42%
Employer's covered payroll*	\$ 7,627,378	\$ 7,691,444	\$ 7,719,383	\$ 8,465,913	\$ 8,498,497	\$ 8,647,732
City's net pension liability as a percentage of covered payroll	110.16%	92.31%	107.58%	112.80%	97.01%	87.77%

\*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)**

<b>Fiscal Year Ended June 30,*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Employer's proportion of the net pension liability	0.99039%	1.00%	1.00%	1.04%	1.05%	1.08%
Employer's proportionate share of the net pension liability	\$ 130,340,952	\$ 117,977,000	\$ 123,472,000	\$ 146,345,000	\$ 132,145,000	\$ 130,368,000
Employer's covered payroll	<u>\$ 82,858,890</u>	<u>\$ 81,002,287</u>	<u>\$ 79,054,292</u>	<u>\$ 81,200,579</u>	<u>\$ 79,779,153</u>	<u>\$ 81,064,661</u>
Employer's proportionate share of the net pension liability as a percentage of covered payroll	157.30%	145.65%	156.19%	180.23%	165.64%	160.82%
Plan fiduciary net position as a percentage of the total pension liability	<u>73.51%</u>	<u>74.81%</u>	<u>72.92%</u>	<u>68.28%</u>	<u>70.68%</u>	<u>70.88%</u>

\*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 EMPLOYERS' PENSION CONTRIBUTIONS (VRS)**

<b>Fiscal Year Ending June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contribution in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<i>City of Portsmouth</i>					
2020	\$ 8,196,197	\$ 8,196,197	\$ -	\$ 76,314,683	10.74%
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%

*Portsmouth City Public School Board (Professional)*

2020	\$ 13,414,283	\$ 13,414,283	\$ -	\$ 85,550,274	15.68%
2019	12,992,275	12,992,275	-	82,858,890	15.68%
2018	13,219,573	13,219,573	-	81,002,287	16.32%
2017	11,589,359	11,589,359	-	79,054,292	14.66%
2016	11,190,544	11,190,544	-	81,200,579	13.78%
2015	11,317,000	11,317,000	-	79,779,153	14.19%
2014	9,191,479	9,191,479	-	81,064,661	11.34%
2013	9,213,695	9,213,695	-	81,836,929	11.26%
2012	4,744,734	4,744,734	-	78,767,435	6.02%
2011	3,044,252	3,044,252	-	81,079,797	3.75%

*Portsmouth City Public School Board (Non-Professional)*

2020	\$ 819,284	\$ 819,284	\$ -	\$ 7,621,243	10.75%
2019	819,943	819,943	-	7,627,378	10.75%
2018	899,130	899,130	-	7,691,444	11.69%
2017	902,396	902,396	-	7,719,383	11.69%
2016	813,358	813,358	-	8,465,913	9.61%
2015	731,636	731,636	-	8,498,497	8.61%
2014	649,001	649,001	-	8,647,732	7.50%
2013	644,890	644,890	-	8,657,941	7.45%
2012	603,630	603,630	-	8,508,035	7.09%
2011	643,311	643,311	-	8,545,234	7.53%

(1) VRS-DIRECTED POLITICAL SUBDIVISION RETIREMENT PLANS

*Changes of benefit terms*

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

*Changes of assumptions*

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

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%

Discount rate: Decrease rate from 7.00% to 6.75%

Hazardous Duty Employee:

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%

Discount rate: Decrease rate from 7.00% to 6.75%

Teachers:

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: Adjusted rates to better match experience

Salary scale: No change

Line of Duty disability: Increase rate from 14% to 15%

Discount rate: Decrease rate from 7.00% to 6.75%

CITY OF PORTSMOUTH OPEB PLAN - CITY

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>TOTAL PENSION LIABILITY</b>										
Service cost	\$ 641,148	\$ 545,143	\$ 1,150,539	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	1,504,363	1,541,001	1,098,940	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains (losses)	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	(444,507)	860,350	(8,498,386)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(1,980,500)	(1,844,970)	(1,826,247)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	(279,496)	1,101,524	(8,075,154)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	23,477,564	22,376,040	30,451,194	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	23,198,068	23,477,564	22,376,040	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>PLAN FIDUCIARY NET POSITION</b>										
Employer Contributions	1,980,500	2,844,970	4,826,247	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	128,763	169,344	46,475	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(1,980,500)	(1,844,970)	(1,826,247)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(5,181)	(3,513)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	123,582	1,165,831	3,046,475	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position, beginning	4,212,306	3,046,475	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position, ending (b)	4,335,888	4,212,306	3,046,475	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City's net pension liability (asset), ending (a) - (b)	<u>\$18,862,180</u>	<u>\$19,265,258</u>	<u>\$19,329,565</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of total pension liability	<u>18.69%</u>	<u>17.94%</u>	<u>13.61%</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employer's covered payroll*	<u>\$78,135,614</u>	<u>\$78,135,614</u>	<u>\$78,135,614</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City's net pension liability as a percentage of covered payroll	<u>24.14%</u>	<u>24.66%</u>	<u>24.74%</u>	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, 2019, capital market assumptions (real returns) and the 2019 Social Security Trustees Report (inflation).

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>
Core fixed income	21.00%	1.56%	1.47%
Large Cap US equities	26.00%	4.33%	3.23%
Small Cap US equities	10.00%	5.64%	3.82%
Global equities	5.00%	5.27%	4.01%
Developed foreign equities	13.00%	5.94%	4.45%
Emerging market equities	5.00%	8.03%	5.28%
Hedge funds/absolute return	10.00%	2.88%	2.40%
Real estate (REITS)	7.00%	3.84%	3.13%
Commodities	3.00%	2.83%	1.27%
Assumed inflation		2.60%	2.60%
Portfolio real mean return		4.10%	3.53%
Portfolio nominal mean return		6.70%	6.22%
Portfolio standard deviation			10.53%
Long-term expected rate of return			6.50%

<b>Fiscal Year Ending June 30</b>	<b>Net Money-Weighted Rate of Return</b>
2020	3.06%
2019	5.03%
2018	9.46%
2017	N/A
2016	N/A
2015	N/A
2014	N/A
2013	N/A
2012	N/A
2011	N/A

**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.

<b>Fiscal Year</b>			
<b>Ending</b>	<b>Employer</b>	<b>Covered</b>	<b>Contribution</b>
<b>June 30</b>	<b>Contribution</b>	<b>Payroll</b>	<b>as a % of</b>
			<b>Covered Payroll</b>
2020	\$ 1,980,500	78,135,614	2.53%
2019	2,844,970	78,135,614	3.64%
2018	4,826,247	78,135,614	6.18%
2017	N/A	N/A	N/A
2016	N/A	N/A	N/A
2015	N/A	N/A	N/A
2014	N/A	N/A	N/A
2013	N/A	N/A	N/A
2012	N/A	N/A	N/A
2011	N/A	N/A	N/A



**GROUP LIFE INSURANCE PROGRAM - VRS DIRECTED - CITY**

**Schedule of Employer's Share of Net OPEB Liability**

Years Ended June 30,*	2020	2019	2018
Employer's proportion of the net GLIP OPEB liability	0.36998%	0.37419%	0.37603%
Employer's proportionate share of the net GLIP OPEB liability	\$ 6,020,560	\$ 5,682,000	\$ 5,658,000
Employer's covered payroll	\$70,400,385	\$71,151,669	\$69,360,272
Employer's proportionate share of the net GLIP OPEB liability as a percentage of its covered payroll	8.55189%	7.98576%	8.15741%
Plan fiduciary net position as a percentage of the total GLIP OPEB liability	52.00%	51.22%	48.86%

\* Amounts presented have a measurement date of the previous fiscal year end.

**Schedule of Employer Contributions**

Fiscal Year Ending June 30,	Contractually Required Contribution	Contribution in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 386,545	\$ 386,545	\$ -	\$74,335,483	0.52%
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%

See Independent Auditor's Report and Notes to Required Supplementary Information.

**LINE OF DUTY ACT - VRS DIRECTED - CITY**

**Schedule of City of Portsmouth Proportionate Share of Net OPEB Liability**

Years Ended June 30,*	2020	2019	2018
Employer's proportion of the net LODA OPEB liability	3.02633%	3.55949%	3.61539%
Employer's proportionate share of the net LODA OPEB liability	\$10,858,053	\$11,159,000	\$ 9,501,000
Employer's covered payroll	\$32,241,604	\$31,515,462	N/A**
Employer's proportionate share of the net LODA OPEB liability as a percentage of its covered payroll	33.67715%	35.40802%	N/A
Plan fiduciary net position as a percentage of the total LODA OPEB liability	0.79%	0.60%	1.30%

\* Amounts presented have a measurement date of the previous fiscal year end.

\*\* Employer's covered payroll amount is not determinable.

**Schedule of Employer Contributions**

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 430,343	\$ 430,343	\$ -	\$33,702,307	1.30%
2019	406,171	406,171	-	32,241,604	1.30%
2018	379,145	379,145	-	31,515,462	1.20%
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**

\*\* 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.

**VIRGINIA LOCAL DISABILITY PROGRAM - VRS DIRECTED - CITY**

**Schedule of City of Portsmouth Proportionate Share of Net OPEB Liability**

Years Ended June 30,*	2020	2019	2018
Employer's proportion of the net VLDP OPEB liability	4.43242%	4.43899%	4.40350%
Employer's proportionate share of the net VLDP OPEB liability	\$ 89,793	\$ 34,000	\$ 25,000
Employer's covered payroll	\$13,695,972	\$10,778,174	\$ 8,086,092
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	0.65562%	0.31545%	0.30917%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	49.19%	51.39%	38.40%

\* Amounts presented have a measurement date of the previous fiscal year end.

**Schedule of Employer Contributions**

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 121,690	\$ 121,690	\$ -	\$16,901,402	0.72%
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.

**PORTSMOUTH CITY PUBLIC SCHOOLS OPEB PLAN**

**Schedule of Changes in Net OPEB Liability and Related Ratios**

<b>Year Ended,*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 393,468	\$ 950,173	\$ 625,456	\$ 713,189
Interest	1,206,350	791,875	997,917	958,969
Changes in benefit terms	-	-	459,794	-
Differences between expected and actual experience	(5,630,299)	(433,312)	(4,735,709)	(747,036)
Changes of assumptions	(1,999,924)	(4,968,846)	3,663,387	2,171,672
Benefit payments, including lump sum liability settlement for 114 participants	(414,517)	(191,650)	(73,336)	(80,005)
Net change in total OPEB liability	(6,444,922)	(3,851,760)	937,509	3,016,789
Total OPEB liability, beginning	13,128,913	16,980,673	16,043,164	13,026,375
Total OPEB liability, ending (a)	6,683,991	13,128,913	16,980,673	16,043,164
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions/benefit payments made from general operating funds	414,517	-	-	-
Net investment income	405,789	924,764	532,735	743,975
Benefit payments, including refunds of employee contributions	(414,517)	(191,650)	(73,336)	(80,005)
Administrative expenses	(15,333)	(125)	-	(7,000)
Net change in plan fiduciary net position	390,456	732,989	459,399	656,970
Plan fiduciary net position, beginning	13,274,352	12,541,363	12,081,964	11,424,994
Plan fiduciary net position, ending (b)	\$ 13,664,808	\$ 13,274,352	\$ 12,541,363	\$ 12,081,964
Net OPEB (asset) liability - ending (a) - (b)	\$ (6,980,817)	\$ (145,439)	\$ 4,439,310	\$ 3,961,200
Plan fiduciary net position as a percentage of total OPEB liability	204.44%	101.11%	73.86%	75.31%
Employer's covered payroll*	\$ 94,052,398	\$ 98,200,691	\$ 91,796,317	\$ 96,277,315
Net OPEB (asset) liability as a percentage of covered payroll	-7.42%	-0.15%	4.84%	4.11%

\* The amounts presented have a measurement date of the previous fiscal year end.

Note: Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, only four years of data is available. However, additional years will be included as they become available.

**PORTSMOUTH CITY PUBLIC SCHOOLS OPEB PLAN (Continued)**

**Actuarially Determined Employer Contribution**

<b>Year Ended,</b>	<b>2020</b>	<b>2019*</b>	<b>2018**</b>	<b>2017</b>
Service cost	\$ 409,268	\$ 992,361	\$ 662,983	\$ 763,112
Amortization and unfunded liability	(414,517)	372,888	350,393	171,131
Recommended contribution	(5,249)	1,365,249	1,013,376	934,243
Contribution/benefit payments made	-	-	(703,482)	(80,005)
Contribution deficiency (excess)	<u>\$ (5,249)</u>	<u>\$ 1,365,249</u>	<u>\$ 309,894</u>	<u>\$ 854,238</u>
Employer's covered payroll*	<u>\$ 94,052,398</u>	<u>\$ 98,200,691</u>	<u>\$ 91,796,317</u>	<u>\$ 96,277,315</u>
Contribution as a prcentage of covered payroll	<u>-0.01%</u>	<u>1.39%</u>	<u>0.34%</u>	<u>0.89%</u>

Note: 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.

\* Based on a 4.44% discount, 14 year level percent of pay, amortization of unfunded liability; alternative funding scenarios could be considered.

\*\* Based on a 6% discount, 15 year level percent of pay, amortization of unfunded liability

**Notes to Schedule**

Methods and assumptions used to determine contribution rate:

Measurement date: June 30, 2020

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: 9.06% for 2020 contribution; 9.21% for June 30, 2020 liability and 2021 contribution

Payroll growth: 2.0%

Return on plan assets: 9.2%

Mortality rate: RPH-2014, sex-distinct, annuitant and non-annuitant mortality with mortality projection MP-2018

Asset valuation method: Market value

**GROUP LIFE INSURANCE PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS**

**Schedule of Proportionate Share of Net OPEB Liability**

<b>Fiscal Year Ending June 30, *</b>	<b>Employer's Proportion of Net GLI OPEB Liability</b>	<b>Employer's Proportionate Share of Net GLI OPEB Liability</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of Net GLI OPEB Liability as a Percentage of it's Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability</b>
<b>PROFESSIONAL</b>					
2020	0.42%	\$ 6,937,361	\$ 83,572,402	8.30%	52.00%
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%
<b>NON-PROFESSIONAL</b>					
2020	0.04%	\$ 639,353	\$ 7,701,528	8.30%	52.00%
2019	0.04%	621,000	7,777,114	7.98%	51.22%
2018	0.04%	638,000	7,821,559	8.16%	48.86%

\* The amounts presented have a measurement date of the previous fiscal year end.

Note: Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

GROUP LIFE INSURANCE PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS (Continued)

Schedule of Employer Contributions

Fiscal Year Ending June 30, *	(a) Contractually Required Contribution	(b) Contribution in Relation to Contractually Required Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contribution as a Percentage Covered Employee Payroll (b) / (d)
<b>PROFESSIONAL</b>					
2020	\$ 446,932	\$ 446,932	\$ -	\$ 85,948,427	0.52%
2019	434,576	434,576	-	83,572,402	0.52%
2018	423,628	423,628	-	81,466,826	0.52%
2017	413,340	413,340	-	79,488,375	0.52%
2016	384,497	384,497	-	80,103,513	0.48%
2015	377,187	377,187	-	78,580,681	0.48%
2014	380,015	380,015	-	79,169,887	0.48%
2013	380,479	380,479	-	79,266,483	0.48%
2012	210,699	210,699	-	75,249,805	0.28%
2011	218,391	218,391	-	77,996,828	0.28%
<b>NON-PROFESSIONAL</b>					
2020	\$ 40,094	\$ 40,094	\$ -	\$ 7,710,431	0.52%
2019	40,048	40,048	-	7,701,528	0.52%
2018	40,441	40,441	-	7,777,114	0.52%
2017	40,672	40,672	-	7,821,559	0.52%
2016	37,875	37,875	-	7,890,684	0.48%
2015	34,309	34,309	-	7,147,756	0.48%
2014	34,829	34,829	-	7,256,059	0.48%
2013	34,487	34,487	-	7,184,753	0.48%
2012	18,904	18,904	-	6,751,453	0.28%
2011	20,027	20,027	-	7,152,368	0.28%

**HEALTH INSURANCE CREDIT PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS**

**Schedule of Proportionate Share of Net OPEB Liability**

**PROFESSIONAL**

Years Ended June 30,*	2020	2019	2018
Employer's proportion of the net HIC OPEB liability	0.99%	1.00%	1.00%
Employer's proportionate share of the net HIC OPEB liability	\$12,939,248	\$12,721,000	\$12,719,000
Employer's covered payroll	\$82,904,682	\$81,030,323	\$79,120,346
Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll	15.61%	15.70%	16.08%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	8.97%	8.08%	7.04%

\* Amounts presented have a measurement date of the previous fiscal year end.

Note: Schedule is intended to show information for 10 years. 2018 is the first year for this presentation. Additional years will be included as they become available.



HEALTH INSURANCE CREDIT PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS (Continued)

Schedule of Employer Contributions

Fiscal Year Ending June 30, *	(a) Contractually Required Contribution	(b) Contribution in Relation to Contractually Required Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contribution as a Percentage Covered Employee Payroll (b) / (d)
<b>PROFESSIONAL</b>					
2020	\$ 1,026,736	\$ 1,026,736	\$ -	\$ 85,561,365	1.20%
2019	994,856	994,856	-	82,904,682	1.20%
2018	996,673	996,673	-	81,030,323	1.23%
2017	878,236	878,236	-	79,120,346	1.11%
2016	843,986	843,986	-	79,621,342	1.06%
2015	827,427	827,427	-	78,059,128	1.06%
2014	875,707	875,707	-	78,892,500	1.11%
2013	875,736	875,736	-	78,895,095	1.11%
2012	449,738	449,738	-	74,956,305	0.60%
2011	464,771	464,771	-	77,461,890	0.60%

**VIRGINIA LOCAL DISABILITY PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS**

**Schedule of Proportionate Share of Net OPEB Liability**

**PROFESSIONAL**

<b>Years Ended June 30,*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Employer's proportion of the net VLDP OPEB liability	4.61%	4.61%	4.43%
Employer's proportionate share of the net VLDP OPEB liability	\$ 26,811	\$ 35,000	\$ 27,000
Employer's covered payroll	\$22,116,307	\$17,204,128	\$12,496,408
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	0.12%	0.20%	0.22%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	74.12%	46.18%	31.96%

**NON-PROFESSIONAL**

<b>Years Ended June 30,*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Employer's proportion of the net VLDP OPEB liability	0.93%	0.90%	0.85%
Employer's proportionate share of the net VLDP OPEB liability	\$ 18,906	\$ 7,000	\$ 5,000
Employer's covered payroll	\$ 2,884,002	\$ 2,187,809	\$ 1,551,694
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	0.66%	0.32%	0.32%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	49.19%	51.39%	38.40%

\* Amounts presented have a measurement date of the previous fiscal year end.

Note: Schedule is intended to show information for 10 years. 2018 is the first year for this presentation. Additional years will be included as they become available.

**VIRGINIA LOCAL DISABILITY PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS (Continued)**

**Schedule of Employer Contributions**

<b>Fiscal Year Ending June 30,</b>	<b>(a) Contractually Required Contribution</b>	<b>(b) Contribution in Relation to Contractually Required Contribution</b>	<b>(c) Contribution Deficiency (Excess) (a) - (b)</b>	<b>(d) Employer's Covered Employee Payroll</b>	<b>(e) Contribution as a Percentage Covered Employee Payroll (b) / (d)</b>
<b>PROFESSIONAL</b>					
2020	\$ 107,351	\$ 107,351	\$ -	\$ 26,183,088	0.41%
2019	90,677	90,677	-	22,116,307	0.41%
2018	53,333	53,333	-	17,204,128	0.31%
2017	38,612	38,612	-	12,496,408	0.31%
2016	22,903	22,903	-	7,897,682	0.29%
2015	10,909	10,909	-	3,761,886	0.29%
2014	224	224	-	77,123	0.29%
<b>NON-PROFESSIONAL</b>					
2020	\$ 23,354	\$ 23,354	\$ -	\$ 3,243,582	0.72%
2019	17,881	17,881	-	2,884,002	0.62%
2018	13,127	13,127	-	2,187,809	0.60%
2017	9,310	9,310	-	1,551,694	0.60%
2016	6,913	6,913	-	1,152,140	0.60%
2015	3,145	3,145	-	524,219	0.60%
2014	373	373	-	62,085	0.60%

**(2) VRS-DIRECTED GROUP LIFE INSURANCE PROGRAM OPEB PLAN**

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

General State 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 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
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers:

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
Discount Rate	Decrease rate from 7.00% to 6.75%

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

**(2) VRS-DIRECTED GROUP LIFE INSURANCE PROGRAM OPEB PLAN (Continued)**

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest Ten 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 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten 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 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

**(2) VRS-DIRECTED GROUP LIFE INSURANCE PROGRAM OPEB PLAN (Continued)**

Largest Ten Locality Employers - 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	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - 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 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%
Discount rate	Decrease rate from 7.00% to 6.75%

**(3) VRS-DIRECTED LINE OF DUTY ACT OPEB PLAN**

***Changes of benefit terms***

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

***Changes of assumptions***

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General State 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 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
Line of Duty Disability	Increased rate from 14% to 25%

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 50% to 35%

**(3) VRS-DIRECTED LINE OF DUTY ACT OPEB PLAN (Continued)**

Employees in the Largest 10 Locality Employers with 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	Lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Employees in the Non-Largest 10 Locality Employers with 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%



**(4) VRS-DIRECTED VIRGINIA LOCAL DISABILITY PROGRAM OPEB PLAN**

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

Non-Largest 10 Locality Employers – General and Non-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	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
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers:

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
Discount Rate	Decrease rate from 7.00% to 6.75%

**(5) VRS-DIRECTED HEALTH INSURANCE CREDIT PROGRAM OPEB PLAN**

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

Teachers:

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
Discount Rate	Decrease rate from 7.00% to 6.75%



THIS PAGE INTENTIONALLY LEFT BLANK

## **Other Supplementary Information**



THIS PAGE INTENTIONALLY LEFT BLANK

## **Nonmajor Governmental Funds**

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Balance Sheet**  
**Nonmajor Government Funds**  
**June 30, 2020**

**Exhibit J-1**

	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	\$10,391,688	149,091	-	1,539,630	1,105,645	213,979	482,248	-	416,851	1,827,790	16,126,922
Accounts receivable (net of allowance for uncollectibles)	396,557	-	10,054	413,983	3,550	-	-	-	-	-	824,144
Due from other governments	-	-	1,234,200	-	-	319,662	-	-	-	-	1,553,862
<b>Total assets</b>	<b>10,788,245</b>	<b>149,091</b>	<b>1,244,254</b>	<b>1,953,613</b>	<b>1,109,195</b>	<b>533,641</b>	<b>482,248</b>	<b>-</b>	<b>416,851</b>	<b>1,827,790</b>	<b>18,504,928</b>
Liabilities:											
Accounts payable	62,808	328	87,516	99,333	743,360	166,293	-	100,979	22,827	-	1,283,444
Accrued payroll	71,764	-	104,630	15,119	16,022	-	-	459	-	-	207,994
Due to other funds	-	-	81,152	-	-	-	-	110,556	-	-	191,708
<b>Total liabilities</b>	<b>134,572</b>	<b>328</b>	<b>273,298</b>	<b>114,452</b>	<b>759,382</b>	<b>166,293</b>	<b>-</b>	<b>211,994</b>	<b>22,827</b>	<b>-</b>	<b>1,683,146</b>
Deferred inflows of resources:											
Deferred inflows from unavailable revenues	188,001	-	-	-	-	-	-	-	-	-	188,001
Fund balances:											
Nonspendable	-	-	-	-	-	-	-	-	-	1,000,000	1,000,000
Restricted	10,465,672	148,763	970,956	1,839,161	349,813	367,348	482,248	-	394,024	827,790	15,845,775
Unassigned	-	-	-	-	-	-	-	(211,994)	-	-	(211,994)
<b>Total fund balances</b>	<b>10,465,672</b>	<b>148,763</b>	<b>970,956</b>	<b>1,839,161</b>	<b>349,813</b>	<b>367,348</b>	<b>482,248</b>	<b>(211,994)</b>	<b>394,024</b>	<b>1,827,790</b>	<b>16,633,781</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$10,788,245</b>	<b>149,091</b>	<b>1,244,254</b>	<b>1,953,613</b>	<b>1,109,195</b>	<b>533,641</b>	<b>482,248</b>	<b>-</b>	<b>416,851</b>	<b>1,827,790</b>	<b>18,504,928</b>

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Government Funds**  
**Year Ended June 30, 2020**

**Exhibit J-2**

	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	\$10,963,771	-	14,917,843	-	11,331,285	1,027,039	-	389,801	109,257	-	38,738,996
Charges for services	202,647	45,426	-	9,288,209	-	-	-	-	-	37,100	9,573,382
Investment income	129,344	-	-	62,377	-	-	-	-	5,249	17,419	214,389
Recovered costs	-	-	102,010	-	-	-	-	-	-	-	102,010
Use of property	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	502,791	-	-	502,791
Miscellaneous	29,300	-	-	-	1,700	-	-	-	17	-	31,017
Total revenues	11,325,062	45,426	15,019,853	9,350,586	11,332,985	1,027,039	-	892,592	114,523	54,519	49,162,585
Expenditures:											
Current:											
General government	-	-	-	-	432,028	-	-	-	-	-	432,028
Judicial	-	-	-	-	1,160,583	-	-	-	38,935	-	1,199,518
Public safety	-	-	-	-	8,734,666	-	-	-	46,211	-	8,780,877
Public works	-	-	-	2,151,853	1,449	-	-	-	-	-	2,153,302
Health and welfare	9,372,573	-	16,531,851	-	641,104	1,422,632	-	-	-	-	27,968,160
Parks, recreational, cultural	-	6,750	-	-	974,261	-	19,992	-	-	-	1,001,003
Community development	-	-	-	-	83,167	-	-	714,965	-	-	798,132
Capital outlay	-	-	-	465,432	769,767	-	-	85,000	-	-	1,320,199
Total expenditures	9,372,573	6,750	16,531,851	2,617,285	12,797,025	1,422,632	19,992	799,965	85,146	-	43,653,219
Revenues over (under) expenditures	1,952,489	38,676	(1,511,998)	6,733,301	(1,464,040)	(395,593)	(19,992)	92,627	29,377	54,519	5,509,366
Other financing sources (uses):											
Transfers from other funds	668,466	-	3,100,000	-	386,854	619,355	-	-	-	-	4,774,675
Transfers to other funds	(3,291,782)	-	(936,225)	(7,056,861)	-	-	-	-	(52,875)	-	(11,337,743)
Total other financing sources (uses), net	(2,623,316)	-	2,163,775	(7,056,861)	386,854	619,355	-	-	(52,875)	-	(6,563,068)
Net change in fund balances	(670,827)	38,676	651,777	(323,560)	(1,077,186)	223,762	(19,992)	92,627	(23,498)	54,519	(1,053,702)
Fund balances, beginning 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
Fund balances, end of year	\$10,465,672	148,763	970,956	1,839,161	349,813	367,348	482,248	(211,994)	394,024	1,827,790	16,633,781

See Independent Auditor's Report.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**Special Revenue Funds**  
**Year Ended June 30, 2020**

**Exhibit J-3**

	<b>Behavioral Health Services</b>			<b>Public Law Library</b>		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 12,631,111	\$ 10,963,771	\$ (1,667,340)	\$ -	\$ -	\$ -
Charges for services	592,500	202,647	(389,853)	31,026	45,426	14,400
Investment income	-	129,344	129,344	-	-	-
Miscellaneous	75,000	29,300	(45,700)	-	-	-
Total revenues	13,298,611	11,325,062	(1,973,549)	31,026	45,426	14,400
Expenditures:						
Health and welfare	13,719,456	9,372,573	4,346,883	-	-	-
Parks, recreational, cultural	-	-	-	31,026	6,750	24,276
Capital outlay	300,000	-	300,000	-	-	-
Total expenditures	14,019,456	9,372,573	4,646,883	31,026	6,750	24,276
Revenues over (under) expenditures	(720,845)	1,952,489	2,673,334	-	38,676	38,676
Other financing sources (uses):						
Transfers from other funds	668,466	668,466	-	-	-	-
Transfers to other funds	(3,291,782)	(3,291,782)	-	-	-	-
Total other financing uses, net	(2,623,316)	(2,623,316)	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (3,344,161)	(670,827)	2,673,334	\$ -	38,676	38,676
Fund balances, beginning of year		11,136,499	11,136,499		110,087	110,087
Fund balances, end of year		\$ 10,465,672	\$ 13,809,833		\$ 148,763	\$ 148,763

See Independent Auditor's Report.

## 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, 2020

	Social Services			Stormwater Management		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 15,513,955	\$ 14,917,843	\$ (596,112)	\$ -	\$ -	\$ -
Charges for services	-	-	-	8,995,320	9,288,209	292,889
Investment income	-	-	-	-	62,377	62,377
Recovered costs	99,000	102,010	3,010	-	-	-
Miscellaneous	10,000	-	(10,000)	-	-	-
Total revenues	15,622,955	15,019,853	(603,102)	8,995,320	9,350,586	355,266
Expenditures:						
Health and welfare	17,786,153	16,531,851	1,254,302	-	-	-
Public works	-	-	-	2,487,459	2,151,853	335,606
Capital outlay	-	-	-	451,000	465,432	(14,432)
Total expenditures	17,786,153	16,531,851	1,254,302	2,938,459	2,617,285	321,174
Revenues over (under) expenditures	(2,163,198)	(1,511,998)	651,200	6,056,861	6,733,301	676,440
Other financing sources (uses):						
Transfers from other funds	3,100,000	3,100,000	-	-	-	-
Transfers to other funds	(936,802)	(936,225)	577	(7,056,861)	(7,056,861)	-
Total other financing sources (uses), net	2,163,198	2,163,775	577	(7,056,861)	(7,056,861)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	651,777	651,777	\$ (1,000,000)	(323,560)	676,440
Fund balances, beginning of year		319,179	319,179		2,162,721	2,162,721
Fund balances, end of year		\$ 970,956	\$ 970,956		\$ 1,839,161	\$ 2,839,161

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**Special Revenue Funds**  
**Year Ended June 30, 2020**

**Exhibit J-3 (Continued)**

	Childrens Services			Willett Hall		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 1,758,208	\$ 1,027,039	\$ (731,169)	\$ -	\$ -	\$ -
Total revenues	1,758,208	1,027,039	(731,169)	-	-	-
Expenditures:						
Health and welfare	2,377,563	1,422,632	954,931	-	-	-
Parks, recreational and cultrual	-	-	-	-	19,992	19,992
Total expenditures	2,377,563	1,422,632	954,931	-	19,992	19,992
Revenues under expenditures	(619,355)	(395,593)	223,762	-	(19,992)	(19,992)
Other financing sources -						
Transfers from other funds	619,355	619,355	(121,168)	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	223,762	102,594	\$ -	(19,992)	(19,992)
Fund balances, beginning of year		143,586	143,586		502,240	502,240
Fund balances, end of year		\$ 367,348	\$ 246,180		\$ 482,248	\$ 482,248

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**Special Revenue Funds**  
**Year Ended June 30, 2020**

**Exhibit J-3 (Continued)**

	<b>Asset Forfeiture Fund</b>		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 1,648,107	\$ 109,257	\$ (1,538,850)
Investment income	-	5,249	5,249
Miscellaneous	-	17	17
Total revenues	1,648,107	114,523	(1,533,584)
Expenditures:			
Judicial	460,925	38,935	421,990
Public Safety	818,901	46,211	772,690
Capital outlay	128,445	-	128,445
Total expenditures	1,408,271	85,146	1,323,125
Revenues over expenditures	239,836	29,377	(210,459)
Other financing uses -			
Transfers to other funds	(240,248)	(52,875)	187,373
Revenues and other financing sources over expenditures	<u>\$ (412)</u>	(23,498)	(23,086)
Fund balances, beginning of year		417,522	417,522
Fund balances, end of year		<u>\$ 394,024</u>	<u>\$ 394,436</u>

See Independent Auditor's Report.



THIS PAGE INTENTIONALLY LEFT BLANK

## **Nonmajor Proprietary Funds**

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2020**

**Exhibit K**

	Golf	Parking Authority	Waste Mangement	Economic Development Authority	Total
<b>Assets:</b>					
Current assets:					
Cash and temporary investments	\$ 2,200	16,939	13,928,527	1,122,806	15,070,472
Accounts receivable	34,343	2,172	3,930,823	52,083	4,019,421
Inventory of supplies	48,874	-	-	-	48,874
Total current assets	85,417	19,111	17,859,350	1,174,889	19,138,767
Noncurrent assets:					
Security deposit receivable	-	-	-	4,016	4,016
Property held for resale	-	-	-	16,752,463	16,752,463
Capital assets:					
Land	9,605,289	679,680	2,909,275	1,205,661	14,399,905
Buildings	2,222,369	19,092,612	65,455	-	21,380,436
Improvements other than buildings	314,073	284,508	-	-	598,581
Machinery, furniture, and equipment	904,901	422,435	12,486,527	-	13,813,863
Construction in progress	-	-	-	-	-
Total capital assets	13,046,632	20,479,235	15,461,257	1,205,661	50,192,785
Less accumulated depreciation	(2,856,041)	(14,473,060)	(7,021,147)	-	(24,350,248)
Total capital assets, net	10,190,591	6,006,175	8,440,110	1,205,661	25,842,537
Total noncurrent assets	10,190,591	6,006,175	8,440,110	17,962,140	42,599,016
Deferred outflows of resources:					
Deferred outflows from debt refunding	147,660	46,634	-	-	194,294
Deferred outflows related to pensions (Note 7)	151,918	-	659,068	-	810,986
Deferred outflows related to OPEB (Note 8)	19,816	-	39,632	-	59,448
Total deferred outflows of resources	319,394	46,634	698,700	-	1,064,728
Total assets and deferred outflows of resources	\$ 10,595,402	6,071,920	26,998,160	19,137,029	62,802,511

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2020**

**Exhibit K (Continued)**

	Golf	Parking Authority	Waste Mangement	Economic Development Authority	Total
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 67,306	54,220	305,376	63,440	490,342
Accrued interest payable	44,867	30,268	-	76,755	151,890
Accrued payroll	10,830	1,511	30,587	-	42,928
Deposits	111,037	-	-	-	111,037
Due to other funds (Note 10)	1,845,776	3,226,431	-	155,605	5,227,812
Unearned revenues (Note 12)	-	-	-	-	-
Current compensated absences (Note 5)	37,115	7,243	92,691	-	137,049
Current general obligation bonds (Note 5)	746,861	508,756	-	-	1,255,617
Total current liabilities	2,863,792	3,828,429	428,654	295,800	7,416,675
Noncurrent liabilities:					
Noncurrent compensated absences (Note 5)	42,887	8,815	124,840	-	176,542
Landfill closure and postclosure liability	-	-	3,270,160	-	3,270,160
Noncurrent general obligation bonds (Note 5)	2,203,884	1,717,175	-	5,217,000	9,138,059
Net pension liability (Note 7)	292,387	-	2,199,834	-	2,492,221
Net OPEB liability (Note 8)	249,725	-	499,451	-	749,176
Total noncurrent liabilities	2,788,883	1,725,990	6,094,285	5,217,000	15,826,158
Deferred inflows of resources:					
Deferred inflows related to pensions (Note 7)	56,575	-	113,151	-	169,726
Deferred inflows related to OPEB (Note 8)	47,468	-	94,936	-	142,404
Total deferred inflows of resources	104,043	-	208,087	-	312,130
Net position:					
Investment in capital assets	7,387,506	3,826,878	8,440,110	1,205,661	20,860,155
Unrestricted	(2,548,822)	(3,309,377)	11,827,024	12,418,568	18,387,393
Total net position	4,838,684	517,501	20,267,134	13,624,229	39,247,548
Total liabilities, deferred inflows of resources, and net position	\$ 10,595,402	6,071,920	26,998,160	19,137,029	62,802,511

See Independent Auditor's Report.



## 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, 2020

	Golf	Parking Authority	Waste Mangement	Economic Development Authority	Total
Operating revenues:					
Charges for services	\$ 1,133,098	789,927	11,252,024	-	13,175,049
Use of property	-	-	-	125,000	125,000
Other	90,727	40,796	4,195	10,505	146,223
Total operating revenues	1,223,825	830,723	11,256,219	135,505	13,446,272
Operating expenses:					
Personnel services	482,872	144,569	2,020,440	-	2,647,881
Contractual services	322,074	142,726	3,140,956	137,322	3,743,078
Supplies and materials	226,105	12,193	97,004	-	335,302
Utilities	78,653	110,991	6,805	32,352	228,801
Internal charges	33,780	112,206	1,423,314	-	1,569,300
Claims, settlements and refunds	-	-	32,138	-	32,138
Insurance premiums	-	-	-	1,658	1,658
Rent	93,784	-	-	-	93,784
Depreciation and amortization	127,755	451,860	977,104	-	1,556,719
Closure/postclosure	-	-	(2,228,340)	-	(2,228,340)
Other	277,880	47,667	202,279	13,549	541,375
Total operating expenses	1,642,903	1,022,212	5,671,700	184,881	8,521,696
Operating income (loss)	(419,078)	(191,489)	5,584,519	(49,376)	4,924,576
Nonoperating revenues (expenses):					
Investment income	-	-	184,026	1,365	185,391
Interest expense and fiscal charges	(122,064)	(83,162)	-	(167,466)	(372,692)
Local development grants	-	-	-	(222,430)	(222,430)
Contributions from PRHA	-	-	-	23,500	23,500
Net nonoperating revenues (expenses)	(122,064)	(83,162)	184,026	(365,031)	(386,231)
Net income (loss) before transfers	(541,142)	(274,651)	5,768,545	(414,407)	4,538,345
Transfers from other funds	998,362	90,085	-	-	1,088,447
Transfers to other funds	(18,622)	(8,763)	(1,473,129)	(125,000)	(1,625,514)
Change in net position	438,598	(193,329)	4,295,416	(539,407)	4,001,278
Net position, beginning of year	4,400,086	710,830	15,971,718	14,163,636	35,246,270
Net position, end of year	\$ 4,838,684	517,501	20,267,134	13,624,229	39,247,548

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Year Ended June 30, 2020**

**Exhibit K-3**

	Golf	Parking Authority	Waste Mangement	Economic Development Authority	Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,266,243	804,069	10,138,250	73,073	12,281,635
Payments to suppliers	(1,005,933)	(393,095)	(4,876,345)	(145,834)	(6,421,207)
Payments for land purchases	-	-	-	(23,500)	(23,500)
Payments to employees	(701,971)	(145,301)	(2,780,424)	-	(3,627,696)
Net cash provided by (used in) operating activities	(441,661)	265,673	2,481,481	(96,261)	2,209,232
Cash flows from noncapital financing activities:					
Federal revenue	-	-	-	23,500	23,500
Development grants	-	-	-	(222,430)	(222,430)
Interfund loans	242,412	71,526	-	101,780	415,718
Transfers in	998,362	90,085	-	-	1,088,447
Transfers out	(18,622)	(8,763)	(1,473,129)	(125,000)	(1,625,514)
Net cash provided by (used in) noncapital and related financing activities	1,222,152	152,848	(1,473,129)	(222,150)	(320,279)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	-	(92,347)	-	-	(92,347)
Principal paid on long-term debt	(665,000)	(490,000)	-	-	(1,155,000)
Interest paid	(115,491)	(83,120)	-	(160,488)	(359,099)
Net cash used in capital and related financing activities	(780,491)	(665,467)	-	(160,488)	(1,606,446)
Cash flows from investing activities:					
Interest received	-	-	184,026	1,365	185,391
Net increase (decrease) in cash and temporary investments	-	(246,946)	1,192,378	(477,534)	467,898
Cash and temporary investments, beginning of year	2,200	263,885	12,736,149	1,600,340	14,602,574
Cash and temporary investments, end of year	\$ 2,200	16,939	13,928,527	1,122,806	15,070,472
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (419,078)	(191,489)	5,584,519	(49,376)	4,924,576
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	127,755	451,860	977,104	-	1,556,719
Landfill closure/post-closure	-	-	(2,228,340)	-	(2,228,340)
Pension expense (recovery), net of employer contributions	(207,186)	-	(742,771)	-	(949,957)
OPEB expense (recovery), net of employer contributions	(19,003)	-	(38,006)	-	(57,009)
Decrease (increase) in:					
Accounts receivable	-	(390)	(1,117,969)	(52,015)	(1,170,374)
Inventories	10,694	-	-	-	10,694
Property held for resale	-	-	-	(23,500)	(23,500)
Increase (decrease) in:					
Accounts payable	15,649	32,688	26,151	39,047	113,535
Customer deposits	42,418	-	-	-	42,418
Accrued payroll	10,830	1,511	30,516	-	42,857
Unearned revenue	-	(26,264)	-	(10,417)	(36,681)
Compensated absences	(3,740)	(2,243)	(9,723)	-	(15,706)
Total adjustments	(22,583)	457,162	(3,103,038)	(46,885)	(2,715,344)
Net cash provided by (used in) operating activities	\$ (441,661)	265,673	2,481,481	(96,261)	2,209,232

See Independent Auditor's Report.



THIS PAGE INTENTIONALLY LEFT BLANK

## **Internal Service Funds**

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2020**

**Exhibit L-1**

	City Garage	Information Technology	Health Insurance and OPEB	Risk Management	Risk Management School Board	Total
<b>Assets:</b>						
Current assets:						
Cash and temporary investments (Note 3)	\$ 5,054,935	110,141	1,361,149	19,668,952	5,294,462	31,489,639
Accounts receivable	265,046	-	-	-	-	265,046
Inventory of supplies	628,247	-	-	-	-	628,247
Deposits-held by others	-	-	-	240,000	-	240,000
Total current assets	5,948,228	110,141	1,361,149	19,908,952	5,294,462	32,622,932
Noncurrent assets:						
Capital assets:						
Land	15,048	-	-	-	-	15,048
Buildings	693,083	-	-	-	-	693,083
Machinery, furniture, and equipment	21,293,197	5,305,345	-	-	-	26,598,542
Intangible assets	-	3,212,348	-	-	-	3,212,348
Total capital assets	22,001,328	8,517,693	-	-	-	30,519,021
Less accumulated depreciation	(20,016,785)	(6,402,844)	-	-	-	(26,419,629)
Total capital assets, net	1,984,543	2,114,849	-	-	-	4,099,392
Deferred outflows of resources:						
Deferred outflows related to pensions (Note 7)	354,583	557,573	-	-	-	912,156
Deferred outflows related to OPEB (Note 8)	19,816	39,632	-	-	-	59,448
Total deferred outflows of resources	374,399	597,205	-	-	-	971,604
Total assets and deferred outflows of resources	8,307,170	2,822,195	1,361,149	19,908,952	5,294,462	37,693,928
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	199,443	210,745	647,970	611,152	-	1,669,310
Accrued payroll	19,570	28,796	-	1,910	-	50,276
Current compensated absences (Note 5)	13,446	105,111	-	531	-	119,088
Current claims payable (Note 15)	-	-	1,570,000	2,150,987	-	3,720,987
Total current liabilities	232,459	344,652	2,217,970	2,764,580	-	5,559,661
Noncurrent liabilities:						
Noncurrent claims payable (Note 15)	-	-	-	5,264,962	-	5,264,962
Noncurrent compensated absences (Note 5)	123,976	135,714	-	3,556	-	263,246
Net pension liability (Note 7)	815,497	1,738,388	-	-	-	2,553,885
Net OPEB liability (Note 8)	249,725	499,451	-	-	-	749,176
Total noncurrent liabilities	1,189,198	2,373,553	-	5,268,518	-	8,831,269
Deferred inflows of resources:						
Deferred inflows related to pensions (Note 7)	113,151	113,151	-	-	-	226,302
Deferred inflows related to OPEB (Note 8)	47,468	94,936	-	-	-	142,404
Total deferred inflows of resources	160,619	208,087	-	-	-	368,706
Net position:						
Investment in capital assets	1,984,543	2,114,849	-	-	-	4,099,392
Unrestricted	4,740,351	(2,218,946)	(856,821)	11,875,854	5,294,462	18,834,900
Total net position	6,724,894	(104,097)	(856,821)	11,875,854	5,294,462	22,934,292
Total liabilities, deferred inflows of resources, and net position	\$ 8,307,170	2,822,195	1,361,149	19,908,952	5,294,462	37,693,928

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**Year Ended June 30, 2020**

**Exhibit L-2**

	City Garage	Information Technology	Health Insurance and OPEB	Risk Management	Risk Management School Board	Total
Operating revenues:						
Charges for services	\$ 7,090,123	5,555,784	17,320,301	6,775,145	-	36,741,353
Other	69,336	4,575	-	143,457	-	217,368
Total operating revenues	7,159,459	5,560,359	17,320,301	6,918,602	-	36,958,721
Operating expenses:						
Personnel services	1,322,749	1,656,199	-	178,886	-	3,157,834
Contractual services	1,043,903	2,454,206	1,434,059	1,203,046	-	6,135,214
Supplies and materials	2,691,797	524,236	-	54,405	-	3,270,438
Utilities	53,059	146,645	-	1,469	-	201,173
Internal charges	70,115	5,655	-	2,846	-	78,616
Claims, settlements and refunds	-	-	17,026,542	3,495,766	-	20,522,308
Insurance premiums	-	-	-	1,303,544	-	1,303,544
Depreciation and amortization	726,181	323,392	-	-	-	1,049,573
Other - operating expense	433,236	328,220	21,903	385	-	783,744
Total operating expenses	6,341,040	5,438,553	18,482,504	6,240,347	-	36,502,444
Operating income (loss)	818,419	121,806	(1,162,203)	678,255	-	456,277
Nonoperating revenues -						
Investment income	-	-	-	-	52,082	52,082
Net income (loss) before transfers	818,419	121,806	(1,162,203)	678,255	52,082	508,359
Transfers from other funds	-	-	1,000,000	-	-	1,000,000
Transfers to other funds	(38,339)	(1,445,782)	-	(2,009,859)	-	(3,493,980)
Change in net position	780,080	(1,323,976)	(162,203)	(1,331,604)	52,082	(1,985,621)
Net position, beginning of year	5,944,814	1,219,879	(694,618)	13,207,458	5,242,380	24,919,913
Net position, end of year	\$ 6,724,894	(104,097)	(856,821)	11,875,854	5,294,462	22,934,292

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2020**

**Exhibit L-3**

	City Garage	Information Technology	Health Insurance and OPEB	Risk Management	Risk Management School Board	Total
Cash flows from operating activities:						
Receipts from customers	\$ 7,241,675	5,567,531	17,344,203	6,918,602	-	37,072,011
Payments to suppliers	(4,566,241)	(3,158,081)	(17,944,586)	(6,559,417)	-	(32,228,325)
Payments to employees	(1,648,197)	(2,673,303)	-	(176,648)	-	(4,498,148)
Net cash provided by (used in) operating activities	1,027,237	(263,853)	(600,383)	182,537	-	345,538
Cash flows from noncapital financing activities:						
Transfers in	-	-	1,000,000	-	-	1,000,000
Transfers out	(38,339)	(1,445,782)	-	(2,009,859)	-	(3,493,980)
Net cash provided by (used in) noncapital financing activities	(38,339)	(1,445,782)	1,000,000	(2,009,859)	-	(2,493,980)
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	(396,169)	-	-	-	(396,169)
Cash flows from investing activities:						
Interest received	-	-	-	-	52,082	52,082
Net increase (decrease) in cash and temporary investments	988,898	(2,105,804)	399,617	(1,827,322)	52,082	(2,492,529)
Cash and temporary investments, beginning of year	4,066,037	2,215,945	961,532	21,496,274	5,242,380	33,982,168
Cash and temporary investments, end of year	\$ 5,054,935	110,141	1,361,149	19,668,952	5,294,462	31,489,639
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 818,419	121,806	(1,162,203)	678,255	-	456,277
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	726,181	323,392	-	-	-	1,049,573
Pension expense (recovery), net of employer contributions	(35,867)	(705,665)	-	-	-	(741,532)
OPEB expense (recovery), net of employer contributions	(315,384)	(334,386)	-	-	-	(649,770)
Decrease (increase) in:						
Accounts receivable	82,216	7,172	23,902	-	-	113,290
Prepaid expenses	-	191,011	-	-	-	191,011
Inventories	(33,051)	-	-	-	-	(33,051)
Increase (decrease) in:						
Accounts payable	(241,080)	109,870	570,791	370,263	-	809,844
Accrued payroll	19,570	28,796	-	1,910	-	50,276
Compensated absences	6,233	(5,849)	-	328	-	712
Nonoperating revenues reported as operating revenues:						
Claims payable	-	-	(32,873)	(868,219)	-	(901,092)
Total adjustments	208,818	(385,659)	561,820	(495,718)	-	(110,739)
Net cash provided by (used in) operating activities	\$ 1,027,237	(263,853)	(600,383)	182,537	-	345,538

See Independent Auditor's Report.



THIS PAGE INTENTIONALLY LEFT BLANK



## **Capital Project Funds**

## CITY OF PORTSMOUTH, VIRGINIA

Exhibit M

## Capital Projects Funds

## Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2020

## General Government Capital Projects Fund

	FY20 Project Authorization	CIP June 30, 2019 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2020 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Twin Pines Rd Widening	\$ 75,000	\$ -	\$ 65,068	\$ 65,068	\$ 65,068	\$ -	\$ 9,932	\$ 4,814	\$ 5,118
Churchland Bridge	35,562,697	3,775,771	1,153,530	-	4,929,301	4,929,301	30,633,396	30,913,444	(280,048)
Paradise Creek Bridge Replacement	2,131,000	284,948	224,402	-	509,350	509,350	1,621,650	465,859	1,155,791
Court/Bart/Pavilion Intersection	1,321,368	98,813	14,828	-	113,641	113,641	1,207,727	9,921	1,197,806
Ballard Ave-Hyman St Improvements	3,141,000	133,666	44,950	-	178,616	178,616	2,962,384	207,616	2,754,768
Effingham St Imp @ Portsmouth Naval	500,000	38,500	25,218	-	63,718	63,718	436,282	31,752	404,530
Citywide Systematic FYA Improvements	1,323,440	68,812	-	-	68,812	68,812	1,254,628	15,447	1,239,181
Burtens Point Road Reconstruction	2,450,000	131,943	76,378	-	208,321	208,321	2,241,679	45,956	2,195,723
Primrose/Hatton Street	405,000	5,715	-	-	5,715	5,715	399,285	9,785	389,500
Churchland Bridge Bike-Ped Enhancements	260,000	-	-	-	-	-	260,000	147,335	112,665
VPDES Permit Compliance - New	7,182,072	-	2,910,046	2,910,046	5,796,591	-	1,385,481	1,133,062	252,419
Crtl-VSMP Prmit Comp	1,608,728	-	189,660	189,660	189,660	-	1,419,068	543,671	875,397
Lincoln Park Redevelopment	350,000	-	338,000	338,000	338,000	-	12,000	-	12,000
CMAQ Signal Timing Phase 4	132,000	17,872	-	-	17,872	17,872	114,128	109,779	4,349
Drainage Facility Repair Lake Management -New	9,371,904	1,470,304	3,013,485	-	6,999,462	4,483,789	2,372,442	1,939,670	432,772
Crtl-Stormwater Infra Renewal/Repla	3,109,103	-	58,168	-	58,168	58,168	3,050,935	5,193	3,045,742
Turnpike Road Improvement	778,950	-	-	-	560,846	-	218,104	-	218,104
Systematic Replacement of Non-MUTCD signs	579,928	30,770	-	-	30,770	30,770	549,158	-	549,158
High Street & Crawford Street Improvements	310,000	18,425	8,000	-	26,425	26,425	283,575	2,775	280,800
Neighborhood Roadway & Drainage	3,250,000	571,356	28,744	-	600,100	600,100	2,649,900	149,248	2,500,652
Pavilion Mast/Canopy Replacement	4,439,000	-	2,282,537	2,282,537	4,428,924	-	10,076	10,076	-
Signal System Upgrades Phase V	4,936,344	249,887	169,162	-	419,049	419,049	4,517,295	69,766	4,447,529
Westhaven Bicycle Improvements	500,000	72,851	11,105	-	83,956	83,956	416,044	18,720	397,324
Traffic Inventory - New	100,000	-	36,153	36,153	73,574	-	26,426	26,427	(1)
Control-Traffic Inventory	100,000	-	41,115	41,115	41,115	-	58,885	18,118	40,767
Traffic Signal Improvements - New	227,501	-	24,570	24,570	155,636	-	71,865	28,851	43,014
Control-Traffic Signal Improvements	100,000	-	78,334	78,334	78,334	-	21,666	1,666	20,000
Upgrade City's Traffic Signal (2 - 4)	6,502,191	1,500	-	-	6,431,762	1,500	70,429	-	70,429
Bridge Repairs - New	592,918	-	105,799	-	159,011	105,799	433,907	368,335	65,572
Control-Bridge Repairs	250,000	-	-	-	-	-	250,000	75,000	175,000
ADA Compliance Curb Cuts - New	169,692	-	-	-	-	-	169,692	-	169,692
Dredging of Lakes - New	3,861,962	-	138,627	-	161,731	138,627	3,700,231	24,030	3,676,201
POT-Dredging of Lakes and Ponds FY2	500,000	-	-	-	-	-	500,000	-	500,000
Midtown Corridor	1,338,322	-	-	-	1,182,400	-	155,922	-	155,922
Flooring and Carpet	150,000	-	21,893	21,893	21,893	-	128,107	-	128,107
Resiliency Planning	75,000	-	-	-	-	-	75,000	-	75,000

See Independent Auditor's Report.

## CITY OF PORTSMOUTH, VIRGINIA

Exhibit M

## Capital Projects Funds

## Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2020

## General Government Capital Projects Fund

	FY20 Project Authorization	CIP June 30, 2019 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2020 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Municipal Facilities Plan	50,000	-	-	-	-	-	50,000	-	50,000
Municipal Audio Video	50,000	-	13,342	13,342	13,342	-	36,658	-	36,658
Municipal VOIP Migration	75,000	-	74,118	74,118	74,118	-	882	25,941	(25,059)
Document Management	175,000	-	81,655	81,655	81,655	-	93,345	3,934	89,411
Effingham Fire Station Repairs	250,000	22,806	115,084	137,890	137,890	-	112,110	8,510	103,600
City Gateways - New	294,618	-	30,141	-	235,685	30,141	58,933	1,524	57,409
Cedar Grove Cemetery	167,272	-	-	-	167,269	-	3	-	3
DSS Roof Repair	615,000	57,579	6,371	-	63,950	63,950	551,050	32,268	518,782
Facility assessments & prelim Engineering	250,000	-	74,484	74,484	245,590	-	4,410	4,114	296
Childrens Museum Staff	270,000	-	50,313	50,313	50,313	-	219,687	-	219,687
Mt Olive & Mt Calvary Improvements	75,000	-	-	-	24,350	-	50,650	-	50,650
IT Security Audit	100,000	-	-	-	81,207	-	18,793	-	18,793
City Hall Plumbing System Replacement	550,000	37,891	-	-	37,891	37,891	512,109	21,889	490,220
801 Water Street	4,080,871	-	39,394	39,394	3,815,557	-	265,314	2,570	262,744
Portside Festival Site	731,000	329,652	-	-	329,652	329,652	401,348	68,349	332,999
Safe Haven Building Renovation	2,000,000	-	22,913	-	22,913	22,913	1,977,087	50,682	1,926,405
PCCLM Building and Site Improvements	107,000	7,550	234	234	59,594	7,550	47,406	7,688	39,718
Public Safety Facilities Plan	1,800,000	154,224	809,158	-	963,382	963,382	836,618	197,256	639,362
Public Utilities Operations Facility Upgrade	1,800,000	144,272	516,257	-	660,529	660,529	1,139,471	100,473	1,038,998
Upgrading Existing City Fuel Stations	450,000	25,224	15,008	15,008	40,232	25,224	409,768	-	409,768
Recreation Center Enhancements - New	1,197,308	-	340,977	340,977	1,162,940	-	34,368	-	34,368
Control-Rec Center Enhancements-pavil	728,180	-	142,883	142,883	142,883	-	585,297	-	585,297
Demolition of Buildings - New	586,640	197,628	375,132	375,132	572,760	197,628	13,880	10,307	3,573
Control-Demolition of Bldgs	250,000	-	153,915	153,915	153,915	-	96,085	15,716	80,369
Water Treatment Plant Building	400,000	18,118	96,166	96,166	114,284	18,118	285,716	-	285,716
Museums-Capital	30,055	438	-	-	438	438	29,617	-	29,617
DSS Building	360,000	-	-	-	257,717	-	102,283	6,997	95,286
Cavalier Manor Athletics Complex	994,763	-	80,152	-	1,027,855	80,152	-	28,570	(28,570)
Rails and Trails	900,000	299,896	13,719	13,719	313,615	299,896	586,385	10,043	576,342
Outside Recreation Facility Repairs - Closed	422,367	-	27,926	-	397,717	27,926	24,650	18,000	6,650
Crtl-Outdoor Recr Facility Repair	325,000	-	-	-	-	-	325,000	-	325,000
Public Works Building	85,000	8,495	-	-	8,495	8,495	76,505	-	76,505
New Fire Station	6,000,000	-	195,516	-	195,516	195,516	5,804,484	-	5,804,484
Waste Management Building	3,988,645	225,359	2,121,073	-	2,346,432	2,346,432	1,642,213	1,023,744	618,469
Roof Replacement - Old	2,235,430	-	-	-	2,235,430	-	-	-	-
Roof Replacement - New	1,207,443	4,350	2,810	2,810	206,659	4,350	1,000,784	-	1,000,784
Control-Roof Replacement	400,000	-	-	-	-	-	400,000	-	400,000

See Independent Auditor's Report.

## CITY OF PORTSMOUTH, VIRGINIA

Exhibit M

## Capital Projects Funds

## Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2020

## General Government Capital Projects Fund

	FY20 Project Authorization	CIP June 30, 2019 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2020 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
ADA Municipal Facility Compliance - New	127,909	5,898	-	-	5,898	5,898	122,011	-	122,011
Hazmat Program - New	154,800	16,028	15,983	15,983	32,011	16,028	122,789	-	122,789
1846 Courthouse HVAC Replacement - New	298,610	-	39,272	39,272	117,887	-	180,723	8,920	171,803
Control-1846 Courthouse	100,000	-	-	-	-	-	100,000	-	100,000
ADA Municipal Facility Compliance - Closed	859,485	-	-	-	731,575	-	127,910	-	127,910
Replacement of HVAC - New	563,989	-	204,911	7,169	375,437	197,742	188,552	18,324	170,228
Control-Replacement of HVAC	450,000	-	-	-	-	-	450,000	-	450,000
Parking Garage Repairs - New	927,953	-	20,400	20,400	23,950	-	904,003	-	904,003
CONTROL-Parking Garage Repairs	100,000	-	-	-	-	-	100,000	-	100,000
Various Building Renovations - New	1,921,881	16,406	461,455	1	700,514	477,860	1,221,367	80,506	1,140,861
Crtl-Renovations to Various Bldgs	250,000	-	-	-	-	-	250,000	-	250,000
Repair of Seawall	1,381,158	-	9,820	9,820	1,117,094	-	264,064	9,212	254,852
Repair of Seawall	50,000	141,701	-	-	-	141,701	50,000	-	50,000
Portsmouth Sports Complex Acquisition & Renovation	4,466,432	4,289	214,283	218,572	6,833,261	-	-	-	-
Sportsplex Buildings	780,000	13,800	562,336	576,136	576,136	-	203,864	124,765	79,099
Seawall Reinforcement	27,895,269	5,207,977	421,714	5,629,691	21,059,729	-	6,835,540	40,253	6,795,287
POT-Seawall Replacement FY20	2,500,000	-	-	-	-	-	2,500,000	-	2,500,000
Harbor Center Pavilion - New	35,000	-	35,000	35,000	35,000	-	-	-	-
Ctrl-Union Bank and Trust Pavilion	100,000	-	100,000	100,000	100,000	-	-	-	-
Benchmark Monumental	75,000	-	25,000	25,000	25,000	-	50,000	-	50,000
City Fiber Network	7,879,687	1,117,535	4,351,201	5,468,736	5,468,736	-	2,410,951	2,384,872	26,079
Municipal Access Control	225,000	11,427	169,568	169,568	180,995	11,427	44,005	31,077	12,928
Landfill Scales	200,000	-	-	-	-	-	200,000	14,284	185,716
DSS Document Management System	325,000	-	18,658	18,658	285,515	-	39,485	22,446	17,039
Municipal Security Came	300,000	-	183,441	-	183,441	183,441	116,559	67,613	48,946
DSS Security Monitoring System	113,327	44,779	30,168	-	74,947	74,947	38,380	38,380	-
Election Syst. Software (ES&S) & Equipment	540,241	-	-	-	540,123	-	118	-	118
Permitting System Replacement	150,000	-	72,415	72,415	126,850	-	23,150	8,096	15,054
PS New Radio System	11,000,000	-	1,766,356	-	8,346,524	1,766,356	2,653,476	2,268,118	385,358
CAMA Software System	300,000	256,568	18,873	275,441	275,441	-	24,559	5,720	18,839
CAD System	777,480	-	78,680	78,680	722,190	-	55,290	-	55,290
Crime Analysis System	112,250	-	23,950	23,950	23,950	-	88,300	-	88,300
Revenue System Treasurer/COR	1,135,917	-	-	-	-	-	1,135,917	-	1,135,917
Command/E911 Back Up Vehicle	703,791	-	-	-	703,791	-	-	-	-
SWAT Team Delivery & Equipment Truck	196,020	-	-	-	193,870	-	2,150	-	2,150
City Garage Fleet FY2019	3,000,000	-	1,360,820	1,360,820	2,991,403	-	8,597	7,710	887
FY20 City Garage Fleet	2,000,000	-	1,657,979	1,657,979	1,657,979	-	342,021	188,021	154,000

See Independent Auditor's Report.

## CITY OF PORTSMOUTH, VIRGINIA

Exhibit M

## Capital Projects Funds

## Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2020

## General Government Capital Projects Fund

	FY20 Project Authorization	CIP June 30, 2019 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2020 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
City Garage Fleet FY2018	4,033,209	-	-	-	4,015,496	-	17,713	-	17,713
Paradise Creek 2020	31,613	-	31,613	31,613	31,613	-	-	-	-
HMES & CAES Roof Coating	1,250,000	-	-	-	-	-	1,250,000	-	1,250,000
Churchland High HVAC	5,212,009	431,294	1,493,690	-	2,584,750	1,924,984	2,627,259	2,336,972	290,287
Brighton ES Roof Replacement	597,547	557,424	32,112	589,536	589,536	-	8,011	8,011	-
Churchland Academy Parking Lot Add	527,500	8,006	62,440	62,440	70,446	8,006	457,054	7,054	450,000
Churchland HS Track-Rplemt	200,000	-	-	-	-	-	200,000	-	200,000
Churchland HS Stage/Sound/Lighting	345,000	-	77,414	-	77,414	77,414	267,586	122,586	145,000
Westhaven Elementary Roof	1,826,500	-	-	-	1,826,500	-	-	-	-
IRC Data Center HVAC & UPS Project	60,000	41,124	-	-	41,124	41,124	18,876	18,876	-
Hodges Manor ES Rooftop Unit Replacement	380,000	-	-	-	-	-	380,000	-	380,000
Future School Project -	760,197	-	15,665	15,665	83,945	-	676,252	-	676,252
Wilson High PA	157,935	-	-	-	157,935	-	-	-	-
Mt Hermon Rooftop HVAC Units Replacement	162,672	142,071	-	-	142,071	142,071	20,601	-	20,601
W Wilson HS HVAC Cooling Tower Replacement	960,652	22,749	53,200	-	75,949	75,949	884,703	64,400	820,303
Mt Hermon Preschool Roof Replacement	1,042,305	-	20,800	20,800	1,042,305	-	-	-	-
Interactive White Board Panels-NOT CIP	-	-	12,425	12,425	12,425	-	-	-	-
Woodrow Wilson High School Roof	2,578,007	-	-	-	2,555,280	-	22,727	22,727	-
Churchland Middle Restroom Renovation	452,628	85,200	-	-	85,200	85,200	367,428	-	367,428
James Hurst, Churchland Primary & Inter	1,737,401	733,093	1,004,308	1,737,401	1,737,401	-	-	-	-
Woodrow Wilson HS Restroom Renovator	876,000	-	105,950	-	105,950	105,950	770,050	294,050	476,000
School Safety Improvements	1,000,000	-	-	-	980,420	-	19,580	-	19,580
School Bus Security Cameras-Replcmn	250,000	-	200,297	200,297	200,297	-	49,703	-	49,703
School Furniture-Rplemnt	273,039	-	-	-	-	-	273,039	-	273,039
School Bus Fleet Replacement	1,000,000	-	-	-	983,110	-	16,890	-	16,890
City Gateways - New	100,000	-	28,878	-	42,988	28,878	57,012	-	57,012
	\$229,497,125	\$ 17,361,984	\$ 31,439,588	\$ 26,072,884	\$121,190,998	\$ 22,728,688	\$110,718,473	\$ 46,207,884	\$ 64,510,589

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, 2020, \$110,718,473 represents the amount authorized but not yet spent. This includes commitments totaling \$46,207,884 that have been reserved for encumbrances for capitalizable and non-capitalizable expenditures.

See Independent Auditor's Report.

## CITY OF PORTSMOUTH, VIRGINIA

## Exhibit M (continued)

## Capital Projects Funds

## Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2020

## Public Utility Capital Projects Fund

	FY20 Project Authorization	CIP June 30, 2019 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2020 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Lake Kilby Filter Replacement	\$ 49,600,000	\$ 33,537,643	\$ 6,266,534	\$ -	\$ 39,804,177	\$ 39,804,177	\$ 9,795,823	\$ 8,286,819	\$ 1,509,004
Downtown Master Utility	42,400,000	16,630,225	83,128	-	28,047,367	16,713,353	14,352,633	2,319,266	12,033,367
Sanitary Sewer Overflow	39,915,449	6,019,362	5,565,661	-	22,493,945	11,585,023	17,421,504	7,578,294	9,843,210
Infrastructure Improvements	21,793,355	3,555,811	1,300,620	-	6,916,796	4,856,431	14,876,559	1,259,647	13,616,912
Low Pressure Transmission Main	69,250,000	4,280,691	181,368	-	6,194,938	4,462,059	63,055,062	929,364	62,125,698
Miscellaneous Sewer/Sewer Pump Station	17,498,167	5,477,086	1,342,972	-	12,726,546	6,820,058	4,771,621	430,102	4,341,519
Meter Replacement	14,999,000	-	23,805	-	10,288,610	23,805	4,710,390	112,844	4,597,546
Replacement of Water Plant Equipment	8,970,396	2,308,275	211,818	-	4,345,207	2,520,093	4,625,189	579,553	4,045,636
Sewer Cave In	7,824,238	3,088,768	165,559	-	6,628,588	3,254,327	1,195,650	193,539	1,002,111
Miscellaneous Water Improvements	8,224,524	1,401,978	428,478	-	5,020,786	1,830,456	3,203,738	359,329	2,844,409
Water Tank Rehab	5,500,000	269,344	39,752	-	1,407,409	309,096	4,092,591	492,840	3,599,751
MUNIS Upgrade	1,104,000	281,528	134,596	-	416,124	416,124	687,876	241,578	446,298
Dam Upgrades	4,533,083	642,358	283,402	-	930,030	925,760	3,603,053	43,387	3,559,666
Lake Cohoon Raw Water Pump Station	1,610,575	15,344	76,013	-	91,357	91,357	1,519,218	18,234	1,500,984
Suction Well Rehab	10,518,290	11,610	201,921	-	213,531	213,531	10,304,759	129,494	10,175,265
Scada Upgrades	3,500,000	11,340	292,768	-	304,108	304,108	3,195,892	225,686	2,970,206
	<u>\$307,241,077</u>	<u>\$ 77,531,363</u>	<u>\$ 16,598,395</u>	<u>\$ -</u>	<u>\$145,829,519</u>	<u>\$ 94,129,758</u>	<u>\$161,411,558</u>	<u>\$ 23,199,976</u>	<u>\$138,211,582</u>

In addition to the amount of \$94,129,758 shown above as expended as of June 30, 2020, \$4,589,865 for capitalized interest, bringing total construction in progress to \$98,719,623. As of June 30, 2020, \$161,411,558 represents the amount authorized, but not yet spent. This includes commitments totaling \$23,199,976 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.

See Independent Auditor's Report.

## CITY OF PORTSMOUTH, VIRGINIA

Exhibit M (continued)

## Capital Projects Funds

## Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2020

## Parking Authority Capital Projects Fund

	FY20 Project Authorization	Prior Year CIP	Current Year Expenditures	Total Expenditures	Current Year Closed/Exp	CIP June 30, 2020 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
County Street Parking Garage Replacement	\$ 1,750,000	\$ 271,514	\$ 92,347	\$ 363,861	\$ 363,861	\$ -	\$ 1,386,139	\$ 1,254,665	\$ 131,474
Garage Facilities Repair	597,044	-	-	575,961	-	-	21,083	8,350	12,733
	<u>\$ 2,347,044</u>	<u>\$ 271,514</u>	<u>\$ 92,347</u>	<u>\$ 939,822</u>	<u>\$ 363,861</u>	<u>\$ -</u>	<u>\$ 1,407,222</u>	<u>\$ 1,263,015</u>	<u>\$ 144,207</u>

As of June 30, 2020, the ending capital improvements balance for Parking Authority is \$-. 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, 2020, \$1,407,222 represents the amount authorized but not yet spent. This includes commitments totaling \$1,263,015 that have been reserved for encumbrances for capitalizable and non capitalizable expenditures.

See Independent Auditor's Report.



THIS PAGE INTENTIONALLY LEFT BLANK



## **Fiduciary Funds**

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds - Pension OPEB Trust Funds**  
**June 30, 2020**

**Exhibit N-1**

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System	OPEB	Total
Assets:				
Cash and temporary investments	\$ 1,560,747	4,586,131	-	6,146,878
Investments:				
Stocks	40,226,185	121,157,070	2,558,174	163,941,429
Bonds	9,662,757	29,103,215	910,536	39,676,508
Real estate	1,305,778	3,932,867	303,512	5,542,157
Other investments	-	-	563,666	563,666
Total investments	51,194,720	154,193,152	4,335,888	209,723,760
Total assets	52,755,467	158,779,283	4,335,888	215,870,638
Net position restricted for pensions and OPEB	\$ 52,755,467	158,779,283	4,335,888	215,870,638

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds - Pension OPEB Trust Funds**  
**Year Ended June 30, 2020**

**Exhibit N-2**

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System	OPEB	Total
Additions:				
Contributions -				
Employers' contributions	\$ 4,200,064	13,546,417	1,980,500	19,726,981
Investment income:				
Interest	382,906	1,152,013	-	1,534,919
Gains	2,099,680	6,292,034	128,763	8,520,477
Net investment income	2,482,586	7,444,047	128,763	10,055,396
Total additions	6,682,650	20,990,464	2,109,263	29,782,377
Deductions:				
Deductions:				
Benefit payments	7,859,123	21,915,426	1,980,500	31,755,049
Administrative expenses	87,733	246,543	5,181	339,457
Net deductions	7,946,856	22,161,969	1,985,681	32,094,506
Change in net position	(1,264,206)	(1,171,505)	123,582	(2,312,129)
Net position restricted for pension OPEB benefits, beginning of year	54,019,673	159,950,788	4,212,306	218,182,767
Net position restricted for pensions OPEB benefits, end of year	\$ 52,755,467	158,779,283	4,335,888	215,870,638

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Changes in Assets and Liabilities**  
**Fiduciary Funds - Agency Fund**  
**Year Ended June 30, 2020**

**Exhibit N-3**

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020
<b>Assets:</b>				
Cash and temporary investments	\$ 36,374	1,504,118	(1,264,762)	275,730
<b>Liabilities:</b>				
Due to General Fund	-	266,235	-	266,235
Accounts payable	36,374	13,891	(40,770)	9,495
	\$ 36,374	280,126	(40,770)	275,730

See Independent Auditor's Report.



THIS PAGE INTENTIONALLY LEFT BLANK



THIS PAGE INTENTIONALLY LEFT BLANK

## 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.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit A-1**

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities:										
Net investment in capital assets	\$ 204,945,661	\$ 200,446,790	\$ 220,454,135	\$ 242,691,679	\$ 241,411,418	\$ 244,408,023	\$ 232,550,945	\$ 210,854,679	\$ 196,244,783	\$ 186,101,165
Restricted	24,979,443	52,109,797	22,041,451	55,330,226	49,061,774	51,224,402	75,183,391	40,782,876	45,127,451	15,421,510
Unrestricted	(130,632,180)	(175,399,829)	(194,467,639)	(248,155,977)	(251,725,514)	(283,629,516)	(198,671,005)	17,497,544	11,685,932	33,924,914
Total governmental activities net position	\$ 99,292,924	\$ 77,156,758	\$ 48,027,947	\$ 49,865,928	\$ 38,747,678	\$ 12,002,909	\$ 109,063,331	\$ 269,135,099	\$ 253,058,166	\$ 235,447,589
Business-type activities:										
Net investment in capital assets	\$ 171,170,094	\$ 181,733,546	\$ 153,628,157	\$ 144,631,061	\$ 126,805,696	\$ 151,551,705	\$ 146,080,861	\$ 140,080,861	\$ 132,261,301	\$ 128,135,654
Restricted	-	-	-	2,508,031	-	-	-	-	22,450	-
Unrestricted	59,473,324	41,768,401	51,257,896	64,151,335	71,131,481	34,241,084	40,508,841	45,783,929	44,949,451	39,934,125
Total business-type activities net position	\$ 230,643,418	\$ 223,501,947	\$ 204,886,053	\$ 211,290,427	\$ 197,937,177	\$ 185,792,789	\$ 186,589,702	\$ 185,864,790	\$ 177,233,202	\$ 168,069,779
Primary Government:										
Net investment in capital assets	\$ 376,115,755	\$ 382,180,336	\$ 374,082,292	\$ 387,322,740	\$ 368,217,114	\$ 395,959,728	\$ 378,631,806	\$ 350,935,540	\$ 328,506,084	\$ 314,236,819
Restricted	24,979,443	52,109,797	22,041,451	57,838,257	49,061,774	51,224,402	75,183,391	40,782,876	45,149,901	15,421,510
Unrestricted (deficit)	(71,158,856)	(133,631,428)	(143,209,743)	(184,004,642)	(180,594,033)	(249,388,432)	(158,162,164)	63,281,473	56,635,383	73,859,039
Total primary government net position	\$ 329,936,342	\$ 300,658,705	\$ 252,914,000	\$ 261,156,355	\$ 236,684,855	\$ 197,795,698	\$ 295,653,033	\$ 454,999,889	\$ 430,291,368	\$ 403,517,368

See Independent Auditor's Report.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit A-2**

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses:										
Governmental activities:										
General government	\$ 37,889,362	\$ 38,413,786	\$ 42,436,115	\$ 37,937,076	\$ 25,571,539	\$ 30,847,939	\$ 195,651,602	\$ 27,914,580	\$ 30,092,575	\$ 28,573,377
Judicial	21,085,253	20,000,218	20,427,454	23,792,900	24,814,308	22,663,405	25,931,635	23,819,021	19,262,329	20,042,432
Public safety	62,543,113	60,442,523	55,762,645	56,460,539	51,693,737	56,785,068	58,678,933	66,483,899	67,822,960	62,543,317
Public works	29,546,493	26,998,794	35,206,810	30,344,639	20,442,395	24,259,546	22,082,142	18,919,255	19,227,479	20,669,966
Health and welfare	29,325,558	27,543,060	29,216,518	30,170,881	32,409,223	32,894,672	35,701,774	34,805,940	37,676,063	38,261,597
Parks, recreation and cultural	13,051,449	12,450,105	6,781,419	10,808,887	11,067,649	9,868,300	10,405,765	12,107,699	12,165,461	12,333,047
Community development	6,840,482	8,486,376	6,364,265	8,253,909	6,020,487	6,474,948	7,924,716	9,317,701	8,697,999	7,738,435
Education	58,144,523	51,759,910	46,578,589	55,180,440	53,908,322	55,140,801	52,948,197	41,411,783	51,759,963	50,591,187
Interest on long-term debt	14,941,569	17,378,172	15,649,378	15,532,828	18,198,185	19,484,834	19,560,389	13,535,905	12,743,363	13,258,680
Total governmental activities expenses	273,367,802	263,472,944	258,423,193	268,482,099	244,125,845	258,419,513	428,885,153	248,315,783	259,448,192	254,012,038
Business-type activities:										
Public utility	31,071,754	28,170,625	32,062,023	22,740,807	22,974,962	23,945,770	25,719,104	21,168,537	23,289,442	21,142,197
Golf	1,764,967	1,819,201	2,067,354	1,697,090	2,050,694	2,336,303	2,406,829	2,104,720	2,218,731	2,322,045
Port Facility and Economic Development	-	-	-	-	-	46,119	46,118	46,118	46,119	46,118
Parking Authority	1,105,374	1,114,194	1,119,619	1,176,209	1,151,506	1,185,598	1,395,552	1,348,920	1,558,720	1,582,680
Economic Development Authority	5,671,700	988,921	-	-	-	-	-	-	-	-
Waste Management	574,777	8,128,218	9,652,409	10,186,922	10,041,170	10,245,752	10,559,613	9,662,917	11,779,665	13,576,422
Total business-type activities expenses	40,188,572	40,221,159	44,901,405	35,801,028	36,218,332	37,759,542	40,127,216	34,331,212	38,892,677	38,669,462
Total Primary Government expenses	313,556,374	303,694,103	303,324,598	304,283,127	280,344,177	296,179,055	469,012,369	282,646,995	298,340,869	292,681,500
Program revenues:										
Governmental activities:										
Charges for services:										
General government	1,633,780	3,500,310	3,202,906	3,197,150	2,922,590	3,191,781	3,395,648	3,104,397	1,785,252	1,891,508
Judicial	496,707	2,336,975	159,077	178,372	571,659	576,660	271,277	343,106	1,004,567	708,180
Public safety	3,501,829	3,649,855	3,299,769	2,432,614	3,586,477	3,528,623	1,676,260	2,497,470	2,119,660	1,673,586
Public works	9,479,152	9,405,532	8,659,518	7,645,659	7,602,200	7,596,091	8,017,983	7,809,614	7,316,713	6,880,735
Health and welfare	2,649,505	3,192,307	1,884,948	806,120	1,242,294	973,317	596,831	600,194	519,049	538,388
Parks, recreation and cultural	1,023,382	2,329,340	2,455,855	2,405,301	2,992,632	2,321,055	2,396,043	2,587,705	2,160,956	1,302,264
Community development	1,896,922	3,709,517	1,988,338	3,676,204	3,397,562	1,971,830	1,206,617	1,149,814	523,373	518,730
Operating grants and contributions	76,180,235	62,722,800	64,669,930	67,314,255	66,867,871	67,982,527	71,792,163	70,737,857	86,594,753	77,217,853
Capital grants and contributions	958,741	314,197	3,145,146	2,188,987	696,766	5,052,229	2,655,741	1,422,747	6,070,568	3,344,556
Total governmental activities program revenues	97,820,253	91,160,833	89,465,487	89,844,662	89,880,051	93,194,113	92,008,563	90,252,904	108,094,891	94,075,800

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit A-2 (continued)**

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Business-type activities:										
Charges for services:										
Public utility	\$ 43,160,577	\$ 41,460,539	\$ 41,663,524	\$ 42,498,157	\$ 44,203,060	\$ 41,521,351	\$ 41,678,038	\$ 39,563,702	\$ 39,594,823	\$ 39,910,309
Golf	1,133,098	935,022	1,095,721	873,507	1,175,592	1,096,110	1,082,375	1,128,337	1,355,710	1,305,030
Parking Authority	789,927	937,609	973,460	953,160	995,542	924,588	1,093,811	1,118,200	1,111,152	1,060,760
Economic Development Authority	-	1,078,463	-	-	-	-	-	-	-	-
Waste Management	11,252,024	11,506,536	11,397,440	12,573,844	12,438,646	11,751,149	12,331,294	12,502,496	12,765,158	14,123,658
Operating grants and contributions	23,500	154,525	-	-	-	-	-	280,000	680,000	680,000
Total business-type activities										
program revenues	56,359,126	56,072,694	55,130,145	56,898,668	58,812,840	55,293,198	56,185,518	54,592,735	55,506,843	57,079,757
Total Primary Government										
program revenues	154,179,379	147,233,527	144,595,632	146,743,330	148,692,891	148,487,311	148,194,081	144,845,639	163,601,734	151,155,557
Net (Expense)/Revenue										
Governmental activities	(175,547,549)	(172,312,111)	(168,957,706)	(178,637,437)	(154,245,794)	(165,225,400)	(336,876,590)	(158,062,879)	(151,353,301)	(159,936,238)
Business-type activities	16,170,554	15,851,535	10,228,740	21,097,640	22,594,508	17,533,656	16,058,302	20,261,523	16,614,166	18,410,295
Total Primary Government										
net (expense)/revenue	(159,376,995)	(156,460,576)	(158,728,966)	(157,539,797)	(131,651,286)	(147,691,744)	(320,818,288)	(137,801,356)	(134,739,135)	(141,525,943)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
General property taxes	131,684,219	125,246,599	120,322,381	118,800,657	119,741,652	116,197,273	116,536,186	116,035,670	118,370,186	115,291,349
Other local taxes	37,688,861	40,277,057	39,144,817	39,194,725	38,783,705	39,934,290	37,674,332	35,995,762	35,064,984	34,894,374
Utility taxes	8,168,579	8,328,132	8,154,958	8,019,365	8,053,834	8,001,981	8,145,465	8,047,196	7,418,449	7,709,251
Investment earnings	1,340,130	2,411,049	2,438,303	1,040,792	1,480,919	662,555	591,371	1,291,260	102,301	168,418
Net gain on disposal of capital assets	-	-	-	-	-	-	-	-	(75,704)	-
Miscellaneous	7,628,767	5,722,887	17,197,309	12,577,198	4,193,125	3,776,579	6,192,905	3,863,492	2,433,785	2,302,921
Transfers	11,173,159	13,369,690	8,722,105	10,122,950	9,336,088	9,244,703	9,006,934	9,928,251	8,008,973	7,106,789
Total governmental activities	197,683,715	195,355,414	195,979,873	189,755,687	181,589,323	177,817,381	178,147,193	175,161,631	171,322,974	167,473,102
Business-type activities:										
Contributions - land	-	-	-	-	-	268,297	-	-	-	-
Investment earnings	1,473,592	1,275,565	1,371,144	747,570	485,672	486,790	537,392	170,968	95,376	106,869
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	(69,991)
Miscellaneous	670,484	681,409	369,061	1,630,990	772,630	587,082	593,289	713,526	462,854	716,744
Transfers	(11,173,159)	(13,369,690)	(8,722,105)	(10,122,950)	(9,921,248)	(9,244,703)	(9,006,934)	(9,928,251)	(8,008,973)	(7,106,789)
Total business-type activities	(9,029,083)	(11,412,716)	(6,981,900)	(7,744,390)	(8,662,946)	(7,902,534)	(7,876,253)	(9,043,757)	(7,450,743)	(6,353,167)
Total Primary Government	188,654,632	183,942,698	188,997,973	182,011,297	172,926,377	169,914,847	170,270,940	166,117,874	163,872,231	161,119,935
Change in net position:										
Governmental activities	\$ 22,136,166	\$ 23,043,303	\$ 27,022,167	\$ 11,118,250	\$ 27,343,529	\$ 12,591,981	\$ (158,729,397)	\$ 17,098,752	\$ 19,969,673	\$ 7,536,864
Business-type activities	7,141,471	4,438,819	3,246,840	13,353,250	13,931,562	9,631,122	8,182,049	11,217,766	9,163,423	12,057,128
Total Primary Government	\$ 29,277,637	\$ 27,482,122	\$ 30,269,007	\$ 24,471,500	\$ 41,275,091	\$ 22,223,103	\$ (150,547,348)	\$ 28,316,518	\$ 29,133,096	\$ 19,593,992

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit A-3**

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund:										
Nonspendable	\$ 107,281	\$ 819,000	\$ 1,129,260	\$ -	\$ 1,439,820	\$ 1,635,945	\$ 2,081,981	\$ 2,278,106	\$ 2,464,610	\$ 2,660,735
Restricted	256,872	328,618	595,922	3,088,288	231,460	254,070	233,444	18,549,834	295,762	140,677
Committed	8,644,680	5,735,921	5,717,715	-	-	-	16,652,635	7,187,371	7,880,834	-
Assigned	2,897,149	2,909,455	6,843,249	5,835,038	6,035,208	4,640,047	-	-	5,846	60,627
Unassigned	68,086,040	61,443,205	56,699,726	57,358,331	58,427,712	54,088,231	52,168,051	236,707,641	53,631,444	48,667,799
Total General Fund	\$ 79,992,022	\$ 71,236,199	\$ 70,985,872	\$ 66,281,657	\$ 66,134,200	\$ 60,618,293	\$ 71,136,111	\$264,722,952	\$ 64,278,496	\$ 51,529,838
All Other Governmental Funds:										
Nonspendable	\$ 1,000,000	\$ 1,000,000	\$ 1,000,277	\$ -	\$ 1,002,223	\$ 1,002,223	\$ 1,002,223	\$ 1,002,223	\$ 1,002,223	\$ 1,002,223
Restricted	23,722,571	55,420,167	25,401,502	46,150,142	48,830,314	49,610,850	55,095,264	39,629,756	43,831,689	72,136,623
Committed	26,874,639	10,673,489	10,643,271	-	-	-	423,876	367,043	623,988	689,701
Assigned	-	-	-	-	657,536	421,026	311,668	618,921	-	-
Unassigned	(211,994)	(304,621)	(285,517)	(2,443,922)	(2,124,671)	(3,194,659)	(617,700)	-	(278,692)	(29,999)
Total all other governmental funds	\$ 51,385,216	\$ 66,789,035	\$ 36,759,533	\$ 43,706,220	\$ 48,365,402	\$ 47,839,440	\$ 56,215,331	\$ 41,617,943	\$ 45,179,208	\$ 73,798,548

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit A-4**

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Revenues</b>										
Taxes	\$ 177,183,904	\$ 174,299,649	\$ 166,143,061	\$ 165,316,609	\$ 165,989,121	\$ 164,133,541	\$ 161,907,337	\$ 160,108,769	\$ 160,062,205	\$ 159,191,656
Licenses and permits	1,063,342	970,984	1,184,721	1,101,703	1,133,825	954,328	959,486	832,610	883,022	1,117,152
Fines and forfeitures	256,229	430,782	407,379	393,231	623,879	692,844	633,409	867,213	853,101	572,821
Investment income and use of property	2,874,280	3,904,685	3,614,523	2,256,497	1,864,034	2,104,418	2,034,326	1,952,293	2,179,404	2,316,889
Charges for services	14,451,607	13,533,254	13,820,844	12,300,039	13,227,327	12,795,031	12,659,493	12,796,551	11,795,141	9,468,478
Recovered costs	3,437,754	3,320,565	3,250,747	3,094,150	3,880,881	3,935,523	3,842,764	3,598,403	3,708,285	4,085,061
Miscellaneous	4,191,013	4,910,656	4,707,444	6,981,435	4,432,350	3,678,609	6,252,378	4,451,002	17,765,172	4,931,402
Intergovernmental	80,012,134	72,716,057	70,603,236	73,792,879	73,090,368	75,974,575	74,876,626	72,780,080	75,920,149	76,639,575
Program income	502,791	175,260	326,162	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>283,973,054</b>	<b>274,261,892</b>	<b>264,058,117</b>	<b>265,236,543</b>	<b>264,241,785</b>	<b>264,268,869</b>	<b>263,165,819</b>	<b>257,386,921</b>	<b>273,166,479</b>	<b>258,323,034</b>
<b>Expenditures</b>										
General government	25,346,040	17,755,008	18,831,693	17,279,723	16,668,136	17,584,368	17,178,147	15,905,233	15,501,466	15,711,620
Nondepartmental	11,864,509	15,207,616	11,230,129	11,609,303	11,586,048	12,584,942	180,581,237	12,138,227	11,496,297	9,975,985
Judicial	19,360,029	18,593,526	18,987,412	18,825,217	19,135,481	20,977,970	20,547,549	20,179,701	18,496,993	18,945,494
Public safety	62,453,305	58,790,353	59,002,490	56,384,491	53,900,072	57,143,666	54,113,766	61,441,195	62,240,428	60,446,711
Public works	30,346,586	27,199,246	18,389,321	16,051,725	17,460,963	19,857,877	17,804,330	16,786,940	15,588,397	16,033,880
Health and welfare	29,383,223	28,761,332	30,161,237	30,793,964	32,037,049	34,041,970	34,072,749	32,239,186	35,594,381	37,792,064
Parks, recreation and cultural	11,889,210	12,253,121	11,879,662	12,048,666	10,114,937	9,574,714	10,672,489	11,448,655	11,091,361	11,608,738
Community development	5,945,399	5,472,555	5,143,342	5,379,225	4,946,123	5,669,431	6,717,779	7,906,297	8,101,488	7,175,300
Debt service:										
Principal	18,848,017	10,950,672	10,959,457	21,413,187	20,049,788	18,912,510	19,951,362	10,739,261	10,075,319	9,843,352
Interest and other debt service charges	16,088,730	27,298,006	26,335,349	16,428,402	18,507,554	19,147,205	16,213,438	14,313,937	13,029,154	12,332,018
Education	55,396,045	49,163,551	45,556,751	52,400,000	51,200,000	52,550,163	50,528,423	39,849,897	49,571,413	48,171,651
Capital outlay	20,357,621	19,731,291	29,716,193	24,188,084	11,866,954	25,025,125	23,674,694	13,961,951	46,037,429	58,653,655
<b>Total expenditures</b>	<b>307,278,714</b>	<b>291,176,277</b>	<b>286,193,036</b>	<b>282,801,987</b>	<b>267,473,105</b>	<b>293,069,941</b>	<b>452,055,963</b>	<b>256,910,480</b>	<b>296,824,126</b>	<b>306,690,468</b>
<b>(Deficiency)/Excess of revenues over (under) expenditures</b>	<b>(23,305,660)</b>	<b>(16,914,385)</b>	<b>(22,134,919)</b>	<b>(17,565,444)</b>	<b>(3,231,320)</b>	<b>(28,801,072)</b>	<b>(188,890,144)</b>	<b>476,441</b>	<b>(23,657,647)</b>	<b>(48,367,434)</b>
<b>Other financing sources (uses)</b>										
Transfers in	\$ 72,986,697	\$ 70,148,636	\$ 66,597,507	\$ 61,176,380	\$ 62,566,204	\$ 66,035,010	\$ 88,968,251	\$ 21,594,945	\$ 22,880,724	\$ 22,117,233
Transfers out	(59,319,558)	(61,259,826)	(57,092,269)	(51,928,913)	(53,326,537)	(56,502,867)	(78,447,095)	(12,459,843)	(15,331,422)	(16,492,768)
Discount on bonds issued	-	-	761,000	-	-	-	-	-	-	-
Payments to escrow agent	(128,754,443)	-	(81,531,318)	-	-	-	-	-	-	-
Payment for current refunding of debt	-	-	-	-	(56,930,880)	(30,446,686)	-	-	-	-
Premium on bonds issued	749,968	2,996,699	-	-	4,358,163	-	-	10,661,550	1,962,885	3,908,502
General obligation bonds issued	-	35,208,705	85,520,779	6,143,000	53,205,000	30,821,906	-	254,465,000	31,450,000	68,547,102
Bridge Loan	1,700,000	-	3,400,000	-	-	-	-	-	-	-
Refunding bonds issued	129,295,000	-	-	-	-	-	-	(77,854,902)	(33,175,221)	(46,778,674)
<b>Total other financing sources (uses)</b>	<b>16,657,664</b>	<b>47,094,214</b>	<b>17,655,699</b>	<b>15,390,467</b>	<b>9,871,950</b>	<b>9,907,363</b>	<b>10,521,156</b>	<b>196,406,750</b>	<b>7,786,966</b>	<b>31,301,395</b>
<b>Net change in fund balances</b>	<b>\$ (6,647,996)</b>	<b>\$ 30,179,829</b>	<b>\$ (4,479,220)</b>	<b>\$ (2,174,977)</b>	<b>\$ 6,640,630</b>	<b>\$ (18,893,709)</b>	<b>\$ (178,368,988)</b>	<b>\$ 196,883,191</b>	<b>\$ (15,870,681)</b>	<b>\$ (17,066,039)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>12.49%</b>	<b>14.06%</b>	<b>14.24%</b>	<b>14.54%</b>	<b>15.08%</b>	<b>14.20%</b>	<b>8.44%</b>	<b>10.31%</b>	<b>9.21%</b>	<b>8.94%</b>

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA****Exhibit 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
2020	\$5,208,484	\$ 1,676,921	\$ 739,560	\$ 7,624,965	\$ 1.30	\$ 7,624,965
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	42,731	6,798,905	1.27	6,798,905
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

Source: City Assessor's Office

**CITY OF PORTSMOUTH, VIRGINIA**  
**Property Tax Rates**  
**Last Ten Fiscal Years**

**Exhibit B-2**

Fiscal Year Ended June 30,	Real Property (1)	Personal Property			Manufacturer's Machinery and Tools (3)
		Vehicles	Boats	RV's	
2020	\$ 1.30	\$ 5.00	\$ 0.50	\$ 1.50	\$ 3.00
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

- (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**  
**Principal Property Tax Payers**  
**Current year and Nine Years Ago**

**Exhibit B-3**

Taxpayer	2020		2011	
	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.	\$ 747,760,423	9.81%	\$ -	-
Dominion Virginia Power	40,354,382	0.53%	33,936,464	0.41%
CSB Myrtles, LLC	40,000,000	0.52%	30,144,020	0.36%
GEM Portsmouth High LLC	31,459,500	0.41%	33,851,910	0.41%
Columbia Gas of Virginia Inc.	27,954,145	0.37%	-	-
Westwinds Property LLC	25,301,465	0.33%	22,597,350	0.27%
Metro Machine Corp.	23,875,280	0.31%	-	-
PRHA	22,263,044	0.29%	-	-
Wheelabrator Portsmouth, Inc.	20,793,710	0.27%	-	-
Lincoln Family Communities LLC	20,237,370	0.27%	-	-
APM Terminals	-	-	400,635,063	2.62%
Earl Industries	-	-	33,257,456	0.40%
Portsmouth Economic Development Authority	-	-	25,586,995	0.31%
Economic Development Authority of Po	-	-	25,356,290	0.30%
Portsmouth Venture One LLC	-	-	22,245,440	0.27%
Portsmouth Genco LLC	-	-	21,897,670	0.26%
	<u>\$ 999,999,319</u>	<u>13.11%</u>	<u>\$ 649,508,658</u>	<u>5.61%</u>

(1) FY2020 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**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

**Exhibit B-4**

Tax Year	Fiscal Year Ending	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date				
			Amount	Percentage of Levy	Delinquent Taxes	Amount	Adjustments to Levy	Outstanding Taxes A/R	Percentage of Levy
Real Estate									
2019	June 30, 2020	\$ 99,124,039	\$ 95,203,527	96.04%	\$ -	\$ 95,203,527	\$ (913,933)	3,006,579	96.04%
2018	June 30, 2019	97,431,512	93,892,019	96.37%	2,275,119	96,167,138	(622,894)	641,480	99.34%
2017	June 30, 2018	93,340,092	87,454,514	93.69%	4,255,264	91,709,778	(1,302,197)	328,117	99.64%
2016	June 30, 2017	92,868,293	86,739,589	93.40%	4,594,937	91,334,526	(1,297,844)	235,923	99.74%
2015	June 30, 2016	91,537,233	85,998,777	93.95%	4,162,452	90,161,229	(1,201,965)	174,039	99.81%
2014	June 30, 2015	89,337,507	83,972,704	93.99%	3,845,933	87,818,637	(1,343,723)	175,147	99.80%
2013	June 30, 2014	89,135,633	83,706,341	93.91%	4,344,535	88,050,876	(906,893)	177,864	99.80%
2012	June 30, 2013	88,808,682	83,261,282	93.75%	4,792,282	88,053,564	(574,199)	180,919	99.79%
2011	June 30, 2012	92,659,186	85,681,654	92.47%	3,922,429	89,604,083	(3,019,146)	35,957	99.96%
2010	June 30, 2011	89,613,578	84,590,952	94.40%	4,720,990	89,311,942	(279,819)	21,817	99.98%
Personal Property									
2019	June 30, 2020	\$ 24,167,958	\$ 17,942,402	74.24%	\$ -	\$ 17,942,402	\$ 375,072	\$ 6,600,628	73.11%
2018	June 30, 2019	21,780,010	16,491,312	75.72%	3,806,605	20,297,917	27,036	1,509,129	93.08%
2017	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%
2016	June 30, 2017	20,208,249	14,992,869	74.19%	8,923,879	23,916,748	4,044,176	335,677	98.62%
2015	June 30, 2016	23,350,303	17,520,280	75.03%	8,364,782	25,885,062	3,171,173	636,414	97.60%
2014	June 30, 2015	22,974,088	17,782,605	77.40%	8,245,912	26,028,517	3,545,523	491,094	98.15%
2013	June 30, 2014	23,014,501	17,444,594	75.80%	9,043,007	26,487,601	3,473,100	-	100.00%
2012	June 30, 2013	23,241,660	17,511,643	75.35%	8,164,589	25,676,232	2,434,572	-	100.00%
2011	June 30, 2012	21,841,734	17,181,394	78.66%	7,410,063	24,591,457	2,749,723	-	100.00%
2010	June 30, 2011	18,093,172	13,653,563	75.46%	9,539,935	23,193,498	5,100,327	-	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 FY2020 is \$35,075,223 less the tax credit of \$10,907,265 equaling \$24,167,958 as shown.
- (3) Adjustments to levies includes supplements, abatements, prorations, adjustments and writeoffs.

See Independent Auditor's Report.



**CITY OF PORTSMOUTH, VIRGINIA**

**Exhibit C-1**

**Ratios of Outstanding Debt by Type**

**Last Ten Fiscal Years**

*(dollars in thousands, except per capita)*

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Literary Loans	Capital Leases	Net Government Debt	General Obligation Bonds	Revenue Bonds	Capital Leases			
2020	\$ 423,204	\$ -	\$ 612	\$ 423,816	\$ 127,134	\$ 32,185	\$ -	\$ 583,135	*	*
2019	430,402	-	1,786	432,188	135,712	-	-	567,900	14%	\$ 6,016
2018	414,630	-	2,865	417,495	138,872	-	-	556,367	14%	5,872
2017	413,227	250	4,355	417,832	134,752	-	-	552,584	15%	5,827
2016	433,556	500	6,072	440,128	142,457	-	27	582,612	16%	6,122
2015	446,374	750	8,206	455,330	149,512	-	223	605,065	16%	6,281
2014	473,497	1,000	10,246	484,743	165,494	-	416	650,653	18%	6,790
2013	493,637	1,250	13,172	508,059	172,055	-	1,130	681,244	19%	7,091
2012	265,568	1,500	16,024	283,092	175,492	-	2,021	460,605	13%	4,774
2011	265,940	1,875	17,254	285,069	125,832	-	2,574	413,475	12%	4,318

The city of Portsmouth has no overlapping debt.

\* Information not available at this time.

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
*(dollars in thousands, except per capita)*

**Exhibit C-2**

Fiscal Year	General Bonded Debt Outstanding (1)		Percentage of Actual Taxable Value of Property	Net Bonded Debt Per Capita
	General Obligation Bonds (1)	Total (2)		
2020	\$ 550,338	\$ 550,338	7.22%	*
2019	560,897	560,897	7.40%	\$ 5,942
2018	553,502	553,502	7.57%	5,842
2017	573,182	573,182	7.89%	6,044
2016	596,041	596,041	8.31%	6,263
2015	605,065	605,065	8.44%	6,281
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%	4,774
2011	413,475	413,475	5.64%	4,318

(1) Includes general obligation bonds, public utility bonds, golf bonds, and parking bonds.

## CITY OF PORTSMOUTH, VIRGINIA

## Legal Debt Margin Information

## Last Ten Fiscal Years

(dollars in thousands)

## Exhibit C-3

## Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value	\$ 7,624,965
Debt limit (10% of assessed value)	762,497
Debt applicable to limit:	<u>505,353</u>
Legal debt margin	<u><u>\$ 257,144</u></u>

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Debt limit	\$ 762,497	\$ 757,590	\$ 730,727	\$ 726,921	717,254	716,966.00%	715,891	\$ 713,373	\$ 743,503	\$ 733,306
Total net debt applicable to limit	<u>505,353</u>	<u>557,592</u>	<u>561,547</u>	<u>536,765</u>	<u>557,355</u>	<u>577</u>	<u>606,121</u>	<u>631,739</u>	<u>316,767</u>	<u>326,609</u>
Legal debt margin	<u>\$ 257,144</u>	<u>\$ 199,998</u>	<u>\$ 169,180</u>	<u>\$ 190,156</u>	<u>\$ 159,899</u>	<u>\$ 6,592</u>	<u>\$ 109,770</u>	<u>\$ 81,634</u>	<u>\$ 426,736</u>	<u>\$ 406,697</u>
Total net debt applicable to limit as a percentage of debt limit	66.3%	73.6%	76.8%	73.8%	77.7%	80.5%	84.7%	88.6%	42.6%	44.5%

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

**Exhibit D-1**

Fiscal Year	Population	Personal Income (2)	Per Capita Personal Income (2)	Median Age (3)	School Enrollment (4)	Unemployment Rate % (5)
2020	*	*	*	*	13,254	11.00%
2019	94,398	\$ 4,021,806	\$ 42,605	36.7	13,476	4.00%
2018	94,750	3,898,431	41,144	35.3	13,713	4.30%
2017	94,838	3,749,433	39,535	36.0	14,003	5.50%
2016	95,165	3,624,567	38,087	35.0	14,168	6.50%
2015	96,336	3,681,567	38,216	33.6	14,079	6.20%
2014	95,829	3,568,331	37,236	34.4	14,215	7.20%
2013	96,075	3,494,958	36,377	35.0	14,256	8.30%
2012	96,480	3,499,098	36,268	34.9	14,099	9.10%
2011	95,748	3,461,952	36,157	34.7	14,225	9.50%

(1) Weldon Cooper Center, Annual School Report, Bureau of Economic Analysis

(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**  
**Principal Employers**  
**Current Year and Nine Years Ago**

**Exhibit D-2**

Employer	2020			2011		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Norfolk Naval Shipyard	11,000	1	21.75%	9,000	1	18.89%
Naval Medical Center, Portsmouth	6,200	2	12.26%	5,400	2	11.33%
Portsmouth Public Schools	2,336	3	4.62%	2,192	4	4.60%
City of Portsmouth	1,847	4	3.65%	2,585	3	5.43%
U.S. Coast Guard Command - Portsn	1,402	5	2.77%	1,500	6	3.15%
Bon Secours Maryview Medical Cen	1,300	6	2.57%	2,000	5	4.20%
Virginia International Gateway	750	7	1.48%	-	-	0.00%
Ceres Marine Terminals	750	8	1.48%	-	-	0.00%
Tidewater Community College	375	9	0.74%	-	-	0.00%
The Pines Residential Treatment Cer	375	10	0.74%	-	-	0.00%
Earl Industries	-	-	0.00%	900	7	1.89%
Smithfield of Portsmouth	-	-	0.00%	435	8	0.91%
Walmart	-	-	0.00%	300	9	0.63%
CDI Marine	-	-	0.00%	164	10	0.34%
Total	26,335		52.06%	24,476		51.37%

Sources: Portsmouth Department of Economic Development  
Norfolk Naval Shipyard, Portsmouth  
Naval Medical Center, Portsmouth  
Portsmouth Public Schools FY2021 Budget  
City of Portsmouth FY2021 Budget  
Bureau of Labor Statistics  
Bureau of Economic Analysis

**CITY OF PORTSMOUTH, VIRGINIA**  
**Full-time Equivalent Employees by Function/Program**  
**Last Ten Fiscal Years**

**Exhibit E-1**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Fund</b>										
General government	167	132	139	123	127	124	144	148	153	110
Judicial administration	240	242	253	246	242	227	221	222	210	198
Public Safety	590	611	625	584	576	530	537	545	551	502
Public Works	359	87	86	96	89	58	65	65	60	49
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Parks, recreational and cultural services	126	106	107	73	70	92	170	196	173	112
Community Development	48	48	51	46	43	38	38	40	46	46
Total General Fund	1,530	1,226	1,261	1,168	1,147	1,069	1,175	1,216	1,193	1,017
<b>Special Revenue Funds</b>										
Willett Hall Fund	1	2	2	1	1	1	1	-	1	-
Children's Services Act Fund	3	3	3	2	1	-	-	-	-	-
Stormwater Management Fund	23	23	27	22	24	21	16	14	20	20
Grants	24	27	-	-	-	-	-	-	15	14
Behavioral Health Services Fund	120	120	120	94	85	82	100	92	87	100
Social Services Fund	245	245	246	216	174	175	186	163	163	174
Total Special Revenue Funds	416	420	398	335	285	279	303	269	286	308
<b>Enterprise Funds</b>										
Public Utilities Fund	138	138	139	103	102	85	77	82	85	100
Golf Fund	17	17	17	16	15	11	11	11	10	10
Waste Management Fund	68	68	62	50	45	44	45	40	42	46
Parking Authority Fund	6	6	6	3	2	2	3	4	2	2
Total Enterprise Funds	229	229	224	172	164	142	136	137	139	158
<b>Internal Service Funds</b>										
City Garage Fund	36	35	35	34	32	33	28	28	27	28
Information Technology Fund	26	33	26	25	22	23	29	29	30	30
Risk Management Fund	3	3	3	1	1	3	2	2	1	1
Total Internal Service Funds	65	71	64	60	55	59	59	59	58	59
Total all funds	2,240	1,946	1,947	1,735	1,651	1,549	1,673	1,681	1,676	1,542

Source: Munis Employee Master download June 30, 2020

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

**Exhibit E-2**

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Physical arrests	9,422	6,131	8,835	8,844	8,218	9,097	6,617	5,896	4,689	4,422
Parking violations	9,023	11,000	6,717	5,558	3,639	4,102	2,976	2,247	2,937	5,502
Traffic violations	15,594	18,648	14,343	12,297	17,119	18,580	6,715	5,366	6,952	2,073
Fire										
Emergency responses	17,447	17,618	17,421	17,517	17,787	18,561	18,724	18,162	18,663	19,060
Fires extinguished	626	382	307	291	322	295	429	360	368	333
Inspections	885	516	801	696	923	913	920	1,614	1,950	1,367
Refuse collection										
Refuse collection (tons/day)	*	*	*	183	142	135	75	154	174	235
Recyclables collected (pounds/day)	*	*	*	22,913	134,700	117,243	73,120	110,146	88,820	45,000
Other public works										
Street resurfacing (miles)	28.0	22.0	5.9	19.0	18.0	16.5	24.6	25.7	22.0	14.5
Potholes repaired	1,191	3,341	5,350	8,615	8,480	7,688	3,334	3,619	2,147	1,903
Parks and recreation										
Community center admissions	281,145	242,864	286,750	231,897	219,261	193,600	140,792	42,133	72,585	53,989
Library										
Volumes in collection	267,230	243,583	243,583	243,856	316,777	288,843	274,917	209,671	235,124	222,765
Total volumes borrowed	364,835	384,130	357,581	325,694	290,763	278,651	278,651	209,772	186,904	183,862
Water										
New connections	2,852	149	92	85	118	89	92	87	47	73
Water main breaks	104	91	107	118	163	94	81	100	95	79
Average daily consumption (millions of gallons)	13.0	17.0	24.6	18.0	20.2	15.1	17.8	15.2	16.5	16.0

Sources: City of Portsmouth Departments

\* Information not available at the time of publication.

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

**Exhibit E-3**

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	236	262	268	256	256	253	249	255	255	251
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Fire trucks	12	12	12	12	12	12	12	13	13	20
Boat	1	1	1	1	1	1	1	1	1	1
Emergency Medical Services										
Ambulances	5	5	5	5	5	5	5	5	9	11
Refuse collection										
Collection trucks	27	27	27	27	27	28	28	28	51	49
Other public works										
Streets (miles)	393	399	399	399	399	398	398	398	398	398
Highway (miles)	887	887	887	887	887	881	881	881	881	881
Streetlights	*	10,706	10,714	10,723	10,747	10,747	10,747	10,750	10,768	10,768
Signalized intersections	120	120	121	123	122	122	122	122	122	122
Parks and recreation										
Acreage	402	402	402	402	588	588	588	588	588	588
Playgrounds	13	13	13	13	15	15	15	16	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	36	36
Community centers	7	7	7	7	7	7	7	7	7	7
Pools/Splash Park	*	*	*	*	3	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	432	432	432
Storm sewers (miles)	159	250	250	250	250	250	250	250	250	250
Treatment capacity (millions of gallons)	32	32	32	32	32	32	32	32	32	32

Source: City of Portsmouth Departments

\* Information not available at the time of publication.

See Independent Auditor's Report.





THIS PAGE INTENTIONALLY LEFT BLANK

## **COMPLIANCE SECTION**



THIS PAGE INTENTIONALLY LEFT BLANK

**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the 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 or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and four instances of noncompliance that are required to be reported under the Specifications, which are described in the accompanying schedule of findings and questioned costs as items 2020-003, 2020-004, 2020-005, and 2020-006.

### **City's Responses to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing 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.

A handwritten signature in cursive script that reads "Cheryl Bekaert" followed by a stylized "L.P." or similar initials.

Virginia Beach, Virginia  
December 21, 2020

**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, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 opinion 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, 2020.

**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 a 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 of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cheryl Bekaert LLP". The signature is written in dark ink and is positioned above the typed name and date.

Virginia Beach, Virginia  
December 21, 2020

**CITY OF PORTSMOUTH, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number	Cluster Program Total	Pass-Through to Subrecipients	Federal Expenditures	Total by CFDA Num.
<b>Department of Agriculture:</b>						
<b>Pass-through Payments:</b>						
<b>Virginia Department of Health:</b>						
Child and Adult Food Care Program (CACFP)	10.558		-	-	229,489	229,489
Summer Food Service Program for Children (USDA)	10.559		-	-	7,922	7,922
<b>Virginia Department of Social Services -</b>						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	0050115, 0050116	-	-	2,084,240	2,084,240
Total SNAP Cluster	10.561		<u>2,084,240</u>			
<b>Virginia Department of Agriculture and Consumer Services -</b>						
Food Distribution	10.555		-	-	500,147	500,147
<b>Virginia Department of Education:</b>						
National School Breakfast Program	10.553		-	-	4,902,389	4,902,389
Fruits and Vegetables	10.582		-	-	98,893	98,893
Total Child Nutrition Cluster	10.555, 10.553, 10.559		<u>5,410,458</u>			
<b>Total Department of Agriculture</b>			<u>7,494,698</u>	-	<u>7,823,080</u>	<u>7,823,080</u>
<b>Department of Defense:</b>						
<b>Direct Payments -</b>						
ROTC	12.000		-	-	241,540	241,540
<b>Total Department of Defense</b>			-	-	<u>241,540</u>	<u>241,540</u>
<b>Department of Education:</b>						
<b>Direct Payments -</b>						
Impact Aid	84.041	SB41B20175285	-	-	770,106	770,106
<b>Pass-through payments -</b>						
<b>Virginia Department of Education:</b>						
Adult Education	84.002	V002A160047	-	-	148,978	148,978
Title I Grants to Local Education Agencies	84.010	S010A140046	-	-	7,155,653	7,155,653
Title I Part-D	84.013	S010A160046	-	-	81,752	81,752
Special Education (IDEA) Cluster:						
Special Education (Title VI-B)	84.027	H027A160107	-	-	3,457,441	3,457,441
Special Education - Preschool Grants	84.173	H173A150112	-	-	171,425	171,425
Total Special Education Cluster	84.027, 84.173		<u>3,628,866</u>			
Twenty-First Century Community Learning Centers	84.287	S287C160047	-	-	495,397	495,397
Title I School Improvements (1003g)	84.377		-	-	291,671	291,671
English Language Acquisition (Title III)	84.365	S365A150046	-	-	11,790	11,790
Improving Teacher Quality	84.367	S367A140044	-	-	920,128	920,128
Education for Homeless Children & Youth	84.196	S196A160048	-	-	33,289	33,289
Vocational Education	84.048	V0489A150046	-	-	347,387	347,387
Early Childhood	84.419		-	-	25,000	25,000
Upward Bound	84.047	P047A170117-17A	-	-	359,575	359,575
Total TRIO Cluster	84.047		<u>359,575</u>			
Title IV Student Support and Academic Enrichment Grant	84.424		-	-	250,281	250,281
<b>Total Department of Education</b>			<u>3,988,441</u>	-	<u>14,519,873</u>	<u>14,519,873</u>

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended June 30, 2020**

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number	Cluster Program Total	Pass-Through to Subrecipients	Federal Expenditures	Total by CFDA Num.
<b>Department of Health and Human Services</b>						
<b>Pass-through payments:</b>						
<b>Virginia Department of Social Services:</b>						
Promoting Safe and Stable Families	93.556	0950114, 0950115	-	-	51,534	51,534
Temporary Assistance for Needy Families (TANF)	93.558	0400115, 0400116	-	-	1,536,010	1,536,010
Total TANF Cluster	93.558		1,536,010			
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	500116	-	-	2,349	2,349
Low-Income Home Energy Assistance	93.568	0600415, 0600415	-	-	299,416	299,416
Child Care Mandatory nad Matching Funds of the Child Care and Development Fund (CCDF)	93.596	0760115, 0760116	-	-	287,506	287,506
Total CCDF Cluster	93.596		287,506			
Chafee Education and Training Vouchers Program (ETV)	93.599	9160115	-	-	240	240
Adoption Incentives	93.603		-	-	4,888	4,888
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115, 0900116	-	-	4,005	4,005
Foster Care Title IV-E RECOVERY	93.658	1100115, 1100116	-	-	915,852	915,852
Adoption Assistance RECOVERY	93.659		-	-	1,162,731	1,162,731
Social Services Block Grant	93.667	1000115, 1000116	-	-	1,137,914	1,137,914
Chafee Foster Care Independence Program	93.674	9150115, 9150116	-	-	15,579	15,579
Children's Health Insurance Program	93.767	0540115, 0540116	-	-	34,468	34,468
Medical Assistance Program	93.778	11200115, 11200116	-	-	2,154,281	2,154,281
Total Medicaid Cluster	93.778		2,154,281			
<b>Virginia Department of Behavioral Health:</b>						
Block Grants for Community Mental Health Services:						
MH FBG SED Child & Adolescent	93.958	SM010053-16	-	-	51,358	
MH FBG SMI	93.958	SM010053-16	-	-	151,066	
Total Block Grants for Community Mental Health Services	93.958					202,424
Block Grants for Prevention and Treatment of Substance Abuse:						
SUB FBG Alcohol/Drug Treatment	93.959	T1010053-16	-	-	600,444	
SUB FBG SARPOS	93.959	T1010053-16	-	-	84,205	
SUB FBG Co-Occurring	93.959	T1010053-16	-	-	16,201	
SUD FBG Women	93.959	T1010053-16	-	-	143,367	
SUD FBG Prevention	93.959	T1010053-16	-	-	160,581	
SUD FBG One-Time Prevention	93.959	T1010053-17	-	-	6,000	
Total Block Grants for Prevention and Treatment of Substance Abuse	93.959					1,010,798
Opioid State Targeted Response:						
SUD Federal Opioid Response Year 2 - Treatment	93.788	SP020791	-	-	220,000	
SUD Federal Opioid Response Year 2 - Recovery	93.788	SP020791	-	-	180,000	
SUD Federal Opioid Response Year 2 - Prevention	93.788	SP020791	-	-	22,000	
Total Opioid State Targeted Response	93.788					422,000
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SM016047-16	-	-	57,071	57,071
<b>Total Department of Health and Human Services</b>			3,977,798	-	9,299,067	9,299,067

**CITY OF PORTSMOUTH, VIRGINIA**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended June 30, 2020**

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number	Cluster Program Total	Pass-Through to Subrecipients	Federal Expenditures	Total by CFDA Num.
<b>Department of Homeland Security:</b>						
<b>Direct Payments -</b>						
Emergency Food and Shelter National Board Program	97.024	883200-002	-	-	4,061	4,061
<b>Pass-through payments -</b>						
<b>Virginia Department of Emergency Management:</b>						
Emergency Management Performance Grants	97.042	7825	-	-	71,296	71,296
Homeland Security Grant Program:						
Hazmat - Training Equipment	97.067		-	-	801	
Southside Hazardous Material Team	97.067	7896	-	-	14,177	
Total Homeland Security Grant Program	97.067					14,978
<b>Total Department of Homeland Security</b>			-	-	90,335	90,335
<b>Department of Housing and Urban Development:</b>						
<b>Direct Payments:</b>						
Community Development Block Grants:						
Community Development Block Grant - 80016	14.218	B-15-MC-51-0019	-	-	377,493	
Community Development Block Grant - 80017	14.218	B-16-MC-51-0018	-	-	489,065	
Community Development Block Grant - 80019	14.218	B-18-MC-51-0019	-	-	314,583	
Community Development Block Grant - 80020	14.218	B-18-MC-51-0019	-	131,527	502,417	
Total Community Development Block Grants and CDBG Cluster	14.218		1,683,558			1,683,558
Home Investment Partnerships Program:						
HOME Investment Partnerships Program - 81018	14.239	M-17-MC-51-0204	-	-	8,030	
HOME Investment Partnerships Program - 81019	14.239	M-18-MC-51-0204	-	-	284,232	
HOME Investment Partnerships Program - 81020	14.239	M-19-MC-51-0204	-	-	19,933	
Total Home Investment Partnerships Program	14.239					312,195
Continuum of Care Program:						
Shelter Plus Care (CoC)	14.267		-	-	249,189	
Shelter Plus Care (CoC)	14.267		-	-	372,932	
Total Continuum of Care Program	14.267					622,121
<b>Total Department of Housing and Urban Development</b>			1,683,558	131,527	2,617,874	2,617,874
<b>Department of Justice:</b>						
<b>Pass-through payments:</b>						
<b>Virginia Department of Criminal Justice Services:</b>						
Equitable Sharing Program:						
Police Federal Seizures	16.922		-	-	870	
Sheriff's Federal Forfeiture Funds	16.922		-	-	38,935	
Total Equitable Sharing Program	16.922					39,805
Bulletproof Vest Partnership Program	16.607		-	-	73,160	73,160
Justice Assistance Grant Program:						
Justice Assistance Grant Program - FY 17	16.738		-	-	5,230	
Justice Assistance Grant Program - FY 18	16.738		-	-	49,091	
Justice Assistance Grant Program - FY 19	16.738		-	-	66,940	
Total Justice Assistance Grant Program	16.738					121,262
Victim Witness - FY 20	16.575		-	-	383,742	383,742
Virginia Rules Camp	16.578		-	-	1,900	1,900
<b>Total Department of Justice</b>			-	-	619,869	619,869

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended June 30, 2020**

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number	Cluster Program Total	Pass-Through to Subrecipients	Federal Expenditures	Total by CFDA Num.
<b>Department of Transportation:</b>						
<b>Pass-through payments:</b>						
<b>Federal Transit Administration - Hampton Roads Transit -</b>						
Highway Planning and Construction (Safe Routes to School Grant)	20.205	various	-	-	4,116	
<b>Virginia Department of Transportation:</b>						
Highway Planning and Construction (Capital Improvements)	20.205	290-8130	-	-	170,903	
Highway Planning and Construction (Transportation Alternatives Program Grant)	20.205		-	-	10,976	
Total Highway Planning and Construction and Cluster	20.205		<u>185,995</u>			185,995
<b>Virginia Department of Motor Vehicles:</b>						
Selective Enforcement - DUI/Passenger	20.607		-	-	27,711	27,711
Selective Enforcement - Occupant Protection	20.602		-	-	3,939	3,939
Selective Enforcement - Speed	20.600		-	-	18,313	18,313
Total Highway Safety Cluster	20.600, 20.602		<u>22,252</u>			
<b>Total Department of Transportation</b>			<u>208,247</u>	-	<u>235,957</u>	<u>235,957</u>
<b>Department of the Treasury -</b>						
<b>Pass-through payments -</b>						
<b>Virginia Department of Accounts -</b>						
Coronavirus Relief Fund	21.019	SLT0022	-	-	8,235,862	8,235,862
<b>Total Department of the Treasury</b>			<u>-</u>	<u>-</u>	<u>8,235,862</u>	<u>8,235,862</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 17,352,741</b>	<b>\$ 131,527</b>	<b>\$ 43,683,457</b>	<b>\$ 43,683,457</b>

**CITY OF PORTSMOUTH, VIRGINIA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

---

**(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 Exhibit H, Note 1 to the City's financial statements.

**(3) 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)



THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF PORTSMOUTH, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2020*

**1) Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued on the financial statements:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses identified:	<b>Yes, Findings 2020-001 and 2020-002</b>
Significant deficiencies identified:	<b>No</b>
Noncompliance material to the financial statements noted?	<b>No</b>

Federal Awards:

Type of auditor's report issued on compliance for major programs:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses identified:	<b>No</b>
Significant deficiencies identified:	<b>No</b>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<b>No</b>

Identification of major federal programs:

<b><u>Name of Program</u></b>	<b><u>CFDA #</u></b>
Department of Agriculture:	
SNAP Cluster	10.551-CL
Child Nutrition Cluster	10.553-CL
Department of Housing and Urban Development:	
SNAP Cluster	14.218-CL
Department of the Treasury:	
Coronavirus Relief Fund	21.019
Department of Education:	
Special Education Cluster	84.027-CL
Department of Health and Human Services:	
Foster Care Title IV-E	93.658
Dollar threshold to distinguish between Types A and B Programs:	<b>\$1,310,504</b>
The City of Portsmouth was qualified as a low risk auditee in accordance with Section 200.520 of the Uniform Guidance?	<b>No</b>

**CITY OF PORTSMOUTH, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2020*

---

**2) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards***

**Finding:** 2020-001 (Repeat 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, 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, 2020, we identified that the City's initial governmental activities' and Public Utility's CIP schedules included \$1,197,379 and \$134,596, respectively, of activity during fiscal year 2020 that were charged to expense, however these costs met the definition of items to be capitalized and should have remained in construction in progress. In addition, during our testing of Public Utility capital assets, we identified \$3,110,719 of depreciation expense not recorded on infrastructure assets that had been placed in service.

**Cause:**

During fiscal year 2020, 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 whether the additions included in the current year schedules met the City's policy for capitalization and determine that depreciation was properly calculated and recorded on assets placed in service.

**Effect:**

The City's depreciation expense required material adjustments to be properly reported at June 30, 2020. In addition, failure to determine whether asset activities are capital in nature could result in the City's financial statements being materially misstated.

**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. We also recommend that the City review depreciation schedules to ensure that all capital assets that have been placed in service are properly depreciated.

**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.

**CITY OF PORTSMOUTH, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2020*

---

**2) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards* (continued)**

**Finding:** 2020-002 (Repeat 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, 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 at the fiscal yearend.

**Condition:**

During our testing of expenditures/expenses paid subsequent to year-end, we identified \$868,110 of expenditures/expenses recorded in the wrong period.

- \$747,052 relates to Governmental Activities and the Capital Projects Fund.
- \$92,126 relates to Business-Type Activities and the Public Utilities Fund.

**Cause:**

During fiscal year 2020, 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. In addition, it could impair complete budget to actual analysis performed by management.

**Auditor's Recommendation:**

We recommend the City implement procedures to review expenditures/expenses paid after year-end to determine whether 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 and Questioned Costs for Federal Awards**

**None**



**CITY OF PORTSMOUTH, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2020*

---

**4) Findings and Questioned Costs related to Compliance with Virginia Specifications**

**Finding:** 2020-003

**Department:** Department of Engineering and Technical Services

**Compliance Requirement:** Section 3-13 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:** Non-material Noncompliance

**Criteria:**

Sections 33.2-319 and 33.2-366 of the *Code of Virginia* requires an annual categorical report accounting for all expenditures of highway maintenance funds and an annual audit of this report.

**Condition:**

While performing our audit procedures to ensure compliance with Section 3-13 of the Specifications, we noted that the City had not maintained adequate supporting documentation of its reconciliation of expenditures per the Weldon Cooper Center Local Finance Survey to the general ledger. Therefore, we were unable to select a representative sample of expenditures to determine whether the costs claimed on the Weldon Cooper Survey were allowable. In addition, the City did not submit its Weldon Cooper Survey to the Virginia Department of Transportation prior to the March 15, 2020 submission deadline.

**Cause:**

There was turnover within the Department of Engineering and Technical Services for key roles in preparing the Weldon Cooper Center Local Finance Survey during the year, which resulted in an oversight of ensuring the accuracy and timeliness of the report preparation and submission.

**Effect:**

The City is not in compliance with Section 33.2-319 and 33.2-366 of the *Code of Virginia* and is potentially at risk for having unallowable expenditures for highway maintenance funds. Additionally, noncompliance may result in action by the Commonwealth of Virginia.

**Auditor's Recommendation:**

We recommend the City maintain documentation of its reconciliation of the expenditures reported in the Weldon Cooper Center Local Finance Survey that agrees to the general ledger. We also recommend that the City ensure that it submits the Weldon Cooper Survey by the required submission date to the Virginia Department of Transportation.

**Management's Response:**

The Engineering Department will develop a protocol which will alert management in advance of the need to coordinate with relative departments, the documentation needed to complete and submit, the Weldon Cooper Survey by the annual deadline. In addition, Finance will alert the appropriate division of the timeline to ensure submission of the report to the external agency.

**CITY OF PORTSMOUTH, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2020*

---

**4) Findings and Questioned Costs related to Compliance with Virginia Specifications (continued)**

**Finding:** 2020-004 (Repeat Finding 2019-009)

**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:** Non-material Noncompliance

**Criteria:**

Section 63.2 of the *Code of Virginia* requires that the City's Department of Social Services ("DSS") maintain Computer Access Request Forms documenting each user's access authority documentation for all users and that each user's access be reviewed at least annually.

**Condition:**

While performing our audit procedures to ensure compliance with Section 3-15 of the Specifications:

- We identified nine (9) employees in our sample of nineteen (19) that had user access to systems that did not match their individual Computer Access Request Forms.
- We identified five (5) employees in our sample of nineteen (19) that did not have documentation showing that their access had been reviewed within the last year.

**Cause:**

The DSS Information Technology ("IT") Department is responsible for ensuring that system privileges match the Computer Access Forms and that access is reviewed at least annually; however, in the cases noted, DSS IT Department did not ensure that changes to system privileges were properly supported by Computer Access Request Forms before granting access to employees to those systems and that access had been reviewed within the last year.

**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 adhere to the process that is currently in place regarding computer access forms and will no longer grant access unless the form is submitted and authorized by the proper authority. This will provide compliance to the security environment and the appropriateness of access controls.

**CITY OF PORTSMOUTH, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2020*

---

**4) Findings and Questioned Costs related to Compliance with Virginia Specifications (continued)**

**Finding:** 2020-005

**Department:** The Office of the City Clerk

**Compliance Requirement:** Section 3-5 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:** Non-material Noncompliance

**Criteria:**

Section 2.2-3115(G) of the *Code of Virginia* stipulates that certain local government officials are required to file Real Estate Disclosure forms with their respective local body.

**Condition:**

While performing our audit procedures to ensure compliance with Section 3-5 of the Specifications, we identified one (1) local official that did not file their Real Estate Disclosure form.

**Cause:**

There was oversight by the Office of the City Clerk to provide the document in a timely manner to the government official.

**Effect:**

The City is not in compliance with Section 2.2-3115G of the *Code of Virginia*. Noncompliance may result in action by the Commonwealth of Virginia.

**Auditor's Recommendation:**

The City should implement procedures to ensure that local government officials who are required to file the Real Estate Disclosure form do so on an annual basis.

**Management's Response:**

The Clerk's Office has developed a protocol which will alert management in advance of the need to provide disclosure forms to new government officials as well as the continuation of officials who are appointed and elected.

**CITY OF PORTSMOUTH, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2020*

---

**4) Findings and Questioned Costs related to Compliance with Virginia Specifications (continued)**

**Finding:** 2020-006

**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:** Non-material Noncompliance

**Criteria:**

Section 63.2-320 of the *Code of Virginia* authorizes local Department of Social Services to accept and expend funds for children placed by or entrusted to the DSS local board when there is no appointed guardian, using a Child Welfare Trust Account. When a child is discharged from the DSS local board's care, all funds held in the child's account must be paid to the child's guardian, if the funds are in excess of \$1,000. Funds not in excess of \$1,000 should be disbursed according to Section 8.01-606.

**Condition:**

While performing our audit procedures to ensure compliance with Section 3-15 of the Specifications, we noted that 1 (one) Child Welfare Trust Account in our sample of 4 (four) was for a child discharged from DSS care on June 4, 2014 and possessed a \$25 balance as of June 30, 2020.

**Cause:**

DSS is responsible for ensuring that funds are properly reviewed, but in the case noted, DSS did not have proper oversight to ensure that the correct procedures were followed.

**Effect:**

The City is not in compliance with Section 63.320 of the *Code of Virginia* and is potentially maintaining balances in Child Welfare Trust Accounts that should have been remitted as the funds are property of the child. Additionally, noncompliance may result in action by the Commonwealth of Virginia.

**Auditor's Recommendation:**

We recommend the City of Portsmouth create a process to ensure that when a child is discharged from DSS care, funds are returned to either the Child's guardian or in accordance with Section 8.01-606.

**Management's Response:**

Social Services will develop a process to periodically review and monitor active accounts and their associated programs and funds.

**CITY OF PORTSMOUTH, VIRGINIA**  
**STATUS OF PRIOR AUDIT FINDINGS**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2019*

---

**Resolution of Prior Year's Findings and Questioned Costs Relating to Financial Statements Reported in Accordance with Government Auditing Standards**

**Finding 2019-001** – Material Weakness over Financial Reporting

**Status:** Finding repeated in the current year. See 2020-002.

**Finding 2019-002** – Material Weakness over Financial Reporting

**Status:** Finding repeated in the current year. See 2020-001.

**Finding 2019-003** – Significant Deficiency over Financial Reporting

**Status:** Corrective action was taken. Finding not repeated in current year.

**Resolution of Prior Year's Findings and Questioned Costs for Federal Awards**

**Finding 2019-004** – Significant Deficiency; Nonmaterial Noncompliance

**Status:** Corrective action was taken. Finding not repeated in current year.

**Finding 2019-005** – Significant Deficiency; Nonmaterial Noncompliance

**Status:** Corrective action was taken. Finding not repeated in current year.

**Finding 2019-006** – Significant Deficiency; Nonmaterial Noncompliance

**Status:** Corrective action was taken. Finding not repeated in current year.

**Finding 2019-007** – Nonmaterial Noncompliance

**Status:** Corrective action was taken. Finding not repeated in current year.

**Finding 2019-008** – Nonmaterial Noncompliance

**Status:** Corrective action was taken. Finding not repeated in current year.

**Resolution of Prior Year's Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants**

**Finding 2019-009** – Nonmaterial Noncompliance – Social Services, Computer Access Forms

**Status:** Finding repeated in the current year. See 2020-004.