

# ACFR 2022



## Annual Comprehensive Financial Report

PORTSMOUTH, VIRGINIA

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For the Fiscal Year Ended June 30, 2022

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

YEAR ENDED JUNE 30, 2022

Prepared by:  
DEPARTMENT OF FINANCE

## ACKNOWLEDGEMENTS

The preparation of this report has been accomplished by the efficient and dedicated services of the staff of the Department of Finance. I would also like to thank Danielle Nikolaisen and Brown Edwards Certified Public accountants for their assistance. The contributions of all are invaluable and sincerely appreciated and clearly reflect the high standards which have been set by the City of Portsmouth.

## ACFR PREPARATION TEAM

(in alphabetical order)

Flora Berisha, Trey Burke, Patrick Fletcher, LaKeitha Forrest, Nicole Jackson, Derrell Parker, Patti Phillips, Kyera Pope, Sharlay Wofford

## COVER

Layout: Peter Glakola

It is also appropriate to thank the City Manager, Mayor and Members of City Council for making possible the excellent financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

# CITY OF PORTSMOUTH, VIRGINIA

## Comprehensive Annual Financial Report Table of Contents June 30, 2022

	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	13
Statement of Activities	B	15
Fund Financial Statements		
Governmental Funds' Financial Statements		
Balance Sheet	C	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	D	18
Proprietary Funds' Financial Statements		
Statement of Net Position	E-1	20
Statement of Revenues, Expenses, and Changes in Fund Net Position	E-2	22
Statement of Cash Flows	E-3	23
Fiduciary Funds' Financial Statements		
Statement of Fiduciary Net Position	F-1	24
Statement of Changes in Fiduciary Net Position	F-2	25
Component Units' Financial Statements		
Statement of Net Position	G-1	26
Statement of Activities	G-2	28
Notes to Basic Financial Statements	H	29
Required Supplementary Information Other than Management's Discussion and Analysis		
Budgetary Comparison Schedules		
Schedule of Revenues and Other Financing Sources - General Fund	I-1	140
Schedule of Expenditures and Other Financing Uses - General Fund	I-2	146
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Grants Fund	I-3	149
Note to Required Supplementary Information	I-4	150
Pension Schedules	I-5	151
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-6	159
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

	Exhibit	Page
<b>FINANCIAL SECTION, Continued:</b>		
<b>Other Supplemental Information</b>		
<b>Combining Statements</b>		
<b>Nonmajor Governmental Funds</b>		
Combining Balance Sheet	J-1	182
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	J-2	183
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	J-3	184
<b>Nonmajor Proprietary Funds</b>		
Combining Statement of Net Position	K-1	188
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	K-2	190
Combining Statement of Cash Flows	K-3	191
<b>Internal Service Funds</b>		
Combining Statement of Net Position	L-1	192
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	L-2	193
Combining Statement of Cash Flows	L-3	194
<b>Capital Project Funds - Schedule of Expenditures and Encumbrances</b>		
General Government	M	195
Public Utilities	M	199
Parking Authority	M	200
<b>Fiduciary Funds</b>		
Combining Statement of Fiduciary Net Position - Trust Funds	N-1	201
Combining Statement of Changes in Fiduciary Net Position - Trust Funds	N-2	202
<b>STATISTICAL SECTION</b>		
Net Position by Component	A-1	203
Changes in Net Position	A-2	204
Fund Balances, Governmental Funds	A-3	206
Changes in Fund Balances, Governmental Funds	A-4	207
Assessed Value and Estimated Actual Value of Taxable Property	B-1	208
Property Tax Rates	B-2	209
Principal Property Tax Payers	B-3	210
Property Tax Levies and Collections	B-4	211
Ratios of Outstanding Debt by Type	C-1	212
Ratios of General Bonded Debt Outstanding	C-2	213
Legal Debt Margin Information	C-3	214
Demographic and Economic Statistics	D-1	215
Principal Employers	D-2	216
Full-time Equivalent City Government Employees by Function/Program	E-1	217
Operating Indicators by Function/Program	E-2	218
Capital Asset Statistics by Function/Program	E-3	219

**CITY OF PORTSMOUTH, VIRGINIA**

**Table of Contents, Continued**

---

	<b>Page</b>
<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>	220

## **INTRODUCTORY SECTION**

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**City of Portsmouth, Virginia  
Principal Officials  
June 30, 2022**

**City Council Members**

Shannon E. Glover, Mayor – term expires 12/31/2024

De’Andre A. Barnes, Vice Mayor – term expires 12/31/2024

Paul J. Battle – term expires 12/31/2022

Lisa L. Lucas-Burke – term expires 12/31/2024

William E. Moody, Jr. – term expires 12/31/2022

Dr. Mark M. Whitaker – term expires 12/31/2024

Christopher Woodard, Jr. – term expires 12/31/2022

**City Council Appointments**

Tonya Chapman, City Manager

Lavonda Graham-Williams, City Attorney

Patrick Dorris, CAE, RES, City Assessor

Debra Y. White, CMC, City Clerk

**Constitutional Officers**

Honorable Cynthia P. Morrison, Clerk of the Circuit Court

Franklin D. Edmondson, MCR, Commissioner of the Revenue

Stephanie N. Morales, Commonwealth’s Attorney

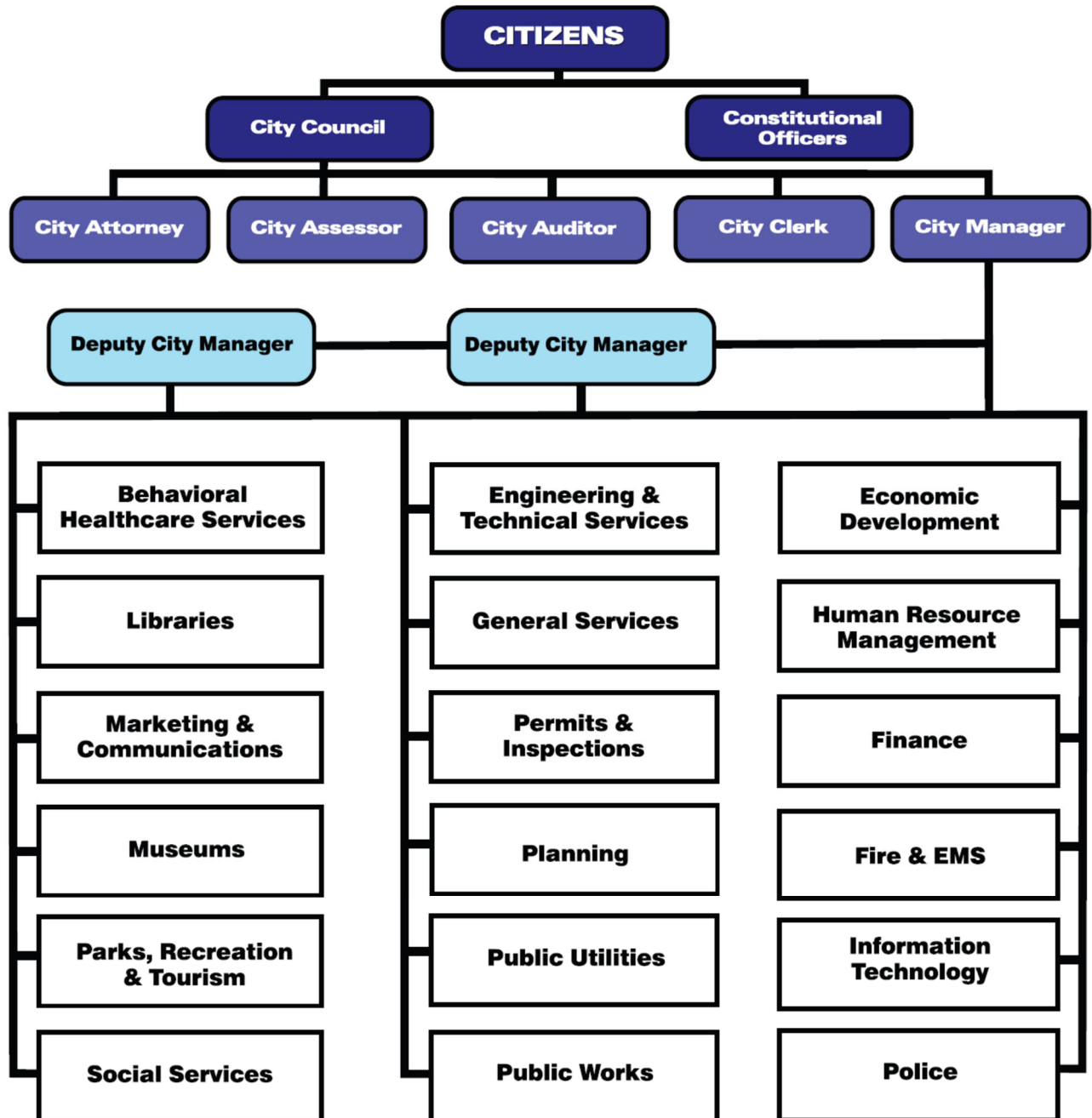
Paige D. Cherry, City Treasurer

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 Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morrell*

Executive Director/CEO



December 19, 2022

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

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the City of Portsmouth, Virginia for the fiscal year ended June 30, 2022, in accordance with State Statutes and City Code. The City's Department of Finance prepared this report in accordance with generally accepted accounting principles of 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 ACFR has been compiled in a manner designed to fairly set forth the financial positions and results of operations of the City. The ACFR 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 97,840 in 2021.

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 12,000 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 5,000 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 manufacturing, service, 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. The city operates under the Council-Manager form of government, with the City Council consisting of a mayor and six other council members. The mayor is elected directly by the voters on an at-large, nonpartisan basis, as are the remaining members of the City Council. The City Council is the legislative policy-making body, and the City Manager, who is appointed by the City Council, serves as the City's chief executive officer. The City Manager reports directly to the City Council, appoints department heads, conducts the financial business of the City, and performs other duties as required by the governing body.

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

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

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the City of Portsmouth) as well as its component units, which are legally separate organizations for which the City Council is financially accountable. The component units qualifying for inclusion in this report are the Portsmouth City Public Schools, Economic Development Authority, 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**

The City's unemployment rate averaged 6.7% in 2021 but has since fallen to 4.8% as of August 2022. The MSA unemployment rate averaged 4.5% 2021. The MSA unemployment rate declined to 3.6% in August 2022.

Residential real estate values are increasing at the fastest pace since prior to the housing recession (FY 2010); however, Federal Reserve monetary policy and associated interest rate increases are expected to have an impact on future growth. Commercial real estate comprises approximately 30% of the total assessment base and may not continue to increase at the same rate. Rivers Casino has announced its opening in January 2023 and is expected to have a significant impact on the City.

Consumer revenues reflect mixed performance with general sales performing well; however, restaurant meal and hotel revenues have been negatively impacted. On-line shopping, buying groceries (in lieu of dining at a restaurant) have resulted in increased general sales tax revenues. Consumer concerns about dining and traveling (hotel) served to limit these sales.

### **Federal Funding Awards**

The city is experiencing a significant injection of federal dollars, represented by \$56 million of American Rescue Plan Act funding for local governments, \$48 million of American Rescue Plan Act funding for schools, and \$19 million of funding under the Bipartisan Infrastructure Law. These grants will assist the city in addressing its infrastructure needs, renovate and replace facilities, ameliorate learning loss and address poverty.

ARPA funding for localities has been disbursed in two tranches, the first was received in FY 22, and the second tranche early in FY 23. City Council has approved categories of funding to include a housing resource center, regional broadband initiative, public safety vehicles, and employee retention. Water/wastewater rehabilitation projects were allocated \$9 million which will enable the city to ease the burden of revenue bonded debt. Portsmouth Schools funding has been allocated to address indoor air quality and learning loss.

The money allocated to the city under the Bipartisan Infrastructure Act will include streetscape improvements along High Street from Effingham Avenue to the Martin Luther King Expressway. These improvements will expand the downtown district and attract private investment to the area, which has long suffered from urban blight.

## Economic Development Initiatives

Economic development in Portsmouth continues to experience a steady increase in activity especially in critical sectors such as advanced manufacturing, small business development, and port-related developments. Investment in Portsmouth totaled \$469 million during 2021 (a 108% increase from 2020) resulting in over 815 new and impacted jobs.

The Portsmouth Economic Development Department's 2021 Annual Report (highlighting 2020 business announcements and job creation) noted the following accomplishments:

### Virginia's Offshore Wind Epicenter

Virginia's Portsmouth Marine Terminal (PMT) has been recognized as the ideal location for staging offshore wind construction projects on the east coast. Dominion Energy will launch the Coastal Virginia Offshore Wind (CVOW) project, a \$7.8 billion, 220-turbine (2,640 megawatts) wind farm 27 miles off the coast of Virginia from PMT. CVOW will be the largest windfarm in the nation upon completion in 2026. The lease agreement allows for Dominion to lease 72 of the 287-acre Portsmouth Marine Terminal to support CVOW and similar projects along the US east coast. The lease will result in \$200 million in improvements to the terminal's berth to handle the heavy load capacity necessary for the massive offshore-wind turbine components. The CVOW project is projected to support 1,100 direct and indirect jobs annually in Hampton Roads and create \$6 million in revenues for local governments.

Additional investments by Dominion Energy's selected contractor Siemens-Gamesa Renewable Energy (SGRE) include the leasing of 80 additional acres at PMT for the establishment of the first offshore wind turbine blade production facility in the U.S. The \$200 million project will create approximately 200 jobs with the ability to expand operations as the offshore wind industry is established domestically.

### Entertainment District

Rush Street Gaming continues to make progress on the construction of a premium 50-acre entertainment district to be anchored by Rivers Casino Portsmouth. The venue 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. Commencement of gaming operations is planned for first quarter 2023. New Development Expansions, New construction, and Investment across City

Portsmouth is experiencing a wide range of new commercial development and had ground breakings and construction happening in every major neighborhood throughout the city. Downtown, Bloom Co-working completed the expansion of its co-working office space providing 8,000sf of additional space for budding entrepreneurs in a formerly vacant historic department store. The Hampton Roads Community Health Center will locate its headquarters in a new 20,000sf medical office building on the High St. corridor west of downtown, representing a \$10 million investment. Seaboard Commons an 8-acre \$8 million commercial retail development broke ground in the Mid-city area and will feature national brands - Zaxby's, Chipotle, and Starbucks.

### New Neighborhoods

Residential development activity increased significantly into 2022 with new single-family and multi-family community openings and groundbreakings occurring throughout Portsmouth. Holley Point a \$12 million community featuring 50 newly constructed affordable housing units in the City's downtown area opened to residents in August 2022. New single-family communities Woodland Park and Afton Green broke ground providing prospective homebuyers with new housing options. As of October 2022 there were more than 1,000 new housing units under development in the city., including apartments in the High Street area and Greenwood Drive area, senior apartments in the Lexington area, and several townhouse projects.

### Redevelopment Initiatives

Portsmouth continued redevelopment initiatives in FY2022 include the Crawford Gateway Revitalization Strategy and Innovation District Corridor Plan which capitalize on substantial public and private investment in downtown by placing an emphasis on the City Council's Vision to provide access to the waterfront and reinvigorate downtown. Recent activity includes the award of a \$19 million Federal Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grant to provide for major transportation infrastructure improvements along High St. in the City's newly designated Innovation District.

The implementation of this strategy looks to:

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

### 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 has created the Portsmouth@Work program to address this important issue. Portsmouth@Work continues the City's strategic initiative in 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. Online programming for Portsmouth@Work launched in early 2021, and the Portsmouth@Work Center officially opened to the public in May 2021. Over 600 Portsmouth residents enrolled in training and certification courses in 2022 with 69% completing and obtaining direct employment opportunities.

## Budget Process

The Commonwealth of Virginia and City Charter mandates 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, 2022 was \$80.4 million which represents 30.0% of fiscal year 2022 general fund's total revenues and transfers. This exceeded the City's adopted financial policy of 15%.

## Financial Policies

The City's established financial policies address appropriate financial management, debt administration, budget and capital plan development, and long-range planning.

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 annually reviews 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 2022.

It is the City's policy to not use fund balance to fund recurring operating expenditures, but rather fund balance over and above the City's fund balance target may be considered for funding one-time



expenditures. During fiscal year 2022, the City remained in compliance with this policy by using the general fund balance to only fund one-time expenditures and not recurring expenditures, including cash funding of capital projects.

### 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 2022 fiscal year, the city was able to manage its current resources to properly meet its operating cash requirements.

### Independent Audit


State law requires that a certified public accountant selected by the City Council audit the City's annual financial statements. CLA (CliftonLarsenAllen), 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, 2022.

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

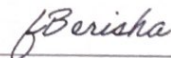
### Acknowledgments

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 Annual Comprehensive 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,



Tonya Chapman  
City Manager



Flora Berisha  
Interim  
Chief Financial Officer

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, business -type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City of Portsmouth's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Portsmouth, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City of Portsmouth and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

##### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, effective July 1, 2021, the City of Portsmouth adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Portsmouth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Portsmouth's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the required supplementary information other than MD&A as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portsmouth's basic financial statements. The combining fund statements and Capital Project Funds-Schedule of Expenditures and Encumbrances are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, on our consideration of the City of Portsmouth'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 of Portsmouth'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 of Portsmouth's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
December 19, 2022

**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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This section of the city of Portsmouth's (city's) Annual Comprehensive Financial Report (ACFR) presents Management's Discussion and Analysis (MD&A) of the city's financial performance during the fiscal year ended June 30, 2022. 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.

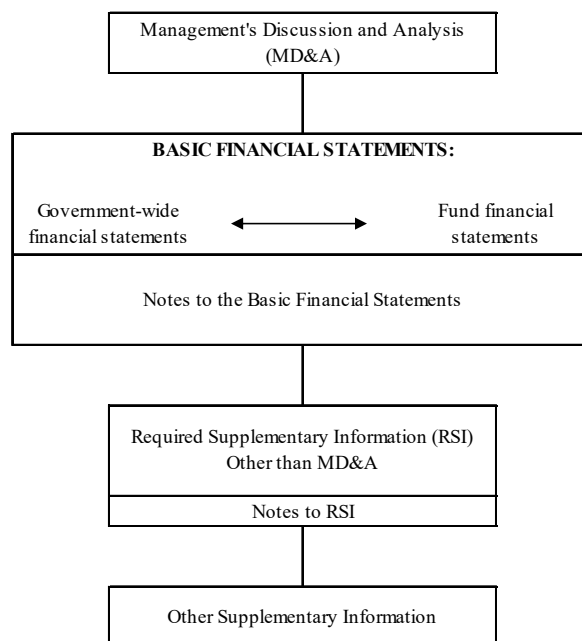
**FINANCIAL HIGHLIGHTS**

- ◆ The city's net position totaled \$400,131,174 at June 30, 2022, a change of \$60,824,279 over June 30, 2021.
- ◆ The city's unrestricted net position totaled \$(66.7) million, which was comprised of a deficit of \$(120.3) million resulting from governmental activities and \$53.6 million resulting from business-type activities.
- ◆ Government-wide current assets totaled \$282,989,709, of which \$213,379,685 was attributable to governmental activities and \$69,610,024 was attributable to business-type activities; while current liabilities totaled \$92,577,574, with \$78,340,732 from governmental activities and \$14,236,842 from business-type activities. The ratio of current assets to current liabilities was 3.1:1.0 overall – 2.7:1.0 for governmental activities and 4.9:1 for business-type activities.
- ◆ The city's long-term liabilities at June 30, 2022, totaled \$597,019,283, a decrease of \$246,716,046 from the prior year. The long-term liabilities include \$505.5 million in bonds, \$4.7 million in other loans, \$25.1 OPEB liability, landfill closure and post-closure care of \$3.6 million, \$6.5 million in claims payable, compensated absences of \$3.9 million, lease liabilities of \$6.0 million, and net pension liabilities of \$41.7 million.
- ◆ The city's deferred outflows at June 30, 2022, totaled \$62.2 million, a decrease of \$13.0 million from the prior year. The city's deferred inflows at June 30, 2022, totaled \$100.8 million, an increase of \$85.8 million from the prior year. These deferred amounts primarily consist of amounts deferred for pensions and OPEB, which vary annually based on actuarial valuations performed by third-parties. Deferred amounts from bond refundings decreased from the prior year due to amortization as those amounts are amortized systematically over the remaining life of the refunded debt or the life of the new debt, whichever is shorter.
- ◆ The city's governmental general revenues and transfers of \$213.2 million were \$56.7 million more than expenses, net of program revenues of \$156.6 million. Taxes funded 91.0% of general revenues and transfers.
- ◆ The General Fund total fund balance increased 8.27% during the current year to \$89.6 million from \$82.7 million in the prior year. Unassigned fund balance of \$80.4 million increased \$10.1 million from prior year.
- ◆ Total net position for the Public Utility Fund increased 1.69% from \$196,846,901 at June 30, 2021, to \$200,172,290 at June 30, 2022. The Public Utility Fund had Unrestricted Net Position of \$45.8 million which is a \$1.3 million decrease from June 30, 2021.

**FINANCIAL SECTION OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT**

This Annual Comprehensive 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 *other 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.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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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 three other separate legal entities in its report – the School Board, the Economic Development Authority (EDA), and the Portsmouth Port and Industrial Commission (PPIC), all of which are 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 four major governmental funds: the General Fund, the Debt Service Fund, the Capital Projects Fund, and the Grants 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.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2022**

**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 totaled \$400,131,174 at June 30, 2022. By far, the largest portion of the city's net position is reflected in its net investment in capital assets (land, buildings, improvements, etc. net of depreciation and amortization and debt-related to capital assets). 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. \$33.9 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 \$56.7 million from \$114.7 million to \$171.3 million, as reflected in the Statement of Activities.

The net position of the city's business-type activities increased by \$4.2 million from \$224.6 million to \$228.8 million, as reflected in the Statement of Activities.

**Table 1**  
**Summary of Statements of Net Position**  
**As of June 30, 2022 and 2021 (in millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 226.6	231.6	70.5	93.9	297.1	325.5
Capital assets	522.2	499.4	309.1	311.9	831.3	811.3
Total assets	748.8	731.0	379.6	405.8	1,128.4	1,136.8
Deferred outflows of resources	57.1	69.0	5.1	6.2	62.2	75.2
Total assets and deferred outflows of resources	805.9	800.0	384.7	412.0	1,190.6	1,212.0
Current liabilities	78.3	82.0	14.2	14.9	92.6	96.9
Long-term liabilities	461.8	589.4	135.2	157.5	597.0	746.9
Total liabilities	540.1	671.3	149.5	172.4	689.6	843.7
Deferred inflows of resources	94.4	14.1	6.4	1.0	100.8	15.0
Total liabilities and deferred inflows of resources	634.5	685.4	155.9	173.4	790.4	858.8
Net position:						
Net investment in capital assets	258.6	240.9	174.4	171.5	433.0	412.4
Restricted	33.0	20.1	0.9	0.6	33.9	20.7
Unrestricted (deficit)	(120.3)	(146.3)	53.6	66.5	(66.7)	(79.8)
Total net position	\$ 171.3	114.7	228.8	238.6	400.1	353.2

**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2022**

**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, 2022 and 2021 (in millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
<u>Program revenues:</u>						
Charges for services	\$ 17.0	15.3	58.4	61.7	75.4	76.9
Operating grants and contributions	83.0	81.8	-	3.1	83.0	84.8
Capital grants and contributions	7.1	3.2	-	-	7.1	3.2
<u>General revenues:</u>						
Taxes	194.0	186.7	-	-	194.0	186.7
Other	10.7	7.7	0.7	(1.4)	11.4	6.3
<b>Total revenues</b>	<b>311.8</b>	<b>294.7</b>	<b>59.1</b>	<b>63.3</b>	<b>370.9</b>	<b>358.0</b>
<b>Expenses</b>						
General government	35.6	39.2	-	-	35.6	39.2
Judicial	21.4	22.7	-	-	21.4	22.7
Public safety	54.1	64.3	-	-	54.1	64.3
Public works	28.8	26.6	-	-	28.8	26.6
Health and welfare	26.0	33.9	-	-	26.0	33.9
Parks, recreational, and cultural	15.8	13.9	-	-	15.8	13.9
Community development	7.3	10.7	-	-	7.3	10.7
Education	62.6	62.3	-	-	62.6	62.3
Public Utility	-	-	34.1	33.9	34.1	33.9
Golf	-	-	1.9	2.1	1.9	2.1
Parking Authority	-	-	1.0	0.9	1.0	0.9
Waste Management	-	-	9.3	10.2	9.3	10.2
Interest on long-term debt	12.0	13.1	-	-	12.0	13.1
<b>Total expenses</b>	<b>263.7</b>	<b>286.8</b>	<b>46.4</b>	<b>47.9</b>	<b>310.1</b>	<b>334.7</b>
<b>Excess before transfers</b>	<b>48.1</b>	<b>7.9</b>	<b>12.8</b>	<b>15.4</b>	<b>60.8</b>	<b>23.3</b>
<b>Transfers</b>	<b>8.6</b>	<b>7.5</b>	<b>(8.6)</b>	<b>(7.5)</b>	<b>-</b>	<b>-</b>
Change in net position	56.7	15.4	4.2	7.9	60.8	23.3
Net position, beginning of year	114.7	99.3	224.6	230.6	339.3	329.9
Net position, end of year	\$ 171.3	114.7	228.8	238.6	400.1	353.2

**Governmental Activities**

The city's total revenues from governmental activities were \$311.8 million for the fiscal year ended June 30, 2022, which represents an increase of \$17.1 million from the prior year. The largest source of revenue is taxes, which represents 62.22% of the total and is comprised of property taxes, other local taxes, and utility taxes. The city's assessed real property value increased 11.74% from the prior year which is the primary driver of the \$7.3 million increase in property tax revenues. Additionally, the City recognized approximately \$12.3 million more in CARES grant revenues in 2022 than 2021.

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 \$107.1 million. The largest component of program revenues for governmental activities is operating grants and contributions totaling \$83.0 million, representing 77.51% of total program revenues for governmental activities.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2022**

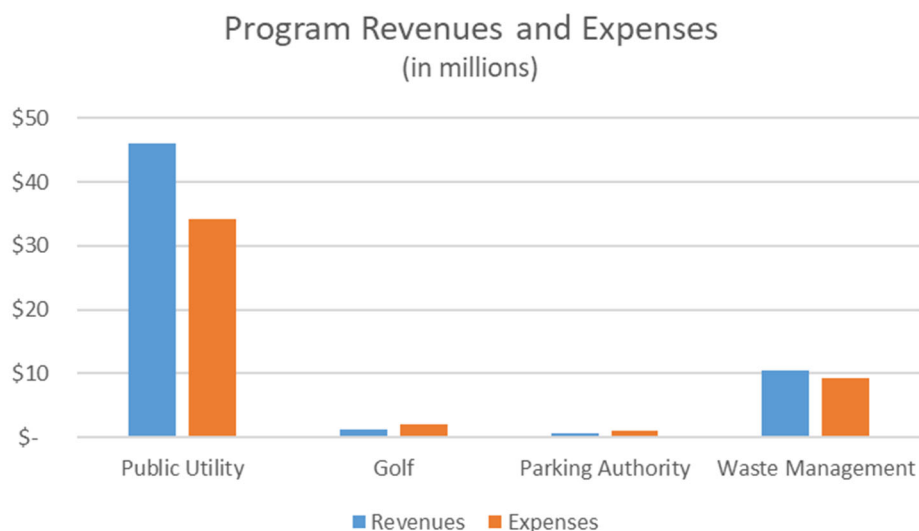
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**Governmental Activities (Continued)**

For the fiscal year ended June 30, 2022, expenses for the city's governmental activities totaled \$263.7 million. The city's expenses cover a wide range of services, with 20.5% related to public safety, 23.8% related to education, 13.5% general government, 10.9% public works, and 9.9% related to health and welfare. There was approximately \$19.0 million less spent in 2022 than in 2021 on public safety and health and welfare due to the significant increase in those services required during 2021 to respond to the pandemic.

**Business-type Activities**

The total net position for business-type activities increased \$4.2 million from \$224.6 million in fiscal year 2021 to \$228.8 million in fiscal year 2022, primarily due to Public Utilities, Golf, Parking, and Waste Management activities. Charges for services, including water and sewer utility fees, waste management fees, parking fees, and golf fees, represent 98.8% of total revenues for business-type activities. The following graph compares the program revenues and expenses of the business-type activities.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2022**

**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, 2022, the governmental funds reflected a combined fund balance of \$152.1 million. The General Fund's fund balance totaled \$89.6 million at June 30, 2022, an increase of \$6.8 million from the prior year's \$82.8 million. The General Fund's unassigned fund balance totaled \$80.4 million at June 30, 2022.

**General Fund Budgetary Highlights**

**Fiscal Year Ended June 30, 2022 (in millions)**

	Original Budget	Final Budget	Actual
<b>Revenues and transfers</b>			
Taxes	\$ 184.7	184.7	194.5
Intergovernmental	39.7	39.7	40.6
Transfers	9.7	9.7	9.7
Appropriated fund balance	2.5	4.1	-
Other revenues	16.0	16.1	17.0
Total	\$ 252.6	254.3	261.8
<b>Expenditures and transfers</b>			
Expenditures	\$ 210.6	211.4	206.8
Transfers	42.0	42.9	48.2
Total	\$ 252.7	254.3	255.0

Actual expenditures in the above chart are shown on the budgetary basis (see Schedule I-2). The General Fund had a \$6.8 million increase in fund balance. Actual General Fund revenues and transfers were \$7.5 million more than final budgeted revenues and transfers during fiscal year 2022 primarily due to higher tax collections than originally anticipated. Actual General Fund expenditures and transfers were \$0.7 million more than the final budget primarily due to increased funding to the Capital Projects Fund in the form of transfers in excess of budget.

The city spent \$32.4 million in the Capital Projects Fund to fund major projects, including the City fiber network, seawall replacement, and the Churchland Bridge. The Capital Projects Fund has a \$39.0 million fund balance at June 30, 2022, all of which is restricted or committed for future capital project costs. The \$12.2 million decrease in fund balance during 2022 is primarily due to the expenditure of proceeds of bonds issued in a prior year for current year projects.

As of June 30, 2022, Debt Service fund has assets of \$4.9 million, an increase of \$1.3 million primarily due to transfers from the General Fund in excess of debt service requirements. Total expenditures were \$38.6 million, all of which was debt service.

The grant fund received \$15.7 million and spent \$16.0 million in restricted grants during the year. The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 provided funding for several different programs to address the COVID-19 pandemic during fiscal year 2021. The city of Portsmouth received a total of \$16.4 million in CARES funding in fiscal year 2021 to assist with necessary expenditures incurred due to the public health emergency related to COVID-19. There was no cash or in-kind match requirement from the city for this grant. Substantially all funds have been spent or encumbered. Any unspent funds must be returned to the state. These funds were used to assist the city in meeting needs during the pandemic, including assisting businesses in the city, medical costs borne by the city as a result of the effects of COVID-19, payroll expenses related to employees involved in responding to COVID-19, and public health costs. The Grants Fund has a \$0.5 million fund balance at June 30, 2022.

**Proprietary Funds**

Total net position of the Public Utility Fund increased \$3.3 million during fiscal year 2022 from \$196.8 million to \$200.2 million. Of the total net position, \$153.8 million represents its net investment in capital assets. Unrestricted net position totaled \$45.8 million.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2022**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2022, the city had invested \$831.3 million, net of depreciation and amortization, in a broad range of capital assets, including machinery and equipment, buildings, park and golf facilities, roads, bridges, water and sewer lines, and leased assets, as reflected in the following schedule:

<b>Capital Assets</b>							
<b>As of June 30, 2022 and 2021 (in millions)</b>							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2022	2021	2022	2021	2022	2021	
Land	\$ 20.5	20.4	13.6	13.6	34.1	34.0	
Buildings*	218.9	226.1	6.3	6.7	225.3	232.8	
Improvements other than buildings	182.0	181.5	160.2	168.0	342.2	349.5	
Machinery, furniture, and equipment*	39.4	35.4	15.3	16.6	54.7	52.1	
Intangibles	2.0	2.4	-	-	2.0	2.4	
Construction in progress	59.4	41.3	113.7	105.7	173.1	147.0	
Total	522.2	499.4	309.1	310.7	831.3	817.7	

\*Includes right-of-use lease assets

Major capital asset activity for the fiscal year ended June 30, 2022, included:

- ◆ Capital asset changes for governmental activities totaled a decrease of \$7.2 million for buildings; an increase of \$0.5 million for improvements other than buildings/infrastructure; an increase of \$3.9 million for machinery, furniture, and equipment, a decrease of \$0.4 million for intangibles, and an increase of \$18.1 million for construction in progress in the fiscal year. There were additions of \$1.8 million, \$6.0 million, and \$9.6 million, to buildings, improvements other than buildings/infrastructure, and machinery furniture and equipment, respectively. There were \$0.9 million in disposals of machinery, furniture, and equipment, all of which were fully depreciated. The remaining decreases are due to depreciation expense.
- ◆ Capital asset changes for business-type activities included (1) a net decrease of \$0.4 million for buildings due to an increase of \$94 thousand in additions and a decrease of \$0.5 million in depreciation, (2) a net decrease of \$7.8 million for infrastructure due to depreciation, (3) a net decrease of \$1.3 million for machinery, furniture and equipment due to an increase of \$1.2 million in additions and a decrease of \$2.6 million in depreciation, and (4) an increase of \$8.0 million for construction in progress in the fiscal year.
- ◆ Depreciation expense totaled \$20.6 million and \$10.9 million for governmental and business-type activities, respectively.
- ◆ Construction in progress totaled \$59.4 million for governmental activities at June 30, 2022.
- ◆ Construction in progress totaled \$113.7 million for business-type activities at June 30, 2022.

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 2023-2027 Capital Improvement Program established a five year program totaling \$291.2 million. The major projects include \$110.4 million for water and \$82.6 million for sewer improvements, \$29.0 for education, \$36.4 million for drainage and street improvements, \$13.4 million for municipal facilities, \$10.0 million for fleet management, \$1.1 million for industrial and economic development projects, \$7.8 million for leisure services projects, and \$500,000 for parking authority projects.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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**Long-term Debt**

At year-end, the city had \$523.5 million in outstanding debt, excluding premiums, 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 \$482.8 and \$29.0 million, respectively, of this total, as reflected in the following schedule:

Outstanding Debt						
As of June 30, 2022 and 2021 (in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 385.0	412.0	97.8	111.5	482.8	523.5
Revenue bond	-	-	29.0	29.0	29.0	29.0
Other loans payable	4.9	5.1	-	1.7	4.9	6.8
Lease liabilities	6.8	7.6	-	-	6.8	7.6
Total	\$ 396.7	424.7	126.8	142.2	523.5	566.9

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 \$878.4 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 2021 was 6.7%, which compares to the national unemployment rate of 3.7%. The City's per capita personal income as of 2021 (latest data available from the Bureau of Economic Analysis) was \$47,944, an increase of 7% from what was reported for 2020. Average per capita income in 2020 was \$66,305 for Virginia and \$54,100 for the United States as a whole.

**FINANCIAL INQUIRIES**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the city's finances and to demonstrate the city's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Chief Financial Officer, 801 Crawford Street, Portsmouth, VA 23704.

## **Basic Financial Statements**

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**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**June 30, 2022**

**Exhibit A**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current assets:				
Cash and temporary investments (Note 3)	\$ 151,915,688	53,731,315	205,647,003	52,089,728
Restricted cash and investments (Note 3)	10,458,470	-	10,458,470	-
Receivables (net of allowance for uncollectibles):				
Taxes	18,056,477	-	18,056,477	-
Accounts	11,692,963	21,482,367	33,175,330	2,941,432
Internal balances	6,280,665	(6,280,665)	-	-
Due from fiduciary fund	300,000	-	300,000	-
Due from component units (Note 10)	144,318	-	144,318	-
Due from other governments (Note 11)	12,336,397	-	12,336,397	4,314,768
Deposits held by others	240,000	-	240,000	-
Prepaid expenses	758,938	-	758,938	-
Leases receivable (Note 6)	423,820	-	423,820	1,800,115
Inventory of supplies	771,949	677,007	1,448,956	1,278,205
Total current assets	213,379,685	69,610,024	282,989,709	62,424,248
Noncurrent assets:				
Net pension asset (Note 7)	9,809,137	852,968	10,662,105	-
Net OPEB asset (Note 8)	45,063	3,919	48,982	8,916,912
Security deposit receivable	-	-	-	4,016
Leases receivable (Note 6)	3,370,994	-	3,370,994	-
Property held for resale	-	-	-	12,868,603
Capital assets (Note 4):				
Land	20,500,406	13,598,078	34,098,484	7,291,368
Buildings	373,682,333	23,331,180	397,013,513	93,535,748
Improvements other than buildings	576,279,694	310,640,086	886,919,780	-
Machinery, furniture and equipment	98,261,543	46,944,924	145,206,467	28,807,344
Intangibles	3,962,348	-	3,962,348	364,970
Construction in progress	59,424,494	113,655,660	173,080,154	-
Total capital assets	1,132,110,818	508,169,928	1,640,280,746	129,999,430
Less - accumulated depreciation	(609,911,103)	(199,067,776)	(808,978,879)	(82,607,349)
Total capital assets, net	522,199,715	309,102,152	831,301,867	47,392,081
Total noncurrent assets	535,424,909	309,959,039	845,383,948	69,181,612
Total assets	748,804,594	379,569,063	1,128,373,657	131,605,860
Deferred outflows of resources:				
Deferred outflows from debt refundings	19,787,470	2,762,872	22,550,342	-
Deferred outflows related to pensions (Note 7)	28,820,690	2,121,533	30,942,223	29,056,224
Deferred outflows related to OPEB (Note 8)	8,442,714	261,112	8,703,826	7,292,391
Total deferred outflows of resources	57,050,874	5,145,517	62,196,391	36,348,615
Total assets and deferred outflows of resources	\$ 805,855,468	384,714,580	1,190,570,048	167,954,475

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



**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**June 30, 2022**

**Exhibit A (continued)**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities:				
Current liabilities:				
Accounts payable	\$ 15,184,638	1,889,773	17,074,411	6,693,096
Accrued payroll	2,261,405	171,484	2,432,889	9,381,168
Accrued interest payable	5,163,593	1,686,938	6,850,531	-
Deposits	-	1,589,431	1,589,431	3,900
Unearned revenue	16,234,019	-	16,234,019	10,417
Due to Primary Government (Note 10)	-	-	-	750
Due to component units (Note 10)	180,000	-	180,000	-
Claims payable (Note 15)	4,449,918	-	4,449,918	1,025,000
Compensated absences (Note 5)	3,269,794	326,038	3,595,832	1,597,434
Workers' compensation claims (Note 15)	-	-	-	522,548
Bonds payable, net (Note 5)	30,562,169	8,573,178	39,135,347	-
Loans payable (Note 5)	200,000	-	200,000	-
Lease liabilities (Note 5)	835,196	-	835,196	-
Total current liabilities	78,340,732	14,236,842	92,577,574	19,234,313
Noncurrent liabilities:				
Claims payable (Note 15)	6,506,250	-	6,506,250	-
Compensated absences (Note 5)	3,542,277	353,208	3,895,485	3,162,192
Noncurrent workers' compensation claims (Note 15)	-	-	-	220,067
Bonds payable, net (Note 5)	376,639,320	128,895,809	505,535,129	-
Landfill closure and postclosure care (Notes 5 and 13)	-	3,552,617	3,552,617	-
Loans payable (Note 5)	4,700,000	-	4,700,000	-
Lease liabilities (Note 5)	5,982,486	-	5,982,486	-
Net OPEB liability (Notes 5 and 8)	24,153,779	976,495	25,130,274	18,855,896
Net pension liability (Notes 5 and 7)	40,257,504	1,459,538	41,717,042	80,916,931
Total noncurrent liabilities	461,781,616	135,237,667	597,019,283	103,155,086
Total liabilities	540,122,348	149,474,509	689,596,857	122,389,399
Deferred inflows of resources:				
Deferred inflows related to leases (Note 6)	3,768,203	-	3,768,203	1,792,228
Deferred inflows related to pensions (Note 7)	76,998,894	5,639,231	82,638,125	61,369,802
Deferred inflows related to OPEB (Note 8)	13,645,801	789,888	14,435,689	15,732,222
Total inflows of resources	94,412,898	6,429,119	100,842,017	78,894,252
Net position:				
Net investment in capital assets	258,558,928	174,396,037	432,954,965	47,392,081
Restricted for:				
Pension and OPEB	9,854,200	856,887	10,711,087	-
Grants and donations	17,020,748	-	17,020,748	3,156,611
Cemetery trust, nonexpendable	1,000,000	-	1,000,000	-
Other purposes	246,880	-	246,880	17,836,717
Debt service	4,891,347	-	4,891,347	-
Unrestricted	(120,251,881)	53,558,028	(66,693,853)	(101,714,585)
Total net position	171,320,222	228,810,952	400,131,174	(33,329,176)
Total liabilities, deferred inflows of resources, and net position	\$ 805,855,468	384,714,580	1,190,570,048	167,954,475

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Activities**  
**Year Ended June 30, 2022**

**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	\$ 35,626,879	623,126	23,184,771	-	(11,818,982)	-	(11,818,982)	-
Judicial	21,431,679	355,548	3,397,010	-	(17,679,121)	-	(17,679,121)	-
Public safety	54,066,701	3,104,411	13,503,453	-	(37,458,837)	-	(37,458,837)	-
Public works	28,779,345	10,344,561	13,986,103	6,631,938	2,183,257	-	2,183,257	-
Health and welfare	26,039,910	36,295	26,519,516	-	515,901	-	515,901	-
Parks, recreational and cultural	15,838,459	962,677	561,646	-	(14,314,136)	-	(14,314,136)	-
Community development	7,276,917	1,557,252	1,873,041	480,583	(3,366,041)	-	(3,366,041)	-
Education	62,631,150	-	-	-	(62,631,150)	-	(62,631,150)	-
Interest on long-term debt	12,007,784	-	-	-	(12,007,784)	-	(12,007,784)	-
Total governmental activities	263,698,824	16,983,870	83,025,540	7,112,521	(156,576,893)	-	(156,576,893)	-
Business-type activities:								
Public Utility	34,108,614	46,120,310	-	-	-	12,011,696	12,011,696	-
Golf	1,939,130	1,187,127	-	-	-	(752,003)	(752,003)	-
Parking Authority	1,030,209	702,484	-	-	-	(327,725)	(327,725)	-
Waste Management	9,304,945	10,427,817	-	-	-	1,122,872	1,122,872	-
Total business-type activities	46,382,898	58,437,738	-	-	-	12,054,840	12,054,840	-
Total primary government	310,081,722	75,421,608	83,025,540	7,112,521	(156,576,893)	12,054,840	(144,522,053)	-
Component Units:								
School Board	173,981,448	1,042,033	46,099,655	-	-	-	-	(126,839,760)
Economic Development Authority	996,828	9,406,165	-	108,700	-	-	-	8,518,037
Port and Industrial Commission	1,362,696	5,638	1,356,000	-	-	-	-	(1,058)
Total component units	\$ 176,340,972	10,453,836	47,455,655	108,700	-	-	-	(118,322,781)
General revenues:								
Taxes:								
General property taxes					139,607,728	-	139,607,728	-
Business and occupational license taxes					7,701,420	-	7,701,420	-
Restaurant food taxes					11,220,911	-	11,220,911	-
Sales and use tax					10,705,732	-	10,705,732	-
Telecommunications					5,922,192	-	5,922,192	-
Other local taxes					10,174,832	-	10,174,832	-
Utility taxes					8,658,682	-	8,658,682	-
Grants and contributions not restricted to specific programs					-	-	-	90,286,658
Investment earnings					246,191	139,314	385,505	61,508
Miscellaneous					10,404,082	565,248	10,969,330	1,410,547
Payment from Primary Government					-	-	-	59,901,284
Transfers (Note 10)					8,596,029	(8,596,029)	-	-
Total general revenues and transfers					213,237,799	(7,891,467)	205,346,332	151,659,997
Change in net position					56,660,906	4,163,373	60,824,279	33,337,216
Net position, beginning of year					114,659,316	224,647,579	339,306,895	(66,666,392)
Net position, end of year					\$ 171,320,222	228,810,952	400,131,174	(33,329,176)

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**

**Exhibit C**

	General Fund	Debt Service	Capital Projects	Grants Fund	Other Governmental Funds	Total
<b>Assets:</b>						
Cash and temporary investments (Note 3)	\$ 56,363,827	4,891,347	34,972,755	16,948,599	16,593,317	129,769,845
Restricted cash and temporary investments (Note 3)	246,880	-	10,211,590	-	-	10,458,470
Receivables (net of allowance for uncollectibles):						
Taxes	18,056,477	-	-	-	-	18,056,477
Accounts	9,387,322	-	-	14,114	1,637,901	11,039,337
Leases receivable (Note 6)	3,794,814	-	-	-	-	3,794,814
Due from other funds (Note 10)	10,290,665	-	-	-	-	10,290,665
Due from component units (Note 10)	144,318	-	-	-	-	144,318
Due from other governments (Note 11)	10,952,912	-	-	-	1,383,485	12,336,397
Prepaid expenses	758,064	-	-	874	-	758,938
Inventory of supplies	103,618	-	-	-	-	103,618
<b>Total assets</b>	<b>110,098,897</b>	<b>4,891,347</b>	<b>45,184,345</b>	<b>16,963,587</b>	<b>19,614,703</b>	<b>196,752,879</b>
<b>Liabilities:</b>						
Accounts payable	5,392,730	-	6,160,378	242,684	983,085	12,778,877
Accrued payroll	1,908,223	-	-	23,400	257,615	2,189,238
Unearned revenue	18,939	-	-	16,215,080	-	16,234,019
Due to other funds (Note 10)	-	-	-	-	300,000	300,000
Due to component units (Note 10)	180,000	-	-	-	-	180,000
<b>Total liabilities</b>	<b>7,499,892</b>	<b>-</b>	<b>6,160,378</b>	<b>16,481,164</b>	<b>1,540,700</b>	<b>31,682,134</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenues (Note 12)	9,241,233	-	-	-	-	9,241,233
Deferred lease amounts (Note 6)	3,768,203	-	-	-	-	3,768,203
<b>Total deferred inflows of resources</b>	<b>13,009,436</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,009,436</b>
<b>Fund balances (Note 2):</b>						
Nonspendable	103,618	-	-	-	1,000,000	1,103,618
Restricted	246,880	4,891,347	10,211,590	482,423	16,538,325	32,370,565
Committed	7,220,500	-	28,812,377	-	-	36,032,877
Assigned	1,585,083	-	-	-	535,678	2,120,761
Unassigned	80,433,488	-	-	-	-	80,433,488
<b>Total fund balances</b>	<b>89,589,569</b>	<b>4,891,347</b>	<b>39,023,967</b>	<b>482,423</b>	<b>18,074,003</b>	<b>152,061,309</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 110,098,897</b>	<b>4,891,347</b>	<b>45,184,345</b>	<b>16,963,587</b>	<b>19,614,703</b>	<b>196,752,879</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, 2022**

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

Total fund balances, governmental funds	\$ 152,061,309
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Capital and other 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:

Net pension assets	9,276,032
Net OPEB assets	42,614

Land	20,485,358	
Buildings	365,629,688	
Machinery, furniture and equipment	72,027,754	
Intangibles	750,000	
Improvements other than buildings	576,279,694	
Leased assets	7,644,811	
Construction in progress	59,424,494	
Accumulated depreciation and amortization	(582,571,684)	519,670,115

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.

9,241,233

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Internal Service Funds are included below. Those liabilities consist of:

Compensated absences	(6,435,364)	
Accrued interest payable	(5,163,593)	
General obligation bonds	(407,201,489)	
Long-term loan payable	(4,900,000)	
Lease liabilities	(6,817,682)	
Deferred inflows related to pension	(73,750,259)	
Deferred inflows related to OPEB	(13,152,121)	
Net pension liability	(39,600,712)	
Net OPEB liability	(23,543,470)	(580,564,690)

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

19,787,470

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

8,279,519

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

27,582,861 55,649,850

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.

5,943,759

Net position of governmental activities	\$ 171,320,222
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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, 2022**

**Exhibit D**

	General Fund	Debt Service	Capital Projects	Grants Fund	Other Governmental Funds	Total
Revenues:						
Taxes	\$ 194,485,314	-	-	-	-	194,485,314
Intergovernmental	40,644,446	-	6,631,938	15,710,774	26,670,320	89,657,478
Charges for services	4,300,089	-	-	-	10,311,569	14,611,658
Investment income	177,013	-	14,326	-	37,468	228,807
Recovered costs	3,460,999	-	-	-	86,100	3,547,099
Fines and forfeitures	173,169	-	-	-	-	173,169
Licenses and permits	1,670,001	-	-	-	-	1,670,001
Use of property	529,041	-	-	-	-	529,041
Program income	-	-	-	-	480,583	480,583
Miscellaneous	6,635,273	-	150,028	300	221,410	7,007,011
Total revenues	252,075,345	-	6,796,292	15,711,074	37,807,450	312,390,161
Expenditures:						
Current:						
General government	18,674,228	-	-	5,418,423	-	24,092,651
Nondepartmental	11,681,531	-	-	-	-	11,681,531
Judicial	18,890,832	-	-	1,039,942	43,132	19,973,906
Public safety	60,817,771	-	-	1,423,165	43	62,240,979
Public works	16,069,454	-	4,037,103	17,473	2,346,794	22,470,824
Health and welfare	1,281,304	-	-	1,447,038	25,871,132	28,599,474
Parks, recreational and cultural	12,869,262	-	31,127	1,224,046	19,992	14,144,427
Community development	5,588,473	-	-	-	827,710	6,416,183
Education	59,901,284	-	-	-	-	59,901,284
Debt service - principal	833,871	27,067,848	-	-	193,260	28,094,979
Interest and fiscal charges	87,609	11,489,320	-	-	6,714	11,583,643
Costs of issuance	22,830	-	-	-	-	22,830
Capital outlay	35,300	-	28,337,016	5,443,297	339,317	34,154,930
Total expenditures	206,753,749	38,557,168	32,405,246	16,013,384	29,648,094	323,377,641
Excess (deficiency) of revenues over (under) expenditures	45,321,596	(38,557,168)	(25,608,954)	(302,310)	8,159,356	(10,987,480)
Other financing sources (uses):						
Transfers from other funds (Note 10)	9,739,202	39,837,850	13,381,060	759,064	3,528,853	67,246,029
Transfers to other funds (Note 10)	(48,218,669)	-	-	-	(10,110,879)	(58,329,548)
Total other financing sources (uses), net	(38,479,467)	39,837,850	13,381,060	759,064	(6,582,026)	8,916,481
Net change in fund balances	6,842,129	1,280,682	(12,227,894)	456,754	1,577,330	(2,070,999)
Fund balance, beginning of year	82,747,440	3,610,665	51,251,861	25,669	16,496,673	154,132,308
Fund balances, end of year	\$ 89,589,569	4,891,347	39,023,967	482,423	18,074,003	152,061,309

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, 2022**

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

Net change in fund balances, total governmental funds	\$ (2,070,999)
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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 capital assets	35,730,844	
Depreciation and amortization expense (not including Internal Service Funds)	(19,904,701)	15,826,143

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.

Principal payments and retirement of debt	28,094,977	
Amortization expense	1,390,326	29,485,303

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.	(493,817)
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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 net pension asset	9,276,032	
Change in net OPEB asset	42,614	
Change in deferred outflows - debt	(1,568,033)	
Change in deferred outflows - pensions	(9,594,851)	
Change in deferred outflows - OPEB	(498,103)	
Change in deferred inflows - pensions	(71,973,185)	
Change in deferred inflows - OPEB	(1,324,315)	
Change in compensated absences	245,720	
Change in net pension liability	92,805,303	
Change in OPEB liability	5,949,368	
Change in accrued interest	(373,630)	22,986,920

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.	(9,072,644)
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Change in net position of governmental activities	\$ 56,660,906
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**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**

**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)	\$ 38,157,245	15,574,070	53,731,315	22,145,843
Accounts receivable (net of allowance for uncollectibles)	15,649,984	5,832,383	21,482,367	653,668
Inventory of supplies	566,030	110,977	677,007	668,331
Deposits-held by others	-	-	-	240,000
Total current assets	54,373,259	21,517,430	75,890,689	23,707,842
Noncurrent assets:				
Net pension asset (Note 7)	533,105	319,863	852,968	533,105
Net OPEB asset (Note 8)	2,449	1,470	3,919	2,449
Capital assets (Note 4):				
Land	403,834	13,194,244	13,598,078	15,048
Buildings	692,687	22,638,493	23,331,180	693,083
Improvements other than buildings	310,041,505	598,581	310,640,086	-
Machinery, furniture and equipment	32,876,355	14,068,569	46,944,924	25,948,540
Intangible assets	-	-	-	3,212,348
Construction in progress	113,655,660	-	113,655,660	-
Total capital assets	457,670,041	50,499,887	508,169,928	29,869,019
Less - accumulated depreciation	(171,760,975)	(27,306,801)	(199,067,776)	(27,339,419)
Total capital assets, net	285,909,066	23,193,086	309,102,152	2,529,600
Total noncurrent assets	286,444,620	23,514,419	309,959,039	3,065,154
Total assets	340,817,879	45,031,849	385,849,728	26,772,996
Deferred outflows of resources:				
Deferred outflows from debt refunding	2,699,870	63,002	2,762,872	-
Deferred outflows related to pensions (Note 7)	1,237,830	883,703	2,121,533	1,237,829
Deferred outflows related to OPEB (Note 8)	163,195	97,917	261,112	163,195
Total deferred outflows of resources	4,100,895	1,044,622	5,145,517	1,401,024
Total assets and deferred outflows of resources	\$ 344,918,774	46,076,471	390,995,245	28,174,020

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**

**Exhibit E-1 (Continued)**

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
Liabilities:				
Current liabilities:				
Accounts payable	\$ 1,455,405	434,368	1,889,773	2,405,803
Accrued interest payable	1,652,557	34,381	1,686,938	-
Accrued payroll	106,582	64,902	171,484	72,167
Deposits	1,376,836	212,595	1,589,431	-
Due to other funds (Note 10)	-	6,280,665	6,280,665	3,410,000
Current compensated absences (Note 5)	184,794	141,244	326,038	180,819
Current bonds payable (Note 5)	7,380,043	1,193,135	8,573,178	-
Current claims payable (Note 15)	-	-	-	4,449,918
Total current liabilities	12,156,217	8,361,290	20,517,507	10,518,707
Noncurrent liabilities:				
Noncurrent claims payable (Note 15)	-	-	-	6,506,250
Noncurrent compensated absences (Note 5)	200,194	153,014	353,208	195,888
Landfill closure and postclosure liability (Notes 5 and 13)	-	3,552,617	3,552,617	-
Noncurrent bonds payable (Note 5)	127,380,657	1,515,152	128,895,809	-
Net pension liability (Notes 5 and 7)	656,792	802,746	1,459,538	656,792
Net OPEB liability (Notes 5 and 8)	610,309	366,186	976,495	610,309
Total noncurrent liabilities	128,847,952	6,389,715	135,237,667	7,969,239
Total liabilities	141,004,169	14,751,005	155,755,174	18,487,946
Deferred inflows of resources:				
Deferred inflows related to pensions (Note 7)	3,248,635	2,390,596	5,639,231	3,248,635
Deferred inflows related to OPEB (Note 8)	493,680	296,208	789,888	493,680
Total deferred inflows of resources	3,742,315	2,686,804	6,429,119	3,742,315
Net position:				
Net investment in capital assets	153,848,236	20,547,801	174,396,037	2,529,600
Restricted for pension and OPEB	535,554	321,333	856,887	535,554
Unrestricted	45,788,500	7,769,528	53,558,028	2,878,605
Total net position	200,172,290	28,638,662	228,810,952	5,943,759
Total liabilities, deferred inflows of resources, and net position	\$ 344,918,774	46,076,471	390,995,245	28,174,020

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, 2022**

**Exhibit E-2**

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
Operating revenues:				
Charges for services	\$ 46,120,310	12,317,428	58,437,738	34,159,211
Use of property	55,094	-	55,094	-
Other	369,966	140,188	510,154	1,544,740
Total operating revenues	46,545,370	12,457,616	59,002,986	35,703,951
Operating expenses:				
Personnel services	6,275,517	3,499,771	9,775,288	4,396,590
Contractual services	6,269,224	3,717,473	9,986,697	8,122,968
Supplies and materials	2,912,200	392,176	3,304,376	4,014,825
Utilities	1,374,218	181,315	1,555,533	225,921
Internal charges	1,466,128	1,937,344	3,403,472	316,948
Claims, settlements and refunds	169,788	-	169,788	24,281,795
Insurance premiums	-	-	-	1,506,017
Payments in lieu of taxes	1,161,598	-	1,161,598	-
Rent	-	126,650	126,650	-
Depreciation and amortization	9,418,886	1,446,586	10,865,472	713,301
Closure/postclosure	-	221,152	221,152	-
Other	830,353	628,526	1,458,879	895,162
Total operating expenses	29,877,912	12,150,993	42,028,905	44,473,527
Operating income (loss)	16,667,458	306,623	16,974,081	(8,769,576)
Nonoperating revenues (expenses):				
Investment income	105,192	34,122	139,314	17,384
Interest expense and fiscal charges	(4,230,702)	(123,291)	(4,353,993)	-
Total nonoperating revenues (expenses), net	(4,125,510)	(89,169)	(4,214,679)	17,384
Income before operating transfers	12,541,948	217,454	12,759,402	(8,752,192)
Transfers from other funds (Note 10)	-	1,047,278	1,047,278	292,876
Transfers to other funds (Note 10)	(9,216,559)	(426,748)	(9,643,307)	(613,328)
Change in net position	3,325,389	837,984	4,163,373	(9,072,644)
Net position, beginning of year	196,846,901	27,800,678	224,647,579	15,016,403
Net position, end of year	\$ 200,172,290	28,638,662	228,810,952	5,943,759

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, 2022**

**Exhibit E-3**

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 45,291,368	12,054,682	57,346,050	35,152,504
Cash payments to suppliers for goods and services	(14,433,077)	(7,018,501)	(21,451,578)	(38,117,428)
Cash payments to employees for services	(7,369,451)	(4,058,413)	(11,427,864)	(5,026,492)
Net cash provided by (used in) operating activities	23,488,840	977,768	24,466,608	(7,991,416)
Cash flows from noncapital financing activities:				
Interfund loans	-	655,075	655,075	1,521,619
Transfers in from other funds	-	1,047,278	1,047,278	292,876
Transfers out to other funds	(9,216,559)	(426,748)	(9,643,307)	(613,328)
Net cash provided by (used in) noncapital financing activities	(9,216,559)	1,275,605	(7,940,954)	1,201,167
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(9,025,189)	(283,582)	(9,308,771)	-
Payments on long-term debt	(7,210,137)	(1,177,495)	(8,387,632)	-
Interest paid	(4,313,023)	(128,685)	(4,441,708)	-
Net cash used in capital and related financing activities	(20,548,349)	(1,589,762)	(22,138,111)	-
Cash flows from investing activities:				
Proceeds from investments	2,923,408	-	2,923,408	-
Interest received	105,192	34,122	139,314	17,384
Net cash provided by investing activities	3,028,600	34,122	3,062,722	17,384
Net increase (decrease) in cash and temporary investments	(3,247,468)	697,733	(2,549,735)	(6,772,865)
Cash and temporary investments, beginning of year	41,404,713	14,876,337	56,281,050	28,918,708
Cash and temporary investments, end of year	\$ 38,157,245	15,574,070	53,731,315	22,145,843
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 16,667,458	306,623	16,974,081	(8,769,576)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	9,418,886	1,446,586	10,865,472	713,301
Landfill closure/postclosure	-	221,152	221,152	-
Pension expense (recovery), net of employer contributions	(603,892)	(350,234)	(954,126)	(603,890)
OPEB expense (recovery), net of employer contributions	(513,106)	(162,718)	(675,824)	(29,289)
Change in current assets and liabilities:				
Accounts receivable	(1,227,428)	(459,995)	(1,687,423)	(551,447)
Inventory of supplies	(51,850)	(22,430)	(74,280)	(96,965)
Accounts payable	(197,718)	(12,587)	(210,305)	471,335
Customer deposits	(26,574)	57,061	30,487	-
Accrued payroll and expense	14,176	7,195	21,371	5,508
Compensated absences	8,888	(52,885)	(43,997)	(2,231)
Claims payable	-	-	-	871,838
Total adjustments	6,821,382	671,145	7,492,527	778,160
Net cash provided by (used in) operating activities	\$ 23,488,840	977,768	24,466,608	(7,991,416)

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, 2022**

**Exhibit F-1**

	Custodial Funds	Pension and OPEB Trusts
Assets:		
Cash and temporary investments (Note 3)	\$ 382,651	6,256,196
Investments (Note 3):		
Stocks	-	138,903,724
Bonds	-	50,201,663
Real estate	-	7,054,930
Other investments	-	1,171,652
Total investments	-	197,331,969
Total assets	382,651	203,588,165
Liabilities:		
Due to general fund, payables	300,000	-
Due to New Port Community Development Authority	53,289	-
Accounts payable	29,361	-
Total liabilities	382,650	-
Net position -		
Restricted for:		
Pensions	-	197,078,990
Postemployment benefits other than pensions	-	6,509,175
Total net position	-	203,588,165
Total liabilities and net position	\$ 382,650	203,588,165

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, 2022**

**Exhibit F-2**

	Custodial Funds	Pension and OPEB Trust Funds
Additions:		
Contributions -		
Employers' contributions	\$ -	12,488,111
Other receipts	17,947	-
Investment income -		
Gains, net of investment expenses	95	(39,368,794)
Taxes collections for other governments	233,782	-
Total additions	251,824	(26,880,683)
Deductions:		
Benefit payments	18,042	29,822,505
Administrative expenses	-	435,082
Payments of taxes to other governments	233,782	-
Total deductions	251,824	30,257,587
Change in net position	-	(57,138,270)
Net position, beginning of year	-	260,726,435
Net position, end of year	\$ -	203,588,165

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Component Units**  
**June 30, 2022**

**Exhibit G-1**

	School Board	Economic Development Authority	Port and Industrial Commission	Total
Assets:				
Current assets:				
Cash and temporary investments (Note 3)	\$ 41,947,059	9,090,532	1,052,137	52,089,728
Lease receivable (Note 6)	-	1,800,115	-	1,800,115
Accounts receivables (net of allowance for uncollec	904,963	469	2,036,000	2,941,432
Due from other governments (Note 11)	4,314,768	-	-	4,314,768
Inventory of supplies	1,278,205	-	-	1,278,205
Total current assets	48,444,995	10,891,116	3,088,137	62,424,248
Noncurrent assets:				
OPEB assets (Note 8)	8,916,912	-	-	8,916,912
Security deposit receivable	-	4,016	-	4,016
Property held for resale	-	12,536,596	332,007	12,868,603
Capital assets (Note 4):				
Land	6,085,707	1,205,661	-	7,291,368
Buildings	93,535,748	-	-	93,535,748
Machinery, furniture and equipment	28,807,344	-	-	28,807,344
Intangibles	364,970	-	-	364,970
Total capital assets	128,793,769	1,205,661	-	129,999,430
Less - accumulated depreciation	(82,607,349)	-	-	(82,607,349)
Total capital assets, net	46,186,420	1,205,661	-	47,392,081
Total noncurrent assets	55,103,332	13,746,273	332,007	69,181,612
Total assets	103,548,327	24,637,389	3,420,144	131,605,860
Deferred outflows of resources:				
Deferred outflows related to pensions (Note 7)	29,056,224	-	-	29,056,224
Deferred outflows related to OPEB (Note 8)	7,292,391	-	-	7,292,391
Total deferred outflows of resources	36,348,615	-	-	36,348,615
Total assets and deferred outflows of resources	\$ 139,896,942	24,637,389	3,420,144	167,954,475

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Component Units**  
**June 30, 2022**

**Exhibit G-1 (Continued)**

	School Board	Economic Development Authority	Port and Industrial Commission	Total
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	\$ 3,891,498	385,598	2,416,000	6,693,096
Accrued payroll	8,723,451	-	-	8,723,451
Deposits	-	3,900	-	3,900
Accrued payroll taxes	657,717	-	-	657,717
Unearned revenue	-	10,417	-	10,417
Due to Primary Government (Note 10)	-	-	750	750
Claims payable (Note 15)	1,025,000	-	-	1,025,000
Compensated absences (Note 5)	1,597,434	-	-	1,597,434
Workers' compensation claims (Note 15)	522,548	-	-	522,548
<b>Total current liabilities</b>	<b>16,417,648</b>	<b>399,915</b>	<b>2,416,750</b>	<b>19,234,313</b>
Noncurrent liabilities:				
Compensated absences (Note 5)	3,162,192	-	-	3,162,192
Noncurrent workers' compensation claims (Note 15)	220,067	-	-	220,067
Net pension liability (Note 7)	80,916,931	-	-	80,916,931
Net OPEB liability (Note 8)	18,855,896	-	-	18,855,896
<b>Total noncurrent liabilities</b>	<b>103,155,086</b>	<b>-</b>	<b>-</b>	<b>103,155,086</b>
<b>Total liabilities</b>	<b>119,572,734</b>	<b>399,915</b>	<b>2,416,750</b>	<b>122,389,399</b>
Deferred inflows of resources:				
Deferred inflows related to leases (Note 6)	-	1,792,228	-	1,792,228
Deferred inflows related to pensions (Note 7)	61,369,802	-	-	61,369,802
Deferred inflows related to OPEB (Note 8)	15,732,222	-	-	15,732,222
<b>Total outflows of resources</b>	<b>77,102,024</b>	<b>1,792,228</b>	<b>-</b>	<b>78,894,252</b>
Net position:				
Net investment in capital assets	46,186,420	1,205,661	-	47,392,081
Restricted for:				
Grants and donations	3,156,611	-	-	3,156,611
Other purposes	17,189,101	647,616	-	17,836,717
Unrestricted	(123,309,948)	20,591,969	1,003,394	(101,714,585)
<b>Total net position</b>	<b>(56,777,816)</b>	<b>22,445,246</b>	<b>1,003,394</b>	<b>(33,329,176)</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 139,896,942</b>	<b>24,637,389</b>	<b>3,420,144</b>	<b>167,954,475</b>

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, 2022**

**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	Economic Development Authority	Port and Industrial Commission	
School Board:								
Administration, attendance and health services	\$ 10,844,678	402,155	-	-	(10,442,523)	-	-	(10,442,523)
Instruction	122,421,632	53,683	36,997,381	-	(85,370,568)	-	-	(85,370,568)
Pupil transportation	6,158,130	29,860	-	-	(6,128,270)	-	-	(6,128,270)
Operations and maintenance	16,804,781	16,815	-	-	(16,787,966)	-	-	(16,787,966)
Information technology	9,004,322	-	-	-	(9,004,322)	-	-	(9,004,322)
Food services	7,685,415	539,520	9,102,274	-	1,956,379	-	-	1,956,379
Capital outlay	238,639	-	-	-	(238,639)	-	-	(238,639)
School Activity Funds	823,851	-	-	-	(823,851)	-	-	(823,851)
Total School Board	173,981,448	1,042,033	46,099,655	-	(126,839,760)	-	-	(126,839,760)
Economic Development Authority:								
Economic Development Authority	996,828	9,406,165	-	108,700	-	8,518,037	-	8,518,037
Port and Industrial Commission:								
Port and Industrial Commission	1,362,696	5,638	1,356,000	-	-	-	(1,058)	(1,058)
Total Component Units	176,340,972	10,453,836	47,455,655	108,700	(126,839,760)	8,518,037	(1,058)	(118,322,781)
General revenues:								
Grants and contributions not restricted to specific programs					90,286,658	-	-	90,286,658
Investment earnings					57,610	2,795	1,103	61,508
Miscellaneous					1,410,547	-	-	1,410,547
Payment from Primary Government					59,901,284	-	-	59,901,284
Total general revenues					151,656,099	2,795	1,103	151,659,997
Change in net position					24,816,339	8,520,832	45	33,337,216
Net position, beginning of year					(81,594,155)	13,924,414	1,003,349	(66,666,392)
Net position, end of year					\$ (56,777,816)	22,445,246	1,003,394	(33,329,176)

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 three discretely presented component units. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. These component units are fiscally dependent on the city and provide services primarily to the citizens of Portsmouth. 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. Portsmouth Port and Industrial Commission (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

3. Economic Development Authority (EDA) - 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. Since there is the possibility that the EDA may provide a financial benefit or impose a financial burden on the city, it is reported as a discretely presented component unit. Prior to FY22, the EDA was reported as a blended component unit due to the issuance of new debt, the EDA entered into a Cooperative Agreement with the city. The terms of this agreement created circumstances whereby the EDA's total outstanding debt is expected to be repaid entirely or almost entirely with resources of the city and the EDA. That debt was paid off during FY21 and the EDA is now presented discretely as a component unit 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 custodial). 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.

Grants Fund - The Grants Fund is used to account for the proceeds of restricted grants, and the related expenditures for grant purposes.

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 three nonmajor enterprise funds are: (1) the Golf Fund, which accounts for ownership and operation of three golf courses, (2) the Parking Authority, which is responsible for the operation and maintenance of parking garages, parking lots, and all street parking meters for the city, and (3) the Waste Management Fund, which accounts for waste disposal services and operation of the Craney Island landfill.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, an other-postemployment trust, and two custodial funds. The pension and OPEB trust funds account for the assets of the city's retirement and other post-employment benefit plans. Custodial funds are custodial in nature (assets equal liabilities) and do not measure the results of operations. The city's custodial fund accounts for assets held on behalf of Social Services Department clients and taxes collected by the City and passed through to the New Port Community Development Authority. 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)

**C. Measurement Focus and Basis of Accounting (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 Custodial Fund uses the economic resources measurement focus and accrual basis of accounting.

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 2022 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 2022, 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 \$5.00, \$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)	\$ 4,549,031
Allowance for uncollectibles	2,763,135
<b>Total General Fund</b>	<b>7,312,166</b>

Special Revenue Funds:

Stormwater Management Fund - allowance for uncollectibles	908,605
Behavioral Health Services Fund - allowance for uncollectibles	636,875
<b>Total Special Revenue Funds</b>	<b>1,545,480</b>
<b>Total Governmental activities</b>	<b>\$ 8,857,646</b>

**Business-type Activities:**

Enterprise Funds:

Public Utility Fund - allowance for uncollectibles	\$ 1,089,505
Waste Management Fund - allowance for uncollectibles	903,335
<b>Total Business-type activities</b>	<b>\$ 1,992,840</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.

**K. 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)**

**K. Capital Assets (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 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

**L. 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.

**M. 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.



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

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

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

- 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).
- Lease-related amounts are recognized at the inception of the lease or at the time of implementation of GASB 87 for the lease where the city is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

**O. 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.

**P. Other Postemployment Benefit (OPEB) Plans**

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.

**Q. 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.

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

**R. Budgets**

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

**(2) FUND BALANCE**

The fund balances of the governmental funds at June 30, 2022, were composed of the following:

	General Fund	Debt Service	Capital Improvements	Grants	Other Nonmajor
<b>Nonspendable:</b>					
Inventory of supplies	\$ 103,618	-	-	-	-
Permanent - cemetery care	-	-	-	-	1,000,000
Total nonspendable fund balances	103,618	-	-	-	1,000,000
<b>Restricted:</b>					
Restricted cash	246,880	-	10,211,590	-	-
Restricted for debt service	-	4,891,347	-	-	-
Behavioral health services	-	-	-	-	13,231,605
Public law library	-	-	-	-	196,385
Social services	-	-	-	-	433,214
Stormwater management infrastructure maintenance	-	-	-	-	516,327
Grants	-	-	-	482,423	-
Children's services	-	-	-	-	376,417
Willett Hall	-	-	-	-	482,248
Asset forfeitures	-	-	-	-	389,725
Permanent - cemetery care	-	-	-	-	912,404
Total restricted fund balances	246,880	4,891,347	10,211,590	482,423	16,538,325
<b>Committed:</b>					
Capital projects	7,220,500				
Schools	-	-	28,812,377	-	-
Total committed fund balances	7,220,500	-	28,812,377	-	-
<b>Assigned:</b>					
Community development	-	-	-	-	535,678
Post-employment benefits	1,275,000				
Disparity study	310,083	-	-	-	-
Total assigned fund balances	1,585,083	-	-	-	535,678
<b>Unassigned:</b>					
General Fund	80,433,488	-	-	-	-
Total unassigned fund balance	80,433,488	-	-	-	-
Total fund balances	\$ 89,589,569	4,891,347	39,023,967	482,423	18,074,003

**(3) DEPOSITS AND INVESTMENTS**

**Deposits and Restricted Cash**

At June 30, 2022, the carrying value of the city's deposits with banks and savings institutions was \$205,569,438, and the total of the bank balances for these deposits was \$216,070,086. All cash of the city except petty cash of \$77,565 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, 2022, restricted cash totaled \$10,458,469, which primarily 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.

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

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

As of June 30, 2022, 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, 2022, 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	\$ 5,854,162
Morgan Stanley Advisory Holding	MF Equity	1 day	188,551,103
PIMCO Government Money Market	MF Equity	1 day	297,765
			\$ 194,703,030

At June 30, 2022, the fair value of the OPEB Investments was as follows:

Investment Type	Fair Value
Fixed Income	\$ 1,366,927
Stocks	3,514,954
Real Estate	455,642
Alternative Investments	1,171,652
	\$ 6,509,175

**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, 2022, are as follows:

	Fair Value at 6/30/2022	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	\$ 1,664,692	1,664,692	-	-
Equity securities				
Common stock in mutual funds	197,920,219	197,920,219	-	-
Other assets (futures contracts, etc) in mutual funds	1,627,294	1,627,294	-	-
Total investments by fair value	\$ 201,212,205	201,212,205	-	-

***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, 2022, 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 \$41,947,059 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 \$15,966,980 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.

**Component Unit - Economic Development Authority**

At year end, the carrying value of deposits with banks for the Economic Development Authority, a discretely presented component unit, was \$9,090,532. All cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

**Component Unit - Portsmouth Port and Industrial Commission**

At year end, the carrying value of deposits with banks for the Portsmouth Port and Industrial Commission, a discretely presented component unit, was \$1,052,137. 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.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**Exhibit H (continued)**

**(4) CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022, was as follows:

<b>Primary Government - Governmental Activities</b>				
	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 20,402,405	98,001	-	20,500,406
Construction in progress (CIP)	41,311,910	19,900,318	(1,787,734)	59,424,494
Total capital assets not being depreciated or amortized	61,714,315	19,998,319	(1,787,734)	79,924,900
Capital assets being depreciated:				
Buildings	364,440,637	1,882,134	-	366,322,771
Buildings, leased*	7,359,562	-	-	7,359,562
Improvements other than buildings	8,134,952	687,700	-	8,822,652
Improvements other than buildings (Infrastructure)	562,097,181	5,359,861	-	567,457,042
Machinery, furniture, and equipment	89,259,572	9,590,564	(873,842)	97,976,294
Machinery, furniture, and equipment, leased*	285,249	-	-	285,249
Intangibles	3,962,348	-	-	3,962,348
Total capital assets being depreciated or amortized	1,035,539,502	17,520,259	(873,842)	1,052,185,918
Less accumulated depreciation and amortization for:				
Buildings	(145,723,568)	(8,095,382)	-	(153,818,950)
Buildings, leased	-	(953,421)	-	(953,421)
Improvements other than buildings	(4,719,580)	(395,868)	-	(5,115,448)
Improvements other than buildings (Infrastructure)	(384,035,183)	(5,112,007)	-	(389,147,190)
Machinery, furniture, and equipment	(54,103,122)	(5,603,786)	873,842	(58,833,066)
Machinery, furniture, and equipment, leased	-	(67,565)	-	(67,565)
Intangibles	(1,585,491)	(389,972)	-	(1,975,463)
Total accumulated depreciation and amortization	(590,166,944)	(20,618,002)	873,842	(609,911,103)
Total capital assets being depreciated or amortized, net	445,372,558	(3,097,743)	-	442,274,815
Governmental activities capital assets, net	\$ 507,086,873	16,900,576	(1,787,734)	522,199,715

\*Balances as of July 1, 2021, include items related to the implementation of GASB Statement 87. See Note 1 for further discussion.

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 \$74,373,338, will be carried on the city's financial statements until the outstanding debt is repaid.

	<b>CIP June 30, 2022</b>	<b>Outstanding Commitments</b>	<b>Unobligated Balance</b>
Governmental Activities Projects	\$ 59,424,494	\$ 34,309,280	\$ 74,116,118



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

Capital asset activity for the year ended June 30, 2022 (continued)

Depreciation/amortization expense was charged to functions as follows:

General government	\$	1,630,907
Judicial		2,126,338
Public safety		2,335,431
Public works		7,987,877
Health and welfare		529,060
Parks, recreation and cultural		1,607,700
Community development		957,522
Education		2,729,866

Total governmental activities, excluding internal service funds 19,904,701

Depreciation/amortization on capital assets of internal service funds (see Exhibit E-2)  
 charged to various functions based on usage of capital assets. 713,301

Total governmental activities \$ 20,618,002

**Primary Government -  
 Business-type Activities**

	Balance July 1, 2021*	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 13,598,078	-	-	13,598,078
Construction in progress	105,654,065	8,001,595	-	113,655,660
Total capital assets not being depreciated	119,252,143	8,001,595	-	127,253,738
Capital assets being depreciated:				
Buildings	23,236,755	94,425	-	23,331,180
Improvements other than buildings	598,581	-	-	598,581
Improvements other than buildings (Infrastructure)	310,041,505	-	-	310,041,505
Machinery, furniture, and equipment	45,790,470	1,212,751	(58,297)	46,944,924
Total capital assets being depreciated	379,667,311	1,307,176	(58,297)	380,916,190
Less accumulated depreciation for:				
Buildings	(16,500,157)	(484,089)	-	(16,500,157)
Improvements other than buildings	(402,708)	(16,881)	-	(402,708)
Improvements other than buildings (Infrastructure)	(142,206,932)	(7,802,666)	-	(150,009,598)
Machinery, furniture, and equipment	(29,150,804)	(2,561,836)	58,297	(29,150,804)
Total accumulated depreciation	(188,260,601)	(10,865,472)	58,297	(199,067,776)
Total capital assets being depreciated, net	191,406,710	(9,558,296)	-	181,848,414
Business-type activities capital assets, net	\$ 310,658,853	(1,556,701)	-	309,102,152

\*Balances as of the beginning of the year have been restated to remove balances related to the Economic Development Authority which was presented as a blended component unit in the prior year.

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

Public utilities	\$	9,418,886
Parking authority		388,837
Golf		108,146
Waste management		949,603
Total Business-type activities	\$	10,865,472

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

	CIP 6/30/2022	Outstanding Commitments	Unobligated Balance	
Business-type activities	\$ 113,655,660	\$ 15,255,196	\$ -	
<b>Primary Government - Major Enterprise Funds</b>				
	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<b>Public Utility Fund</b>				
Capital assets not being depreciated:				
Land	\$ 403,834	-	-	403,834
Construction in progress	105,654,065	8,001,595	-	113,655,660
Total capital assets not being depreciated	106,057,899	8,001,595	-	114,059,494
Capital assets being depreciated:				
Buildings	692,687	-	-	692,687
Improvements other than buildings (Infrastructure)	310,041,505	-	-	310,041,505
Machinery, furniture, and equipment	31,900,760	1,023,594	(47,999)	32,876,355
Total capital assets being depreciated	342,634,952	1,023,594	(47,999)	343,610,547
Less accumulated depreciation for:				
Buildings	(265,119)	(17,157)	-	(282,276)
Improvements other than buildings (Infrastructure)	(142,206,932)	(7,802,666)	-	(150,009,598)
Machinery, furniture, and equipment	(19,918,037)	(1,599,063)	47,999	(19,918,037)
Total accumulated depreciation	(162,390,088)	(9,418,886)	47,999	(171,760,975)
Total capital assets being depreciated, net	180,244,864	(8,395,292)	-	171,849,572
Public Utility Fund capital assets, net	\$ 286,302,763	(393,697)	-	285,909,066

**Capital assets - discretely presented component unit**

<b>School Board Component Unit</b>				
	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
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	29,732,410	238,639	(1,163,705)	28,807,344
Intangibles	422,270	-	(57,300)	364,970
Total capital assets being depreciated	123,690,428	238,639	(1,221,005)	122,708,062
Less accumulated depreciation for:				
Buildings	(55,812,251)	(2,476,506)	-	(58,288,757)
Machinery, furniture, and equipment	(23,788,850)	(1,274,128)	1,109,356	(23,953,622)
Intangibles	(422,270)	-	57,300	(364,970)
Total accumulated depreciation	(80,023,371)	(3,750,634)	1,166,656	(82,607,349)
Capital assets being depreciated/amortized				
Total capital assets - being depreciated	43,667,057	(3,511,995)	54,349	40,100,713
School Board capital assets, net	\$ 49,752,764	(3,511,995)	54,349	46,186,420

**(5) LONG - TERM LIABILITIES**

**Details of Long-Term Indebtedness**

At June 30, 2022, 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:				
2006B	VPSSA School Financing Bonds	7/15/2026	4.40 - 4.60%	\$ 1,764,092
2009	VPSSA Qualified School Construction Bonds	9/1/2026	0.00%	6,714,286
2011	G.O. Refunding Bonds	7/15/2024	5.00%	3,010,000
2012A	G.O. Public Utility & Refunding Bonds	7/15/2030	2.25 - 5.00%	2,385,000
2012B	Taxable G.O. Refunding Bonds	7/15/2030	2.65 - 3.85%	900,000
2012C	G.O. Public Improvement & Refunding Bonds	7/15/2032	2.00 - 4.00%	445,000
2013A	G.O. Public Improvement & Refunding Bonds	2/1/2035	5.00%	2,325,000
2013B	Taxable G.O. & Refunding Bonds (includes pension)	2/1/2037	2.839 - 4.541%	5,940,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	6,899,154
2015B	Taxable G.O. Refunding Bonds	8/1/2028	3.00 - 3.30%	18,465,000
2016A	G.O. Refunding Bonds	8/1/2035	2.00 - 5.00%	31,205,000
2016B	Taxable G.O. Refunding Bonds	8/1/2025	2.00 - 2.20%	9,655,000
2016QZAB	Virginia G.O. Qualified Zone Academy Bonds	9/15/2031	0.00%	4,650,000
2017QZAB	Virginia G.O. Qualified Zone Academy Bonds	9/15/2029	0.00%	2,131,488
2017A	G.O. Refunding Bonds	7/15/2034	3.00 - 5.00%	60,500,000
2017B	G.O. Taxable Refunding Bonds	7/15/2035	2.35 - 3.90%	5,165,000
2018	G.O. New Money Vehicle Financing	7/15/2028	3.010%	7,118,000
2019	G.O. Bonds	7/15/2039	3.00 - 5.00%	22,870,000
2019B	Taxable G.O. Refunding Bonds (Pensions)	2/1/2037	2.00 - 3.00%	128,760,000
2021A	G.O. Bonds	7/15/2041	2.00 - 5.00%	32,550,000
2021B	Taxable G.O. Refunding Bonds	7/15/2041	0.19 - 2.6%	31,520,000
	Total general obligation bonds			<u>\$ 384,972,020</u>
Leases:				
	Building 1725 Green Street	6/30/2026	1.0590%	\$ 310,972
	Building Portsmouth Business Center, Suite 300C	11/30/2025	0.8930%	597,878
	Building 700 Port Centre Parkway	5/31/2030	1.5270%	5,376,442
	Building 200 High Street, Suite 200	12/31/2028	1.4510%	314,041
	Equipment Copiers, various	2 - 5 years	1.06% - 0.51%	218,349
				<u>\$ 6,817,682</u>

General obligation bonds are stated exclusive of premiums and discounts.

**(5) LONG – TERM LIABILITIES (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:				
2009E	Prentis Park Bonds	7/15/2041	0.00%	\$ 1,522,613
2011	G.O. Refunding Bonds	7/15/2024	5.00%	2,380,000
2012A	G.O. Public Utility & Refunding Bonds	7/15/2041	2.25 - 5.00%	2,645,000
2012C	G.O. Public Improvement & Refunding Bonds	7/15/2031	2.00 - 4.00%	10,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	11,330,000
2015B	Taxable G.O. Refunding Bonds	8/1/2028	3.00 - 3.30%	6,365,000
2017A	G.O. Refunding Bonds	7/15/2041	3.00 - 5.00%	40,540,000
2021A	G.O. Refunding Bonds	7/15/2025	5.00%	510,000
2021B	Taxable G.O. Bonds	7/15/2041	0.12 - 2.60%	29,850,000
Total general obligation bonds				95,152,613
2019C	Infrastructure Revenue Bonds	10/1/2049	2.974 - 5.125%	28,990,000
				<u>124,142,613</u>
Parking Authority:				
2011	G.O. Refunding Bonds	7/15/2024	5.00%	10,000
2012A	G.O. Public Utility & Refunding Bonds	7/15/2041	2.25 - 5.00%	45,000
2013B	Taxable G.O. & Refunding Bonds	2/1/2024	2.839 - 3.939%	945,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	10,846
2017B	G.O. Taxable Refunding Bonds	7/15/2025	2.20 - 3.90%	50,000
2017A	G.O. Refunding Bonds	7/15/2026	5.00%	35,000
2021A	G.O. Refunding Bonds	7/15/2022	5.00%	10,000
2021B	Taxable G.O. Bonds	7/15/2030	0.12 - 1.65%	60,000
				<u>1,165,846</u>
Golf:				
2012A	G.O. Public Utility & Refunding Bonds	7/15/2022	2.25 - 5.00%	510,000
2015A	G.O. Refunding Bonds	8/1/2028	3.00 - 5.00%	385,000
2017B	G.O. Taxable Refunding Bonds	7/15/2035	2.35 - 2.85%	635,000
				<u>1,530,000</u>
				<u>\$ 126,838,458</u>

General obligation bonds are stated exclusive of premiums and discounts.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**Exhibit H (continued)**

**(5) LONG – TERM LIABILITIES (CONTINUED)**

At June 30, 2022, the long-term indebtedness of the School Board component unit consisted of the following:

	<b>Amount Outstanding</b>
<b>School Board:</b>	
Compensated absences	\$ 4,759,626
Claims payable	1,025,000
Workers' compensation claims	742,615
Net pension liability	80,916,931
Net OPEB liability	21,884,970
<b>Total long-term liabilities</b>	<b>\$ 109,329,142</b>

The following is a summary of changes in long-term indebtedness of the city for the year ended June 30, 2022:

	<b>Balance July 1, 2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2022</b>	<b>Due Within One Year</b>
<b>Primary Government -</b>					
<b>Governmental Activities:</b>					
General obligation bonds	\$ 412,039,867	-	(27,067,847)	384,972,020	29,171,842
Bond premiums/(discounts)	23,619,795	-	(1,390,326)	22,229,469	1,390,327
	435,659,662	-	(28,458,173)	407,201,489	30,562,169
Lease liabilities*	7,644,812	-	(827,130)	6,817,682	835,196
VDOT loans	5,100,000	-	(200,000)	4,900,000	200,000
Compensated absences	7,060,022	4,503,177	(4,751,128)	6,812,071	3,269,794
Net OPEB Liability	30,239,072	-	(6,085,292)	24,153,779	-
Net pension liability	136,554,663	-	(96,297,159)	40,257,504	-
<b>Total Governmental Activities</b>	<b>\$ 622,258,230</b>	<b>4,503,177</b>	<b>(136,618,882)</b>	<b>490,142,525</b>	<b>34,867,159</b>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 111,453,092	-	(13,604,632)	97,848,460	7,920,138
Bond premiums/(discounts)	8,227,294	-	(578,983)	7,648,311	546,532
Total general obligation bonds, net	119,680,386	-	(14,183,615)	105,496,771	8,466,670
Revenue bond	28,990,000	-	-	28,990,000	-
Bond premium	3,088,725	-	(106,509)	2,982,216	106,508
Total revenue bond, net	32,078,725	-	(106,509)	31,972,216	106,508
Notes payable	1,741,485	-	(1,741,485)	-	-
Landfill closure and post-closure care	3,331,465	221,152	-	3,552,617	-
Compensated absences	723,243	404,394	(448,391)	679,246	326,038
Net OPEB Liability	1,679,026	-	(702,532)	976,494	-
Net pension liability	7,527,351	-	(6,067,813)	1,459,538	-
<b>Total Business-type Activities</b>	<b>\$ 166,761,681</b>	<b>625,546</b>	<b>(23,250,345)</b>	<b>144,136,882</b>	<b>8,899,216</b>
<b>Major Enterprise Funds:</b>					
Public Utility Fund					
General obligation bonds	\$ 102,362,750	-	(7,210,137)	95,152,613	6,730,138
Bond premiums/(discounts)	8,179,268	-	(543,397)	7,635,871	543,397
Total general obligation bonds, net	110,542,018	-	(7,753,534)	102,788,484	7,273,535
Revenue bond	28,990,000	-	-	28,990,000	-
Bond premium	3,088,725	-	(106,509)	2,982,216	106,508
Total revenue bond, net	32,078,725	-	(106,509)	31,972,216	106,508
Compensated absences	376,100	254,507	(245,619)	384,988	184,794
Net OPEB Liability	1,119,351	-	(505,123)	614,228	-
Net pension liability	4,148,647	-	(3,491,855)	656,792	-
Total Public Utility Fund	<b>\$ 148,264,841</b>	<b>254,507</b>	<b>(12,102,640)</b>	<b>136,416,708</b>	<b>7,564,837</b>

\*Balances as of July 1, 2021, include items related to the implementation of GASB Statement 87. See Note 1 for further discussion.

**(5) LONG – TERM LIABILITIES (CONTINUED)**

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. Pension and OPEB liabilities, in addition to the amount due within one year for compensated absences, which has been estimated, are generally liquidated by the fund for which the employee works.

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, 2022, 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, 2022:

	<b>Balance July 1, 2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2022</b>	<b>Due Within One Year</b>
<b>School Board:</b>					
Compensated absences	\$ 4,738,419	2,225,743	(2,204,536)	4,759,626	1,597,434
Claims Payable	1,909,030	21,020,751	(21,162,166)	1,767,615	1,547,548
Net OPEB Liability	20,370,433	1,514,537	-	21,884,970	-
Net pension liability	152,632,823	-	(71,715,892)	80,916,931	-
Total School Board	\$ 179,650,705	24,761,031	(95,082,594)	109,329,142	3,144,982

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.

**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, 2022, the City's debt limit was \$792,416,704 of which \$316,221,225 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 LIABILITIES (CONTINUED)**

**Debt Compliance and Repayment**

The annual requirements to pay all outstanding long-term bonds as of June 30, 2022, including interest payments, are summarized as follows:

**Governmental Activities:**

Fiscal Year Ending	General Obligation Bonds		Leases	
	Principal	Interest	Principal	Interest
2023	\$ 29,171,842	\$ 11,474,790	\$ 835,196	\$ 92,384
2024	29,910,447	10,541,445	838,367	81,448
2025	30,795,529	9,651,607	857,044	70,362
2026	31,682,211	8,691,787	743,911	59,332
2027	26,322,529	7,781,343	560,397	50,125
2028-2032	123,584,462	27,091,002	2,982,767	79,139
2033-2037	97,260,000	9,107,866	-	-
2038-2042	16,245,000	817,348	-	-
	<u>\$ 384,972,020</u>	<u>\$ 85,157,187</u>	<u>\$ 6,817,682</u>	<u>\$ 432,790</u>

**Business-type Activities:**

Fiscal Year Ending	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 7,920,138	\$ 3,008,340	\$ -	\$ 1,133,169
2024	7,645,138	2,737,689	145,000	1,129,453
2025	7,410,138	2,424,663	170,000	1,121,381
2026	7,695,138	2,120,282	195,000	1,112,028
2027	5,525,138	1,873,748	220,000	1,101,394
2028-2032	27,796,535	7,038,891	4,200,000	4,966,819
2033-2037	17,455,688	3,699,314	5,240,000	3,935,178
2038-2042	16,400,550	1,075,724	6,185,000	2,985,034
2043-2047	-	-	7,440,000	1,727,038
2048-2052	-	-	5,195,000	303,284
	<u>\$ 97,848,460</u>	<u>\$ 23,978,650</u>	<u>\$ 28,990,000</u>	<u>\$ 19,514,778</u>

**Authorized but Unissued Bonds**

The total of general obligation bonds authorized but unissued for governmental funds as of June 30, 2022, was \$34,729,289.

The total of bonds authorized but unissued for enterprise funds as of June 30, 2022, was \$161,553,284.

**(6) LEASE RECEIVABLES**

The City, as the lessor, has entered into the following lease arrangements:

Leases that were in place prior to July 1, 2021, the implementation date of GASB Statement 87, *Leases*:

Cell Site - I-264 Exit 2A: An initial lease receivable was recorded in the amount of \$89,518. As of June 30, 2022, the value of the lease receivable is \$73,598. The lessee is required to make monthly fixed payments of \$1,400 through December, 2026. The lease has an interest rate of 1.1770%. The value of the deferred inflow of resources as of June 30, 2022, was \$73,242, and the City recognized lease revenue of \$16,276 during the fiscal year.

Cavalier Manor Recreation Center: An initial lease receivable was recorded in the amount of \$62,289. As of June 30, 2022, the value of the lease receivable is \$50,050. The lessee is required to make monthly fixed payments of \$1,231 through June, 2026. The lease has an interest rate of 1.0590%. The value of the deferred inflow of resources as of June 30, 2022, was \$49,831, and the City recognized lease revenue of \$12,458 during the fiscal year. The lessee has 4 extension option(s), each for 12 months.

Recreation Center - John F. Kennedy: An initial lease receivable was recorded in the amount of \$132,394. As of June 30, 2022, the value of the lease receivable is \$106,379. The lessee is required to make monthly fixed payments of \$2,529 through June, 2026. The lease has an interest rate of 1.0590%. The value of the deferred inflow of resources as of June 30, 2022, was \$105,915, and the City recognized lease revenue of \$26,479 during the fiscal year. The lessee has 4 extension options, each for 12 months.

Recreation Center - Joseph E. Parker: An initial lease receivable was recorded in the amount of \$28,990. As of June 30, 2022, the value of the lease receivable is \$23,294. The lessee is required to make monthly fixed payments of \$542 through June, 2026. The lease has an interest rate of 1.0590%. The value of the deferred inflow of resources as of June 30, 2022, was \$23,192, and the City recognized lease revenue of \$5,798 during the fiscal year. The lessee has 4 extension options, each for 12 months.

Effingham Street Water Tower: An initial lease receivable was recorded in the amount of \$49,647. As of June 30, 2022, the value of the lease receivable is \$18,333. The lessee is required to make monthly fixed payments of \$2,624 through February, 2023. The lease has an interest rate of 0.5140%. The value of the deferred inflow of resources as of June 30, 2022, was \$18,937, and the City recognized lease revenue of \$30,709 during the fiscal year.

4690 Greenwood Drive: An initial lease receivable was recorded in the amount of \$320,900. As of June 30, 2022, the value of the lease receivable is \$290,388. The lessee is required to make monthly fixed payments of \$2,554 through August, 2030. The lease has an interest rate of 0.3160%. The value of the deferred inflow of resources as of June 30, 2022, was \$285,839, and the City recognized lease revenue of \$35,060 during the fiscal year. The lessee has 1 extension option of 60 months.

New lease(s) during the year ended June 30, 2022:

1701 High Street - Suite 102: An initial lease receivable was recorded in January, 2022, in the amount of \$3,363,359. As of June 30, 2022, the value of the lease receivable is \$3,232,774. The lessee is required to make monthly fixed payments of \$30,987 through December, 2031. The lease has an interest rate of 1.8800%. The value of the deferred inflow of resources as of June 30, 2022, was \$3,211,247, and the City recognized lease revenue of \$152,112 during the fiscal year. The lessee has 1 extension option for 60 months.



**(6) LEASING ARRANGEMENTS (CONTINUED)**

The Economic Development Authority, as the lessor, has entered into the following lease arrangements:

Leases that were in place prior to July 1, 2021, the implementation date of GASB Statement 87, *Leases*:

Hotel: Previously, the city redeveloped a tract of land to further economic development and enhancement of the city's downtown and waterfront areas through the development of a hotel and conference center with accompanying parking. A 250-room, first class, full-service destination hotel is currently owned and operated by 425 Water LLC. The owner is paying the Authority for air rights (intangible) and management of the conference center. The parking garage is operated by the hotel, no payments are made to the Authority. The agreement for the air rights and conference center expires on June 1, 2049, with the right to extend for four 10-year terms and one 9-year term. The rent was \$58,745 for 2022, at an interest rate of 0.89%.

The City and Economic Development Authority expect the following principal and interest payments on these leases through maturity:

Fiscal Year Ending	Primary Government		Economic Development Authority	
	Principal	Interest	Principal	Interest
2023	\$ 423,820	\$ 61,454	\$ 59,270	\$ 15,730
2024	413,168	54,712	59,799	15,201
2025	421,002	47,877	60,334	14,666
2026	428,993	40,917	60,873	14,127
2027	382,589	34,072	61,417	13,583
2028-2032	1,725,242	70,667	315,416	59,584
2033-2037	-	-	329,764	45,236
2038-2042	-	-	344,764	30,236
2043-2047	-	-	360,447	14,553
2048-2049	-	-	148,728	1,272
	<u>\$ 3,794,814</u>	<u>\$ 309,699</u>	<u>\$ 1,800,812</u>	<u>\$ 224,188</u>

**(7) RETIREMENT PLANS**

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

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

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

**Portsmouth Retirement Systems**

***Summary of Significant Accounting Policies***

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

*Method used to value investments.* Investments are reported at fair value in accordance with GAAP. Investments are measured using fair value hierarchy. Securities traded on a national exchange are reported at fair value based on the closing market prices quoted each business day, which are published and represent verifiable valuation (Level 1) inputs. Securities that do not have a readily determinable fair 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, 2022:

	<u>Total</u>	<u>PSRS</u>	<u>FPRS</u>
Retirees and beneficiaries	963	333	630
Vested terminated employees not yet receiving benefits	46	8	38
Current vested employees	14	11	3
	<u>1,023</u>	<u>352</u>	<u>671</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 2022 were \$2,517,941 and \$8,199,999, respectively or \$10,717,940 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	66%	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, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (15.76)% and (15.70)%, 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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2021, 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, 2020	\$ 232,595,728	\$ 158,779,283	\$ 73,816,445
Change for the year:			
Service Cost	118,664	-	118,664
Interest	16,085,412	-	16,085,412
Differences between expected and actual experience	(124,107)	-	(124,107)
Contributions - employer	-	10,279,577	(10,279,577)
Net investment income	-	44,674,758	(44,674,758)
Benefit payments, including refunds of employee contributions	(22,267,894)	(22,267,894)	-
Administrative expenses	-	(278,056)	278,056
Changes of assumptions	(800,780)	-	(800,780)
Net changes	(6,988,705)	32,408,385	(39,397,090)
Balance at June 30, 2021	\$ 225,607,023	\$ 191,187,668	\$ 34,419,355

***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, 2020	\$ 73,934,417	\$ 52,755,467	\$ 21,178,950
Change for the year:			
Service Cost	37,325	-	37,325
Interest	5,082,959	-	5,082,959
Differences between expected and actual experience	(603,260)	-	(603,260)
Contributions - employer	-	3,377,371	(3,377,371)
Net investment income	-	14,753,283	(14,753,283)
Benefit payments, including refunds of employee contributions	(7,935,764)	(7,935,764)	-
Administrative expenses	-	(95,328)	95,328
Changes of assumptions	(362,961)	-	(362,961)
Net changes	(3,781,701)	10,099,562	(13,881,263)
Balance at June 30, 2021	\$ 70,152,716	\$ 62,855,029	\$ 7,297,687

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

*Actuarial Assumptions.*

The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal - Level Percentage of Pay
Interest Rate	7.25%
Annual Rates of Salary 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-2020).

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2020, through June 30, 2021.

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	\$ 75,431,400	70,152,716	65,522,051
Less: Fiduciary Net Position	62,855,029	62,855,029	62,855,029
Net Pension Liability	\$ 12,576,371	7,297,687	2,667,022
<b>FPRS</b>			
Total Pension Liability	\$ 246,175,790	225,607,023	208,057,554
Less: Fiduciary Net Position	191,187,668	191,187,668	191,187,668
Net Pension Liability	\$ 54,988,122	34,419,355	16,869,886



**(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, 2022, the City recognized total pension income/recovery of \$3,035,299 (\$1,414,670 for PSRS and \$1,620,629 for FPRS). At June 30, 2022, 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	\$ -	\$ 7,882,409	\$ -	\$ 23,971,355
Employer contribution subsequent to the measurement date	2,517,941	-	8,199,999	-
Total	<u>\$ 2,517,941</u>	<u>\$ 7,882,409</u>	<u>\$ 8,199,999</u>	<u>\$ 23,971,355</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 2023. 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>
2023	\$ (1,689,346)	\$ (5,180,238)
2024	(1,984,043)	(6,039,284)
2025	(1,981,877)	(6,013,093)
2026	(2,227,143)	(6,738,740)
	<u>\$ (7,882,409)</u>	<u>\$ (23,971,355)</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	\$ 1,537,034	\$ 4,719,162
Investments		
Stocks	33,262,559	102,126,211
Real estate	1,621,325	4,977,963
Fixed income	11,997,807	36,836,929
Total investments	<u>46,881,691</u>	<u>143,941,103</u>
Total assets	<u>48,418,725</u>	<u>148,660,265</u>
Net position restricted for pension	<u>\$ 48,418,725</u>	<u>\$ 148,660,265</u>

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

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System
Additions:		
Contributions		
Employers' contributions	\$ 2,517,941	\$ 8,199,999
Investment loss	(9,512,540)	(29,189,401)
Total additions	(6,994,599)	(20,989,402)
Deductions:		
Benefit payments	7,332,578	21,219,756
Administrative expenses	109,127	318,245
Total deductions	7,441,705	21,538,001
Change in net position	(14,436,304)	(42,527,403)
Net position restricted for pensions, beginning of year	62,855,029	191,187,668
Net position restricted for pensions, end of year	\$ 48,418,725	\$ 148,660,265

(7) RETIREMENT PLANS

**Virginia Retirement System**

**Plan Description**

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

All full-time, salaried permanent employees of the City and School Board are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave and previously refunded service

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***

Members 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 with 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 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2021-annual-report.pdf](http://varetire.org/pdf/publications/2021-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

***Employees Covered by Benefit Terms***

As of the June 30, 2020, 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	1,180	377
Inactive members:		
Vested inactive members	396	51
Non-vested Inactive members	716	140
LTD	1	-
Inactive members active elsewhere in VRS	807	77
Total inactive members	1,920	268
Active members	1,494	334
Total covered employees	4,594	979

**(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, 2022, was 13.06 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the VRS pension plan from the City were \$9,624,231 and \$9,355,328 for the years ended June 30, 2022, and June 30, 2021, respectively.

The School Board (Non-Professional) VRS pension plan's contractually required contribution rate for the fiscal year ended June 30, 2022, was 10.75 percent of annual covered payroll. The actuarial rate for this plan was 11.52 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 \$766,929 and \$759,591 for the years ended June 30, 2022, and June 30, 2021, respectively.

The School Board Professional VRS plan's contractually required contribution rate for the fiscal year ended June 30, 2022, was 16.62 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits 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 \$13,558,488 and \$13,639,527 for the years ended June 30, 2022, and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

***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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

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, 2021, 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	\$ 53,381,141
Plan fiduciary net position	<u>45,617,878</u>
Employer's net pension liability	<u>\$ 7,763,263</u>
Plan fiduciary net position as a percentage of the total pension liability	85.46%

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

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, 2022, the School Board reported a liability of \$76,676,112 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was also determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the School Board's proportion was 0.98770% as compared to 0.98224% at June 30, 2020.

***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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

**Mortality rates:**

General Employees – Non-Hazardous Duty: 15% of deaths are assumed to be service-related

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Beneficiaries and Survivors:**

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

**Mortality Improvement:**

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

**General Employees - Non-Hazardous Duty:**

Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvements Scale MP-2020.

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

Retirement rates: Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age

Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability rates: No change

Salary scale: No change

Line of Duty disability: No change

Discount rate: No change

***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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

Mortality rates:

Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.

Mortality Improvements:

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

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

**Hazardous Duty:**

Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement rates: Adjusted rates to better fit experience and changed final retirement age from 65 to 70.

Withdrawal rates: Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty

Disability rates: No change

Salary scale: No change

Line of Duty disability: No change

Discount rate: No change

***Actuarial Assumptions - Teachers***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

**Mortality rates:**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

**Mortality Improvement:**

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

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement rates: Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all

Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability rates: No change

Salary scale: No change

Discount rate: No change

***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>Long-Term Target Asset 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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS	6.00%	3.29%	0.20%
PIP	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.39%

\* The above allocation provides a one year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11% including expected inflation of 2.50%

**(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, 2021, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in Net Pension Liability - City VRS Plan***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2020	\$ 385,704,577	336,617,958	49,086,619
Change for the year:			
Service Cost	9,996,320	-	9,996,320
Interest	25,423,743	-	25,423,743
Differences between expected and actual experience	(6,451,489)	-	(6,451,489)
Changes in assumption	15,849,603		15,849,603
Contributions - employer	-	9,355,328	(9,355,328)
Contributions - employee	-	3,557,452	(3,557,452)
Net investment income	-	91,870,741	(91,870,741)
Benefit payments, including refunds of employee contributions	(18,113,062)	(18,113,062)	-
Administrative expenses	-	(227,302)	227,302
Other changes	-	8,682	(8,682)
Net changes	26,703,115	86,451,839	(59,748,724)
Balance at June 30, 2021	\$ 412,407,692	423,069,797	(10,662,105)



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

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2020	\$ 41,268,488	31,577,381	9,691,107
Change for the year:			
Service Cost	644,553	-	644,553
Interest	2,687,000	-	2,687,000
Differences between expected and actual experience	(588,445)	-	(588,445)
Changes in assumptions	1,279,576		1,279,576
Contributions - employer	-	762,490	(762,490)
Contributions - employee	-	320,410	(320,410)
Net investment income	-	8,411,421	(8,411,421)
Benefit payments, including refunds of employee contributions	(2,922,149)	(2,922,149)	-
Administrative expenses	-	(22,131)	22,131
Changes in assumptions	-	-	-
Other changes	-	782	(782)
Net changes	1,100,535	6,550,823	(5,450,288)
Balance at June 30, 2021	\$ 42,369,023	38,128,204	4,240,819

***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%)
City VRS Plan	\$ 42,919,365	\$ (10,662,105)	\$ (54,988,020)
School Board Professional VRS Plan	\$ 147,980,746	\$ 76,676,112	\$ 18,018,528
School Board Non-Professional VRS Plan	\$ 8,856,894	\$ 4,240,819	\$ 349,503

**(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, 2022, the City recognized pension expense of \$1,306,152.

For the year ended June 30, 2022, the School Board recognized for its Professional VRS plan pension expense of (\$154,750). 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 \$115,124.

At June 30, 2022, 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	\$ -	\$ 5,112,094	\$ -	\$ 6,530,807	\$ -	\$ 379,120
Change in assumptions	10,600,052	-	13,433,454	-	715,886	-
Net difference between projected and actual earnings on pension plan investments	-	45,672,267	-	48,319,234	-	4,137,012
Changes in proportion	-	-	581,467	2,003,629	-	-
Employer contributions subsequent to the measurement date	9,624,231	-	13,558,488	-	766,929	-
Total	\$ 20,224,283	\$ 50,784,361	\$ 27,573,409	\$ 56,853,670	\$ 1,482,815	\$ 4,516,132

**(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 2023. 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
2023	\$ (8,391,196)	\$ (10,576,224)	\$ (712,462)
2024	(7,339,206)	(8,937,313)	(857,460)
2025	(10,587,522)	(9,867,190)	(961,777)
2026	(13,866,385)	(13,472,620)	(1,268,547)
2027	-	14,598	-
	<u>\$ (40,184,309)</u>	<u>(42,838,749)</u>	<u>(3,800,246)</u>

***Payables to the Pension Plans***

At June 30, 2022, 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				
Net pension asset	\$ -	\$ -	\$ 9,809,137	\$ 9,809,137
Deferred outflows	2,014,352	8,199,999	18,606,339	28,820,690
Net pension liability	5,838,149	34,419,355	-	40,257,504
Deferred inflows	6,305,927	23,971,355	46,721,612	76,998,894
Pension expense (recovery)	1,131,735	1,620,627	(1,201,659)	1,550,703
Business-type activities				
Net pension asset	-	-	852,968	852,968
Deferred outflows	503,589	-	1,617,944	2,121,533
Net pension liability	1,459,538	-	-	1,459,538
Deferred inflows	1,576,482	-	4,062,749	5,639,231
Pension expense (recovery)	282,934	-	(104,493)	178,441
Total Primary Government				
Net pension asset	-	-	10,662,105	10,662,105
Deferred outflows	2,517,941	8,199,999	20,224,283	30,942,223
Net pension liability	7,297,687	34,419,355	-	41,717,042
Deferred inflows	7,882,409	23,971,355	50,784,361	82,638,125
Pension expense (recovery)	1,414,669	1,620,627	(1,306,152)	1,729,144
Discretely presented component unit - School Board			VRS	Total
		Prof	Non-Prof	
Deferred outflows		\$ 27,573,409	\$ 1,482,815	\$ 29,056,224
Net pension liability		76,676,112	4,240,819	80,916,931
Deferred inflows		56,853,670	4,516,132	61,369,802
Pension expense		(154,750)	115,124	(39,626)

**(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, 2022, includes:

	<b>City</b>	<b>School Board</b>
Active Participants	1,409	1,766
Retirees and Spouses	753	24

***Benefits Provided***

The Program provides medical (health) and dental insurance benefits 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 2022, the City contributed \$1,770,171 to the program, all for current premiums, and there was no additional prefunding contribution. Retired employees receiving benefits contributed \$1,464,547 through required monthly contributions that vary from \$536.55 to \$2,180.34 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, 2022, 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, 2022, the annual money-weighted rate of return on city OPEB plan investments, net of OPEB plan investment expense, was (9.74)%. 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, 2022, were as follows:

	<b>City</b>	<b>School Board</b>
Total OPEB Liability	\$ 14,473,213	\$ 7,050,068
Fiduciary Net Position	(6,509,175)	(15,966,980)
Net OPEB Liability	\$ 7,964,038	\$ (8,916,912)
Fiduciary Net Position as a % of Total OPEB Liability	44.97%	226.48%

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

City	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balance as of June 30, 2021	\$ 19,266,637	\$ 6,683,738	\$ 12,582,899
Service cost	407,997	-	407,997
Interest on total OPEB liability	1,238,220	-	1,238,220
Effect of plan changes	(2,088,995)	-	(2,088,995)
Effect of economic gains/losses	(2,952,684)	-	(2,952,684)
Effect of assumptions changes or inputs	(127,791)	-	(127,791)
Benefits payments	(1,270,171)	(1,270,171)	-
Administrative expenses	-	(7,710)	7,710
Employer contributions	-	1,770,171	(1,770,171)
Net investment income	-	(666,853)	666,853
Balance as of June 30, 2022	\$ 14,473,213	\$ 6,509,175	\$ 7,964,038

**(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 Asset
Balances at June 30, 2021	\$ 6,962,175	\$ 17,756,189	\$ (10,794,014)
Changes during the year:			
Service cost	131,581	-	131,581
Interest	624,168	-	624,168
Experience (gains)	553,937	-	553,937
Change in actuarial assumptions	(632,710)	-	(632,710)
Contributions/benefits paid from general operating funds		443,633	(443,633)
Net investment income	-	(1,624,252)	(1,624,252)
Benefit payments, including refunds of employer contributions	(589,083)	(589,083)	-
Administrative expenses	-	(19,507)	19,507
Balance at June 30, 2022	<u>\$ 7,050,068</u>	<u>\$ 15,966,980</u>	<u>\$ (8,916,912)</u>

***Actuarial Assumptions***

The net OPEB asset for the City was measured as of June 30, 2022, and is based on a valuation performed as of January 1, 2022. The net OPEB asset for the Portsmouth City Public School Board was measured as of June 30, 2022, 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%	5.00% (for purposes of allocating liability)
Investment rate of return	6.50%	9.7% (including inflation)
20-year Aa Municipal bond rate	n/a	4.09%

**Mortality - City:**

Pre-Retirement RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2022; males 95% of rates; females 105% of rates. 20% of deaths are assumed to be service related.

Post-Retirement RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2022; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement RP-2014 Disabled Mortality Rates projected with Scale BB to 2022; males set forward 2 years, 110% of rates; females 125% of rates.

**Mortality - Portsmouth City Public Schools**

Public Teacher 2010 Headcount weighted mortality; Spouses and all others; Public General 2010 Employee and Healthy Retiree, Headcount weighted, mortality tables with improvement scale MP 2021

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

***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.

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Core fixed income	21.00%	1.39%	1.28%
Large Cap US equities	26.00%	4.94%	3.46%
Small Cap US equities	10.00%	6.73%	4.18%
Developed foreign equities	13.00%	6.27%	4.52%
Emerging market equities	5.00%	8.82%	5.31%
Private real estate property	7.00%	4.61%	3.58%
Private equity	5.00%	10.36%	6.15%
Commodities	3.00%	1.99%	0.61%
Hedge FOF Strategic	10.00%	3.58%	2.67%
Assumed inflation		2.40%	2.40%
Portfolio real mean return		4.76%	3.97%
Portfolio nominal mean return		7.16%	6.46%
Portfolio standard deviation			12.28%
Long-term expected rate of return			6.50%

*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 9.7%. 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.

**(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 Discount Rate***

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

	City of Portsmouth		
	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability	\$ 9,107,336	\$ 7,964,038	\$ 6,935,526

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (continued)***

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:

	Portsmouth City Public School Board		
	1% Decrease (8.21%)	Discount Rate (9.21%)	1% Increase (10.21%)
Net OPEB Asset	\$ (8,482,550)	\$ (8,916,912)	\$ (9,313,130)

***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	Current Trend Rate	1% Increase
Net OPEB liability	\$ 6,706,237	\$ 7,964,038	\$ 9,425,108

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	\$ (9,309,527)	\$ (8,916,912)	\$ (8,477,408)

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

At June 30, 2022, the City reported a liability of \$7,964,038. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022. For the year ended June 30, 2022, the City recognized OPEB expense/(recovery) of (\$3,276,135). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>City of Portsmouth</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 835,484	\$ 1,485,104
Net difference between projected and actual investment earnings	-	335,603
Differences between expected and actual experience	7,053,150	-
Total	\$ 7,888,634	\$ 1,820,707



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

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

*City (continued)*

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

<b>Year ended June 30:</b>		
2023	\$	(1,521,729)
2024		(906,403)
2025		(935,378)
2026		(727,439)
2027		(949,764)
Thereafter		(1,027,214)
Total	\$	<u>(6,067,927)</u>

*Portsmouth City Public School Board*

At June 30, 2022, the Portsmouth City Public School Board reported an asset of \$(8,916,912). The net OPEB asset was measured as of June 30, 2022, 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, 2022, the Portsmouth City Public School Board recognized OPEB expense of \$802,155. At June 30, 2022, 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	\$	490,557	\$	7,135,512
Changes in assumptions		2,418,127		5,387,239
Investment earnings (gains/losses)		1,131,651		-
Total	\$	<u>4,040,335</u>	\$	<u>12,522,751</u>

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

<b>Year Ended June 30:</b>		
2023	\$	(1,182,504)
2024		(1,108,065)
2025		(1,267,303)
2026		(697,389)
2027		(1,346,728)
Thereafter		(2,880,427)
Total	\$	<u>(8,482,416)</u>

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

***Significant Changes***

*City*

The City discontinued its Health Reimbursement Account (HRA) arrangement for a closed group of post-65 retirees effective July 1, 2021. Reimbursements were discontinued December 31, 2021. This change decreased the plan's Total OPEB Liability by about \$2.1 million as of June 30, 2022. This decrease is immediately recognized in fiscal 2022 OPEB expense. The age-related claims cost assumptions were updated, and the healthcare trend assumption was changed.

*Portsmouth City Public School Board*

In the June 30, 2022, actuarial valuation, the discount rate was increased from 9.18% to 9.70% based on mortality improvement updated from MP-2019. The Pre-65 Medical Inflation was updated from 7.25% graded down to 4.5% based on national surveys of expected medical trend. Salary scale changed from 2.0% to 5.0%. Retirement benefit payments are typically concentrated at the beginning of the fiscal year with very few payments spread over the year. 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.

	<u>OPEB Trust Fund</u>	
Assets		
Investments		
Stocks	\$ 3,514,954	
Bonds	1,366,927	
Real estate	455,642	
Other	<u>1,171,652</u>	
Total investments	<u>6,509,175</u>	
Total assets	<u>6,509,175</u>	
Net position restricted for OPEB	<u>\$ 6,509,175</u>	
		<u>OPEB Trust Fund</u>
Additions:		
Contributions:		
Employers' contributions	\$ 1,770,171	
Investment income:		
Gains	<u>(666,853)</u>	
Total additions	<u>1,103,318</u>	
Deductions:		
Benefit payments	1,270,171	
Administrative expenses	<u>7,710</u>	
Total deductions	<u>1,277,881</u>	
Change in net position	(174,563)	
Net position restricted for OPEB, beginning of year	<u>6,683,738</u>	
Net position restricted for OPEB, end of year	<u>\$ 6,509,175</u>	

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

**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:

<b>GLIP PLAN PROVISIONS</b>
<p><b><u>Eligible Employees</u></b></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 accumulated retirement member contribution and accrued interest.</p>
<p><b><u>Benefit Amounts</u></b></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><b><u>Reduction in benefit Amounts</u></b></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><b><u>Minimum Benefit Amount and Cost of Living Adjustment (COLA)</u></b></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 in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,722 effective June 30, 2022.</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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLIP from the City were \$420,489 and \$406,227 for the years ended June 30, 2022, and June 30, 2021, respectively. Portsmouth City Public School Board contributions were \$39,465 and \$40,131 for the years ended June 30, 2022, and June 30, 2021, respectively, for nonprofessional employees and \$469,589 and \$472,040 for the years ended June 30, 2022, and June 30, 2021, respectively, for professional employees.

***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, 2022, the City reported a liability of \$4,242,139 for its proportionate share of the Net GLIP OPEB Liability. The Net GLIP OPEB Liability was measured as of June 30, 2021, 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the City's proportion was 0.35703% as compared to 0.35123% at June 30, 2020. For insurance only employees, the City's proportion was 0.00733% as compared to 0.00996% at June 30, 2020. For the year ended June 30, 2022, the City recognized GLI OPEB expense/(recovery) of \$97,445. 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, 2022, the Portsmouth City Public School Board reported a liability of \$419,137 for its proportionate share of the Net GLIP OPEB Liability for nonprofessional employees. At June 30, 2022, the Portsmouth City Public School Board reported a liability of \$4,929,408 for its proportionate share of the Net GLIP OPEB Liability for professional employees. The Net GLIP OPEB Liability was measured as of June 30, 2021, 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, 2020, and rolled forward to the measurement date of June 30, 2021. The School Board's proportion of the Net GLIP OPEB Liability was based on the School Board's actuarially determined employer contributions to the GLIP for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the School Board's proportion was 0.03600% as compared to 0.03746% at June 30, 2020 for nonprofessional employees. At June 30, 2021, the School Board's proportion was 0.42339% as compared to 0.41762% at June 30, 2020 for professional employees. For the year ended June 30, 2022, the Portsmouth City Public School Board recognized GLIP OPEB expense of (\$3,273) for nonprofessional employees. For the year ended June 30, 2022, the Portsmouth City Public School Board recognized GLIP OPEB expense of \$140,428 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, 2022, 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	\$ 483,830	\$ 32,322	\$ 562,216	\$ 37,559	\$ 47,804	\$ 3,194
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,012,508	-	1,176,544	-	100,039
Changes in assumptions	233,868	580,415	271,757	674,448	23,107	57,347
Changes in proportion	82,031	245,681	71,045	181,260	-	65,879
Employer contributions subsequent to the measurement date	420,489	-	469,589	-	39,465	-
Total	\$ 1,220,218	\$ 1,870,926	\$ 1,374,607	\$ 2,069,811	\$ 110,376	\$ 226,459

City - \$420,489 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, 2023.

Portsmouth City Public School Board - \$469,589 reported as deferred outflows of resources related to GLIP OPEB 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, 2023, for professional employees. \$39,465 reported as deferred outflows of resources related to GLIP OPEB 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, 2023, 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
2023	\$ (285,332)	\$ (304,363)	\$ (41,093)
2024	(213,289)	(227,532)	(34,216)
2025	(187,885)	(202,964)	(29,655)
2026	(328,759)	(370,895)	(40,191)
2027	(55,932)	(59,039)	(10,393)
Thereafter	-	-	-
	\$ (1,071,197)	\$ (1,164,793)	\$ (155,548)

**(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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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



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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; charged final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality rates – JRS Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Mortality rates – Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

***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, 2021, NOL amounts for the GLIP is as follows (amounts expressed in thousands):

Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	2,413,074
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,164,272</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%
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The total GLIP 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 GLI OPEB Liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

**(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:

<b>Asset Class (strategy)</b>	<b>Long-Term Target Asset 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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.39%

\*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

***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 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, 2021, 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, 2021 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	\$ 6,197,919	\$ 4,242,139	\$ 2,662,758
School Board's proportionate share of the GLIP OPEB liability - Professional	\$ 7,202,044	\$ 4,929,408	\$ 3,094,151
School Board's proportionate share of the GLIP OPEB liability - Nonprofessional	\$ 612,375	\$ 419,137	\$ 263,089

***GLIP Fiduciary Net Position***

Detailed information about the GLIP's Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2021-annual-report.pdf](http://varetire.org/pdf/publications/2021-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**(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:

<b>VLDP PLAN PROVISIONS</b>
<p><b><u>Eligible Employees</u></b></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><b><u>Benefit Amounts</u></b></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)
<p><b>Virginia Local Disability Program Notes:</b></p> <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, 2022, was 0.83% 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, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City to the VRS Political Subdivision Employee VLDP were \$188,200 and \$161,339 for the years ended June 30, 2022, and June 30, 2021, respectively. Contributions from the School Board were \$30,544 and \$27,450 for the years ended June 30, 2022, and June 30, 2021, 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, 2022, was 0.47% 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, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions were \$144,190 and \$138,323 for the years ended June 30, 2022, and June 30, 2021, respectively.

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

At June 30, 2022, the City and School Board (Nonprofessional) reported assets of \$48,982 and \$8,334, 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, 2020, 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the City's proportion of the VRS Political Subdivision Employee VLDP was 4.83886% as compared to 4.53564% at June 30, 2020. At June 30, 2021, the School Board's proportion of the VRS Political Subdivision Employee VLDP was 0.78550% as compared to 0.82328% at June 30, 2020.

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

For the year ended June 30, 2022, the City and School Board (Nonprofessional) recognized VRS Political Subdivision Employee VLDP OPEB expense of \$134,889 and \$22,671, 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, 2022, the Portsmouth City Public School Board (Professional) reported an asset of \$30,790 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, 2021, 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Portsmouth City Public School Board's proportion of VLDP was 3.81170% as compared to 4.61204% at June 30, 2020.

For the year ended June 30, 2022, the Portsmouth City Public School Board (Professional) recognized VRS Teacher Employee VLDP OPEB expense of \$103,608. 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, 2022, 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	\$ 1,663	\$ 13,283	\$ 16,712	\$ -	\$ 283	\$ 2,260
Differences between expected and actual experience	29,099	73,386	15,396	17,111	4,951	12,486
Net difference between projected and actual investment earnings on plan investments	-	27,330	-	24,498	-	4,650
Changes in proportionate share	4,012	31	-	1,042	146	1,031
Employer contributions subsequent to the measurement date	188,200	-	144,190	-	30,544	-
Total	\$ 222,974	\$ 114,030	\$ 176,298	\$ 42,651	\$ 35,924	\$ 20,427

City and Portsmouth City Public School Board (Nonprofessional): \$188,200 and \$30,544, 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, 2023.

Portsmouth City Public School Board (Professional): \$144,190 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, 2023.

**(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
2023	\$ (10,615)	\$ (4,931)	\$ (2,085)
2024	(10,522)	(4,960)	(2,069)
2025	(10,935)	(4,919)	(2,146)
2026	(21,705)	(5,860)	(4,025)
2027	(7,587)	957	(1,414)
Thereafter	(17,892)	9,170	(3,308)
	<u>\$ (79,256)</u>	<u>\$ (10,543)</u>	<u>\$ (15,047)</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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5 percent
Salary increases, including inflation –	
Political Subdivision Employees	3.5 percent – 5.35 percent
Teacher Employees	3.5 percent – 5.95 percent
Investment rate of return	6.75 percent, net of plan investment expenses, including inflation

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally

**Mortality Improvement Scale:**

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

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

***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, 2021, 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):

	<b>Teacher Employer VLDP OPEB Plan</b>	<b>Political Subdivision Employee VLDP OPEB Plan</b>
Total Employee VLDP OPEB Liability	\$ 4,884	\$ 5,156
Plan Fiduciary Net Position	5,590	6,166
Employee Net VLDP OPEB Liability (Asset)	\$ (706)	\$ (1,010)
Plan Fiduciary Net Position as a Percentage of the Total Employee VLDP OPEB Liability	114.46%	119.59%

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

\*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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

***Discount Rate***

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the 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, 2021, 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 (Asset)	\$ (26,238)	\$ (48,982)	\$ (68,707)
School Board's proportionate share of net VLDP OPEB liability (Asset) - professional	\$ (4,620)	\$ (30,790)	\$ (53,796)
School Board's proportionate share of net VLDP OPEB liability (Asset) - non-professional	\$ (4,465)	\$ (8,334)	\$ (11,690)

***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 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2021-annual-report.pdf](http://varetire.org/pdf/publications/2021-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**(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>	
<b><u>Eligible Employees</u></b>	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.
<b><u>Benefit Amounts</u></b>	<p>The LODA provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> <li>• <b><u>Death</u></b> – 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>• <b><u>Health Insurance</u></b> – The LODA provides health insurance benefits. <ul style="list-style-type: none"> <li>○ The health insurance benefits are managed through the Virginia Department of Human Resource Management (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.</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, 2022, was \$722.55 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA from the entity were \$412,757 and \$403,487 for the years ended June 30, 2022, and June 30, 2021, 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, 2022, the City reported a liability of \$12,924,097 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021, and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021, relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2021, the City's proportion was 2.93069% as compared to 3.16661% at June 30, 2020.

For the year ended June 30, 2022, the entity recognized LODA OPEB expense of \$958,087. 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, 2022, 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	\$ -	\$ 74,839
Differences between expected and actual experience	1,077,522	1,956,821
Change in assumptions	3,576,527	618,219
Changes in proportion	373,121	1,912,220
Employer contribution subsequent to the measurement date	412,757	-
Total	\$ 5,439,927	\$ 4,562,099



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

\$412,757 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, 2023. 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:

<b>Year Ended June 30</b>	
2023	\$ 64,875
2024	68,313
2025	69,326
2026	70,404
2027	110,601
Thereafter	81,552
	<u>\$ 465,071</u>

***Actuarial Assumptions***

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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	7.00 percent – 4.75 percent
Ages 65 and older	5.375 percent – 4.75 percent
Year of ultimate trend rate	
Under age 5	Fiscal year ended 2029
Ages 65 and older	Fiscal year ended 2024
Investment rate of return	2.16 percent, including inflation*

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

**Mortality rates – General State Employees**

**Pre-Retirement:**

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

**Post-Retirement:**

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

**Mortality Improvement Scale:**

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

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016, through June 30, 2020. 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016, through June 30, 2020. 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

**Mortality rates – Largest Ten Locality Employers With Public Safety Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Beneficiaries and Survivors:**

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

**Mortality Improvement Scale:**

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

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

***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, 2021, NOL amounts for the LODA is as follows (amounts expressed in thousands):

	<b>Line of Duty Act Program</b>	
Total LODA OPEB Liability	\$	448,542
Plan Fiduciary Net Position		7,553
Employers' Net OPEB Liability	\$	440,989
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability		1.68%

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 2.16% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2021.

***Discount Rate***

The discount rate used to measure the total LODA OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

***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 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate:

	<b>1.00% Decreases (1.16%)</b>	<b>Current Discount Rate (2.16%)</b>	<b>1.00% Increase (3.16%)</b>
Citys proportionate share of the total LODA Net OPEB Liability	\$ 14,867,450	\$ 12,924,097	\$ 11,379,942

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

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

Because the LODA contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	<b>1.00% Decrease (6.00% decreasing to 3.75%)</b>	<b>Health Care Trend Rates (7.00% decreasing to 4.75%)</b>	<b>1.00% Increase (8.00% decreasing to 5.75%)</b>
City's proportionate share of the total LODA Net OPEB Liability \$	\$ 10,604,548	\$ 12,924,097	\$ 15,898,236

***LODA OPEB Plan Fiduciary Net Position***

Detailed information about the LODA Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2021-annual-report.pdf](http://varetire.org/pdf/publications/2021-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

**Teacher Employee Health Insurance Credit Program**

The Teacher Employee Health Insurance Credit Programs (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.

***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.

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

**Eligibility:**

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

**Benefit Amounts:**

The THICP provides the following benefits for eligible employees:

**At Retirement** - For teachers and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.

**Disability Retirement** - For teachers and other professional school employees who retire on disability or go on long-term disability under the VLDP Program, the monthly benefit is either:

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

**Other Plan Information:**

The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

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

***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, 2022, was 1.21% 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, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Portsmouth City Public School Board to THICP were \$1,046,555 and \$1,052,700 for the years ended June 30, 2022, and June 30, 2021, respectively.

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

At June 30, 2022, the Portsmouth City Public School Division reported a liability of \$12,626,727 for its proportionate share of the net THICP OPEB Liability. The net THICP OPEB Liability was measured as of June 30, 2021, 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Portsmouth City Public School Board's proportion of THICP was 0.92801% as compared to 0.97597% at June 30, 2020.

For the year ended June 30, 2022, the Portsmouth City Public School Board recognized THICP OPEB expense of \$911,907. 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, 2022, 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 Inflows of Resources
Net difference between projected and actual earnings on THICP OPEB program investments	\$ -	\$ 166,332
Difference between expected and actual experience	-	220,335
Change in assumptions	341,323	50,746
Changes in proportion	86,531	407,634
Employer contributions subsequent to the measurement date	1,046,555	-
Total	\$ 1,474,409	\$ 845,047

\$1,046,555 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, 2023.



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

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 (recovery) in future reporting periods as follows:

Year Ended June 30:		
2023	\$	(131,888)
2024		(133,776)
2025		(101,651)
2026		(55,473)
2027		(6,282)
Thereafter		(11,877)
	\$	<u>(440,947)</u>

***Actuarial Assumptions***

The total THICP liability for the THICP was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

**Mortality rates – Teachers**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

**Mortality Improvement Scale:**

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

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service through 9 years of service.
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

***Net THICP OPEB Liability***

The net THICP OPEB liability represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2021, the amounts for the THICP is as follows (amounts expressed in thousands):

Total Teacher Employer THICP OPEB liability	\$	1,477,874
Plan fiduciary net position		194,305
Teacher employee Net THICP OPEB Liability	\$	<u>1,289,569</u>
Plan fiduciary net position as a percentage of the Total Teacher THICP OPEB liability		13.15%

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

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

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

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

Asset Class (strategy)	Long-Term Target Asset Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.39%

\* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing median return of %, including expected inflation of 2.50%.

***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, 2021, 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, 2021, 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	\$ 14,214,194	\$ 12,626,727	\$ 11,283,350

***THICP OPEB Plan Fiduciary Net Position***

Detailed information about the THICP Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2021-annual-report.pdf](http://varetire.org/pdf/publications/2021-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

**Political Subdivision Health Insurance Credit Program**

The Political Subdivision Health Insurance Credit Programs (PSHICP) is a multiple-employer, agent defined benefit plan that provides a credit towards the cost of health insurance coverage for retired political subdivision employees of participating employers. The PSHICP was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net PSHICP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the PSHICP OPEPB, and the PSHICP OPEB expense, information about the fiduciary net position of the VRS PSHICP; and the additions to/deductions from the VRS PSHICP's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

***Plan Description***

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by this plan upon employment. This plan is administered by the VRS (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the PSHICP OPEB including eligibility, coverage and benefits is set out in the paragraphs below:

**Eligibility:**

The PSHICP was established July 1, 1993, for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

**Benefit Amounts:**

The PSHICP provides the following benefits for eligible employees:

**At Retirement** - For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.

**Disability Retirement** - For employees who retire on disability or go on long-term disability under the VLDP Program, the monthly benefit is \$45.00 per month.

**Other Plan Information:**

The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. No Health Insurance Credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. 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.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**Political Subdivision Health Insurance Credit Program (continued)**

***Employees Covered by Benefit Terms***

As of the June 30, 2020, actuarial valuation, the following School Board employees were covered by the benefit terms of the School Board's HIC OPEB plan:

	<u>School Board - Non- Professional</u>
Active members	311
Inactive members	169
Total covered employees	<u>480</u>

***Contributions***

The contribution requirement for active employees is governed by §51.1-1402(E) 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. The School's contractually required employer contribution rate for the year ended June 30, 2022, was 0.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. 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 PSHICP were \$64,233 and \$63,626 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY21.

***Net PSHICP OPEB Liability***

The Portsmouth City Public School Division's net PSHICP OPEB Liability was measured as of June 30, 2021. The total THICP OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

***Actuarial Assumptions***

The total PSHICP liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5 percent
Salary increases, including inflation –	
General Employees	3.5 percent - 5.35 percent
Hazardous Duty Employees	3.5 percent - 4.75 percent
Investment rate of return	6.75 percent, net of plan investment expenses, including inflation

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**Political Subdivision Health Insurance Credit Program (continued)**

Mortality rates

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

***Discount Rate***

The discount rate used to measure the total PSHICP 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 difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rates. Through the fiscal year ending June 30, 2021, the rate contributed by each school division for PSHICP 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, 2021, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, PSHICP'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 PSHICP OPEB liability.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**Political Subdivision Health Insurance Credit Program (continued)**

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

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

Asset Class (strategy)	Long-Term Target Asset Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.69%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
Inflation			2.50%
*Expected arithmetic nominal return			7.39%

\* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

***Changes in Net OPEB Liability - School Board VRS PSHICP***

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2020	\$ 897,571	-	897,571
Change for the year:			
Service cost	12,245	-	12,245
Interest	60,586	-	60,586
Changes of assumptions	20,995	-	20,995
Contributions - employer	-	63,628	(63,628)
Net investment income	-	8,483	(8,483)
Administrative expenses	-	(282)	282
Net changes	93,826	71,829	21,997
Balance at June 30, 2021	\$ 991,397	71,829	919,568



**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**Political Subdivision Health Insurance Credit Program (continued)**

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

The following presents the Portsmouth City Public School Board's proportionate share of the net PSHICP 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 PSHICP 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	\$ 1,015,221	\$ 919,568	\$ 837,401

For the year ended June 30, 2022, the Portsmouth City Public School Board recognized PSHICP OPEB expense of \$74,478. At June 30, 2022, 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 Inflows of Resources
Net difference between projected and actual earnings on THICP OPEB program investments	\$ -	\$ 5,076
Change in assumptions	16,223	-
Employer contributions subsequent to the measurement date	64,233	-
Total	\$ 80,456	\$ 5,076

\$64,233 reported as deferred outflows of resources related to PSHICP resulting from the Portsmouth City Public School division's contributions subsequent to the measurement date will be recognized as a reduction of the net PSHICP OPEB Liability in the Fiscal Year ending June 30, 2023.

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

Year Ended June 30:	
2023	\$ 3,503
2024	3,503
2025	3,503
2026	638
2027	-
Thereafter	-
Total	\$ 11,147

***PSHICP OPEB Plan Fiduciary Net Position***

Information about the PSHICP Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report*. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2021-annual-report.pdf](http://varetire.org/pdf/publications/2021-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**(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:					
Net OPEB asset	\$ -	\$ -	\$ 45,063	\$ -	\$ 45,063
Deferred outflows	1,675,050	1,122,601	205,136	5,439,927	8,442,714
Net OPEB liability	7,326,915	3,902,768	-	12,924,097	24,153,780
Deferred inflows	7,257,542	1,721,252	104,908	4,562,099	13,645,801
OPEB expense (recovery)	(3,014,044)	89,649	124,098	958,087	(1,838,264)
Business-type activities:					
Net OPEB asset	\$ -	\$ -	\$ 3,919	\$ -	\$ 3,919
Deferred outflows	145,657	97,617	17,838	-	261,112
Net OPEB liability	637,123	339,371	-	-	976,494
Deferred inflows	631,092	149,674	9,122	-	789,888
OPEB expense (recovery)	(262,091)	7,796	10,791	-	(243,504)
Total Primary Government:					
Net OPEB asset	\$ -	\$ -	\$ 48,982	\$ -	\$ 48,982
Deferred outflows	1,820,707	1,220,218	222,974	5,439,927	8,703,826
Net OPEB liability	7,964,038	4,242,139	-	12,924,097	25,130,274
Deferred inflows	7,888,634	1,870,926	114,030	4,562,099	14,435,689
OPEB expense (recovery)	(3,276,135)	97,445	134,889	958,087	(2,081,768)

**Discretely presented component unit – School Board**

	Local	HIC (VRS)		GLI (VRS)		VLDP (VRS)		Total
		Prof	Non-Prof	Prof	Non-Prof	Prof	Non-Prof	
Net OPEB asset	\$ 8,916,912	-	-	-	-	-	-	\$ 8,916,912
Deferred outflows	\$ 4,040,335	1,474,409	80,456	1,374,607	110,376	176,298	35,910	\$ 7,292,391
Net OPEB liability	\$ -	12,626,727	919,568	4,929,408	419,317	(30,790)	(8,334)	\$ 18,855,896
Deferred inflows	\$ 12,522,751	845,047	5,076	2,069,811	226,459	42,651	20,427	\$ 15,732,222
OPEB expense	\$ 802,155	911,907	74,478	140,428	(3,273)	103,608	22,671	\$ 2,051,974

**(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, 2022, are as follows:

	Due To:
	General Fund
Due From:	
Nonmajor Governmental Funds	\$ 300,000
Nonmajor Enterprise Funds	-
Internal Service Funds	3,410,000
Fiduciary Funds - Custodial Fund	300,000
Total	<u>\$ 10,290,665</u>

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, 2022, were as follows:

Transfers from:								
Transfers to:	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Debt Service Fund	Nonmajor Enterprise Fund	Internal Service Funds	Public Utility Fund	Total
General Fund	\$ -	\$ -	\$ 864,202	\$ -	\$ -	\$ -	\$ 8,875,000	\$ 9,739,202
Capital Improvements Fund	6,231,060	-	7,150,000	-	-	-	-	13,381,060
Nonmajor Governmental Funds	3,528,853	-	-	-	-	-	-	3,528,853
Grants Fund	759,064	-	-	-	-	-	-	759,064
Nonmajor Enterprise Funds	1,047,278	-	-	-	-	-	-	1,047,278
Debt Service	36,652,414	-	2,096,677	-	426,748	320,452	341,559	39,837,850
Internal Service Funds	-	-	-	-	-	292,876	-	292,876
Total	\$ 48,218,669	\$ -	\$ 10,110,879	\$ -	\$ 426,748	\$ 613,328	\$ 9,216,559	\$ 68,586,183

**Payments Between Component Units**

Significant transactions between the Primary Government and component units during fiscal year 2022 were as follows:

Payments from the city to the School Board for school operations; Statement of Activities - Payment from Primary Government	\$ 59,901,284
Payments from the Economic Development Authority to the City Statement of Activities – Miscellaneous General Revenues	\$ 125,000

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

**Due From Other Governments**

Amounts due from other governments at June 30, 2022, are as follows:

	<u>State</u>
Governmental activities:	
General Fund:	
Personal property tax relief	\$ 9,862,962
Constitutional officers' support	902,631
Other	187,319
Total General Fund	<u>10,952,912</u>
Nonmajor governmental funds:	
Children's Services Act Fund	281,791
Social Services Fund	1,101,694
Total nonmajor governmental funds	<u>1,383,485</u>
Total governmental activities	<u>\$ 12,336,397</u>

**(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, 2022, deferred inflows are provided in the table below. There were no unearned revenues.

	General Fund	Governmental Activities	Business-Type Activities
<b>Deferred Inflows</b>			
Deferred taxes, fees and unavailable revenue	\$ 7,569,286	n/a	n/a
Deferred revenue-other	1,671,947	n/a	n/a
<b>Total Deferred Inflows</b>	\$ 9,241,233		

**(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 \$3,552,617 reported as landfill closure and postclosure care liability at June 30, 2022, represents the cumulative amount reported to date based on the use of 30.8% of the estimated capacity of the landfill. The city will recognize the remaining estimated cost of closure and post-closure care of \$11,538,782 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 2022. 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 134.9 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, 2022, 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	\$ <u>34,309,280</u>	General Fund	\$ <u>525,836</u>

(14) LITIGATION AND CONTINGENT LIABILITIES

**Litigation**

The City is currently involved in the following court cases:

*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, filed 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. On September 23, 2022, The Portsmouth Circuit Court dismissed the City as a defendant based on the City's sovereign immunity claim. The Court also granted plaintiff leave of court to add a supervisor as a defendant. A trial date has not been set.

*Angela M. Greene v. City of Portsmouth, Lydia Pettis Patton, LaVoris Pace, Lisa Lucas Burke, L. Louise Lucas, and Milton R. Blount.*

Former Police Chief Greene filed a lawsuit against the defendants alleging wrongful termination, tortious interference with a contract, and defamation. She is suing for a total of \$14 million dollars in compensatory damages and \$1.4 million in punitive damages. The attorneys for the defendants for whom the city is responsible (the City, Patton, Pace and Burke) filed motions to dismiss the lawsuit. On January 27, 2022, the Court dismissed the suit, but allowed plaintiff's leave to amend the defamation claims against two of the defendants. On August 25, 2022, the judge dismissed all the cases with prejudice. The plaintiff has appealed to the Virginia Court of Appeals.

*New Bethel Development, LLC v. City of Portsmouth City Council.*

Plaintiff is the owner of property located at 4358 Greenwood Drive in Portsmouth. In 2009 the Portsmouth City Council granted plaintiff a conditional use permit to construct a 234-unit multi-family development. The Virginia General Assembly extended the expiration date of the use permit several times up to 2020, but the project was not constructed. In 2018, the City Council adopted a new Comprehensive Plan designating the property for single family residential use. Plaintiff alleges that the adoption of this comprehensive plan constituted a rezoning of the property and amounted to inverse condemnation, reducing the value of the land. Plaintiff is suing in Portsmouth Circuit Court for \$5,000,000 in compensatory damages and \$350,000 in punitive damages.

*Angel Jones v. City of Portsmouth.* On October 17, 2022, Angel Jones, former City Manager from April, 2021, until she was terminated by City Council on May 24, 2022, filed a Complaint in the Portsmouth Circuit Court against the City. Ms. Jones alleges that certain councilmembers solicited bribes and engaged in improper and illegal interference in personnel matters. Her claims are wrongful termination, breach of contract, fraud in the inducement, and intentional infliction of emotional distress. She demands \$5,000,000 in compensatory damages and \$350,000 in punitive damages, and attorney fees.



**(14) LITIGATION AND CONTINGENT LIABILITIES (CONTINUED)**

**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. Thus far, the city has effectively managed the impacts of COVID-19 utilizing federal funds available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA) to keep the city financials stable.

Management is continuing to actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

**(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, 2021, and June 30, 2022, 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 \$9,532,168 (undiscounted) reported in the fund at June 30, 2022, 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 \$3,025,918. 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, 2022.

Changes in the risk management claims liability amount in fiscal years 2022 and 2021, respectively, were as follows:

Risk Management:	2022	2021
Claims payable, beginning of year	\$ 8,667,330	\$ 7,415,949
Claims expense and changes in estimates	6,076,370	5,899,591
Claims payments	(5,211,531)	(4,648,210)
Claims payable, end of year	\$ 9,532,168	\$ 8,667,330

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, 2022, is \$1,424,000 (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, 2022.

Changes in the medical claim liability amount in fiscal years 2022 and 2021, respectively, were as follows:

Medical:	2022	2021
Claims payable, beginning of year	\$ 1,417,000	\$ 1,570,000
Claims expense and changes in estimates	12,534,441	14,349,077
Claims payments	(12,527,441)	(14,502,077)
Claims payable, end of year	\$ 1,424,000	\$ 1,417,000

**(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, 2022 was determined to be \$742,615 (undiscounted), of which \$522,548 due within one year. The non-current portion is \$220,067.

Changes in the school's claim liability amount in fiscal years 2022 and 2021 were:

School Board:	2022	2021
Claims payable, beginning of year	\$ 632,030	\$ 694,982
Claims and changes in estimates	3,302,245	3,366,365
Claim payments and changes in estimates	(3,191,660)	(3,429,317)
Claims payable, end of year	\$ 742,615	\$ 632,030

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, 2022 is \$1,025,000 (undiscounted), as follows:

	Balance as of July 1	Claims and Changes in Estimates	Claim Payments	Balance as of June 30
<b>Medical Claims</b>				
2021-2022	\$ 1,277,000	\$ 17,718,506	\$ 17,970,506	\$ 1,025,000
2020-2021	\$ 1,255,000	\$ 18,776,380	\$ 18,754,380	\$ 1,277,000

(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, 2022. 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, 2022. 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 Information Technology and Health Insurance and OPEB internal service funds had fund balances with accumulated deficits of \$(1,790,201) and \$(5,043,275), 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 \$(56,777,816) at June 30, 2022. This accumulated deficit is primarily due to the net pension obligation liability (\$80,916,931) and OPEB liability (\$18,855,896) at June 30, 2022.

**(18) NEW ACCOUNTING PRONOUNCEMENTS AND RESTATEMENTS**

The City and Schools have implemented GASB Statement No. 87, *Leases*, in the financial statements for the year ended June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

There were no restatements to City or Schools beginning fund balances as of the beginning of the year as a result of the implementation of this Standard.

As described in Note 1, prior to fiscal year 2022, the EDA was presented as a blended component unit of the city. As such, in previous fiscal years, the EDA's statement of net position and statement of activities were incorporated in the city's financial statements as a business-type activity that was part of the primary government. In addition, the EDA's statement of net position; statement of revenues, expenses and changes in net position; and statement of cash flows were presented as proprietary fund statements in the city's financial statements. As a result of the change to a discretely presented component unit, the EDA's financial information is no longer included as part of the primary government's and proprietary fund's reporting. The city's disclosures for fiscal year 2022 have been similarly adjusted so that the EDA is reported as a discretely presented component unit, rather than a business-type activity included in the primary government.

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

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**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2022**

**Exhibit I-1**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Taxes:				
General property taxes:				
Real property - current	\$ 100,516,342	100,516,342	100,391,867	(124,475)
Real property - delinquent	1,762,125	1,762,125	2,690,896	928,771
Real property - Public Services Corporation	1,757,485	1,757,485	1,662,810	(94,675)
Personal property - current	19,391,375	19,391,375	24,640,461	5,249,086
Personal property - delinquent	3,799,625	3,799,625	3,709,504	(90,121)
Personal property - Public Services Corporation	3,534,916	3,534,916	3,217,726	(317,190)
Machinery and tools taxes	1,083,804	1,083,804	1,216,778	132,974
Penalties and other charges	1,891,793	1,891,793	1,816,790	(75,003)
Interest	710,343	710,343	754,713	44,370
<b>Total general property taxes</b>	<b>134,447,808</b>	<b>134,447,808</b>	<b>140,101,545</b>	<b>5,653,737</b>
Other local taxes:				
Admission and amusement taxes	88,914	88,914	289,825	200,911
Bank franchise taxes	579,620	579,620	877,053	297,433
Business and occupational license taxes	6,495,339	6,495,339	7,701,420	1,206,081
Cigarette taxes	4,139,275	4,139,275	2,876,738	(1,262,537)
Occupancy	232,702	232,702	339,387	106,685
Licensing fees - current	2,065,414	2,065,414	1,813,541	(251,873)
Licensing fees - delinquent	825,399	825,399	776,039	(49,360)
Lodging taxes	482,709	482,709	918,561	435,852
Recordation taxes	1,416,600	1,416,600	2,254,151	837,551
Restaurant food taxes	9,753,315	9,753,315	11,220,911	1,467,596
Sales and use tax - local	10,167,590	10,167,590	10,705,732	538,142
Short-term rental taxes	17,741	17,741	29,537	11,796
Telecommunications	6,121,869	6,121,869	5,922,192	(199,677)
<b>Total other local taxes</b>	<b>42,386,487</b>	<b>42,386,487</b>	<b>45,725,087</b>	<b>3,338,600</b>
Utility taxes:				
Electricity taxes	3,347,253	3,347,253	3,532,299	185,046
E-911 taxes	506,195	506,195	646,949	140,754
Gas taxes	1,175,557	1,175,557	1,309,282	133,725
Water taxes	2,837,153	2,837,153	3,170,152	332,999
<b>Total utility taxes</b>	<b>7,866,158</b>	<b>7,866,158</b>	<b>8,658,682</b>	<b>792,524</b>
<b>Total taxes</b>	<b>184,700,453</b>	<b>184,700,453</b>	<b>194,485,314</b>	<b>9,784,861</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, 2022**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Intergovernmental revenue:				
Commonwealth of Virginia:				
Noncategorical aid:				
Mobile home sales taxes	592	592	2,549	1,957
Personal property tax relief act	9,862,962	9,862,962	9,862,962	-
Recordation tax distribution	-	-	5,328	5,328
Rolling stock taxes	39,302	39,302	3,480	(35,822)
Vehicle rental tax	256,006	256,006	292,563	36,557
Categorical aid:				
Circuit Court Clerk	896,968	896,968	999,293	102,325
City Registrar	56,681	56,681	95,526	38,845
City Sheriff	5,800,009	5,800,009	6,306,293	506,284
City Treasurer	267,255	267,255	299,403	32,148
Commissioner of Revenue	291,065	291,065	328,532	37,467
Commonwealth's Attorney	1,539,456	1,539,456	1,597,059	57,603
DMV select	81,776	81,776	88,226	6,450
Other categorical aid:				
Correctional facilities block grant	333,064	333,064	314,136	(18,928)
Law enforcement grant	6,435,546	6,435,546	6,688,895	253,349
Library funds - books	178,604	178,604	188,944	10,340
Street and highway maintenance	13,672,852	13,672,852	13,571,257	(101,595)
Total Commonwealth of Virginia	39,712,138	39,712,138	40,644,446	932,308
<b>Total intergovernmental revenue</b>	<b>39,712,138</b>	<b>39,712,138</b>	<b>40,644,446</b>	<b>932,308</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, 2022**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Charges for services:				
Ambulance fees - current	3,400,000	3,400,000	2,922,335	(477,665)
Boat ramp parking	5,000	5,000	2,730	(2,270)
Circuit Court Clerk fees	5,005	5,005	4,852	(153)
City Sheriff fees	107,868	213,558	118,406	(95,152)
ATM fees	85	85	1,208	1,123
EZ Pass fees	8,890	8,890	7,945	(945)
Courthouse maintenance fees	31,893	31,893	20,802	(11,091)
Courthouse replacement fees	42,941	42,941	27,256	(15,685)
False alarm fees	3,012	3,012	11,730	8,718
Fire report fees	1,055	1,055	680	(375)
Fire and EMS attendance fees	-	-	795	795
Library fines and fees	15,438	15,438	11,479	(3,959)
School Board	388,407	388,407	-	(388,407)
DNA samples	-	-	520	520
Erosion and sediment control	2,220	2,220	4,200	1,980
Museum admission charges	654,321	654,321	741,819	87,498
Notary fees	275	275	210	(65)
Concealed carry permits	87,932	87,932	41,962	(45,970)
Police firearms buyback	-	-	9	9
Police record fees	48,545	48,545	49,562	1,017
Recreation activity fees	83,180	83,180	79,132	(4,048)
Rental inspection fees	27,661	27,661	43,635	15,974
Inspections	79,797	79,797	102,459	22,662
Plans and specifications	5,452	5,452	2,642	(2,810)
Street closures	-	-	1,050	1,050
Sunset Thursday Sponsors	2,500	2,500	-	(2,500)
Swimming fees	1,660	1,660	86	(1,574)
Vacant structure	4,531	4,531	2,825	(1,706)
UMOJA	2,450	2,450	24,995	22,545
Seawall Festival	600	600	2,600	2,000
Pokey Smokey II	4,193	4,193	5,522	1,329
Ticket sales - Vistor Center	1,950	1,950	3,493	1,543
EMS collections - delinquent	159,860	159,860	61,828	(98,032)
Certificate of occupancy	2,233	2,233	1,300	(933)
Library admin fee	-	-	22	22
<b>Total charges for services</b>	<b>5,178,954</b>	<b>5,284,644</b>	<b>4,300,089</b>	<b>(984,555)</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, 2022**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Investment income:				
Investment income	261,814	261,814	177,013	(84,801)
<b>Total investment income</b>	<b>261,814</b>	<b>261,814</b>	<b>177,013</b>	<b>(84,801)</b>
Recovered costs:				
City garage fund	489,341	489,341	489,341	-
Information technology fund	289,730	289,730	289,730	-
Court appointed attorneys	965	965	-	(965)
Golf fund	136,118	136,118	136,118	-
Health department	59,861	59,861	37,992	(21,869)
Health insurance fund	21,039	21,039	21,039	-
Law library fund	2,400	2,400	2,400	-
Behavioral health services fund	550,859	550,859	550,859	-
DEA	13,428	13,428	22,538	9,110
Training academy upkeep	5,126	5,126	2,573	(2,553)
Parking authority	43,685	43,685	43,685	-
Citywide telephone charges	135,724	135,724	-	(135,724)
Fire watch/EMS	18,389	18,389	74,289	55,900
Postage	96,880	96,880	178,022	81,142
Public utility fund	738,754	738,754	738,754	-
Social security payments - jail	23,400	23,400	5,800	(17,600)
Stormwater management fund	135,966	135,966	135,966	-
Social services fund	411,882	411,882	411,882	-
Waste management fund	253,525	253,525	253,525	-
Jail weekends	4,113	4,113	-	(4,113)
Prisoner upkeep fees	30,258	30,258	24,606	(5,652)
Fed prisoner transport	19,375	19,375	10,465	(8,910)
Other recovered costs	202,859	202,859	31,415	(171,444)
<b>Total recovered costs</b>	<b>3,683,677</b>	<b>3,683,677</b>	<b>3,460,999</b>	<b>(222,678)</b>
Fines and forfeitures:				
Circuit Court fines	14,799	14,799	4,430	(10,369)
Conviction fees	55,094	55,094	48,887	(6,207)
General District Court fines	186,168	186,168	119,565	(66,603)
Juvenile Court fines	168	168	287	119
<b>Total fines and forfeitures</b>	<b>256,229</b>	<b>256,229</b>	<b>173,169</b>	<b>(83,060)</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, 2022**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Licenses and permits:				
Bicycle licenses	72	72	26	(46)
Building plan review fees	55,068	55,068	84,810	29,742
Building reinspection fees	16,600	16,600	9,400	(7,200)
Building structure permits	246,002	246,002	276,463	30,461
Dog licenses	16,923	16,923	13,118	(3,805)
Electrical inspection fees	29,419	29,419	25,350	(4,069)
Electrical permits	81,598	81,598	90,527	8,929
Elevator inspection fees	1,302	1,302	1,575	273
Final engineering inspection permit	29,120	29,120	21,400	(7,720)
Hauling and permits fees	112,030	112,030	126,850	14,820
Land disturbance permit	91,446	91,446	107,620	16,174
License transfer fees	3,985	3,985	4,188	203
Mechanical inspection fees	3,018	3,018	1,435	(1,583)
Mechanical permits	127,929	127,929	167,271	39,342
Miscellaneous permits	13,822	13,822	23,770	9,948
Penalties on licenses	58,822	58,822	79,868	21,046
Plumbing inspection fees	5,523	5,523	1,300	(4,223)
Plumbing permits	59,786	59,786	64,674	4,888
Restricted parking permits	1,167	1,167	1,846	679
Right of way permits	46,041	46,041	499,178	453,137
Sign permit fees	1,157	1,157	2,375	1,218
Site plan review fees	14,844	14,844	16,030	1,186
State surcharge on permits	10,536	10,536	11,868	1,332
Taxi operators permits	610	610	-	(610)
Yard sale permits	1,479	1,479	960	(519)
Zoning and plat fees	25,543	25,543	38,099	12,556
<b>Total licenses and permits</b>	<b>1,053,842</b>	<b>1,053,842</b>	<b>1,670,001</b>	<b>616,159</b>
Use of property:				
Rental of antenna sites	80,658	80,658	69,217	(11,441)
Rental of recreation facilities	70,520	70,520	90,799	20,279
Rental of general properties	1,234,774	1,234,774	369,025	(865,749)
<b>Total use of property</b>	<b>1,385,952</b>	<b>1,385,952</b>	<b>529,041</b>	<b>(856,911)</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, 2022**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Miscellaneous:				
Admin fee - state income tax	330	330	-	(330)
Admin fee - RE	259,349	259,349	430,041	170,692
Admin fee - PP	928,947	928,947	734,134	(194,813)
Admin fee - Parking	5,400	5,400	200	(5,200)
Admin fee - EMS	27,041	27,041	9,507	(17,534)
Credit card fees	5,061	5,061	15,529	10,468
Returned check fees	845	845	350	(495)
Vending machine commissions	13,414	13,414	-	(13,414)
Sale of land	-	-	400,000	400,000
Gift shop sales	176,335	176,335	184,128	7,793
Proceeds from land sales	18,851	18,851	21,611	2,760
Other revenue	179,943	181,193	2,287,728	2,106,535
Unclaimed property tax refunds	87,819	87,819	86,603	(1,216)
Economic Development Authority contribution	125,000	125,000	125,000	-
Payments in lieu of taxes:				
PRHA	88,704	88,704	101,598	12,894
Regional Jail	557,013	557,013	561,469	4,456
Virginia Port Authority	372,098	372,098	402,752	30,654
South Norfolk Jordan Bridge	135,589	135,589	123,048	(12,541)
Public utility fund	1,161,598	1,161,598	1,161,598	-
Cash Over/Under	-	-	(10,023)	(10,023)
<b>Total miscellaneous revenue</b>	<b>4,143,337</b>	<b>4,144,587</b>	<b>6,635,273</b>	<b>2,490,686</b>
<b>Total revenues</b>	<b>240,376,396</b>	<b>240,483,336</b>	<b>252,075,345</b>	<b>11,592,009</b>
Other financing sources:				
Transfers from other funds:				
BHS	354,315	354,315	354,315	-
Stormwater management	509,887	509,887	509,887	-
Public utility fund	8,875,000	8,875,000	8,875,000	-
Use of fund balance	2,540,500	4,102,507	-	(4,102,507)
<b>Total other financing sources</b>	<b>12,279,702</b>	<b>13,841,709</b>	<b>9,739,202</b>	<b>(4,102,507)</b>
<b>Total revenues and other financing sources</b>	<b>\$ 252,656,098</b>	<b>254,325,045</b>	<b>261,814,547</b>	<b>7,489,502</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, 2022**

**Exhibit I-2**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
General government:				
Administration:				
Legislative:				
City Council	\$ 445,773	445,773	337,285	108,488
City Clerk	412,495	412,495	397,992	14,503
Total legislative	858,268	858,268	735,277	122,991
Executive:				
City Manager	1,430,304	1,480,304	1,302,961	177,343
Management and legislative services	333,072	333,072	342,717	(9,645)
Marketing, entertainment & tourism	2,026,262	2,026,262	1,650,746	375,516
Total executive	3,789,638	3,839,638	3,296,424	543,214
Boards and commissions:				
Civil Service Commission	130,519	70,519	47,267	23,252
General Registrar	959,327	959,327	874,781	84,546
Total boards and commissions	1,089,846	1,029,846	922,048	107,798
Total administration	5,737,752	5,727,752	4,953,749	774,003
Financial administration:				
Commissioner of Revenue	2,014,966	2,014,966	1,933,628	81,338
City Assessor	1,110,413	1,110,413	886,414	223,999
City Treasurer	2,507,579	2,507,579	2,204,574	303,005
Procurement and risk management	439,284	851,291	405,408	445,883
Finance	2,817,843	2,817,843	2,377,681	440,162
Total financial administration	8,890,085	9,302,092	7,807,705	1,494,387
Public transportation	2,970,726	2,970,726	2,970,726	-
City Attorney	2,355,618	2,355,618	1,438,957	916,661
Human resource management	1,447,149	1,507,149	1,503,091	4,058
<b>Total general government</b>	<b>21,401,330</b>	<b>21,863,337</b>	<b>18,674,228</b>	<b>3,189,109</b>
Nondepartmental:				
Contingency	410,000	288,000	-	288,000
Miscellaneous	4,591,669	4,894,013	11,408,790	(6,514,777)
Support to civic organizations	372,500	366,800	272,741	94,059
<b>Total nondepartmental</b>	<b>5,374,169</b>	<b>5,548,813</b>	<b>11,681,531</b>	<b>(6,132,718)</b>
Judicial:				
Circuit Court judges	772,819	772,819	713,168	59,651
Circuit Court Clerk	1,704,951	1,704,951	1,610,034	94,917
Magistrate	9,471	9,471	6,222	3,249
General District Court	75,765	75,765	51,399	24,366
Juvenile and Domestic Relations Court	52,547	52,547	47,075	5,472
Juvenile court services	1,309,931	1,309,931	660,478	649,453
Commonwealth's Attorney	2,755,604	2,755,604	2,686,383	69,221
Sheriff	13,354,877	13,460,567	13,116,073	344,494
<b>Total judicial</b>	<b>20,035,965</b>	<b>20,141,655</b>	<b>18,890,832</b>	<b>1,250,823</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, 2022**

**Exhibit I-2 (continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Public safety:				
Police Department	31,949,897	31,949,897	27,041,959	4,907,938
E-911 communications	2,600,746	2,622,746	2,675,379	(52,633)
Operations Support Bureau	95,812	95,812	208,228	(112,416)
Admin and Support Bureau	-	-	292,118	(292,118)
Field Operations Bureau	20,742	21,442	48,521	(27,079)
Animal control and security	1,232,875	1,232,875	963,014	269,861
Fire, rescue, and emergency services	28,720,358	28,720,358	29,588,552	(868,194)
<b>Total public safety</b>	<b>64,620,430</b>	<b>64,643,130</b>	<b>60,817,771</b>	<b>3,825,359</b>
Public works:				
Engineering	1,649,330	1,649,330	1,410,493	238,837
Streets and highways	3,744,839	3,744,839	3,430,366	314,473
Mosquito control	618,261	618,261	456,508	161,753
Traffic engineering	2,784,299	2,784,299	2,660,891	123,408
General services:				
Properties management	4,823,909	4,823,909	4,333,027	490,882
Utilities	2,850,000	2,850,000	2,805,409	44,591
Rental of land and buildings	652,649	652,649	76,501	576,148
Storeroom	-	-	79,461	(79,461)
Harbor Center Pavilion	626,611	796,611	816,798	(20,187)
<b>Total public works</b>	<b>17,749,898</b>	<b>17,919,898</b>	<b>16,069,454</b>	<b>1,850,444</b>
<b>Health and welfare</b>	<b>1,367,969</b>	<b>1,367,969</b>	<b>1,281,304</b>	<b>86,665</b>
Parks, recreational and cultural:				
Museum	2,659,942	2,699,942	2,787,025	(87,083)
Parks, recreational and cultural	8,175,493	7,971,743	7,733,954	237,789
Public library	2,603,955	2,603,955	2,348,283	255,672
<b>Total parks, recreation and cultural</b>	<b>13,439,390</b>	<b>13,275,640</b>	<b>12,869,262</b>	<b>406,378</b>
Community development:				
Permits and inspections	3,381,205	3,381,205	2,812,171	569,034
Economic development	1,126,152	1,126,152	1,117,214	8,938
Planning	2,173,973	2,173,973	1,659,088	514,885
<b>Total community development</b>	<b>6,681,330</b>	<b>6,681,330</b>	<b>5,588,473</b>	<b>1,092,857</b>
Education	59,901,284	59,901,284	59,901,284	-
Cost of issuance	-	-	22,830	(22,830)
Debt service, principal	-	-	833,871	(833,871)
Debt service, interest	-	-	87,609	(87,609)
Capital outlay	35,300	35,300	35,300	-
<b>Total expenditures</b>	<b>210,607,065</b>	<b>211,378,356</b>	<b>206,753,749</b>	<b>4,624,607</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, 2022**

**Exhibit I-2 (continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Other financing uses:				
Transfers to other funds:				
Behavioral health services fund	715,466	715,466	715,466	-
Social services fund	3,063,502	2,761,158	2,163,076	598,082
Comprehensive services fund	570,373	570,373	542,635	27,738
Grants fund	-	-	759,064	(759,064)
Parking authority	215,865	215,865	215,865	-
Golf	831,413	831,413	831,413	-
Debt service	36,652,414	36,652,414	36,652,414	-
Community development	-	-	107,676	(107,676)
Capital projects	-	1,200,000	6,231,060	(5,031,060)
<b>Total other financing uses</b>	<b>42,049,033</b>	<b>42,946,689</b>	<b>48,218,669</b>	<b>(5,271,980)</b>
<b>Total expenditures and other financing uses</b>	<b>252,656,098</b>	<b>254,325,045</b>	<b>254,972,418</b>	<b>(647,373)</b>
Net change in fund balance	-	-	6,842,129	6,842,129
Fund balance - beginning	-	-	82,747,440	82,747,440
Fund balance - ending	\$ -	-	89,589,569	89,589,569

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



## CITY OF PORTSMOUTH, VIRGINIA

## Exhibit I-3

## Budgetary Comparison Schedule

## Schedule of Revenues, Expenditures and Changes in Fund Balance

## Grants Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 14,048,851	14,054,225	15,710,774	1,656,549
Miscellaneous	103,059	149,321	300	(149,021)
Total revenues	14,151,910	14,203,546	15,711,074	1,507,528
Expenditures:				
Current:				
General government	6,653,985	6,653,985	5,418,423	1,235,562
Nondepartmental	32	32	-	32
Judicial	1,095,915	1,141,877	1,039,942	101,935
Public safety	10,780,277	10,847,480	1,423,165	9,424,315
Public works	698,501	698,501	17,473	681,028
Health and welfare	3,537,660	3,544,678	1,447,038	2,097,640
Parks, recreational and cultural	4,259,555	4,259,555	1,224,046	3,035,509
Community development	999,075	999,075	-	999,075
Capital outlay	19,903,566	20,153,131	5,443,297	14,709,834
Total expenditures	47,928,566	48,298,314	16,013,384	32,284,930
Excess (deficiency) of revenues over (under) expenditures	(33,776,656)	(34,094,768)	(302,310)	33,792,458
Other financing sources (uses):				
Transfers from other funds	803,221	804,565	759,064	(45,501)
Net change in fund balance	(32,973,435)	(33,290,203)	456,754	33,746,957
Fund balance - beginning	-	-	25,669	25,669
Fund balance - ending	\$ (32,973,435)	(33,290,203)	482,423	33,772,626

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

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, 2022, 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 department 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)

Fiscal Year Ended June 30,*	2022	2021	2020	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>								
Service cost	\$ 37,325	39,225	50,442	56,948	54,347	62,202	71,563	89,198
Interest	5,082,959	5,305,149	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	(603,260)	(393,653)	(681,062)	(159,223)	(180,994)	(1,383,499)	(1,680,961)	(1,195,876)
Changes of assumptions	(362,961)	(249,133)	(156,756)	(470,893)	(966,754)	(1,236,291)	-	-
Benefit payments, including refunds of member contributions	(7,935,764)	(7,859,123)	(8,140,802)	(8,474,573)	(8,378,061)	(8,326,253)	(8,478,761)	(8,512,885)
Net change in total pension liability	(3,781,701)	(3,157,535)	(3,386,118)	(3,273,773)	(3,450,287)	(4,539,256)	(2,737,138)	(1,712,853)
Total pension liability, beginning	73,934,417	77,091,952	80,478,070	83,751,843	87,202,130	91,741,386	94,478,524	96,191,377
Total pension liability, ending (a)	70,152,716	73,934,417	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	3,377,371	4,200,064	2,350,640	2,229,196	2,005,017	1,796,671	2,438,432	1,782,818
Net investment income	14,753,283	2,482,586	3,854,272	2,618,347	5,916,252	960,609	418,733	7,874,597
Benefit payments, including refunds of member contributions	(7,935,764)	(7,859,123)	(8,140,802)	(8,474,573)	(8,378,061)	(8,326,253)	(8,478,761)	(8,512,885)
Administrative expenses	(95,328)	(87,733)	(60,617)	(54,742)	(106,586)	(28,605)	(67,152)	(73,287)
Net change in plan fiduciary net position	10,099,562	(1,264,206)	(1,996,507)	(3,681,772)	(563,378)	(5,597,578)	(5,688,748)	1,071,243
Plan fiduciary net position, beginning	52,755,467	54,019,673	56,016,180	59,697,952	60,261,330	65,858,908	71,547,656	70,476,413
Plan fiduciary net position, ending (b)	62,855,029	52,755,467	54,019,673	56,016,180	59,697,952	60,261,330	65,858,908	71,547,656
City's net pension liability, ending (a) - (b)	\$ 7,297,687	21,178,950	23,072,279	24,461,890	24,053,891	26,940,800	25,882,478	22,930,868
Plan fiduciary net position as a percentage of total pension liability	89.60%	71.35%	70.07%	69.60%	71.28%	69.11%	71.79%	75.73%
Employer's covered payroll*	\$ 693,168	723,213	732,897	754,205	806,870	887,695	1,034,003	1,195,973
City's net pension liability as a percentage of covered payroll	1052.80%	2928.45%	3148.09%	3243.40%	2981.14%	3034.92%	2503.13%	1917.34%

\*Amounts presented have a measurement date of the previous fiscal year-end.  
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

**SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS (PSRS)**

<b>Fiscal Year Ended June 30,</b>	<b>2022</b>	<b>2021</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	\$ 1,627,773	2,058,105	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	2,517,941	3,377,371	4,200,064	2,350,640	1,867,696	1,807,082	1,796,671	2,438,432	1,782,818
Contribution deficiency (excess)	(890,168)	(1,319,266)	(1,989,472)	(180,000)	-	-	-	(513,520)	162,074
Covered payroll	\$ 590,863	693,168	723,213	732,897	754,205	806,870	887,695	1,034,003	1,195,973
Contributions as a percentage of covered payroll	426.15%	487.24%	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, 2022
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-2021)
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, 4.78% in 2020, 29.03% in 2021, and -15.70% in 2022.

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

Fiscal Year Ended June 30,*	2022	2021	2020	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>								
Service cost	\$ 118,664	125,340	188,000	209,549	288,723	469,262	655,555	875,496
Interest	16,085,412	16,555,536	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	(124,107)	(867,255)	1,347,426	637,275	1,548,069	2,934,513	483,962	2,306,432
Changes of assumptions	(800,780)	(564,095)	(442,750)	(1,023,739)	(2,060,009)	(2,264,494)	-	-
Benefit payments, including refunds of member contributions	(22,267,894)	(21,915,426)	(21,922,564)	(22,317,498)	(22,016,787)	(21,297,801)	(20,421,823)	(19,431,115)
Net change in total pension liability	(6,988,705)	(6,665,900)	(3,982,236)	(5,270,277)	(4,668,449)	(2,383,275)	699,781	4,450,381
Total pension liability, beginning	232,595,728	239,261,628	243,243,864	248,514,141	253,182,590	255,565,865	254,866,184	250,415,803
Total pension liability, ending (a)	225,607,023	232,595,728	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	10,279,577	13,546,417	7,535,021	7,098,559	6,566,389	5,794,277	6,734,263	5,186,714
Net investment income	44,674,758	7,444,047	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	(22,267,894)	(21,915,426)	(21,922,564)	(22,317,498)	(22,016,787)	(21,297,801)	(20,421,923)	(19,431,115)
Administrative expenses	(278,056)	(246,543)	(173,148)	(141,157)	(254,463)	(120,447)	(184,118)	(205,149)
Net change in plan fiduciary net position	32,408,385	(1,171,505)	(3,143,346)	(7,838,869)	1,115,820	(12,841,649)	(12,726,866)	7,458,987
Plan fiduciary net position, beginning	158,779,283	159,950,788	163,094,134	170,933,003	169,817,183	182,658,832	195,385,698	187,926,711
Plan fiduciary net position, ending (b)	191,187,668	158,779,283	159,950,788	163,094,134	170,933,003	169,817,183	182,658,832	195,385,698
City's net pension liability, ending (a) - (b)	\$ 34,419,355	73,816,445	79,310,840	80,149,730	77,581,138	83,365,407	72,907,133	59,480,486
Plan fiduciary net position as a percentage of total pension liability	84.74%	68.26%	66.85%	67.05%	68.78%	67.07%	71.47%	76.66%
Employer's covered payroll*	\$ 820,886	978,235	1,240,364	1,715,414	1,772,265	2,396,142	3,871,105	5,079,287
City's net pension liability as a percentage of covered payroll	4192.95%	7545.88%	6394.16%	4672.33%	4377.51%	3479.15%	1883.37%	1171.04%

\*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 ACTUARIALY DETERMINED CONTRIBUTIONS (FPRS)**

<b>Fiscal Year Ended June 30,</b>	<b>2022</b>	<b>2021</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	\$ 6,184,757	7,187,730	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	8,199,999	10,279,577	13,546,417	7,535,021	6,449,059	6,205,544	5,794,277	6,734,263	5,186,714
Contribution deficiency (excess)	(2,015,242)	(3,091,847)	(5,887,684)	(320,500)	-	-	-	(893,963)	471,520
Covered payroll	\$ 299,877	820,886	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	2734.45%	1252.25%	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, 2022
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-2021)
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, 4.80% in 2020, 29.04% in 2021, and -15.76% in 2022.

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

Fiscal Year Ended June 30,*	2022	2021	2020	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>								
Service cost	\$ 9,996,320	10,187,472	9,121,520	8,717,390	8,380,639	8,655,196	8,776,873	7,865,420
Interest	25,423,743	24,068,852	23,152,433	22,448,469	21,674,217	20,862,680	19,666,648	18,592,496
Differences between expected and actual experience	(6,451,489)	(2,510,540)	(384,172)	(5,889,195)	(5,377,366)	(4,862,954)	664,081	-
Changes of assumptions	15,847,603	-	10,469,482	-	476,225	-	-	-
Changes in benefit terms	-	5,997,538	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(18,113,062)	(17,228,670)	(15,836,768)	(14,603,292)	(13,582,645)	(12,540,446)	(11,502,410)	(10,723,367)
Net change in total pension liability	26,703,115	20,514,652	26,522,495	10,673,372	11,571,070	12,114,476	17,605,192	15,734,549
Total pension liability, beginning	385,704,577	365,189,925	338,667,430	327,994,058	316,422,988	304,308,512	286,703,320	270,968,771
Total pension liability, ending (a)	412,407,692	385,704,577	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	9,355,328	8,208,380	7,340,220	6,948,793	6,776,993	6,360,911	6,647,357	5,702,215
Contributions - employee	3,557,452	3,512,571	3,380,321	3,374,302	3,398,847	3,313,387	3,451,819	3,522,637
Net investment income	91,870,741	6,400,033	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	(18,113,062)	(17,228,670)	(15,836,768)	(14,603,292)	(13,582,645)	(12,540,446)	(11,502,410)	(10,723,367)
Administrative expenses	(227,302)	(217,972)	(209,912)	(192,188)	(190,996)	(168,003)	(162,543)	(191,765)
Other changes	8,682	(7,590)	(13,408)	(19,865)	(29,655)	(1,996)	(2,528)	1,881
Net change in plan fiduciary net position	86,451,839	666,752	15,882,171	17,785,981	29,533,783	1,698,423	10,367,297	34,004,603
Plan fiduciary net position, beginning	336,617,958	335,951,206	320,069,035	302,283,054	272,749,271	271,050,848	260,683,551	226,678,948
Plan fiduciary net position, ending (b)	423,069,797	336,617,958	335,951,206	320,069,035	302,283,054	272,749,271	271,050,848	260,683,551
City's net pension liability (asset), ending (a) - (b)	\$ (10,662,105)	49,086,619	29,238,719	18,598,395	25,711,004	43,673,717	33,257,664	26,019,769
Plan fiduciary net position as a percentage of total pension liability	102.59%	87.27%	91.99%	94.51%	92.16%	86.20%	89.07%	90.92%
Employer's covered payroll*	\$ 73,407,806	76,314,683	70,023,770	68,412,766	66,034,550	66,394,228	69,067,846	67,740,656
City's net pension liability as a percentage of covered payroll	-14.52%	64.32%	41.76%	27.19%	38.94%	65.78%	48.15%	38.41%

\*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)**

Fiscal Year Ended June 30,*	2022	2021	2020	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>								
Service cost	\$ 644,553	650,516	669,679	694,189	763,448	695,895	729,606	743,215
Interest	2,687,000	2,677,105	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	(588,445)	(327,140)	164,308	(1,077,881)	110,155	(2,270,264)	(215,707)	-
Changes of assumptions	1,279,576	-	1,011,011	-	(44,324)	-	-	-
Benefit payments, including refunds of member contributions	(2,922,149)	(2,785,628)	(2,615,831)	(2,562,064)	(2,261,995)	-	(2,300,353)	(2,151,081)
Net change in total pension liability	1,100,535	214,853	1,879,783	(274,073)	1,167,728	684,615	714,696	1,026,643
Total pension liability, beginning	41,268,488	41,053,635	39,173,852	39,447,925	38,280,197	37,595,582	36,880,886	35,854,243
Total pension liability, ending (a)	42,369,023	41,268,488	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	762,490	772,742	782,510	879,860	882,435	801,790	726,275	648,377
Contributions - employee	320,410	348,626	351,917	365,276	372,038	378,872	345,765	354,802
Net investment income	8,411,421	613,175	2,081,974	2,269,942	3,443,683	487,721	1,307,987	4,075,199
Benefit payments, including refunds of member contributions	(2,922,149)	(2,785,628)	(2,615,831)	(2,562,064)	(2,261,995)	(2,270,264)	(2,300,353)	(2,151,081)
Administrative expenses	(22,131)	(21,853)	(21,661)	(20,333)	(20,455)	(18,573)	(18,893)	(22,705)
Other changes	782	(1,328)	(1,304)	(1,991)	(3,044)	(211)	(276)	215
Net change in plan fiduciary net position	6,550,823	(1,074,266)	577,605	930,690	2,412,662	(620,665)	60,505	2,904,807
Plan fiduciary net position, beginning	31,577,381	32,651,647	32,074,042	31,143,352	28,730,690	29,351,355	29,290,850	26,386,043
Plan fiduciary net position, ending (b)	38,128,204	31,577,381	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)	\$ 4,240,819	9,691,107	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	89.99%	76.52%	79.53%	81.88%	78.95%	75.05%	78.07%	79.42%
Employer's covered payroll	\$ 7,065,959	7,621,243	7,627,378	7,691,444	7,719,383	8,465,913	8,498,497	8,647,732
School's net pension liability as a percentage of covered payroll	60.02%	127.16%	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>2022</b>	<b>2021</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	0.99%	0.99%	0.99%	1.00%	1.00%	1.04%	1.05%	1.08%
Employer's proportionate share of the net pension liability	\$ 76,676,112	\$ 142,941,716	\$ 130,340,952	\$ 117,977,000	\$ 123,472,000	\$ 146,345,000	\$ 132,145,000	\$ 130,368,000
Employer's covered payroll	<u>\$ 86,986,780</u>	<u>\$ 85,550,274</u>	<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	88.15%	167.09%	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>85.46%</u>	<u>71.47%</u>	<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>					
2022	\$ 9,624,231	\$ 9,624,231	\$ -	\$ 76,482,202	12.58%
2021	9,355,328	9,355,328	-	73,407,806	12.74%
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%
<i>Portsmouth City Public School Board (Professional)</i>					
2022	\$ 13,558,488	\$ 13,558,488	\$ -	\$ 86,469,946	15.68%
2021	13,639,527	13,639,527	-	86,986,780	16.62%
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%
<i>Portsmouth City Public School Board (Non-Professional)</i>					
2022	\$ 766,929	\$ 766,929	\$ -	\$ 7,134,225	10.75%
2021	759,591	759,591	-	7,065,959	11.61%
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%

CITY OF PORTSMOUTH OPEB PLAN - CITY

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>TOTAL PENSION LIABILITY</b>										
Service cost	\$ 407,997	464,838	641,148	545,143	1,150,539	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	1,238,220	1,485,071	1,504,363	1,541,001	1,098,940	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(2,088,995)	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains (losses)	(2,952,684)	(6,137,799)	-	-	-	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	(127,791)	1,913,854	(444,507)	860,350	(8,498,386)	N/A	N/A	N/A	N/A	N/A
Benefit payments	(1,270,171)	(1,657,395)	(1,980,500)	(1,844,970)	(1,826,247)	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	(4,793,424)	(3,931,431)	(279,496)	1,101,524	(8,075,154)	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	19,266,637	23,198,068	23,477,564	22,376,040	30,451,194	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	14,473,213	19,266,637	23,198,068	23,477,564	22,376,040	N/A	N/A	N/A	N/A	N/A
<b>PLAN FIDUCIARY NET POSITION</b>										
Employer contributions	1,770,171	2,657,395	1,980,500	2,844,970	4,826,247	N/A	N/A	N/A	N/A	N/A
Net investment income	(666,853)	1,353,350	128,763	169,344	46,475	N/A	N/A	N/A	N/A	N/A
Benefit payments	(1,270,171)	(1,657,395)	(1,980,500)	(1,844,970)	(1,826,247)	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(7,710)	(5,500)	(5,181)	(3,513)	-	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	(174,563)	2,347,850	123,582	1,165,831	3,046,475	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position, beginning	6,683,738	4,335,888	4,212,306	3,046,475	-	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position, ending (b)	6,509,175	6,683,738	4,335,888	4,212,306	3,046,475	N/A	N/A	N/A	N/A	N/A
City's net pension liability, ending (a) - (b)	\$ 7,964,038	12,582,899	18,862,180	19,265,258	19,329,565	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of total pension liability	44.97%	34.69%	18.69%	17.94%	13.61%	N/A	N/A	N/A	N/A	N/A
Employer's covered payroll	\$72,624,573	74,950,930	78,135,614	78,135,614	78,135,614	N/A	N/A	N/A	N/A	N/A
City's net pension liability as a percentage of covered payroll	10.97%	16.79%	24.14%	24.66%	24.74%	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)**

**NET MONEY-WEIGHTED RATE OF RETURN**

<b>Fiscal Year Ending June 30</b>	<b>Net Money-Weighted Rate of Return</b>
2022	-9.74%
2021	29.20%
2020	3.06%
2019	5.03%
2018	9.46%
2017	N/A
2016	N/A
2015	N/A
2014	N/A
2013	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>
2022	\$ 1,770,171	72,624,573	2.44%
2021	2,657,395	74,950,930	3.55%
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

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

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

Years Ended June 30,*	2022	2021	2020	2019	2018
Employer's proportion of the net GLIP OPEB liability	0.36436%	0.36119%	0.36998%	0.37419%	0.37603%
Employer's proportionate share of the net GLIP OPEB liability	\$ 4,242,139	\$ 6,027,670	\$ 6,020,560	\$ 5,682,000	\$ 5,658,000
Employer's covered payroll	\$75,227,141	\$74,335,483	\$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	5.63911%	8.10874%	8.55189%	7.98576%	8.15741%
Plan fiduciary net position as a percentage of the total GLIP OPEB liability	67.45%	52.64%	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
2022	\$ 420,489	\$ 420,489	\$ -	\$77,868,445	0.54%
2021	406,227	406,227	-	75,227,141	0.54%
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%

LINE OF DUTY ACT - VRS DIRECTED - CITY

Schedule of City of Portsmouth Proportionate Share of Net OPEB Liability

Years Ended June 30,*	2022	2021	2020	2019	2018
Employer's proportion of the net LODA OPEB liability	2.93069%	3.16661%	3.02633%	3.55949%	3.61539%
Employer's proportionate share of the net LODA OPEB liability	\$12,924,097	\$13,262,252	\$10,858,053	\$11,159,000	\$ 9,501,000
Employer's covered payroll	\$33,148,220	\$33,702,307	\$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	38.98881%	39.35117%	33.67715%	35.40802%	N/A
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.68%	1.02%	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
2022	\$ 412,757	\$ 412,757	\$ -	\$29,920,335	1.38%
2021	403,487	403,487	-	33,148,220	1.22%
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	-

\*\* 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 volunteer and part-time employees make up a significant percentage of the employer's members in the plan, the employee 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,*	2022	2021	2020	2019	2018
Employer's proportion of the net VLDP OPEB liability	4.83886%	4.53564%	4.43242%	4.43899%	4.40350%
Employer's proportionate share of the net VLDP OPEB liability (asset)	\$ (48,982)	\$ 45,277	\$ 89,793	\$ 34,000	\$ 25,000
Employer's covered payroll	\$19,438,408	\$16,901,402	\$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	-0.25199%	0.26789%	0.65562%	0.31545%	0.30917%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	119.59%	76.84%	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
2022	\$ 188,200	\$ 188,200	\$ -	\$22,674,716	0.83%
2021	161,339	161,339	-	19,438,408	0.83%
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

Year Ended,*	2022	2021	2020	2019	2018	2017
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 147,317	\$ 147,317	\$ 393,468	\$ 950,173	\$ 625,456	\$ 713,189
Interest	607,082	607,082	1,206,350	791,875	997,917	958,969
Changes in benefit terms	-	-	-	-	459,794	-
Differences between expected and actual experience	(9,247)	(9,247)	(5,630,299)	(433,312)	(4,735,709)	(747,036)
Changes of assumptions	12,545	12,545	(1,999,924)	(4,968,846)	3,663,387	2,171,672
Benefit payments, including lump sum liability settlement for 114 participants	(479,513)	(479,513)	(414,517)	(191,650)	(73,336)	(80,005)
Net change in total OPEB liability	278,184	278,184	(6,444,922)	(3,851,760)	937,509	3,016,789
Total OPEB liability, beginning	6,962,175	6,683,991	13,128,913	16,980,673	16,043,164	13,026,375
Total OPEB liability, ending (a)	7,240,359	6,962,175	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	479,513	479,513	414,517	-	-	-
Net investment income	4,107,360	4,107,360	405,789	924,764	532,735	743,975
Benefit payments, including refunds of employee contributions	(479,513)	(479,513)	(414,517)	(191,650)	(73,336)	(80,005)
Administrative expenses	(15,979)	(15,979)	(15,333)	(125)	-	(7,000)
Net change in plan fiduciary net position	4,091,381	4,091,381	390,456	732,989	459,399	656,970
Plan fiduciary net position, beginning	17,756,189	13,664,808	13,274,352	12,541,363	12,081,964	11,424,994
Plan fiduciary net position, ending (b)	21,847,570	17,756,189	13,664,808	13,274,352	12,541,363	12,081,964
Net OPEB (asset) liability - ending (a) - (b)	\$ (14,607,211)	\$ (10,794,014)	\$ (6,980,817)	\$ (145,439)	\$ 4,439,310	\$ 3,961,200
Plan fiduciary net position as a percentage of total OPEB liability	301.75%	255.04%	204.44%	101.11%	73.86%	75.31%
Employer's covered payroll*	\$ 95,933,446	\$ 95,933,446	\$ 94,052,398	\$ 98,200,691	\$ 91,796,317	\$ 96,277,315
Net OPEB (asset) liability as a percentage of covered payroll	-15.23%	-11.25%	-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 2022 is the sixth year for this presentation, only six 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

Year Ended,	2022	2021	2020	2019	2018	2017
Service cost	\$ -	\$ -	\$ 409,268	\$ 992,361	\$ 662,983	\$ 763,112
Amortization and unfunded liability	(443,633)	(479,513)	(414,517)	372,888	350,393	171,131
Recommended contribution	(443,633)	(479,513)	(5,249)	1,365,249	1,013,376	934,243
Contribution/benefit payments made	-	-	-	-	(703,482)	(80,005)
Contribution deficiency (excess)	<u>\$ (443,633)</u>	<u>\$ (479,513)</u>	<u>\$ (5,249)</u>	<u>\$ 1,365,249</u>	<u>\$ 309,894</u>	<u>\$ 854,238</u>
Employer's covered payroll*	<u>\$ 90,734,180</u>	<u>\$ 95,933,446</u>	<u>\$ 94,052,398</u>	<u>\$ 98,200,691</u>	<u>\$ 91,796,317</u>	<u>\$ 96,277,315</u>
Contribution as a percentage of covered payroll	<u>-0.49%</u>	<u>-0.50%</u>	<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 2022 is the sixth year for this presentation, only six years of data is available. However, additional years will be included as they become available.

Notes to Schedule

Methods and assumptions used to determine contribution rate:

Measurement date: June 30, 2022

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: 9.70% for June 30, 2022 liability and 2023 contribution

Payroll growth: 5.0%

Return on plan assets: 9.7%

Mortality rate:

Teachers: Public Teacher 2010 Employee and Healthy Retiree, headcount weighted, 2021 improvement

All others and spouses: Public General 2010 Employee and Healthy Retiree, headcount weighted, 2021 improvement

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>					
2022	0.42%	\$ 4,929,908	\$ 87,414,751	5.64%	67.45%
2021	0.42%	6,969,394	85,948,427	8.11%	52.64%
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>					
2022	0.04%	\$ 419,317	\$ 7,431,691	5.64%	67.45%
2021	0.04%	625,146	7,710,431	8.11%	52.64%
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 2022 is the fifth year for this presentation, only five 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>					
2022	\$ 469,589	\$ 469,589	\$ -	\$ 86,960,852	0.54%
2021	472,040	472,040	-	87,414,751	0.54%
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%
<b>NON-PROFESSIONAL</b>					
2022	\$ 39,465	\$ 39,465	\$ -	\$ 7,308,311	0.54%
2021	40,131	40,131	-	7,431,691	0.54%
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%

HEALTH INSURANCE CREDIT PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS

Schedule of Proportionate Share of Net OPEB Liability

PROFESSIONAL

Years Ended June 30,*	2022	2021	2020	2019	2018
Employer's proportion of the net HIC OPEB liability	0.98%	0.98%	0.99%	1.00%	1.00%
Employer's proportionate share of the net HIC OPEB liability	\$12,626,727	\$12,731,690	\$12,939,248	\$12,721,000	\$12,719,000
Employer's covered payroll	\$87,000,018	\$85,561,365	\$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	14.51%	14.88%	15.61%	15.70%	16.08%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	13.15%	9.95%	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

Schedule of Changes in Net HIC OPEB Liability and Related Ratios

NON-PROFESSIONAL

Year Ended,*	2022	2021
<b>TOTAL OPEB LIABILITY</b>		
Service cost	\$ 12,245	\$ -
Interest	60,586	-
Changes in benefit terms	-	897,571
Differences between expected and actual experience	-	-
Changes of assumptions	20,995	-
Benefit payments	-	-
Net change in total HIC OPEB liability	93,826	897,571
Total HIC OPEB liability, beginning	897,571	-
Total HIC OPEB liability, ending (a)	991,397	897,571
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions	63,628	-
Net investment income	8,483	-
Benefit payments, including refunds of employee contributions	-	-
Administrative expenses	(282)	-
Net change in plan fiduciary net position	71,829	-
Plan fiduciary net position, beginning	-	-
Plan fiduciary net position, ending (b)	71,829	-
Net HIC OPEB liability - ending (a) - (b)	\$ 919,568	\$ 897,571
Plan fiduciary net position as a percentage of total HIC OPEB liability	7.25%	0.00%
Employer's covered payroll*	\$ 7,069,603	\$ 7,547,503
Net HIC OPEB liability as a percentage of covered payroll	13.01%	11.89%

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

Note: Schedule is intended to show information for 10 years. FYE 2021 is the first year of plan participation. 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>					
2022	\$ 1,046,555	\$ 1,046,555	\$ -	\$ 86,492,159	1.21%
2021	1,052,700	1,052,700	-	87,000,018	1.21%
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%
<b>NON-PROFESSIONAL</b>					
2022	\$ 64,233	\$ 64,233	\$ -	\$ 7,137,001	0.90%
2021	63,626	63,626	-	7,069,603	0.90%

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

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

**PROFESSIONAL**

Years Ended June 30,*	2022	2021	2020	2019	2018
Employer's proportion of the net VLDP OPEB liability	4.37%	4.43%	4.61%	4.61%	4.43%
Employer's proportionate share of the net VLDP OPEB liability	\$ (30,790)	\$ 35,514	\$ 26,811	\$ 35,000	\$ 27,000
Employer's covered payroll	\$29,430,476	\$26,183,088	\$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	-0.10%	0.14%	0.12%	0.20%	0.22%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	114.46%	78.28%	74.12%	46.18%	31.96%

**NON-PROFESSIONAL**

Years Ended June 30,*	2022	2021	2020	2019	2018
Employer's proportion of the net VLDP OPEB liability	0.82%	0.87%	0.93%	0.90%	0.85%
Employer's proportionate share of the net VLDP OPEB liability	\$ (8,334)	\$ 8,689	\$ 18,906	\$ 7,000	\$ 5,000
Employer's covered payroll	\$ 3,307,193	\$ 3,243,582	\$ 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	-0.25%	0.27%	0.66%	0.32%	0.32%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	119.59%	76.84%	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

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>					
2022	\$ 144,190	\$ 144,190	\$ -	\$ 30,678,752	0.47%
2021	138,323	138,323	-	29,430,476	0.47%
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>					
2022	\$ 30,530	\$ 30,530	\$ -	\$ 3,680,031	0.83%
2021	27,450	27,450	-	3,307,193	0.83%
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%

(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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Non-Hazardous Duty:

Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement rates: Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age

Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability rates: No change

Salary scale: No change

Line of Duty disability: No change

Discount rate: No change

Hazardous Duty Employee:

Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement rates: Adjusted rates to better fit experience and changed final retirement age from 65 to 70

Withdrawal rates: Decreased rates

Disability rates: No change

Salary scale: No change

Line of Duty disability: No change

Discount rate: No change

Teachers:

Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement rates: Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all

Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability rates: No change

Salary scale: No change

Discount rate: No change

**(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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General State Employees:

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

Teachers:

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

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

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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

Largest Ten Locality Employers - General Employees:

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

Non-Largest Ten Locality Employers - General Employees:

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

Largest Ten Locality Employers - Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70 for all
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70 for all
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

General State Employees

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

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

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Employees in the Largest 10 Locality Employers with Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Employees in the Non-Largest 10 Locality Employers with Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

**(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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 Locality Employers – General and Non-Hazardous Duty Employees:

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

Teachers:

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



**(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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Teachers:

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

General Employees:

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

## **Other Supplementary Information**

## **Nonmajor Governmental Funds**

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Balance Sheet**  
**Nonmajor Government Funds**  
**June 30, 2022**

**Exhibit J-1**

	SPECIAL REVENUE FUNDS								Permanent Fund - Cemetery	Total
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Children's Services	Willet Hall	Community Development	Asset Forfeiture Fund		
Assets:										
Cash and temporary investments	\$ 12,279,547	197,060	21,779	279,148	324,271	482,248	707,135	389,725	1,912,404	16,593,317
Accounts receivable (net of allowance for uncollectibles)	1,331,210	-	1,165	305,526	-	-	-	-	-	1,637,901
Due from other governments	-	-	1,101,694	-	281,791	-	-	-	-	1,383,485
<b>Total assets</b>	<b>13,610,757</b>	<b>197,060</b>	<b>1,124,638</b>	<b>584,674</b>	<b>606,062</b>	<b>482,248</b>	<b>707,135</b>	<b>389,725</b>	<b>1,912,404</b>	<b>19,614,703</b>
Liabilities:										
Accounts payable	277,098	675	261,455	46,007	229,645	-	168,205	-	-	983,085
Accrued payroll	102,054	-	129,969	22,340	-	-	3,252	-	-	257,615
Due to other funds	-	-	300,000	-	-	-	-	-	-	300,000
<b>Total liabilities</b>	<b>379,152</b>	<b>675</b>	<b>691,424</b>	<b>68,347</b>	<b>229,645</b>	<b>-</b>	<b>171,457</b>	<b>-</b>	<b>-</b>	<b>1,540,700</b>
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	1,000,000	1,000,000
Restricted	13,231,605	196,385	433,214	516,327	376,417	482,248	-	389,725	912,404	16,538,325
Assigned	-	-	-	-	-	-	535,678	-	-	535,678
<b>Total fund balances</b>	<b>13,231,605</b>	<b>196,385</b>	<b>433,214</b>	<b>516,327</b>	<b>376,417</b>	<b>482,248</b>	<b>535,678</b>	<b>389,725</b>	<b>1,912,404</b>	<b>18,074,003</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 13,610,757</b>	<b>197,060</b>	<b>1,124,638</b>	<b>584,674</b>	<b>606,062</b>	<b>482,248</b>	<b>707,135</b>	<b>389,725</b>	<b>1,912,404</b>	<b>19,614,703</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, 2022**

**Exhibit J-2**

	SPECIAL REVENUE FUNDS									
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Children's Services	Willett Hall	Community Development	Asset Forfeiture Fund	Permanent Fund - Cemetery	Total
Revenues:										
Intergovernmental	\$ 11,351,317	-	13,294,754	-	1,174,957	-	811,208	38,084	-	26,670,320
Charges for services	36,295	31,865	-	10,196,909	-	-	-	-	46,500	10,311,569
Investment income	27,208	-	-	6,535	-	-	-	902	2,823	37,468
Recovered costs	-	-	86,100	-	-	-	-	-	-	86,100
Program income	-	-	-	-	-	-	480,583	-	-	480,583
Miscellaneous	178,977	-	1,100	41,000	-	-	-	333	-	221,410
Total revenues	11,593,797	31,865	13,381,954	10,244,444	1,174,957	-	1,291,791	39,319	49,323	37,807,450
Expenditures:										
Current:										
Judicial	-	-	-	-	-	-	-	43,132	-	43,132
Public safety	-	-	-	-	-	-	-	43	-	43
Public works	-	-	-	2,346,794	-	-	-	-	-	2,346,794
Health and welfare	9,514,935	-	14,646,870	-	1,709,327	-	-	-	-	25,871,132
Parks, recreational, cultural	-	9,815	-	-	-	-	-	-	10,177	19,992
Community development	-	-	-	-	-	-	827,710	-	-	827,710
Debt service - principal	161,109	-	32,151	-	-	-	-	-	-	193,260
Interest and fiscal charges	5,558	-	1,156	-	-	-	-	-	-	6,714
Capital outlay	-	-	-	36,652	-	-	302,665	-	-	339,317
Total expenditures	9,681,602	9,815	14,680,177	2,383,446	1,709,327	-	1,130,375	43,175	10,177	29,648,094
Revenues over (under) expenditures	1,912,195	22,050	(1,298,223)	7,860,998	(534,370)	-	161,416	(3,856)	39,146	8,159,356
Other financing sources (uses):										
Transfers from other funds	715,466	-	2,163,076	-	542,635	-	107,676	-	-	3,528,853
Transfers to other funds	(1,374,537)	-	(970,244)	(7,766,098)	-	-	-	-	-	(10,110,879)
Total other financing sources (uses), net	(659,071)	-	1,192,832	(7,766,098)	542,635	-	107,676	-	-	(6,582,026)
Net change in fund balances	1,253,124	22,050	(105,391)	94,900	8,265	-	269,092	(3,856)	39,146	1,577,330
Fund balances, beginning of year	11,978,481	174,335	538,605	421,427	368,152	482,248	266,586	393,581	1,873,258	16,496,673
Fund balances, end of year	\$ 13,231,605	196,385	433,214	516,327	376,417	482,248	535,678	389,725	1,912,404	18,074,003

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2022**

**Exhibit J-3**

	Behavioral Health Services			Public Law Library		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 12,220,764	11,351,317	(869,447)	-	-	-
Charges for services	342,500	36,295	(306,205)	30,779	31,865	1,086
Investment income	-	27,208	27,208	-	-	-
Miscellaneous	75,000	178,977	103,977	-	-	-
Total revenues	12,638,264	11,593,797	(1,044,467)	30,779	31,865	1,086
Expenditures:						
Health and welfare	11,250,981	9,514,935	1,736,046	-	-	-
Parks, recreational, cultural	-	-	-	30,779	9,815	20,964
Debt service - principal	-	161,109	(161,109)	-	-	-
Interest and fiscal charges	-	5,558	(5,558)	-	-	-
Capital outlay	882,119	-	882,119	-	-	-
Total expenditures	12,133,100	9,681,602	2,451,498	30,779	9,815	20,964
Revenues over expenditures	505,164	1,912,195	1,407,031	-	22,050	22,050
Other financing sources (uses):						
Transfers from other funds	715,466	715,466	-	-	-	-
Transfers to other funds	(1,728,352)	(1,374,537)	353,815	-	-	-
Total other financing uses, net	(1,012,886)	(659,071)	353,815	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (507,722)	1,253,124	1,760,846	-	22,050	22,050
Fund balances, beginning of year		11,978,481	11,978,481		174,335	174,335
Fund balances, end of year		13,231,605	13,739,327		196,385	196,385

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

## Nonmajor Special Revenue Funds

## Year Ended June 30, 2022

	Social Services			Stormwater Management		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 15,309,920	13,294,754	(2,015,166)	-	-	-
Charges for services	-	-	-	9,879,518	10,196,909	317,391
Investment income	-	-	-	-	6,535	6,535
Recovered costs	116,692	86,100	(30,592)	-	-	-
Miscellaneous	500	1,100	600	-	41,000	41,000
Total revenues	15,427,112	13,381,954	(2,045,158)	9,879,518	10,244,444	364,926
Expenditures:						
Health and welfare	17,498,082	14,646,870	2,851,212	-	-	-
Public works	-	-	-	2,527,485	2,346,794	180,691
Debt service - principal	-	32,151	(32,151)	-	-	-
Interest and fiscal charges	-	1,156	(1,156)	-	-	-
Capital outlay	-	-	-	620,000	36,652	583,348
Total expenditures	17,498,082	14,680,177	2,817,905	3,147,485	2,383,446	764,039
Revenues over (under) expenditures	(2,070,970)	(1,298,223)	772,747	6,732,033	7,860,998	1,128,965
Other financing sources (uses):						
Transfers from other funds	3,063,502	2,163,076	(900,426)	-	-	-
Transfers to other funds	(992,532)	(970,244)	22,288	(7,766,098)	(7,766,098)	-
Total other financing sources (uses), net	2,070,970	1,192,832	(878,138)	(7,766,098)	(7,766,098)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(105,391)	(105,391)	(1,034,065)	94,900	1,128,965
Fund balances, beginning of year		538,605	538,605		421,427	421,427
Fund balances, end of year		433,214	433,214		516,327	1,550,392

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

## Nonmajor Special Revenue Funds

Year Ended June 30, 2022

	Childrens Services			Willett Hall		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 1,929,236	1,174,957	(754,279)	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	1,929,236	1,174,957	(754,279)	-	-	-
Expenditures:						
Health and welfare	2,499,609	1,709,327	790,282	-	-	-
Total expenditures	2,499,609	1,709,327	790,282	-	-	-
Revenues under expenditures	(570,373)	(534,370)	36,003	-	-	-
Other financing sources -						
Transfers from other funds	570,373	542,635	(121,168)	-	-	-
Revenues and other financing sources over expenditures	\$ -	8,265	(85,165)	-	-	-
Fund balances, beginning of year		368,152	368,152		482,248	502,240
Fund balances, end of year		\$ 376,417	282,987		482,248	502,240

See Independent Auditor's Report.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2022**

**Exhibit J-3 (Continued)**

	<b>Asset Forfeiture Fund</b>		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ (7,686)	38,084	45,770
Investment income	-	902	902
Miscellaneous	-	333	333
Total revenues	(7,686)	39,319	47,005
Expenditures:			
Judicial	200,544	43,132	157,412
Public Safety	87,054	43	87,011
Capital outlay	37,081	-	37,081
Total expenditures	324,679	43,175	281,504
Revenues under expenditures	(332,365)	(3,856)	328,509
Other financing uses -			
Transfers to other funds	(3)	-	3
Revenues under expenditures and other financing uses	<u>\$ (332,368)</u>	(3,856)	328,512
Fund balances, beginning of year		393,581	393,581
Fund balances, end of year		<u>\$ 389,725</u>	<u>722,093</u>

See Independent Auditor's Report.

## **Nonmajor Proprietary Funds**

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2022**

**Exhibit K**

	Golf	Parking Authority	Waste Management	Total
Assets:				
Current assets:				
Cash and temporary investments	\$ 23,929	80,921	15,469,220	15,574,070
Accounts receivable	-	1,565	5,830,818	5,832,383
Inventory of supplies	110,977	-	-	110,977
Total current assets	134,906	82,486	21,300,038	21,517,430
Noncurrent assets:				
Net pension asset (Note 7)	106,621	-	213,242	319,863
Net OPEB asset (Note 8)	490	-	980	1,470
Capital assets:		-		
Land	9,605,289	679,680	2,909,275	13,194,244
Buildings	2,222,369	20,350,669	65,455	22,638,493
Improvements other than buildings	314,073	284,508	-	598,581
Machinery, furniture, and equipment	894,603	422,435	12,751,531	14,068,569
Construction in progress	-	-	-	-
Total capital assets	13,036,334	21,737,292	15,726,261	50,499,887
Less accumulated depreciation	(3,077,640)	(15,276,197)	(8,952,964)	(27,306,801)
Total capital assets, net	9,958,694	6,461,095	6,773,297	23,193,086
Total noncurrent assets	10,065,805	6,461,095	6,987,519	23,514,419
Deferred outflows of resources:				
Deferred outflows from debt refunding	44,743	18,259	-	63,002
Deferred outflows related to pensions (Note 7)	202,243	-	681,460	883,703
Deferred outflows related to OPEB (Note 8)	32,639	-	65,278	97,917
Total deferred outflows of resources	279,625	18,259	746,738	1,044,622
Total assets and deferred outflows of resources	\$ 10,480,336	6,561,840	29,034,295	46,076,471

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2022**

**Exhibit K (Continued)**

	Golf	Parking Authority	Waste Management	Total
Liabilities:				
Current liabilities:				
Accounts payable	\$ 134,732	17,860	281,776	434,368
Accrued interest payable	17,810	16,571	-	34,381
Accrued payroll	18,846	5,660	40,396	64,902
Deposits	212,595	-	-	212,595
Due to other funds (Note 10)	2,400,000	3,880,665	-	6,280,665
Current compensated absences (Note 5)	41,764	7,894	91,586	141,244
Current general obligation bonds (Note 5)	665,239	527,896	-	1,193,135
Total current liabilities	3,490,986	4,456,546	413,758	8,361,290
Noncurrent liabilities:				
Noncurrent compensated absences (Note 5)	45,244	8,552	99,218	153,014
Landfill closure and postclosure liability	-	-	3,552,617	3,552,617
Noncurrent general obligation bonds (Note 5)	866,434	648,718	-	1,515,152
Net pension liability (Note 7)	-	-	802,746	802,746
Net OPEB liability (Note 8)	122,062	-	244,124	366,186
Total noncurrent liabilities	1,033,740	657,270	4,698,705	6,389,715
Deferred inflows of resources:				
Deferred inflows related to pensions (Note 7)	507,844	-	1,882,752	2,390,596
Deferred inflows related to OPEB (Note 8)	98,736	-	197,472	296,208
Total deferred inflows of resources	606,580	-	2,080,224	2,686,804
Net position:				
Investment in capital assets	8,471,764	5,302,740	6,773,297	20,547,801
Restricted	107,111	-	214,222	321,333
Unrestricted	(3,229,845)	(3,854,716)	14,854,089	7,769,528
Total net position	5,349,030	1,448,024	21,841,608	28,638,662
Total liabilities, deferred inflows of resources, and net position	\$ 10,480,336	6,561,840	29,034,295	46,076,471

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, 2022

	Golf	Parking Authority	Waste Management	Total
Operating revenues:				
Charges for services	\$ 1,187,127	702,484	10,427,817	12,317,428
Other	104,644	33,344	2,200	140,188
Total operating revenues	1,291,771	735,828	10,430,017	12,457,616
Operating expenses:				
Personnel services	837,199	207,893	2,454,679	3,499,771
Contractual services	136,473	170,865	3,410,135	3,717,473
Supplies and materials	230,367	15,552	146,257	392,176
Utilities	75,754	105,561	-	181,315
Internal charges	37,942	38,043	1,861,359	1,937,344
Rent	126,650	-	-	126,650
Depreciation	108,146	388,837	949,603	1,446,586
Closure/postclosure	-	-	221,152	221,152
Other	322,910	43,856	261,760	628,526
Total operating expenses	1,875,441	970,607	9,304,945	12,150,993
Operating income (loss)	(583,670)	(234,779)	1,125,072	306,623
Nonoperating revenues (expenses):				
Investment income	-	-	34,122	34,122
Interest expense and fiscal charges	(63,689)	(59,602)	-	(123,291)
Net nonoperating revenues (expenses)	(63,689)	(59,602)	34,122	(89,169)
Net income (loss) before transfers	(647,359)	(294,381)	1,159,194	217,454
Transfers from other funds	831,413	215,865	-	1,047,278
Transfers to other funds	(19,263)	(8,901)	(398,584)	(426,748)
Change in net position	164,791	(87,417)	760,610	837,984
Net position, beginning of year	5,184,239	1,535,441	21,080,998	27,800,678
Net position, end of year	\$ 5,349,030	1,448,024	21,841,608	28,638,662

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Year Ended June 30, 2022**

**Exhibit K-3**

	Golf	Parking Authority	Waste Management	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,348,832	735,793	9,970,057	12,054,682
Payments to suppliers	(845,243)	(493,634)	(5,679,624)	(7,018,501)
Payments to employees	(971,896)	(204,021)	(2,882,496)	(4,058,413)
Net cash provided by (used in) operating activities	(468,307)	38,138	1,407,937	977,768
Cash flows from noncapital financing activities:				
Interfund loans	392,259	262,816	-	655,075
Transfers in	831,413	215,865	-	1,047,278
Transfers out	(19,263)	(8,901)	(398,584)	(426,748)
Net cash provided by (used in) noncapital and related financing activities	1,204,409	469,780	(398,584)	1,275,605
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	(94,425)	(189,157)	(283,582)
Principal paid on long-term debt	(645,000)	(532,495)	-	(1,177,495)
Interest paid	(63,027)	(65,658)	-	(128,685)
Net cash used in capital and related financing activities	(708,027)	(692,578)	(189,157)	(1,589,762)
Cash flows from investing activities:				
Interest received	-	-	34,122	34,122
Net increase (decrease) in cash and temporary investments	28,075	(184,660)	854,318	697,733
Cash and temporary investments, beginning of year	(4,146)	265,581	14,614,902	14,876,337
Cash and temporary investments, end of year	\$ 23,929	80,921	15,469,220	15,574,070
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (583,670)	(234,779)	1,125,072	306,623
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	108,146	388,837	949,603	1,446,586
Landfill closure/post-closure	-	-	221,152	221,152
Pension expense (recovery), net of employer contributions	(83,180)	-	(267,054)	(350,234)
OPEB expense (recovery), net of employer contributions	(54,239)	-	(108,479)	(162,718)
Decrease (increase) in:				
Accounts receivable	-	(35)	(459,960)	(459,995)
Inventories	(22,430)	-	-	(22,430)
Increase (decrease) in:				
Accounts payable	107,283	(119,757)	(113)	(12,587)
Customer deposits	57,061	-	-	57,061
Accrued payroll	4,654	3,684	(1,143)	7,195
Compensated absences	(1,932)	188	(51,141)	(52,885)
Total adjustments	115,363	272,917	282,865	671,145
Net cash provided by (used in) operating activities	\$ (468,307)	38,138	1,407,937	977,768

See Independent Auditor's Report.

## **Internal Service Funds**

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2022**

**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)	\$ 3,125,449	2,708	44,242	13,653,021	5,320,423	22,145,843
Accounts receivable	653,668	-	-	-	-	653,668
Inventory of supplies	668,331	-	-	-	-	668,331
Deposits-held by others	-	-	-	240,000	-	240,000
Total current assets	4,447,448	2,708	44,242	13,893,021	5,320,423	23,707,842
Noncurrent assets:						
Net pension asset (Note 7)	213,242	319,863	-	-	-	533,105
Net OPEB asset (Note 8)	980	1,469	-	-	-	2,449
Capital assets (Note 4):						
Land	15,048	-	-	-	-	15,048
Buildings	693,083	-	-	-	-	693,083
Machinery, furniture, and equipment	21,071,067	4,877,473	-	-	-	25,948,540
Intangible assets	-	3,212,348	-	-	-	3,212,348
Total capital assets	21,779,198	8,089,821	-	-	-	29,869,019
Less accumulated depreciation	(20,861,652)	(6,477,767)	-	-	-	(27,339,419)
Total capital assets, net	917,546	1,612,054	-	-	-	2,529,600
Deferred outflows of resources:						
Deferred outflows related to pensions (Note 7)	429,665	808,164	-	-	-	1,237,829
Deferred outflows related to OPEB (Note 8)	65,278	97,917	-	-	-	163,195
Total deferred outflows of resources	494,943	906,081	-	-	-	1,401,024
Total assets and deferred outflows of resources	6,074,159	2,842,175	44,242	13,893,021	5,320,423	28,174,020
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	705,298	510,057	663,517	526,931	-	2,405,803
Accrued payroll	26,586	44,039	-	1,542	-	72,167
Due to other funds (Note 10)	-	410,000	3,000,000	-	-	3,410,000
Current compensated absences (Note 5)	49,989	128,615	-	2,215	-	180,819
Current claims payable (Note 15)	-	-	1,424,000	3,025,918	-	4,449,918
Total current liabilities	781,873	1,092,711	5,087,517	3,556,606	-	10,518,707
Noncurrent liabilities:						
Noncurrent claims payable (Note 15)	-	-	-	6,506,250	-	6,506,250
Noncurrent compensated absences (Note 5)	54,155	139,333	-	2,400	-	195,888
Net pension liability (Note 7)	72,977	583,815	-	-	-	656,792
Net OPEB liability (Note 8)	244,124	366,185	-	-	-	610,309
Total noncurrent liabilities	371,256	1,089,333	-	6,508,650	-	7,969,239
Deferred inflows of resources:						
Deferred inflows related to pensions (Note 7)	1,094,511	2,154,124	-	-	-	3,248,635
Deferred inflows related to OPEB (Note 8)	197,472	296,208	-	-	-	493,680
Total deferred inflows of resources	1,291,983	2,450,332	-	-	-	3,742,315
Net position:						
Investment in capital assets	917,546	1,612,054	-	-	-	2,529,600
Restricted	214,222	321,332	-	-	-	535,554
Unrestricted	2,497,279	(3,723,587)	(5,043,275)	3,827,765	5,320,423	2,878,605
Total net position	3,629,047	(1,790,201)	(5,043,275)	3,827,765	5,320,423	5,943,759
Total liabilities, deferred inflows of resources, and net position	\$ 6,074,159	2,842,175	44,242	13,893,021	5,320,423	28,174,020

See Independent Auditor's Report.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**Year Ended June 30, 2022**

**Exhibit L-2**

	City Garage	Information Technology	Health Insurance and OPEB	Risk Management	Risk Management School Board	Total
Operating revenues:						
Charges for services	\$ 6,163,628	8,391,338	15,623,416	3,980,829	-	34,159,211
Other	25,696	5,935	1,513,109	-	-	1,544,740
Total operating revenues	6,189,324	8,397,273	17,136,525	3,980,829	-	35,703,951
Operating expenses:						
Personnel services	1,616,542	2,578,347	-	201,701	-	4,396,590
Contractual services	1,096,757	5,112,109	1,622,251	291,851	-	8,122,968
Supplies and materials	3,487,469	527,176	-	180	-	4,014,825
Utilities	64,678	161,243	-	-	-	225,921
Internal charges	142,410	6,349	-	168,189	-	316,948
Claims, settlements and refunds	-	-	17,267,911	7,013,884	-	24,281,795
Insurance premiums	-	-	-	1,506,017	-	1,506,017
Depreciation and amortization	475,262	238,039	-	-	-	713,301
Other - operating expense	494,232	377,429	21,038	2,463	-	895,162
Total operating expenses	7,377,350	9,000,692	18,911,200	9,184,285	-	44,473,527
Operating loss	(1,188,026)	(603,419)	(1,774,675)	(5,203,456)	-	(8,769,576)
Nonoperating revenues -						
Investment income	-	-	-	-	17,384	17,384
Net income (loss) before transfers	(1,188,026)	(603,419)	(1,774,675)	(5,203,456)	17,384	(8,752,192)
Transfers from other funds	-	292,876	-	-	-	292,876
Transfers to other funds	(46,874)	(263,424)	-	(303,030)	-	(613,328)
Change in net position	(1,234,900)	(573,967)	(1,774,675)	(5,506,486)	17,384	(9,072,644)
Net position, beginning of year	4,863,947	(1,216,234)	(3,268,600)	9,334,251	5,303,039	15,016,403
Net position, end of year	\$ 3,629,047	(1,790,201)	(5,043,275)	3,827,765	5,320,423	5,943,759

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2022**

**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	\$ 5,637,877	8,397,273	17,136,525	3,980,829	-	35,152,504
Payments to suppliers	(5,107,260)	(6,519,744)	(18,545,505)	(7,944,919)	-	(38,117,428)
Payments to employees	(1,952,645)	(2,873,103)	-	(200,744)	-	(5,026,492)
Net cash used in operating activities	(1,422,028)	(995,574)	(1,408,980)	(4,164,834)	-	(7,991,416)
Cash flows from noncapital financing activities:						
Interfund loans	-	410,000	1,111,619	-	-	1,521,619
Transfers in	-	292,876	-	-	-	292,876
Transfers out	(46,874)	(263,424)	-	(303,030)	-	(613,328)
Net cash provided by (used in) noncapital financing activities	(46,874)	439,452	1,111,619	(303,030)	-	1,201,167
Cash flows from investing activities:						
Interest received	-	-	-	-	17,384	17,384
Net increase (decrease) in cash and temporary investments	(1,468,902)	(556,122)	(297,361)	(4,467,864)	17,384	(6,772,865)
Cash and temporary investments, beginning of year	4,594,351	558,830	341,603	18,120,885	5,303,039	28,918,708
Cash and temporary investments, end of year	\$ 3,125,449	2,708	44,242	13,653,021	5,320,423	22,145,843
Reconciliation of operating loss to net cash used in operating activities:						
Operating loss	\$ (1,188,026)	(603,419)	(1,774,675)	(5,203,456)	-	(8,769,576)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Depreciation and amortization	475,262	238,039	-	-	-	713,301
Pension expense (recovery), net of employer contributions	(205,687)	(398,203)	-	-	-	(603,890)
OPEB expense (recovery), net of employer contributions	(108,479)	79,190	-	-	-	(29,289)
Decrease (increase) in:						
Accounts receivable	(551,447)	-	-	-	-	(551,447)
Inventories	(96,965)	-	-	-	-	(96,965)
Increase (decrease) in:						
Accounts payable	275,251	(335,438)	358,695	172,827	-	471,335
Accrued payroll	(1,690)	8,374	-	(1,176)	-	5,508
Compensated absences	(20,247)	15,883	-	2,133	-	(2,231)
Nonoperating revenues reported as operating revenues:						
Claims payable	-	-	7,000	864,838	-	871,838
Total adjustments	(234,002)	(392,155)	365,695	1,038,622	-	778,160
Net cash used in operating activities	\$ (1,422,028)	(995,574)	(1,408,980)	(4,164,834)	-	(7,991,416)

See Independent Auditor's Report.

## **Capital Project Funds**

## CITY OF PORTSMOUTH, VIRGINIA

Exhibit M

## Capital Projects Funds

## Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2022

## General Government Capital Projects Fund

	Total Project Authorization	CIP June 30, 2021 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2022 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Twin Pines Rd Widening	\$ 2,625,000	-	-	(11,055,766)	65,068	11,055,766	2,559,932	4,814	2,555,118
Churchland Bridge	38,062,697	11,101,534	11,057,766	11,057,766	15,987,067	11,101,534	22,075,630	17,526,370	4,549,260
Paradise Creek Bridge Replacement	2,737,000	805,325	131,923	-	641,273	937,248	2,095,727	198,873	1,896,854
Court/Bart/Pavilion Intersection	1,321,368	118,602	1,091	-	114,732	119,693	1,206,636	3,869	1,202,767
Ballard Ave-Hyman St Improvements	3,141,000	348,985	20,733	-	199,349	369,718	2,941,651	40,184	2,901,467
Effingham St Imp @ Portsmouth Naval	500,000	73,049	48,576	-	112,294	121,625	387,706	8,757	378,949
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	281,379	30,779	-	239,100	312,158	2,210,900	26,733	2,184,167
VPDES Permit Compliance	6,307	-	-	-	-	-	6,307	-	6,307
Primrose/Hatton Street	405,000	5,715	-	-	5,715	5,715	399,285	9,785	389,500
Churchland Bridge Bike-Ped Enhancements	260,000	24,375	43,149	-	43,149	67,524	216,851	79,733	137,118
VPDES Permit Compliance - New	8,932,072	-	267,729	267,729	6,064,320	-	2,867,752	402,912	2,464,840
Crtl-VSMP Prmit Comp	3,080,482	-	1,701,779	1,701,779	1,891,439	-	1,189,043	1,363,361	(174,318)
George Washington Highway Corridor	1,190,000	-	-	-	-	-	1,190,000	136,567	1,053,433
Lincoln Park Redevelopment	350,000	-	-	-	338,000	-	12,000	-	12,000
CMAQ Signal Timing Phase 4	132,000	51,061	16,595	-	34,467	67,656	97,533	59,996	37,537
Drainage Facility Repair Lake Management -New	9,871,904	5,348,709	434,690	-	7,434,152	5,783,399	2,437,752	794,099	1,643,653
Crtl-Stormwater Infra Renewal/Repla	6,559,103	788,132	3,234,567	-	3,292,735	4,022,699	3,266,368	4,170,702	(904,334)
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	26,425	1,575	1,575	28,000	26,425	282,000	1,200	280,800
Neighborhood Roadway & Drainage	4,700,000	600,100	81,685	-	681,785	681,785	4,018,215	267,352	3,750,863
Signal System Upgrades Phase V	4,936,344	505,063	18,830	-	437,879	523,893	4,498,465	2,107	4,496,358
Westhaven Bicycle Improvements	500,000	92,368	-	-	83,956	92,368	416,044	262,835	153,209
Traffic Inventory - New	100,000	913	-	-	73,574	913	26,426	-	26,426
Control-Traffic Inventory	200,000	124,757	21,909	-	63,024	146,666	136,976	10,911	126,065
Traffic Signal Improvements	100,000	-	-	-	-	-	100,000	-	100,000
Traffic Signal Improvements - New	227,501	11,512	-	-	155,636	11,512	71,865	-	71,865
Control-Traffic Signal Improvements	158,058	69,472	5,279	-	83,613	74,751	74,445	3,307	71,138
Upgrade City's Traffic Signal (2 - 4)	6,502,191	1,500	-	1,500	6,431,762	-	70,429	-	70,429
Emergency Vehicle Preemp	36,294	27,534	2,123	-	2,123	29,657	34,171	6,637	27,534
Bridge Repairs - New	669,268	309,181	114,135	-	273,146	423,316	396,122	199,332	196,790
Control-Bridge Repairs	425,000	202,313	93,629	-	93,629	295,942	331,371	-	331,371
ADA Compliance Curb Cuts - New	219,692	104,306	98,834	-	98,834	203,140	120,858	3,575	117,283
Dredging of Lakes - New	3,861,962	219,773	795,364	(139,054)	957,095	1,154,191	2,904,867	1,505,569	1,399,298
POT-Dredging of Lakes and Ponds FY2	500,000	-	136,055	136,055	136,055	-	363,945	270,158	93,787
Flooring and Carpet	300,000	-	-	-	21,893	-	278,107	-	278,107
Resiliency Planning	150,000	-	-	-	-	-	150,000	-	150,000
Municipal Facilities Plan	675,000	-	-	-	-	-	675,000	-	675,000

See Independent Auditor's Report.

## CITY OF PORTSMOUTH, VIRGINIA

Exhibit M

## Capital Projects Funds

## Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2022

## General Government Capital Projects Fund

	Total Project Authorization	CIP June 30, 2021 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2022 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Municipal Audio Video	100,000	-	84,866	84,866	98,208	-	1,792	48,084	(46,292)
Municipal VOIP Migration	75,000	-	-	-	74,118	-	882	-	882
Document Management	325,000	-	-	-	81,655	-	243,345	3,934	239,411
Effingham Fire Station Repairs	250,000	-	-	-	137,890	-	112,110	8,510	103,600
City Gateways - New	294,618	30,141	61,972	-	297,657	92,113	-	1,524	(1,524)
City Gateways - New	150,000	28,878	-	-	42,988	28,878	107,012	-	107,012
Dog Parks	50,000	29,578	2,229	-	2,229	31,807	47,771	15,852	31,919
DSS Roof Repair	678,248	664,372	-	664,372	63,950	-	614,298	13,875	600,423
Facility assessments & prelim Engineering	250,374	-	-	-	245,590	-	4,784	2,420	2,364
Childrens Museum Staff	651,000	21,420	-	-	50,313	21,420	600,687	30,060	570,627
Mt Olive & Mt Calvary Improvements	75,000	-	89,600	89,600	113,950	-	-	163,100	(163,100)
IT Security Audit	100,000	-	12,222	12,222	93,429	-	6,571	-	6,571
City Hall Plumbing System Replacement	550,000	37,891	20,139	-	58,030	58,030	491,970	1,750	490,220
801 Water Street	4,080,871	-	179,844	179,844	3,995,401	-	85,470	84,726	744
Portside Festival Site	731,000	329,652	-	329,652	329,652	-	401,348	65,849	335,499
Hurricane Shelter Assess	28,700	-	69,000	69,000	69,000	-	-	50,970	(50,970)
Safe Haven Building Renovation	2,000,000	43,879	31,049	-	53,962	74,928	1,946,038	501	1,945,537
PCCLM Building and Site Improvements	107,000	7,550	-	-	59,594	7,550	47,406	7,688	39,718
Public Safety Facilities Plan	1,800,000	1,159,537	5,975	-	969,357	1,165,512	830,643	56,976	773,667
Public Utilities Operations Facility Upgrade	1,800,000	758,366	-	-	660,529	758,366	1,139,471	2,637	1,136,834
Upgrading Existing City Fuel Stations	450,000	25,224	-	-	40,232	25,224	409,768	-	409,768
Recreation Center Enhancements - New	1,197,308	-	31,127	31,127	1,194,067	-	3,241	3,174	67
Control-Rec Center Enhancements-pavil	1,078,180	42,437	243,818	236,318	386,701	49,937	691,479	11,301	680,178
Demolition of Buildings - New	586,640	197,628	-	-	572,760	197,628	13,880	8,100	5,780
Control-Demolition of Bldgs	325,000	-	-	-	153,915	-	171,085	16	171,069
Water Treatment Plant Building	650,000	18,118	-	-	114,284	18,118	535,716	-	535,716
Museums-Capital	30,055	438	-	438	438	-	29,617	-	29,617
DSS Building	410,000	-	290,238	290,238	547,955	-	-	6,997	(6,997)
DSS HVAC Replacement	467,288	467,288	-	467,288	-	-	467,288	-	467,288
Cavalier Manor Athletics Complex	1,052,702	104,999	-	104,999	1,027,855	-	24,847	3,723	21,124
Rails and Trails	900,000	311,896	3,500	3,500	317,115	311,896	582,885	10,043	572,842
Outside Recreation Facility Repairs - Closed	422,367	45,926	-	-	397,717	45,926	24,650	-	24,650
Crtl-Outdoor Recr Facility Repair	875,000	591,830	254,140	-	254,140	845,970	620,860	7,728	613,132
Public Works Building	85,000	8,495	-	-	8,495	8,495	76,505	-	76,505
Circle of Sail	74,215	-	8,223	8,223	8,223	-	65,992	4,500	61,492
New Fire Station	6,000,000	225,037	70,956	-	266,472	295,993	5,733,528	1,116,177	4,617,351
Waste Management Building	3,988,645	3,390,871	25,440	-	2,371,872	3,416,311	1,616,773	27,010	1,589,763
Roof Replacement - Old	2,235,430	-	-	-	2,235,430	-	-	-	-

See Independent Auditor's Report.

## CITY OF PORTSMOUTH, VIRGINIA

Exhibit M

## Capital Projects Funds

## Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2022

## General Government Capital Projects Fund

	Total Project Authorization	CIP June 30, 2021 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2022 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Roof Replacement - New	1,207,443	4,350	-	-	206,659	4,350	1,000,784	-	1,000,784
Control-Roof Replacement	800,000	-	-	-	-	-	800,000	-	800,000
ADA Municipal Facility Compliance - New	177,909	5,898	65,211	65,211	71,109	5,898	106,800	29,789	77,011
Hazmat Program - New	229,800	16,028	-	-	32,011	16,028	197,789	-	197,789
1846 Courthouse HVAC Replacement - New	298,610	105,147	55,198	(62,909)	173,085	223,254	125,525	2,554	122,971
Control-1846 Courthouse	100,000	-	62,909	62,909	62,909	-	37,091	-	37,091
ADA Municipal Facility Compliance - Closed	859,485	-	-	-	731,575	-	127,910	-	127,910
Replacement of HVAC - New	563,989	345,724	4,200	-	379,637	349,924	184,352	11,124	173,228
Control-Replacement of HVAC	900,000	223,326	426,588	-	426,588	649,914	473,412	48,812	424,600
Parking Garage Repairs - New	927,953	-	65,136	285	89,086	64,851	838,867	384,803	454,064
CONTROL-Parking Garage Repairs	200,000	-	-	-	-	-	200,000	-	200,000
Various Building Renovations - New	1,921,881	477,860	33,682	33,682	734,196	477,860	1,187,685	567,135	620,550
Crtl-Renovations to Various Bldgs	500,000	-	24,395	-	24,395	24,395	475,605	8,203	467,402
Repair of Seawall	1,381,158	141,701	-	-	1,117,094	141,701	264,064	60	264,004
Repair of Seawall	100,000	-	-	-	-	-	100,000	-	100,000
Sportsplex Buildings	780,000	-	72,133	72,133	648,269	-	131,731	1,470	130,261
Seawall Reinforcement	28,206,747	-	3,937,832	3,937,832	24,997,561	-	3,209,186	590,531	2,618,655
POT-Seawall Replacement FY20	3,000,000	-	1,224,682	1,224,682	1,224,682	-	1,775,318	146,779	1,628,539
Harbor Center Pavilion - New	35,000	-	-	-	35,000	-	-	-	-
Ctrl-Union Bank and Trust Pavilion	135,000	-	100,598	100,598	200,598	-	-	-	-
Benchmark Monumental	75,000	-	-	-	25,000	-	50,000	-	50,000
City Fiber Network	12,120,000	-	2,322,803	2,322,803	7,791,539	-	4,328,461	165,450	4,163,011
Municipal Access Control	300,000	83,230	69,014	-	250,009	152,244	49,991	15,661	34,330
DSS Document Management System	325,000	-	-	-	285,515	-	39,485	22,446	17,039
Municipal Security Came	450,000	439,184	143,004	-	326,445	582,188	123,555	82,423	41,132
DSS Security Monitoring System	113,327	78,146	-	-	74,947	78,146	38,380	-	38,380
Election Syst. Software (ES&S) & Equipment	540,241	-	-	-	540,123	-	118	-	118
Permitting System Replacement	150,000	-	-	-	126,850	-	23,150	8,096	15,054
PS New Radio System	11,000,000	3,860,233	545,327	-	8,891,851	4,405,560	2,108,149	13,750	2,094,399
CAMA Software System	300,000	-	-	-	275,441	-	24,559	5,720	18,839
CAD System	777,480	-	-	-	722,190	-	55,290	-	55,290
Crime Analysis System	112,250	-	-	-	23,950	-	88,300	-	88,300
Revenue System Treasurer/COR	1,135,917	136,290	425,358	-	425,358	561,648	710,559	123,435	587,124
Waste Management Equipment	286,002	-	-	-	-	-	286,002	-	286,002
FY20 City Garage Fleet	4,000,000	-	839,717	839,717	2,497,696	-	1,502,304	1,011,805	490,499
Public Utilities Equip	107,035	-	-	-	-	-	107,035	-	107,035
CARES Act Broadband	750,000	-	-	-	-	-	750,000	-	750,000
HMES & CAES Roof Coating	1,250,000	-	7,000	7,000	7,000	-	1,243,000	-	1,243,000
Churchland High HVAC	5,212,009	3,713,849	602,080	602,080	3,186,830	3,713,849	2,025,179	57,673	1,967,506
Churchland Academy Parking Lot Add	527,500	29,432	11,475	-	81,921	40,907	445,579	403,481	42,098
Mt. Hermon Bus Loop Upgrade	35,870	27,506	-	-	-	27,506	35,870	8,364	27,506
Churchland HS Track-Rplemt	200,000	-	-	-	-	-	200,000	-	200,000

See Independent Auditor's Report.

## CITY OF PORTSMOUTH, VIRGINIA

## Exhibit M

## Capital Projects Funds

## Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2022

## General Government Capital Projects Fund

	Total Project Authorization	CIP June 30, 2021 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2022 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Churchland HS Stage/Sound/Lighting	345,000	77,414	-	77,414	77,414	-	267,586	-	267,586
New Middle School	40,440	40,440	-	-	-	40,440	40,440	-	40,440
Churchland HS Stage	145,086	-	12,637	12,637	12,637	-	132,449	-	132,449
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	668,798	453,718	(252,213)	537,663	1,374,729	222,534	635,623	(413,089)
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	1,510,652	259,749	-	-	75,949	259,749	1,434,703	41,600	1,393,103
W Wilson HS HVAC Cooling Tower Replacement	293,452	292,611	323,671	323,671	323,671	292,611	-	380,101	(380,101)
Interactive White Board Panels-NOT CIP	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	252,213	252,213	337,413	85,200	115,215	115,215	-
Woodrow Wilson HS Restroom Renovator	876,000	133,483	493,957	-	599,907	627,440	276,093	253,164	22,929
School Safety Improvements	1,000,000	-	-	-	980,420	-	19,580	-	19,580
School Bus Security Cameras-Replcmn	250,000	-	-	-	200,297	-	49,703	-	49,703
School Furniture-Rplcmnt	273,039	-	-	-	-	-	273,039	-	273,039
School Bus Fleet Replacement	1,000,000	-	-	-	983,110	-	16,890	-	16,890
	<u>\$237,081,956</u>	<u>41,311,910</u>	<u>32,417,671</u>	<u>14,305,087</u>	<u>128,972,619</u>	<u>59,424,494</u>	<u>108,425,398</u>	<u>34,309,280</u>	<u>74,116,118</u>

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, 2021, \$108,425,398 represents the amount authorized but not yet spent. This includes commitments totaling \$34,309,280 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, 2022

## Public Utility Capital Projects Fund

	Total Project Authorization	CIP June 30, 2021 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2022 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Suction Well Rehab	\$ 10,518,290	214,191	-	-	214,191	214,191	10,304,099	-	10,304,099
Miscellaneous Sewer/Sewer Pump Station	17,498,167	7,206,691	361,264	(285,714)	13,105,125	7,282,241	4,393,042	23,165	4,369,877
Sewer Cave In	7,824,238	3,368,256	960,173	-	7,588,761	4,328,429	235,477	583,416	(347,939)
Sanitary Sewer Overflow	39,915,449	14,155,557	1,167,704	-	25,655,708	15,323,261	14,259,741	4,259,244	10,000,497
Infrastructure Improvements	21,793,355	5,479,144	348,338	-	7,443,225	5,827,482	14,350,130	1,770,941	12,579,189
Lake Cohoon Raw Water Pump Station	1,610,575	93,104	-	-	93,104	93,104	1,517,471	16,488	1,500,983
Dam Upgrades	4,533,083	1,633,737	155,822	-	1,793,829	1,789,559	2,739,254	421,990	2,317,264
Replacement of Water Plant Equipment	8,970,396	2,959,340	4,128	-	4,583,574	2,963,468	4,386,822	285,459	4,101,363
Meter Replacement	14,999,000	59,730	150,494	(20,619)	10,541,662	189,605	4,457,338	78,954	4,378,384
Miscellaneous Water Improvements	8,224,524	2,041,337	173,344	(169,549)	5,204,965	2,045,132	3,019,559	193,904	2,825,655
Downtown Master Utility	42,400,000	18,007,762	1,814,023	-	29,862,623	19,821,785	12,537,377	1,517,426	11,019,951
Low Pressure Transmission Main	69,250,000	4,734,403	120,454	-	6,431,773	4,854,857	62,818,227	676,415	62,141,812
Lake Kilby Filter Replacement	49,600,000	44,504,122	2,123,437	-	45,462,625	46,627,559	4,137,375	4,880,725	(743,350)
Water Tank Rehab	5,500,000	384,046	662,851	-	2,145,210	1,046,897	3,354,790	218,728	3,136,062
MUNIS Upgrade	1,104,000	416,124	-	-	416,124	416,124	687,876	241,578	446,298
Scada Upgrades	3,500,000	396,521	435,445	-	831,966	831,966	2,668,034	86,763	2,581,271
	<u>\$307,241,077</u>	<u>105,654,065</u>	<u>8,477,477</u>	<u>(475,882)</u>	<u>161,374,465</u>	<u>113,655,660</u>	<u>145,866,612</u>	<u>15,255,196</u>	<u>130,611,416</u>

As of June 30, 2022, \$145,866,612 represents the amount authorized, but not yet spent. This includes commitments totaling \$15,255,196 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, 2022

## Parking Authority Capital Projects Fund

	Total Project Authorization	Prior Year CIP	Current Year Expenditures	Total Expenditures	Current Year Closed/Exp	CIP June 30, 2022 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
County Street Parking Garage Replacement	\$ 1,750,000	-	91,155	1,519,429	91,155	-	230,571	11,419	219,152
Garage Facilities Repair	697,044	-	3,270	579,231	3,270	-	117,813	58,801	59,012
	<u>\$ 2,447,044</u>	<u>-</u>	<u>94,425</u>	<u>2,098,660</u>	<u>94,425</u>	<u>-</u>	<u>348,384</u>	<u>70,220</u>	<u>278,164</u>

As of June 30, 2022, 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, 2022, \$348,384 represents the amount authorized but not yet spent. There are no commitments that have been reserved for encumbrances for capitalizable and non capitalizable expenditures.

See Independent Auditor's Report.

## **Fiduciary Funds**

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds - Pension and OPEB Trust Funds**  
**June 30, 2022**

**Exhibit N-1**

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System	OPEB	Total
Assets:				
Cash and temporary investments	\$ 1,537,034	4,719,162	-	6,256,196
Investments:				
Stocks	33,262,559	102,126,211	3,514,954	138,903,724
Bonds	11,997,807	36,836,929	1,366,927	50,201,663
Real estate	1,621,325	4,977,963	455,642	7,054,930
Other investments	-	-	1,171,652	1,171,652
Total investments	46,881,691	143,941,103	6,509,175	197,331,969
Total assets	48,418,725	148,660,265	6,509,175	203,588,165
Net position	\$ 48,418,725	148,660,265	6,509,175	203,588,165

See Independent Auditor's Report.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds - Pension and OPEB Trust Funds**  
**Year Ended June 30, 2022**

**Exhibit N-2**

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System	OPEB	Total
Additions:				
Contributions -				
Employers' contributions	\$ 2,517,941	8,199,999	1,770,171	12,488,111
Investment income:				
Losses	(9,512,540)	(29,189,401)	(666,853)	(39,368,794)
Total additions	(6,994,599)	(20,989,402)	1,103,318	(26,880,683)
Deductions:				
Benefit payments	7,332,578	21,219,756	1,270,171	29,822,505
Administrative expenses	109,127	318,245	7,710	435,082
Total deductions	7,441,705	21,538,001	1,277,881	30,257,587
Net decrease in fiduciary net position	(14,436,304)	(42,527,403)	(174,563)	(57,138,270)
Net position, beginning of year	62,855,029	191,187,668	6,683,738	260,726,435
Net position, end of year	\$ 48,418,725	148,660,265	6,509,175	203,588,165

See Independent Auditor's Report.

## STATISTICAL SECTION

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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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities:										
Net investment in capital assets	\$ 258,558,928	240,866,613	204,945,661	200,446,790	220,454,135	242,691,679	241,411,418	244,408,023	232,550,945	210,854,679
Restricted	23,158,975	20,118,136	24,979,443	52,109,797	22,041,451	55,330,226	49,061,774	51,224,402	75,183,391	40,782,876
Unrestricted	(120,251,881)	(146,325,433)	(130,632,180)	(175,399,829)	(194,467,639)	(248,155,977)	(251,725,514)	(283,629,516)	(198,671,005)	17,497,544
Total governmental activities net position	\$ 161,466,022	114,659,316	99,292,924	77,156,758	48,027,947	49,865,928	38,747,678	12,002,909	109,063,331	269,135,099
Business-type activities:										
Net investment in capital assets	\$ 174,396,037	171,522,822	171,170,094	181,733,546	153,628,157	144,631,061	126,805,696	151,551,705	146,080,861	140,080,861
Restricted	-	558,916	-	-	-	2,508,031	-	-	-	-
Unrestricted	53,558,028	66,490,254	59,473,324	41,768,401	51,257,896	64,151,335	71,131,481	34,241,084	40,508,841	45,783,929
Total business-type activities net position	\$ 227,954,065	238,571,992	230,643,418	223,501,947	204,886,053	211,290,427	197,937,177	185,792,789	186,589,702	185,864,790
Primary Government:										
Net investment in capital assets	\$ 432,954,965	412,389,435	376,115,755	382,180,336	374,082,292	387,322,740	368,217,114	395,959,728	378,631,806	350,935,540
Restricted	23,158,975	20,677,052	24,979,443	52,109,797	22,041,451	57,838,257	49,061,774	51,224,402	75,183,391	40,782,876
Unrestricted (deficit)	(66,693,853)	(79,835,179)	(71,158,856)	(133,631,428)	(143,209,743)	(184,004,642)	(180,594,033)	(249,388,432)	(158,162,164)	63,281,473
Total primary government net position	\$ 389,420,087	353,231,308	329,936,342	300,658,705	252,914,000	261,156,355	236,684,855	197,795,698	295,653,033	454,999,889

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Expenses:										
Governmental activities:										
General government	\$ 35,626,879	39,218,688	37,889,362	38,413,786	42,436,115	37,937,076	25,571,539	30,847,939	195,651,602	27,914,580
Judicial	21,431,679	22,734,294	21,085,253	20,000,218	20,427,454	23,792,900	24,814,308	22,663,405	25,931,635	23,819,021
Public safety	54,066,701	64,342,740	62,543,113	60,442,523	55,762,645	56,460,539	51,693,737	56,785,068	58,678,933	66,483,899
Public works	28,779,345	26,595,222	29,546,493	26,998,794	35,206,810	30,344,639	20,442,395	24,259,546	22,082,142	18,919,255
Health and welfare	26,039,910	33,872,311	29,325,558	27,543,060	29,216,518	30,170,881	32,409,223	32,894,672	35,701,774	34,805,940
Parks, recreation and cultural	15,838,459	13,874,278	13,051,449	12,450,105	6,781,419	10,808,887	11,067,649	9,868,300	10,405,765	12,107,699
Community development	7,276,917	10,748,112	6,840,482	8,486,376	6,364,265	8,253,909	6,020,487	6,474,948	7,924,716	9,317,701
Education	62,631,150	62,337,766	58,144,523	51,759,910	46,578,589	55,180,440	53,908,322	55,140,801	52,948,197	41,411,783
Interest on long-term debt	12,007,784	13,069,364	14,941,569	17,378,172	15,649,378	15,532,828	18,198,185	19,484,834	19,560,389	13,535,905
Total governmental activities expenses	263,698,824	286,792,775	273,367,802	263,472,944	258,423,193	268,482,099	244,125,845	258,419,513	428,885,153	248,315,783
Business-type activities:										
Public utility	34,108,614	33,885,768	31,071,754	28,170,625	32,062,023	22,740,807	22,974,962	23,945,770	25,719,104	21,168,537
Golf	1,939,130	2,057,858	1,764,967	1,819,201	2,067,354	1,697,090	2,050,694	2,336,303	2,406,829	2,104,720
Port Facility and Economic Development	-	-	-	-	-	-	-	46,119	46,118	46,118
Parking Authority	1,030,209	932,079	1,105,374	1,114,194	1,119,619	1,176,209	1,151,506	1,185,598	1,395,552	1,348,920
Economic Development Authority	-	10,072,772	5,671,700	988,921	-	-	-	-	-	-
Waste Management	9,304,945	778,716	574,777	8,128,218	9,652,409	10,186,922	10,041,170	10,245,752	10,559,613	9,662,917
Total business-type activities expenses	46,382,898	47,727,193	40,188,572	40,221,159	44,901,405	35,801,028	36,218,332	37,759,542	40,127,216	34,331,212
Total Primary Government expenses	310,081,722	334,519,968	313,556,374	303,694,103	303,324,598	304,283,127	280,344,177	296,179,055	469,012,369	282,646,995
Program revenues:										
Governmental activities:										
Charges for services:										
General government	623,126	1,061,263	1,633,780	3,500,310	3,202,906	3,197,150	2,922,590	3,191,781	3,395,648	3,104,397
Judicial	355,548	399,607	496,707	2,336,975	159,077	178,372	571,659	576,660	271,277	343,106
Public safety	3,104,411	3,349,186	3,501,829	3,649,855	3,299,769	2,432,614	3,586,477	3,528,623	1,676,260	2,497,470
Public works	10,344,561	9,258,966	9,479,152	9,405,532	8,659,518	7,645,659	7,602,200	7,596,091	8,017,983	7,809,614
Health and welfare	36,295	45,840	2,649,505	3,192,307	1,884,948	806,120	1,242,294	973,317	596,831	600,194
Parks, recreation and cultural	962,677	120,213	1,023,382	2,329,340	2,455,855	2,405,301	2,992,632	2,321,055	2,396,043	2,587,705
Community development	1,557,252	1,032,064	1,896,922	3,709,517	1,988,338	3,676,204	3,397,562	1,971,830	1,206,617	1,149,814
Operating grants and contributions	83,025,540	81,808,041	76,180,235	62,722,800	64,669,930	67,314,255	66,867,871	67,982,527	71,792,163	70,737,857
Capital grants and contributions	7,112,521	3,214,539	958,741	314,197	3,145,146	2,188,987	696,766	5,052,229	2,655,741	1,422,747
Total governmental activities program revenues	107,121,931	100,289,719	97,820,253	91,160,833	89,465,487	89,844,662	89,880,051	93,194,113	92,008,563	90,252,904

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Business-type activities:										
Charges for services:										
Public utility	\$ 46,120,310	48,432,770	43,160,577	41,460,539	41,663,524	42,498,157	44,203,060	41,521,351	41,678,038	39,563,702
Golf	1,187,127	1,244,100	1,133,098	935,022	1,095,721	873,507	1,175,592	1,096,110	1,082,375	1,128,337
Parking Authority	702,484	586,816	789,927	937,609	973,460	953,160	995,542	924,588	1,093,811	1,118,200
Economic Development Authority	-	-	-	1,078,463	-	-	-	-	-	-
Waste Management	10,427,817	11,242,476	11,252,024	11,506,536	11,397,440	12,573,844	12,438,646	11,751,149	12,331,294	12,502,496
Operating grants and contributions	-	3,095,458	23,500	154,525	-	-	-	-	-	280,000
Total business-type activities										
program revenues	58,437,738	64,601,620	56,359,126	56,072,694	55,130,145	56,898,668	58,812,840	55,293,198	56,185,518	54,592,735
Total Primary Government										
program revenues	165,559,669	164,891,339	154,179,379	147,233,527	144,595,632	146,743,330	148,692,891	148,487,311	148,194,081	144,845,639
Net (Expense)/Revenue										
Governmental activities	(156,576,893)	(186,503,056)	(175,547,549)	(172,312,111)	(168,957,706)	(178,637,437)	(154,245,794)	(165,225,400)	(336,876,590)	(158,062,879)
Business-type activities	12,054,840	16,874,427	16,170,554	15,851,535	10,228,740	21,097,640	22,594,508	17,533,656	16,058,302	20,261,523
Total Primary Government										
net (expense)/revenue	(144,522,053)	(169,628,629)	(159,376,995)	(156,460,576)	(158,728,966)	(157,539,797)	(131,651,286)	(147,691,744)	(320,818,288)	(137,801,356)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
General property taxes	139,607,728	134,296,897	131,684,219	125,246,599	120,322,381	118,800,657	119,741,652	116,197,273	116,536,186	116,035,670
Other local taxes	45,725,087	43,399,798	37,688,861	40,277,057	39,144,817	39,194,725	38,783,705	39,934,290	37,674,332	35,995,762
Utility taxes	8,658,682	8,996,899	8,168,579	8,328,132	8,154,958	8,019,365	8,053,834	8,001,981	8,145,465	8,047,196
Investment earnings	246,191	172,751	1,340,130	2,411,049	2,438,303	1,040,792	1,480,919	662,555	591,371	1,291,260
Net gain on disposal of capital assets	-	-	-	-	-	-	-	-	-	-
Miscellaneous	10,404,082	7,499,760	7,628,767	5,722,887	17,197,309	12,577,198	4,193,125	3,776,579	6,192,905	3,863,492
Transfers	8,596,029	7,503,343	11,173,159	13,369,690	8,722,105	10,122,950	9,336,088	9,244,703	9,006,934	9,928,251
Total governmental activities	213,237,799	201,869,448	197,683,715	195,355,414	195,979,873	189,755,687	181,589,323	177,817,381	178,147,193	175,161,631
Business-type activities:										
Contributions - land	-	-	-	-	-	-	-	268,297	-	-
Investment earnings	139,314	134,245	1,473,592	1,275,565	1,371,144	747,570	485,672	486,790	537,392	170,968
Gain on sale of capital assets	-	(2,117,140)	-	-	-	-	-	-	-	-
Miscellaneous	565,248	540,385	670,484	681,409	369,061	1,630,990	772,630	587,082	593,289	713,526
Transfers	(8,596,029)	(7,503,343)	(11,173,159)	(13,369,690)	(8,722,105)	(10,122,950)	(9,921,248)	(9,244,703)	(9,006,934)	(9,928,251)
Total business-type activities	(7,891,467)	(8,945,853)	(9,029,083)	(11,412,716)	(6,981,900)	(7,744,390)	(8,662,946)	(7,902,534)	(7,876,253)	(9,043,757)
Total Primary Government	205,346,332	192,923,595	188,654,632	183,942,698	188,997,973	182,011,297	172,926,377	169,914,847	170,270,940	166,117,874
Change in net position:										
Governmental activities	56,660,906	15,366,392	22,136,166	23,043,303	27,022,167	11,118,250	27,343,529	12,591,981	(158,729,397)	17,098,752
Business-type activities	4,163,373	7,928,574	7,141,471	4,438,819	3,246,840	13,353,250	13,931,562	9,631,122	8,182,049	11,217,766
Total Primary Government	\$ 60,824,279	23,294,966	29,277,637	27,482,122	30,269,007	24,471,500	41,275,091	22,223,103	(150,547,348)	28,316,518

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund:										
Nonspendable	\$ 103,618	107,272	107,281	819,000	1,129,260	-	1,439,820	1,635,945	2,081,981	2,278,106
Restricted	246,880	251,715	256,872	328,618	595,922	3,088,288	231,460	254,070	233,444	18,549,834
Committed	7,220,500	8,002,867	8,644,680	5,735,921	5,717,715	-	-	-	16,652,635	7,187,371
Assigned	1,585,083	4,036,500	2,897,149	2,909,455	6,843,249	5,835,038	6,035,208	4,640,047	-	-
Unassigned	80,433,488	70,349,086	68,086,040	61,443,205	56,699,726	57,358,331	58,427,712	54,088,231	52,168,051	236,707,641
Total General Fund	\$ 89,589,569	82,747,440	79,992,022	71,236,199	70,985,872	66,281,657	66,134,200	60,618,293	71,136,111	264,722,952
All Other Governmental Funds:										
Nonspendable	\$ 1,000,000	1,000,000	1,000,000	1,000,000	1,000,277	-	1,002,223	1,002,223	1,002,223	1,002,223
Restricted	32,123,685	54,224,549	23,722,571	55,420,167	25,401,502	46,150,142	48,830,314	49,610,850	55,095,264	39,629,756
Committed	28,812,377	15,893,733	26,874,639	10,673,489	10,643,271	-	-	-	423,876	367,043
Assigned	535,678	-	-	-	-	-	657,536	421,026	311,668	618,921
Unassigned	-	266,586	(211,994)	(304,621)	(285,517)	(2,443,922)	(2,124,671)	(3,194,659)	(617,700)	-
Total all other governmental funds	\$ 62,471,740	71,384,868	51,385,216	66,789,035	36,759,533	43,706,220	48,365,402	47,839,440	56,215,331	41,617,943

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues:										
Taxes	\$ 194,485,314	188,208,646	177,183,904	174,299,649	166,143,061	165,316,609	165,989,121	164,133,541	161,907,337	160,108,769
Licenses and permits	1,670,001	1,125,063	1,063,342	970,984	1,184,721	1,101,703	1,133,825	954,328	959,486	832,610
Fines and forfeitures	173,169	199,968	256,229	430,782	407,379	393,231	623,879	692,844	633,409	867,213
Investment income and use of property	757,848	1,080,029	2,874,280	3,904,685	3,614,523	2,256,497	1,864,034	2,104,418	2,034,326	1,952,293
Charges for services	14,611,658	13,026,253	14,451,607	13,533,254	13,820,844	12,300,039	13,227,327	12,795,031	12,659,493	12,796,551
Recovered costs	3,547,099	3,437,434	3,437,754	3,320,565	3,250,747	3,094,150	3,880,881	3,935,523	3,842,764	3,598,403
Miscellaneous	7,007,011	4,062,325	4,191,013	4,910,656	4,707,444	6,981,435	4,432,350	3,678,609	6,252,378	4,451,002
Intergovernmental	89,657,478	83,609,112	80,012,134	72,716,057	70,603,236	73,792,879	73,090,368	75,974,575	74,876,626	72,780,080
Program income	480,583	1,413,468	502,791	175,260	326,162	-	-	-	-	-
Total revenues	312,390,161	296,162,298	283,973,054	274,261,892	264,058,117	265,236,543	264,241,785	264,268,869	263,165,819	257,386,921
Expenditures:										
General government	24,092,651	22,148,133	25,346,040	17,755,008	18,831,693	17,279,723	16,668,136	17,584,368	17,178,147	15,905,233
Nondepartmental	11,681,531	14,544,761	11,864,509	15,207,616	11,230,129	11,609,303	11,586,048	12,584,942	180,581,237	12,138,227
Judicial	19,973,906	19,641,145	19,360,029	18,593,526	18,987,412	18,825,217	19,135,481	20,977,970	20,547,549	20,179,701
Public safety	62,240,979	60,483,309	62,453,305	58,790,353	59,002,490	56,384,491	53,900,072	57,143,666	54,113,766	61,441,195
Public works	22,470,824	23,717,727	30,346,586	27,199,246	18,389,321	16,051,725	17,460,963	19,857,877	17,804,330	16,786,940
Health and welfare	28,599,474	33,597,934	29,383,223	28,761,332	30,161,237	30,793,964	32,037,049	34,041,970	34,072,749	32,239,186
Parks, recreation and cultural	14,144,427	11,759,148	11,889,210	12,253,121	11,879,662	12,048,666	10,114,937	9,574,714	10,672,489	11,448,655
Community development	6,416,183	8,532,181	5,945,399	5,472,555	5,143,342	5,379,225	4,946,123	5,669,431	6,717,779	7,906,297
Debt service:										
Principal	28,094,979	27,331,892	18,848,017	10,950,672	10,959,457	21,413,187	20,049,788	18,912,510	19,951,362	10,739,261
Interest and other debt service charges	11,606,473	13,428,837	16,088,730	27,298,006	26,335,349	16,428,402	18,507,554	19,147,205	16,213,438	14,313,937
Education	59,901,284	59,622,845	55,396,045	49,163,551	45,556,751	52,400,000	51,200,000	52,550,163	50,528,423	39,849,897
Capital outlay	34,154,930	28,336,802	20,357,621	19,731,291	29,716,193	24,188,084	11,866,954	25,025,125	23,674,694	13,961,951
Total expenditures	323,377,641	323,144,714	307,278,714	291,176,277	286,193,036	282,801,987	267,473,105	293,069,941	452,055,963	256,910,480
(Deficiency)/Excess of revenues over (under) expenditures	(10,987,480)	(26,982,416)	(23,305,660)	(16,914,385)	(22,134,919)	(17,565,444)	(3,231,320)	(28,801,072)	(188,890,144)	476,441
Other financing sources (uses):										
Transfers in	67,246,029	65,974,941	72,986,697	70,148,636	66,597,507	61,176,380	62,566,204	66,035,010	88,968,251	21,594,945
Transfers out	(58,329,548)	(57,156,048)	(59,319,558)	(61,259,826)	(57,092,269)	(51,928,913)	(53,326,537)	(56,502,867)	(78,447,095)	(12,459,843)
Discount on bonds issued	-	-	-	-	761,000	-	-	-	-	-
Payments to escrow agent	-	(28,468,646)	(128,754,443)	-	(81,531,318)	-	-	-	-	-
Payment for current refunding of debt	-	-	-	-	-	-	(56,930,880)	(30,446,686)	-	-
Premium on bonds issued	-	3,937,239	749,968	2,996,699	-	-	4,358,163	-	-	10,661,550
General obligation bonds issued	-	36,730,000	-	35,208,705	85,520,779	6,143,000	53,205,000	30,821,906	-	254,465,000
Bridge Loan	-	-	1,700,000	-	3,400,000	-	-	-	-	-
Refunding bonds issued	-	28,720,000	129,295,000	-	-	-	-	-	-	(77,854,902)
Total other financing sources (uses)	8,916,481	49,737,486	16,657,664	47,094,214	17,655,699	15,390,467	9,871,950	9,907,363	10,521,156	196,406,750
Net change in fund balances	\$ (2,070,999)	22,755,070	(6,647,996)	30,179,829	(4,479,220)	(2,174,977)	6,640,630	(18,893,709)	(178,368,988)	196,883,191
Debt service as a percentage of noncapital expenditures	13.80%	13.77%	12.49%	14.06%	14.24%	14.54%	15.08%	14.20%	8.44%	10.31%

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
2022	\$5,598,345	\$ 1,771,825	\$ 553,996	\$ 7,924,166	\$ 1.30	\$ 7,924,166
2021	5,334,479	1,678,482	848,227	7,861,188	1.30	7,861,188
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

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	
2022	\$ 1.30	\$ 5.00	\$ 0.50	\$ 1.50	\$ 5.00
2021	1.30	5.00	0.50	1.50	5.00
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

- (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	2022		2013	
	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.	\$ 525,064,110	6.18%	\$ -	-
PRHA	83,831,650	0.99%	46,489,927	0.41%
Dominion Virginia Power	39,843,133	0.47%	35,351,770	0.36%
CSB Myrtles, LLC	34,311,470	0.40%	27,000,000	0.30%
GEM Portsmouth High LLC		0.00%	31,459,500	0.31%
Westwinds Property LLC	30,228,220	0.36%	22,281,240	0.26%
Columbia Gas of Virginia Inc.	27,757,479	0.33%	-	-
Metro Machine Corp.	25,945,780	0.31%	-	-
Lincoln Family Communities LLC	24,675,220	0.29%	-	-
Park View Quarters Portsmouth LLC & 2 LLC	24,500,000	0.29%		
Wheelabrator Portsmouth, Inc.	23,608,360	0.28%	24,456,459	0.27%
APM Terminals	-	-	403,796,386	2.62%
South Norfolk Jordan Bridge	-	-	38,280,000	0.41%
Earl Industries	-	-	36,934,492	0.40%
Portsmouth Economic Development Authority	-	-	25,351,060	0.27%
	<u>\$ 839,765,422</u>	<u>9.89%</u>	<u>\$ 691,400,834</u>	<u>5.61%</u>

(1) FY2022 total City taxable real property assessed value - \$8,784,252

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									
2021	June 30, 2022	\$ 103,013,659	\$ 96,687,277	93.86%	\$ -	\$ 96,687,277	\$ (1,019,049)	\$ 5,307,333	94.80%
2020	June 30, 2021	102,194,939	94,660,121	92.63%	5,119,244	99,779,365	(2,236,187)	179,387	99.82%
2019	June 30, 2020	99,124,039	95,203,527	96.04%	2,919,372	98,122,899	(897,486)	103,654	99.89%
2018	June 30, 2019	97,431,512	93,892,019	96.37%	2,706,387	96,598,406	(566,963)	266,143	99.73%
2017	June 30, 2018	93,340,092	87,454,514	93.69%	4,395,863	91,850,377	(1,313,372)	176,343	99.81%
2016	June 30, 2017	92,868,293	86,739,589	93.40%	4,650,002	91,389,591	(1,307,594)	171,108	99.81%
2015	June 30, 2016	91,537,233	85,998,777	93.95%	4,184,588	90,183,365	(1,211,556)	142,312	99.84%
2014	June 30, 2015	89,337,507	83,972,704	93.99%	3,859,823	87,832,527	(1,351,126)	153,854	99.83%
2013	June 30, 2014	89,135,633	83,706,341	93.91%	4,352,038	88,058,379	(911,678)	165,576	99.81%
2012	June 30, 2013	88,808,682	83,261,282	93.75%	4,798,332	88,059,614	(578,702)	170,366	99.81%
Personal Property									
2021	June 30, 2022	\$ 31,984,875	\$ 22,630,145	70.75%	\$ -	\$ 22,630,145	\$ (1,169,455)	\$ 8,185,275	73.44%
2020	June 30, 2021	25,960,198	19,895,842	76.64%	9,501,447	29,397,289	5,954,848	2,517,757	92.11%
2019	June 30, 2020	24,167,958	17,942,402	74.24%	5,217,881	23,160,283	416,772	1,424,447	94.21%
2018	June 30, 2019	21,780,010	16,491,312	75.72%	4,306,542	20,797,854	(69,127)	913,029	95.79%
2017	June 30, 2018	20,278,000	15,383,909	75.87%	8,729,794	24,113,703	4,554,006	718,303	97.11%
2016	June 30, 2017	20,208,249	14,992,869	74.19%	8,532,732	23,525,601	3,991,011	673,659	97.22%
2015	June 30, 2016	23,350,303	17,520,280	75.03%	8,386,698	25,906,978	2,556,675	-	100.00%
2014	June 30, 2015	22,974,088	17,782,605	77.40%	8,245,912	26,028,517	3,054,429	-	100.00%
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%

- (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 FY2022 is \$41,703,230 less the tax credit of \$9,718,355 equaling \$31,984,875 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	Literary	Other Loans	Leases	Net Government Debt	General Obligation	Revenue	Capital				
	Bonds	Loans	Loans	Leases	Debt	Bonds	Bonds	Leases				
2022	\$ 407,201	\$ -	\$ 5	\$ 6,818	\$ 414,024	\$ 105,497	\$ 31,972	\$ -	\$ 551,493	*	*	
2021	435,660	-	5	7,645	443,310	121,422	32,079	-	596,811	*	\$ 6,100	
2020	423,204	-	5	612	423,821	127,134	32,185	-	583,140	13%	5,956	
2019	430,402	-	3	1,786	432,191	135,712	-	-	567,903	14%	6,016	
2018	414,630	-	3	2,865	417,498	138,872	-	-	556,370	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	

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)		
2022	\$ 512,698	\$ 512,698	6.47%	*
2021	557,082	557,082	7.09%	\$ 5,694
2020	550,338	550,338	7.22%	5,621
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	9.57%	6,790
2013	681,244	681,244	9.55%	7,091

(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 2021

Assessed value	\$ 7,924,166
Debt limit (10% of assessed value)	792,417
Debt applicable to limit:	476,195
Legal debt margin	<u>\$ 316,221</u>

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Debt limit	\$ 792,417	786,119	762,497	757,590	730,727	726,921	717,254	716,966	715,891	713,373
Total net debt applicable to limit	476,195	514,243	505,353	557,592	561,547	536,765	557,355	577,420	606,121	631,739
Legal debt margin	\$ 316,221	\$ 271,876	\$ 257,144	\$ 199,998	\$ 169,180	\$ 190,156	\$ 159,899	\$ 139,546	\$ 109,770	\$ 81,634
Total net debt applicable to limit as a percentage of debt limit	60.1%	65.4%	66.3%	73.6%	76.8%	73.8%	77.7%	80.5%	84.7%	88.6%

See Independent Auditor's Report.

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

**Exhibit D-1**

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age (3)	School Enrollment (4)	Unemployment Rate % (5)
2022	*	*	*	*	13,517	*
2021	97,840	*	*	35.6	13,395	6.70%
2020	97,915	\$ 4,393,544	\$ 44,871	35.5	13,991	9.40%
2019	94,398	4,021,806	42,605	36.7	14,006	3.90%
2018	94,750	3,898,431	41,144	35.3	14,339	4.00%
2017	94,838	3,749,433	39,535	36.0	14,611	5.30%
2016	95,165	3,624,567	38,087	35.0	14,927	6.00%
2015	96,336	3,681,567	38,216	33.6	15,080	6.10%
2014	95,829	3,568,331	37,236	34.4	14,970	7.10%
2013	96,075	3,494,958	36,377	35.0	15,256	8.00%

(1) Census Bureau

(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) Federal Reserve, St. Louis Fed, June Estimate

**CITY OF PORTSMOUTH, VIRGINIA**  
**Principal Employers**  
**Current Year and Nine Years Ago**

**Exhibit D-2**

2022	2013
Employer	Employer
More than 1,000 employees	More than 1,000 employees
Bon Secours Health System, Inc. City of Portsmouth Naval Medical Center, Portsmouth Norfolk Naval Shipyard Portsmouth Public Schools US Coast Guard Command- Portsmouth	Bon Secours Health System, Inc. City of Portsmouth Naval Medical Center, Portsmouth Norfolk Naval Shipyard Portsmouth Public Schools US Coast Guard Command- Portsmouth
Less than 1,000 employees	Less than 1,000 employees
Ceres Marine Terminals Harbor Point Behavioral Health (formerly, The Pines Tidewater Community College Virginia International Gateway	General Dynamics - NASSCO Southeastern Public Service Authority Tidewater Community College Walmart

Sources: Respective Employers

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

**Exhibit E-1**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>General Fund</b>										
General government	139	123	127	124	144	148	153	110	112	116
Judicial administration	253	246	242	227	221	222	210	198	193	193
Public Safety	625	584	576	530	537	545	551	502	499	467
Public Works	86	96	89	58	65	65	60	49	67	64
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Parks, recreational and cultural services	107	73	70	92	170	196	173	112	94	100
Community Development	51	46	43	38	38	40	46	46	43	42
Total General Fund	1,261	1,168	1,147	1,069	1,175	1,216	1,193	1,017	1,008	982
<b>Special Revenue Funds</b>										
Willett Hall Fund	2	1	1	1	1	-	1	-	-	-
Children's Services Act Fund	3	2	1	-	-	-	-	-	-	-
Stormwater Management Fund	27	22	24	21	16	14	20	20	22	23
Grants	-	-	-	-	-	-	15	14	15	14
Behavioral Health Services Fund	120	94	85	82	100	92	87	100	86	81
Social Services Fund	246	216	174	175	186	163	163	174	149	130
Total Special Revenue Funds	398	335	285	279	303	269	286	308	272	248
<b>Enterprise Funds</b>										
Public Utilities Fund	139	103	102	85	77	82	85	100	91	93
Golf Fund	17	16	15	11	11	11	10	10	11	10
Waste Management Fund	62	50	45	44	45	40	42	46	39	41
Parking Authority Fund	6	3	2	2	3	4	2	2	2	2
Total Enterprise Funds	224	172	164	142	136	137	139	158	143	146
<b>Internal Service Funds</b>										
City Garage Fund	35	34	32	33	28	28	27	28	25	21
Information Technology Fund	26	25	22	23	29	29	30	30	28	31
Risk Management Fund	3	1	1	3	2	2	1	1	2	1
Total Internal Service Funds	64	60	55	59	59	59	58	59	55	53
Total all funds	1,947	1,735	1,651	1,549	1,673	1,681	1,676	1,542	1,478	1,429

Source: Munis Employee Master download June 30, 2022

See Independent Auditor's Report.

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

**Exhibit E-2**

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Physical arrests	8,835	8,844	8,218	9,097	6,617	5,896	4,689	4,422	2,874	2,633
Parking violations	6,717	5,558	3,639	4,102	2,976	2,247	2,937	2,073	2,916	2,828
Traffic violations	14,343	12,297	17,119	18,580	6,715	5,366	6,952	5,502	3,901	2,906
Fire										
Emergency responses	17,421	17,517	17,787	18,561	18,724	18,162	18,663	19,060	20,610	21,653
Fires extinguished	307	291	322	295	429	360	368	333	447	352
Inspections	801	696	923	913	920	1,614	1,950	1,367	1,316	1,208
Refuse collection										
Refuse collection (tons/day)	*	183	142	135	75	154	174	235	233	233
Recyclables collected (pounds/day)	*	22,913	134,700	117,243	73,120	110,146	88,820	45,000	48,430	48,430
Other public works										
Street resurfacing (miles)	5.9	19.0	18.0	16.5	24.6	25.7	22.0	14.5	19.5	13.1
Potholes repaired	5,350	8,615	8,480	7,688	3,334	3,619	2,147	1,903	1,505	1,810
Parks and recreation										
Community center admissions	286,750	231,897	219,261	193,600	140,792	42,133	72,585	53,989	37,876	59,211
Library										
Volumes in collection	243,583	243,856	316,777	288,843	274,917	209,671	235,124	222,765	215,275	216,829
Total volumes borrowed	357,581	325,694	290,763	278,651	278,651	209,772	186,904	183,862	88,857	84,096
Water										
New connections	92	85	118	89	92	87	47	73	3,083	3,427
Water main breaks	107	118	163	94	81	100	95	79	87	127
Average daily consumption (millions of gallons)	24.6	18.0	20.2	15.1	17.8	15.2	16.5	16.0	15.5	14.5

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	268	256	256	253	249	255	255	255	259	257
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Fire trucks	12	12	12	12	12	13	13	20	20	20
Boat	1	1	1	1	1	1	1	1	1	1
Emergency Medical Services										
Ambulances	5	5	5	5	5	5	9	11	11	11
Refuse collection										
Collection trucks	27	27	27	28	28	28	51	49	50	49
Other public works										
Streets (miles)	399	399	399	398	398	398	398	398	398	398
Highway (miles)	887	887	887	881	881	881	881	881	881	881
Streetlights	10,714	10,723	10,747	10,747	10,747	10,750	10,768	10,768	10,776	10,776
Signalized intersections	121	123	122	122	122	122	122	122	122	122
Parks and recreation										
Acreage	402	402	588	588	588	588	588	588	588	590
Playgrounds	13	13	15	15	15	16	16	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	36	36	36	36
Community centers	7	7	7	7	7	7	7	7	7	7
Pools/Splash Park	*	*	3	3	3	3	3	3	2	2
Golf Course	3	3	3	3	3	3	3	3	3	3
Water										
Water mains (miles)	626	626	626	626	626	626	626	626	544	456
Fire hydrants	2,593	2,593	2,593	2,593	2,593	2,593	2,593	2,593	2,573	2,512
Storage capacity (millions of gallons)	9	9	9	9	9	9	9	9	11.5	11.5
Wastewater										
Sanitary sewers (miles)	438	438	438	438	438	432	432	432	434	434
Storm sewers (miles)	250	250	250	250	250	250	250	250	267	257
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.



**INDEPENDENT AUDITORS' REPORT 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2022.

**Internal Control Over Financial Reporting**

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

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

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

The Honorable Members of the City Council  
City of Portsmouth

### **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*.

### **Purpose of this Report**

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Arlington, Virginia  
December 19, 2022